The Dependence of Tourism SMEs on NTOs: the case of Finland

Abstract:

This paper reports on a study to explore the level of dependence of small and medium sized tourism enterprises (SME) in Finland on the resources of the Finnish Tourist Board (FTB). A tool to measure resource dependence was developed. The overall importance of specified resources, the level of exchange of these resources acquired from the FTB, the existence of alternative sources for similar resources, as well as access to them, were assessed. The level of dependence of Finnish tourism SMEs on the FTB was reported to be moderate. Differences were, however, identified among different types of enterprises. The size of enterprises, their proportion of foreign guests, their marketing planning, and their cooperation with others affected the level of resource dependence. The FTB resources on which tourism SMEs were most dependent were destination marketing and marketing knowledge. The results contribute to an understanding of the role of national tourism organizations.

Keywords: Small and Medium Enterprises, tourism, National Tourism Office, inter-organizational relations, resource dependence
INTRODUCTION

Studies of inter-organizational relationships (IOR) have shown that organizations interact in order to attain resources or to tackle uncertainties (Pfeffer and Salancik 2003). According to the transaction-cost theory, interaction between organizations might also result from their need to reduce the costs, which occur when transactions are arranged, managed, and monitored (Child and Faulkner 1998). Interaction with others comes at a price, however, for it also means that an organization has to give up some of its autonomy (Schmidt and Kochan 1977; Whetten 1981; Galaskiewicz 1985; Pfeffer and Salancik 2003). This means that an organization eventually becomes to some extent dependent on others in its environment.

This study was conducted to explore how a National Tourism Organization (NTO) and small- and medium-sized tourism enterprises (SME) interact. More specifically, the study focused on the resource dependence of SMEs in Finland on the Finnish Tourist Board (FTB). Given the importance of SMEs in tourism and the particular support that the NTOs can provide, their relationship is important not only in understanding the factors that might influence, and indeed justify, the work of NTOs but also in understanding the success of tourism destinations.

The main aim of the paper is to reveal the potential dependence of tourism SMEs on the key resources provided by the FTB. The results of the research are expected to provide a better understanding of the resource needs of different kinds of tourism SMEs as well as insights into how important a largely publicly funded NTO is as a resource provider for small and medium sized tourism enterprises.
The study on which the paper is based was carried out in 2005 in Finland which has a large tourism SME sector as well as a well-established and active NTO. By way of background, Finland currently records about 18.2 million registered overnight stays annually, two-thirds of which are by domestic visitors. However, in a country with about five million inhabitants, the growth prospects for the domestic market are limited. SMEs - employing up to 249 people according to the EU classification (European Commission 2003) - account for more than 99% of businesses in total in the country, with micro businesses (fewer than 10 people) making up 93%. The value added of SMEs is almost at the same level as that for large enterprises (Small Business Institute 2000). In other words SMEs are of key importance and this is also true for tourism with an estimated 90% of tourism businesses being classified as micro enterprises (Peltonen, Komppula, and Ryhänen 2004). The NTO, the Finnish Tourist Board, was founded in 1973. It is a statutory organization with the task of carrying out marketing and promotion, in cooperation with the tourist industry, as well as supporting tourism product quality and development.
BACKGROUND AND DEFINITIONS

NATIONAL TOURISM ORGANIZATIONS

The term tourism organization is, according to Pearce (2000: 586), commonly used “to refer to destination-based organizations constituting the official administrative bodies responsible for tourism”. National tourism organizations are established for the purpose of servicing national objectives (Gee, Makens, and Choy 1997; Peattie and Moutinho 2000). They vary in size, structure, tasks and funding, with many receiving support from the private sector, but overwhelmingly they are public bodies in receipt of public funds. This is the case in Finland.

Marketing is one of the most common tasks of NTOs, although many are also engaged in other activities to support tourism in the destination including product development, quality control, research, training and lobbying (Pearce 1992; Choy 1993; Hall 1994; Elliott 1997; Keller and Smeral 1997; Page 2003; Horner and Swarbrooke 2005; Middleton and Clarke 2005). The FTB carries out most of these functions.

According to Middleton and Clarke (2005) NTO marketing is carried out at two levels: destination promotion and market facilitation. With promotion, NTOs aim to increase the awareness of consumers of the destination. Middleton and Clarke suggest that when a certain level of awareness has been reached, it is complemented with market facilitation activities. Market facilitation means cooperation and coordination between various sectors of tourism and may include such activities as joint marketing campaigns, shared information and reservation systems, and sales promotion measures. Destination promotion and market facilitation activities as depicted by Middleton and Clarke provided a basis for the definition of NTO resources for the purpose of this study.
SMALL AND MEDIUM-SIZED ENTERPRISES (SME) IN THE TOURISM SECTOR

According to a European Union (EU) recommendation (European Commission 2003), SMEs are classified into three categories – micro, small and medium-sized enterprises – based on four criteria. Applicable to all are the number of employees, annual turnover, and total balance sheet. The fourth criterion, independence, is applied only to small and medium-sized categories. The details of the criteria are outlined in Table 1.

[Table 1]

The SME sector is regarded as fundamental to the competitive development and as the backbone of the European economy (Mulhern 1995; European Commission 2000c; ENSR - European Network for SME Research 2002). As stated by the European Commission, “SMEs make a significant contribution in terms of competitiveness, research, innovation, skills and employment” (European Council 2000:84). SMEs also play an important role in fostering variety, self-fulfilment, and independence in society (Holmlund and Kock 1998) as well as essentially contributing to social and local integration (European Commission 2000c). Further, SMEs are claimed to contribute significantly to the productivity and growth of large enterprises, they increase competition, add to a diversity of enterprises, and adapt new technology and ideas developed in other enterprises (European Network for SME Research 2004). Because the tourism sector in Europe is dominated by SMEs (European Commission 2006), inevitably each tourism destination represents an amalgam of the SMEs providing tourism products and services. Finland is no exception in this. As a consequence, the destination and their businesses are interrelated and the well-being of one depends upon the accomplishments of the others (Buhalis and Cooper 1999; Thomas and Augustyn 2007).
SMEs are also claimed to be a key factor in the development of tourism destinations (Shaw 2004).

SMEs are argued to be well suited to tourism; but they also face a number of challenges. As far as their suitability for tourism is concerned small business owners have personal contacts with their customers and they are therefore able to respond rapidly to customer needs and demands (Beaver, Lashley, and Stewart 1998). They provide an interface and a contact between local culture and tourists and contribute thereby in communicating the particular characteristics of their destination (Middleton 1997; Shaw and Williams 2002). As SMEs are flexible due to their size, they are also able to provide customised products and services (Buhalis and Cooper 1999). In addition, through SMEs, tourism expenditure reaches the local economy rapidly (Buhalis and Cooper 1999). Kozak and Rimmington (1998) maintain that small businesses have a great influence on how tourists perceive destinations as well as on the destination image.

Turning to the challenges, SMEs in tourism, including those in Finland, and like SMEs elsewhere, face: a shortage of financial resources, lack of management and marketing skills, lack of industry expertise and strategic vision (Beaver, Lashley, and Stewart 1998; Boer 1998; Dewhurst and Horobin 1998; Friel 1998; Shaw and Williams 1998; Wanhill 1998; Webster 1998; Augustyn 2004; Thomas and Augustyn 2007). Also, like other SMEs there is debate about their underlying motives. Whereas economic motives play an important role in the foundation of firms in general, the motive behind establishing a new small business in tourism is often claimed to be non-economic (Szivas 2001; Shaw and Williams 2002; Thomas and Augustyn 2007) although elsewhere Shaw (2004) maintains that the majority of tourism
entrepreneurs are business-oriented. Shaw and Williams (2004:101) suggest “that, in many cases, lifestyle motives are, to some extent, embedded within an economic agenda”.

For tourism SMEs the literature suggests that co-operation appears to be a vital option in their survival and possible growth. Exchange of information, research as well as joint marketing facilitate product development and expansion of markets beyond the local area (Buhalis and Cooper 1999; Thomas and Augustyn 2007). Buhalis and Cooper suggest that SME cooperation is needed at the destination level in order to increase the competitiveness of SMEs and their respective destinations as well as to facilitate higher customer satisfaction. According to Friel (1998), cooperation allows small firms to enjoy many of the advantages of larger businesses and sustain the advantages of being small. Mikhailitchenko and Lundstrom (2006) maintain that transactions and linkages occurring between SMEs and organizations in their environment are considered as a tool, which small businesses use in order to cushion them from environmental uncertainty and to improve their performance. All of these areas of cooperation point to a role for the NTO in supporting SMEs both to allow the SMEs to prosper as well as for the NTO to achieve its own objectives of creating a successful tourist destination.
The concept of Interorganizational Relations (IOR) is based on studies of organizational behaviour (Gamm 1981; Selin and Beason 1991). A number of theoretical paradigms have been developed to inquire into the relations between organizations. Among them, resource dependence theory, transaction cost economics, strategic management theory, and networking theory are the most commonly used (Wang and Xiang 2007).

Bacharach and Lawler (1980) maintain that dependence (or interdependence) is an inherent feature of social life. Only parties operating in total isolation can stay independent. There are various reasons for organizations to interact with each other, albeit acquisition of resources as well as uncertainties in an organization’s environments are the chief motivators. These are also grounds for SMEs to collaborate (Mikhailitchenko and Lundstrom 2006). Though interacting with others means that an organization has to give up some of its authority, for an organization to survive, interaction is often inevitable (Schmidt and Kochan 1977; Whetten 1981; Galaskiewicz 1985; Pfeffer and Salancik 2003).

*Resource dependence* is a theory developed by academics since the 1960’s. It is a form of power-dependence relations between organizations. The term resource dependence in social sciences as discussed here is based on Emerson’s (1962) theory of power in social relations. Social relations involve reciprocal actions, where the power of one results from another’s dependence (Emerson 1962). The emphasis on power in contrast to economic efficiency differentiates resource dependence from transaction-cost theory (Williamsson 1975). The term “resource dependence” denotes interorganizational interactions and dependencies. The resource dependence concept regards the environment in which organizations act as being uncertain. It also implies that decisions of organizations are constrained by their
environment. Consequently, actors as well as factors outside an organization can – according to the resource dependence perspective – to some extent influence and control the decision-making in an organization (Pfeffer and Salancik 2003). Responding to environmental and resource factors, organizations attempt to reduce uncertainty by minimising – or at least managing – their dependencies (Kleymann 2001). But this environment is also characterized by resource scarcity (Aldrich 1975; Kleymann 2001). Organizations lacking critical resources or wanting to have more possibilities to act must be prepared to give up some of their autonomy and independence towards procurement of resources (Ahrne 1994; Child and Faulkner 1998; Kleymann 2001; Pfeffer and Salancik 2003). Such resources may either be monetary, or physical, or they may consist of information, skills, knowledge, or social legitimacy (White 1974; Pfeffer and Salancik 2003).

Over the years, empirical evidence supporting resource dependence theory has continued to accumulate. The focus of research has mainly been on the effects of environment on organizations, on organizational efforts to manage environmental constraints, and how these constraints affect internal organizational dynamics (Pfeffer and Salancik 2003). Although, according to Pfeffer and Salancik, the resource dependence logic has found wide acceptance, more systematic empirical work – also quantitative - should be done (Pfeffer and Salancik 2003). They suggest that “Specifically, studies of strategic change might consider both the extent to which a given firm is dependent on various customers and the particular demands of those customers…” (Pfeffer and Salancik, p xvii). The resource dependence theory explored in this study is primarily based on Pfeffer and Salancik’s (2003) developments of the theory as well as Saidel’s (1990) research on resource interdependence.
The importance of SMEs for tourism in Europe is clear. At least in terms of numbers they dominate the tourism sector. They do, however, lack resources. One of the potential providers of resources is the NTO. As a consequence of the resource exchange between NTOs and tourism SMEs, a resource dependence relationship may emerge. As suggested by resource dependence theory, the extent of dependence of one organization on another implies in turn the extent of power this organization has over the other. Dependence of tourism SMEs on NTO resources would therefore imply that the NTO might be in a position to influence SMEs. The focus of this research is on this dependence relationship between tourism SMEs and the Finnish Tourist Board.

Based on what is known about SMEs as well as on the basis of resource dependence theory, a number of assumptions regarding the possible dependence of tourism SMEs on NTO resources were made as follows:

1) Enterprises are seldom, if ever, self-sufficient and they need to exchange resources in order to survive (Ahrne 1994). As assumption was made that the fewer its resources the more an enterprise is likely to be dependent on others. On this basis very small enterprises could be expected to be very dependent, particularly so in tourism in relation to the NTO since publicly funded NTOs may provide resources for the tourism sector at favourable conditions. Consequently, these small enterprises could be expected to be more dependent on an NTO than somewhat larger enterprises.
2) Start-up enterprises are particularly in need of adequate externally sourced resources. NTOs are one possible external source. On this basis it was assumed that the age of an SME would affect the extent of resource dependence. Start-ups and other enterprises which are not so well established were expected to have a greater dependence on NTO resources than those which have been operating for some time.

3) SMEs intending to internationalize are often held back because of a lack of appropriate resources (Holmlund and Kock 1998). The resources that an NTO provides can help tourism SMEs to overcome this obstacle hence there is likely to be a link between resource dependency and the extent of international activities.

4) Resource dependence theory suggests that a possible way of managing dependencies is to enact its environment (Pfeffer & Salancik, 2003). Enacting means that by responding to environmental and resource factors organizations attempt to reduce uncertainty by minimizing their dependencies (Kleymann 2001). Strategic planning is one possible way of “enacting” the environment (Beaver, Lashley, and Stewart 1998; Margerison 1998; Webster 1998). It was assumed that those SMEs which plan their operations would be more aware of the demands in their environment and would be able to respond to them better. Therefore, they would be less dependent on external resources than SMEs which did not make plans. Consequently, planning of operations could reduce also SMEs’ dependence on an NTO.

5) Growing SMEs have a greater need for external resources than enterprises which do not aim to grow (Augustyn 2004). Use of external resources may increase an SME’s dependence on resource providers. Therefore, enterprises’ plans for the future were expected to explain differences in the extent of resource dependence between enterprises.
6) Cooperation is not only considered to be an important factor in helping small enterprises achieve economies of scale and expand their business, but it is also believed to be important for their mere survival. SMEs might need to cooperate with other organisations in order to gain the resources they require. According to Pfeffer and Salancik (1978) cooperation is a means for an organization to decrease its dependency on external resources. On the other hand, cooperation is said to lead to interdependence between partners (Akinobe and Clark 1976; Himmelman 1996; Child and Faulkner 1998). Resource dependence was thought to vary as a result of cooperation.

7) NTOs provide some resources that are unique. For example marketing the destination (country) as a whole is rarely carried out by other bodies. On the other hand some NTO resources, such as research data or training are available elsewhere. Against this background it was assumed that SMEs would be most dependent on the NTO for those resources that it uniquely could provide.
MEASUREMENT AND SCALES

Operational Definition of the Resource Dependence Concept

In order to render the resource dependence concept measurable, it needed to be operationally defined. By operationally defining the resource dependence concept, its dimensions are identified. These are then converted into observable and measurable elements (Sekaran, 2001).

According to Pfeffer and Salancik (2003), resource dependence is a function of the importance of a resource to an organization, of the availability of alternative resources, and of an organization’s ability to influence an external provider’s decisions regarding its resource allocation. The dimensions of the resource dependence concept can hence be defined as importance, alternatives, and influence.

The importance-dimension, consistent with Pfeffer and Salancik, is composed of two elements: the importance of a resource to an organization’s operation on the one hand, and the extent of resource exchange from an external organization on the other. These elements can be defined as perceived importance (later: importance) and magnitude of exchange (later: magnitude).

The alternative-dimension can also be broken down into two elements: the organization’s knowledge about existing alternative resources (later: alternatives) and its access to alternatives (later: access).
Only one element marks the *influence-dimension*. In order to measure this dimension, one has to find out how an organization can affect the provision of external resources. This element can be defined as *influence on the provision of the resource* (later: influence).

*Figure 1 illustrates* the dimensions and their elements resulting from the operational definition of the resource dependence concept.

*Figure 1*
Definition of NTO resources

In order to build a resource dependence measure, resources made available by NTOs to tourism enterprises had to be identified. Besides tangible, also intangible resources - like information, skills, and legitimacy - are exchanged between organisations (Pfeffer and Salancik 1978).

Middleton and Clarke (1998) suggest that typical tasks of an NTO include destination promotion and market facilitation. Destination promotion includes advertising, public relations, and production of promotional material. Market facilitation includes flow of research data, representation abroad, organization of workshops, trade shows and familiarization trips, travel trade information, joint campaigns, information and reservations systems, support for new products, marketing expertise for trade consortia, customer services, and general advisory services for the industry. All of these can be defined as resources of NTOs. They were employed as a framework to identify those resources which the Finnish Tourist Board provides for the tourism industry. Two papers, the strategy (Finnish Tourist Board 2003) and the marketing plan of the Finnish Tourist Board (2004) provided a source for specifying these resources. The 17 resources identified are given in Figure 2.

[Figure 2]
Resource dependence, although a widely used concept, has not been frequently measured quantitatively. Initial guidelines for the development of the research instrument were provided by Saidel’s study (1990) on resource interdependence between state agencies and non-profit organizations. Saidel constructed three scales, measuring resource importance, the availability of alternatives, and the ability to compel the resource provision. Respondents indicated intensity of agreement or disagreement on six-point, Likert-type scales. The conceptual anchors of each scale were independence and dependence. Scale items in Saidel’s study were predominantly attitudinal, some were behavioural. Resource interdependence was then calculated as an average of the total scale scores.

In this study, resource dependence was defined to be a function of three dimensions which have been further broken down into five elements: importance, magnitude, alternatives, access, and influence. In order to combine these in a way that is commensurate, a five point Likert type measurement scale was used for each of the five elements. For four of these elements, importance, magnitude, alternatives, access, they were measured against all 17 of the resources provided by the FTB. The fifth element, influence, was measured against a single item. So for example, the importance measure shows the importance that respondents attached to the destination marketing, research data, reservations systems and other resources provided by the FTB, as given in Figure 1. Similarly the alternative measure shows the extent to which respondents had knowledge about alternative sources, other than the FTB, for resources such as training or lobbying or other resources provided. The actual wording of the statements, for example, in relation to “Information about foreign markets” was: Importance: “Information about foreign markets is vitally important for this enterprise.” Magnitude: “This enterprise uses information provided by the FTB about foreign markets. Alternatives: “There
are suppliers of information about foreign markets other than the FTB.” Access: “If needed, this enterprise has access to information about foreign markets from different sources.”

For the final measure, influence, the single item was designed to show the extent to which the respondents felt able to influence the FTB’s decisions regarding the allocation of its resources. There were two reasons for confining this to a single item. First the influence of an organization upon others is often indirect and, therefore, cannot necessarily be measured for a single resource. Secondly, as noted from the pilot study, with 17 items the research instrument was lengthy. Restricting one of the elements to a single question helped to shorten it without unduly reducing its effectiveness.

At the data analysis stage the effects of the influence measure on the overall resource dependence created a problem in that the results showed that when the magnitude of resource exchange scored low – indicating low level of dependence - influence also scored low indicating a high level of dependence. At the extreme an enterprise in which no exchange takes place would have no need to influence the resource providers and hence could answer that they had no influence over the providers giving the impression of a high level of dependence. This is potentially misleading, and for this reason, influence was not included in the overall scores for resource dependency.
The five point Likert-type scale used to measure the dependent variables extended from 1 for “strongly disagree” with the statement to 5 “strongly agree”. A combined resource dependence score of 1.00 would stand for total independence of SMEs on NTO resources. Conversely, a score of 5.00 would indicate total dependence. Resource dependence was calculated as an average of scale scores. An additive model for the four elements was used to arrive at the overall dependence. This had the advantage of being straightforward and is also supported by the work of Pfeffer and Salancik, who argue that “Concentration of the control of discretion over resources and the importance of the resources to the organization together determine the focal organization’s dependence on any given other group or organization. Dependence can then be defined as the product of the importance of a given input or output to the organization and the extent to which it is controlled by a relatively few organizations” (2003:51). For the scales used in this research and for the aggregate resource dependence scores, the following reliability coefficients (Cronbach’s Alpha) were computed: importance-scale 0.914, magnitude-scale 0.965, alternatives-scale 0.958, access-scale 0.946, and for the aggregate (resource dependence) scale 0.952.
SURVEY INSTRUMENTS

An online questionnaire was supplemented by a version sent by mail to those without email access. The initial questionnaire was designed and refined in collaboration with several executives of Finnish tourism SMEs. This procedure facilitated the use of appropriate language and provided important comments on the length of the questionnaire.
SAMPLING

The study population consisted of all the small and medium-sized tourism enterprises in Finland. To obtain a representative sample, two different databases had to be used. A database for Finnish companies is maintained by Bluebook Finland. But since this database does not include farms, a database of the Finnish Ministry for Agriculture of companies offering farm stays, was used to complement the sample. The sampling frame included 7,845 addresses. The samples from both databases were drawn by using a random sampling technique.
DATA COLLECTION

The data were collected in Finland. Two pilot tests were carried out. For the pilot study as well as for the final survey, for those enterprises in the sample that had submitted their e-mail addresses, an online questionnaire was offered. Enterprises not having an e-mail address or not having provided it received a mailed questionnaire with postage paid return envelope. The final survey was sent to 1,141 tourism SMEs, of which 80% received the survey by e-mail and 20% received a mailed questionnaire. Some 173 e-mails and four mailed questionnaires were undeliverable and therefore returned. Two reminders were sent to the e-mail database, whereas the recipients of the mailed questionnaire were reminded once. The total response was 238 giving a response rate of 25%.
DATA TREATMENT AND ANALYSIS

Throughout the ongoing survey the data from the online-survey were saved in the Lotus Notes database using SSM software. The complete online survey data were then imported to SPSS software. The returned mailed questionnaires were numbered and the data were manually entered. For the entire statistical analysis, SPSS 12.0.1 for Windows was used.

Apart from the descriptive statistics used to measure the central tendency and the measures of dispersion, the main statistical tests used to analyze resource dependence were independent sample T-test and One-Way ANOVA. Tests for multicollinearity did not detect high correlations between independent variables.
FINDINGS

SAMPLE CHARACTERISTICS

Over 60% of the responses came from enterprises in various accommodation sectors. Also specialist holiday organizers were well represented in the sample, while incoming operators contributed the smallest number. Some 67% of the businesses were located in rural areas and 33% in cities. Farm stays, other accommodation and specialist holiday organizers were mainly located in rural areas, while enterprises from the transport, hotel, incoming operators, and other sectors were mainly based in cities.

Over half of the responding enterprises had existed for more than ten years. The size of the responding enterprises was defined by their turnover and by the number of their full-time employees. The majority (97%) of the respondents were small, while the remaining 3% were medium size enterprises. Some 82.5% were so called micro enterprises, i.e., they employed fewer than ten people. Over one third of all the respondents were in organizations that employed only one person. Most of these were from the farm stay sector. Medium size enterprises were from the transport and the hotel sector.

The responding enterprises in this sample were only moderately international. In total, 88% of the respondents had fewer than half of their guests from abroad. Some 52% of them had less than a 10% share of foreign guests and 4% of the respondents had only domestic guests. Enterprises in the transport and hotel sectors were the most internationally oriented. The visitor attraction sector proved to be the most domestically oriented.

Of the respondents some 25% had a formal marketing plan while about 50% planned their marketing in an informal manner. One quarter of the responding companies did not plan
marketing at all. Those who planned their marketing most often did so one to two years in advance (65.5%). Some 15.5 % planned their marketing short term (up to one year); another 19 % planned long term (three to five years in advance). Nearly two thirds of all enterprises (63 %) had plans to grow in the future. The great majority of the respondents cooperated with other organisations (93.4%). Only a small proportion of them did not (6.6 %).
OVERALL RESOURCE DEPENDENCE

The mean value of the overall resource dependence of the respondents was 2.43 on a scale from one to five. Adopting Saidel’s classification of dependence levels (Saidel 1990), the overall resource dependence of Finnish tourism SMEs on the FTB can be considered to be moderate (between 2.40 and 3.60). Resource dependence can also be defined in relative terms. A total of 100 % would stand for a complete dependence, while 0 % would signify a complete independence (Saidel 1990). On this basis the dependence of Finnish SMEs was calculated at 36 %. In one of the questions in the survey, respondents were asked to rate the importance of the FTB for their business. Some 18.5 % of enterprises considered the FTB to be at least somewhat important while more than 50% considered the FTB unimportant for their business. This may suggest, that respondents are not quite aware of all of their dependencies. Interestingly when asked to rate the importance of the FTB for Finland as a whole, the largest number, about 69% regarded the FTB as being important for Finland.
Levels of resource dependence by resource and by element are given in Table 2. Turning to the elements, on the importance dimension the most important resource by far is the NTO’s marketing knowledge (4.14). This is followed by other resources associated with markets and marketing, consumer information and product development support, all scoring above 3.5. The lowest 2.44 is for contacts with the foreign media, presumably a reflection of the relatively low involvement in foreign tourism by many of the respondents. The level of magnitude of resource exchange at 1.99, on a scale from 1 to 5, is substantially lower than the scores for importance (3.29), alternatives (3.87) and access (3.70). As far as individual resources are concerned (mean for all resources 2.43) Finnish tourism SMEs regarded destination marketing (2.77) and marketing knowledge (2.66) as being clearly the most important. These were followed by information on domestic (2.58) and foreign (2.51) markets, research (2.51), product development support (2.49) joint domestic marketing (2.48) lobbying (2.48), joint foreign marketing (2.47) and distribution of consumer information (2.47). The highest scores for the magnitude dimension were measured for destination marketing (2.94), for information on domestic market (2.42), and for research (2.31). Also, information on foreign markets (2.27) and marketing knowledge (2.25) scored higher than the average on the magnitude scale. Of the FTB resources these are thus exchanged most frequently by tourism SMEs. Scores for knowledge about alternatives were high, ranging from 3.50 to 4.20. The lowest scores and hence the least knowledge about alternatives available were all related to foreign markets (joint foreign marketing, contacts with foreign media, information on foreign markets). Regarding access to alternative resources these again scored relatively high notably for training (4.07), information on the domestic market (4.01), contacts with domestic media (4.00), and joint domestic marketing (3.99). Lobbying received the lowest score in this regard (3.25). Overall, the perceived ability of tourism SMEs to
influence the FTB’s resource decisions (not shown in Table 2) had the lowest overall score (1.69).

[Table 2]

Levels of resource dependence varied among SMEs. Significantly the size of enterprises, the number of their international guests, their marketing planning procedures and their degree of cooperation with others affected the level of dependence on the FTB. Age of SMEs and their future plans regarding growth did not affect the level of resource dependence.

As the number of employees increases, the level of resource dependence increases as well. Whereas enterprises with only one employee show an average resource dependence level of 2.31, a level of 2.88 is computed for medium-sized enterprises. The distribution of scores is shown in Table 3.

[Table 3]

A significant difference between enterprises in different size categories was reported ($F_{(3, 219)}=5.995$, $p=0.001$). A post-hoc test (Bonferroni) was conducted. This showed that enterprises employing only one person showed significantly lower levels of resource dependence than enterprises with two to nine employees ($p<0.05$) or enterprises with over fifty employees ($p<0.01$). A contrast test was carried out to compare the dependence between micro enterprises and enterprises with 10 employees and more. This test showed a significant difference between these two groups ($t=3.390$, $df=219$, $p=0.001$).

The number of international guests had an impact on the level of SMEs’ dependence on the FTB resources as well. Resource dependence levels were lowest among enterprises with no
foreign guests whereas enterprises with shares of 51% to 100% foreign guests showed the highest levels of dependence. Resource dependence score distribution between groups is presented in Table 4.

[Table 4]

The difference in resource dependence scores between groups was statistically significant \((F(4,217)=4.884, p=0.001)\). The 17 resources provided by the FTB included in the resource dependence scale allowed a separate investigation of the dependence of SMEs on individual FTB resources. SMEs with a large number of foreign guests were most dependent on resources such as ‘joint foreign marketing’, ‘destination marketing’, and ‘information on foreign markets’, ‘contacts with foreign media’, and ‘representation overseas’.

SMEs which planned their marketing were more dependent on FTB resources than enterprises planning their marketing informally or which were not making any plans at all. An ANOVA-test showed a significant difference between these groups \((F(2,224)=8.433, p<0.001)\), while a post-hoc test (Bonferroni) showed significant effects between enterprises with a formal marketing plan and enterprises with an unwritten plan \((p<0.05)\) as well as between enterprises with no marketing plan \((p<0.01)\).

Enterprises which cooperate with at least one organization, consider the resources included in the survey to be more important and they exchange more of them with the FTB than those not cooperating at all. They also have better access to alternative resources. Differences between these three elements were statistically significant, although no statistical significance was found regarding the fourth element, alternative resources. A summary of the scores for resource dependence dimensions is presented in Table 5. However, there was no difference in
overall resource dependence between those who cooperated and those who did not. But depending on with whom the tourism SMEs cooperate their level of dependence on the FTB resources varies. Cooperation with local and regional tourism organizations was associated with increased dependence on certain FTB resources.

[Table 5]

Overall, enterprises, regardless of their size, their sector, or of other demographic indicators, showed very similar levels of knowledge of alternative resources as well as access to these resources.
DISCUSSION

Taken as a whole, the tourism SMEs in Finland are moderately dependent on the FTB resources. Resource dependence varies, however, among different resources and among different kinds of enterprises. Based on the literature, some propositions were made regarding the dependence of tourism SMEs.

It was assumed that very small enterprises would be more dependent on FTB resources than somewhat larger SMEs. This assumption was not supported by the results. The larger an enterprise the higher was its dependence on FTB resources. It was notable that the smallest SMEs, employing only one person, did not acutely need the resources currently provided by the FTB. They also used significantly fewer FTB resources than other enterprises. Very small tourism enterprises are often established in order to ensure their owners a certain lifestyle, and not so much on entrepreneurial grounds (Szivas 2001). This might, at least partly, explain the low level of perceived importance of resources as well as the low level of use of these resources among the smallest tourism SMEs. Put simply they may not be interested in any form of sophisticated marketing or market knowledge beyond placing small advertisements and word of mouth publicity. On the other hand, somewhat larger enterprises might be better aware of the importance of certain resources for their business. They might also be better informed about resources which the FTB provides for the tourism industry. Also, small businesses are less exposed to the volatility of demand in international markets which might make them less prone to work with the FTB.

Given the specific resource needs of SMEs which want to internationalize, it was assumed that enterprises with foreign customers would be more dependent on the FTB resources than
SMEs which rely on the domestic market. This proposition was verified. A larger number of foreign guests increased SMEs’ dependence on the FTB.

Planning of operations was expected to decrease SMEs’ dependence on external resources. The results of this research suggest that quite the contrary was the case; indeed, the more sophisticated the planning procedure of an SME, the higher was its dependence on the provision of FTB resources. This might indicate that a strategic approach to planning possibly makes SMEs more aware of the resources needed as well as where to obtain them from. They might also be more aware of the costs of alternative resources. Given that they come from a publicly funded body the resources provided by an NTO might prove to be more cost-effective than other alternatives.

It was noted above that the overwhelming majority of SMEs cooperated with other organizations. It was notable that these found the resources specified in this research significantly more important than did those enterprises which did not cooperate. This of course might have been a reason for them to cooperate in the first place. Cooperating SMEs also showed a significantly better access to alternative resources. Although cooperating SMEs showed significantly higher scores regarding the importance dimension (importance and magnitude), which increases the level of their resource dependence, the scores were levelled out by the higher scores in the alternative dimension (alternatives and access). As a result, no difference regarding the overall resource dependence level between cooperating and non-cooperating SMEs was found. This finding supports the claim that cooperation might help organizations decrease their level of resource dependence.

Start-up SMEs were expected to be more dependent on the FTB resources than already well established enterprises. However, the age of tourism SMEs did not have a significant effect
on the level of its resource dependence. Also, companies which intended to grow in the future were not more dependent on the FTB resources than companies not planning to grow.

SMEs showed high levels of availability of alternatives to the FTB resources. In other words the resources provided by the FTB cannot be considered unique for the SME sector. This suggests that the Finnish NTO might in fact be competing with other providers of similar resources. Since the provision of FTB resources increasingly includes monetary compensation for their use, even the question of FTB competing with commercial providers of similar resources might become more relevant in the future. The provision of exclusive resources, that would complement other available resources, would surely secure the FTB more influence on the tourism industry.

In many destinations, SMEs aiming to grow must expand by promoting and selling overseas. This may be particularly important in Finland given its relatively small domestic market. If SMEs intend to achieve growth in international markets, they also need to become more involved in marketing their products internationally. However, activities in international markets make heavy demands on resources – not only money, but access to information and knowledge as well. Lack of resources is one of the most crucial obstacles for SMEs hindering them in their efforts to internationalise (Holmlund and Kock, 1998). Thus, in order to grow and to expand their markets, they are dependent on outside support. The provision of activities aimed at foreign markets is one possible way of supporting the internationalization of SMEs. Therefore, measures specifically designed to support the export of SME tourism services could be provided. Since growing and internationalizing enterprises are more prone to survive in the long term, it is in the interest of governments to assist and support them in this regard hence there is an important role for the FTB here as suggested by the findings.
The highest overall dependence score was recorded for the destination marketing. In addition, the SMEs considered the FTB in Finland as highly important for the country as a whole. Although destination marketing was not considered unique as a resource by the SMEs - many alternatives available were reported - it is probably still a resource uniquely assigned to the FTB by the tourism industry. This study suggests the destination marketing is one of the FTB resources that benefit the tourism SME sector in Finland.

For most tourism SMEs, the availability of alternative resources decreased their perceived dependence on the FTB resources significantly. Especially enterprises which cooperated with others were reported to have plenty of alternatives. The range of alternative resources and the good access to them imply that SMEs are able to use these resources and not only those currently provided by the FTB.
CONCLUSION

This research was based on one country, Finland, and hence covered relations with only one NTO. Clearly, a next step would be to attain comparable information from a larger number of countries and a larger number of NTOs and possibly using the same instruments. This would give a better understanding of similarities as well as differences relating to the tourism industry in various geographical locations, economies, and stages of tourism development. However, notwithstanding this obvious limitation the work here does provide the basis to draw some key conclusions.

In general, Finnish tourism SMEs were found to be moderately dependent on the resources of the national tourism organization. However, mainly with increasing size, with increasing proportion of foreign guests, and with increasing sophistication of their marketing planning, dependence of enterprises on the FTB resources increased. Apart from the assessment of the level of resource dependence, the framework developed brings forward some interesting information regarding resource importance and the alternative resources.

In terms of overall dependence and in some of the details, the findings of this research do not point to an absolutely crucial role for the FTB in providing support to SMEs, indeed some SMEs seem to be able to operate with scant involvement of the FTB. To this extent the power of the FTB is limited. On the other hand, the findings do provide sufficient evidence that the FTB, and in this case public funding, still has an important role for this tourist destination. This provides an important context for considering how an NTO might review its activities to provide the most effective support, particularly during an era of likely reductions in public expenditure. Clearly, marketing and especially international marketing as well as market
information are among the key activities, but the important thing is that the NTO focuses on the things that it can uniquely provide if it is to give real value to the destination.

One finding from this study that potentially provides an important pointer both to the work of the NTO and to future research lies in the relationship between the degree of cooperation and resource dependency. In this context if, as seems to be the case, cooperation with regional and local tourism organizations is associated positively with dependence on the NTO there is scope here to expose potential overlaps in resource provision of local, regional, and national organizations and help them to increase their operational efficiency.

Although SMEs outnumber large enterprises in tourism, research on them is still limited (Page et al 1999; Szivas 2001). Moreover, resource dependence as well as interdependencies between tourism organizations is a field that has not been much explored. This study has made an effort to add to the existing body of knowledge on tourism SMEs by investigating the understanding of the resource dependence of tourism SMEs on a National Tourism Organization.

This research has offered explanations for differences in the extent of resource dependence between tourism enterprises. It has further looked into the types of resources on which tourism SMEs are dependent. NTO provision of resources to the tourism industry can be regarded as an aspect of a tourism strategy implementation process. It is therefore important for policy makers to understand which of these resources, based on the needs of the industry, the public sector should provide. In order to target public support more effectively, more knowledge of the needs of SMEs is required. This study has made an effort to contribute to the existing body of knowledge in this regard.
The resources of NTOs were the focal point of this enquiry. The resource dependence of Finnish tourism SMEs on the national tourism organization of Finland was consequently measured based only on these resources. Further research on the resource needs of tourism SMEs would help in identifying resources which are important for SMEs but which are not easily or not yet available for them. A qualitative study would help in determining such resources. This would assist in formulating more effective public policies supporting SMEs as well as indicate to NTOs the possible resource needs of SMEs not yet satisfied by other providers of resources. But, perhaps more important for this area of research and to provide a basis for NTO strategies for SMEs more generally, as noted at the start of this section, is to extend the study to other countries and other NTOs.
REFERENCES


## TABLE 1

### DEFINITION OF SMALL AND MEDIUM-SIZED ENTERPRISE (SME)

(European Community Recommendation 2003)

<table>
<thead>
<tr>
<th>CRITERIA</th>
<th>MICRO-ENTERPRISE</th>
<th>SMALL ENTERPRISE</th>
<th>MEDIUM-SIZED ENTERPRISE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Employees</td>
<td>&lt;10</td>
<td>&lt;50</td>
<td>&lt;250</td>
</tr>
<tr>
<td>Annual Turnover or Total Balance Sheet</td>
<td>&lt;EUR 2 million</td>
<td>&lt;EUR 10 million</td>
<td>&lt;EUR 10 million</td>
</tr>
<tr>
<td>Independence</td>
<td>No more than 25% of the capital or voting rights held by one or more enterprises which are not themselves SMEs</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Figure 1 Operational definition of the resource dependence concept
Destination marketing  
Research data  
Representation overseas  
Contacts with the travel trade  
Contacts with foreign media  
Contacts with domestic media  
Joint domestic marketing  
Joint foreign marketing  
Consumer information  
Reservation systems  
Support for tourism product development  
Marketing knowledge  
Information about domestic markets  
Information about foreign markets  
Information for the travel trade  
Training  
Lobbying  

Figure 2 Resources provided by an NTO (based on Middleton and Clarke, 2005)
<table>
<thead>
<tr>
<th>DIMENSION/Resource</th>
<th>Importance</th>
<th>Magnitude</th>
<th>Alternatives</th>
<th>Access</th>
<th>Resource Dependence</th>
</tr>
</thead>
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<tr>
<td></td>
<td>Mean</td>
<td>SD</td>
<td>Mean</td>
<td>SD</td>
<td>Mean</td>
</tr>
<tr>
<td>Information on domestic market</td>
<td>3.74</td>
<td>0.974</td>
<td>2.42</td>
<td>1.175</td>
<td>3.86</td>
</tr>
<tr>
<td>Information on foreign markets</td>
<td>3.03</td>
<td>1.175</td>
<td>2.27</td>
<td>1.228</td>
<td>3.62</td>
</tr>
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<td>Marketing knowledge</td>
<td>4.14</td>
<td>0.976</td>
<td>2.25</td>
<td>1.200</td>
<td>3.94</td>
</tr>
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<td>Product development support</td>
<td>3.52</td>
<td>1.074</td>
<td>1.92</td>
<td>1.066</td>
<td>3.95</td>
</tr>
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<td>Research</td>
<td>3.13</td>
<td>0.992</td>
<td>2.31</td>
<td>1.246</td>
<td>3.79</td>
</tr>
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<td>Destination marketing</td>
<td>3.55</td>
<td>1.177</td>
<td>2.94</td>
<td>1.346</td>
<td>3.90</td>
</tr>
<tr>
<td>Joint domestic marketing</td>
<td>3.62</td>
<td>1.158</td>
<td>1.97</td>
<td>1.185</td>
<td>3.77</td>
</tr>
<tr>
<td>Joint foreign marketing</td>
<td>2.92</td>
<td>1.268</td>
<td>1.96</td>
<td>1.284</td>
<td>3.50</td>
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<tr>
<td>Reservation systems</td>
<td>3.10</td>
<td>1.357</td>
<td>1.70</td>
<td>1.106</td>
<td>3.98</td>
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<tr>
<td>Consumer information</td>
<td>3.77</td>
<td>1.165</td>
<td>1.77</td>
<td>1.105</td>
<td>3.93</td>
</tr>
<tr>
<td>Travel trade information</td>
<td>3.49</td>
<td>1.195</td>
<td>1.69</td>
<td>1.031</td>
<td>3.99</td>
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<tr>
<td>Contacts with travel trade</td>
<td>3.02</td>
<td>1.172</td>
<td>1.93</td>
<td>1.240</td>
<td>3.98</td>
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<td>Contacts, domestic media</td>
<td>3.18</td>
<td>1.178</td>
<td>1.69</td>
<td>0.991</td>
<td>3.97</td>
</tr>
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<td>Contacts, foreign media</td>
<td>2.44</td>
<td>1.141</td>
<td>1.73</td>
<td>1.112</td>
<td>3.61</td>
</tr>
<tr>
<td>Training</td>
<td>3.39</td>
<td>1.127</td>
<td>1.63</td>
<td>0.920</td>
<td>4.20</td>
</tr>
<tr>
<td>Representation overseas</td>
<td>2.62</td>
<td>1.223</td>
<td>1.74</td>
<td>1.167</td>
<td>3.81</td>
</tr>
<tr>
<td>Lobbying</td>
<td>3.24</td>
<td>1.195</td>
<td>1.76</td>
<td>1.059</td>
<td>3.85</td>
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<tr>
<td>Total</td>
<td>3.29</td>
<td>0.751</td>
<td>1.99</td>
<td>0.931</td>
<td>3.87</td>
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</table>
### TABLE 3
SCORES OF RESOURCE DEPENDENCE ELEMENTS BY EMPLOYEES

<table>
<thead>
<tr>
<th>Employees</th>
<th>Importance</th>
<th>Magnitude</th>
<th>Alternatives</th>
<th>Access</th>
<th>Resource Dependence</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1 person</strong></td>
<td>Mean</td>
<td>3.15</td>
<td>1.61</td>
<td>3.87</td>
<td>3.67</td>
</tr>
<tr>
<td></td>
<td>Median</td>
<td>3.06</td>
<td>1.44</td>
<td>3.88</td>
<td>3.71</td>
</tr>
<tr>
<td></td>
<td>SD</td>
<td>.733</td>
<td>.592</td>
<td>.644</td>
<td>.769</td>
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<tr>
<td><strong>2 - 9 people</strong></td>
<td>Mean</td>
<td>3.24</td>
<td>2.03</td>
<td>3.80</td>
<td>3.60</td>
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<tr>
<td>(n=103)</td>
<td>Median</td>
<td>3.29</td>
<td>1.88</td>
<td>3.82</td>
<td>3.53</td>
</tr>
<tr>
<td></td>
<td>SD</td>
<td>.735</td>
<td>.878</td>
<td>.749</td>
<td>.750</td>
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<tr>
<td><strong>10 -49 people</strong></td>
<td>Mean</td>
<td>3.69</td>
<td>2.49</td>
<td>3.99</td>
<td>4.12</td>
</tr>
<tr>
<td>(n=32)</td>
<td>Median</td>
<td>3.68</td>
<td>2.15</td>
<td>4.00</td>
<td>4.27</td>
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<tr>
<td></td>
<td>SD</td>
<td>.607</td>
<td>1.207</td>
<td>.758</td>
<td>.738</td>
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<tr>
<td><strong>50 - 249 people</strong></td>
<td>Mean</td>
<td>4.06</td>
<td>3.57</td>
<td>4.06</td>
<td>4.04</td>
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<tr>
<td>(n=7)</td>
<td>Median</td>
<td>4.12</td>
<td>3.59</td>
<td>4.24</td>
<td>4.38</td>
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<tr>
<td></td>
<td>SD</td>
<td>.304</td>
<td>.750</td>
<td>.681</td>
<td>.768</td>
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<tr>
<td>Foreign Guests</td>
<td>Resource Dependence Score</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>---------------------</td>
<td>---------------------------</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No foreign guests</td>
<td>2.23</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(n=9)</td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>1 – 10%</td>
<td>2.35</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(n=118)</td>
<td></td>
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<td></td>
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<tr>
<td>11 – 25%</td>
<td>2.58</td>
<td></td>
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<td></td>
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<tr>
<td>(n=57)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>26 – 50%</td>
<td>2.43</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(n=25)</td>
<td></td>
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<tr>
<td>51 – 100%</td>
<td>2.64</td>
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<td>(n=17)</td>
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## Table 5

**Scores of Resource Dependence Elements by Cooperation**

<table>
<thead>
<tr>
<th>COOPERATION</th>
<th>IMPORTANCE</th>
<th>MAGNITUDE</th>
<th>ALTERNATIVES</th>
<th>ACCESS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>No</strong></td>
<td>Mean</td>
<td>2.60</td>
<td>1.42</td>
<td>3.57</td>
</tr>
<tr>
<td>(n=15)</td>
<td>Median</td>
<td>2.59</td>
<td>1.12</td>
<td>3.58</td>
</tr>
<tr>
<td></td>
<td>SD</td>
<td>.888</td>
<td>.550</td>
<td>1.038</td>
</tr>
<tr>
<td><strong>Yes</strong></td>
<td>Mean</td>
<td>3.34</td>
<td>2.03</td>
<td>3.89</td>
</tr>
<tr>
<td>(n=212)</td>
<td>Median</td>
<td>3.35</td>
<td>1.81</td>
<td>3.88</td>
</tr>
<tr>
<td></td>
<td>SD</td>
<td>.718</td>
<td>.940</td>
<td>.677</td>
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