Regional Competitiveness of Tourism Cluster: A Conceptual Model Proposal

João Ferreira and Cristina Estevão

University of Beira Interior

25. April 2009

Online at http://mpra.ub.uni-muenchen.de/14853/
MPRA Paper No. 14853, posted 27. April 2009 09:20 UTC
Regional Competitiveness of Tourism Cluster: A Conceptual Model Proposal

Cristina Estevão
Master in Management at University of Beira Interior
E-mail: kristina.estevao@hotmail.com

João Ferreira
Ph.D. in Management
University of Beira Interior
Management and Economics Department
Edifício Ernesto Cruz, 6200-209 Covilhã, Portugal
E-mail: jjmf@ubi.pt

ABSTRACT

Tourism is characterized for being a sector that has been highlighted as one of the activities with greatest potential for expansion on a global scale. For its growth potential and for being a product that can only be consumed in loco, tourism accepts the prominence role of being a strategy for local development. In this context the search for competitiveness is one of the key concerns of companies around the world. As clusters being a competent tool in companies’ performance, in regional development and in countries’ competitiveness, it is important to analyze its potential in tourism. This research aims to propose a conceptual model to analyze how a tourism cluster encourages its regional competitiveness.

Keywords: Cluster, Tourism, Regional Development and Competitiveness.

Introduction

Tourism is an economic growth engine with particular focus at regional level, but its national impact is also significant (Sharpley, 2002; Jackson et al., 2005). But, if tourism importance is significant at a national level, at a regional level this sector is presented as an essential tool in regional development and economic growth, believing to be one of the weapons to avoid desertification and regions economic stagnation, namely in the inner regions (Opperman, 1993).

Given the great unanimity that clusters increase the competitiveness of a regional industry (Porter, 2002; Rocha, 2004) and given that tourism is a powerful instrument for regional development (Engelstoft et al., 2006) is relevant and crucial to discuss the role of clusters in tourism. The discussion of tourism clusters is still in an embryonic phase (Rosenfeld, 1997; Nordin, 2003; Capone, 2004), explaining the low number of researches that approach this problem. That is why this research aims to propose a
conceptual model to analyze how a tourism cluster encourages its regional competitiveness.

This research is structured as follows: it is carrying out a literature review that allows clarifying a number of concepts related to the clusters, in particular of tourism, according to several researchers’ vision. Then it presents some evidences about regional development, and approaches tourism as a factor of regional development. After that, it does develop the competitiveness concept in general, and tourism competitiveness in particular. It is also propose a conceptual model of regional competitiveness of a tourism cluster, aiming to help filling the existent gap within this field and to provide as a tool for future researches in the tourism management field. In the end, the final considerations, and future lines of research are addressed.

**Literature Review**

One of the reasons that justify the huge interest in the clusters theme is its presumed impact on companies’ performance, regional development and countries competitiveness (Rocha, 2004). Objectively, Porter (2002) states that the clusters are synonymous of competitiveness given that they contribute positively to innovative processes, they facilitate relations with other institutions, better enabling the consumer needs, canalizing knowledge and information need for technology development. The purpose of this section is to clarify a number of concepts related to clusters and clusters of the tourism sector.

What is a Cluster? According to Martin and Sunley (2003), there is a great controversy surrounding the clusters concept. For these authors, it is simple to identify the clusters in space; however, the same does not happen with respect to its definition, which is very ambiguous. This ambiguity is mainly because the definition of cluster fluctuates between its industrial and geographical definitions (Fernandes, 2008). According to Martin and Sunley (2003), the definition of cluster is obscure and not accepted unanimously, which leads to an identification of clusters in an anecdotal way and less accurate. Swanw and Prevezer (1996) defined it in a simple way, that clusters were groups of companies within an industry in a given geographical area. Bergamn and
Feser (1999) reinforce this concept defining clusters as a group of companies, business organizations or not, for whom membership within the group is an important element of each member of the company’s competitiveness.

Clusters are used to represent concentrations of companies, so that they can produce synergy, through their geographical proximity and their interdependence (Rosenfeld, 1997). Feser (1998) points out those economic clusters don’t refer only to industries and institutions, but to the highly competitive industries and institutions. This competitiveness is due to the relations between them. Porter (1994, 1998) states that clusters (groups, groupings or agglomerations), are geographic concentrations of companies and institutions in a particular activity sector, whose inter-relationships reinforce the competitive advantage. According to Porter (1998), the solid competitive advantages in a global economy increasingly depend on local factors - knowledge, relationships, motivation, etc. – with which the geographically distant competitors cannot compete. Porter (2000, 2003) reinforces his description, defining a cluster as a geographically close group of interconnected companies, suppliers, service providers and associated institutions, in a particular field, linked by analogy and complementarity.

Porter (1998) argues that clusters foment both competition and cooperation. Competitors compete intensely to win and retain their customers, and without that no cluster could be successful. But the cooperation is also present, most of it vertical, involving companies of related sectors and local institutions. The competition lives together with cooperation, because both occur in different dimensions and between different participants. The same author also mentions that the clusters cover a range of associated industries, as well as important entities to competition. Include, for example, the provision of specialized inputs, such as components, machinery and services, as well as specialized infrastructures. It should be noted that, many clusters include the government and public institutions such as universities, which are specialized in education, information, research and technological support.

By definition, a cluster is an interconnected system of companies and institutions whose value as a whole is greater than the sum of its parts (Flowers and Easterling, 2006). An innovative cluster is defined as a large number of inter-related industries with a high degree of collaboration, and that operates in the same market with the same
characteristics (Simmie and Sennett, 1999). For Crouch and Farrell (2001) clusters are a tendency for companies in likewise types of business to be located near each other. Although they do not have a particularly important presence in the location area, despite the variety of cluster’s definitions, and although there is no clear definition of cluster, the authors agree with some of the characteristics that a cluster must have to be recognized as such. According to Simmie (2004) these features are agglomeration and interconnection. The agglomeration reflects the geographic concentration of an industry or related activities (Gordon and McCann, 2000). For interconnection, Simmie (2004) considers it as the competitive/cooperative relationship which is established between the local actors.

In sum, clusters are important for competition since they increase productivity, they direct the path of innovation and stimulate the formation of new businesses, in addition, the geographical concentration allow companies to operate with greater productivity in the search for inputs such as specialized labor and specialized machinery and components suppliers, aside from facilitate access to information and technology.

**Clusters in Tourism Sector**

Tourism is an engine of economic development with particular focus at the regional level, but which national impact is also significant (Jackson et al., 2005). However, theories and concept of clusters have been generally applied to manufacturing, but its applicability to the services sector has been reduced, particularly in tourism, however in the recent years it has been observed an exponential growth (Jackson and Murphy, 2002; Breda et al., 2004). Jackson and Murphy (2002) even argue that the application of the cluster concept to the tourism industry is extremely appropriate given that the product interacts with the local bases, promoting joint actions of inter-related companies, leading to the formation of agglomerates. Although Porter (1998) develop studies particularly in the context of more traditional industries, this author mentions the importance of the elements belonging to the tourism cluster, saying that the satisfaction of tourists do not only
Tourism cluster is a geographic concentration of companies and institutions interconnected in tourism activities. This includes suppliers, services, governments, institutions, universities and competitors (Capone, 2004). Beni (2003) defines tourism cluster as a set of attractions with touristic differential, concentrated in a limited geographical area with facilities and services of quality, collective efficiency, social and policy cohesion, with coordination of the production chain and of the cultural associations, and with excellent management of companies’ networks that generate comparative and competitive advantages. For Novel et al. (2006), the objective of a tourism cluster is to bring companies, which generally work alone, to build a successful tourism product in a region. According to Ferreira (2003), a touristic destination is the comprehensive conjunction of several strategies that cross the tourism cluster. In other words, a tourism cluster is associated with a touristic product and a touristic destination.

Costa (2005) adds that to the cluster’s development in the tourism field should be included, the accommodation services, restaurant and beverages services that represents the static elements of the sector, transport services for passengers, the agencies travel services and tour operators, and rent-a-car services, which are called as mobility elements. The author adds that leisure and cultural services and recreational services represents the sector’s dynamic elements which are one of the major responsible for the moderate increase of permanence and for the increase of spending by visitors, since they are as the 'animation' subsectors of the sector.

According to Ferreira (2003) tourism cluster includes, in addition to the activities considered in the tourism sector, namely accommodation, catering, entertainment and various attractions, operators and travel agencies, guides, crafts, car rentals and touristic transport, other services and related and support activities, like organizations and support services, transport infrastructure, education and training, consultancy and other business services. It is needed the participation of other actors than just suppliers to develop a tourism cluster (Brown and Geddes, 2007). For these authors the government should encourage and fund programs to attract private investment, invest in
infrastructure, as well as promote the region tourism since a tourism cluster can overcome crises.

So we can verify that there are no substantial differences between the cluster’s definition in a general scope, and the cluster’s concept when applied to the tourism industry. The tourism cluster, as clusters in general, is defined as a geographical concentration in a region of companies and institutions inter-related.

**Tourism as a Regional Development Factor**

The regional development results from the integration of the space variable in development subject matter, thus, it appears related to a specific spatial reference - the region (Albert, 2008). Clusters have become one of the most popular concepts of local and regional development for research and practice (Bergman and Feser, 1999). For many years, the tourism sector regretted that the government and population in general, systematically ignored its economic and social importance. However, in recent years, these "complaints" have been corrected and governments have increasingly recognized the economic importance of tourism (Crouch and Ritchie, 1999). Today, tourism has proven to be a prodigious source of value creation and employment (Botti et al., 2008).

Tourism is an extremely important economic activity, which may play a decisive role in certain development areas, where sometimes there are no other alternatives to achieve this goal, and may even boost the natural and historical-cultural potential of most depressed regions (Cabugueira, 2005). The tourism sector is also an activity that is characterized by the enormous possibilities that have to produce direct, indirect and induced effects in an economy, whether through employment, or through the dynamics of other companies already established (Carvalho and Vaz, 2005). Campos et al. (2006) adds that tourism is an activity sector with increased expression and value to national and regional economies and primarily its developed through services provision that are linked whether to the needs, expectations, demands and wishes of tourists customers, or to the activities that they develop at destination.
According to Jackson and Murphy (2002), the very governments are who identify tourism as a possible way to achieve economic development given the employment scarcity in the traditional sectors of economy. The same authors also argue that developing tourism is to be able to produce an integrated destination area (scenario, environment), able to attract and support the load that the same attraction can pull in the future. In other words, it means to develop human and relational capabilities, that combined with the capabilities of the very natural resources and buildings, are able to create an environment to host the visitors, so they feel comfortable when they enjoy a different scenario than the usual.

According to Cabugueira (2005) most of the activities and services that constitute the touristic product are usually linked to a natural or cultural attraction. This set of activities enables the realization of the touristic product through the services’ productive activity. Thus, the natural and cultural goods become directly productive, participating in the general process of the economy expansion.

Rodrigues (2003) states that, while in other economic activities is the product that goes to the market, in tourism succeeds precisely the opposite. To have an effective consumption of the touristic product the tourist will go up to the structure that supports it: the touristic destination. The author also states that it is not possible to separate a touristic product approach of a touristic destination, being the second a central element of tourism. Tourism also generates multiplier effects on economic activity, reflected not only by the generation of significant added value, but also by the ability to motivate the development of other economic activities through extension (Silva and Silva, 1998; Cabugueira, 2005). According to Botti et al. (2008), geographical proximity plays an important role in the perception of the performance of tourism organizations, in order to maintain the survival of tourism businesses and contribute to the competitiveness of the tourism sector.

**Touristic Competitiveness**

Speaking of competitiveness has become frequent nowadays, because it is one of the central concerns of governments and industries of all countries. In a world increasingly
global and competitive it is essential that companies develop a strategic management in order to follow the complexity of the environment, the trends and competitiveness of the market to gain competitive advantages (Estevão, 2008).

The concept of competitiveness may seem easy to understand, however the complexity of the concept is clear when we want to define and analyze, from various sources of literature. Porter (1990) argues that its ambiguity arises from the huge variety of definitions and perspectives on competitiveness, which makes it difficult to give an exhaustive and indisputable definition. Porter (1990) considers that are the companies and not the countries that compete in the international market, however the success of companies can be explained by the economic environment, institutions and by government policies. This means that the nation or region competitiveness is build up on the success that companies reach on the international market. According to Porter (1990) the analysis should focus on specific industries or on industry segments and not on the economy as a whole, since it is inconceivable that all companies in all sectors have a competitive advantage.

The main indicator of competitiveness is the productivity (Porter, 1990) since productivity is, in long term, the main determinant of the living standard of a country, because it is the fundamental cause of gross national income per capita. According to Porter (1990) the competitive performance of a country in a given industry results from the articulated action of four determinants that shape the environment in which companies compete, encouraging or preventing the creation of competitive advantages. These determinants are: (i) the factor conditions: allocation of a country in production of factors such as expertise or infrastructure, required for the competitive activity of a given industry; (ii) the strategy, business structure and rivalry: conditions that in the country, regulate the creation, organization and management of business and the nature of domestic rivalry; (iii) the demand conditions: characteristics of domestic demand for a particular good or service, namely the presence of sophisticated and demanding customers; (iv) the existence of related and supporting industries: the existence or not of supplying industries and/or related that are competitive in international markets. This determinant includes the issue of agglomeration economies and its effect on competitiveness. To these attributes, Porter (1990) added the government action and the
change (events beyond the companies’ control) and thus he set the competitiveness diamond.

Ferreira and Alberto (2008) assume that the location is a source of business competitiveness meaning that the company cannot be dissociate of the region where it belongs. Thus, it should be understood what are the attractiveness factors that a region can offer so that businesses can be located there, and how these factors can (or not) be pronounced by the joint activity of all regional actors. The competitiveness concept and assessment of a touristic destination has received an increasing attention in the literature about the tourism economy. The reason for this interest arises from the increase of the economic importance of the tourism sector, as well as from the increasingly competition in tourism market, as a consequence of the transition process from mass tourism to a new era of tourism, which calls for a tailor-made approach to the attitudes and needs of tourists (Cracolici et al., 2006).

For Crouch and Ritchie (1999) the competitiveness of a given industry is a crucial determinant for its performance in the world market. Develop the touristic potential of any country or region depends substantially on its ability to maintain a competitive advantage in supplying goods and services to visitors. Competitiveness in tourism sector is defined as the capacity of tourism businesses to attract visitors - foreign and domestic - who spend on touristic destination serving to offset the costs of business development, and reward the capital invested, in an equal or above manner of the opportunity cost (Dominguez, 2001).

Trinidad (1999) concludes that the tourism competitiveness is - more than any other sector - a framework of strategic partnerships, involving all who directly or indirectly contribute to the construction of the global product. This author also adds that this partnership represents, ultimately, a culture, an attitude, focusing on tourism; an attitude of businesses serving the tourism, of the state, and citizens. Without this attitude there is no competitive tourism. For Dwyer and Kim (2003), tourism competitiveness is a very complex concept that combines several elements that may be observable or not, and that in many cases are not easy to measure. Furthermore, it is a relative concept whose extent may vary depending on the time period and the country that is taken as reference.
To compete in the tourism field, a destination not only must have comparative advantages but also competitive advantages, in other words, is required not only to have a more or less broad variety of products and tourism resources, but also they must be managed efficiently to medium and long term.

According to Carvalho and Vaz (2005), touristic destinations, taken as a product, face increasingly competitive and differentiation situations that matters to know how to valorize and promote. According to Silva (2004) the touristic competitiveness is achieved on the local destination scope, through a renewed capacity for innovation and constant improvement, rising, growing and maintaining within the touristic set, considered as the basic units of competitiveness, which are directly involved in the scenario of national or international competition, competing with other touristic sets. In other words, also in tourism, according to the theoretical model of Porter, competition doesn’t occur between countries but between clusters and touristic businesses. In this context, the author also states that the public and private sectors shall be integrated and mutually cooperate to bring an institutional and business environment favorable for companies carrying out competitive activities effectively and with a high level of productivity in the use of resources.

A Conceptual Model Proposal

The tourism theoretical developments and conceptual models about the regional competitiveness reveal gaps, which have only recently been met by universities and researchers. The submission of a proposal for an alternative model is to contribute to the development of this issue in any kind of tourism cluster typology and can be used for regional and temporal comparisons.

The proposed model results from the combination of the presented variables in models of touristic destination competitiveness, above presented. The model represents an interactive system for tourism, which moves if there is a consonance of three main components: the tourism product (consisting of the resources and attractions), the touristic destination and the tourism cluster. If the first two components interconnection is efficient, the tourism cluster will work in a productive way. The model presents
among its determinants, elements that are particularly important in tourism clusters, since the companies and agents which integrate it, support themselves in the market, through the definition of internal competition strategies between the organizations and also through external competition strategies with other tourism clusters. These determinants were based on Porter’s diamond (1990).

The main characteristic of the model is that it emphasizes the combination between determinants in order to achieve competitiveness. Each determinant also presents a set of agents that promote pressures on others determinants elements, so that the interaction degree defines the regional competitive advantage. In this model the competitiveness is the key element for the success of a cluster. However, is not enough to be competitive, is also necessary to have competition capability. Cabugueira (2005) argues that it is not tourism that fosters the development of a given country or region, but its own level of development, which converts tourism in an activity favorable to this process. The increasing competition among touristic destinations raises the question of reinforcement of the construction factors and of the conditions for the quality of touristic products and destinations in order to be attractive, identifying the strengths and weaknesses. Well, only this way is possible to reach the development of the touristic region. This model recognizes the role of government in policies’ definition that affects the competitiveness of the tourism cluster and highlights the role of universities as a key strategic variable in research to develop innovations and differentiations in offering tourism products and services, as well as in training and education of human resources. The relations and the variables presented are fundamental to the competitiveness of a tourism cluster, and thus for regional development.

The following figure presents the conceptual model of regional competitiveness of a tourism cluster:
Demand Conditions
Sophistication, education, tourists preferences and motivation; institutionalized marketing, quality control, increased leisure time.

Resources and Attractions
- Cultural, Natural and Historic
- Events/Festivals
- Entertainment
- Traditions
- Touristic and Accessibility Infrastructures

Business Strategy, Structure and Rivalry
Barriers to entry and exit from the market; dense business tissue, consisting of companies in permanent competition, but when

Factor Conditions
Human resources (training, labor law), capital resources, hygiene, physical and tourism support infrastructures, accessibilities, safety, natural, historic and cultural resources.

Existence of Related and Supporting Industries
Accommodation, bars, restaurants, nightclubs, varied leisure, tour operators, travel agencies, sports and cultural activities, diverse trade.

Destination Management
- Promotional Marketing;
- Tourist Information;
- Entrepreneurship and proactiveness;
- Tourist support services;
- Staff hospitality.

GOVERNMENT

UNIVERSITIES

Tourism Cluster
Tourist Product

Touristic Destinations

Factor Conditions

Resources and Attractions

Demand Conditions

Existence of Related and Supporting Industries

Business Strategy, Structure and Rivalry

GOVERNMENT

UNIVERSITIES

Tourism Cluster
Tourist Product

Touristic Destinations

Factor Conditions

Resources and Attractions

Demand Conditions

Existence of Related and Supporting Industries

Business Strategy, Structure and Rivalry
This conceptual model for regional development allows state the following research propositions:

P1) The competitiveness of a tourism cluster is determined by:
   P1a) The existence of related and supporting industries;
   P1b) The factor conditions;
   P1c) The demand conditions;
   P1d) The business strategy, structure and rivalry;
   P1e) The combination of all determinants.

P2) The competition strategies within and outside of the tourism cluster are based on:
   P2a) Cooperation;
   P2b) Creation of barriers at the entry;
   P2c) Creation of barriers at the exit;
   P2d) Differentiation and innovation of the offered products.

P3) The tourism products play an important role for the growth of regional development, through:
   P3a) The attractiveness of natural, historical and cultural resources;
   P3b) The entertainment activities;
   P3c) The holding of events and festivals;
   P3d) The quality of tourism support infrastructures.
P4) The touristic destination can efficiently manage the available tourism products that contribute to the attractiveness of the tourism cluster, through:

P4a) The tourism marketing;
P4b) The elucidative touristic information;
P4c) The entrepreneurship and proactiveness;
P4d) The creation of tourism support services (touristic guides);
P4e) The hospitality of the staff working directly with the client.

P5) The Government plays a vital role in improving the competitiveness of the cluster, through:

P5a) The creation of physical infrastructure and support for tourism;
P5b) The creation of accessibilities;
P5c) The financial support in investment projects for tourism;
P5d) The security against terrorism in the touristic destination;
P5e) The conservation of natural, historical and cultural resources of the tourism cluster.

P6) The universities play an important role:

P6a) In the development of innovation and differentiation strategies for tourism products and services to make them attractive;
P6b) In education and training of human resources.

P7) The regional development is determined by the attractiveness of touristic products, the touristic destination management and the competitive potential of the determinants of the tourism cluster.

**Final Considerations**

Tourism reveals itself as one of the activities with the greatest potential in the world. For its growth potential and as a product that can be only consumed on local, this sector has a prominence role as a local development strategy. This research aimed to propose a conceptual model of competitiveness of a tourism cluster for regional development. The
model demonstrates the advantage of being supported on variables and objective indicators that, in the majority, rely on secondary data that can be easily obtained. Its application as a model of competitiveness of tourism clusters for regional development may help to identify gaps and potential for competitive development, which will assist the competent entities in its management.

Observing the development that the tourism sector plays in competitiveness and regional, national and global development, is urgent to study it and develop models that are adapted to its peculiarities. If tourism clusters want to ensure their survival in the medium and long term, they need to promote competitive practices in a systematic way. The model presented in this research can be seen as a small step for the study of clusters in tourism. Given the scarcity of specific studies on the importance of this issue in regional development and its contribution for competitiveness, should be a reason for investigation in future studies. There is found some theoretical information, but very little applied to reality.

It is suggested the identification study through a suitable methodology that allows identifying and operationalizing the tourism clusters. Adopt the proposed model in a study of tourism clusters of several regions making comparisons between them, find out which factors lead to different or the same results, would also be a way to contribute to this issue.

References


