

Clusters – Tourism Activity Increase Competitiveness Support

Carmen IORDACHE

„Constantin Brâncoveanu” University, Pitești
iordache72@yahoo.com

Iuliana CIOCHINĂ

„Constantin Brâncoveanu” University, Pitești
iulianaciochina@yahoo.com

Mihaela ASANDEI

„Constantin Brâncoveanu” University, Pitești
masandei@yahoo.fr

Abstract. *Tourism represents one of those areas with the greatest potential of global expansion. Tourism development strategy in terms of maximizing its positive effects on regional economic increase and implicitly on the national one starts from the premise that in global economy value is created in regions which are defined as particular geographical entities, separated by geographical reasons and not as political-administrative structures, and economic increase is centrally cumulated and valued according to the economic policy and the national legal system.*

Regional economic system approach based on “cluster” concept is explained by the fact that the regional activities portfolio is based on an inter and intra-industry networking grouped by cluster, in which is created the value that increases as the activity results are leading to the final consumers.

This type of communication aims to highlight the tourism role as a factor in regional development, the clustering process significance in obtaining some competitiveness advantages, clusters development in tourism beginnings, and also the identification methodology used to select one touristic area to create the cluster.

Keywords: tourism; regional competitiveness; cluster; strategy.

JEL Codes: L25, L83, M15, M38, O11, O31, O32.

REL Codes: 14F, 16E, 16G, 18C.

1. Introduction

Tourism is in a situation that some experts would name as “paradigm shift” situation not far from the economic and society globalization in general (Kuhn 1982). Traditional tourism resources, comparative advantages (climate, culture, etc.) become less important comparing to other tourism factors of competitiveness. Information (or rather the strategic management of information), the intelligence (the ability of teams innovation in an enterprise), knowledge (know-how, or a culture) are new resources and key factors now in touristic enterprise competitiveness.

There are predictions that the most visited destinations in the world will not be famous beaches or traditional cultural capitals, but rather the products created by people. The predictable competition for the present tourism activity will not consist in the emergence of new exotic resorts, but rather the massive use of information and communication technologies more accessible to casual products, including travel and virtual experiences (Iordache, 2008).

In these circumstances it is natural that the touristic administration be focused more on offer policies. The main purpose of the aggregate supply policies is to increase and improve the productive capacity of a country. Therefore, there is no longer a focus on creating internal and external demand, or improvements in demand and its management under the current economic cycle, or the policies focused on promoting tourism.

Globalization and increased competitive tourist market after the 80's called for a continued improvement sharing characteristics like price/product, a steady trend towards quality and efficiency and lead to the emergence and development of new forms of organizing economic activity according to the market. Clusters have become one of the most popular concepts of local and regional development for both research and practice (Bergman, Feser, 1999).

2. Tourism as a factor for regional development

Tourism is one of the fastest growing worldwide industries and in the same time is the main source of income in foreign currency for an appreciable number of developing countries. By the vast human potential, natural materials and through multiples effects on areas of reference, tourism acts as a stimulating factor for development progress.

Long, socio-economic importance of tourism has been systematically ignored by many governments and people in general, but, over time, this recognition has intensified (Crouch, Ritchie, 1999). Today, tourism has proved an important source of value creation and employment (Botti et al., 2008).

On the economy of a country or area, the effects of tourism must be considered, in general, assuming that their relationship with the fundamental objectives of the entire economic system can determine the contribution of tourism to the creation and using of the national income, its effects being the inflation, investment or diversification of structures economic role in increasing life quality (Iordache, 2008).

Tourism is an activity able to stimulate improvements in equipment travel (accommodation, food, communications, etc.), to influence business services (business, health, leisure), to increase the size of economic sectors designated to meet tourism demand. By tourism we can value items such as landscape, climate, therapeutic mineral waters, cultural, factors that cannot be recovered in other fields. So is ensured the development of areas less rich in resources to enable their industrial development based on natural and human tourism resources, attracting tourists and leading to the emergence and development of tourist resorts. By arranging these resorts, tourism contributes to the economic increase and cultural areas and, therefore, to create better living conditions for local residents. It encourages the creation of food production (based on local products), use of means of production in that area, the preservation of customs and traditional crafts.

Because of its beneficial effects on the economy of the territories, tourism activity promotes inter- and intraregional disparities elimination, considered national or global, being a remedy for their prosperity on urbanization and housing construction, road planning, conducting public service, etc.. For areas of destination, tourism represents a means of increasing living standards, increase quality of life. Thus, it provides jobs for local residents, the recovered raw materials and agricultural, ethno-cultural traditions of the receiving areas, continue unabated commercial and regional culture through the development of folk arts, artistic ensembles, crafts.

Tourism does not affect the quality of life only directly but also indirectly through its interference with some branches (agriculture, industry, trade, etc.). Thus, tourism offers an outlet for surplus labor, it leverages the superior local products, it operates jointly with other sectors (industry, agriculture) non-conventional forms of energy, stimulating some branches producing consumer goods which play a major role in quality of life, tourism contributes to the development of competition, leading to improved quality standards by some economic sectors.

By persuasion force which they exercise on tourist contacts with people in places chosen as the destination of travel, tourists are aware of the realities of the places visited, cultivating a climate of mutual understanding between people, a form of direct link between people at home and especially internationally.

3. Cluster - a form of competitive organization

Competitive economic clusters are agglomerations formed spontaneously in a well defined geographical area. The process of concentration, both horizontally and vertically, result in significant competitive advantages (e.g. logistics, promotion of international trade, etc...). Although clustering companies is natural, governments can encourage the development of emerging clusters by supporting efforts that a group of companies can do to achieve the full potential merger.

On the other hand, they must strengthen the type interfere networks, particularly between foreign direct investment (e.g. multinational companies) and local SMEs for collaboration in the creation chain of companies with high added value to the economy (the link between inter-firm cooperation and competitiveness has been demonstrated and the European Commission, ENSR Enterprise Survey, 2003).

Table 1

Cluster initiatives		
The most common goals of cluster initiatives		
<ul style="list-style-type: none"> ✓ Development of communication networks between people and cluster ✓ Fostering communication networks between companies ✓ Creating a brand by region ✓ Providing support to business community ✓ Analysis of technical trends in this area ✓ Development companies through spin-off process ✓ Insurance companies with training in management ✓ Improving the production process ✓ Providing incubation services ✓ Study and analysis of clusters ✓ Organization of private infrastructure projects ✓ Making reports on cluster activity 		<ul style="list-style-type: none"> ✓ Supporting existing businesses in development ✓ Ensure a high degree of innovation ✓ Attract new firms and people scientists in the region ✓ Export development of cluster ✓ Involving marketing specialists ✓ Improve the awareness of cluster companies ✓ Ensuring the technical type training ✓ Promotion of new discoveries in cluster ✓ Lobby of the State infrastructure ✓ Improvement of regulatory policy ✓ Lobby on the increase in subsidies region ✓ Coordination of State procurement ✓ Establish new technical standards ✓ Decrease competition in cluster
The most rare goals in cluster initiative		

Source: elaborated by the author based on Solvell O. „The Cluster Initiative Greenbook. The Competitiveness Institute”, Gothenburg, 2003, p. 11.

According to M. Porter, cluster is a geographical agglomeration of companies, suppliers, service providers and associated institutions in a particular field, linked by external factors and complementary of various types.

Clusters can be located in any type of local communities in such a small group of towns, cities or common to region, state or border areas between countries.

Clusters are the result of mergers of companies so that they can produce higher synergies through their geographical proximity and their interdependence (Rosenfeld, 1997). Feser (1998) points out that not only involve economic grouping of companies and institutions in a particular sector but rather refers to relations that interconnect, which creates and reinforces certain competitive advantages. According to Porter (1998), a strong competitive advantage in a global economy increasingly depends on more local factors - knowledge, relationships, motivation, etc., in which, geographically, more distant competitors can not compete. Porter (2000, 2003) reinforces his description, defining a cluster by a group of interconnected companies - suppliers, service providers and associated institutions in a particular field, linked by analogy and complementarities.

The advantages of these agglomerations called clusters/pole of competitiveness/network skills are many, some of them consisting of the following:

- reduce the individual costs of each company in the network;
- foreign savings achieved;
- member companies can increase turnover by offering joint products;
- can better protect mutual interests based on sustainable and competitive principles;
- determine the collection of large sums of money to local/central budget, thereby generating a positive development and competitive and national, regional and local economies;
- plays a key role in improving living standards of both residents and management bodies.

In order to implement clusters it is necessary to take into account several recommendations:

- definition of basic principles of cluster policies and their delivery mechanisms;
- promoting the idea of cluster formation of a correct vision on design and development tools to cluster;
- developing a unified system of indicators, the creation and operation of clusters;
- more efficient use of donors as potential partners in various aspects of tourism development.

The experience of developed countries has shown that clustering processes serve as a basis for constructive dialogue between the industry and state enterprise, educational media, information, NGOs, etc.. He has allowed

the increase the efficiency of mutual relations in the process of innovation of the private sector, state trade associations, educational institutions and research.

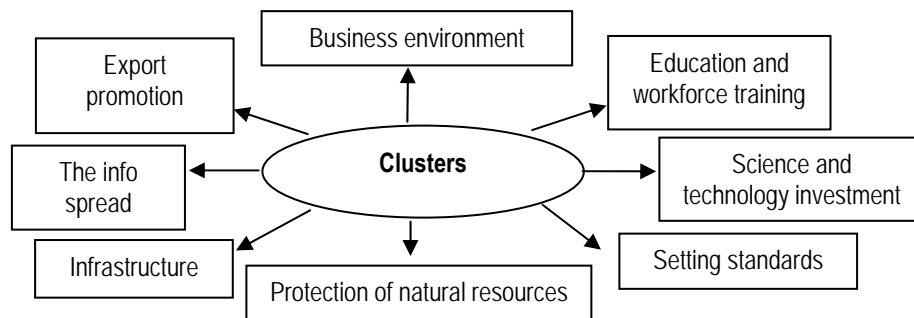


Figure 1. *Clusters and economic policy*

General characteristics of clusters:

- are a limited form of regional economic activity within related sectors, usually related to some scientific institutions (universities, research and innovation, etc.);
- represent links (value chain) producing vertical, narrow specific areas in which common stages (interconnected) of the production process is the core cluster (e.g., chain “supplier - manufacturer - dealer – customer”). This category includes firms and networks around the main (dominant);
- industries are established at a high level of aggregation (e.g. cluster airlines) or compatibility sectors still at a level of aggregation (e.g. cluster agro-tourist).

Among the specific features clusters we remember:

- companies of the group (cluster) have the same or interconnected areas of activity;
- areas may be different, but the common element is that in a region a particular type of industry or economic activity becomes dominant and performing;
- although these type relations between firms are competitive and they are specialized types, varieties like, between them one produces a parallel phenomenon of cooperation, of association in areas that afford them all an increase competitiveness, to create an optimal ratio competition-cooperation between local firms or “cooperative competition” (usually, this competitive-cooperative behavior leads to great competitive advantages for the whole bunch of companies);

- between firms appear not only phenomena of imitation or copying rapid innovation, but also common infrastructure for innovation, within which universities and technology centers are essential;
- there is a capacity of association between firms and trust relationships maintained by a favorable cultural portal environment, which reduces transaction costs and increase competitive advantages of each form of agglomeration;
- areas of cooperation may be training, management techniques and marketing, research - development and all that entails strengthening innovative capacity for all forms.

4. Tourism cluster's features

Tourism cluster is a geographic concentration of interconnected companies and institutions through tourism activities. This includes suppliers, services, governments, institutions, universities and competitors (Capone, 2004). Beni (2003) defines tourism cluster as a set of attractions, less differentiated, concentrated in one geographical area, offering quality facilities and services, political and social cohesion by coordinating effective collective production chain and adopting an excellent management the network of companies, which generate comparative and competitive advantages. For Novell and others (2006), the objective of a cluster is to mobilize travel companies, which generally operate independently in the creation, recovery and successful promotion of tourist product in a region.

Premises in tourism cluster development involve:

- The existence of competitive enterprises;
- Favorable geographical location, natural potential, cultural traditions, gastronomy, sincere hospitality;
- Key partners are concentrated in the vicinity;
- Greater diversity of partners;
- Existence of formal and informal links between cluster partners.

A tourism cluster is associated with a tourism product and a tourist destination. Costa (2005) adds that the cluster development in tourism should include the following components:

- Static elements represented by accommodation and restoration;
- Mobile data elements for passenger services, the agencies and tour operators, rent-a-car service;
- Dynamic elements, recreational, cultural and sport are primarily responsible for increased consumption.

According to Ferreira (2003), tourism cluster includes, in addition to specific activities of the tourism sector – accommodation, catering,

transportation, entertainment and various attractions, operators and travel agents, guides, crafts, rental cars, and supporting activities such as organizational support services, transport infrastructure, education and training, consultancy and other business services. It requires participation and other actors than those specific to develop a tourism cluster (Brown, Geddes, 2007). For these authors, the government should encourage programs to attract private investment, and finance investments in infrastructure and promote tourism region, because only such a cluster may develop and can ensure the competitiveness of tourist destinations.

Clusters in tourism, not only, can act in several forms:

- Geo: initiation spatial cluster of economic activities beginning from local (e.g., cluster them in balneary tourism, mountain or coastal) and ending in the global (e.g. space tourism cluster);
- Horizontal: some industries/sectors can enter (are sub-networks) within larger clusters (e.g., system or the tour of operators of hotels);
- Vertical: in clusters may be common stages of production/practical interconnection. It is important, in this case, the network participant who is the initiator and executor's final innovation within the cluster;
- Lateral: within the cluster are joined different sectors, which may provide overall economic impact, resulting in new interior combinations (e.g., cluster-type conglomerate);
- Technology: compatibility branches, using one and the same technology (e.g. tourism cluster reservation system);
- Focus: cluster of companies, focused on a center-enterprise technology center or educational institution; quality: this is not the essential reality of cooperation between companies, but how to cooperate. The network not always, automatically, stimulates development of innovations. Conversely, there are networks within which innovation processes are blocked instead of raising, increasing the protection measures (secret technological, commercial, etc.). Mutual relationships with suppliers can stimulate innovation processes, but they can also be used, translating them the expenses of partners and thus posting the financial constraints.

Potential for cluster development should take into account the specific statistical criteria such as:

- Turnover sector in the region compared to the turnover in the sector at regional/national levels;
- The rate of those employed in the sector;
- Higher than average growth in the sector (annual data, compared sector);

- Identification of a greater number of small start-ups in the area/sector;
- Focusing an important group of bodies/institutions with competence in economic infrastructure development and/or providing services/training to local companies, operating in the area.

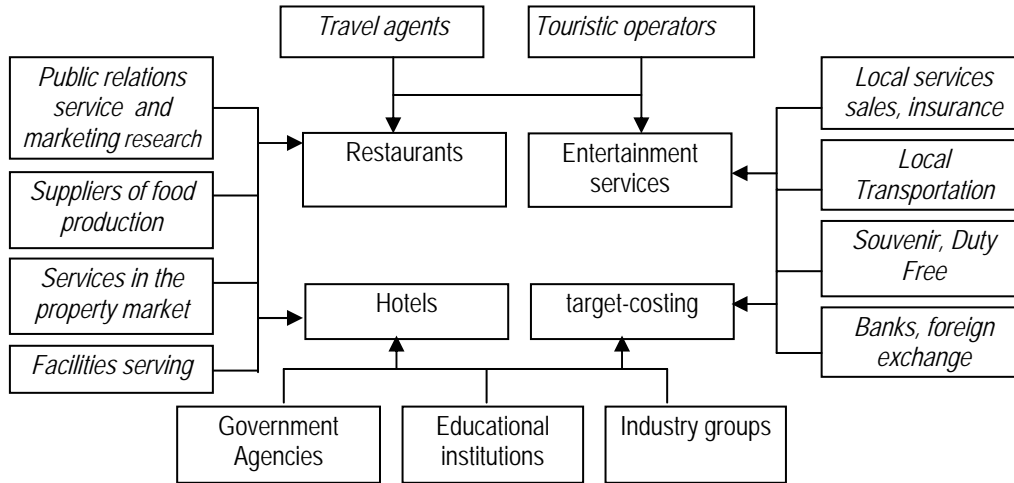
Identification methodology used to select a tourist area relevant in creating a cluster is based on three main components:

- physical proximity (geographical concentration);
- dominance of SMEs - high concentration of small companies (SMEs number greater than the number of large companies);
- inter-firm networks in several interconnected industries.

In the “cluster” group companies have the same or interconnected areas of activity, but even if the fields are different, the common element is that in a region a particular type of industry or economic activity becomes dominant and highly performing. Although relations between firms are competitive and are specialized type by type, there is a cooperation between them by associating in areas that provide an increase in competitiveness, thus creating optimum ratio of competition - cooperation called “cooperative competition”. Phenomena occur not only between firms’ imitation and copying of rapid innovation, but also between the common infrastructure and innovation. Universities and technology centers are essential. There is a capacity of association and trust relationships maintained an environment of mutual trust that reduces transaction costs and enhance competitive advantages of each form of agglomeration. Areas of cooperation may be training, including management and marketing techniques, research-development and all that entails innovative capacity.

Impediments to the development of clusters:

- Fear of investing, because of complicated informal relations, generated by local elites desire to keep everything under control;
- Negative influences of general infrastructure, transport, telecommunications, SA;
- Not all tour operators are ready to implement innovative projects;
- Austere budget;
- Migration assets abroad.



Source: Global Competitiveness Report 2006-2007, World Economic Forum, Palgrave Macmillan Publishing, 2006.

Figure 2. Cluster model in tourism

Practical use of cluster phenomenon can be seen not only in developed countries like USA, Germany, France, Italy, but also in countries that have developed a regional tourism potential, focusing on one or more tourist resources (cluster spa, cultural, agro touristic etc.). It should be emphasized that the cluster's phenomenon cannot occur in the order of the authorities, but it is a response to government policy that promotes it. Forms to stimulate this process of state varies according to the specific economy, but most are financial in nature, such as direct financing, loans, soft loans for policy and development research and scientific vision, innovation and advanced technologies. The main task of government is to improve and eliminate adverse conditions and eliminate impediments that stand in the way of innovation development (Iordache Cet al., 2009). Clusters have an impact on competition in three ways:

- a) by increasing the productivity of companies in a given area;
- b) deriving the direction and pace of innovation, the future productivity will be affected;
- c) stimulating new business that will develop and strengthen that cluster.

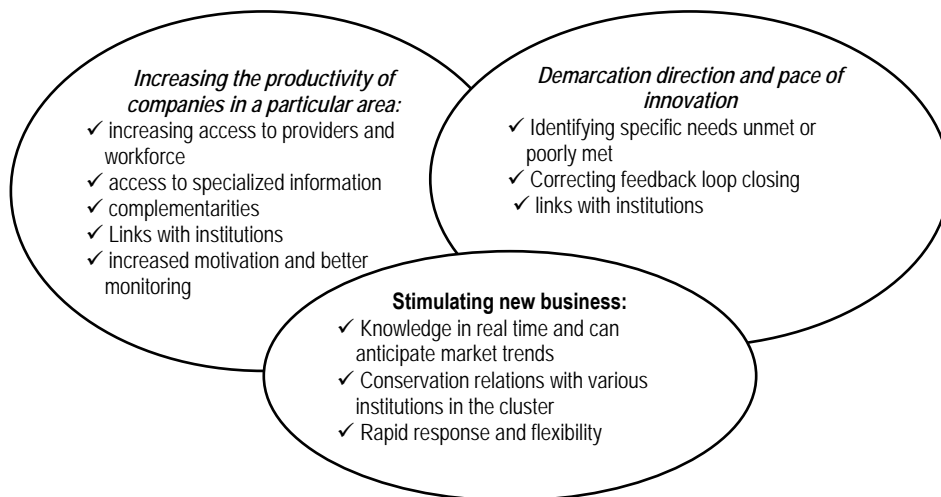


Figure 3. *The operator competitiveness increase through touristic cluster*

One way of economic growth suggested by economists is the inclusion of tourism development among key branches in the regions or countries with economies in developing countries. Opening these markets for investment and international services is accompanied by substantial losses of income from each of the links in the tourism industry creating value.

Loss or leakage of revenue achieved in regional tourism is defined as amounts withdrawn from the expenditure of tourists for: taxes, repatriation of profits, imports of goods and services for business interest, wages paid outside⁽¹⁾ the region. Loss of interest income is divided into the following categories (Iordache, 2004):

- *External leakages* are targeted outside the tourist destination and regional industrial portfolio and are determined by: external financing (through loans or equity investments), payment of services provided by external suppliers (booking, marketing, transport, etc.).
- *Internal leakages*, usually attributable to imports of branches that form the tourism industry portfolio; the volume of tourism demand depends on the quality and diversity of the tourist and consumer goods (may be associated with the payment of external sources of capital and labor work);
- *Invisible leaks* - including the value opportunities missed or opportunity costs in their entering class: invisible financial losses (resulting from tax evasion), informal exchanges, investment and

offshore deposits, damage to natural resources scarce, the potential cultural and historical heritage.

Long-term and irreversible decline of those resources results, in regional area, in lowering of quality of tourist destination and life quality.

Tourism development strategy applied to the whole cluster system within a region is to:

- reduce leakage of revenue on each link of the network. Clusters of interest include, in addition to sub-tourism industry, and other branches outside the sector, but have links with it through the process of economic exploitation of tourist resources.
- maximizing the value of newly created (added) at each link included in the cluster. Regional tourism development strategy cluster requires focused attention to activities that generate the largest component of income losses: distribution, advertising and marketing of tourism products, information services, external transport services, hotel construction financing and construction of entertainment, media services, professional services, etc. These activities can be reduced, may be replaced or realized within the cluster.

The tourism industry relies on a variety of cross-regional and inter-regional ties, which constitute a cause of fragmentation in the sector policy and its integration in the various regional policies diffuse: balance of payments policy, monetary policy, policy planning, and environmental policy. This causes underestimation contribution of tourism to economic growth and development and placement objectives of tourism development in a secondary position in relation to other economic objectives.

Conclusions

Macroeconomic policy needs to focus on tourism development actions initiated by government (government), but also cooperation between regions or countries which include tourism among economic priorities in order to achieve common goals by focusing their efforts and resources. Interest or lack of interest shown by public authorities to sustainable economic growth can be shown to a certain extent by tourism policy and its effects on short-term (contribution to the economic development of the country or region), or long-term – the strength of the economy before economic crisis, more competitive global market economy and improve country's image in the international community.

Most countries adopt strategies to support local economic development, including economic clusters through:

- identification programs for areas with potential for agglomeration of firms in the future and support to accelerate the process towards high technology;
- programs that provide support collaborations between the academic and research companies in a given area;
- programs to support SMEs in certain areas for groups of firms that come from this area;
- regional marketing programs that now, through these agglomerations, are competitions not only between firms but also between regions;
- benchmarking competitive advantages (i.e. condition factor study in countries or regions of the world for industries with comparative advantages to measure their chances of long-term, to create clusters of specialized forms) – an important practical tool of economic policy, which became decisive in allocation of resources by national and regional authorities;
- branch or regional marketing as aggressively, essentially from neighboring regions that abound in the market for a particular travel product.

The experience of developed countries shows that clustering processes serve as a basis for constructive dialogue between the industry and state enterprise, educational media, information, NGOs, etc. This allows efficient development of the mutual relations of the processes of innovation, management practices and specialized skills of staff.

Note

⁽¹⁾ Bank account held outside the country of the debtor (offshore bank) and is paid a share of revenues derived from exports to cover future debt service payments. The creditors are beneficiaries of these deposit accounts because they receive an additional guarantee of their loan having priority in debt service.

References

- Alberto, D., (2008). *Modelos de Desenvolvimento Regional*, in Leitão, J., Ferreira, J. e Azevedo, S., *Dimensões Competitivas de Portugal - Contribuintes dos Territorial, Sectores, Empresas e Logística*, Centro Atlantico, Vila Nova de Famalicão
- Beni, M., (2003). *Globalização do Turismo: Sector Megatendências do it Realidade Brasileira*, Editora Aleph, São Paulo
- Bergamn, E., Feser, E., „Industrial and Regional Clusters: Concepts and Comparative Applications”, University of West Virginia, <http://www.rri.wvu.edu/WebBook/Bergman-Feser/contents.htm>, accessed 22/01/2009
- Bottle, L., Camprubi, R., Torres, O., (2008). *Tourism and Regional Development: Small Bussinesses and Social Network for Competitiveness*, Entrepreneurship and Small Business Research XXII, Universidad Beira Interior, Covilhã
- Brown, K., Geddes, R., „Resorts, Culture and Music: The Cape Breton Tourism Cluster”, *Tourism Economics*, vol.13, N ° 1, 2007, pp. 129-141
- Capon, F., „Regional Competitiveness in Tourism Local Systems”, *44 European Congress of the European Regional Science Association, Regions and Fiscal Federalism*, 2004, Universidad the Porto
- Costa, R., (2005). *Avaliação do crescimento potential of the e Desenvolvimento das Empresas do Sector Micro pequenas e do Turismo*, Dissertação de Mestrado em Inovação e Políticas de Desenvolvimento, Universidade de Aveiro
- Crouch, G., Ritchie, J., „Tourism, Competitiveness, and societal Prosperity”, *Journal of Business Research*, Vol.44, 1999, pp. 137-152
- Ferreira, M., „Estrategia Regional do Turismo e planeamento”, *Investigação em Turismo - Livro de Actas*, 2003, pp. 67-82
- Feser, E. (1988). *Old and New Theories of Industry Clusters*, in Steiner, M. (1998). *Cluster and Regional Socialization: On Geography, Tecnology and Networked*, Londres, Pion, pp. 18-40
- Iordache, C. (2004). *Perspectivete turismului românesc în dinamica turismului mondial*, teză de doctorat
- Iordache, C. (2008). *Economia turismului*, Editura Independența Economică, Pitești
- Iordache, C., Cebuc, I., Hoarcă, D. (2009). *Tehnica operațiunilor de turism*, Editura Independența Economică, Pitești
- Kuhn T.S. (1982). *The Structure of Scientific Revolution*, Universitz of Chicago Press, p. 8
- Novell, M., Schmitz, B., Spencer, T., „Networks, Clusters and Innovation in Tourism: the UK Experience”, *Tourism Management*, Vol. 27, 2006, pp. 1141-1152
- Porter, M., „Clusters and the New Economics of Competition”, *Harvard Business Review*, Vol.76, N ° 6, 1998, pp. 77-90
- Porter, M., „Regional Foundations of Competitiveness and Implications for Government Policy”, *Paper presented to Department of Trade and Industry Worksshop*, Aprilie, 2002
- Porter, M., „The Economic Performance of Regions”, *Regional Studies*, Vol. 37, N ° 6/7, 2003, pp. 549-578
- Rosenfeld, S., „Bringing Business Clusters into the Mainstream of Economic Development”, *European Planning Studies*, Vol. 5, N ° 1, 1997, pp. 3-23
- Solvell, O. (2003). *The Cluster Initiative Greenbook*, The Competitiveness Institute, Gothenburg