Strategic Motives for Alliance Formation in the Travel Sector of Tourism

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The purpose of this article is to evaluate the strategic motives for alliance formation among tourism businesses. Based on past work on motivation for strategic alliance formation, this article identifies a set of motives and analyzes their implication for tourism businesses. The article further examines the role played by company characteristics in examining these motives. These motives are discussed in the context of the Australian tourism industry. A survey of Australian travel sector businesses was carried out and the results indicate that 'internal drivers' are perceived as more important than 'external drivers' as reasons for alliance formation. Company characteristics (sub-sector, number of employees, turnover, category, and ownership status) were found to be influential in top managers' assessment of alliance motives. The findings of this study imply that managers should conduct environmental analysis with a view to understanding how internal and external factors affect tourism businesses before any form of strategic alliances can be formed.

KEYWORDS   strategic alliances, motives, technology, economies of scale and scope, resources, organizational learning, market entry

INTRODUCTION

Tourism is one of the most highly integrated industries in the world (Bullock, 1998; Dale, 2000; Pansiri, 2005b, 2007). Poon (1993) uses Porter's (1987)

model of the value chain to argue that major players in the tourism industry, particularly airlines, hotels, travel agents, and tour operators have increasingly integrated in an industry whose boundaries are becoming increasingly blurred. She argues that, "it is no longer relevant whether a company is an airline, a travel agent, hotel or tour operator. As the boundaries among players are re-defined, what becomes more relevant are the activities along the value chain that they control" (Poon, 1993, p. 215).

One defining characteristic of these relationships is the proliferation of strategic alliances within the industry and between the industry and other sectors of the economy. Strategic alliances are purposive arrangements between two or more independent organizations that form part of, and is consistent with participants' overall strategy, and contribute to the achievement of their strategically significant objectives that are mutually beneficial (Pansiri, 2005a). Go and Hedges (1994) predicted the formation of more strategic alliances among a variety of partners as a way of meeting the needs of the traveller. Peattie and Moutinho (2000) emphasised the need for various segments of the travel industry to stay linked in order to provide the quality of service demanded by the increasingly sophisticated and demanding traveller. The argument is that strategic alliances can be used effectively in order to achieve growth and competitiveness which, in this industry, take a variety of forms and occur across vertical, horizontal, and diagonal relationships (Bullock, 1998; Dale, 2003; Go & Appelman, 2001; Poon, 1993). This is so because tourism is a ". . . highly complex compounded service brought about through the 'assembly' of different services that are being delivered by a network of companies that is often global in scope" (Go & Appelman, 2001, p. 184). Apart from meeting the needs of customers, alliances can be formed for strategic reasons. A number of authors have argued that companies form alliances because of a number of internal organizational and external environmental motives (Contractor & Kundu, 1998b; Dussage & Garrette, 1999; Evans & Peacock, 1999; Evans, 2001; Faulkner, 1995; Howarth, Gillin, & Bailey, 1995). In the Australian travel sector of tourism, such motives could be linked to the fact that most tourism businesses are small-to-medium enterprises (Australian Bureau of Statistics, 1997; Bolin & Greenwood, 2003). Due to size and other company characteristics, travel sector businesses may form alliances in order to meet the needs of diverse motives.

This study therefore seeks to achieve the following objectives: to identify strategic alliance motives significant for alliance formation in the tourism sector of travel; to investigate the relationship between strategic alliance motives; and to investigate the relationship between strategic alliance motives and company characteristics.

A number of studies have identified several drivers (motives) leading to formation of strategic alliances (Contractor & Kundu, 1998b; Dussage & Garrette, 1999; Evans & Peacock, 1999; Evans, 2001; Faulkner, 1995; Howarth et al., 1995). These have been classified as *internal organizational and external environmental* drivers (Faulkner, 1995; Howarth et al., 1995; Evans, 2001), which Evans (2001, p. 231) argues, ". . . act as the underlying motivating reasons for alliance formation." The internal driver view is built on the perception that an organization cannot achieve its objectives alone due to a scarcity or lack of access to resources (Howarth et al., 1995). This view is strongly supported by the *resource based view* of the firm, which sees organizations as collections of heterogeneous resources. Alliance motives from this perspective include reducing internal organizational uncertainty (Drago, 1997); shaping competition (Colombo, 2003; Doz & Hamel, 1998; Drago, 1997); economies of scale (Evans, 2001; Hill & Jones, 2004); economies of learning—alliances are often aimed at expanding a firm's set of distinctive capabilities through inter-organizational learning (Kotabe, Martin, & Domoto, 2003; Tsang, 2002); access to assets, resources and competencies (Beverland & Bretherton, 2001; Hitt, Ireland, & Hoskisson, 1996; Mockler, 2001; Olivera, 1999; Ray, Barney, & Muhanna, 2004); and risk sharing (Colombo, 2003).

The external driver perception is built on the understanding that in order to achieve certain objectives, the organization must submit to the pressure of external forces. These forces include government regulations and barriers to trade, (Howarth et al., 1995); technology capabilities (Colombo, 2003; Doz & Hamel, 1998; Go, Govers, & Heuvel, 1999; More & McGrath, 1999; Sakakibara, 2002); globalization (Chan, 2000; Dussage & Garrette, 1999; Erdly & Kesterson-Townes, 2003); and market entry and development of new markets (Beverland & Bretherton, 2001; Howarth et al., 1995; Ohmae, 1989a; 1989b; Whipple & Gentry, 2000).

Internal Drivers

It is generally accepted that there are various internal drivers that influence firms into entering into cooperative agreements and these include risk sharing, shaping competition, economies of scale and scope, inter-organizational learning, and market entry and development of new markets.

Economies of Scale and Scope

A prime driver for alliance formation is to achieve cost economies, which can be categorized as economies of scale and scope (Chung, Luo, & Wagner,

2006; Evans, 2001; Taylor, 2005). Economies of scale are unit cost deductions associated with a large scale output or cost advantages that would not be possible to obtain if the single companies acted independently (Abdou & Kliche, 2004). According to Hill and Jones (2004), economies of scale arise out of two fundamental sources, namely: a) the company's ability to spread fixed costs over large production volume, e.g. manufacturing facilities, distribution channels, advertising campaigns; and b) the ability of firms to produce in large volumes to achieve a greater division of labor and specialization.

Hill and Jones further argue that there are cost reductions associated with sharing resources across businesses and these have two major sources across businesses. Firstly, organizations that share resources across businesses invest proportionately less in the shared resources than those that do not share. Secondly, resource sharing across companies may enable such companies to use shared resources more intensively, thereby realising economies of scale. Furthermore, a firm can reduce its fixed costs by sharing costs through an alliance (Ohmae, 1989a).

Go and Hedges (1994) maintain that the investments in aircraft, Computer Reservation Systems (CRSs), frequent flyer programs, labor and fuel are very high. Therefore, airlines form strategic alliances in order to create economies of scale necessary to defray costs over a wider base, and to reach the critical mass convenient for passengers to use the airlines extensive network. "Size allows carriers to improve their marketing and operations through better computer reservation systems, frequent flyer plans, more hubs, vertical integration of feeder airlines and access to airports, and also allows them to develop extensive routes" (Go & Hedges, 1994, p. 185). This is supported by Morrison's (1994, p. 20) study which found that small hotel firms form strategic alliances in order "to gain strength in competing against the corporate chains by achieving advantages through economies of scale and the fashioning of common brand identity, thus seeking to replicate the strength of the corporate chains."

Access to Assets, Resources and Competencies

The basis of this internal driver is the resource-based view of the firm. This approach assumes that each organization is a collection of unique resources and capabilities that provide the basis for its strategy and is the primary source of its returns on profit (Hitt et al., 1996). The resource-based view is premised on the observation that an organization's internal environment, in terms of its resources and capabilities, is more critical to the determination of strategic actions than is the external environment. Therefore, organizations are seen as possessing heterogeneous and idiosyncratic resources on which their individual strategies are based. When these strategies are successful in leveraging firm resources to gain a competitive advantage that

is then sustained over time, the firms achieve higher economic returns than others" (Hitt, Nixon, Cliford, & Coyne, 1999, pp. 1-2).

Strategic alliances permit organizations to access resources that other organizations have. For example, alliances may focus on motives that reduce costs and increase profit in the supply process (joint investment, reduced inventory, and stable supply prices). It has also been argued that additional financial motives result from sharing risk, such as joint investment in capital and joint product development (Whipple & Gentry, 2000, p. 303). Morrison's (1994, p. 27) study found that organizations in tourism (hotel sector) formed alliances because of various reasons based on two fundamental strategic issues: accessing strategic resources and strategic benefits accruing from these alliances. Accessing strategic resources included local access to a centralised international network, overseas marketing; facility of package and sell components of tourism products, videotext interactive system for member information update, and a comprehensive product information database. Strategic benefits involved access to highly sophisticated computerized systems, participation in a global marketing network, training and support programs, and operational efficiencies.

Organizational Learning

Writers on strategic alliances indicate organizational learning as one of the major motivations for alliance formation (Colombo, 2003; Kotabe et al., 2003; Taylor, 2005; Tsang, 1999, 2002). Organisational learning has been an issue of discussion for many decades from both organisational theory and psychology (Argyris, 1993, 1994; Argyris & Schön, 1978, 1996; Cohen, 1991; Huber, 1991; Pansiri, 1996; Simon, 1991) and is seen as the focal tool for future competitiveness in strategic relations (Morrison & Mezentseff, 1997).

Organizational learning is complex and multidimensional (Tsang, 1997), and is concerned with enhancing the progress of learning in order to improve individual and collective organizational actions via improved knowledge and understanding (Love & Gunasekaran, 1999). Organizational learning has been seen as a more rational process within the domain of decision making and choice (Crossan & Berdrow, 2003).

In the tourism literature, there is evidence of the two forms of inter-organizational learning. For instance, a study by Medina-Munoz and Garcia-Falcon (2000) suggest that knowledge of factors contributing to the success of the relationship between hotel companies and travel agencies is central to the management of ongoing relationships as well as in the selection of future partners. This supports the first type of inter-organizational learning. On the other hand, Go and Hedges (1994) argue that strategic alliances tend to blur the boundaries of firms and permit knowledge to move easily across boundaries, giving an organization access to information that another organization may possess. This supports the second type of inter-organizational

learning. Go and Hedges further observe that information and knowledge are contained in the workers, systems, controls, and technologies of a firm which are too costly to develop, but could be accessed by establishing strategic alliances with those companies that already have such resources.

External Drivers

There are a number of external drivers that influence firms into entering cooperative agreements. Various authors have discussed a number of these external driving forces (Beverland & Bretherton, 2001; Howarth et al., 1995; Ohmae, 1989a; 1989b; Whipple & Gentry, 2000), but Faulkner (1995) argues that their impact varies from situation to situation. These include globalization, technology, economic restructuring, and market entry and product development.

Globalization

Globalization is a "concept with consequences" (Hall, 2001, p. 22) not only for tourism but also for all industries, governments and their communities worldwide (Cooper & Wahab, 2001). It has been suggested that globalization ". . . can refer to an increase in: (a) cross-border relations (or internationalisation); (b) open-border relations (or liberalisation); and (c) trans-border relations (or the relative uncoupling of social relations from territorial frameworks)" (Sum, 1999, p. 129). Wahab and Cooper (2001) see globalization as an all embracing term that denotes a world which, due to many politico-economic, technological and informational advancements and developments, is on its way to becoming a borderless and interdependent whole.

While tourism organizations are affected by globalization, they also enhance and sustain the process of globalization by means of their own responses to the phenomenon (Cooper & Wahab, 2001). Pine, Zhang, and Qi, (2000) point out that globalization has become the strategy of many companies in the hotel industry, with most of these companies feeling compelled to reach across continents and carry their product right around the world to succeed and prosper. Hannam (2002) makes reference to globalization of mass-market cruise companies, while Apostolopoulos and Sönmez (2000) argue that the only way Mediterranean countries can maintain a competitive edge in the global tourist market is to form strategic alliances that would allow them to respond to globalization pressures more meaningfully.

Technology

Companies are driven to form strategic alliances by lack of sufficient internal resources (Colombo, 2003). Often this lack of resources resides in

technological in-capabilities (Whipple & Gentry, 2000), therefore competitive advantage is believed to be achievable through forming alliances with partners who offer new technologies particularly in Research and Development (R&D). Many organizations ally with a partner that has sophisticated information capabilities, (Doz & Hamel, 1998; Whipple & Gentry, 2000). In addition, firms desire to gain access to a partner's R&D expertise, which could result in improvement of its product development process as well as shorten critical lead-times to bring new products to market faster. Alliance partners may bring new ideas for product and process improvements.

Bentley as cited by Go et al. (1999, p. 15) explain that, ". . . technologies first penetrated sector by sector — airlines, hotels, car rentals, travel agencies, now destinations. The second stage is integration of the sectors, which is on going . . . The third stage is delivery of these technologies to the retail trade, also under way. The fourth is integrating the individual consumer into the use of information technology." The tourism industry has embraced technology because of its opportunity to improve companies' interactivity with their consumers and stakeholders because more people use Information and Communication Technologies (ICTs) (including CRSs, Global Distribution Systems [GDSs] and the Internet) to locate and purchase tourism and accommodation products (Buhalis, 1999).

Technology provides marketing, creation and distribution of tourism products. Most tourism companies are small-to-medium enterprises (SMEs) which lack capital investments and specialist training to acquire and manage technologies successfully. Therefore, forming strategic alliances either with partners who are able to offer new technologies (i.e. on line reservation systems by major travel and tour operators and integrated chains like travel agencies) or with other SMEs with a view to bringing together scarce resources is an important aspect of achieving technologies by companies which on their own would be unable to.

Economic Restructuring and the Role of Government

The role of national or regional policies has been viewed as an important external environmental factor that impacts on the decision to form an alliance (Horton & Richey, 1997). The literature on this topic has been discussed in terms of both domestic and international strategic alliances. With respect to domestic alliances, Horton and Richey (1997) observe that prior to the 1980s, national policies toward alliances (particularly research alliances), might have been conceived of as clearly divided between the US's approach, in which coordination between firms was viewed with a great deal of suspicion, and the Japanese model, in which the government was actively promoting meetings between industry leaders to both set technical standards and to coordinate joint research projects. This view is shared by Harrigan (1985) who argues that some industrialised nations, such as the

US, have enforced strict antitrust laws that prohibit cooperative strategies when they appeared to function as monopolies or behaved collusively. However, Harrigan finds evidence of increased tolerance of alliances, particularly joint ventures, by US officials since the mid-1980s if efficiency gains offset the harm to competition that such arrangements had previously been assumed to create. With respect to multinational enterprises (MNEs), various authors on the subject do not only reveal different policies by various countries towards promoting and protecting local businesses but also the changes of government policies over time in respect to the subject.

Bell, Barkema and Verbeke (1997) argue that host governments may restrict the level of activities by foreign MNEs. However, studies by Gomes-Casseres (1990) indicates that some MNEs are able to establish wholly owned subsidiary companies depending upon their bargaining power. Gomes-Casseres further argues that if MNEs ownership preferences conflict with those of the government, they are faced with the choice of either negotiating a compromise or declining to invest in that particular country. Previous research has shown that companies taking the former route use strategic alliances particularly joint ventures as the most preferred mode of entry (Bell et al., 1997; Gomes-Casseres, 1990). Alliances allow firms to overcome a country's protectionist measures (Horton, 1998), and have been used as a way of gaining entry into particular markets where governments impose tariffs, barriers and conditions of entry.

Formation of strategic alliances because of deregulation was reported in healthcare (Beverland & Bretherton, 2001), financial services (Kauser & Shaw, 2004; Kiriazidis & Tzanidakis, 1995) and the airline industry (Chan, 2000; Glisson, Gunningham, Harris, & Di Lorenzo-Aiss, 1996). However, not much research has been undertaken to find out the impact of deregulation or economic restructuring by governments on strategic alliance formations in the tourism sector of travel.

Market Entry and Product Development

In today's fast-paced world economy, it is correct to say that individual companies lack the time to establish new markets. Therefore, companies form strategic alliances in order to develop new markets/products, get a 'tochold' in a growing business, and enter into a new geographic market. Howarth et al. (1995, p. 14) support the above, by arguing that strategic alliances are an effective mechanism for gaining access to more customers. "A strategic partner may be able to provide access to extensive distribution channels, access to new markets and access to advanced supplier networks" (Howarth et al., 1995, p. 14). This is even more important when alliances are formed globally (Whipple & Gentry, 2000).

Strategic alliances by tourism businesses have been associated with accessing new markets by new airlines (Go & Hedges, 1994) and market

penetration (Dev, Klein, & Fisher, 1996). A study by Dev et al. (1996) of nine hotel brands, four car rental brands, and four airline brands show that tourism businesses which wish to follow a market penetration strategy seeking to increase their market share can effectively use strategic alliances to fulfil their strategies. Watkins and Bell (2002) also found that organizations in the tourism industry in Australia collaborate in order to achieve stronger positions in the market place. Contractor and Kundu (1998b) show that hotel firms listed in the International Hotel Group Directory have more than half a million rooms outside their home nation, and most of them had used equity joint ventures (15.8%), and other non-equity strategic alliances like franchising (28.4%) as entry modes. Contractor and Kundu (1998a) examined the internal (company characteristics and strategy) as well as external (country or locational) factors that lead international hotels to choose franchising instead of direct market entry. Their findings reveal that the propensity to franchise reflects a mix of factors related to the nation where the hotel is located, as well as the characteristics and strategy of the global hotel company. These factors include: level of development of the intended foreign market; the extent of globalization and international experience of the firm; and strategic factors such as the degree of investment in a hotel's global reservation system and brand, as well as the size of its overall operations.

The conclusion drawn from the above analysis is that no single study can capture all the motives for strategic alliance formation. Many of the above motives are significant and should be incorporated into any research framework because some of them are more important than others. The most crucial ones, which this study investigates, are; globalization of the tourism industry, rapid technological change, legal requirements, reputation and corporate image, economies of scale, strength of personal relationships, developing/creating new markets, volatility in the tourism market, learning from each other, brand names, general economic uncertainty, entering new domestic markets, and entering new international markets. Most of these motives have been studied before but not necessarily in one single study as in Glaister and Buckley (1996) and Whipple and Gentry (2000). Only the variable 'Legal requirements' was included to assess the impact of government on alliance formation and R&D was excluded from the study because the tourism industry is essentially a service industry which has little or no focus on R&D.

COMPANY CHARACTERISTICS

There is widespread agreement that structure can have a profound impact on strategy through its direct effect on the strategic decision-making process (Fredrickson, 1986; McShane, 2003; Robbins, Millett, & Maters-Marsh, 2004).

In his overview of the strategy/structure debate, Fredrickson (1986) describes three dimensions of structure (centralization, formalization, and complexity) that are most likely to affect strategic decision-making. These dimensions have been widely used by many decision-making researchers (e.g. Kauser & Shaw, 2004; Wally & Baum, 1994). Different organizations subscribe to different structures ranging from centralized to decentralized, from formal to informal and from simple to complex. However, there are a number of contingency factors, which influence these organizations' structural dimensions. The most cited of these contingency factors are technology, organization size and environment (Robbins et al., 2004). Company characteristics have received less attention from strategy decision-making researchers. Fulop (1992) identifies the following as company characteristics used in defining SMEs: legal entity, size (financial capital, annual turnover, and number of employees) and ownership. Company characteristics are crucial to this study.

Few researchers have studied relationships between company characteristics and firm strategy in the general business setting, and those that have conducted such studies have presented mixed findings. For example, Dalton and Kesner (1983) mentioned organizational size as an influence on executive succession patterns. They argue that large organizations are more likely than small firms to replace top management from inside. Schwartz and Menon (1985, p. 685) found that although firm size did not influence decisions to make Chief Executive Officers' (CEO) changes, the larger companies that failed and made such changes displayed a greater preference for external replacements than did the smaller ones. Miller et al. (1998) also found relationships between firm size and comprehensiveness of strategic decision processes and extensiveness of strategic planning. Wincent (2005) found that firm size can be an important determinant for firm performance, and for networking inside and outside the SME network.

Temtime and Pansiri (2005) found that no relationships existed between organizational size, legal form of business, and industry, and perceived critical management factors (i.e. organizational design, HRM development, and competitive strategy), instead they found significant relationships between these critical factors and ownership status, managers' experience and organization's age. A study by Entrialgo, Fernández, and Vázquez (2001) suggests that the resources and competitive strategy of a firm influences its entrepreneurship. They found human and financial capital encourages entrepreneurship and concluded that "it is the firms which compete using differentiation which develop a greater degree of entrepreneurship, compared to the firms competing using cost leadership" (2001, p. 233). However, they failed to establish any linkage between firm age and size, and entrepreneurship.

Studies investigating relationships between company characteristics and strategic alliances are lacking. However, Todeva and Knoke (2005) argue that propensities to participate in strategic alliances vary across firms

operating within the same organizational field due to diversity of company characteristics, raising possibilities of making such linkages between strategic alliance formation and company characteristics. Kauser and Shaw (2004) found that behavioural characteristics (coordination, interdependence, commitment, conflict, and structure and control) play a more significant role in explaining overall alliance performance compared to organizational characteristics (centralization, complexity, and formalization).

This study investigates five company characteristics: a) Sub sector – The emphasis is on the travel agency services sector. Three broad sub-sectors exist in this sector: travel agents, tour operators and tour wholesalers; b) Company size as measured by both number of employees and annual turnover; c) Legal form of business – Three forms of businesses is investigated in this study: sole proprietorship, partnership and corporation; d) Whether the business is family or non-family owned, and e) whether the respondent was an owner manager or employed executive.

METHODOLOGY

Mixed methods have been used in this study. Mixed methods studies have been defined as those studies involving ". . . the collection or analysis of both quantitative and/or qualitative data in a single study in which the data are collected concurrently or sequentially, are given a priority, and involve the integration of the data at one or more stages in the process of research" (Creswell, Clark, Gutmann, & Hanson, 2003, p. 212). There are many mixed methods designs identified in the literature (Creswell, 2003; Pansiri, 2005b; Tashakkori & Teddlie, 1998, 2003), however, this study adopted the sequential quantitative-qualitative method with a view of using qualitative data to explain quantitative results. The research process started with quantitative data collection using a questionnaire instrument followed by qualitative data collection done in the form of semi structured interviews.

Setting and Sample

The study focused on travel agents, tour operators and tour wholesalers operating in Australia. A random sample of 700 tourism businesses was selected from a list of 4,610. The primary source of original firm selection was the Travel Compensation Fund (TCF) industry website directory. Then company websites were accessed to verify if such firms were travel agents, tour operators or tour wholesalers and to obtain the particulars of an executive likely to be able to complete the survey. The Chief Executive Officer (CEO) or Managing Director (MD) was chosen unless another person more clearly matched the needs of this survey, as would for instance, a high-level executive. For those businesses, which did not have any website to identify

appropriate executive details, a decision was made to send a hard copy addressed to the MD. This was deemed an important decision to take because of the need to make the sample to be representative even of those, which for one reason or the other had no websites. These processes yielded 600 company executives who were then approached (435 by e-mail and 165 by hard copy) to complete the survey.

A total of 127 completed surveys were returned. Using Dillman's (1978) more direct indicator of a method's response rate calculation, this represents a 28.35% response rate.[1] Out of these, 117 (92%) were found useable for the study. Thirteen respondents did not have strategic alliances. Of the 104 respondents who reported having strategic alliances, 55.8% had a low (1–2) number, 26% had a medium (3–4) number while 18.2% recorded a high (5 and above) number of alliance types. Only 12.6% of the companies, which participated in the survey, had both domestic and international alliances. The majority (50.5%) only had domestic alliances.

Measures

Extensive review of the literature with emphasis on generating a pool of items that tapped the core theoretical constructs was undertaken to generate the measurement items used for this study, which have previously been used by other researchers. Once the items were generated, a decision was made to conduct a pilot survey. This survey was not necessarily to test the reliability of the instrument since most of the items have previously been used, but rather to assess the length of the questionnaire, and its readability. The pilot survey was conducted between February and April 2005.

The survey was made up of three parts. Part I requested respondents to fill in firm/company details. Part II asked questions about strategic alliances the organization was involved in, and Part III requested the respondent's personal details. Part II had four sections; types of alliances, drivers for strategic alliance formation in the tourism industry, characteristics of strategic alliance partners, and strategic alliance performance. This article only reports the results from Part II—types of alliances, drivers for strategic alliance formation in the tourism industry.

Company Characteristics

These are company/firm specific variables most of which have previously been used in management research. For example Tyler and Steensma (1998) used industry and firm size in their assessment of potential technological alliances, and Golden and Dollinger (1993) have confirmed relationships between firm size and alliance participation. Firm size was measured by the number of employees (Erramilli, 1991) and an organization's annual turnover (Temtime & Pansiri, 2003). Industry variables included three travel

sub-sectors—travel agents, tour wholesalers, and tour operators. Other variables under study included legal form of business and whether the company is a family-owned business (Temtime & Pansiri, 2005), and whether the respondent is an owner-manager or employed executive. Respondents were asked to indicate the number of employees ranging from 1 = *Less than 5*, to 6 = *200 or more*. Furthermore respondents were asked to indicate the business' annual turnover ranging from 1 = *less than AU$500,000*, to 6 = *AU$7, 000,001 or more*. For chi-square analysis, these were recoded because some cells had expected counts less than five2 (Coakes & Steed, 1999; Field, 2005). Number of employees was recoded 1 = *Less than 5*, 2 = *Between 5–49*, and 3 = *50 and above*. Business annual turnover was recoded 1 = *Less than A$M*, 2 = *Between A$1,000,001–A$5M*, and 3 = *Above A$5M*.

Drivers of Strategic Alliance Formation in the Tourism Industry

Various internal and external drivers influence firms to form strategic alliances (Faulkner, 1995; Glaister & Buckley, 1996; Nielsen, 2002). From the review of the literature, 13 variables were used to measure these drivers. These variables are shown in Table 1. These variables were adapted from Faulkner (1995) and Tsang (2002). The variable strength of personal relationships was developed by the researcher. For each of the statements, respondents were asked to indicate on a 5-point scale (from 1 = *Very low influence* to 5 = *Very high influence*) the degree to which these factors were influential, leading to the formation of strategic alliances.

Semi-Structured Interviews

This study adopted purposive selection for face-to-face semi-structured interviews. This is deemed an important qualitative sampling method because the researcher decides which members of the population are most likely to provide the answers to the research questions and then deliberately includes them in the sample. This involved choosing people from which the researcher can substantially learn about the experience (Polkinghorne, 2005).

A question in the quantitative survey requested those respondents interested in participating in a personal interview to provide their addresses for contact. This was deemed an essential step because through responses to this question, the researcher had access to top executives who were not only interested in the subject but also willing to provide relevant descriptions of their experiences. All the six interviewees were interested in the subject and provided rich information. After all, the essence of these interviews were not on 'how much' or 'how often' but sought to understand the meaning of alliance practice from the perspectives of those who design, and manage them.

Company executives were asked the same questions. Although some of these questions were developed during the time when the research proposal

Table: Statistics and Spearman Correlation Metrics of Strategic Motivation for Alliance Formation

	M	SD	1	2	3	4	5	6	7	8	9	10	11	12	13
...rporate image	3.95	1.074	1												
...tial relationships	3.93	1.091	.561**	1											
...ing new markets	3.55	1.152	.319**	.323**	1										
...le	3.41	1.167	.551**	.302**	.385**	1									
...ch other	3.33	1.166	.566**	.446**	.117	.322**	1								
...cal change:	3.27	1.283	.419**	.342**	.196*	.504**	.740**	1							
...ourism market	3.25	1.311	.403**	.315**	.237**	.393**	.428**	.454**	1						
...	3.15	1.339	.546**	.247**	.294**	.557**	.342**	.464**	.417**	1					
...c uncertainty	2.98	1.196	.411**	.284**	.157	.378**	.434**	.536**	.697**	.360**	1				
...ts	2.89	1.264	.383**	.146	.157	.178*	.461**	.435**	.367**	.240**	.406**	1			
...he tourism industry	2.77	1.399	.240**	.061	.261**	.297**	.251**	.356**	.522**	.430**	.309**	.252**	1		
...mestic markets	2.62	1.277	.207*	.140	.386**	.185*	.239**	.291**	.279**	.243**	.338**	.267**	.376**	1	
...ernational markets	2.61	1.399	.188*	.107	.468**	.350**	.116	.221*	.316**	.419**	.221*	.267**	.612**	.449**	1

...viation, M = Mean. Mean calculated from a minimum of 1 and a maximum of 5.

was written, most of them were changed after analysis of the quantitative data. The interviews were based on 20 questions which were divided into four themes; alliance types and reasons for alliance formation, strategic alliance performance, choosing alliance partners, and whether alliances were perceived as a risky form of business. The questions reflected the major themes picked during quantitative data analysis and were structured and arranged in such a way that they helped the researcher to enquire into different alliance practices. This study only reports data from the first theme, reasons for alliance formation.

The interview questions were piloted with one tour operator to see if they are well understood, and changes were made appropriately. The author of this article conducted the interviews at the interviewees' offices or homes. Interviews ranged from 30 to 45 minutes in length. All the interviewees were open in answering the questions, exploring the issues at length. The richness of this data is therefore reflected in the extent to which the 20 questions were explored to the point that the last two interviews were mostly repetitive of what the past one have provided. It was helpful that each interview was immediately transcribed. This gave the interviewer the opportunity to make an assessment of the extent to which answers for the questions have been exhausted. All the interviews were tape-recorded and transcribed for textual analysis. Data was then categorized according to the various questions which were asked in the interview and a pattern of function began to emerge.

ANALYSIS

In this sequential explanatory research process (QUAN qual), quantitative data was collected and analysed, followed by qualitative data, which was collected to augment quantitative data. For quantitative data analysis, means, standard deviations, ANOVA and correlations were used while narrative analysis was used for quantitative data analysis. Qualitative data for this study was based on executives' accounts of their experiences and the ways in which they explained these accounts through their subjective interpretations, and related them to constructions of the social world in which they live. Narrative analysis was adopted in order to remain sensitive to interviewees' social construction and meanings (Saunders, Lewis, & Thornhill, 2003). While form and content were studied together looking at how interviewees used language to convey particular meanings and experiences (Coffey & Atkinson, 1996; Punch, 2005), descriptions and quotations were mostly used to emphasise arguments. Patton (1990, p. 427–428) observes that "description and quotation are the essential ingredients of qualitative inquiry. Sufficient description and direct quotations should be included to allow the reader to enter into the situation and thoughts of the people represented in the report." This approach has been used in management

research (Gbadamosi, 2005; Taylor, 2005) and tourism (Sørensen, 2003) and is important for this study in the sense that the use of selected interview quotations in mixed methods illuminate (Taylor, 2005) and augment (Hanson, Creswell, Plano, Petska, & Creswell, 2005; Palmer & Cochran, 1988) quantitative analysis.

Table 1 presents the rank order of the strategic motivations for strategic alliances formation based on the mean measure of the importance of the motive. This ranking shows that 'internal drivers' are perceived as more important than does external drivers. The first group of motives (those ranked from 1 to 5) are internal drivers. From Table 1, the highest ranked strategic motives are concerned with strategic resources necessary for competitiveness. Given that most of these organizations are SMEs employing less than 20 employees (75.4%) suggest that they cannot achieve their individual objectives alone due to scarcity of resources. The first two are intangible resources of reputation and corporate image (mean = 3.95) and strength of personal relationships (mean = 3.93). Becoming part of a marketing or joint selling and distribution alliance enhances a business' reputation. While such membership is also driven by strength of personal relationships, it could be argued that it further strengthens such relationships through good reputation of individual businesses. The major remaining motives for strategic alliance formation are developing/creating new markets (mean = 3.55), economies of scale (mean = 3.41) and learning from each other (mean = 3.55).

Table 1 also indicates the level to which these items are correlated. Churchill (1979, p. 68) argues that "if all items in a measure are drawn from the domain of a single construct, responses to those items should be highly intercorrelated." Most of these items are correlated at 99% significance level. The largest correlation between these 13 items is between learning from each other and rapid technological change (r = .740, p < .01), followed by the correlation between general economic uncertainty and volatility in the tourism market (r = .697, p < .01), and globalization of the tourism industry and entering new international markets (r = .612, p < .01). Significant correlations at (p < .01) also exist between most of the 13 items. Only developing/creating new markets has no significant associations with learning from each other, general economic uncertainty, and legal requirements. Learning from each other also has no association with entering new domestic markets.

The results in Table 1 show that although strategic alliance motives are ranked differently, there is a strong association between them. The extremely high inter-correlation between these motives indicates that executives evaluate these motives holistically than seeing them as individual isolated motives when faced with factors forcing them to form alliances. Companies are not influenced by one factor to form alliances, but by a host of them. For example, a decision to form an alliance because of economies

of scale is made because companies are facing general economic uncertainty ($p < .01$) and the volatility of the tourism market ($p < 0.01$). Forming alliances will also help in developing/creating new markets ($p < .01$), and learning from each other (alliance partners) ($p < .01$) in rapidly changing technological environment ($p < .01$). At the same time, companies are mindful of reputation and corporate image ($p < .01$). As such, they prefer to take advantage of the strength of personal relationships ($p < .01$) which is important in the sense that they are forming alliances with companies run by executives whose reputation they already know.

ANOVA analysis was employed to assess the degree to which strategic alliance motives are related to company characteristics. The F-test result in Table 2 shows that there are significant relationships between sector and 7 of the 13 alliance motives. Sector is significantly related to developing/creating new markets ($p < .01$), rapid technological change ($p < .01$), volatility in the tourism market ($p < .05$), brand names ($p < .001$), general economic uncertainty ($p < .05$), globalization of the tourism industry ($p < .01$), and entering new international markets ($p < .01$). Legal form of business is significantly related to one alliance motive, rapid technological change ($p < .05$). Number of employees is significantly related to reputation and corporate image ($p < .10$), economies of scale ($p < .05$), globalization of the tourism industry ($p < .05$), and entering new international markets ($p < .05$). Table 2 also shows that there are significant relationships between turnover and nine of the thirteen alliance motives. Turnover is significantly related to economies of scale ($p < .05$), learning from each other ($p < .10$), rapid technological change ($p < .01$), volatility in the tourism market ($p < .05$), brand names ($p < .001$), general economic uncertainty ($p < .05$), legal requirements ($p < .10$), globalization of the tourism industry ($p < .01$), and entering new international markets ($p < .01$). Category of business is significantly related to economies of scale ($p < .05$), rapid technological change ($p < .05$), and, legal requirements ($p < .05$). Ownership is statistically related to reputation and corporate image ($p < .10$), and strength of personal relationships ($p < .01$).

In-depth interviews with six executives were based on the first five factors and the last two factors – entering new markets (domestic/international) from the list in Table 1. Table 3 shows characteristics of companies the interviewees worked for. These characteristics were drawn from the questionnaire which the respondents filled during the survey. C1 is missing from the table because he was used to pilot the interview questions. Since some questions were changed after the first interview, it was deemed appropriate to remove C1 from the analysis.

These interviews underscored the importance of alliances in the travel sector given the various drivers that propel companies into forming these relationships. This identified a few important issues: better market share and subsequently, profitability – as the main objectives for alliance formation.

	Sector		Legal form		Employees		Turnover		Category		Ownership	
	df	F	df	F	df	F	df	F	df	F	df	F²
rate image	2	.022	2	.423	2	1.574†	2	.421	1	.171	1	3.318†
elationships	2	1.082	2	1.728	2	1.479	2	9.080	1	1.113	1	11.641**
new markets	2	5.058**	2	.296	2	1.777	2	1.756	1	.467	1	.083
	2	2.347	2	3.492	2	4.686*	2	3.883*	1	5.758*	1	.314
ther	2	1.995	2	.013	2	.013	2	2.842†	1	.667	1	1.088
hange	2	8.102**	2	3.002*	2	.673	2	8.135**	1	5.962*	1	.026
m market	2	4.155*	2	.283	2	.623	2	3.609*	1	.078	1	.070
	2	9.630***	2	.401	2	2.717	2	11.117***	1	1.845	1	.007
certainty	2	3.229*	2	.093	2	.501	2	3.366*	1	.658	1	.005
	2	.513	2	.277	2	1.224	2	2.645†	1	5.904*	1	3.858
ourism industry	2	5.616**	2	1.245	2	3.898*	2	7.902**	1	.820	1	1.083
ic markets	2	1.430	2	.260	2	.055	2	3.74	1	.150	1	.000
ional markets	2	5.045**	2	.357	2	4.709*	2	5.602**	1	1.900	1	.647

m; Numbers in bold reports the Welch's F when the Levene's test for variance was found significant. Mean calculated from a minimum of
ber of responses ranged from 97 to 103.
**$p < .001$.

TABLE 3 Characteristics of the Companies for Whom Participants Worked

	Sub-sector	Form of business	Employees	Turnover	Category
Company characteristics					
C2	Travel agent	Partnership	5–19	<$AU7M	Non-family
C3	Tour operator	Partnership	5–19	>$AU500,000.00	Family
C4	Tour operator	Sole proprietorship	>5	>$AU500,000.00	Family
C5	Wholesaler	Sole proprietorship	50–99	<$AU7M	Family
C6	Wholesaler	Corporation	5–19	$AU5–7M	Family
C7	Tour operator	Corporation	<200	$AU5–7M	Non-family

Environmental factors (internal and external drivers) can make achievement of these objectives very difficult. Although in a way these interviews confirmed the quantitative data, they also unearthed diverse thoughts and interpretations executives give to these factors. Interviewees disagreed over the importance of the first motive, reputation and corporate image, and other items. For instance, on the one hand, C2 and C4 emphasised the importance of reputation and corporate image while C6 and C7 differed with their views. Those who emphasised on the importance of reputation and corporate image as a factor for forming strategic alliances observed that their companies formed alliances as a way of enhancing their reputation and corporate image, and that forming alliances has helped their companies to achieve such an objective, particularly forming alliances with international companies and big brands. C2 observes that his company's "association with XXX and how well it is known worldwide and with people having XXX cardholders is a corporate image." On the other hand, C6 and C7 maintain that emphasis was on service delivery and product development than reputation and corporate image because they develop their own rather than relying on strategic alliances. The idea of forming strategic alliances as a way of enhancing reputation and corporate image seem to be associated with joining franchise agencies and cooperative buying groups than two independent businesses forming an alliance. C2 is a franchise while C4 is a member of a buying group. On the other hand, C6 and C7 are independent operators, and the alliances they were referring to were with other independent operators.

Another disagreement was on both entering new markets and developing/creating new markets in relation to company size. The F-test results in Table 2 shows significant relationships between entering new international markets and sector ($p < .01$), number of employees ($p < .05$), and annual turnover ($p < .01$). Interviewees were asked the following question: "Entering new markets (both domestic and international) seem to be the least important motives, would this be associated with the fact that most of your businesses are small?" Only one tour operator indicated alliance formation as driven by entering new markets. The other tour operators which are small in size (employing up to 19 people) were only interested in strategic alliances

within their business location. Tour wholesalers and travel agents are more into using strategic alliances to enter new markets.

While the majority of these respondents agree that entering new markets is a driver for strategic alliance formation, they are relatively in disagreement regarding the fact that size of the business is influential of using alliances to enter into new markets. Executives representing smaller companies argue that entering new markets is not an issue for them (small businesses) but for larger ones because of associated costs. As C2 observes, "to be opening up offices inter-state or overseas . . . would be too costly an undertaking." Entering new markets was perceived as not relevant to small businesses. Hence C3 says that "to a business as small as ours? Not relevant. You know I can see it as being relevant to a bigger business but for us we are so happy with the level of activity that we have, not interested in going to New Zealand or New South Wales or Egypt or anywhere else."

Interviews further showed that bigger companies use strategic alliances to enter into new markets. C6 and C7 are executives of companies with annual turnover between $AU5–7 million. They perceive strategic alliances not as influenced by business size but by "competitive market environment" and therefore used as part of a broader businesses strategy.

The following statements from C6 and C7 further put the issue of creating new markets and internationalisation through strategic alliances as an important organizational strategy:

C6: That (developing/creating new markets) is possible because jointly, especially by specialising in specific geographic areas, we can pull our resources to be able to develop and also synergies to be able to develop, new markets like combination arrangements where we are very strong in Austria, Switzerland, Germany and Europe points, but we are not as strong on the Mediterranean and Egyptian sort of areas or the African subcontinent. You know, sort of those areas. So what happens is that if you had a product and it is very strong on one side but not that strong on the other, and you can align yourself with a company that is very strong on that and you have cross selling that takes place. OK, and also so you can have ways you can then sell, and the normal circumstances is that you will be only selling in Austria and now you are able to sell Austria with Africa. OK! That's how it works, and that's how you are then developing new markets.

C7: For us in that particular company, creating new markets will certainly be the number one and two aspects of that from **AAA** point of view, we knew that there was a new market for our services by outsourcing our Latin American programs and so that was a key driver but from the flip side, we knew through selling our product to **XXX** in Canada, they could access new markets for our own products, so that was absolutely the biggest driver.

It is clear that organizational size and industry sub-sector are the main determinants for entering new markets through strategic alliances. Although C4 and C7 are both tour operator executives, C7's company employs more than 200 staff with an annual turnover between A$5M–A$7M compared to C4's company which is very small. While small businesses see size as a factor for alliance formation, large businesses do not, mainly because since they have the size, it is no longer an issue to them. While C6 says, "[t]he alliances have got nothing to do with it [size]," C4 argues that entering new markets through alliances "[i]s not relevant to a business as small as ours."

There was general agreement on strength of personal relationships, economics of scale, and learning from each other. One of the main reasons for entering into strategic alliances that was strongly referred to during the interviews was economies of scale. This becomes an important factor considering the size of most tourism businesses. Therefore small businesses use alliances for sustainability, growth and diversity. Economies of scale was further related to "core competencies" of all potential alliance partners which if combined could produce synergy. As C6 observes:

> It's like synergies, basically you find that companies of the same standard, for example you see another company which very much works like us but specialises in a different geographical area. We sometimes form alliances to incorporate or put in resources to be able to achieve certain objectives, and the distribution aspect is one that can easily be shared because it does not in any particular way interfere with the objectives or the operations of these companies. But actually by just pulling the resources you achieve a better saturation of the marketplace because the travel industry nowadays is in such a way that there a certain market-lockdowns, which means that you cannot willy-nilly send your brochure out and expect each particular agency to display it and sell it. There are certain issues there. So by pulling the resources, if one brochure is accepted then the other has got a back-door entry so to speak. So those are the alliances that are formed, to be able to effectively market products.

The travel sector as a "personality driven", "lifestyle", or "social" business reverberated throughout the interviews, with the impressions of pride and commitment that goes beyond the search for profits into the area of excellence. This largely embodies the approach to which alliances in the travel sector are formed and managed. Only C2, a franchise travel agent executive, said strength of personal relationships was not a factor in determining alliance partners. "Friendship" with alliance partners was echoed from C4's statement; "In fact, unless you are alliance partners you are not friends. I have friends in all our alliance partners. We had really have no time for anyone else. We have no time for friends who are just friends," to

C3's statement that "good friendships are often formed. I mean at times conventional but good friendships are formed, and out of those friendships opportunities to share ideas and then to sort of understand that if you share costs with the ideas, there is gonna be again, opportunities of scale." Apart from the thirteen reasons investigated for alliance formation, strength of personal relationships is important for tourism businesses because "the strength of that relationship will determine how well your customers are looked after as opposed to maybe somebody else's customers. Strength of that relationship will give key people in organizations the opportunity to pick up the phone and say "I need some help. I have got some customers who are stranded in a particular destination, their flight was cancelled. Can you look after them?" Those relationships will buy time and patience and goodwill if for some reason we have to alter somebody's travel arrangements.

DISCUSSION AND CONCLUSION

This article seeks to answer the questions: What are the major motives for strategic alliance formation in the travel sector of tourism? What are the relationships between company characteristics and motives for strategic alliance formation? Most of the motives in this study have been studied before but not necessarily in one single study or industry. These studies include Varadarajan and Cunningham (1995), Glaister and Buckley (1996), Jarratt (1998), Whipple and Gentry (2000), and Beverland and Bretherton (2001). The conclusion drawn from the analysis is that no single study can capture all the motives for alliance formation. In addition, motives are emphasised differently depending upon the sector, and to a certain extent, the size of the business (number of employees and company's turnover). However, reputation and corporate image, strength of personal relationships, developing/creating new markets, economies of scale and learning from each other remain the most important drivers identified by this study. The importance of these motives has not only been identified through the ranking of their means, but has also been echoed by almost all the executives who participated in the interview.

Motives such as developing/creating new markets, economies of scale and entering new domestic and international markets have been found to be some of the main driving forces for alliance formation in previous studies (Glaister & Buckley, 1996). Glaister and Buckley argue that these motives reflect the nature of market development including the influence of host government policy. While this study found no significant correlations between legal requirements and developing/creating new markets, legal requirements has significant correlations with entering both domestic and international markets.

It is apparent that strength of personal relationships has featured more prominently in the travel sector where emphasis is on a "personality" or "friends" driven industry. This factor remains under-researched as compared to the other factors which have been dealt with in previous studies (Glaister & Buckley, 1996; Whipple & Gentry, 2000). Further research is necessary to find out how this factor drives and influences alliance formation, choice of alliance partners and alliance management. Of interest too is reputation and corporate image. Research by Sherwood, Saxton and Inkpen (2006) indicate that alliance partners are more willing to allow for coordination of tasks if their counterparts are perceived as having solid managerial and partnering reputation, because this reduces the amount of risk and uncertainty.

While seeking reputation by participating in franchises where reputation has already been established by big and reputable franchise agencies like Harvey World Travel, Traveland, and Jet Tours Ltd., other SMEs in tourism, which desire to be independent, may form alliances with companies owned or managed by friends whose reputation is already known to them. This has a potential to enhance the competitiveness of the alliance, where compatibility is obvious and capabilities, trust and commitment is already established. However, this approach also has the potential to destroy the friendships that already exist.

Factors such as rapid technological change, volatility of the tourism industry and brand names have been identified as important motives for alliance formation. The significance of ICT has been identified in the literature (Buhalis, 1996; 1998, 1999; Buhalis & Licata, 2002; Morrison & Harrison, 1998 ; Palmer & McCole, 2000). Tourism suppliers such as airlines and hotel chains, as well as destinations and intermediaries such as travel agencies and tour operators form alliances that enhance image and increase market share. Identifying and forming alliances with powerful brand names is an important aspect of alliance formation because well-managed brands differentiate the organization from its competitors, particularly taking into account the volatility of the tourism industry in Australia. The Australian Government Tourism White Paper (2003) outlines various factors which have exposed weaknesses in the capacity of the Australian tourism industry to maintain sustained growth and respond quickly and effectively to major challenges. Results of this study suggest that one way in which tourism businesses are responding to the volatility of the tourism industry is through strategic alliances.

Implications of this study to managerial practice point to the fact that there are a number of factors facing travel sector businesses which could be overcome through collaboration. These factors are both internal and external to the organization. Executives should conduct environmental analysis with a view to understand this diverse range of factors and how they impact on their businesses. It is on the basis of the above analysis that alliances could be formed to overcome environmental factors which could not be

sufficiently overcome by companies operating individually. Further to this, most tourism companies are SMEs. These companies face a number of challenges such as lack of adequate resources. These can be compensated by forming strategic alliances. Factors such as strength of personal friendships have been found to be closely associated with ownership status. This raises a number of issues. The first issue is an acknowledgement of past research, which has found that family businesses are not necessarily formed for profit maximisation but to enhance social status. However, forming alliances as a way of enhancing social status could mean that a number of businesses could actually under perform. Therefore, business executive should attempt to balance between profit minimisation and enhancing social status. After all, the fall of a business can seriously undermine social status.

The findings presented here must be understood in the context of study limitations. First, it was difficult to identify organizations, which had strategic alliances before distribution of questionnaires; this may be the single factor that accounts for poor retention of questionnaires. Secondly, the number of questionnaires returned may have reduced external validity. One-hundred and twenty seven out of 600 potential respondents completed and returned the survey. The return rate was difficult to control because as a mail survey, the participants were responsible for their return. Thirdly, the selection of participants for interviews did not generate enough participants as was expected. The approach of asking survey respondents to indicate whether they were willing to participate in the interview meant that only a few responded. Of those who responded, half of them latter declined. Fourth, this study was limited to 13 motives for alliance formation. This is a theoretical limitation because environmental factors necessitating strategic change in organizations are many. However, it is also apparent that not all these factors can be captured by a single study of this nature. The thirteen motives for strategic alliance formation investigated in this study were found to be important although their significance slightly varied according to company characteristics. These have implications for both tourism-businesses and SMEs in general. Recently, Chung et al (2006, p. 210) suggested that the time has matured for the research community to examine and ascertain the potential of strategic alliances among SMEs because these enterprises ". . . are often characterized by tight resources, limited access to capital, and specialization in niche markets, along with increased globalization and rapid technological change, they face even more severe competition than large organizations". Although this statement was made in relation to 'knowledge-based firms', it is also relevant for tourism companies because they operate under the same conditions. The questions for tourism business and SME executives in general should be "How can we compensate for our smallness through strategic alliances in a way that would enhance our resources and competitiveness? In what ways can we enhance synergy and learning through strategic alliances? What should I look for in a potential alliance

partner? How can I know when my alliance has gone bad? What skills do I need to be an effective alliance partners?" These questions also offer research opportunities for tourism and SME experts.

NOTES

1. Dillman (1978) observes that despite the importance given to response rate comparisons, they are very difficult to make because researchers use various methods to compute them. Dillman compares two methods, one where calculation of response rates is determined as the percentage of people in the original sample from whom completed questionnaires are obtained, and the alternative method where the response rate is calculated from as the percentage of contacts with eligible respondents that result in competed interviews or questionnaires. The formula for this latter calculation is:

$$Response\ Rate = (number\ of\ returned\sqrt{number\ in\ sample - [noneligible + nonreachable]}) \times 100$$

It is this latter formula which is used in study because out of 165 hardcopies sent out to potential respondents, seven hardcopies did not reach the desired respondents and they were returned to the researcher and out of the 435 electronic copies sent out by email, 145 were returned because either the recipients email address had "permanent fatal errors", the delivery to the recipient "failed", or the business had ceased operations. It is therefore assumed that 444 (290 electronic and 158 hard copies) reached the desired respondents.

2. According to Coakes and Steed (1999, p. 107), "when the number of cells is less than ten and particularly when the total sample size is small, the lowest expected frequency required for chi-square test is five. However, the observed frequencies can be any value including 0."

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