

The Cluster Approach to Tourism Industry Management

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Abstract. A tourist cluster is a concentration of interconnected enterprises and organizations that create, manufacture, promote and sell a tourist product, as well as activities related to the tourism industry and recreational services, within a limited area. The use of the cluster approach in the tourism industry has been developed relatively recently. The cluster approach to the study of economic processes of formation of competitiveness is also used in a number of other theories. The article reveals the characteristics, structure and classification of tourist clusters. In this regard, the cluster is considered as a system capable of creating a special innovative environment conducive to increased competition.

Keywords: tourism, cluster, strategy, products, economy, business climate, cluster approach, tourist and recreational cluster.

Introduction. The increasing processes of globalization and internationalization explain the popularity of the cluster approach in various spheres of national and regional economy. The application of the cluster approach in the tourism industry has started developing relatively recently. «However, even in 1998, M. Porter emphasized the importance of tourism clusters, arguing that the satisfaction of the final consumer is determined not only by the destination attractiveness, but also by the quality of services and tourist infrastructure» [1]. In addition, D. Jackson and P. Murphy «emphasize the need for a cluster approach in tourism concerning the emerging opportunities for the development of local markets, strengthening the interaction between business structures of the region, and business consolidation» [2].

A brief overview of the theoretical basis of the study. Michael Porter, an American economist and professor at Harvard Business School, first introduced the concept of a cluster. According to his theory cluster is «a group of geographically adjacent interconnected firms and related organizations operating in a particular area, characterized by a common activity, and complement each other». The geographical scale of the cluster can vary from one city or state to a country or even a number of neighboring countries [3].

The cluster approach to the study of economic processes of competitiveness formation is also used in a number of other theories. E. Leamer considered «clusters with a high level of correlated export when

analyzing trade at the national level» [4]. French scientists J. Tolenado and D. Soulie used the concept of «filieres» to describe groups of technological sectors [5]. The formation of spheres was explained by the dependence of one sector on another by the technology level. Thus, filiere represents a narrower interpretation of a cluster, as they are based on one of the criteria of cluster emergence, particularly on the need for logical links between industries and sectors of the economy to fulfill their potential advantages.

«The cluster approach is used in the results of Swedish theorists as well. Their cluster theory is mainly formed on the structure of the national economy, or more precisely, on the study of the interconnections of large Swedish multinational corporations. Here the clusters are based on the thesis of E. Dahmen, about the blocks of development» [6]. The basis of the development of competitive success according to Dahmen is the presence of connection between the ability of one sector to develop and to provide progress in other. Growth should take place systematically or by vertical action within one industry, jointly with another industry, which provides the possibility of gaining competitive advantages.

The concept of cluster has been developing in the researches of many other economists: «M. Enright, the closest follower of M. Porter, put forward regional clusters as a geographically delineated agglomeration of interdependent firms» [7]. The American Scientist S. Rosenfeld rightly believes that «one territorial concentration of a critical mass of related firms is not

enough to form a local production or social system – a regional cluster. It should have active channels for production transactions, dialogue and communications between small and medium-sized enterprises» [8]. Another American economist W. Price shifts the emphasis in the interpretation of the «cluster and the cluster model of behavior of enterprises to public-private partnership, the restoration of trust between government and business, besides the process of combining isolated firms into an entrepreneurial community» [9]. Correspondingly, by the beginning of the 21st century, there was a wide range of opinions on what constitutes a cluster.

Under these conditions, the need for a typology of clusters arose. Scandinavian scientists Dalum, Pedersen, and Villumsen identified five typological characteristics of clusters: «...1) geographic size; 2) clustering depth; 3) clustering width; 4) presence of research institutes and universities in the cluster, characterizing the level of innovation; 5) cluster firm ownership structure: the ratio of local small and medium enterprises, branches and subsidiaries of TNCs, and large local firms» [10].

Another direction of cluster research is methodological by nature. Generalizing the existing approaches, the economists Bergman and Fezer identified «six methods of cluster selection based on expert opinions, specific indicators (localization coefficient, etc.), tables of inter-sectoral balances for trade and innovation research, graph theory, and surveys» [11].

Apparently, the concept of clusters has absorbed the achievements of other theoretical approaches acting as an umbrella model, setting the system of coordinates and common ground for many more private studies.

Research methodology. The methodology of cluster management proposed by Professor Porter formed the basis of the world competitiveness ranking determined by the World Economic Forum. It is an attempt to assess the comparative level of well-being of countries and the prospects for growth of prosperity for the next few years. The Global Competitiveness Report, published annually, offers two different but complementary rankings, calculated using both statistical data and the results of surveys of the top managers of companies. The most significant is the survey data obtained as part of the Executive Opinion Survey conducted annually under the auspices of the WEF.

The first ranking, calculated by a group of specialists led by J. Sachs, measures the ability of national economies to achieve sustainable economic growth in the medium term (the next five years). Until 2000, this indicator was called the «Competitiveness Index» and was the only one officially calculated under the auspices of the WEF. Starting from 2000 this indicator was renamed the «Growth Competitiveness Index» (GCI). The crucial components of the analysis are the level of technology development (innovation, technology exchange), public institutions (fulfillment

of contracts and laws, the level of corruption), and the macroeconomic climate (macroeconomic stability, the credit rating of the state, and budget expenditures as a percentage of GDP).

The second ranking calculated by a group of specialists led by M. Porter and first published in the survey conducted in 2000 was called the «Current Competitiveness Index» (CCI). It reflects the degree of efficiency of the current use of available resources in the economy. The CCI rating is calculated based on two main indicators: a company's strategy and activities (quality of management and marketing, economic presence abroad, use of innovation, etc.), and national business climate (development of physical and administrative infrastructure, financial markets, level of competition in industries, etc.).

The business climate of the state is a complex concept and, according to the Porter's theory, is a set of four groups of conditions. There are also two additional variables that affect a country, including random events (i.e., those that company management cannot control) and government policies.

The set of interactions envisaged in the Michael Porter's Diamond model determines the emergent nature and competitiveness of the cluster (Figure). Factors of production are created at the expense of successful combination of natural, human and capital resources, physical, administrative, scientific, and technological infrastructure. These conditions act as the foundation of factors of specialization and quality. Related and auxiliary industries provide innovation along the lines of components and technology equipment, which makes them more competitive. For the growth of cluster competitiveness, it is crucial to have a sophisticated and demanding local consumer, which is ahead of demand in other markets and is a touchstone for the global demand for new products.

The emergent nature of interactions in a cluster leads to the increased productivity, due to the innovations in technology and organizational spheres, and the stimulation of creating new businesses, expanding the boundaries of the cluster. Similar results are achieved by the overlap of different clusters, operating in the same geographical space.

The cross in the middle of the model indicates the interaction of all its components supported by the local administrative and institutional environment, continuously improving in accordance with the development of the cluster strategy and structure and encouraging all kinds of investments in its structure. The systemic nature of this model conditions clustering and clearly shows how the geographical concentration of leading competitors in the industry strengthens the interaction between all factors.

The model reflects the influence of different local competitive advantages due to location. M. Porter notes that:

- Location has a certain quantity and quality of production factors;
- Location comes with certain disadvantages and advantages that affect the context of the firm's

strategy and competition;

- Location shapes the quality and characteristics of the state of demand in regional markets;

- Location combines the market activities of businesses with competitive local suppliers, related and supporting industries.

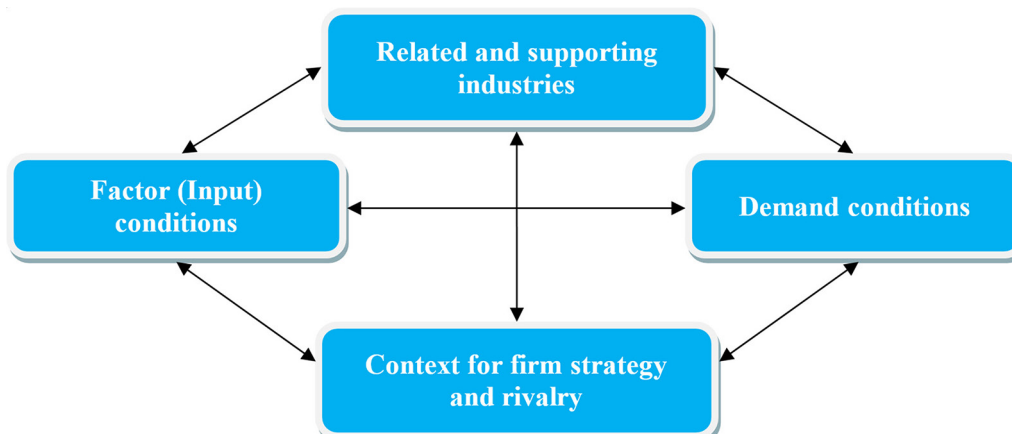
The essence of a cluster is revealed through the interrelations of its constituent companies, which appear in the form of value chains, the totality of which Porter called a «value accumulation system (value system), which in turn gives an idea of strategically related activities of an enterprise and allows tracing the value creation process» [3].

The value chain analysis is derived from the proposition that the main economic goal of the firm is to create value that exceeds the real costs of production. Porter suggests that competitive advantage cannot be identified looking on a single firm. Total economic value and advantages in cost minimization and differentiation found in the chain of actions, which the firm commits in order to deliver a certain value to its consumers. In conducting a detailed strategic analysis and strategy choice, Porter suggests to refer to the value chain model (Table 1). He identifies five

primary and four secondary (support) activities that make up such a chain in any firm.

In accordance with the Porter terminology, each element of the chain contributes to the creation of the value of the goods, but at the same time additional value (margin) is created, which is the difference between the total value of the goods and the cost of providing activities of all the links of the value chain. Functional strategies of a firm, reflecting the specificity of participation of each link of the chain in achieving common goals or implementing the general strategy form in accordance with the value chain. Development and creation of the value chain involves the formation of a strategy for the development of industry at the level of a region or territory developed on the study of the creation of the value of produced goods and services in this region or territory.

If we consider the tourism cluster, the system of value accumulation includes four types of value chains of service companies (primarily transportation), accommodation and entertainment facilities, distribution channels of tourist products (tour operators, travel agents), alongside with buyers



Note – Compiled from the source [3]

Michael Porter's Diamond Model

Value Chain by M. Porter					
M. Porter's Chain of Values					
Support Activities	Firm Infrastructure: general management, accounting, finance, information technology				
	Human Resource Management: recruitment, training, promotion				
	Technology Development: equipment, know-how in technology, transportation means and methods of transportation				
	Procurement: all transactions with suppliers and contractors				
	Inbound Logistics: Receiving and storing materials	Operations: Processing, assembly, packaging, quality control	Outbound Logistics: Warehousing of finished products and their delivery to customers	Marketing and sales: Advertising, product promotion, choice of sales channels	Service: Installation, repair, etc.
	Primary Activities				

Note – Compiled from the source [3]

– the tourists themselves. According to the World Tourism Organization, 10-20 chains work during the seven-day stay of a visitor in a remote tourist center. They involve 30-50 different firms: from tourist bureau, specialized stores of tourist literature and insurance companies to souvenir shops, currency exchange, cab companies, etc. «Another essential feature of a cluster is a combination of cooperation and competition. Competitive relations are formed two folds: within the tourism cluster between its member firms, and outside of it with other clusters» [12].

Scientific and specialized literature approve the following definitions of the tourism cluster. The World Tourism Organization defines the «tourist and recreational cluster» as an association of a number of tourist-oriented businesses and related services to increase the tourism potential of an area [13].

According to L.V. Vasilyeva, the «tourist and recreational cluster implies a complex of interconnected objects of recreational and cultural orientation: collective accommodation, catering and related services, equipped with the necessary supporting infrastructure» [14].

Research results. Tourism clusters are formed based on key tourist and recreational resources of a region. In addition to enterprises and organizations involved in the production and sales of tourist products and services, tourism cluster participants may include representatives of the administration, research institutes, educational institutions, professional associations, members of the public, etc. Tourist cluster forms both locally and regionally. There are also examples of inter-regional tourism clusters.

Conclusion. There is an active discussion in the scientific literature concerning characteristics, structure and classification of tourism clusters. Researchers distinguish the following features of a tourism cluster:

1. Availability of unique tourism resources. Unique resources make it much easier for tour operators to create a competitive tourism product and promote it on the national and global markets. There are such world-famous sights or brands (visiting cards of countries) that most people aspire to see and comprehend before their purchase of a tour package. For example, the Eiffel Tower in Paris, the Great Wall of China, the Egyptian pyramids. Such knowledge is not the result of marketing efforts of tourism clusters in France, China or Egypt accordingly, so tour operators in these countries have the opportunity to create unique tour products based on the existing unique tourist resources, the promotion of which will minimize financial and organizational effort compared to the tourism products of other territories.

2. Presence on the territory of tourist organizations that sell competitive tourism products. The presence of such tourism products, on the one hand, indicates that the area is interesting for tourists, and on the other hand, creates the basis for the development

of related industries, the involvement of the local population in tourism activities. If the region does not have competitive tourism products, it will not be able to develop as a cluster, because no investment, financial, organizational and other resources would be attracted to tourism and all related industries.

3. Existence of sufficient infrastructure for the organization of tourist activities. Tour operators rely on the tourism resources and infrastructure of the region in their business. Even with the high attractiveness of tourist resources, without transport communications, utility infrastructure, and other facilities, the growth of tourist flow is not possible.

4. The presence of stable economic ties between organizations focused on meeting public needs for recreation. This attribute comes directly out of the definition of cluster given by M. Porter. Economic ties between firms are necessary for organizing tourism business processes, lobbying interests, overcoming general problems, supporting consistency of actions, implementing joint projects, and conducting joint marketing. Since the quality of tourist services strongly depends on the quality of services provided by suppliers (catering, transport, hotels, etc.), it is clear that without sustainable economic relations, it is unattainable to create a high quality and competitive tourist product. The closeness of economic ties is also vital, which manifests itself in different models of interaction, carried out within the framework of formal and informal meetings, legally formalized relations between firms, and creation of associations, unions, partnerships and self-regulatory organizations. The presence of self-regulatory tourist organizations and the facts of implementation of joint projects, indicate the high closeness of economic ties between the organizations operating in tourism. For example, implementation of joint projects requires a high degree of trust between partners, exchange of experience and information, coordination of activities, etc.

5. The ability of travel agencies to attract highly demanding tourists to the composition of tourist services, such tourists include foreign citizens and VIPs. The presence of these categories of tourists among the consumers of services indicates that the region has some unique characteristics that are interesting for visitors with dozens of alternative options for their recreation, and that the local tourism complex is able to create such products and conditions. On the other hand, the arrivals of VIPs create an information occasion for the media; attract public attention to the territory, which ultimately leads to an increase in tourist traffic to the region.

6. Presence of state and non-profit institutions to support tourism activities in the region. Such institutions appear as the recognition of the importance of tourism for the national or regional economies and as a perceived need for regulation and development of business. The above-mentioned attributes allow determining the presence or absence of a tourism cluster in the territory under study.

Based on the definition of cluster, given by M. Porter and the proposed signs of the «presence of tourism cluster, we can distinguish the concepts of destination and tourism cluster. Comparing these terms, we can conclude that any recreational cluster is a local destination, but not every destination determinate as a cluster. The concept of the destination is much

broader. The definition of a cluster does not focus on the territory of interest to tourists, but on a territorially localized group of economic entities involved in the tourism and related industries. If the territory has features proposed above, it is identified as a cluster, while for the area referred to as a destination, the presence of such features is not necessary» [15].

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Туристік саланы басқарудың кластерлік жолдары

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Аңдатпа. Туристік кластер – белгілі бір аумақтар шегінде туристік өнімдерді, сондай-ақ туризм индустриясы мен рекреациялық қызметтерді көрсетуге байланысты жұмыс жасайтын, өндіруге бейімделген және оны өткізетін өзара байланысты кәсіпорындар мен ұйымдардың шоғырлануын білдіреді. Туризм индустриясында кластерлік тәсілді қолдану салыстырмалы түрде жуық арада дамыды. Бәсекеге қабілеттілікті қалыптастырудың экономикалық процестерін зерттеудің кластерлік тәсілі бірқатар басқа теорияларда да қолданысқа ие. Мақалада туристік кластерлердің сипаттамалары, құрылымы және классификациясы ашылады. Осыған байланысты кластер бәсекелестікті арттыруға ықпал ететін ерекше инновациялық орта құруға қабілетті жүйе ретінде қарастырылады.

Кілт сөздер: туризм, кластер, стратегия, өнім, экономика, іскерлік климат, кластерлік тәсіл, туристік және рекреациялық кластер.

Кластерный подход к управлению туристической отраслью

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Аннотация. Туристский кластер представляет собой концентрацию взаимосвязанных предприятий и организаций, осуществляющих создание, производство, продвижение и реализацию туристского продукта, а также деятельность, связанную с индустрией туризма и рекреационными услугами, в пределах ограниченной территории. Применение кластерного подхода в индустрии туризма получило свое развитие относительно недавно. Кластерный подход к изучению экономических процессов формирования конкурентоспособности используется и в ряде других теорий. В статье раскрываются характеристика, структура и классификация туристских кластеров. В этой связи кластер рассматривается как система, способная создать особую инновационную среду, благоприятствующую повышению конкуренции.

Ключевые слова: туризм, кластер, стратегия, продукция, экономика, деловой климат, кластерный подход, туристско-рекреационный кластер.

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