

Service risk perceptions and risk management strategies in business-to-business tourism partnerships



Olga Gjerald*, Hallvor Lyngstad¹

University of Stavanger, Ullandhaug, N-4036 Stavanger, Norway

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ABSTRACT

While risk management, distribution channel behavior, and tourist risks research agendas have gained considerable attention in tourism management over the past years, there is a lack of research on how tour organizers perceive risk related to service collaboration in the value chain and what strategies they apply to handle these risks. This study explores the ways in which incoming tour operators (ITOs) in Madagascar perceive the tourism value chain in terms of risk upstream (towards local service providers) and downstream (towards outbound agencies) and what strategies they apply to cope with these risks. The findings suggest that uncalibrated service quality among local service providers represents a major risk factor for ITOs. Additional risk categories upstream the service value chain include product and infrastructure constraints and competence lack. Downstream the value chain, market expectation and information about the destination are perceived as risk factors. To absorb these risks, ITOs commonly apply market analysis and communication followed by control and enhancement of value co-creation, competence development, and diversification. This study emphasizes the gap between what is perceived as the dominating risk category (uncalibrated service quality upstream) and the strategy that is applied to minimize service risks (market communication downstream) in the tourism value chain. Based on the findings, the authors propose a conceptual model for predicting risk-coping behaviors in business-to-business tourism partnerships and discuss the ways in which tour organizers can deliver added value in business-to-business partnerships both upstream and downstream the tourism value chain.

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1. Introduction

The tourism and hospitality industries have witnessed increasing competition among tour organizers, particularly with the growth of global reservation systems and the opening of many new destinations to tourism as part of economic development and globalization processes (Hyde & Decrop, 2011). Due to this intensified competition, the quality of tourism destination products has emerged among the factors that have vital importance for tourists' destination choice beyond the cost and convenience of travel (e.g., Crick & Spencer, 2011; Dunne, Flanagan, & Buckley, 2011). Since most destination products are the result of network-based collaborations among independent service providers, service cooperation between suppliers and intermediary tourism organizers is paramount for ensuring the consistency of product quality in the value chain.

Recent research on business-to-business partnerships in tourism pointed out that tour organizers' perceptions of risk in relation to

service collaboration may influence the final tourism product, and even have consequences for the long-term development of tourism in the region (Jensen, 2009). Our knowledge of how intermediaries in tourism value chain perceive and conceptualize risk in relation to service collaboration is, however, still very limited. Risk is commonly understood as the probability of certain adverse events multiplied by the magnitude of their consequences, whereas subjective or perceived risk is the intuitive, individual perceptions of these factors (Brun, 1994; Reichel, Fuchs, & Uriely, 2007). Previous research on distribution channels and supply chains in tourism has focused mainly on cooperative behavior among travel operators in the value chain (e.g., Roper, Jensen, & Jegervatn, 2005). This can be explained by the fact that packaged tourism requires strategic and operational cooperation of the participating suppliers, including tour operators, airlines, hotels, and local service providers, for each tour package. In Leiper's (2008) view, modern tourism industry that operates across long haul itineraries and connects sellers of services in generating countries with providers of services in transit routes and distant destinations demands cooperation among tour organizers. In tourism marketing, most research focuses on consumer-company exchange relationships, including the relationship among consumers, travel agents, and other tourism service producers rather than on business-to-business

* Corresponding author. Tel.: +47 51 83 37 63; fax: +47 51 83 37 50.

E-mail addresses: olga.gjerald@uis.no (O. Gjerald), hallvor.lyngstad@uis.no (H. Lyngstad).

¹ Tel.: +47 51 83 35 63.

exchange relationships (Jensen, 2009). On the other hand, researchers in other fields emphasize managing business-to-business services as well as enhancing and managing the service value chain as promising research topics (Gebauer & Reynoso, 2013).

Until we understand how business-to-business tourism partners and intermediaries perceive the risk of downstream (towards outbound agents and customers) and upstream (towards local service suppliers) the tourism value chain and which strategies tour operators apply to cope with these risks, an important aspect of tourism management and value creation in tourism will remain uncovered. The scientific aim of this paper is twofold: to empirically explore, analyze, and interpret perceived service risks and strategies to manage these risks through the views and opinions of incoming tour operators (ITOs) and to develop a conceptual framework for predicting risk-coping behaviors in business-to-business tourism partnerships.

The structure of the paper is as follows. First, we demonstrate how this research is relevant to the current tourism management literature and explain the theoretical foundation for the research questions. Second, we explain the methodological choices and procedures and then we present and discuss the findings. Finally, we propose a framework for approaching service quality risks and predicting risk-coping behaviors in business-to-business tourism partnerships.

2. Theoretical background

Current research on risk management in relation to tourism management can be seen as consisting of different layers, each of them contributing to our understanding of service quality risks in a certain way. The outer layer consists of research on generic risk management and studies of absolute risks (Slywotsky & Drzik, 2005; Zsidisin, 2003). The next layer is generic research on risk perceptions in various value chains (Hallikas, Virolainen, & Tuominen, 2002; Hooper & Stobart, 2003; Spekman & Davis, 2004). Third layer represents research on risk management in various service fields, including research on tourism supply chains (Fang, Palmatier, & Steenkamp, 2008; Giarini & Stahel, 1993; Hollman & Forrest, 1991; Nordin, Kindström, Kowalkowski, & Rehme, 2011; Penttinen & Palmer, 2007). The inner layer involves research on perceived risks in tourism. In addition, the literature on risk management can be placed along an axis where the end points represent risk studied either from the point of view of the supplier or from the point of view of the customer. Researchers operating in the outer, generic layers of risk management field are mostly concerned with

understanding the risks from the suppliers' point of view. On the contrary, in tourism management literature, the research has mostly focused on assessing tourists' perceived risks, concentrating on the downstream part of the value chain. In this chapter, we review relevant research to integrate and capitalize on previous studies of risk management and develop a conceptual framework for understanding service quality risks in business-to-business tourism partnerships. In Fig. 1, we summarize different categories of risk previously described in the literature by referring to position in the value chain.

Generic risk management literature explains that companies can be exposed to three or four main types of risks (Harland, Brenchley, & Walker, 2003). First, there is operational risk, which is described as a company's reduced ability to produce services or products because of a breakdown in a core operating process (Sadgrove, 2005). This also includes personnel issues, infrastructure or capacity constraints, and leadership issues (Harland et al., 2003). Strategic risk is the second type of risk represented by threats to a company's business strategy (Slywotsky & Drzik, 2005). Simons (1999) further specified that strategic risks could be related to either competitors (difficulties in differentiating the company's offers from competitors' offers) or customers (failing customer interest in company's services). Third, a financial risk is any risk that influences cash flow (Nordin et al., 2011). Schwartz and Gibb (1999) expanded on the three risk types by adding "reputation risk," which can damage business due to loss of confidence. Jacoby and Kaplan (1972) developed a five-factor risk model consisting of financial risk, performance risk, physical risk, social risk, and psychological risk. Schiffman and Kanuk (2006) expanded this model to a six-factor model, including functional risk (the product will not perform as expected), physical risk (the product may inflict on self or others), financial risk (the product's price will be too high measured against quality), social risk (the product will result in social embarrassment), psychological risk (the product may damage self-image), and time risk (the product will not perform on time). Nordin et al. (2011) studied the relationships between the generic types of risks (operational, strategic, and financial) and different strategies for the provision of value added service among manufacturers (customization, bundling, and range). Research on generic risk types in business describes absolute risks, that is, risks that are assessed objectively by commercial providers. Among other types of risks identified in this layer of research are such factors as political instability, terrorism, health, and crime (see also Wang, Jao, Chan, & Chung, 2010).

| Risk types / Value chain position | Upstream (Suppliers/ Intermediaries) | Downstream (Agents /Clients) |
|-----------------------------------|--|--|
| Absolute | Financial, functional, operational, performance, physical, psychological, reputation, social, strategic, time. Political instability, terrorism and war, health, crime. | Equipment risk, financial, physical, psychological, satisfaction, social, time. Political instability, terrorism and war, health, crime, cultural difficulties. |
| Subjective | Intended contribution of this study | For tour leaders (guides): Exogenous, tourist-induced, tour-leader self-induced. For tourists: Perceived food risks, risk-taking behavior of tourists, perceived tourists' risks in adventure tourism |

Fig. 1. Types of risk conceptualized in the literature on tourism value chain.

Research on risk management in value chains emphasizes the importance of value chain analysis (Kaplinsky & Morris, 2003). Value chains, distinguished by Porter in the 80s, are traditionally described in the literature as consisting of sets of activities that include the process of supply (inbound and outbound logistics, operations, marketing and sales, and after sales service), the transformation of input into output (production and quality processes), and the support services the firm executes to accomplish these tasks (strategic planning, human resource management, technology development). Previous research on risk management in value chains has highlighted the issue of double agency (Andreassen & Henriksen, 1999). This double principal–agent problem seems to be especially relevant for the tourism sector, which often combines public and private companies in horizontal (e.g., destination products) and vertical (e.g., tour operating) value chains. This perspective implies that incoming tour operators (*the agent*) act on behalf of the outbound agency or the tourists (*the principal*). The principal contracts the agent to implement the type of services that the principal desires. The agent, in turn, contracts somebody to do the day-to-day work according to the principal's instructions (i.e., local service providers). The agent (i.e., incoming tour operator) therefore becomes a principal, since he/she lets somebody else (i.e., an agent) produce and offer the required service to the customers. The delegation of tasks (i.e., principal delegating responsibility to the agent) may create problems related to opportunistic behavior, asymmetrical information, and monitoring costs. Agent–principal linkage is an important form of cooperation in tourism and underlines the travel agents' relationships with many tour operators and service suppliers (Leiper, 2008).

In tourism supply chains, several researchers, e.g., Tiedemann, van Birgele, and Semeijn (2009), have pointed out a high level of interdependence among actors. The involved parties work together as a supply chain in order to deliver good customer service and value, and the integration of players in a supply chain becomes extremely important. As intermediaries in the travel distribution system, tour operators control the marketplace through directing tourist flows (Schwartz, Tapper, & Font, 2008). Several studies have emphasized the purchasing power of tour operators in supplier relationships. Buhalis (2000) and Bastakis, Buhalis, and Butler (2004) described cases in which the imbalance of power led to conflict between operators and suppliers. Tapper (2001) addressed the power play between tour operators and local service suppliers in developing countries. A relationship exists not only between a service provider and its customer, but also between tourists and travel agents as well as between customers and tour operators (Buhalis, 2003). Buhalis (2000) saw tour operators as the wholesalers and the outgoing travel agents as the retailers. Jensen (2009) emphasized the importance of the trust between actors to ensure cooperation between institutions and individuals. Risk is a critical factor in the perceived importance of confidence or trust when choosing an exchange partner (Lyons & Mehta, 1997; McKnight, Cummings, & Chervany, 1998). In a cooperative relationship, risk is a function of the probability of things going wrong and the consequences or the size of any loss when this happens (Nooteboom, Berger, & Noorderhaven, 1997). While the first aspect is related to the perceived uncertainty surrounding a (potential) partner and, more generally, to the characteristics of the environment in which decisions are made (Paulraj & Chen, 2007), the second aspect is more concerned with the values that can be put at risk.

Recent research on distribution channels in tourism has advocated the decline in the traditional travel agent model due to the rise of Internet-based distribution channels (Zhang, Song, & Huang, 2009). Lubbe (2005) explained that intermediaries in tourism supply chains have three basic tasks: first, they perform a function of information broker, passing information between buyers and suppliers, second, they process and assist transactions, and third, they advise travelers. Lubbe (2005) therefore argued that in Internet-based distribution channels, the intermediaries' position has been weakened in all three tasks since the Internet has the ability to provide a service to the customers that is essentially the domain of travel agents. Intermediaries' primary

concern today is to convince customers that the travel agents are true experts in the provision of travel-related information. Recent research on changed purchase patterns in tourism distribution systems (Castillo-Manzano & López-Valpuesta, 2010) indicates that customers will still use tour operators when purchasing complex itineraries for extended journeys to destinations outside of their "frequent travel"-zone. This means that travel agents should offer complex packages to their clients rather than simply selling tickets or offering simple travel packages. Thus, the market niche for intermediary travel agencies necessarily involves value-added services.

Risk in the tourism context has been defined usually from the viewpoint of the tourist (Wang et al., 2010), from what the tourists perceive and experience during the process of purchasing and consuming travel services (e.g., Tsauro, Tzeng, & Wang, 1997). In general, five major risk types can be associated with tourism: terrorism, war and political instability, health, crime, and cultural difficulties (Reisinger & Mavondo, 2006). Previous studies have defined additional categories of tourist risks, including equipment risk; financial, physical, psychological, and satisfaction risks; and social and time risks (Roehl & Fesenmaier, 1992). Some studies tested the associations between tourists' perceptions of risk and choice of international destinations (e.g., Sönmez & Graefe, 1998), travel anxiety and travel intentions (Reisinger & Mavondo, 2006), tourist roles and international tourism (Lepp & Gibson, 2003), or travel behavior in general (Mansfeld & Pizam, 2006). Additional studies tested the effects of dramatic events and terror on travel willingness and risk perceptions (Larsen, Brun, Ogaard, & Selstad, 2007). In general, research on risk in tourism has focused on customers' perceptions of risk in relation to various aspects of travel and leisure, for instance, perceived risk in adventure tourism (e.g., Callander & Page, 2003), perceptions of political risks and tourism (e.g., Poirier, 1997), risk-taking behaviors of tourists (e.g., Urieli & Belhassen, 2006), or subjective risks of tourists (e.g., Larsen et al., 2007). A distinct stream of literature has also addressed risk factors of event management (e.g., Laybourn, 2004). A recent study by Wang et al. (2010) conducted an empirical analysis of tour leader's perceptions of risk in terms of group package tours and identified three broad categories of risks, exogenous risks (uncontrollable events), tourist-induced risks (behaviors and expenditures), and tour leaders' self-induced risks (negligence). Precaution was a coping strategy for exogenous risks, education and rewards were strategies for tourist-induced risks, and training and penalty were applied to cope with self-induced risks in tour leaders.

A vast amount of research has focused specifically on the abovementioned literature streams. Our brief review of literature on risk management in relation to tourism revealed that 1) a substantial amount of research has identified generic types of risks in value and supply chains (financial, operational, psychological) from the point of view of the producers; 2) a growing literature has focused on general tourism risks (health, crime, money, terror, weather, cultural difficulties) as well as perceptions of risk in tourism from the tourists' point of view, and 3) only a few studies have addressed the suppliers' subjective perceptions of risk in tourism. Specifically, a limited number of research concentrated on perceived risks in business-to-business partnerships in tourism value chains, not to mention strategies that the members of the tourism value chain apply to minimize their perceived risks.

Therefore, there is a growing need to expand our knowledge of the subjective service risks from the providers' (as opposed to customers') point of view in tourism value chains. There is a need to integrate the existing knowledge about generic supplier risk types and tourism providers' perceptions of risk in the value chain. In this study, we attempted to bridge these areas of research by studying ITOs' perceptions of risks both upstream and downstream the value chain. Two main research questions arise, 1) How do ITOs in Madagascar perceive service risks both upstream towards local service providers and downstream towards outbound agents in the value chain? 2) How do they cope with

these risks and what strategies apply? Thus, the main scientific goal of this paper is to contribute to the literature by conceptualizing perceived risks and risk-coping strategies in business-to-business partnerships in the tourism value chain. In the following section, we present the methodological foundation for the study.

3. Methods

Given the explorative nature of this study, a research design that employs qualitative methods and an interpretive paradigm was chosen for the empirical enquiry. Since the issues of risk associated with service collaborations in tourism are universal to all service providers in tourism value chains, we suggest that this research has a broader scope and purpose compared to a case study. The data material collected in this study has relevance for other situations and places because of general nature of the risks investigated in the study. Other ITOs in different contextual settings can use the strategies available to handle these risks. In the following subsections, we shortly describe the contextual setting for the study, give an overview of the sampling and data collection procedures, and explain the data analysis procedures.

3.1. Contextual setting

The empirical context for the study is Madagascar, an island destination with a relatively young organized tourism compared to its neighboring countries in Africa or the Indian Ocean. Madagascar is a major year-round biodiversity-based tourism destination visited mainly by young professionals and retirees who are sensible to travel costs and enjoy destination attributes, such as climate, biodiversity, sun, and sea (Randriamboarison, Rasoamanajara, & Solonandrasana, 2013). Randriamboarison et al. (2013) also highlighted two periods of major growth in the evolution of tourism on the island, the first period extending from 1990 to 2001 with an average annual growth rate of 14.08%, and the second period extending from 2002 to 2005 with an average annual growth rate of 65.56%. ITOs have played a vital part in generating tourism in Madagascar. In fact, most of the tourism at this destination consists of all-inclusive round trip tours organized and distributed by incoming tour operators. Since 2001, several major political crises have influenced Madagascar, culminating in a coup d' état in 2009. To date, the country is suffering from great political uncertainty and instability of all economic and political institutions. By the time the study was conducted, 68 ITOs were enlisted in Madagascar's "Association des Tour Opérateurs Professionnels de Madagascar" (TOP), which is the official association of professional ITOs of Madagascar.

3.2. Sample and data collection procedures

To make sampling and data collection procedures more systematic and transparent, we decided to use official membership records of the "Association des Tour Opérateurs Professionnels de Madagascar" (TOP) and "Go to Madagascar," an association of tourism providers created to promote Madagascar as a tourist destination. To check the validity of membership records, we compared the information found on the web sites of TOP and Go to Madagascar with the Annual Tourism Itinerary for Madagascar, which was edited and published by the national tourism board in 2008 and 2010. The comparison of records revealed that 66 ITOs operated in Madagascar in 2008 and 68 in 2011.

Since this was an explorative study, it was important to maximize the variance in the sample, i.e., to sample as many different ITOs as possible to capture as many nuances of the domain construct, i.e., service risk, as possible. The following criteria were used as our sampling frame when choosing participants for the study: a) product (classical package tours or niche adventure tourism products); b) size (small and medium-sized or big tour operators); c) ownership and organizational structure (locally owned, or a part of larger international corporation); d) main target market (e.g., Japanese, Norwegian, German, or

American); e) operating record (newcomer or well-established), and f) location (capital city or the provinces).

Starting with a list of 68 ITOs, we applied purposeful sampling to find and interview operators working with different markets and offering different products, having various ownership and organizational structures, operating from different locations, and being small or large. On two occasions, snowball method was applied to interview tour operators who were highly recommended by other participants in the study. All ITOs included in the final sample were members enlisted in either one or both of the above-mentioned associations. Out of 23 ITOs contacted by email, 19 agreed to participate in the study. The final sample is presented in Table 1.

The face-to-face interviews were conducted at a time and place that the participants found suitable. After providing some background information, participants were asked to describe what they perceived as the biggest risks related to service quality of their products in collaboration with both service providers and outbound agencies. Subsequently, participants were encouraged to express their views on what strategies they perceived as reasonable when confronting different types of service risks. All interviews were conducted in English, although some informants occasionally used a few French and/or Malagasy passages during the interview sessions. Most often, the general manager was interviewed (in three cases together with her or his associates). On two occasions, the interviewees were the head of incoming tourism departments. All sessions were digitally recorded and later transcribed. Most interviews lasted between 45 and 60 min. One interview lasted 25 min, probably due to the saturation in the collected data, as this interview was one of the last ones that we conducted. We stopped recruiting additional participants once we had achieved theoretical saturation, that is, the new informants did not yield new or different information or experiences.

3.3. Analysis

The data were analyzed using content analysis according to the general guidelines of qualitative analysis provided by Miles and Huberman (1984). In the initial stage of the analysis, our aim was to reduce the amount of data. In order to do so, we applied a predefined coding paradigm (Strauss & Corbin, 1998) consisting of two categories: 1) types of risks associated with service and 2) strategies to manage service risks. This was done by coding the material and grouping codes into sub-categories. Following Johnson's (1997) advice, we used researcher triangulation during the initial stage of data analysis and categorization.

Table 1
Incoming tour operators interviewed in the study.

| Name | Product | Market | Size | Go To Madagascar | TOP |
|-------|------------|-------------|-------|------------------|------|
| TO 1 | Generalist | Francophone | Large | Member | 2010 |
| TO 2 | Generalist | Francophone | SME | Member | 2010 |
| TO 3 | Generalist | Anglophone | Large | Member | 2010 |
| TO 4 | Generalist | Anglophone | SME | – | 2010 |
| TO 5 | Generalist | Anglophone | SME | – | 2010 |
| TO 6 | Specialist | Anglophone | SME | Member | 2008 |
| TO 7 | Specialist | Francophone | SME | – | 2010 |
| TO 8 | Specialist | Francophone | SME | – | 2010 |
| TO 9 | Generalist | Francophone | Large | Member | 2010 |
| TO 10 | Generalist | Anglophone | Large | Member | 2010 |
| TO 11 | Specialist | Francophone | SME | – | 2010 |
| TO 12 | Generalist | Francophone | SME | – | 2008 |
| TO 13 | Generalist | Francophone | Large | – | 2010 |
| TO 14 | Generalist | Francophone | SME | – | 2010 |
| TO 15 | Specialist | Anglophone | SME | Member | – |
| TO 16 | Generalist | Francophone | Large | Member | 2010 |
| TO 17 | Specialist | Francophone | SME | Member | 2010 |
| TO 18 | Generalist | Francophone | Large | Member | 2010 |
| TO 19 | Generalist | Francophone | Large | Member | – |

One researcher analyzed the interview transcripts using QSR NVivo 9, allowing the software to assist with the organization of qualitative data. Another researcher conducted the data analysis and categorization manually. After completing the initial categorization process independently, we discussed the outcomes of the analysis and improved the categorization, ensuring that there were no redundant or overlapping categories in the material. In the next stage, the aim was to create a small number of meaningful, exhaustive categories describing main service risk types and risk management strategies. This was achieved by grouping sub-categories of codes into larger categories. By the end of this stage, we identified 4 categories of service risks and 4 categories of risk management strategies. To further advance the analysis, we performed matrix-coding queries using QSR NVivo9. This allowed us to see how frequently the identified risk management strategies were applied to the various types of service risks found in the material. The outcomes of the data analysis are presented in the findings section, as illustrated by citations of incoming tour operators from the interviews. ITOs are identified by interview number (from ITO 1 to ITO 19) in the parentheses. For more detailed profile of all ITOs, please refer to [Table 1](#).

4. Findings

4.1. Service risk perceptions

On several occasions, ITOs pointed out that “tourism generally is a risky business” (ITO 5). This notion of “risky” was related to such “force majeure” risk factors as financial and political crisis, corruption, natural disasters, health incidents, crime, and security issues. These general risks were perceived as being out of the ITOs’ control: “Everything can go wrong as long as we work with people” (ITO 4). However, from the ITOs’ perspective, particular types of risks related to service collaboration could and should be managed in order to improve the quality of the product. ITOs found the following factors most threatening to their products: 1) uncalibrated service quality, 2) competence lack, 3) product constraints and product associated cost, and 4) market expectations and information.

4.1.1. Uncalibrated service quality

What do local service providers actually mean by service quality? How do they understand service quality? Some of the ITOs suggested that local providers have “their own conception of service” (ITO 1), and identified a risk in the fact that the service quality “is not equilibrated” (ITO 3) and unpredictable: “... The service can change every 6 month [sic]. Today a hotel can be good, and tomorrow—well, it depends on the director” (ITO 3). International standards of quality do not directly apply, while the local star-rating quality system is difficult to trust: “I call them the self-given stars” (ITO 5). This concerns not only hotels or other local service providers, but also certification and eco-labeling, which are “not related to any international network: [...] you just fill this form, and you get the label” (ITO 6). In addition to risks related to the technical service quality, ITOs pointed out a negative attitude towards service work and bad service habits as risk factors: “In Malagasy head [to those who are of Malagasy origin] service means servant”, “like if service is something degrading” (ITO6).

4.1.2. Competence lack

Low professionalism and lack of competence among local service providers were seen as a major service risk factor: “People in tourism are not professional in Madagascar. [...] They do not have any background in tourism, they have not studied services” (ITO 1); “they are not sure about the tariffs; they have no notion of commission for operators” (ITO 3); “new up-market hotels are run by just anybody who knows a little bit” (ITO 5). Lack of competence stems from the lack of formal education: “Malagasy are so clever and willing to learn. It is

such a very big inconvenience that there's no good training, no good education” (ITO 6). Among other competence-related risks that ITOs specifically mentioned was a lack of knowledge of “other languages than French” (ITO 13), ignorance of “the advantages of Madagascar as [a] destination compared to South Africa, to Mauritius” (ITO 13), and a lack of understanding of “differences between French or English customers” (ITO 1). A distinct type of risk was related to competence drain caused by turnover or competence theft: “After working with me, they can take all my contacts and open their own agency” (ITO 3).

4.1.3. Product constraints and product associated cost

Constrained resources at the destination and costs associated with it were also seen as a risk to service collaboration: “It is complicated because [of] a very tough competition every time. Regarding accommodation, regarding airlines, regarding everything ...” (ITO 18). The pressure on general as well as tourism-related infrastructure, including few existing attractions, is determined by a high degree of seasonality: “Some places are always full if you don't book them 1 year in advance” (ITO 2). The seasonality issues affect the design of tour programs, choice of local providers, and distribution of offers: “The itinerary we offer is quite the same for all tour operators because of the lack of ... things to do” (ITO 14). This has major implications for how ITOs set up tours and in turn increases the already existing infrastructure problems: “Not that the places are not interesting enough, they are, but they are not developed. I decide [about the tour program] according to the interest of the place” (ITO 5). In addition to inaccessible roads and poor transportation routes, schedule of the country's only domestic air carrier is unpredictable (“Air Madagascar changes the flight [schedule] every day, very difficult to work”, ITO 15). Many ITOs admitted that: “Sometimes you just do not have any real choice here in Madagascar” (ITO 4). In the ITOs’ view, the above-mentioned factors drive the tourism product cost: “It is [an] expensive destination because of the flight, the accommodation, and the fuel [price] in Madagascar, which are quite the same as in Europe” (ITO 18).

4.1.4. Market expectations and information

ITOs pointed out that outbound agencies and tourists’ expectations of the destination product and information about it represent a source of risk. Most ITOs consider themselves as a bridge between the media-created image of the destination and the real product: “Our job is to bring them back to reality. Not to disappoint them, but to show them a little bit of real life in Madagascar. Not to advertise but to keep it real” (ITO 13). Expectations created prior to the visit have an effect on the overall perceptions of quality attributed to the product, and ITOs are very aware of that: “When they first arrive at the destination, they think that it is not bad at all, [...] but this is not how it always goes. Sometimes people get really depressed, they cry when they see children or poverty” (ITO 4). Compliance with the media-created expectations of tourists makes it harder to introduce something new or different to the product: “It depends on the image of Madagascar in foreign countries, incomplete image” (ITO 5). The lack of accurate information about the product creates high or unrealistic expectations, “when they [tourists] come to Madagascar, they need to visit as many places as possible in a very short time, which is not good” (ITO 2). Customer expectations may even push ITOs to take a more sustainable path of action: “take care of the environment, [...] switch the engine of the buses when the tourists take a picture, [...] support the locals” (ITO 6). Destination image can also work to ITOs’ advantage, as the tourists “will come anyway. If they cannot come because of a political crisis, they will come the next year or in 2 years. If you want to see this [Madagascar], you have to come. It is not like with the lions. If there is a political riot in Kenya, you can go to South Africa” (ITO 5).

4.2. Risk management strategies

Four distinct risk management strategies emerged from the data: 1) market analysis and communication; 2) control and enhancement of value co-creation; 3) competence development; and 4) diversification.

4.2.1. Market analysis and communication

Conducting market analysis and engaging in market communication downstream the value chain appeared to be ITOs' "go-to" strategy when tackling service risks. ITOs engaged in communication with outbound agencies to "do briefing for your clients, to explain that here in Madagascar is not like ... in Europe" (ITO 10), or to make agencies aware of the ITOs' policies: "We guarantee the departure even if there are only two [paying customers], so we take this risk on us This makes tourists confident that the tour will run even if it is not really in the peak season" (ITO 5). ITOs also analyze the domestic supplier market, design their own classification of service providers upstream the value chain, and convey the level of service quality to their agents: "To an agency in France, I give [a note that] this hotel, according to me, is a 3-star hotel, by European norm. In fact, I do give the agency my classification, I do not inform them about local stars" (ITO 3). ITOs make sure this information is available during the trip as well "to avoid bad surprise for tourists" (ITO 17). Collecting information on new products, checking whether there is "one or two new things to do" (ITO 16) a couple of times a year was also seen as vital in order to stay in business and get a competitive advantage. ITOs often use customers: "Through clients, we can get information about what they have seen and whether they can recommend it to others" (ITO 4). Feedback from guides or own employees ensures product quality, as indicated in the statement, "Each time our guide returns from tour, he gives us a feedback and we try to fill in all the information and find what's going wrong with a particular provider" (ITO 18). Several ITOs emphasized the importance of building a strong corporate brand and corporate identity, that is, "own style", "so that we don't have to be there all the time" (ITO 5). A group of ITOs created an association during the political crisis of 2002. The idea behind the association was to promote the destination and also to "show that Go to Madagascar is a label of quality because each member has been checked by us and we have a charter of quality, respect of each other, the code of ethics, and a big focus on sustainable tourism as well" (ITO 6). In ITOs' view, instant information to agencies abroad is vital for preventing business from collapsing during turbulent times and for keeping tourists visiting the destination. "Every day [during the onset of latest political crisis] I emailed with customers and agencies to give information [...] Twice a month I try to do emailing to the agency on what the situation in Madagascar is" (ITO 3).

4.2.2. Control and enhancement of value co-creation

Besides market communication, ITOs widely applied control (frequent check-ups and inspections) as a strategy to approach service risks before, during, and after the product co-creation. "Even after 8 years here, I check all programs sent [from suppliers] for the clients" (ITO 1). Inspection is not completed until the ITOs check everything – "the rooms, the bathroom size, the restaurant, the environment, the excursions that we propose" (ITO 9) – to ensure the reliability: "We test everything and we validate the information we get" (ITO 7). People-dependent operations are difficult to fully control, especially for ITOs who are based far away from the locations to which tourists travel, which is the main reason for constant monitoring: "Sometimes it's difficult to follow up all the things [...] because they depend on people" (ITO 8). ITOs frequently sent reminders to suppliers to ensure that everything is up to date and according to the tour program: "You must do it each time. If you do it one time, next trip it will be forgotten" (ITO 3). However, most ITOs realized that controlling and inspecting is not enough and that providers need ITOs' help to enhance the experience for tourists: "People want something special. They consult a lot of tour operators; they choose [a] travel agency that is special, unique"

(ITO 16). Some ITOs update the existing portfolio of tour programs according to what they perceive to be "the tendency of the market" (ITO 14). Other ITOs made sure they always include particular attractions in their programs: "There is always national park [on the program], [...] so they can see the most important sight in Madagascar" (ITO 15). Financial measures, such as deposits, flexible pricing, price negotiation, refund, contractual obligations, and cancellation fees were all applied by ITOs to service collaboration risks upstream and downstream the value chain. However, most ITOs pointed out during the interviews that the ultimate way to optimize the value creation is by controlling (i.e., owning) the product. Many tour operators admitted that they at some point considered taking ownership as a more viable alternative to cooperation: "Medium or long term ... tour operators [...] are tired of some hotels [unprofessionalism]; thus, we start building our own hotels. This seems to progress. Operators are going to work only with [their] own hotels" (ITO 3).

4.2.3. Competence development

An important strategy to minimize the perceived service risks is to improve the competence of service employees: "I attend a lot of exhibitions and I have the opportunity to observe and compare [...] what is happening in other countries" (ITO 14). Being a professional is especially emphasized: "You need a relevant higher education in order to become licensed as incoming tour operator" (ITO 4). Higher education in hospitality or tourism is considered vital to running a business in a sustainable and successful way, "just as if I were working as a medical doctor without any education! This is just the same" (ITO 4). Unfortunately, adequately educated personnel are a scarce resource at the destination: "You see the problem is – and maybe I am wrong – but I think the problem is the level of education that they [service employees] have" (ITO 13). Broadening the horizon through tourism education, doing "everything that can open up the range, thinking at more worldwide instead [of] regional or local level, and thinking more of the consequences of tourism" (ITO 1) were seen necessary in order to meet customers' expectations of product quality. ITOs put their pride in giving employees a chance to get to know the destination product and also go on educational tours to see how other destinations deal with issues of quality or "to brush up our knowledge of the product to see something new" (ITO 10). Staff training given by tour operators was therefore seen as a necessary part of improving employees' competence.

4.2.4. Diversification

Two types of diversification strategy emerged from the data. The first strategy had to do with spreading the risk related to local service suppliers by diversifying the range of service providers: "In terms of suppliers, you should always have a plan B or even plan C" (ITO 1). Thorough choice of suppliers was therefore seen as one of the most important factors in terms of keeping a consistent quality of the product: "You choose your supplier wisely, it takes time. [...] Most of the time, we have two or more supplier[s] to do the same thing, offering the same services in one destination" (ITO 1). Another type of diversification was related to strategic development of new products that are sold to new markets. This concerns especially what ITOs described as their niche products, be it evacuation assistance, business tourism, solidarity tourism, cultural tours, baobab tours, or bird watching. Some ITOs work only with English-speaking markets and French-speaking markets. Others were dominating a particular market niche: "My niche is adventure. I'm [of a particular nationality] so I get most of my clients from [the same country]. And this is a niche There's not much competition here, so let's say I'm a kind of a champion of this market, because this market is so small" (ITO 6). Actually, the combination of a particular market and a particular niche was quite common for ITOs. In the ITOs' view, diversification was necessary but difficult to achieve, "It's difficult for us to be present in these markets because the media are not talking about Madagascar" (ITO 6).

5. Discussion

This paper focused on empirically exploring the ways in which ITOs perceive service risk in business-to-business partnerships and the strategies that they apply to cope with these risks both upstream and downstream the value chain. The main findings of the study are graphically summarized in Fig. 2. The boxes in Fig. 2 represent categories of risk (below) and risk-coping strategies (above). The layout of boxes (color and size) indicates the dominance of the respective categories in the data material (from a more dominant black to a less dominant gray, and from big to small). The boxes are placed along the hypothetical tourism value chain, with local service suppliers located to the left of the median point (upstream) and outbound agencies or other customers located to the right (downstream), with ITOs depicted closer to the center.

Our findings suggest that the biggest risks, as perceived by ITOs, are placed upstream. These risks include uncalibrated service quality among service providers at the destination as well as the lack of relevant competence among local service suppliers. Third category also consists of upstream risks, and it is assigned to product constraints and product associated costs. Market expectations and information is the only risk category that the ITOs in our sample perceived downstream the value chain. Our findings add novel categories to the previously identified risks in the tourism and generic literature. As Fig. 1 demonstrates, previous studies have identified mostly categories that are common to both upstream and downstream end of the value chain (operational, functional, performance risks, equipment risk, financial, physical, psychological, social, and time risks). The same goes for so-called “force majeure” risks (war, terror, crime, health, weather, political), also called “exogenous” risks by Wang et al. (2010). Specific risk categories were identified for subjective tourist risks – food risks or risks in relation to adventure tourism. Our findings suggest that subjective risks in business-to-business tourism partnerships tap into both the functional part of service management (uncalibrated service quality and product constraints) and the interactional, relational aspects of service work (lack of competence and service skills, and market expectations and information). Some risks are supplier-induced (uncalibrated service quality, competence lack, product constraints) while others are agent- or tourist-induced (market expectations). Four coping strategies were identified in the data material. The largest category was market analysis and communication, comprising strategies that target the downstream

end of the value chain. The second category comprised the enhancement and control of value creation, located in the intersection between market and operations, where tourists and providers get to “meet” and co-create the product. Competence development, the third category, was applied to cope with perceived risks upstream the value chain. The last category, diversification, comprises strategies that ITOs apply to “spread” the risks concerning both products and markets, and is therefore placed close to the center of the value chain.

The findings of our study indicate that there is a gap between what is perceived as the heaviest risk categories (uncalibrated service quality and competence lack upstream the value chain) and what coping strategies ITOs apply to minimize the perceived risks in general. Although more sources of risks are perceived upstream the value chain, ITOs opt for strategies at the other end of the chain. The results of the matrix-coding query performed in QSR NVivo9 support this finding, as the data material indicates a noticeable shift towards the market based on the way in which tour operators describe their risk-coping strategies. Overall, market analysis and communication was the most frequently mentioned strategy for handling perceived risks in tourism value chain, with control and enhancement of value co-creation as the second largest category.

The extreme context in which ITOs perform may partly explain the shift towards a more market-centered risk-coping strategy. An extreme context is defined as an environment that combines uncertainly, complexity, and risk (Melkonian & Picq, 2009). The ongoing political crisis has definitely increased the level of complexity and uncertainty of operations, something that frequently came up during the interviews. Additionally, the tempo of work and the length of business-to-business relationships were seen as more rapid and less predictable, and the degree of risk associated with business decisions and actions was also considered higher. All these factors make it more difficult for tour operators to noticeably improve the internal product and operations of the value chain. Instead, tour operators attempt to “prepare” customers for the realities of the destination context. The context, however, is not the only factor that contributes to market-centered risk absorption. Lubbe (2005) also noticed that the rise of web-based distribution channels made travel intermediaries become customer agents rather than supplier agents in the traditional sense.

Our findings indicate that the customer adviser role has become increasingly more important for ITOs, as advising outbound agents about the available alternatives at the destination makes the decision process

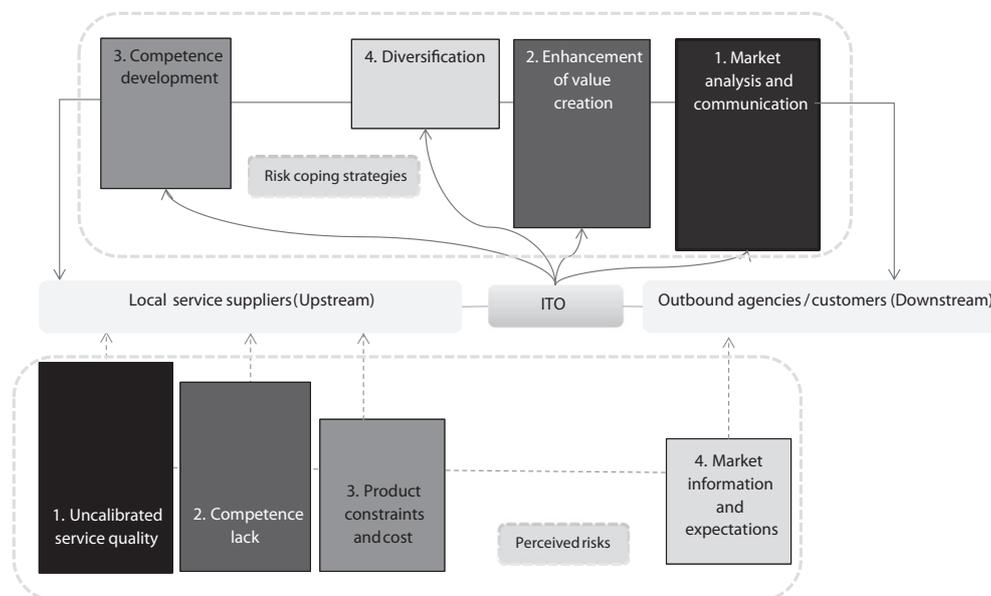


Fig. 2. ITOs' subjective risk judgments and risk coping strategies in tourism value chain.

easier for their respective tourists. Thus, we suggest that the market-centered coping strategy is common for all incoming tour operators to some extent; thus, future research should investigate how ITOs practice this strategy in other contexts. To cope with the far end upstream risks (uncalibrated service quality), ITOs enhance and control value co-creation. Active engagement of the customer in the provision and consumption of various service offerings is known in research and practice as customer co-creation of value (Heidenreich & Handrich, 2013) or simply co-creation (Dong, Evans, & Zou, 2008). Interest in customer co-creation of service products has increased sharply in recent years (Vargo & Lusch, 2008). According to the service-dominant logic of marketing, the customer is always a co-creator of value. Much of the research on customer co-creation has focused on the willingness of customers to co-create the value of various services (Ostrom et al., 2010; Troye & Supphellen, 2012) rather than on service providers' efforts to control or enhance the co-creation process. Recent research has also revealed that providers who seek to empower consumers tend to believe that customers will perceive any increase in control as a benefit. However, this is not necessarily always the case. Researchers further argue that providing consumers with more control may be a mixed blessing, potentially leading to a less compelling choice experience or to a less satisfactory outcome that may even come at a cost to consumers (Wathieu et al., 2002). Iyengar and Lepper (2000) found that restricting a consumer's choice set to fewer alternatives appeared to facilitate decision-making, making consumers more satisfied with the decision they made. Our findings provide some initial evidence of how ITOs prefer to increase control over the product in order to minimize the service risk exposure during the co-creation process.

According to Verhoef, Beckers, and van Doorn (2013), companies are more likely to ask for customer input when market conditions are shifting. However, this frequently backfires when demand is highly uncertain because customers in fast-changing markets often do not know what they want or what they would like. Incoming tour operators would ordinarily benefit from working repeatedly with the same suppliers, which is not the case when the "suppliers" are customers. Verhoef et al. (2013) argued that the quality, quantity, and variety of input decrease as the frequency of customer engagement increases. This study demonstrates how ITOs strive for balance between simultaneously controlling (limiting customer initiative) and enhancing (expanding/enlarging customer experience) the co-creation of value. This can be a promising area of future research. Vargo and Lusch (2008) also argued that operant resources of the service provider, such as implicit theories, assumptions, and knowledge, are the most important resources for the co-creation of customer value. This takes us back to the other risk categories in our findings: uncalibrated service quality and lack of competence among local service providers. Simply opting for control or enhancement of value co-creation is not enough; another strategy to tackle the risks related to operant resources is competence development. Competence development is a well-known strategy to improve the quality of products in the service industries in general and the hospitality and tourism industry in particular (Mak, Wong, & Chang, 2011), which our study also confirmed.

All travel intermediaries, regardless of their context, need to find a way to provide value added services to their customers due to the restructuring of the currently emerging tourism distribution system (Lubbe, 2005). Based on the findings of our study, we propose the ways in which tourism firms in business-to-business partnerships can deliver benefit to both upstream and downstream business partners. The value adding activities are important and must be dealt with urgently. These activities have three foci: 1) calibrate, educate, and diversify; 2) co-create and innovate; and 3) analyze and communicate. For partners upstream the value chain, tourism organizers can add value by providing them with analytic knowledge of the markets and information about the customers, and they can act as the vehicle of communication about the destination and the product ("analyze and

communicate"). For partners downstream the value chain, tour organizers can add value by calibrating the service quality of the suppliers' offer, providing training and education for service employees at the destination and diversifying the product and providers ("calibrate, educate, and diversify"). Tourism organizers add value to upstream and downstream partners when they co-create new tourism products and enhance co-creation of already existing ones ("co-create and innovate").

Next, we highlight the contribution of the study and provide some suggestions for future research.

6. Implications for future research

This study identified categories of risks in business-to-business partnerships that have seldom been made explicit previously and highlighted the strategies ITOs apply to cope with these risks upstream and downstream the tourism value chain. Our study contributes to the tourism management literature by enhancing our understanding of risk in tourism value chains. The results of our study revealed that although most risks are perceived upstream the value chain (uncalibrated service quality, competence lack, product constraints, and cost), the most applied risk management strategy targets the downstream end of the chain (market analysis and communication). These findings suggest an unsuspected aspect of tourism risk management. Understanding the mechanisms through which ITOs perceive risks and cope with these perceived risks in tourism value chains would help tourism managers handle risk in day-to-day operations.

Based on our findings, we propose a conceptual model for future research (see Fig. 3). The variable we would like to explain (predict) is ITO risk-coping behaviors in business-to-business tourism partnerships.

Three conceptual components will constitute the explained variable, market-centered behavior (target downstream), product-centered behavior (target upstream), and interaction-centered behavior (target the intersection between product and market). Using our qualitative findings, we suggest a preliminary pool of exemplary items to operationalize the three-dimensional construct of ITO risk-coping behaviors (see Table 2).

We use the identified categories of perceived tourism risks as an explanatory multidimensional variable. In line with Ajzen and Fishbein's (1980) theory of reasoned action and theory of planned behavior (Ajzen, 1991), we assume that beliefs about service in the tourism value chain are an important explanatory variable for how ITOs intend to cope with tourism risks. Following Bagozzi's (1992) theory of trying, we also include normative (behavioral norms) and control beliefs. Normative beliefs, or behavioral norms, can be expressed by how others in the value chain (e.g., local service suppliers, agents, clients, other ITOs) view service risks. Control beliefs refer to ITOs' subjective perceptions of control over service quality in the value chain. To test the explanatory power of ITO risk perceptions, we suggest operationalizing the construct through the identified empirical categories of market expectation and information, product constraints and cost, competence lack, and uncalibrated service quality (refer to Table 2). Following our findings, we suggest a set of preliminary propositions for the model: 1) uncalibrated service quality is positively related to market-centered risk-coping behaviors; 2) lack of competence is positively related to market-centered risk-coping behaviors; 3) market expectations and information are positively related to interaction-centered risk-coping behaviors, and 4) product constraints and cost are positively related to product-centered risk-coping behaviors.

Although the present research makes an important contribution, some limitations of the study should be acknowledged. Major limitations are embedded in the design of this qualitative study concerning data sampling and data analysis. Purposeful sampling was applied in the study, and the final sample (19 of about 68 incoming tour operators in Madagascar) reflects different types of ITOs by location, organizational structure, market, and product. Since our study's data set was limited

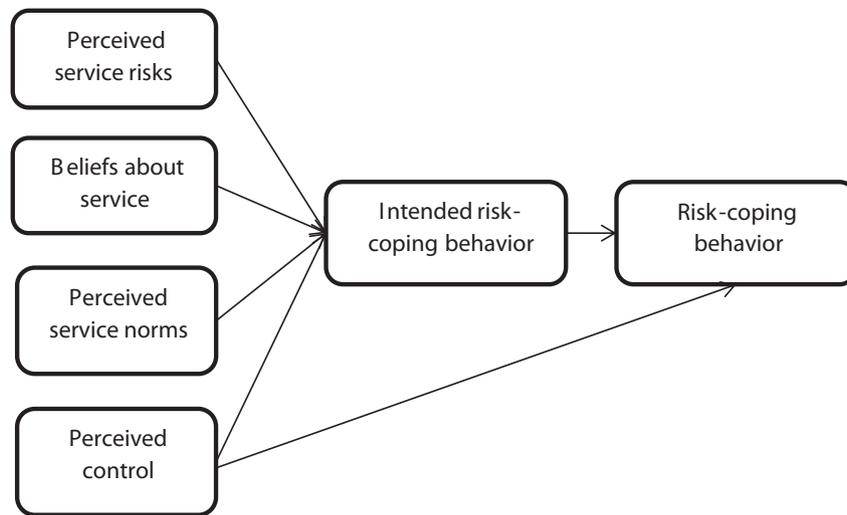


Fig. 3. Conceptual model for predicting ITO risk-coping behaviors in business-to-business tourism partnerships.

to ITOs, an interesting path for future research is to investigate how other members of tourism value chain (local service providers and out-bound agencies) perceive service risks. Limitations that apply to data analysis procedures were handled in line with Johnson's (1997) recommendations, i.e., we applied both investigator triangulation and data analysis triangulation to improve the validity of the results. The two researchers conducted independent analyses using different tools and then compared and discussed the results at the initial stages of the analysis. Upon completing the content analysis, we applied a different type of analysis, query matrix analysis in QSR NVivo9, to validate our content categories. Another limitation of this study is that we based our analysis on a single destination's ITOs. The results might not be directly applicable to destinations with more developed and diverse travel industry. For future studies, it would be worthwhile to investigate ITOs subjective service risks in destinations with well-developed tourist infrastructure and multiple distribution channels. We believe that the findings of our study can help tourism researchers and practitioners in different types of situations. According to Arnould, Price, and Moisiso (2006), many

contexts for qualitative research are extreme, which usually evokes critiques of generalizability. The extremity of the context in which the variables of this study were studied enabled us to investigate the risks and derive theoretical insight. Our findings provide an empirically derived framework, which can be a starting platform for other researchers to study categories of risks and coping strategies in other contexts. Future research should thus explore the presented categories in other contexts, with larger samples, and with other types of tour organizers. Comparisons between destinations that depend primarily on ITOs to generate tourism and destinations with diversified tourism operations can shed some light on the effects of risk-coping strategies across the contexts and situations. In future, it might be interesting to examine the relationships between position in the tourism value chain, perceptions of risks, and performance. Finally, several informants pointed out the key role of leadership in defining and managing service risks. Previous research has further indicated that leadership is not just passively influenced by contexts but that it can interact with the context and serve to intensify or attenuate levels of extremity (Hannah, Uhl-Bien,

Table 2
Framework for assessment of ITO risk-coping behaviors, and perceived risks in business-to-business tourism partnerships.

| Concept | Conceptual components | Empirical categories | Operationalization (exemplary items, some are reversed-scored) |
|----------------------------|-----------------------|--|--|
| ITO risk-coping behaviors | Market-centered | Market analysis and communication | We update our agents frequently on the latest destination news. We prepare our clients for the destination. We make necessary destination information available for our clients prior to the tour. |
| | Interaction-centered | Control and enhancement of value co-creation | We frequently check and inspect all components of the final tour program. We frequently send reminders to our suppliers for upcoming tour programs. |
| | Product-centered | Competence development, diversification | We often go on educational trips at our destination. We usually have two or more choices of local service suppliers for each component of the tour program. We diversify our local service suppliers. |
| ITO perceived service risk | Downstream | Market expectations and information | Our clients rely on guidebooks for destination information. Our clients get accurate information about the destination through media. Our clients have an incomplete image of the destination upon arrival. |
| | | Product constrains | Our destination product is highly complicated to work with. Our destination product has high access costs. Our destination product has serious tourism infrastructure constrains. |
| | Upstream | Uncalibrated service quality | International service quality standards apply to our destination product. Our destination product can change unpredictably due to changes in local service supply. Our destination product measures up to international standards. Our local service providers have necessary service competence. Our local service providers have formal service training. Our local service providers have adequate market knowledge. |
| | | Lack of competence | |

Avolio, & Cavarretta, 2009). Therefore, future research should study more thoroughly the managers' role in framing and acting on subjective risk judgments related to service collaboration in tourism value chains.

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Olga Gjerald, Ph.D., is an Associate Professor at the Norwegian School of Hotel Management, University of Stavanger. Gjerald received her Ph.D. in leadership from the University of Stavanger, Norway. The title of her dissertation is "Basic assumptions of service employees: Influence on employee job outcomes". In addition to research work experience as a Ph.D. candidate, Gjerald has extensive work experience throughout the service and hospitality industry. Gjerald has worked in Madagascar in an exchange program facilitated by FK Norway (Norwegian Peace Corps). Her current research interests include service management and marketing, organizational practices, and service value chain behavior.



Hallvor Lyngstad is Adviser at the University of Stavanger. Lyngstad holds a Masters' degree in International Hospitality Management from the University of Stavanger and Cornell School of Hotel Administration. Prior to getting his degree, Lyngstad worked as a chef in various hotels and restaurants, as a manager of accounting for a large catering enterprise, and as teacher's assistant in economics at the University of Stavanger, to mention but a few. Lyngstad has worked in Madagascar in an exchange program facilitated by FK Norway (Norwegian Peace Corps) for two terms, and has extensive knowledge about Madagascar.