

**Clustering and Networking
among Small Independent Hotels:
Developments over Ten Years**

By

Keith Dickson

Shaheena Janjuha-Jivraj

Pamela Primrose

Adrian Woods

Brunel Business School,

Brunel University

Uxbridge, UB8 3PH, UK

Contact Email: Keith.Dickson@Brunel.ac.uk

Presented at

ISBE2006,

International Small Business and Enterprise Conference .,

Cardiff, November, 2006

Key Words: Networking, Clusters, Independent Hotels, SMEs,
Social Capital, UCINET analysis

Clustering and Networking Among Small Independent Hotels

Abstract

This paper reports on networking activities amongst a cluster of independent hotels with a view to analysing key variables in network development for SMEs. A comparative, longitudinal element is introduced by reference to an earlier study of the same phenomenon, ten years earlier. Of particular interest is the influence of various forms of social capital in the development of informal networks and the inter-play between co-operation and competition over time. Given the time gap between the two studies, the effect of sectoral changes on network development is also examined. The research revisits and extends a previous study of many of the same hotels which were investigated in 1995 over their formal and informal links that were found to be influenced by such factors across two classifications - the business as unit (proximity, perceptions of quality) and the individual respondent (personal social networks and ethnicity). The findings were presented at the 18th ISBA conference. Extending that analysis, social capital concepts and relevant references to embedded networks and kinship groups and co-operative game rules will be introduced in this paper.

A highly concentrated population of small, independent hotels in Central London had been identified in the previous research project and it is from this sample that the current research drew and extended its own sample of hotels. With such a high number of hotels in the area a mixture of 'snowball' sampling and self-selection was successfully employed. Of the original 29 hotels, 22 have been re-interviewed and complemented by another 19. Of the remainder of the original sample, several had subsequently merged or failed to survive the intervening period. Face-to-face interviews were conducted with owner-managers in all cases using a structured questionnaire that replicated as much as possible of the original questionnaire, with both open and closed questions to allow some individual expression on relevant topics. The quantitative data obtained will be analysed using UCINET software to generate visual representations of networks alongside statistical and cluster analyses. It is expected that UCINET will be able to compare both sets of data, thus permitting some insight of developments over the ten year period.

Both academic and policy implications are likely to arise from this research, such as novel insights from such an unique periodic comparison of networks development, the influence of social capital on (formal and informal) network activities and the changing influence and consolidation of hotel groups through mergers and franchising.

Clustering and Networking Among Small Independent Hotels: Developments over Ten Years

Introduction

This paper reports on current research that examines networking activities amongst a cluster of independent hotels in London with a view to analysing key variables in network development for SMEs. A comparative, longitudinal element is introduced via reference to an earlier study of the same phenomenon in the same locality undertaken in 1995. Of particular interest is the influence of various forms of social capital in the development of informal networks and the inter-play between co-operation and competition over time. Given the time gap between the two studies, the effect of sectoral changes on network development will also be examined. The quantitative survey data collected from both studies has been analysed using SPSS and UCINET software, the latter enabling visual representations of the networking phenomena to be highlighted. In addition, qualitative data from interviews with owner/managers reveals higher levels of apathy and disinterest in networking amongst the hotels currently than was the case ten years earlier. Discussion over why the level of social capital has declined concludes this paper.

Context: the Hotel Industry

In the 1990's tourism in the UK was targeted as a growth industry for the new millennium. But in the last ten years or so hotels have been faced with various contractions and expansions in demand due to the political and economic turbulence of the period. The foot and mouth epidemic in 2001 and various terrorist attacks in the US and in the UK since then have certainly had negative effects on British tourism and consequently on hotel trade. Nevertheless tourism generated nearly £75 billions in 2002 (Visit Britain, 2006) and the hotel industry is a significant contributor to that figure. Statistics for the ten year period from the early 90s show that the number of hotels fell throughout the 1990s and later, although the findings also suggest that the bed stock increased. This suggests that although some smaller firms may have been forced out of business, many hotels may have merged or been taken over by larger hotel 'chains' or groups.

The nature of tourism strongly influences the clustering of hotels around certain popular sites, with London, Edinburgh and Brighton having particularly high concentrations, while in the case of London, certain clusters being particularly noticeable around major travel termini such as Heathrow airport, Victoria and Paddington railway stations. It is this latter concentration of hotels, mainly small, family-owned businesses that is the focus of this paper.

Networks and Social Capital

Networking and cluster analysis has become a very popular focus for research on small and medium sized firms (SMEs) from several disciplinary perspectives as it is used to analyse a variety of developmental and behavioural phenomena associated with firms' activities, both formal and informal. For example, economists may examine agglomeration, scale and transaction cost effects (eg., Krugman, 1996), geographers show interest in spatial planning, flexible specialisation and regional economic development (eg., Piore and Sabel, 1984; Amin 1989), and sociologists in individual relationships, embeddedness and social network issues (eg., Granovetter, 1985). More generally, there is extensive business and management literature on issues of inter-firm relationships including buyer/supplier links,

Clustering and Networking Among Small Independent Hotels

innovation collaborations, strategic alliances, social capital, etc (eg., Porter 1998; Szarka, 1990; O'Donnell et al, 2001; Dickson 1996) .

For the purposes of this research, we need to focus on those aspects of network/cluster theory that relate to small business development in the service economy. Firstly we need to briefly review various concepts about clustering and networks themselves before examining such aspects as social capital and co-operation/competition interfaces.

Firms generally cluster as a result of, *inter alia*, local specialized labour availability or market demand, geographic features, and enhanced flow and exchange of information and ideas. Geographic proximity thus is said to generate some form of economic benefit, though the source of this benefit remains external to any particular firm. Such an economic perspective implies little or no co-operation between firms, "beyond what is in their individual interests in an atomised and competitive environment" (Gordon and McCann, 2000, p517), and says nothing about established inter-firm relationships between firm that transcends pure economic dealings. To examine these inter-firm links, other models have been proposed and offer a broader perspective.

Another economically-derived model, the industrial complex, is characterised by sets of inter-firm relations, essential trading relationships influenced by locational behaviour. Such a model is like a 'closed club', exemplified by production supply relationships in Japanese 'Just-in-Time' arrangements (Gordon and McCann, 2000).

The social network model highlights the strength of inter-personal relationships that transcend firm boundaries such that many inter-firm social interactions may be stronger than intra-firm interactions. Interpersonal trust becomes a critical element in such relationships and the level of informality of these relationships is often a positive feature. Such trust based behaviour allows the firms to act more co-operatively with fear of individual opportunism and in pursuit of common, mutually beneficial goals. The level of embeddedness of a social network is a reflection of the strength of these inter-personal relationships.

The notion of social networks for economic benefit is underpinned by the constructs of social capital. Social capital provides a basis to businesses to congregate and generate advantages through shared resources enabling societies to prosper and develop sustainable economies (Habisch et al, 2001). The development of networks creating social capital can be varied, ranging from personal relationships that become embedded into business networks creating economic benefits for participants (Adler and Kwon, 2002). The key philosophy underpinning social capital lies in generalised reciprocity (Putnam, 2000). For Putnam, social capital has both individual and collective aspects. Connections are initiated through selfish motivations, but this transcends to wider benefits for others in the community. However, as with the development of any resource – social capital requires on-going investment – lack of development leads to stagnation and ultimately to the demise of social capital and related networks

This is developed even further where membership of long-standing communities provide linked to professional, business or status (Woolcock, 1998). The most visible and easily recognisable form of collectives are migrant ethnic communities, described by Kloosterman et al (1999) as 'mixed embedded networks' where resources transfer within and across the community. The advantage of community participation lies in the social capital generated through interactions with other members. Social capital within communities flourishes on the basis of generalised norm of reciprocity commonly applied to business behaviour. The generalised rule

Clustering and Networking Among Small Independent Hotels

of reciprocity suggests participants in a network will behave in a manner that they themselves would expect to be treated. The challenge with this approach lies in the ambiguity around expectations and acceptable levels of behaviour. This is central to the complexities in understanding social capital in different types of communities.

Invariably in the development of any partnership and hence any community, trust plays a central role. Indeed, Fukiyama (1995) states the core of a collective depends on the sense of moral community - the unwritten set of norms underpinning social trust. Trust is the lynchpin in this discussion and is bi-dimensional as it not only affects the interaction of networks but is affected by experiences within the network. The degree of trust will depend on strength of ties, influenced by emotional intensity, length of time, and reciprocity of services within this relationship (Granovetter, 1973). Strong and weak ties, defining positions in networks will exemplify levels of trust through intensity of interactions between partners.

Research on social capital amongst small firms has been dominated by work focusing on diverse ethnic migrant communities with a heavy predominance on America; Koreans (Light and Bonacich, 1988); Asians (eg., Bonacich, 1994); Japanese (Bonacich and Modell, 1980); Isrealis (Gold, 1995); Cubans Mexicans (Portes and Bach, 1985). Closer to home, several studies have examined ethnic small firms and social capital issues, including Asians in East Africa and the United Kingdom (Janjuha-Jivraj, 2003), and African-Caribbean and Asians in the United Kingdom (Fadahunsi *et al*, 2000).

Networking and Small Hotels

Small businesses face unique challenges and problems that may be difficult for the owner/ manager to resolve when acting alone. It is for this reason that networking can provide a solution to many problems, as they give the owner/manager contact with other individuals experienced within different areas of industry. But for various reasons, small hotel owner/managers are not at the forefront when it comes to networking and co-operating.

Peters and Buhalis (2004) found that, "it is still the case that family hotels still do not understand their need to collaborate with other firms and to establish long term partnerships with suppliers of raw materials, professionals that can undertake some core business function such as accounting...online and off line distributors such as travel agents... and destination marketing organisations". Supporting evidence of the value of networking to small hotel owners is offered by Grangsjo and Gummeson in their research on the value of competitor cooperation in destination marketing. Empirical research based upon a localised set of hotels in Sweden, suggest that the hotel network formed has found a winning formula based upon a set of principles or 'balancing acts' and a '7 point code of conduct' that individuals within the group must adhere to. The 'balancing acts' are seemingly contradictory strategies which must be overcome or balanced for the group to succeed these include competition versus cooperation, intention versus action and the individual needs of one firm balanced against those needs of the group (Grangsjo & Gummeson, 2005). As such these hotels have formed a networking body that has improved the individual's situation through the collective.

It is these findings that provide the foundations for training and education within small business owners, as suggested by Peters and Buhalis (2004) where there is a lack of recognition and collaboration, family owned hotels miss vital opportunities to strengthen their position and the position of their partners making training and education in networking of key importance to small, family owned firms.

Clustering and Networking Among Small Independent Hotels

Methodology

A population of small, independent hotels in West London was identified for the original research in 1995 (Janjuha *et al* 1995) and it was with this sample that the present research continued. With a total number of fifty-eight hotels in the area, a mixture of snowball sampling and self-selection sampling was used. Thus the sample is a non-probability sample, however, the authors would suggest that due to the high response rate (72%), the sample is representative of the small hotels in the area. Of the original twenty-nine hotels interviewed in 1995, twenty-two were re-interviewed, those hotels that were not interviewed having ceased to exist either through merger with another hotel or had simply failed to survive the intervening period. In addition to these original hotels, a further nineteen were interviewed within the same population.

The interviews were carried out as face-to-face interviews with the owner or manager of the hotels. The interviews were structured, with closed questions to allow for comparison both with the current and previous research samples. The questionnaires in both research covered questions relating to formal network membership, the use and impact of these services and the owner-managers' informal and social networks. However, further open questions were used in a variety of the topic areas to allow for more qualitative, personal reflections to be collected. In addition the interviewees were offered the opportunity to offer any further information, as they felt necessary. Interview times varied from fifteen minutes to over an hour, dependant upon the participants' response and willingness to elaborate on questions.

Within networking studies one of the main difficulties encountered is that of choosing when to 'close' the network i.e. in setting network parameters. We did not set such boundaries - this was achieved through drawing up a matrix of all known hotels (the total population) in the area and numbering them, even where they choose not to be part of the research. Secondly, each participant was offered the opportunity to name hotels that it considered to be part of his or hers local network but which was not listed in our matrix, thus including hotels slightly outside of our geographical area. Due to the limited number of hotels within the area and the restriction upon how far each hotelier could feasibly travel to share information and resources with one and another, it can be concluded that within this the total possible population was captured.

The data on networking activity was analysed using UCINET and SPSS software, the former primarily as a exploratory simple device for highlighting the network links and the latter for standard statistical analysis, though the authors would be the first to admit that neither was used to their fullest extent and were limited by the nature of the questions and the relatively small sample size.

Changing Profile of the Businesses Sampled

Since 1995, the hotels within the area have changed relatively little in terms of size with the distribution of sizes being relatively evenly spread. Small changes have occurred in the distribution of size, with both the smallest (0-20 rooms) and the largest (80+ rooms) group representing a higher proportion of the hotels than previously. The ethnicity of respondents has however changed with a 10% rise in the number of Asian respondents and a reduction in the number of European and North African and Middle Eastern respondents. This may be related to the changing ownership of the hotels, with a much higher proportion of family ownership (56.5% in 1995 rising to 82.9% in 2006) and a change in the type of ownerships

Clustering and Networking Among Small Independent Hotels

held with an increase in hotel groups (almost doubling in the 10 year period) and franchised (growing from 0- 4% in this period).

This is also reflected in the interviewee's position at the hotel with far more referring to themselves as a general manager (51.2%) as compared to 1995 where 73.9% of respondents referred to themselves as owner- managers. These changes are reflected in the length of time they have managed the hotel with 48.8% of the respondents only having managed the hotel for 0-5 years. This is possibly linked to the fact that many of the owner's children are now taking over the management of the hotels as the owner's get older and wish to retire which is correspondingly reflected in the reduction of respondents in the 51+ category.

Membership of formal organisations has varied, where the Chambers of Commerce and British Tourist Authority have seen a decrease in membership, whilst an increase in membership has occurred for the Institute of Directors, London Tourist Board, Business Links for London and travel/ booking agents, with the largest rise occurring in the latter. The increase in use of booking agents in particular has been huge, rising from only 4.5% in 1995 to 80.5% in 2006, a similar but smaller rise has occurred within travel agents with an increase of 15.9%. Possible explanations of this are related to the external, macro economic factors the tourist industry has faced within the last five years including foot and mouth, 9/11 and 7/7.

In terms of informal networking, 20% of respondents claimed to share nothing with other hotels within the network and this can be compared to 9.8% in 2006. Correspondingly, perceptions of whether individual hoteliers feel they belong to an informal network have risen by slightly over 10%. However, the number of hoteliers who actively seek to build network contacts has almost halved and sharing of business information has decreased by 10% in the intervening period.

UCINET Analysis

UCINET software not only analyzes networking data but also enables visual representations of the networking phenomena to be highlighted and displayed. The following sections provides an overview of selected 'sociograms' (as the network diagrams are called in UCINET) that relate various factors to the phenomena. Restrictions on space prevent an extensive presentation and discussion of this material. The sociograms (several are attached as appendix 1) illustrate the ties that each hotel claims with another hotel, and reciprocal ties (in bolder print) are those that both hotels indicate some link.

The overall situations for both 1995 and 2006 provide very complex networks (see sociograms 1,2, & 3, the third showing those hotels that were interviewed in both samples) but these can be reconfigured to suit any particular analytical focus as indicated below.

Characteristics of the Business

Length of Current Hotel Ownership: As length of current ownership increases an overall increase in ties occurs particularly in reciprocal ties. Unsurprisingly, length of ownership and increasing age of the respondent (maturity) result in stronger ties and more reciprocal relationships.

Size and Status of Hotel: Size as a determinant in networking appears to be influential only for larger hotels (e.g. hotels with 61 rooms plus), with the largest hotels appearing to network more with each other (sociogram 4). With no formal classification of hotels, it is reasonable to assume status or quality is relatively correlated to size though attitudes towards status were largely a perception of the respondents. Three hotels explicitly focused upon quality as a differentiating factor which reinforced strong reciprocal ties between them (as can be seen in sociogram 6 where these three, hotels 36,11,5, are coloured green).

Clustering and Networking Among Small Independent Hotels

Proximity: Location of the hotels creates strong sub-groups as indicated in sociograms 5 & 6. Neighbouring hotels, shown as coloured sub-groups, appear more likely to share physical resources with each other than with other hotels. This factor is as important as length of ownership in influencing networking behaviour. Reciprocal ties can also be reinforced through proximity over length of ownership, specifically with the case of H40 & H41 where neighbours maintained a networking relationship despite a change of ownership.

Characteristics of Owner

Age: The age of the owner/ manager was found to have no bearing on the networks whereas length of ownership was a far stronger determinant. Therefore, networks will pan across generations within family-owned businesses reinforcing the notion of trust embedded in the family rather than individuals (see sociogram 6).

Ethnicity: There is still a strong contingent of Greek Cypriot business owners amongst the sample despite the fact that it had decreased slightly as a percentage over the last ten years (see table 1 below). Previous research identified ethnicity as an influencing factor on networking, while the 2006 findings indicate an increase in networking within that community.

Surprisingly, despite an increase in the number of Asian respondents there is also a lack of networking within the Asian ethnic group, which can be explained by the fact that some respondents were Indian and some were Pakistani so there appears to a religious dimension here.

Table One: Changing ethnicity of Hotel Owners

Ethnicity of Owner	Proportion of Hotels		Percentage of Hotels	
	1995	2006	1995	2006
European	7	15	32	37
Greek Cypriot	10	14	45	34
Asian	2	7	9	17
Middle Eastern and North African	3	3	14	7
Other	0	2	0	5
Totals	22	41	100	100

Discussion of Qualitative Findings

Overall, the behaviour of the hotels was marked by a surprising weakness in networking activity amongst the businesses. Political and economic experiences have clearly unsettled the tourist sector, and, in particular, the independent hotels have not encouraged greater co-operation amongst businesses in this particular locality. Indeed a number of these hotels have found their trade severely affected and the goodwill associated with networking has declined significantly. Several clear, specific issues can be distilled from the qualitative findings as follows, illustrated with quotes obtained from the interviews.

Competition and Co-operation

A mixture of cooperation and competition exist in the area in which the hotels operate, with some hotels, despite being in direct competition sharing vital information. For example as noted by Hotel 48,

"You know, we both [H46 and H48] know at the end of the day we are competitors and if he takes someone from me or I take someone from him its sort of 'fair game'... With him, you know its sort of, survival of the fittest sort of thing; we keep each other on our toes like that."

Clustering and Networking Among Small Independent Hotels

However,

"H46 told me that they spend forty thousand a year on advertising and commissions and all the rest of it. I mean fair play to them they have given me information as to who they advertise with..."

Thus, despite these hotels recognising that they are in direct competition, they will still share some confidential business information which could be used to give another firm competitive advantage. Hotel 46 reiterates this,

" There is two (hotels) on that list that we know very well so we would happily talk about everything and then (with) the rest we would just be happy to lend stuff too, dependant upon the relationship and how much information you get back from the other hotel."

Where informal relationships are of longstanding, reciprocated and individuals are willing to share the same level of information, the hotels cooperate at a high level. However, the majority of the hotels cooperate at a much lower level (i.e. simply sharing resources) and recognise far more the competitive nature of the area.

'Traditionally hotels are individual by nature. They don't like to share too much, each hotel has to protect its sources of revenue. I mean OK if we run out of bacon or something like that we can go to the hotel next door or across the street to get some, or we help each other with laundry. But you know we are not going to form a consortium to have a bigger pulling power, we don't want to go like that, we just help each other out' Hotel 3

"Hoteliers are very tight lipped, may give a hint or tip such as, 'You could try...' but you are the competition, no one will give tips to another hotel to help them gain advantage, everyone will just pass the time of day with you." Hotel 40

Overall, the area is characterised by competition with each hotel trying to protect its source of custom. Cooperation mostly occurs between hotels in terms of sharing resources such as linen or basic supplies but this will not result in a loss of custom or competitive advantage for the firm giving these resources, whereas sharing business information might result in such a loss.

Hotels and Informal Networking

The sociograms illustrate a higher propensity of networking occur amongst the larger hotels. This may be due to economies of scale as owners and or manager have the time to engage with other businesses, without directly affecting their business. For smaller hotels the resources and time required to develop a network is effectively taking up time that might be spent generating new business.

The lack of a uniform classification system for hotels further complicates networking activity. Businesses will benchmark themselves in relation to other hotels they perceive to be in a similar league, whether this is for competition or co-operation. Without a formalised framework hotels are more likely to use rough measurements based on size of the hotel, physical attractiveness, facilities offered and possibly target customers. This means for many businesses the 'rules of engagement' within a network are not clearly defined. As illustrated in the case noted earlier (Grangsjo and Gummeson, 2005) the 'manufactured' hotel network succeeded due to explicit rules stating forms of contribution and thereby engendering a sense of trust. Despite a largely competitive group of hotels they identified the need to collaborate as a means of increasing the number of visitors to their area, with a view that individual competition was justified once tourists had entered the market.

Clustering and Networking Among Small Independent Hotels

The decline in tourist business, coupled with Paddington representing one of the most well-known tourist destinations in London, would seem to provide the right environment for an informal business network to flourish. In reality attempts to achieve this have withered over time, due to a number of overlapping reasons. When the research in this area was first conducted in 1995 a large group of hoteliers had joined forces to set up an informal Hoteliers Association. The network was initiated in reaction to proposals to redevelop the area and the hoteliers needed to have a voice representing their views. The group successfully arranged meetings and generated momentum to work towards building a cohesive community. However, the association did not manage to formalise their activities and as a result declined when key players moved away from the area. This, combined with the intervention of the local council in establishing the Paddington Business Industrial District (PBID) created a different form of grouping for the hotels. Under the guise of the PBID hotels agreed to pay an additional levy on their business rates to promote the initiative in supporting their needs. However, once again this initiative stalled as the principle driver of this programme (a civil servant) moved to another position and the enthusiasm for this project declined. Once again the hotels faced a situation of raised expectations and non-refundable expenses leading to disappointment. More importantly, the experience has adversely affected trust amongst the hotels, reducing their willingness to invest time and energy into building relations with other businesses. These two experiences have appeared to colour their perceptions of the effectiveness of co-operative endeavours with little or no direct benefit to their own businesses.

"When the PBID first started we had a meeting at the Hilton. I was introduced to a very nice bloke who was the head of the Hoteliers Association, I asked him (as a new manager) about the next meeting and he said they started the association when there was a problem with the ground rent, but they only meet when there is a problem... they don't hold marketing meetings...I was quite disappointed that they didn't do that...We are all too insular."

Hotel 36.

The reduction in the number of informal contacts and social contacts can be linked to the demise of the Paddington Hoteliers Association in that, the hoteliers are no longer brought together for a common cause and thus giving individuals the opportunity to network and gain both business and possibly social contacts. For example, in 1995 hotel 40 had far more contacts than it does presently, the reason behind this is that the owner was the founder of the Paddington Hoteliers Association but he has now left the business to his daughter who has no interest in running the association or networking

In addition to the demise of the Hoteliers Association, a lack of trust for each other and an overall feeling of stronger competition results in limited networking. When asked why the respondents did not actively seek contacts amongst the other hotels, the following typical responses were given:

"I don't actively seek contacts as many owners are unfriendly or competitive but we all know each other so there are links"

Hotel 24

"I suppose we work together when things need to be addressed, it has been a long time, hotels change hands and it is not as close as it used to be"

Hotel 43

"Unfortunately it is not the easiest thing to do, I feel a bit uncomfortable walking into another hotel and saying 'I'm your competitor but do you want to share business/ business information' "

Hotel 44

Hotels and Formal Networking

Clustering and Networking Among Small Independent Hotels

Generally the use of formal networks was high and had increased within the ten-year period. However, the attitude was to be involved with those organisations that provided customers and thus revenue as opposed to those that allowed opportunities outside this field (e.g. Chambers of Commerce, Business Links for London, Institute of Directors). In addition, the British Tourist Agency/ Visit Britain and London Tourist Board were often used as simply ways to classify themselves and show customers they were of a certain standard, however, this was reducing at the time of interviews as many respondents complained of a change in classifications- this resulted in both being termed as 'useless' on many occasions as they neither provided customers nor a means to attract customers to their individual hotel. The following quotes summarise many of the respondent's views on the British Tourist Agency/ London Tourist Board.

'They used to be extremely important, years ago they sent us a large proportion of our guests. However, they are becoming less and less important- they are hardly ever in contact' Hotel 3

'Not as important as they used to be, the internet made them less important as people/ customers can easily book through the web...' Hotel 40

'Complete waste of time, we have learnt over the years that we are better off doing our own marketing- it is not value for money!' Hotel 43

However, use of other formal contacts such as travel agencies and booking agents are growing. In particular, use of booking agents has risen from 4.5% to 80% in the intervening period. Reasoning for this is two-fold – firstly, these bodies provide a direct source of revenue, secondly due to recent traumatic events, such as terrorist attacks and foot and mouth, the hotel industry is struggling to survive and needs to be proactive in promoting sales.

'In touch constantly, very important to the business as they are the source of custom...' Hotel 1

'They are it- they bring in most of the work' Hotel 12

'The majority of customers book before they arrive, compared to in the past when customers would look around for accommodation' Hotel 24

'Before 9/11 and the recession (we) did not rely on these agents/ agencies- now we are forced to rely on them more- so they have become increasingly important.' Hotel 38

Hotels and Trust

The geographical area in which the hotels operate is characterised by a transient, high volume of people, mainly as visitors, which appears to have generated a significant level of distrust amongst the hotel owners, not only for outsiders but also often for each other despite being aware of each other on a personal level. Reasons for such distrusting attitudes being prevalent can stem from perceptions of standards, experiences of others' actions, gossip and jealousy. Furthermore, the researchers picked up on significant socialisation amongst hotel owners who nevertheless refused to acknowledge each other as contacts during the interviews.

The following quotes highlight these issues;

'One of the problems with the smaller hotels is that they are owned by private people but run by managers without a hotel background...' Hotel 36

'We don't have anything to do with any of the hotels across the way...they are not really very good to deal with. If they for example make bookings (in

Clustering and Networking Among Small Independent Hotels

my hotel) because they have double-booked or something, they will take absolutely ages to get payment from them. If I ever have to, you know, send someone to them, I will be round with a payment that day. I tell you now it's never particularly easy dealing with the other hotels...' Hotel 48

'I can talk to other hoteliers, but I wouldn't, I couldn't, vouch for the accuracy of the information they gave me.' Hotel 48

Due to the close proximity in such a concentrated area of hotels, observability of each hotel's competitors/neighbours results in many hotels having wide but fragmentary knowledge of each other, information that may even be incorrect resulting in distrust. For example, while interviewing one researcher was repeatedly told of hotel 45's sale and how the bank forced this. In fact, hotel 45 had been bought out by a neighbouring hotel (hotel 5) so that they could be joined together to create a much larger hotel.

Concluding Comments

For a number of hotels the desire the network with each other was impeded by high transaction costs, linked to significant uncertainty, historical failure of networks and increasing competition. Experience of the failed networks described earlier, along with uncertainty around the perceived status of hotels in relation to one another has inevitably resulted in greater mistrust amongst hotel owners in this locality.

Furthermore, the nature of businesses in the area has also changed over the last decade with a slow, but steady increase in groups and franchised-hotels. Some of the franchises remain under the same ownership and a few of the groups are the result of family mergers of hotels through marriage. In addition an international luxury hotel chain has entered the market, that whilst not directly competing, adds extra pressure to the independent hotels, not just in economic terms but in staffing terms as evidence from interviews highlights growing concern over retaining staff who, once trained by the independent hotels, move on to the large chains. But the franchise hotels do compete directly with the independent hotels and the changing nature of the tourist market means there is a growing demand for accommodation that is uniform and provided by a well-recognised brand. This is far more difficult for independent hotels to compete with.

The use of UCINET as an analytical tool has been positive even if the contrasts between the 1995 and 2000 datasets did not materialise as much as envisaged. This was partly due to the much smaller sample in 1995 but it also reflects the lower than expected levels of interaction and collaboration expected amongst such a concentrated group of firms. Proximity has been very influential but competitive pressures have clearly impeded any increase in social capital.

References

- Adler, P and Kwon, S (2002) Social Capital: prospects for a new concept, **Academy of Management Review, 27(1):17-40**
- Amin, A (1989), Flexible Specialisation and Small Firms in Italy: Myths and Realities, **Antipode, 21:13-34**
- Bonacich, E (1994), Asians in the Los Angeles Garment Industry. in P.Ong, E. Bonacich and L. Cheng (Eds.), **The New Asian Immigration in Los Angeles and Global Restructuring**. Philadelphia: Temple University.
- Bonacich, E and Modell, J (1980), **The Economic Basis of Ethnic Solidarity: Small Business in the Japanese American Community**, Berkley: University of California.

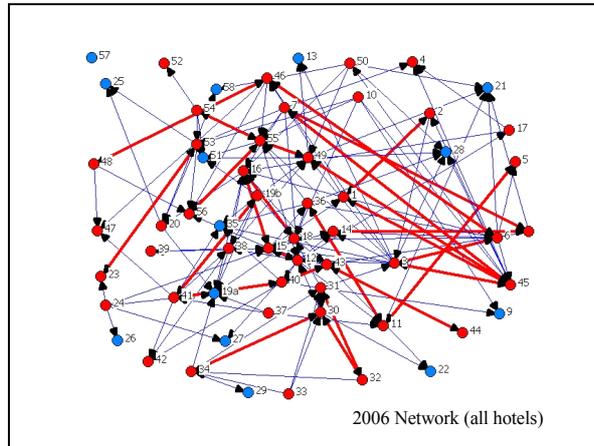
Clustering and Networking Among Small Independent Hotels

- Dickson, K (1996), How Informal Can You Be? Trust and Reciprocity within Co-operative and Collaborative Relationships, **Int'l J. of Technology Management, 11(2):129-139.**
- Fadahunsi, A, Smallbone, D and Supri, S (2000), Networking and ethnic minority enterprise development: insights from a North London study, **Journal of Small Business and Enterprise Development, 7: 228-240.**
- Gordon, I & McGann P (2000), Industrial Clusters: Complexes, Agglomeration and/or Social Networks? **Urban Studies, 37(3):513-532.**
- Habisch, A, Meister, H and Schmidpeter, R (eds) (2001), **Corporate citizenship as investing in social capital**, Berlin: Logos-Verlag.
- Fukiyama, F (1995), Social Capital and the Global Economy, **Foreign Affairs, 74(5):89-103.**
- Gold, S. (1995), Gender and social capital among Israeli immigrants in Los Angeles. **Disapora, 4(267); 301.**
- Grangsjö, Y & Gummesson, E (2005), Hotel Networks and Social Capital in Destination Marketing, **International Journal of Service Industry Management, 17(1): 58-75.**
- Granovetter, M (1985), Economic action and social structure: The problem of embeddedness, **The American Journal of Sociology, 91(3); 481-510.**
- Granovetter, M (1973), The Strength of Weak Ties, **The American Journal of Sociology, 78(6); 1360 - 1380.**
- Janjuha, S, Dickson, K & Woods, A (1995), Community and Interaction: Networking Amongst Small, Independent Hotels, presented at the **18th ISBA National Conference: Entrepreneurship in the 90s**, University of Paisley, November.
- Janjuha-Jivraj, S (2003), **Succession in South Asian Family Firms**, Palgrave MacMillan.
- Kloosterman R., Ven der Leun, J. and Rath, J. (1999) Mixed embeddedness: (In)formal economic activity and immigrant businesses in the Netherlands. **International Journal of Urban Regional Research, 23(2):252.**
- Krugman, P (1996), **Development, Geography and Economic Theory**, Camb.: MIT Press.
- Light, I. and Bonacich, E. (1988), **Immigrant Entrepreneurs: Koreans in Los Angeles, 1965 - 1982**. Berkeley: University of California Press.
- O'Donnell A, Gilmore A, Cummins D & Carson D (2001), The Network Construct in Entrepreneurship Research: A Review and Critique, **Mgt. Decision, 39(9): 749-760**
- Peters, B and Buhalis, D (2004), Family Hotel Businesses: Strategic Planning and the Need for Education, **Education and Training, Vol 4 No 8/9.**
- Piore M & Sabel C (1984), **The Second Industrial Divide: Possibilities for Prosperity**, New York: Basic Books.
- Porter M (1998), Clusters and the New Economics of Competition, **Harvard Business Review, Nov-Dec, pp 77-90.**
- Portes, A. and Bach, R. (1985) **Latin Journey: Cuban and Mexican Immigrants in the United States**. California: University of California Press.
- Putnam, R. (2000), **Bowling alone: the collapse and revival of American community**. New York: Simon and Schuster.
- Szarka, J (1990), Networking and Small Firms, **Int'l Small Business Journal, 8(2):10-22**
- Woolcock, M. (1998), Social capital and economic development: towards a theoretical synthesis and policy framework, **Theory and Society, 27:151-208.**
- Visit Britain, UK Industry: Key Tourism Facts, website:
www.tourismtrade.org.uk/MarketIntelligenceResearch/KeyTourismFacts.asp

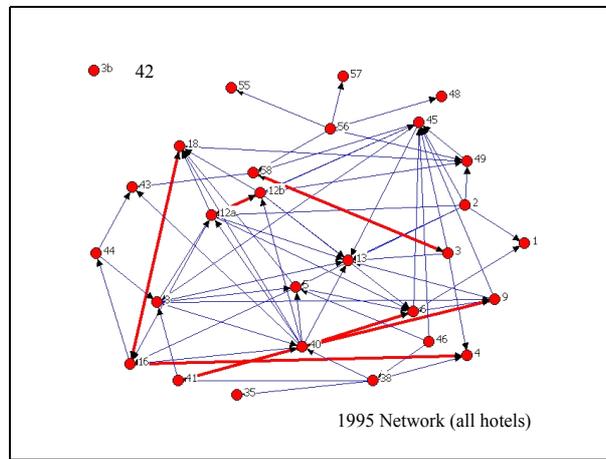
Clustering and Networking Among Small Independent Hotels

Appendix One: Selected UCINET Sociograms

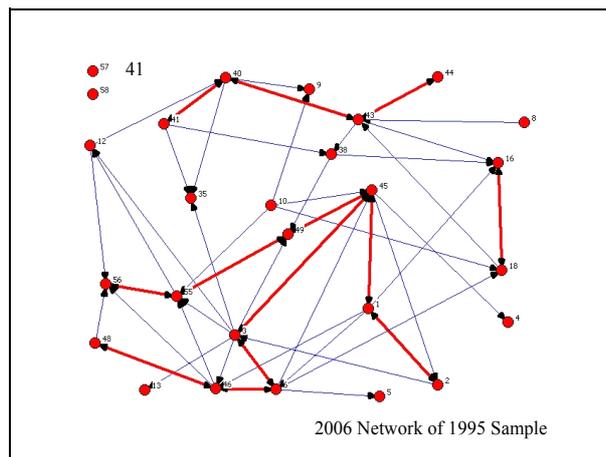
Slide 1



Slide 2

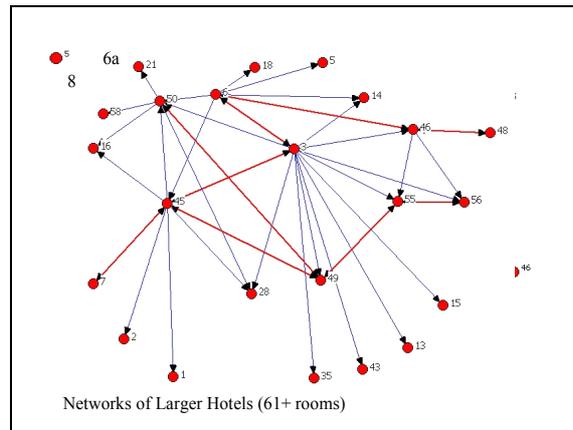


Slide 3

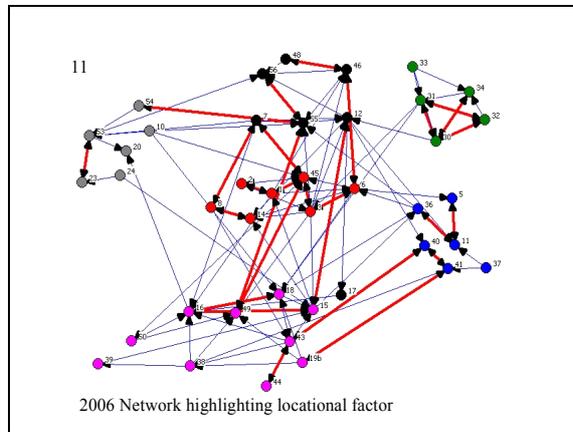


Clustering and Networking Among Small Independent Hotels

Slide 4



Slide 5



Slide 6

