
Institutional Formation to Develop Tourism and Recreation Clusters

I.G. Kazaryanz¹, I.A. Eremenko², M.A. Tkachenko³, A.V. Suhovenko⁴

Abstract:

The article analyzes the specific features of the notion “institutional environment” and its impact on the effective functioning of the tourist and recreational clusters in Russia. The main components of the institutional environment influencing the development of the tourist and recreational clusters are considered in the article.

The application of the given method allows to propose the authors’ vision of the institutional environment as an economic policy.

The authors single out the main economic relations being formed in the institutional environment and providing the effective development of the tourist and recreational clusters as the element of the economic system.

Keywords: *Innovative activity, institutions, institutional environment, tourism, tourist and recreational clusters, sustainable development, economic relations, self-regulating organizations.*

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¹Senior Lecturer, Department of Economics, Don State Technical University, Rostov-on-Don, E-mail: spu-39.4@donstru.ru

²Ph. D. in Economics, Associate Professor, Department of Economics, Don State Technical University.

³Ph.D. in Law, Associate Professor, Department of Civil Law, Rostov State University of Economics.

⁴Associate Professor, Ph.D., of Economic Sciences, Department of Civil Law, Rostov State University of Economics.

1. Introduction

Institutional basis of economic functioning forces to reconsider the traditional methodological approaches to the tourism development. The effective tourism functioning requires clarification of a number of questions concerning, first of all, the notion of “institutional environment”, applicable to the tourist and recreational activity, creation tourist and recreational clusters. In this connection it is necessary to analyze comprehensively the notion “institutional environment” because the tourism modernization with the creation of tourist and recreational clusters is to be based on the real institutional environment and on the existing conditions for the subjects’ developing of the tourist and recreational activity. Before we apply the given theoretical category to the tourist and recreational activity it is necessary to give a definition to the notion “institutional environment” because the doctrinal definitions of the institutional environment are contradictory and discussible.

The analysis of the notion “institutional environment” is done by Kondratov (2013) and Garipov (2013), who concluded that institutional environment as an economic category is to be understood as a complex of social and economic, organizational and economic, technical and economic and institutional and economic relations in terms of the formation and realization of institutions aimed at effective economic development. According to the authors these relations are based on the system of institutions necessary to achieve effective economic development.

The main category of the notion “institutional environment” is an institution and in this connection it is necessary to analyze this notion because it is a main element of the institutional environment providing the effective tourist and recreational activity. It is necessary to mention that presently there is no general approach to the notion “institution” as a dominant element of the institutional environment. Institutions are understood as states, different kinds of legal entities (institutions, public organizations and firms), different kinds of social norms (customs, moral norms), and law enforcement practices (treaties of the market participants).

It seems to be right that if all this conglomerate of phenomena and institutions are recognized as “institutional environment” and each of the elements can be considered as a “factor” of the innovative development of the Russian economy (otherwise there is no sense to associate the “institutions” with the problem of the innovative modernization) then such subject to research and to discuss has no borders neither in time nor in space (Zedgenizova and Ignatyeva, 2017).

The existing doctrines are to be reconsidered and it should result in the development of the key notion “institution” applicable to tourist and recreational activity, it will allow to use this approach to optimize other spheres of economy. A separate institution of the institutional environment is a factor of influence on the development of a certain sphere of economy that is why the composition and impact of each institution will be different in different spheres of the economy. Since the

real sector of the economy is characterized with the turnover of things, works and services, i.e., objects of the material world, ensured by an arsenal of different social regulators it is expedient to consider the institution as an element of impact on the innovative development of the corresponding sector of the economy, because tourist and recreational activity is a sphere of services ranging from the information transmission, first of all in its different and continuously updated manifestations, to the tourist organization activity providing tourist services and selling goods to satisfy people's needs that arise during the journey. Since the information is one of the factors influencing tourist, recreational activity and its implementation it turns to be an element of the virtual sector of the economy defining a place in the institutional environment system (Faizova *et al.*, 2015; Shekhovtsov and Shchemlev, 2017).

The research hypothesis is based on the assumption that tourist cluster will be “a kind of net”, i.e., spatial concentration of subjects involved in the chain of tourism services. The creation of such clusters is possible on the basis of the developed methods to manage the tourist and recreational cluster of the regions taking into account the whole system of the normative regulation of the relations in the sphere of the existing institutional environment.

The main objective of the article is to verify the hypotheses and to form the tourist cluster in the frame of the really formed institutional environment. Under digitalization of all activities to provide tourist services the goal can be achieved by solving the following tasks:

- to ground the really formed institutional environment, which influence on formation and functioning of the tourist clusters;
- to identify the structural elements of the institutional environment and dominating institutions influencing on the tourist clusters;
- to develop the tourist cluster structure, having singled out the core of the tourist and recreational cluster in an organizational model of the tourist and recreational complex, and to identify the basis of the management methods.

The institutional environment structure influencing the formation and functioning of the tourist clusters is the object of this research. The subject matter is a composition of institutional environment elements and tourist clusters formation in the frame of such environment.

2. Theoretical, Empirical, and Methodological Grounds of the Research

The theoretical basis of this research is the result of the scientific works of the Russian and foreign scientists in the field of the institutional environment, who analyzed the institutional environment elements (Epifanov, 2013; 2017; Govorin, 2012; Charkovets, 2011; Porter, 1998; Polinkevych, 2014; Prysyzhnyuk, 2011; Veselovsky, 2015; Popkova, 2013; Liapis *et al.*, 2013; Frank *et al.*, 2016).

Informational and empirical basis of the research was formed on the basis of researching separate institutional environment institutions, forecasts of the Russian Federation social and economic development for the period up to 2030. Normative and legal basis of the research is the Federal laws, the Russian Federation President decrees, the Government's Acts and the Ministry of Economic Development of Russia orders.

Methodological basis of the research is systematic, complex and dynamic approaches to the institutional environment research and tourist and recreational activity clusterization. Comparative, logical, modeling, situational analysis, functional methods were applied to conduct the research. Having analyzed the formed institutional environment, tourist and recreational cluster formation, the literature on the subject of the research is possible to conclude that the institutional environment of economic development as a fundamental factor to form tourist and recreational cluster is still under study. Institutions, activity regulations, tourism and recreational cluster formation is not analyzed extensively yet. Normative and legal impact on the tourist and recreational cluster formation was not a research subject matter, although the development of such clusters is a precondition to improve tourist activity.

The present situation in the regulation of the relations is being formed in the institutional environment as a defining factor to create tourist clusters in Russia. The most promising guidelines of the institutionalization development in the sphere tourism, in authors' opinion, are the following:

- 1) development of the staff training system and improvement of their qualifications in the tourist labour market infrastructure;
- 2) development of the mechanism of the state and municipal property to develop tourist and recreational clusters through the development of the public and private partnership in tourism;
- 3) improvement of the forms and methods of tourism financing, development of the effective financial and investment mechanism to develop tourist and recreational clusters;
- 4) informational and advertising state support of tourism.

The institutionalization development in the sphere tourism, in authors' opinion, is a complex task that is impossible to be solved without interaction of all main subjects of the tourist market. Big projects to tourist infrastructure development are not to be solved on the level of the subject, but through interaction of the state bodies (all levels of power are meant – federal, regional, municipal), tourist industry organization and professional associations and trade unions. The success key factor in this process is to take into account the interests of different tourist market participants.

In particular in the authors' opinions both professional associations and state bodies must encourage the solutions offered by the entrepreneurs – tourist market subjects. We think the attempts to limit private initiatives in the tourism as well as excessive regulations are not permissible in this process. The state is one of the tourist market subjects, which directly participates in the institutional infrastructure formation. It must limit undesirable consequences and possible risks as well as negative effects of tourism on the industries. The main goal of the state is to strengthen positive multiplicative effects from the tourist and recreational cluster development; this goal can be achieved through state tourist policy development with clearly described tasks and ways to achieve it. Tourist industry regulation is to be aimed at distributing limited tourist and recreational resources as well as to support tourist market sustainability by minimizing risks. As to the first aspect of the state regulation – limited resources, they are connected with limited touristic demand and supply.

The demand on the touristic services, first of all, is connected with the general macroeconomic environment in the country, the growth rate of people's well-being as well as with an economic cycle phase. A lot of ways to promote tourism demand are developed. This is, first of all, advertising of the tourist advantages of the region or the country, participation in the tourism exhibitions. The state policy in particular through the creation of a country's positive image abroad via mass media can promote the organization of such events aimed at attracting tourists.

The limited tourism supply is connected with the natural resources scarcity as well as with the limited recreational capacity of territories and ecology. In particular, extremely large tourist flows can damage the nature and reduce recreational potential of the territory. Thus, sensible restrictions imposed by the state on the number of tourists in the region as well as the number of activities aimed at the environment restoration and the reduction of the burden on the regional ecology are two sensible tools for the tourism policy. It is necessary for the country to participate in the process of tourist and recreational cluster organization because the market is a rather tough structure without any social orientation.

The role of the state in forming and functioning the tourist and recreational cluster is reduced to the following: firstly, it plays the regulating role through the development of the legal basis to ensure effective interaction of all the participants of the tourist and recreational cluster; secondly, if necessary directly or indirectly influences the attraction of the additional private investments into the tourist and recreational cluster. Normative and legal activity, tourist organization registration, antimonopoly regulation, environment protection, the support of museums, parks, theatres and educational establishments are among other influencing tools. Taxation and interest subsidy on loans can be referred as the tools of indirect regulation.

The state should support tourist and recreational cluster formation and adopt a necessary set of normative acts aimed at not only imperative regulation of the relations, but at dispositive norms to provide the effective market mechanism's

development as well. The state's activity does not reduce only the development of norms and administrative influence. The state is to be engaged in this process as professional participant of the tourist and recreational cluster. Other states experience shows that it is almost impossible to trigger the mechanism of action of the tourist and recreational cluster without optimally formed "legal field" and unified state policy. Without such a policy separate attempts will reduce to zero while colliding with the economic realia and poorly designed normative and legal basis.

It is possible to make investment processes in the tourist and recreational cluster more active through increase of the investment flow with attracting the funds of the Russian and foreign investors on the basis of the organization of effectively functioning tourist and recreational clusters as well as to promote the investment solution in the given sphere via regional investment programs.

In the course of the tourist market institutional infrastructure development and formation a gradual refusal from the state regulation in favor of the self-regulation through trade unions and professional associations is also possible according to authors. Naturally this process is to touch upon all aspects of the business activity in tourism. It is the self-regulation in modern situation as one of the key elements of the institutionalization in tourism.

The self-regulated organization in the sphere of tourism can perform a lot of functions, in particular, to develop the tourism professional standards on their own or together with state bodies. It is commonly known that professional standards speak about the maturity of the industry, the ability of economic entities to provide customers with high quality services and to control the quality. Thus, the design of the professional standards for tourism is a necessary element of the institutionalization process, and these are the professional organizations that are the organizations able to work out the qualitative standards in this sphere. Besides, the self-regulated organizations perform an informational function. Collection and analysis of the information on the tourist market, forecasting of the main development trends in the industry, creation of the information infrastructure for the market subjects are among the most important functions under digital economy, which the self-regulated organizations are able to cope with effectively.

The self-regulated organizations can minimize the entrepreneurial risks in the travel agencies' activity. Currently there is a mechanism of the financial guarantees which the travel agencies are to get from the insurance companies. It was supposed that in case of tourist organizations fail to fulfill their obligations the damage will be covered at the expenses of these guarantees. Nevertheless this mechanism turned out to be not efficient. For example, in 2014 (mainly in summer season) the cost of the damage the tourist organizations caused totaled four billion rubles, which considerably exceeds the sum of premiums, collected by the insurers from the tourist

operators. By establishing a number of self-regulated organizations and design the professional standards is one of the ways to solve the problem.

Thus, at present when there is a limited state support and the powers to manage a certain territory are delegated to the regional authorities, with low volume of the investment resources and consequently market structure possibilities, the development of the tourist and recreational clusters in the territories, possessing certain natural and climate conditions, geographical position, cultural and historical wealth, taken together become the absolute advantage of the territory as well as of the industries and other economic sectors which directly or indirectly service the arriving tourists to a certain territory of the Russian Federation subjects. The subjects having the territory are attractive for the investment resources, taking into account the regional administration interests for development are to form the tourist and recreational clusters.

The authors argue that the tourist and recreational cluster, being a promising and capacious sector of the economy, the generator to establish and develop the market relation, is also a socially significant element able to implement improvement of the social, economic and ecological situation in the frame of its territory.

However the strive to form and develop a powerful tourist and recreational cluster makes it necessary to solve many tasks, modernization and development of the material and technical basis, engineering equipment and infrastructure to ensure the subjects' activity focused on forming the range of the tourist and recreational services. Tourist and recreational cluster development is inevitable and requires to raise a big volume of investment resources consequently while it is necessary to form an effective mechanism to attract the investments.

2.1 The problems of tourist and recreational cluster development and functioning

Since the cluster development is one of the trends of modern innovative activity it is expedient to apply the cluster system to tourist and recreational activity. Taking into consideration the fact that the Russian Federation has adopted the cluster development concept and the cluster legal regulation is just being formed; cluster model approbation in the tourist and recreational sphere can ensure a maximum use of the competitive advantages of the given region, it is reasonable to formulate a tourist and recreational model. Conceptual provisions of the Russian and foreign researchers in the sphere of clusterization, the notion "cluster" and its main characteristics have been analyzed well enough both in the Russian and foreign literature.

Since the effectiveness of the recreational cluster will depend on the degree of comfort of the provided services, such independent institutions as the organization providing the tours, high quality catering, accommodation, trade and safety, filling

stations and service stations are to be parts of the tourist and recreational cluster. In accordance with the tourist and recreational cluster organizational model the state bodies coordinating the corresponding directions in the regional economy are to perform regulating and accounting functions in the tourist and recreational cluster.

Professional organizations play a special role since they include the organizations that provide the tourist services and that are able to represent and protect the interests of the tourist and recreational activity at all levels of the state bodies. It is necessary to include the subjects training and retraining experts for the tourist and recreational activity in such clusters. Such kind of services can be provided both secondary and higher educational establishments as well as specialized educational establishments with the highly qualified specialists in this sphere. The scheme can be implemented in different subjects, to be improved on the basis of the factual institutional environment of the region since its separate elements can be insufficiently developed in some regions according to authors. Therefore the tourist and recreational management methods must be designed in the following stages:

1. Identification of the tourist potential of the region: To identify the tourist potential of the region it is necessary to do a comprehensive analysis of the tourist possibilities of the existing market and to identify the significant tourist and recreational objects, the possibility to provide high quality tourist and recreational services, to identify really existing and possible degree to commercialize this activity. For example, Rostov region natural resources can be potentially positioned in the world market while the reserves can be oriented exceptionally on the local market. At the same time visiting the natural territories will be well combined with recreational or active tourism.

2. Tourism market analysis: The territory under consideration with its tourist resources does not exist in the confined space. In this connection it is necessary to consider the territory potential in the regional, national, macro-regional and world scale by analyzing the tourist market in a whole and its separate tourist directions. This analysis can result in identifying the place the territory occupies in the system of the tourist directions in the country as well as the territory perspectives. Complex digital analysis allows to identify the dominant tourist directions, possibilities to commercialize these directions with minimal costs and more efficiently.

3. The identification of the territory: Prior directions in the regional tourist and recreational activity may allow to choose a right and efficient set of mechanisms to solve the tasks of the regional tourist and recreational activity by developing or renovating tourist or recreational infrastructure.

3. Discussion

To form and develop the effective cluster infrastructure in the tourist and recreational activity it is necessary to study the impacts of the separate institutions on the tourist and recreational cluster development.

First, it is impossible to create the innovative tourist and recreational clusters without having active institutions influencing much of their formation and development. This is why we consider it necessary to determine the dominating influence of the institution of the state bodies in the frame of the institutional environment in order to define the optimal and recreational capacity of the territory.

Second, it is impossible to develop the tourist and recreational clusters without effective interaction of all institutions of the institutional environment, influencing the formation and the functioning of the tourist and recreational clusters. It is necessary to develop an effective legal basis regulating the relations in this sphere to ensure the activity of the institutions/

Third, innovative tourist and recreational cluster infrastructure is to have a core, that compose a system of institutions, identifying the specific features of such kind of clusters and comprising the unique natural objects with high recreational potential, cultural objects – the result of the historical and cultural development of the territory, the system of traditions and customs reflecting people’s hospitality. This all together makes a system of data that constitute the competitive advantages of the corresponding territory. In authors’ opinion tourist and recreational cluster model is to involve the subjects to provide special services including recreational. The development of attractive tours not only to visit entertain centers and entertaining events but specialized routes to visit, for example, landscape parks, private or public specialized gardens, garden and park exhibitions ensures the effective activity of the whole cluster. Professional organizations play a special role since they unite the organizations developing and implementing tourist and recreational services and allow to lobby their interests.

Fourth, since one of the main objectives of the cluster formation is commercialization in order to have the possibility to be the right holder of intellectual activity results, information through the corresponding documents issued in the name of the tourist and recreational cluster is also required. In the frame of the existing institutional environment the tourist and recreational cluster will preserve organizational and economic independence. It is necessary to define the legal agreement on the tourist and recreational cluster formation.

Fifth, effective cluster formation is possible not only due to objective assessment of the forming institutional environment, but due to clear regulation of the relations among the tourist and recreational cluster as well. The cluster formation means not only the relations with state bodies and other civil participants, but the relations within the cluster as well, which can be regulated both by the contracts theory and by the local act system within the cluster.

4. Conclusions and recommendations

The whole system of the social regulators is influencing the tourist and recreational activity functions in the given institutional environment. These regulators are: law, first of all, since its norms reasonably restricts the number of tourists and ecology burden; the religious norms since these norms create acceptable positive environment, positive image of the country and region and eventually acceptability for the tourist and recreational cluster to function.

The absence of the scientific grounds and a system to form an optimal institutional environment does not allow to design a new qualitative product in the form of the tourist and recreational service. The formation of methods to manage the tourist and recreational cluster of the region will allow to increase the institutional environment to develop tourist and recreational activity and to boost the participants' interest. The self-regulated organizations in tourism under given institutional environment are to forecast the main trends in the tourist and recreational cluster development, to create information infrastructure as well as to design the professional standards in tourism.

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