

THE CLUSTER, STRATEGIC MODEL OF COMPETITIVENESS IN TOURISM

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Abstract: In the tourism sector can be established associative forms that include organizations: tour operators, travel agencies/tourism guides, local and national authorities, suppliers of the tourism industry, leisure and entertainment industry, transportation companies, Universities, training institutes, another organizations that can collaborate and compete well for competitive advantage.

The tourism cluster consists of a group of tourist attractions, businesses, and institutions directly or indirectly involved in tourism concentrated in a particular area.

This paper addresses a strategic model for developing tourism cluster that is different from traditional models and highlights the effects on competitiveness clusters, considering three essential aspects: the role of transnational corporations and foreign direct investment in tourism cluster development; interconnection between cluster actors, and the separation between cluster actors and conditions of the business sector.

The approach extends classical tourism cluster influenced by the "home-based environment" to globally, with effects on competitiveness and global socio-economic prosperity.

JEL classification: M11, M16, M21

Key words: tourism cluster, competitive advantage, Porter's diamond model, transnational corporations, model for global competitiveness

1. INTRODUCTION

The tourism industry has gained great momentum in recent years due to the development of the communication infrastructure and many facilities to travel around the world, which led to an increasing number of tourists daily.

Many countries try to attract tourists with scenery, culture, traditions, history, sport, recreation, sea, mountain, art, organizing events (seminars, conferences, art competitions, camps, fairs), thus generating significant revenues and thus economic progress and socially.

Countries' strategies of strengthen economic growth through tourism development is based on the argument that the industry is an effective incentive when there is no local capital or skilled labour, but there are natural resources.

Tourism is an area of national interest highlighted as a priority in national development plans public, and in international trade policies through small and medium players in the global industry.

Internationally there is a strong international competition for tourist markets, while national economies are influenced by the emergence of transnational corporations and by the foreign direct investment that had come from West.

In the context of globalization and economic growth through tourism development, researchers and policy makers have conducted studies to identify a successful strategic model applicable in tourism, leading to value added growth.

This paper analyzes the concept of tourism cluster and shows a tourism cluster model using Porter's theory as foundation and focusing mainly on the role of transnational corporations in tourism and the connections between cluster members.

2. CONCEPTUAL FRAMEWORK

Researchers, tourism experts, economists, policy makers have sought to develop concepts, models, and strategies to maximize the positive effects of tourism development. Most case studies of tourism cluster have applied Porter's model focusing primarily on investigating the potential of tourism competitiveness through the four categories of forces: factor conditions, demand conditions, context for firm strategy and rivalry, related and supporting industries. Porter made a significant contribution to the definition of cluster, providing a model of understanding of national and regional Competitiveness.

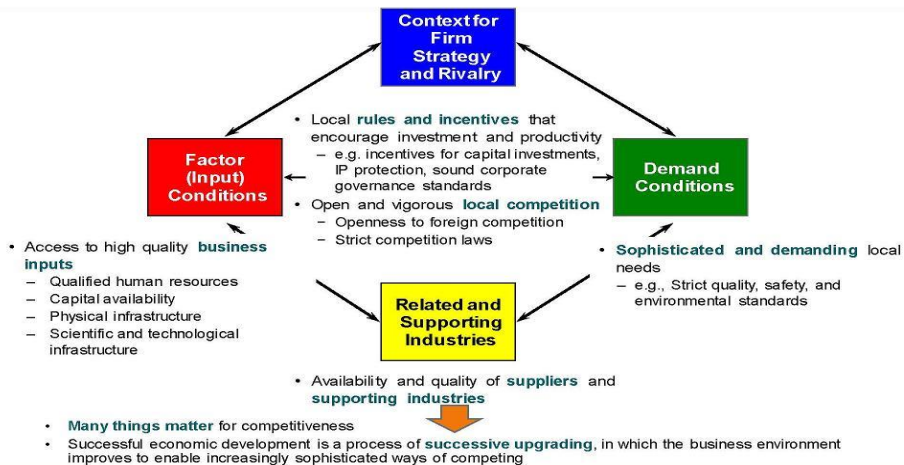
Porter has defined the cluster in 1998, as “a geographically proximate group of interconnected companies and associated institutions in a particular field, linked by commonalities and complementarities.”

The competitive advantage of tourism is determined by four factors forming the “diamond” Porter:

- Factor Conditions - natural factors, cultural and creative man, including natural, geographical, cultural and historical resources (monuments, museums, art collections, customs, crafts, events), capital resources and infrastructure (accommodation , transport, development of the area), HR;

- Demand Conditions for tourism products and services refer to the size of the market, its structure (basic diversity, seasonality, the degree of internationalization, share integrators etc.), position in emerging markets, cultural consumption habits, first time visitors, sophisticated tourists (giving trend).

- Activities/industries supporting the access to tourist activity - railway infrastructure, road, air, sea, parking utilities, cultural facilities, recreational and sports nutrition, products and sophisticated restaurants, facilities for shopping, providing high quality travel services, prepared for tourists, satisfactory quality tourism;



Source: Porter, M. E. *Clusters and the new economics of competition*. Harvard Business Review, 76(6), 77-90, 1998.

Figure no. 1 Porter's Diamond

- Context for firm strategy and rivalry target marketing strategy, organizational structure structured on market competition, size of firms, cooperation between SMEs and individual firms cluster management quality, image organizing strategic alliances.

Porter's cluster theory emphasizes the interconnection relationships between members of the NGO, namely between companies and suppliers, and between companies and other relevant institutions. This approach is useful for the tourism sector, characterized by a fragmented structure, consisting of small and medium enterprises and a network of participants who are not involved in the same sectors.

In defining the determinants of tourism cluster was found that competitive politics is conditioned by involving of the private and public sectors. For the analysis of competitiveness in tourism can be used tools as tourism management, traffic planning, regulations on housing, taxes, with site and area of intervention specific strength and weaknesses.

Porter appreciate in 1998 that the clusters can affect competition by increasing company productivity through innovation and by stimulating the formation of new businesses that extend and reinforce the cluster.

Porter's theory of competitiveness of nations and the concept of cluster was considered one of the successful theories, applicable models of local development, including tourism.

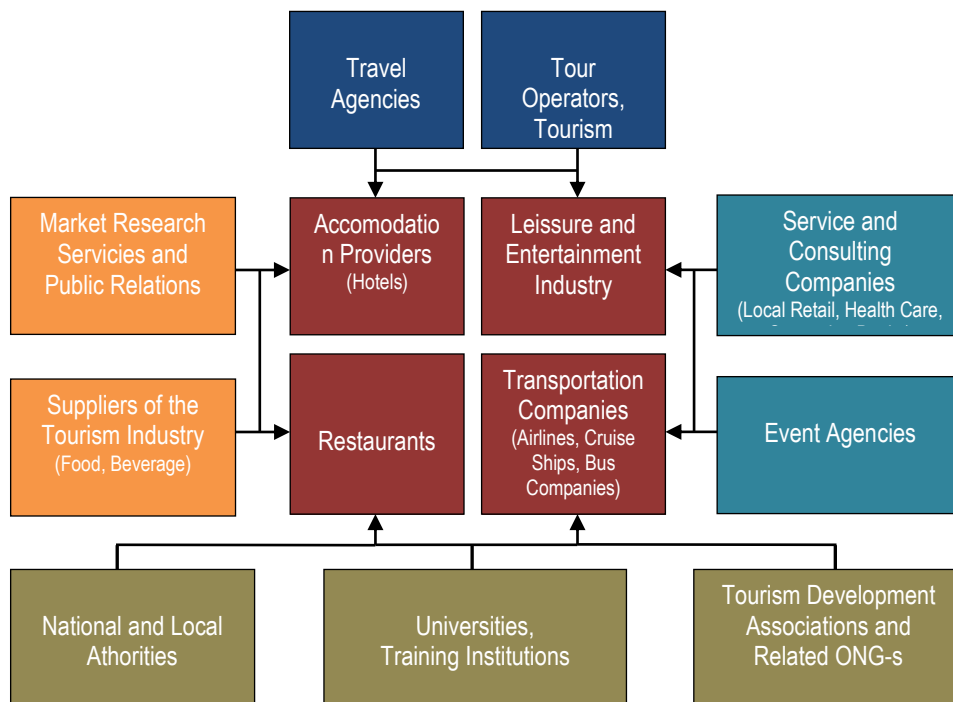
While literature on competitiveness focuses on supply-, Porter stressed demand conditions, its sophistication that allows response to changing needs of the domestic and international market.

The tourism cluster is an accumulation of resources and attractions, infrastructures, equipments, service companies, other supporting sectors, and administrative organism whose integrated and coordinated activities allow providing services to the customers.

The members of tourism cluster are:

- Tour operators/Travel agencies/Tourism guides;
- Tourism development associations and related NGOs;

- Local and national authorities;
- Market research services;
- Event agencies;
- Accommodation providers (hotels, hotel chains);
- Suppliers of the tourism industry (equipment, food, beverage);
- Leisure and entertainment industry (casinos, tourist parks, sports, etc.);
- Transportation companies (airlines, bus companies, etc.);
- Service and consulting companies;
- Universities, training institutes.



Source: Own processing

Figure no. 2 Tourism Cluster Model

The cooperation, competition, and competitiveness in tourism cluster members determine the competitiveness of clusters. Continuous communication between them and the outside partners allow the identification of operational opportunities and of threats.

Objectives of tourism cluster:

- Innovation and diversification: Development of innovative tourism products and services to attract new tourists;
- Rise of competitiveness: optimize the value chain in the tourism industry;
- Quality: improve the quality of the touristic service;
- Cooperation: exchange of ideas and joint projects between the touristic region;

- Promotion: promote touristic regions as “destination of excellence”;
- Networking: Organisation of regular meetings of tourism stakeholders;
- Thematic working groups (development of new tourism products and services, quality management, events, tourism promotion);
- Training to improve the regional tourism value chain (suppliers – agencies – service providers);
- Participation to international trade fairs;
- International cooperation/ international benchmark with leading tourist destinations;

Analyzing rural tourism in Australia, Michael Ewen has developed in 2003, the micro - cluster term. He used the concept of ”clustering diagonal” referring to the concentration of complementary companies (or symbiotic), in which each company add value to the other companies activities, even if their products can be quite different (Michael Porter 2003:138). Travellers consume the tourism product created by firms that supply separate goods and services as a whole element.

Jackson and Murphy (2006) and Jackson (2006) have applied Porter’s model at the regional level in Australia and China and have examined in which areas and to what extent the four forces are affecting the diamond potential of the cluster formation in the studied regions. They found that the clusters allows the shift from comparative advantage to competitive advantage and the factor "conditions" of the four of diamonds is to enhance the competitive advantage of a region.

3. TOURISM CLUSTER DEVELOPMENT MODEL FOR GLOBAL COMPETITIVENESS

Porter has not taken into account and has underestimated the role of transnational corporations and foreign direct investment in addressing competitiveness.

Transnational corporations are a main force of transnational economic integration, which creates economies of scale or scope and lead to significant gains through common government of benefit activities.

Considering the important role of transnational corporations, Dunning (1993), Rugman and D’Cruz (1993), and others have reviewed domestic Porter's diamond model and created a "double-diamond" or "multiple diamond" models (Clancy, A O'Malley, O'Connell, & Van Egeraat, 2001; Moon, Rugman, & Verbeke, 1998 O'Malley & Van Egeraat, 2000).

Using Porter's concept, Crouch and Ritchie (1999) constructed a model of competitiveness, CR's model, making the transition from the traditional approach (focused on attractiveness of destination) into the competitiveness of destination.

Using both specific elements of tourism, they have found that four major components determine the competitiveness of the tourism destination, taking into account the influence of micro and macro environment that affects these components, namely:

- qualifying determinants (location, dependencies, safety, and cost);
- destination management (resource stewardship, marketing, organization, information, and service);
- core resources and attractors (physiographic, culture and history, market ties, mix of activities, special events, and tourism superstructure);

- Supporting factors and resources (infrastructure, accessibility, facilitating resources, and enterprise).

In 2003, Dwyer and Kim suggested an “integrated model” of tourism cluster, within which combined elements of Porter's model of national competitiveness, the key determinants of competitiveness of Crouch and Ritchie's model.

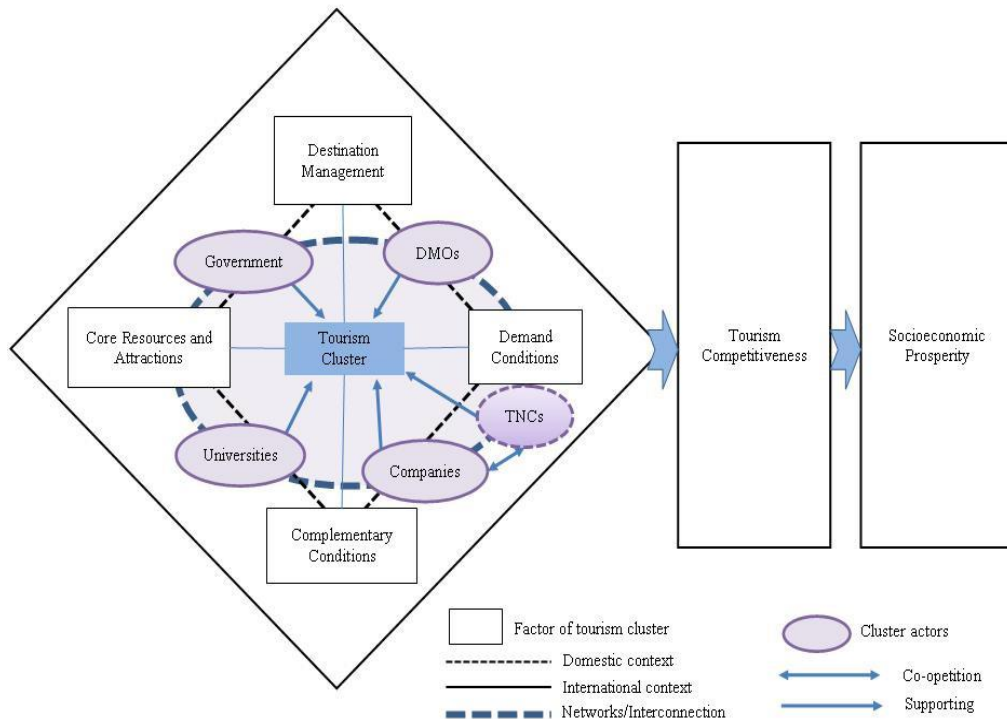
The model addresses the determinants of competitiveness “Inherited Resources Created Resources, Supporting Factors and Resources, Destination Management, Situational Conditions and Demand Conditions.”

Dwyer and Kim have appreciated demand conditions as factor in the competitiveness of the tourism destination.

Departing from Porter's theory, Kim and Wicks have made in 2010 a tourism cluster model, based on Porter's diamond model and includes many of the variables identified in the model of Crouch and Ritchie and Dwyer and Kim's model, and added other three variables.

The new approach called “global competitiveness of tourism cluster development” is based on three issues, which should be taken into account in tourism development:

1. The contribution of transnational corporations
2. The role of interconnectedness/networks between cluster participants
3. The division between cluster actors and business sector conditions



Source: Porter, M. E. Development strategies for the 21st century social progress and competitive growth, 2013, www.socialprogressimperative.org

Figure no. 3 Tourism Cluster Development Model for Global Competitiveness

Figure realizes a systemic approach to tourism cluster, within which supports cluster actors - organic system comprising symbiotic relationships and networking.

The "Basic Resources and attractions" are the main resources that attract tourists to destinations and are primary factor in the creation of tourism products. This includes natural resources (mountains, lakes, beaches, rivers, resources or cultural heritage, culinary assortment traditional handicrafts, culture and history of the destinations) and created resources including special events or activities available in a tourist destination of entertainment and shopping.

The destination management factor includes marketing activities of the destination, information and technology, human resources management, and environment management, which are designed to increase core resources to enhance the quality and effectiveness of complementary factors, and adapt best to the constraints required qualifications.

The complementary conditions factor contributes to adding value to core resources and includes accommodation facilities, food services, transportation facilities, and other resources, which many view as the private sector component of the tourism industry.

The demand conditions factor is important factor in tourism competitiveness and includes three elements: demand - awareness, perception, and preferences.

Cluster actors cooperate, realizing the benefits of maximizing both individual and cluster the positive effects of tourism in the region/country.

Companies and universities can collaborate with transnational corporations or governments to improve productivity and ability to innovate.

The arrow between companies and transnational corporations indicates their dual capacity as competitor and collaborator and the symbiotic relationship of competition and cooperation between them, which determine obtaining individual benefits, and benefits for tourism cluster as a whole.

Existing hotels TNCs in the host country connects these countries in international tourism and international tourism networks, leading to increased inflows of tourists and generating revenue.

Since not all tourist destinations have attracted foreign direct investments and transnational corporations, their role is presented in the figure by the dotted line.

The four factors are tourism cluster and maintain competitiveness of tourist destinations. When the clusters allow sufficient inputs such as skilled labour, assets, and attractive resources and offer a good resource of relevant information about products and tourist needs, the clusters gain competitive advantage.

Cluster actors - governments, universities, companies related to the tourism industry, transnational corporations, NGOs, when cooperating create competitive advantages in the global market, contributing to the socio- economic prosperity at the regional and national level.

4. CONCLUSIONS

The tourism is a vehicle to bolster the economy, which usually lacks resources, skilled labour, SMEs, and capital and is a potential growth sector.

Tourism cluster is an effective way of organization of enterprises operating in this area, which can achieve competitive advantages.

The Tourism Cluster Development Model for Global Competitiveness foundation highlights:

- The role of international corporations and foreign direct investment in improving productivity and capacity to innovate tourism cluster actors from emerging countries affected by global competition ;
- The role of interconnection between all groups that are collaborating and are competing;
- The distinction between condition factors and cluster actors by separating each other (the distinction between state factors and actors in the model).

The limits of this model of tourism cluster development consist of a descriptive character without a detailed approach of relationships between cluster actors, the impact of the four determinants of competitive advantage on the socio- economic prosperity, or the impact of transnational corporations and foreign direct investment.

However, the model can be used in the formation of clusters of tourism, offering integrated decision makers for sustainable development of natural environments, cultural and business travel destinations, as well as local and regional economic progress.

Policymakers should promote strategies that encourage association of firms in clusters of tourism and to highlight the effectiveness of the cluster as a way to support the sustainability of tourism. - As a way to enhance sustainable tourism clusters.

In the context of European Union funding for the programming period 2014-2020, the formation of clusters by using EU funds for tourism represents an opportunity and a sustainable development solution.

Public policies should develop innovative clustering based on cultural cooperation, competition, and competitiveness by supporting sustainable competitive clusters in all sectors, both nationally and globally.

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