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CRITICAL REVIEW

COOPERATIVE BUSINESS ORGANIZATIONS: INTRINSIC IN EVERY STRATEGICALLY FUNCTIONAL TOURISM INDUSTRY

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Relationships between organizations sharing the same domain (such as a marketplace) can take the form of competition, cooperation, coexistence, or a combination of such. An article previously published in *Tourism, Culture & Communication* suggested that competition and cooperation are mutually exclusive. That is, business organizations cannot simultaneously compete and cooperate. This critique from Leiper, Lamont, and Hing critically discusses the notions of “competition” and “cooperation,” and presents evidence supporting a contention that business organizations commonly compete and cooperate on a concurrent basis. This review also seeks to clarify the notion of industrial cooperation by identifying and discussing two forms of industrial cooperation: intraindustry, and interindustry. The importance of both intraindustry and interindustry cooperation in understanding the structure of tourism industries is also highlighted. Readers should note that this article was initially composed as a counterargument paper (and almost completed!!) by Professor Neil Leiper in his study on the east coast of Australia. The article has been read as an “in progress” work by Lamont and Hing, who had worked closely with Professor Leiper over recent years. Lamont and Hing have sought to work with precision to retain and strengthen the core ideas of their colleague, Professor Leiper. In certain places, they have drawn on their long knowledge of the Leiper manifesto for relevant and strategic Tourism Management/Tourism Development decision making to round off the interpretations that Professor Leiper was in process of finalizing at his untimely passing. (Abstract by the Critical Review Editor)

Key words: Competition; Cooperation; Business strategy; Strategic management;
Partial industrialization; Tourism

Introduction

Cooperation among business organizations in tourism industries is a topic discussed in a recent article in this journal (Pesamaa, Hair, & Eriksson,

2008). Other discussions with the same topic and similar messages include Selin (1999), Jamal and Getz (1995), Cooper (1998), Bramwell and Lane (2003), Vernon, Essex, Pinder, and Curry (2005), and Jackson and Murphy (2006). They all imply

¹Sadly, Neil Leiper passed away February 2010.

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that (i) competition and cooperation are mutually exclusive, (ii) cooperation is useful for tourism development, and (iii) intervention by governments or other policy makers is required to stimulate cooperation. This critical review will dispute points (i) and (iii), using theoretical principles and empirical evidence to support the following argument: among business organizations in any normal, functioning industry, cooperating and competing are not mutually exclusive; rather, they can occur simultaneously. Two forms of cooperation will be identified and discussed: intraindustry cooperation and interindustry cooperation.

Competition and Cooperation

Debating whether business organizations compete, cooperate, or both involves consideration of business strategy, or more specifically, competitive business strategy and cooperative business strategy. Formulating competitive business strategy requires matching a company to its environment (Porter, 1980). While broad aspects of the environment, such as social, economic, and political aspects, are important considerations in strategic management, forces outside the industry affect all firms in an industry. Thus, the key aspect of the firm's environment for competitive strategy is the industry or industries in which it operates (Porter, 1980). Rumelt (1980/1991) distinguishes between these two ways that a business relates to its environment: the business must both match and adapt to its environment and it must at the same time compete with other businesses which are also trying to adapt. It is this second aspect that is known as "competitive strategy," which Rumelt (1980/1991) defines as "the art of creating or exploiting those advantages that are most telling, enduring, and most difficult to duplicate" (p. 56) so that the firm performs the relevant function better than or instead of its competitors.

While Porter (1980) argued that superior performance is mainly a function of operating in an industry with favorable structural characteristics, the resource-based view argues that superior performance is primarily due to a firm's ability to accumulate resources and capabilities that are rare, valuable, nonsubstitutable, and difficult to imitate (Rumelt, 1984). However, a third view is that "the

(dis)advantages of an individual firm are often linked to the (dis)advantages of the network of relationships in which the firm is embedded" and that "firms who combine resources in unique ways may realise an advantage over competing firms who are unable or unwilling to do so" (Dyer & Singh, 1998, p. 660). Dyer and Singh (1998) identify four sources of "interorganisational competitive advantage"—relation-specific assets, knowledge-sharing, complementary resources/capabilities, and effective governance (p. 660). Thus, these theorists recognize that, not only do firms cooperate as well as compete, but that this cooperation itself can be a source of competitive advantage.

The value of cooperation among otherwise competing firms has been recognized in the literature since at least the early 1980s. Neilsen (1988) notes that, although competitive "survival of the fittest" (p. 476) has been a popular biological and game theory model of analogy in the strategy literature, it has been recognized as oversimplified from both an evolutionary biology perspective (Simon, 1983) and a game theory perspective (Axelrod, 1984). Instead, Neilsen (1988) presents some compelling evidence that "cooperative strategies can also benefit competing organisations" (p. 476). He identifies four types of cooperative strategies—pool, exchange, de-escalate, and contingency—and provides examples of each among the 32 cases discussed (Neilsen, 1988). Thus, recognition of cooperative strategy is well established in the strategy literature and widely observed in practical application. Its coexistence with competitive strategy is discussed further below.

Competition and Cooperation: Are They Mutually Exclusive?

Pesamaa et al. (2008) refer to what they apparently believe is a common occurrence, "when tourism firms decide whether to compete or cooperate" (p. 161). This implies an assumption by Pesamma et al. that cooperation and competition are mutually exclusive. ("Business organization" is a normal term when discussing business management and will be used in this article; some persons prefer "firm," which is the common term used in economics.)

To explore the issue, Pesamaa et al. (2008) set

up a hypothetical construct “that examines how two tourism firms evaluate the options of competition versus cooperation” (p. 161). These authors recognized that cooperation can be beneficial and they suggested that extraneous factors (“policy makers”) should find ways to inject cooperation into otherwise competitive environments. They concluded that “there is much policy work to do in developing solutions where NBT (nature based tourism) firms are both competing and cooperating” (Pesamaa et al., 2008, p.166, parenthesis added). They discuss this issue using a well-known construct from game theories, prisoners’ dilemma. Prisoners’ dilemma involves two participants (hypothetical prisoners) in circumstances where each must choose between competing or cooperating with the other. By the conventions of the game, participants cannot simultaneously compete and cooperate. Parkhe (1993) describes in detail the nature of the prisoners’ dilemma:

In this game, two players are suspected of a hypothetical major crime, such as murder. They are imprisoned and held incommunicado, so each must decide whether to cooperate or to defect, without knowing what the other will do. The authorities possess evidence to secure a conviction on only a minor charge, such as illegal possession of weapons. If neither prisoner squeals, both will draw a light sentence of a minor charge; this state is called a mutual cooperation (MC) payoff. If one prisoner squeals and the other stonewalls, the squealer will go free (unilateral defection, UD), and the stonewaller, or “sucker,” will draw a very heavy sentence (unilateral cooperation, UC). If both squeal, both will draw a moderate sentence (mutual defection, MD).

Each prisoner’s preference ordering is $UD > MC > MD > UC$. Each prisoner will be better off squealing than stonewalling, no matter what his partner chooses to do, because $UD > MC$ (the temptation of cheating) and $MD > UC$ (the fear of being cheated upon). But if both defect, both do worse than if both had cooperated ($MC > MD$). Hence the dilemma. (Parkhe, 1993, pp. 796–797)

However, prisoners’ dilemma is an inappropriate and misleading theoretical construct for investigating business or industrial strategies. All models are imperfect representations of reality and game-based models can be especially misleading representations because of the ludic fallacy, the

mistaken assumption that games are reliable models of real world phenomena such as industries or markets. (The metaphor of “the level playing field” applied to business environments is another example of ludic fallacies.)

Competition and cooperation are not mutually exclusive. Managers of tourism-related businesses do not have to “decide whether to compete or cooperate” (Pesamaa et al., 2008, p. 161) because the usual condition in industries is that organizations cooperate in various ways while some of them are also simultaneously competing with one another. What managers can choose (ideally via informed decisions) are the forms and degrees of cooperation and competition. This is true for “nature-based tourism” (the central theme in the article by Pesamaa et al., 2008) and for other forms of tourism where business organizations operating in separate, though related, industries supply various kinds of goods and services: transport, accommodation, packaged arrangements, souvenirs, and so on. Indeed, it is true for industries of all sorts in modern industrialized economies. Cooperation is a sine qua non of industrial participation.

Cooperation in Tourism Industries

Leiper’s (1979, 2004) case-based research led to a hypothesis that tourism (defined as the behavior of tourists) is always partly industrialized. Tourism is partly supported and fostered by organizations that have an industrial relationship with tourism, in the form of business strategies targeting tourists and also via significant degrees of cooperation with other organizations with similar strategies. Tourism is also partly supported by other resources lacking those attributes (petrol stations and supermarkets being examples of such) (Leiper, Stear, Hing, & Firth, 2008). Indeed, two researchers (Firth, 2002; Maior, 2005) have tested Leiper’s hypothesis and concluded that it represents a valid theory with extensive implications.

Firth’s (2002) doctoral dissertation was among the first to empirically test Leiper’s (1979, 2004) idea of partial industrialization in tourism. Using a two-stage research design employing quantitative and qualitative methods, Firth initially conducted a mail survey of 398 “marginal tourism firms” (Firth, 2002, p. 7) in the central business

district of Sydney, Australia to (i) determine whether there was a relationship between the number of customers who are tourists, and the businesses' propensity to have strategies in place that specifically target tourists; and (ii) explore factors that might influence business managers' decisions whether to strategically target tourists or not. The outcomes of this survey were then supplemented with in-depth interviews with the managers of a smaller sample of marginal tourism firms to explore why such businesses did or did not choose to strategically target tourists. The study by Firth concluded that there was "no direct link between significant tourist numbers among the customers served by a business and a business strategy to target tourists" (p. 200), supporting Leiper's (2004) contention that only part of the resources used by tourists are supplied by organizations operating within tourism industries. That is, tourism is partially industrialized.

Similarly, Maior's (2005) survey of 137 "tourism related businesses" (p. 51) in the Blue Mountains region of Australia concluded that "not every *tourism-related* firm from the specified location could be classified as *tourism-industry* related, but only a portion of them" (p. 116, emphasis in original). Particularly salient to this article was the finding that respondents to Maior's survey "endorsed the idea that the 'inter-firm cooperation' variable might be a highly useful indicator of industry performance" and that "a reasonable speculation is that in regions where cooperative interaction is more intense among tourism-industry firms, tourist numbers might be higher than in regions where such cooperation is either weak or non-existent" (p. 119).

As such, cooperative strategies are arguably quite common within tourism industries. Indeed, Leiper (2004) has identified and described 14 types of cooperative activities among business organizations in tourism industries. A major type, underpinning the existence and functions of travel agents in tourism industries, involves cooperation between agents and their principals such as airlines, hotels, and tour wholesalers (Leiper, 2004, pp. 191–198). Other categories of cooperative activities identified are: (ii) packaged tour arrangements, which require cooperation by the suppliers of the components of a package (e.g., airline, ho-

tel, local tour operator); (iii) reservation systems; (iv) cooperative research; (v) standardized products; (vi) graded products; (vii) generic products; (viii) cooperative pricing strategies; (ix) industrial training schemes; (x) industrial awards for workers; (xi) intraindustry networks of employees; (xii) exchange of information; (xiii) industrial associations; and (xiv) industrial advertising. Every business organization operating within tourism industries does not participate in all categories; managers decide which are required, depending on circumstances.

The question remains, however, why do business organizations cooperate, and why is it especially common among organizations sharing common interests within a particular industry? The broad answer is that cooperation can increase productivity (and thus market growth and efficiencies) via synergy, the "2 + 2 = 5 principle" apparent when a team's productivity is contrasted to that of the aggregated individuals in the team. Nalebuff and Brandenburger (1996), for example, have argued that cooperative strategies can facilitate the creation of superior value by reducing the potential consequences of win/lose competitive strategies employed by individual business organizations. This is achieved by organizations operating within different, albeit related, industries working together to achieve a wider set of purposes (Evans, 2001).

Evidence is presented in the following sections that support the contention that competition and cooperation are not mutually exclusive. This evidence is mostly in the form of examples from the field. A case is also made for the recognition of two forms of industrial cooperation: intraindustry, and interindustry cooperation.

Intraindustry Cooperation

An industry is defined by Hubbard, Rice, and Beamish (2008) as "a group of organisations or business units producing close substitutes" (p. 69). The same authors also advocate a geographic element in defining an industry to assist business organizations in more clearly defining their competitors. As such, it is possible to postulate two forms of industrial cooperation: (i) cooperating with other business organizations operating within the same

industry (intraindustry cooperation); and (ii) cooperating with business organizations operating within different, albeit related, industries (interindustry cooperation).

Cooperation among component business organizations can be seen in all kinds of modern industries—if one looks closely. Superficial observations might fail to notice cooperation, but will easily notice examples of competitive activity such as advertising, sales promotions, and price offers. However, the importance of cooperation is often underemphasized, with competition typically promulgated as the most common and most preferred means of interorganizational relations. In Australia, the underpinning philosophies of bodies such as the Australian Competition and Consumer Commission (ACCC) and the National Competition Policy Committee are a testament to the previous statement (Leiper, 2004). The notion of intraindustry cooperation is discussed in this section along with pertinent examples from tourism industries.

Intraindustry cooperation can be thought of in terms of business organizations within a single industry contributing (pooling) resources to achieve one of two broad objectives. This notion is illustrated in Figure 1. The first objective relates to cooperation intended to further the good of that particular industry. For example, organizations may pool resources to help solve problems that threaten the viability of their industry. The second objective that can be achieved through intraindustry cooperation is the creation of superior value.

In relation to the first objective, organizations such as the International Air Transport Organisation (IATA) are examples of intraindustry cooperation intended to further the good of an industry. At the time of writing, IATA's membership consisted of 230 airlines from 115 different countries, accounting for 93% of international scheduled air traffic (IATA, 2010). A current activity stream of IATA is research into the efficacy of biofuels (sourced from plant material) as an alternative to fossil fuels to power jet engines. Cooperative actions such as this have clear benefits to the international air transport industry, including the reduction of greenhouse gas emissions. Undoubtedly, an underlying aim of cooperative research of this nature is to solve a problem threatening the viability

of the international air transport industry: planet Earth's dwindling oil supply. This example supports the contention underpinning this article: that is, that competition and cooperation are not mutually exclusive.

Further to the above, Leiper (2004) contends that in the absence of cooperation, there are no functioning industries. To illustrate this notion, another example from airline industries is used. Qantas and Air New Zealand both operate services on, and thus compete for, market share on the trans-Tasman route between Australia and New Zealand. At the same time, cooperative behavior underpins the activities of these airlines in the form of air traffic control, a cooperative framework that both airlines' flights operate under. Both airlines contribute resources towards the provision of air traffic control services, and in the absence of air traffic control there is no functioning air transport industry between Australia and New Zealand. Hence, this is a further example of cooperative strategy contributing to the greater good of an industry.

A further example of intraindustry cooperation intended to further the good of an industry is the recent actions of companies operating within the digital sound and visual equipment industry. These companies included electronics giants Sony, Toshiba, and Panasonic, which at face value are competitive rivals within this industry. However, the managers of these companies recognized a need for cooperation in this industry "before the vision of a networked home could become a reality" (Dvorak, 2004, p. 40). Accordingly, 25 companies formed the Digital Living Network Alliance, an intraindustry group that coordinates research and sets standards for technology.

A similar example can be drawn from the mobile phone manufacturing industry. This industry's participants cooperate in technical research and development while simultaneously competing in markets they serve. In 2009, the 17 major manufacturers (Nokia, Samsung, etc.) agreed to cooperate by working together to introduce standard battery chargers within 3 years ("Cellphones Green Shift," 2009). Such cooperation could potentially deliver benefits to this industry in the form of reduced costs and therefore increased profits. Consumers may also benefit, as these cooperative ac-

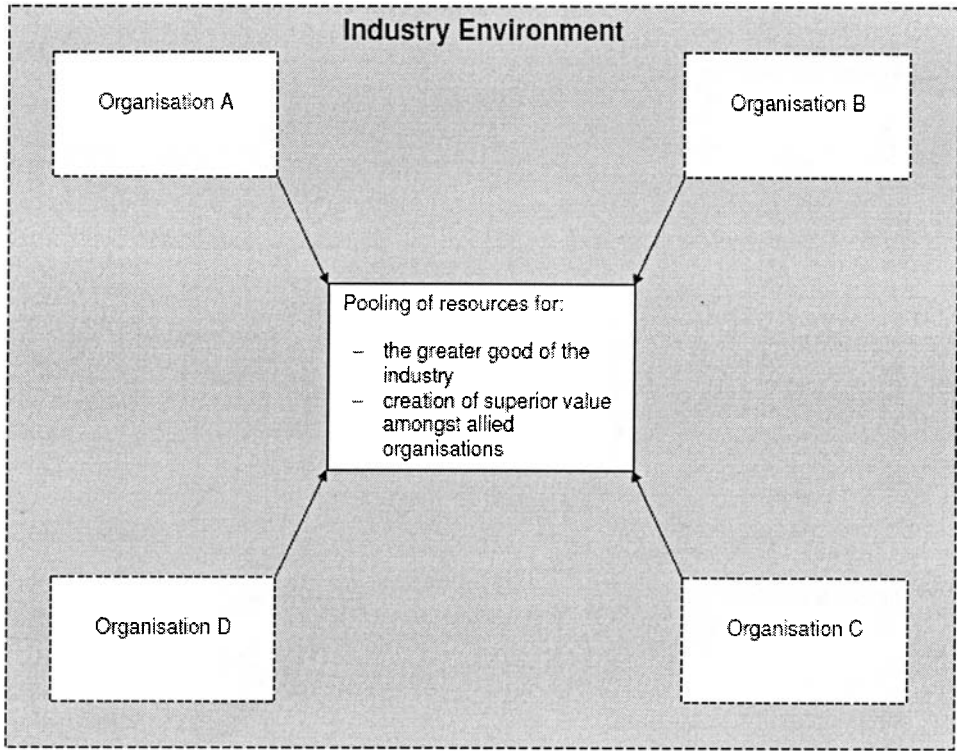


Figure 1. Structure and objectives of intraindustry cooperation.

tions may bring about reduced prices and increased convenience. Environmental benefits may also be realized, such as reduced waste and fewer greenhouse gas emissions. These two examples, although outside the scope of tourism, clearly show how competition and cooperation can occur simultaneously as a normal condition of modern business.

A further example of intraindustry cooperation within tourism industries is provided by Leiper (2004). ID Tours is an inbound tour operator, or destination management company, based in Sydney that has participated in Australia's inbound tourism industries since the early 1970s. Leiper (2004) found that although ID Tours competes with other inbound tour operators in various markets, such as the market for tourism into Australia from Japan where it competes against other inbound tour operators (e.g., Japan Creative Tours) to win contracts from tour wholesalers based in Japan, it simultaneously cooperates with tour oper-

ators in various ways. These include (i) sharing information on many topics; (ii) membership of and supporting a cooperative industrial association, the Australian Tourism Export Council (ATEC), that promotes the common interests of inbound tourism businesses in Australia by representing them in discussions with governments, airlines, and hotels; and (iii) via its international offices, in Tokyo and elsewhere, cooperating with other Australian inbound tour operators working with Tourism Australia on promotional campaigns to stimulate travel to Australia by Japanese residents.

Not only can business organizations operating with the same industry cooperate for the greater good of the industry, it is also common for businesses to cooperate with the view to creating superior value for their customers and key stakeholders. This relates to the second objective of intraindustry cooperation identified previously. "Alliances" are elements of corporate level strategy undertaken for

the purposes of bolstering an organization's competitive advantage (Hubbard et al., 2008). Thompson, Strickland, and Gamble (2010) describe strategic alliances as:

a formal agreement between two or more separate companies in which there is strategically relevant collaboration of some sort, joint contribution of resources, shared risk, shared control, and mutual dependence. Often, alliances involved joint marketing, joint sales or distribution, joint production, design collaboration, joint research, or projects to jointly develop new technologies or products. The relationship between the partners may be contractual or merely collaborative; the arrangement commonly stops short of formal ownership ties between the partners. (p. 166)

An example of a strategic alliance within tourism industries are airline alliances such as One World and Star Alliance. Evans (2001) notes that member airlines benefit from such strategic alliances through (i) more efficient transfer of baggage and passengers between connecting flights on alliance airlines; (ii) code-sharing agreements whereby one airline sells the seats of another airline under its own name; (iii) the development of economies of scope, where the cost of producing two or more products jointly is less than the cost of producing each alone; and (iv) potentially negating competition with rival airlines servicing the same routes.

As can be drawn from the discussion above, it is erroneous to argue that competition and cooperation are mutually exclusive, and that managers must take a decision to do one and not the other. The statement by Pesamaa et al. (2008) to this effect ignores the importance of intraindustry cooperation, particularly as a response to situations that threaten the viability of a particular industry. A very recent example of cooperative actions in response to an external threat is action by Australian mining companies in response to the Federal Government's proposed Mining Super Profits Tax. A swift response was implemented in the form of television advertising campaigns by various mining industry associations in response to this proposed tax, which the mining sector perceived as a threat to Australia's competitiveness for mineral exports.

Intraindustry cooperation is essential to facili-

tate the ongoing development and viability of many industries, as evidenced by the examples cited from the electronics, mobile phone, and airline industries. Furthermore, intraindustry cooperation can also provide opportunities for business organizations to enhance their value creation activities, which may in turn bolster competitive advantage and thus improve profitability (Hubbard et al., 2008; Thompson et al., 2010). These examples provide irrefutable evidence that competition and cooperation are not, and cannot be, considered mutually exclusive.

Interindustry Cooperation

A second form of industrial cooperation can be identified in the form of business organizations operating within different, although related (or complementary) industries to produce a product or service. This form of cooperation may be referred to as "interindustry" cooperation. Figure 2 illustrates how organizations operating within different industries can band together for the purposes of improved value chain efficiency, and/or the production and delivery of packaged products/services.

The value chain is a concept developed by Porter (1980) to describe the sequential set of activities "that the organisation undertakes or organises to deliver the product to the customer" (Hubbard et al., 2008, p. 41). Activities along the value chain can include the design, production, marketing, and delivery of a product or service (Thompson et al., 2010). Value is added to the product/service being produced along each sequential stage of the value chain. For example, Enz (2010) notes that key value adding activities in the production of wine include grape growing, winemaking, followed by distribution, marketing, and retail selling of the final bottled product to the customer. The concept of the value chain can be applied to both individual business organizations, or to entire industries.

Interindustry cooperation is arguably essential to support coordinated and efficient value chains. Indeed, Thompson et al. (2010) note that "a company's value chain is embedded in a larger system of activities that includes the value chains of its suppliers and the value chains of whatever distribution channel allies it uses in getting its product

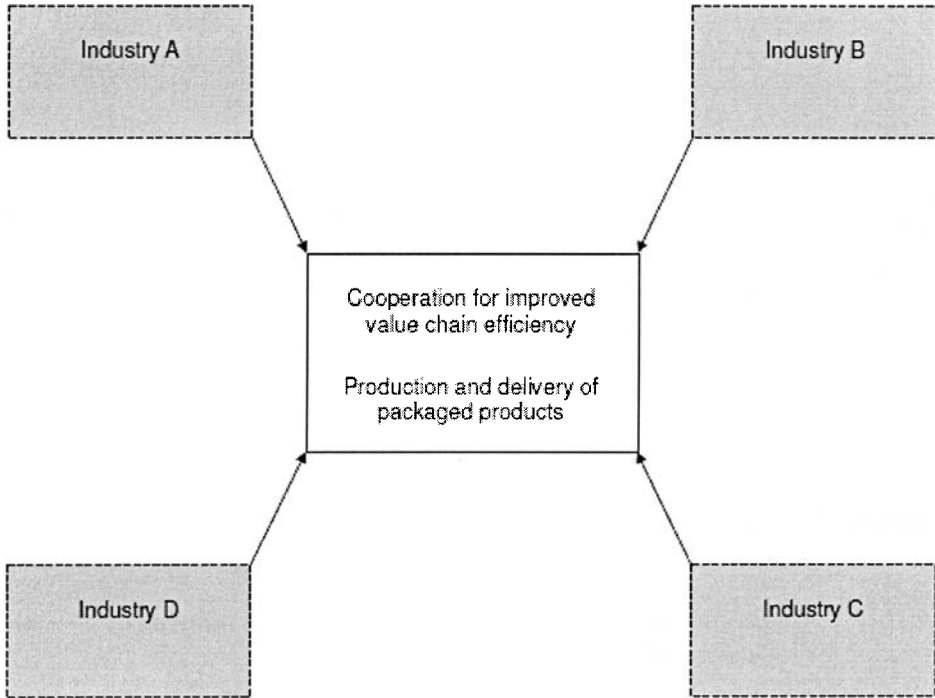


Figure 2. Structure and objectives of interindustry cooperation.

or service to end users” (p. 119). As such, inefficiencies in one part of a value chain can impact upon the ability of other organizations participating within a value chain to undertake their value creation activities.

Referring back to the definition of an industry cited previously: “a group of organizations or business units producing close substitutes” (Hubbard et al., 2008, p. 69), the importance of interindustry cooperation in tourism becomes quite apparent. Neil Leiper has been a vehement objector over time regarding the existence of a single, all-encompassing “tourism industry.” Leiper (2004) presents a range of arguments contesting the notion of an all-encompassing tourism industry. As discussed earlier, Leiper argues that there is a common, albeit false, assumption that all of the goods and services consumed by tourists are supplied by a variety of business organizations operating within various industries that may or may not have an industrial connection to tourism, which he describes as “partial industrialization syndrome.”

The notion of coordinated and efficient value chains is therefore particularly pertinent to tourism, as Yilmaz and Bitici (2006) explain:

Along [with] the other characteristics of tourism products and services like its intangibility, perishability, and inseparability; “interdependent” nature of tourism plays a great role in providing the overall service quality of the product that the consumers buy. Hence, it requires various organisations in the tourism industry to work together as a value chain to add value and deliver product and services to the customer. (p. 342)

The level of industrialization associated with an individual’s travel plans is a key variable that will impact upon the importance of cooperation within a tourism value chain. In highly industrialized tourism (such as packaged tours), cooperation among the business organizations participating in the tourism value chain is essential for the successful delivery of the packaged tourism product (Leiper, 2004; Yilmaz & Bitici, 2006).

Managers make strategic decisions about the forms and degrees of cooperation their organization will pursue. Leiper's (2004) case study of the Manhattan Hotel illustrates a range of aims and consequences of these strategies. When Gary Connell took over as General Manager at the Manhattan, a three-star hotel in Sydney, he established cooperative relationships with retail travel agents and with selected tour wholesalers. Previously, the Hotel lacked such linkages. The main aim was to increase the Hotel's occupancy and revenue, by encouraging travel retailers to consider it when selecting hotels in Sydney for independent travelers and by encouraging wholesalers to include the Manhattan in tour packages. Interestingly, Connell regarded these strategies as getting the Manhattan "into the tourism industry" (Connell, cited in Leiper, 2004, p. 289). Connell's phrase implies a belief that an industry is a cooperative network of business organizations. The cooperative strategy did not mean that the Manhattan ceased competing with certain other hotels in Sydney.

In practice (and thus in theory) there is a deeper explanation. Cooperation can be used by managers seeking control over important issues such as quality. An example will be presented by contrasting two motor vehicle manufacturing industries, followed by an example from a tourism industry. In the US, a conventional practice of automotive engineers working for Ford (etc.) has been to design specifications for the component parts of each model and distribute the specifications to innumerable suppliers capable of making the parts. Suppliers could bid for contracts to supply them, by demonstrating that they were capable of meeting the specifications and by bidding on the basis of price. It was a market-based arrangement, not a cooperative system.

Meanwhile in Japan, a rather different approach developed. Each vehicle manufacturer formed long-term relationships with a relatively small number of suppliers. Nissan, for example, has approximately 120 suppliers for all its component parts (Best, 1990). Nissan's engineers and marketing executives work closely with the suppliers, in a cooperative manner, discussing the design of the parts for each model and discussing other aspects of the supply of the parts. The relationship is not

market based, not competitive. The suppliers have an ongoing relationship with the principal company and do not have to compete in a market to win a contract.

Similar cooperative arrangements occur in tourism industries. The Manhattan Hotel's relationships with selected tour operators minimized market-based competition while resting more on cooperative two-way flows of information, enabling coordination of demand (tourists going to the Hotel) and supply (the Hotel's rooms and associated facilities and services). The Manhattan Hotel knew in advance when tour groups would be arriving and if they required any special treatment. The tour operators could rely on the Manhattan in these regards, which in this instance contributes to an efficient tourism value chain.

Conclusion and Implications Arising From This Critical Review

Numerous authors have previously suggested that in the strategic management of business organizations operating within tourism industries, business managers have the polarized options of competing or cooperating with other business organizations sharing that domain (e.g., Bramwell & Lane, 2003; Cooper, 1998; Jackson & Murphy, 2006; Jamal & Getz, 1995; Pesamaa et al., 2008; Selin, 1999; Vernon et al., 2005). This article disputed such a claim and argued that metaphors such as prisoners' dilemma are misleading in the context of studying business strategy. Evidence was presented to support a contention that competition and cooperation are not mutually exclusive, and that a combination of the two approaches is perhaps the rule rather than the exception.

Furthermore, this critical review has assisted in clarifying how the notion of cooperative strategy might be conceptualized. Some writings on the issue of cooperative strategy in tourism industries have confused this issue. For example, Leiper (2004) explained that "certain types of tourist-related businesses, notably tour wholesalers and travel agents, are intrinsically components of tourism industries, as their core activities depend on cooperating with others in the same or related lines of business" (p. 272). However, given that

an “industry” is defined as a collection of organizations producing close substitutes (Hubbard et al., 2008), the notion of cooperation between business organizations such as tour wholesalers and travel agents becomes perplexed, because these organizations operate in different industries.

To clarify this situation, two forms of industrial cooperation were proposed in this article: intraindustry and interindustry. The concept of intraindustry cooperation encapsulates the pooling of resources by organizations within the same industry, aimed at enhancing the overall viability of that industry, or to enhance the value creation activities among a group of allied organizations. Interindustry cooperation describes cooperation among firms in different, albeit related industries, as is common in tourism industries when airlines, hotels, tour wholesalers, and attractions cooperate to produce packaged tour products.

The contribution made in this article is significant because understanding the various types of competition and cooperation at play within an industry, and how these interact, is necessary if a holistic understanding of an industry’s structure is to be arrived at. This is particularly so for studying business strategy in the context of tourism. For example, Leiper (2004, 2008) has extensively argued that the phrase “the tourism industry” is misleading. He instead has suggested that the term “tourism industries” describing “collections of organisations in the business of tourism, working cooperatively to some degree and possibly competing” (Leiper, 2004, p. 160), is more accurate. Distinguishing between intraindustry cooperation and interindustry cooperation is therefore important to avoid further popularizing the notion of tourism as an all-encompassing, ubiquitous industry.

Two other sets of confusion cloud the topic discussed in this article. One is the widespread failure to distinguish “markets” and “industries.” A market is a place or mechanism for buyers and sellers to communicate with the intention of exchange (e.g., goods or services exchanged for money), while an industry comprises business organizations that produce and distribute complementary goods and/or servicing capabilities, supplying these items to markets. Failure to distinguish a cat-

egory of behavior from the markets and industries that might form around it occurs in regard to many sectors of modern economies but seems especially notable in regard to tourism where, as alluded to above, many commentators and institutions promote a vision of “the industry” as the aggregation of all phenomena associated with the behavior of travelers and visitors who come within a definition of “tourist.” For example, under the heading “Profile of the Tourism Industry,” a policy statement of the Australian Government’s Ministry of Tourism begins:

Tourism is a large, global industry which has enjoyed strong growth. There were almost 715 million international tourists worldwide in 2002. This is 22 million more than in 2001 and 690 million more than in 1950. The World Tourism Organisation forecasts that the number of international tourist arrivals will increase to nearly 1.6 billion by 2020. (Department of Communications, Information Technology, and the Arts, 2003, p. xv)

And so it goes on, with more statistics about tourists, but nothing about the suppliers of items used by tourists or consumed by tourists. This method of identifying a tourism industry seems to have originated in attempts to measure the economic value of tourists’ expenditures in places visited, after they have been recorded as arrivals in a destination. From that base, a measure of economic impact, researchers and commentators have been prone to assume that the scale of economic impacts represents the size of “the industry.” These things are linked, but are not identical, and in the context of tourism their dimensions are usually quite different, mainly because of partial industrialization (Leiper et al., 2008), also because of structural differences among tourism industries (Leiper, 2008). Tourism as a phenomenon is much larger and more diverse than the industries directly and strategically supporting it. The issues of competition and cooperation are therefore very relevant items in the process of analyzing these topics.

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