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Knowledge sources, agglomeration, and hotel performance☆

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ABSTRACT

This study builds on the theories of industrial districts and knowledge, aiming to analyze the extent to which internal and external knowledge affect the performance of Spanish hotels situated in the Mediterranean coastline's tourist districts. Results from a quantitative analysis show that knowledge coming from the firm's workers, and the value of registered trademarks prevail over the investments in R&D in terms of hotel profitability. Regarding external knowledge, the study confirms the hypotheses referred to knowledge externalities from having a special location as well as knowledge from university centers and technological research institutions.

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1. Introduction

A firm's profitability depends on a variety of factors. Numerous studies highlight firms' resources as the main profit-generation factors (Rumelt, 1991; Short, Ketchen, Palmer, & Hult, 2007). In addition to internal factors, bearing in mind the industrial economy's contributions is worthwhile; profit also stems from resources alien to the actual firm, whether they are characteristic resources of industrial sectors (Porter, 1980), of countries or regions (Porter, 1990), or of industrial districts (Becattini, 1990; Marshall, 1890). Intangible resources have been acquiring great importance because of their strategic value (Barney, 1991; Grant, 1991), and have even become highly relevant factors in value creation for firms (Lev & Daum, 2004). Among these intangible resources knowledge is one of the most important production factors.

Seeking to deepen into this line, the main goal of this article is to examine the extent of the influence of internal knowledge sources and tourist destination sources on Spanish vacation hotels located along the Mediterranean coastline—both in the Iberian Peninsula and in the Balearic Islands. The concept of 'industrial district', or 'tourist district' when referring to the tourism sector, delimitates each tourist destination.

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The motivations of this study are, firstly, the geographical area, because this context generates the most positive externalities for firm profitability. These externalities are the result of productive specialization or the concentration of firms related to the same economic activity in the district. Secondly, this study aims at studying not only the possible influence that the knowledge externalities associated with a specific territory can have on profitability, but also the impact of knowledge arising from the firm itself. Finally, the article focuses exclusively on the hotel sector because the literature identifies the tourism sector—and inside, the hotel sector—as prominent industries within the service sector. Their prominence owes to the labor they need, and to the development of the areas where these establishments operate (Baum & Haveman, 1997; Chung & Kalnins, 2001; Holjevac, 2003).

The structure of the article is as follows: Section 1 corresponds to the introduction; Section 2 includes a literature review and the hypotheses. Sections 3 and 4 explain the method and the results. Finally, Section 5 states the main conclusions, limitations, and future lines of research.

2. Literature review and hypothesis formulation

2.1. Tourist districts

Following the Knowledge-based Theory, this article focuses on tourist districts because, according to the literature, knowledge plays an essential role in the generation of higher revenues among firms located inside tourist districts. Based on Marshall's (1890), Becattini lays down the foundations of the Industrial District Theory. Becattini (1990) defines the 'industrial district' as "a socio-territorial entity characterized by the active presence of both a human community and

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a group of firms within a naturally and historically delimited area” (p. 39). According to this definition, three requirements are necessary to speak about an industrial district: district members must be small and medium enterprises (SMEs) related to the same activity sector; that sector must be predominant in the geographical area; and some identification has to exist between residents in the area and the activity firms develop.

The application of the Industrial District Theory to the tourism sector is quite recent and, therefore, the research on tourist districts is still emergent. Although many studies define tourist districts as destinations or places capable of attracting a large number of tourists by their resources (Pearce, 2014), to consider a tourist district as a destination, tourist companies must constitute the main economic activity of the area, and the resident population must be an integral part of this activity (Marco-Lajara, Claver-Cortés, Úbeda-García, & Zaragoza-Sáez, 2016).

Analyzing the externalities arising in a tourist district reveals that they can affect both revenues—by increasing them—and costs—by reducing them. Thus, from the perspective of revenues, tourists travel to destinations that are relatively attractive because of their large offer of complementary services. Therefore, the likelihood of tourists traveling to destinations with a low concentration of tourist firms and complementary services is small. Costs are likely to decrease because the exchange of knowledge between firms located in the area helps hotels improve their management, and become more efficient.

2.2. Internal and external sources of business knowledge in a tourist district

The Knowledge Society's main characteristic is the emergence of a new business environment, where the increased competitive intensity produces an overall progressive reduction of the time that competitive advantages last. Because of that process, firms must permanently generate new knowledge to stay competitive. Nevertheless, due to the difficulties to internally generate all the knowledge that firms require, firms need to locate themselves in places where they can take advantage of the knowledge derived from relationships with the agents based in their immediate environment. Therefore, the acquisition and transfer of knowledge are arguably two dynamic capabilities that firms must use to acquire and transfer new assets, thanks to which they can ensure long-term competitiveness (Eisenhardt & Martin, 2000; Teece, Pisano, & Shuen, 1997; Wang & Ahmed, 2007).

Internal knowledge represents the firm's existing knowledge, which constitutes a firm's main knowledge base. This knowledge comprises employees' knowledge and the firm's values, databases, procedures, organizational routines, and efforts in technological development, the latter materializing in patents and registered trademarks. A way to obtain knowledge unavailable to the firm is the hiring of experts from other companies or institutions (learning-by-hiring) (Almeida & Kogut, 1999; Malecki, 1997; Song, Almeida, & Wu, 2003). Human capital is a highly valuable asset for knowledge creation and acquisition by firms (Chen, Shih, & Yang, 2009). Another way to obtain new knowledge is by investing in R&D, which materializes in intangible assets. The service sector and, more precisely, the hotel sector, often dedicate this investment not only to develop new working processes, but also to create registered trademarks to achieve establishment differentiation. However, small- and medium-sized firms generally own fewer financial, material, and human resources to undertake R&D activities; therefore, these firms can see as a great opportunity the knowledge-related benefits that are likely to derive from a having a specific location.

According to the abovementioned, investments in human capital, as well as in development, research, and innovation, constitute the greatest inputs for the achievement of higher profitability levels from internal knowledge generation (Bontis, Janosevic, & Dzenopoljac, 2015; Cohen & Levinthal, 1990; Domenech, Escamilla, & Roig-Tierno, 2016; Dyer & Singh, 1998; Lane & Lubatkin, 1998).

Taking into account the previous ideas, the study formulates the first hypothesis, which in turn generates three sub-hypotheses:

H1. A hotel's internal knowledge positively affects its profitability.

H1a. The knowledge coming from a hotel's employees positively affects the hotel's profitability.

H1b. The knowledge coming from the hotel's R&D investments positively affects the hotel's profitability.

H1c. The knowledge coming from a hotel's registered trademarks positively influences the hotel's profitability.

External knowledge comes from the relationships that the firm maintains with its environment, which in turn help to boost the firm's internal knowledge (Chatterji, 1996). The literature establishes that firms create and accumulate knowledge more easily in tourist districts thanks to their constant interaction with other similar companies, training and research centers, and also to the knowledge exchange between firms (Audretsch & Feldman, 1996; Feldman & Audretsch, 1999; Jaffe & Trajtenberg, 2002). This interactive learning owes both to the geographical proximity, and to the cultural proximity. In fact, firms concentrated in a specific area are more prone to share knowledge and establish collaborative relationships with other local agents because the common rules and the shared values prevent them from adopting opportunistic behaviors (Boschma & Ter Wal, 2007).

Each particular place has a characteristic strategic knowledge, present in the routines and capabilities of the territory (*sticky knowledge*), depending on its history, and its social and tacit nature. For this reason, only an atmosphere of relationships between firms allows them to acquire, integrate, and use that tacit knowledge (Iammarino & McCann, 2006; Malmberg & Maskell, 2002). Such knowledge provides useful intelligence and contacts, which can increase the level of knowledge and experience of firms located in one district (Hayer & Ibeh, 2006) by allowing to develop close links between individuals and firms.

The environment of firms located in a district does not only consist of those external agents that interact with them in their everyday operations and form part of their supply chain, such as providers, customers, distributors or competitors, but also of institutions such as universities, vocational training centers, and technological organizations based in the same territory (Knudsen, 2007; Malmberg & Power, 2005; Tödling, Lehner, & Kaufmann, 2009). The establishment of strategic alliances also contributes to supply new knowledge.

In the light of all the above, the study formulates a second hypothesis, divided into four sub-hypotheses:

H2. A hotel's external knowledge positively influences the hotel's profitability.

H2a. The knowledge coming from the firms situated in the same location positively influences a hotel's profitability.

H2b. The knowledge coming from universities, training centers, and research centers specialized in tourism positively influences a hotel's profitability.

H2c. The knowledge coming from the affiliation to a hotel chain positively influences a hotel's profitability.

H2d. The knowledge coming from the establishment of capital alliances positively influences a hotel's profitability.

3. Method

3.1. Analysis method

The study tests the hypotheses by means of a multiple linear regression, where independent variables explain the dependent variable or hotel profitability. The independent variables measure both

the sources of internal knowledge inherent to each hotel, and the sources of external knowledge to which those hotels have access. The study uses firm size and establishment category as control variables.

The following regression empirically verifies the hypotheses:

PROFITABILITY =

$$+\beta_0 + \beta_1 * \text{SIZE} + \beta_2 * \text{CATEGORY}$$

$$+\beta_3 * \text{KNOWL.-EMPLOYEES} + \beta_4 * \text{KNOWL.-R\&D} + \beta_5 * \text{KNOWL.-PATENTS-TRADEMARKS}$$

$$+\beta_6 * \text{KNOWL.-FIRMS} + \beta_7 * \text{KNOWL.-INSTITUTIONS} + \beta_8 * \text{KNOWL.-CHAIN} + \beta_9 * \text{KNOWL.-ALLIANCES} + \epsilon.$$

The regression uses SPSS version 20 as a statistical package. The analysis proposes three regression models: the first with control variables; the second, with variables related to the knowledge generated internally in each hotel establishment; and the third, with variables measuring external knowledge resources. This method allows to verify the increase of explained variance in each of the models.

3.2. Data collection and variable measurement

3.2.1. Dependent variables

Profitability: *GopPar* (gross operating profit per available room) is one of the most common ways to measure a hotel's profitability. An approximate measure of *GopPar* is the gross operating profit per room, information available at the *Sistema de Análisis de Balances Ibéricos* (SABI) database. The search criterion consisted in identifying all the enterprises located in the 231 coastal towns of the Spanish Mediterranean belonging to headings 5510 (hotels and similar accommodation establishments), and 5520 (tourist accommodation establishments and other short-stay accommodation establishments) on the *Clasificación Nacional de Actividades Económicas* (CNAE2009). The information considered is the mean of the last 5 years available, from 2009 to 2013 inclusive.

SABI does not supply information about number of rooms; that information is available from the webpage of the actual hotels, if they have one, or from the webpages of some online wholesalers (e. g., booking.com, rumbo.es ...).

Once the values of this variable were available, the study transforms the variable so that its distribution can approach the normal curve. A logarithmic transformation of the original variable is often sufficient, but impossible in this study because many of the hotels present in the sample have a negative operating profit. For this reason, the analysis uses operating revenues per room and operating costs per room as dependent variables, thus discarding operating profit. The selected variables have a direct association with hotel performance or profitability.

After directly estimating the regressions for the dependent variables 'operating revenues per room' and 'operating costs per room', the next step consists of obtaining the coefficients for a profit variable which relates revenues and costs from a system of simultaneous equations in two stages. Consequently, the analysis can empirically test all the hypotheses. If the variable is the cost–benefit ratio, the expression of the system of equations is as follows:

$$\text{Ln (Operating revenues)} = \alpha + \beta X.$$

$$\text{Ln (Operating costs)} = \gamma + \delta X$$

$$\text{Cost–benefit ratio} = \text{Operating revenues} / \text{Operating costs}$$

where the *Xs* are the independent variables. Finding the value of operating revenues and operating costs in the first two equations, and substituting in the third one results in:

$$\text{Operating revenues} = e^{\alpha + \beta X}.$$

$$\text{Operating costs} = e^{\gamma + \delta X}$$

$$\text{Cost–benefit ratio} = e^{\alpha + \beta X} / e^{\gamma + \delta X} = e^{\alpha} e^{\beta X} / e^{\gamma} e^{\delta X} = e^{\alpha - \gamma} e^{(\beta - \delta) X}.$$

Taking logarithms again leads to the following expression which allows estimating the logarithmic function of results:

$$\text{Ln (Cost–benefit ratio)} = \alpha - \gamma + (\beta - \delta) X.$$

3.2.2. Independent variables

Employees' knowledge: the study measures this variable with the number of employees per room, providing SABI the information.

Knowledge from R&D: estimated with the average value of intangible assets per room for the last 5 years available, obtained from SABI as well.

Knowledge registered in patents and trademarks: Being service enterprises, hotel establishments find patenting their technology a difficult task; hence why the study estimates knowledge with registered trademarks, a type of information which is available at SABI. For this purpose, the study uses a *dummy* variable with a value of 1 if the hotel has registered trademarks, and 0 if otherwise.

Knowledge coming from other firms: the degree of tourist enterprise agglomeration at a tourist spot or destination. Building on the tourist district theory, the study follows the *Istituto Nazionale di Statistica* (ISTAT)'s methodology. This method consists in identifying the Local Labor Systems (LLSs) existing in the Spanish coastal area, and in checking which of them constitutes a tourist district, presenting an employment concentration above the Spanish average in small- and medium-sized tourist enterprises. Therefore, the result of the following equation has to be more than 1:

$$\left(\frac{\text{Tourism employment in destination } i}{\text{Total employment in destination } i} \right) / \left(\frac{\text{Tourism employment in Spain}}{\text{Total employment in Spain}} \right).$$

The district must consist mostly of SMEs; therefore, the result of the equation also has to exceed 1 when only considering firms with less than 250 workers.

Boix and Galletto (2008) already identify Spanish LLSs; their work serves as a basis for the study. This analysis checks which LLSs belonged to each of the tourist municipalities that, according to the Ministry of Agriculture and Environment, exist along Spain's Mediterranean coastline. This fact leads to identify 231 towns pertaining to 113 LLSs.

The Spanish Chambers of Commerce's firm database (*Camerdata*), updated to January 2014, provides the data to estimate the equation corresponding to each LLS. The search focuses on tourist firms with less than 250 employees, belonging to codes 5510, 5610, and 5630 on CNAE2009 (i.e., hotels, restaurants, and cafes). Because the latter does not directly incorporate the number of workers in each enterprise but the staff volume bracket where the enterprise in question stands, the analysis uses the midpoint of each bracket.

The study's conclusions show that practically every LLS constitutes a tourist district, an expected result, because the analysis focuses on those Spanish coastal towns with a higher hotel concentration.

Knowledge from institutions: The knowledge resources that this study assesses are university training and vocational training in the area of tourism, as well as tourism research centers existing in the geographical area of influence. These resources are:

Universities: number of universities offering tourism degrees at the provincial level, as a relative figure according to the province's number of inhabitants.

Higher-level VT: number of higher-level vocational training centers with tourism programs existing at the *comarca* [small region (Spanish administrative demarcation)] level, as a relative figure according to the *comarca's* number of inhabitants.

Medium-level VT: number of medium-level vocational training centers with tourism programs existing at the *comarca* level, as a relative figure according to the *comarca's* number of inhabitants.

Technological research centers: number of existing public and/or private technological institutes, including the university institutes focusing on tourism research, as well as tourist observatories at the autonomous region level.

Knowledge obtained from a chain: the study considers affiliation to a hotel chain as a *dummy* variable, which takes a 0 value when the hotel does not belong to a chain, and 1 if otherwise.

Knowledge provided by capital alliances: a quantitative variable that measures the number of firms belonging to the same group estimates this variable. SABI supplies this value as well.

3.2.3. Control variables

Size: the number of employees, available at SABI, determines hotel size.

Establishment category: this is a categorical variable, its value ranging between 1 and 5 according to the hotel's number of stars. As in the case of 'number of rooms', and 'affiliation to a hotel chain', a web research provides the value of this variable.

3.3. Sample

The population under study comprises all Spanish hotels located in Mediterranean coastal towns—both in the Iberian Peninsula, and in the Balearic Islands.

This research works with the hotels listed on SABI, which are most of the existing hotels on the Spanish coast. However, the difficulties to obtain information about some hotels' 'number of rooms', 'establishment category', or 'affiliation to a chain', eventually reduce the study sample to a total of 2003 establishments.

Fig. 1 shows the location of the hotels under study in a map of the autonomous regions, along with the distribution of cases across the five regions.

However, the data corresponding to the model's independent variables do not refer to each hotel establishment on an individual basis. The same happens with the knowledge coming from other firms, and with the knowledge from institutions. In the first case, the work focuses on the degree of agglomeration of the 113 Spanish tourist districts situated along the Mediterranean coastline. In the second case, universities, vocational training centers, and technological institutes generate knowledge that refers to the context of provinces, *comarcas*, and regions, respectively, with a total of 13 provinces, 49 *comarcas*, and 5 autonomous regions.

4. Results

Table 1 summarizes the results of the different regression models proposed for the two dependent variables. Model 3 (the most complete) presents an R^2 of 0.57 for the dependent variable 'operating revenues/no. of rooms', and 0.56 for the dependent variable 'operating costs/no. of rooms.' In other words, Model 3 explains 57% and 56% of variance in the dependent variable, respectively. The model as a whole is significant, and so are most of the coefficients for dependent variables, thus confirming the initial hypotheses.

Drawing a comparison between models allows to see that the second one, which only includes internal knowledge resources, is the one accounting for the largest percentage of variance—40%. This percentage shows that the firms' internal resources are more important for their competitiveness than the external resources, which characterize the destination of the hotel. The third model assesses these external knowledge resources, and explains 1% of variance. As for control variables, Model 1 forecasts their effects, explaining 17% and 16% of variance in the dependent variable, respectively.

Table 1 shows separate results for the dependent variables 'revenues' and 'costs'; thus, estimating the coefficients for the dependent variable 'cost–benefit ratio' allows a better interpretation of the results.



Fig. 1. Hotel distribution (number and percentage) in regions along the Spanish Mediterranean coastline.

Table 1
Summary of regression models.

Variables	Coefficients defined for the dependent variable 'Operating income/room'			Coefficients defined for the dependent variable 'Operating costs/room'		
	Model 1	Model 2	Model 3	Model 1	Model 2	Model 3
Size	0.23***	0.07***	0.05***	0.23***	0.07***	0.06***
Establishment category	0.28***	0.25***	0.24***	0.27***	0.24***	0.23***
Knowl. Employees		0.63***	0.64***		0.63***	0.63***
Knowl. R & D		0.02	0.02		0.05***	0.04***
Knowl. Patents-Trade marks		0.05***	0.05***		0.04***	0.04***
Knowl. Firms			-0.03*			-0.04**
Knowl. Universities			0.30**			0.22*
Knowl. Higher Level VT			0.01			0.02
Knowl. Medium Level VT			0.03*			0.00
Knowl. Technological Res. Centers			0.06***			0.03*
Knowl. Chain			0.05**			0.04**
Knowl. Alliances			0.02*			0.02*
F	186,724***	362,926***	132,747***	178,011***	353,434***	128,182***
R ²	0.17	0.57	0.58	0.16	0.56	0.57
ΔR ²		0.40	0.01		0.40	0.01

*** p ≤ 0.01.
** p ≤ 0.05.
* p ≤ 0.1.

The aforementioned system of simultaneous equations estimates Model 3's coefficients:

$$\ln(\text{cost-benefit ratio}) = \alpha - \gamma + (\beta - \delta)X$$

$$\begin{aligned} \ln(\text{cost-benefit ratio}) = & -0.004 * \text{SIZE} + 0.008 * \text{CATEGORY} \\ & + 0.006 * \text{KNOWL.-EMPLOYEES} - 0.025 * \text{KNOWL.-R\&D} \\ & + 0.009 * \text{KNOWL.-PATENTS-TRADEMARKS.} \\ & + 0.006 * \text{KNOWL.-FIRMS} + 0.081 * \text{KNOWL.-UNIVERSITIES} \\ & - 0.016 * \text{KNOWL.-HIGHER-LEVELVT} + 0.024 * \text{KNOWL.} \\ & - \text{MEDIUM-LEVELVT} + 0.027 * \text{KNOWL.-RESEARCHCENTERS} \\ & + 0.014 * \text{KNOWL.-CHAIN} - 0.003 * \text{KNOWL.-ALLIANCES.} \end{aligned}$$

The underlined sections represent statistically significant variables. Starting with control variables, results show that establishment category positively affects business profit. A review of Table 1 reveals that establishment category increases both revenues and costs, although the former always grows to a greater extent, which is why hotel profit has positive values. Business size also affects positively revenues and costs; nevertheless, costs increase more in Model 3 and Model 2, which means that profit tends to be lower for the largest hotels.

Related to hotels' internal knowledge resources, the conclusion is that the knowledge coming from employees, patents, and registered trademarks has a positive effect on hotel profit, thus obtaining empirical evidence for hypotheses H1a and H1c. The analysis does not confirm hypothesis H1b, which makes it impossible to confirm that the knowledge coming from the R&D of the hotels themselves positively affects their profitability levels. Results in Table 1 show that the operating costs of hotels increase with R&D expenses; however, revenues do not obtain any significant statistical effect.

The study also concludes that external knowledge coming from other firms has a positive effect on profit, which provides empirical confirmation for hypothesis H2a. Hypothesis H2b also receives empirical support, though only partially. Indeed, this hypothesis collects the effects on the profitability of knowledge coming from academic and research institutions, but only knowledge universities and technological research centers supply. The knowledge a hotel can access thanks to their affiliation to a chain also affects its performance positively, thus confirming hypothesis H2c. Finally, contrary to the prediction in hypothesis H2d, the knowledge coming from alliances has a negative effect on hotel profitability.

5. Discussion, conclusions, and implications

This article analyzes the degree to which the internal business knowledge or the typical knowledge sources of the tourist destination affect the profitability of Spanish vacation hotels situated on the Mediterranean coast of the Iberian Peninsula and the Balearic Islands. As highlighted above, knowledge is one of the main sources of competitive advantage that a firm can have nowadays; hence why the hypotheses of this article focus on contrasting the hotels' knowledge sources with how those sources link to profitability. Aspects such as the size or category of an establishment increase revenues as well as costs, but the difference between them determines the final profitability. Thus, in the first case, larger-sized hotels are usually less profitable because their costs increase to a greater extent than their revenues do. Exactly the opposite happens with regard to establishment category. Revenues tend to grow more than costs in higher-category establishments, thus positively affecting profitability.

The study's results confirm most of the hypotheses put forward. Thus, they show that internal knowledge sources explain most of the profitability in such hotels, the knowledge coming from the firm's workers and the value of registered trademarks prevailing over the investments made in R&D. The mobility of experts between firms pertaining to a tourist district can bring benefits owing to the specialization of labor and to the tacit knowledge that firms acquire over the years through the relationship with their forerunners. Hotels' registered trademarks are also highly valuable intangibles for their profit, insofar as they become the most important 'presentation card' for tourists to visit their establishment, associating that trademark with another valuable asset: reputation. The investments in R&D are not significant, probably because of the conditioning factor that the hotels in this article's sample are small, a factor that reduces expenses on this area considerably.

Even though the external knowledge sources of the hotels under study also contribute to explain part of their profitability, hotels do not seem to use these sources as often as expected. The study confirms that knowledge externalities result from the location in destinations where the firms can acquire knowledge from others with the same activity, as well as from collecting knowledge from university centers and technological research institutions. This verification confirms the fundamental premise about tourist districts. The analysis also confirms that a hotel's affiliation to a chain affects its profitability, mainly thanks to the knowledge obtained from the experience of other hotels involved, and to the transfer between them of the best practices.

However, the study does not confirm either the hypotheses that link profitability to knowledge from alliances, or those that relate profitability to knowledge coming from higher and medium-level vocational training centers. Among the arguments which could explain the results, the one related to the absorptive capacity of the examined firms stands out (Martinkenaite & Breunig, 2016). In this regard, Boschma and Ter Wal (2007) state that the location alone does not necessarily imply the appearance of knowledge externalities, mainly because of the heterogeneity of the district's firms. Cohen and Levinthal (1990) suggest the existence of a direct connection between absorptive capacity and the initial knowledge stock, in a way that the greater the knowledge base, the higher the absorptive capacity. These negative results could also mean that the hotels of this study do not own a knowledge base strong enough to understand and assimilate the knowledge coming from the firms with which they have capital alliances.

A second argument that can help understand the lack of significance of knowledge stemming from high- and medium-level vocational training centers, has to do with the lifecycle stage of the district examined. The vacation tourism situated in the coastal areas of this study is typically a mature, congested sector with hotel atomization as main trait, which may lead hotels in that lifecycle stage to find the knowledge coming from those training centers uninteresting or redundant (Audretsch & Feldman, 1996; Malmberg & Power, 2005).

Finally, the hotels' reluctance to absorb external knowledge could also owe to the "myopia of learning" and the "not-invented-here syndrome". Because of the "myopia of learning" (Levinthal & March, 1993), firms nourish themselves with the internal knowledge of their own experience, focusing on close knowledge (what the firm can do) rather than on the valuable knowledge that resides outside the organization. The "not-invented-here syndrome" (Gupta & Govindarajan, 2000) makes the firm unwilling to acquire knowledge from other business entities, thus acting as a great barrier to communication between the firm and external groups. A factor behind this syndrome may be the existence of an ego-defense mechanism that leads some executives to block any information suggesting that the others are more competent than them (Sherif & Cantril, 1947). As a consequence, a lack of knowledge of the potential benefits of networking characterizes some of the SME firms studied (Erkus-Öztürk, 2009).

This article has important theoretical and practical implications. From a theoretical point of view, the analysis links the knowledge-based view of the firm and the Industrial District Theory. This connection highlights the importance of the firm's location in the development of the knowledge required to increase its competitiveness. The article also offers results and arguments for executives to make the most of the knowledge sources available to them, not only the internal (their workers' skills, experience and, capabilities, and the importance of registered trademarks in the hotel sector), but also the external ones, like exploiting the positive externalities derived from their establishment's location. However, future research in the same field includes collecting more information about the knowledge sources that increase hotel competitiveness, as well as striving to identify the reasons that might lead a firm to reject some valuable external knowledge.

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