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## Innovative Regional Cluster, Model of Tourism Development

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### Abstract

The cluster is a useful tool for performance companies with a key role in regional development, so it is important to analyze the potential in the tourism sector. Through researches conducted on the competitiveness have been highlighted patterns in tourism and starting from these patterns, the paper identifies a model applicable to South-West Oltenia Region, on the basis of touristic potential, tourism diversity, strengths and weaknesses of the region and the local specificity. This paper aims to find the reason for the formation of clusters of tourism in the region and to develop the main attributes of the cluster, by proposing a conceptual model of cluster innovation, as a catalyst for regional development. The theoretical and methodological approach for this model consists in systematic and comparative analysis of scientific literature regarding the concept and typology of clusters and cluster models applicable in tourism and in the use of methods of analysis of tourist destinations. The competitive advantages of tourism cluster enables orientation of public policies and strategies of tourism competitiveness of private companies and institutions.

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### 1. Introduction

Tourism is a catalyst for economic development, being the industry with the fastest growing and evolving in recent years because of the many amenities offered to travel around the world, which led to an increasing number of tourists daily, Michopoulou and Buhalis (2013).

Identifying ways to exploit the tourism potential is superior important concern of policy makers due to strong international competition for tourist markets and to the presence of transnational corporations and foreign direct investment in national economies.

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According to Buhalis and Darcy (2011) and Small, Darcy and Packer (2012) in the context of globalization, tourism is an area of national interest, as highlighted by the national and regional development plans, and by the international trade strategies through small and medium players in the global industry.

How the different local actors can compete in ensuring the promotion and enhancement of tourism is an important means of identifying viable solutions for increasing the recovery of tourism potential.

The starting point of research are the current needs of existing regional Romanian tourism in the context of the knowledge economy, which led to fundamental changes from the economic, social and structural-organizational point of view .

This led to the emergence of new forms of membership organizations, innovative clusters, promoting innovation, and increasing resource of economic sectors.

Addressing economic and social development through the concept of cluster is determined by the fact that economic activities are conducted based on partnerships between companies, institutions, authorities, the result being the benefit that reaches the final consumer.

In the field of tourism can be established tourism clusters, associative forms as tour operators, travel agents / tour guides, local and national suppliers of tourism, leisure industry, transport companies, universities, training institutions and other relevant organizations working together but in competition, the principal aim being to achieve competitive advantages.

The research aims to present a solution to exploit and promote high-level tourism with the case study on the Oltenia region, located in the South-West of Romania.

The solution assumes that tourism can be planned, organized, and developed effectively in compact product type of tourist destination, and the approach is focused on identifying factors and connections between them, allowing the valorisation of tourism potential and therefore its promotion.

In the context of globalization, the economic growth through tourism development requires identification by researchers and policymakers, of a successful strategic model applicable to tourism, in order to increase the benefit.

This paper addresses the concept of cluster development model of tourism sector in Oltenia region, starting from the analysis of cluster development models approached by scientific literature and considering the tourism potential, the region specificity, the strengths, and the weaknesses of the Oltenia region, and the existing of various forms of tourism in the region.

The research mainly aims to identify the level of importance given to approach the tourism clustering of SMEs active in similar fields and highlight the impact of the relationships and interconnection between companies in related areas of activity, to achieve competitive advantages.

## **2. Tourism clusters models**

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

Most studies on tourism cluster have applied Porter's Diamond model and have investigated the tourism competitiveness potential by using the four categories of forces: supply conditions, demand conditions, context for firm strategy and rivalry, upstream and downstream industries.

The Porter's (1990, 2013) theory of the cluster emphasizes the interconnection between members of the NGO, and between travel companies and suppliers, as well as between these 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 involved in the same sectors.

Using Porter's diamond concept, Crouch and Ritchie (2000) have constructed a model of competitiveness, making the transition from the traditional approach based on the attractiveness of the destination to the competitiveness of destination approach. Using both specific elements of tourism, they found that four major components determine competitiveness of the tourist destination:

- determining factors (location, safety, cost);
- destination management (administration, marketing, management, information services);
- basic resources and attractions (physical geography, culture and history, activities, special events);

- supporting factors and resources (infrastructure, accessibility, resources, support).

Cunha (2005) developed the concept of tourism cluster as a group of companies and institutions related to the tourism product or group of products. Such companies and institutions are concentrated spatially in the vertical and horizontal production chain that involves exchange of information between similar agencies who offer tourism products.

The regional competitiveness model of cluster proposed by Ferreira (2009) uses a combination of variables present in the model of competitiveness tourism destination. This is an interactive system with three main components:

- tourism product (consisting of resources and attractions);
- tourist destination;
- tourism cluster.

If the interconnection links between the first two components are effective, the tourism cluster will work in a productive way.

The attractiveness of tourism products, management of tourism destination and competitive potential of the determinant factors of tourism cluster determine regional development.

In the cluster model of tourism for regional development, the competitiveness of a tourism cluster based on Porter's diamond is determined by:

- related and supporting industries;
- production factors;
- demand conditions;
- business strategy, structure and rivalry;
- combination of determinants.

The model emphasizes the combination of determinants for achieving competitiveness as key to the success of a cluster.

Each determinant has elements that are pressing on other determinants, so the degree of interaction defines the regional competitive advantage.

It recognizes the role of government in developing policies that promote tourism cluster competitiveness and the strategic role of universities in research and innovation to differentiate tourism products, and human resource training.

Kim and Wicks have made in 2010 a tourism cluster model, based on "Porter's diamond" and have included the variables identified in other models of tourism development.

The tourism cluster development for global competitiveness provides a systematic approach that is based on:

- the contribution of transnational corporations;
- the role of interconnections between cluster participants;
- the division between those business cluster and field conditions.

The cluster members are in symbiotic relationship of cooperation in order to obtain individual benefits. Transnational corporations are collaborating with universities to improve productivity and ability to innovate, but they represent a strong competitor for local tourism companies.

They will bring tourists to the host, causing connecting these countries in international tourism and increase local revenues by inflows of tourists, Endo (2006).

### **3. Industrial tourism development model in the South-West Oltenia region**

International tourism industry is composed mainly of large companies that offer customers attractive standardized products and services at competitive prices. They develop the global strategy for the best use of local potential worldwide.

Although the number of large companies in the tourism industry is relatively small, they represent more than half of the total turnover of the sector.

Local SMEs in tourism are not fully aware of the role they have in creating and managing local supply and the influence they exert on the image of the tourism product and the customer travel experience, Rispoli and Tamma, (1991).

Connections between them in the organization determine the competitiveness of the tourism destination tourism product on the market, Minghetti (2001).

Interaction between SMEs contributes to tourism product development and tourism destination, if this interaction is the result of an initiative not controlled and represents a spontaneous consolidation of SMEs.

Cluster is the most appropriate form of association for active involvement of SMEs in developing products and tourist destinations.

It appears when there is strengthening of the institutional context that exploit advantages based on geographical proximity of SMEs and existence of capital inflows.

The South-West Oltenia Region has natural and human tourism resources whose potential is not sufficiently capitalized, while the infrastructure is poorly developed.

Due to the positioning and varied historical and cultural traditions, the Oltenia region has favorable conditions for the development of different types of tourism: cultural, monastery, hunting and fishing, spelunking, spa, health, rural, business, science.

Integrated approach to tourism in Oltenia region becomes a defining step for understanding how various interconnected local factors can contribute to ensuring the promotion and enhancement of tourism and increase competitiveness.

In Poland, the regional and local tourism organizations are coordinating the local cluster initiatives because of their experience in conducting audits in promoting tourism and tourism product.

For tourism cluster formation the starting point is the information on housing, tourism offers in the region known for SMEs, which are the most important and biggest elements of the tourism value chain.

In 2012 was created the cluster "Oltenia Tourism Competitiveness Pole - Innovation and Tradition in Tourism - TurOlt InTT," a combination of public and private entities in the areas relevant to the tourism industry: travel agencies, marketing agencies, producers of local handicrafts, higher education institutions, museums, organizations that manage cultural and natural resources, local government authorities and other organizations with a catalyst (ADR SW Oltenia, Chambers of Commerce, consulting firms, associations of local authorities).

The founding members of "Pol Tourism Oltenia" are Regional Development Agency South- West Oltenia (SW Oltenia ADR) Oltenia Tourism Association (ATO), the Municipality of Craiova, Dolj County Council, University of Craiova - Faculty of Economics and Business Administration University of Craiova - Faculty of Social Sciences and Department of Geography, Tourism Agency Mapamond, SC Ada & Roby Consulting SRL.

The cluster contains a total of 26 tourism companies, 2 schools, 3 museums, and 12 relevant associations in tourism 3 catalysts (two chambers of commerce and one regional development agency).

Cluster actors have been associated to the development of the tourism industry with the following objectives:

- increased economic competitiveness of each member;
- creating a common brand in tourism, increase national and international visibility of the South-West Oltenia region as a tourist destination;
- defining a regional strategy for tourism development based analyzes;
- stimulate research, development and innovation in tourism production and marketing of integrated packages;
- inventory of events and traditions of the region;
- identifying and promoting trails and tours;
- improving the professional skills of staff in the tourism sector;
- internationalization;
- work with local governments, regional and central to ensuring sustainable development of the region;
- lobbying for the region nationally and internationally.

The development of SMEs based cluster deserves a special attention because the small and medium economy is the most important segment of each national economy.

Such an operational model within which tourism SMEs clusters are involved in product management and tourist destination, it is of vital importance to the tourism industry.

Although Romania is far behind other European countries in training and operational clusters, the Danish model of cluster broker used also in Poland can be applied in South-West Oltenia Region.

In the Oltenia region of Romania there are tourism SMEs and institutions involved in initializing and capacity building of local and regional innovation: incubators, technology centres, science parks, and technology transfer centres, innovation, Universities that conducts research, development, and innovation.

The cluster of tourism for South-West Oltenia region in Figure 1 is modelled on "four clover leaves" including four pillars: business tourism; education and research; government and catalyst broker.

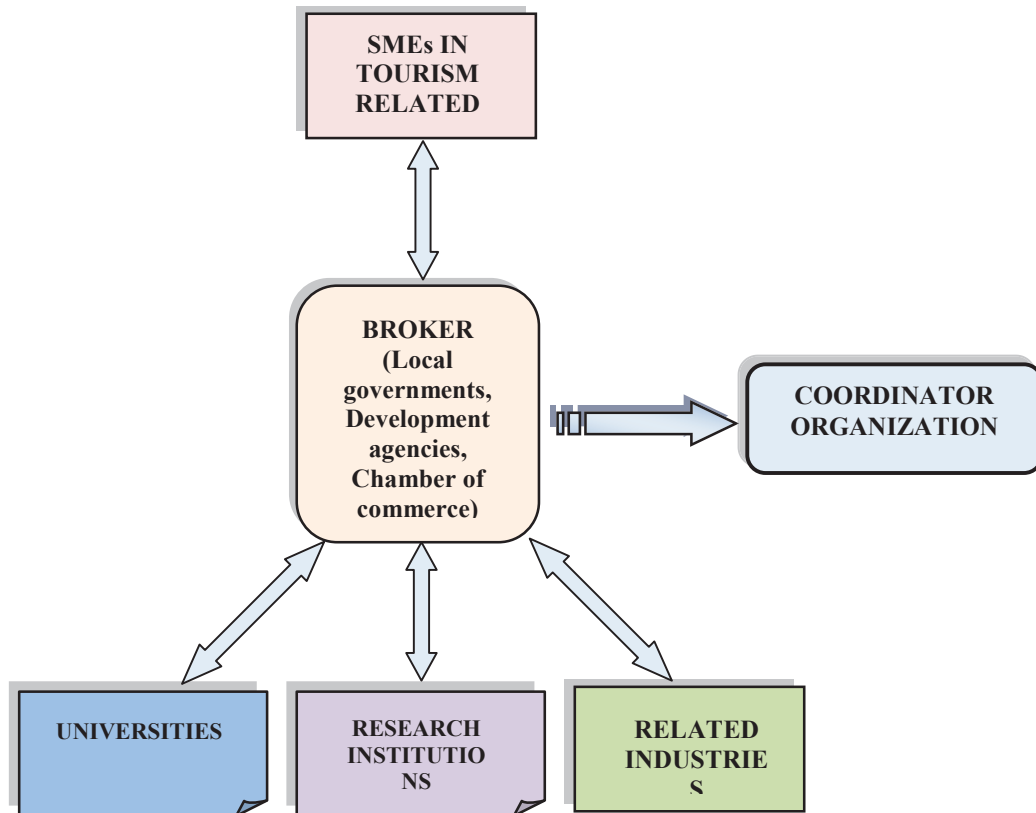


Fig. 1. Model of tourism cluster in the South-West Oltenia.  
Source: own processing Danish model

The cluster actors are in competition and cooperate to achieve individual benefits. Pillar of business includes SMEs in tourism development agencies and supportive. Universities and research institutions have role in innovation in tourism products, the results of which business transfer and training of human resources in tourism.

Public authorities support the modernization of access to tourist destinations and promote supporting policies.

Cluster management provides members access to common resources and common strategy cluster to obtain competitive advantages.

The tourism cluster for Oltenia region is organized on the Danish model of cluster broker. Local governments, chambers of commerce and industry and regional development agencies that have the skills and experience for constitution of these associations can achieve the role of the broker.

After the reaching to an agreement and the establishment of connections between cluster actors, the role of coordinator performed initially by broker may be transferred to another organization, SMEs in tourism or tourism consulting firm, to whom the broker can provide technical and financial advice. Recent results from Kachniewska (2013) indicate that the broker who initiated the cluster remains in the cluster, performing support activities, but not management activities.

#### 4. Conclusions and future developments

Tourism cluster is one of the most important models of economic development based on the involvement and cooperation of the economic environment, research institutions and innovation, education system, public authorities and relevant organizations for tourism.

Oltenia region as a tourist destination area does not have adequate capacity to deal with the expectations of modern tourism and therefore needs an innovative approach and a strict assessment of tourism potential.

The potential of the five counties of South-West Oltenia region can be harnessed in a flexible and associative cluster that will provide competitive advantages to each actor.

For planned and integrated development of tourism, regional tourism cluster can be represented by a broker coordinator, which will be temporarily involved in initializing and obtaining funding from grants.

In Oltenia region there is a large number of SMEs operating in tourism and therefore it is difficult to coordinate the formation of functional clusters. SMEs manifested distrust in cooperate between them and with public authorities, because competitive relationships have a dominant position opposite to the cooperation relationship.

The promotion and financing of strategies to encourage firms to join clusters tourism and to highlight the benefits is one way to support the sustainability of tourism. New models are emerging business in a context in which the competition is present not only between individual companies but also between clusters.

Cooperation between local entities, regardless motivation is the base of clusters and contributes significantly to the creation of an integrated and innovative tourism regions, positively influencing competitiveness.

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