

CLUSTERS AS AN INITIATIVE FOR A RAPID DEVELOPMENT OF RURAL TOURISM

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Abstract:

Rural tourism as a selective form of tourism is still not properly developed. This claim mainly concerns the continental part of Croatia, in which only 5% of the overall number of overnight stays is accomplished. Although nearly 88.7% of Croatia is classified as a rural area by the criteria of OECD, if the tourist traffic in coastal Croatia is excluded, it is evident that the forms of rural tourism are still not developed properly in a great part of our country. On the other hand, there is a presence of the insufficient connection of various forms of specialized business subjects that are concentrated geographically and have a potential of operating in a segment of rural tourism. By the research conducted under the name of "Clusters in the Republic of Croatia 2011", there are 5 clusters of insufficient degree of development, the activity of which is considered to be a part of the segment of rural tourism. Clusters effect the growth of the productivity and associating into clusters actuates the growth of the competitiveness of cluster members positively. However, before the actual act of assembling the clusters, what needs to be conducted is the analysis of the basic assumptions for the emergence and development of clusters. The aim of this work is to point that the basic assumptions for the emergence of clusters exists. The work also aims at pointing that the clusters founded with the goal of connecting the prospective development coordinators of rural tourism in the area of three counties of continental Croatia- Koprivnica-Križevci, Virovitica-Podravina and Osijek-Baranja can contribute to the rapid development of the rural tourism in the advised area.

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Preface

National economies and regions within them constantly invest their resources in order to be competitive on the market and to adapt to the demands of globalization. Globalization creates new conditions in which it is not sufficient to continue the work that has begun long ago, but it is necessary to have constant transformation. According to JM Keynes the real difficulties do not lie in the creation of new ideas, but in exiting the old ones. Transformation in the context of adapting to global environmental conditions includes complex changes permeated through all Porter's diamond factors of competitiveness. Porter also states that it is possible to significantly increase the competitiveness of the national economy or regions using clustering. The analysis of the competitiveness of the Croatian economy only reaffirms the need of fundamental structural changes within it. Competitiveness can be defined as the ability of a country to create added value and thus increase national wealth (IMD;1996,42). However, the IMD in their Competitiveness Report highlights another, more complete definition of competitiveness as the area of economic knowledge that analyzes the facts and policies that shape the ability of nations to create and maintain a framework that allows the creation of a greater value in companies and greater prosperity to the people (IMD;2003,5). According to Feurer and Charbaghio, competitiveness is a relative but not an absolute ability. It depends on the financial strength of shareholders and consumers that determines the capacity and response to the competitive environment, the potential of people and technology in the implementation of the necessary strategic changes. Competitiveness can be achieved only if there's a proper balance among the factors that by their nature can be in conflict.

According to Porter, national competitiveness is not inherited, it is created and constantly rebuilt (Porter;1990). Porter's Diamond model of competitiveness emphasizes the sources of national competitive advantage, for which it stresses an important role of geographic proximity that is associated with the interdependence and connectivity of companies, public sector, industry and other institutions that could have an impact on innovation and economic growth. With his diamond model Porter created a method of measuring the competitiveness as a multidimensional and dynamic analysis of the factors that affect the international competitiveness of

the nation (Dragičević;2012,26). Porter stresses that creating the competitive advantage based only on the factors of production is not sufficient, it is necessary to look at the wider context (Porter;1990,12). Frequency of use of Porter's diamond model indicates its comprehensiveness.

Critics of Porter's diamond model of competitiveness argue that this model does, however, have some limitations. Moon, Rugman and Verbeke suggest a lack of the diamond model which does not take into account the influence of multinational companies, foreign direct investment and the human factor. They also argue that Porter's diamond model is applicable to large national economies such as the U.S. and Japan, while the smaller economies need to implement the Generalized Double Diamond model. Figure 2 shows the generalized double diamond model, which includes the impacts that Porter's model does not take into account.

Croatian economy competitiveness analysis

In this chapter some selected macroeconomic indicators are processed and compared with similar Croatian economies. In the IMD's World Competitiveness Yearbook from 2011 Croatia is placed as the penultimate. The analysis of 20 factors of competitiveness leads to the conclusion that Croatia is best presented by the following factors: cost, health and environment, education, social environment and international trade, and the worst: management, institutions, local economy, attitudes and values, labor and employment, science infrastructure, business and foreign investment legislation. According to the DZS data it is evident that the Croatian economy has the highest proportion of residents who are not available as a labor force and to the other hand a large proportion of the so-called supported ones.

The analysis of the GDP, the basic macroeconomic indicator, shows that Croatia had the lowest growth of the GDP (a range from -6,9% to 0%) and at the same time the biggest growth took part in Estonia (a range from -14,1% to 8,3%). According to the Eurostat the trends in real GDP in absolute amount (million EUR) in the period from 2004 up to 2013 shows that Croatian GDP grew at the smallest amount (454 million), with the highest growth in the Slovak GDP (15 500 million). It can be concluded that the forecast of GDP growth per capita is the most negative for Croatia (2.500 EUR). Other analyzed economies have approximately equal growth of GDP per capita, of course with the differences in initial positions.

Table 1: Institutional indicators - total score of competitiveness

	2012/13		2011/12		2010/11	
	Rank	Rating	Rank	Rating	Rank	Rating
Denmark	12	5,29	8	5,40	9	5,32
Austria	16	5,22	19	5,14	18	5,09
Estonia	34	4,64	33	5,62	33	4,61
Slovakia	71	4,14	69	4,19	60	4,25
Croatia	81	4,04	76	4,08	77	4,04
	144		142		139	

Source: www.weforum.org (12.02.2013)

The indicators presented in the table suggest the poor position of Croatia, which only confirms the aforementioned poor macroeconomic indicators. Croatia is on the back of the column, with a macroeconomic trend which leaves us worried for the future. The top-ranked country is Denmark, followed by Austria, while Slovakia is also seeing a significant downward trend.

Analysis of strategic development documents in Croatia

In the context of Croatian national economy and economic policy, there are several strategic documents. As an instrument of pre-accession assistance in the year 2006., Croatian Government has created a strategic framework for the development, which defines the guidelines for the development of national economy.¹ The previously mentioned strategy defines the circle of prosperity of the national economy. The circle of prosperity puts in focus synergy of macroeconomic stability, openness, efficient financial markets and the permanent sustainable development. Circle of prosperity also consists of the elements that need to be built and strengthened: people and infrastructure, knowledge and education, innovation and flexibility, infrastructure and information connectivity as well as the social cohesion.

The strategy also detects so called most urgent problems. By the term most urgent problems are considered those that are the most visible and create the most obstacles for development. Three major pressing problems defined in the strategy are: 1. incomplete transformation of the state in the service of citizens and entrepre-

¹ Available on: [http://www.mingo.hr/userdocsimages/konkurentnost/1.%20Strate%C5%A1ki%20okvir%20za%20razvoj%202006-2013.pdf\(10-02-2013\)](http://www.mingo.hr/userdocsimages/konkurentnost/1.%20Strate%C5%A1ki%20okvir%20za%20razvoj%202006-2013.pdf(10-02-2013))

neurs (unfinished building of a “new role of the state”); 2. lack of entrepreneurial climate; 3. unfinished process of privatization and restructuring. In the Ministry of Business and Trade the program Impuls 2013, one of major priorities is encouraging the connectivity and associating economic subjects into clusters in order to increase their competitiveness and stimulate innovation. This could enhance clusters to involve in international markets, as well as the further cooperation with research institutions and local and regional governments.² The Croatian Tourism Development Strategy to 2020, which was adopted in 2013, listed clusters as one of the key elements for achieving the desired objectives in the rural tourism development.³ As it can be seen from the analysis of all strategic documents, a concept of clusters is recognized as an important stakeholder for Croatian economic development. Ministry of Economy’s document “A Smart specialization” defines a list of strategic documents for strengthening the competitiveness of the Croatian economy which has to be created.

Clusters and competitiveness

Encountering the concept of clusters in the economic and economic terms is very common. It is an essential concept in all recent versions of development strategies of ministries but also the local governments. However, it is important to mention the problem detected by Held in 1996. “Unfortunately, due to the rush of many governments to create clusters, they miss some of the basic assumptions of their creation, including appropriate research methods and even the very definition of cluster (Held; 1996, 249).

Several definitions of clusters can be found in the literature. Michael Porter defines clusters as geographically targeted groups of related companies and institutions in a particular sector, which bind the communion and complementarity (Porter; 1990, 8). A cluster is a specific form of an association of personal and group interests and the industry, focused on a small geographical area where it may come to the physical contacts. It is a dynamic network of specialized business and other activities of the constant change (EC; 2002, 13).

² Accessible on: <http://www.minpo.hr/UserDocsImages/Nove%20izmjene/JA%C4%8CANJE%20POSLOVNE%20KONKURENTNOSTI%20KLASTERA.pdf>(10-02-2013)

³ Accessible on: <http://www.mint.hr/UserDocsImages/Strategija-turizam-2020-editfinal.pdf>(10-02-2013)

The benefits of clusters are increasing areas of related industries and other entities important to competitiveness. Also, the benefits of clustering are increasing access and benefit to consumers and foremost to manufacturers of complementary products, as well as to companies in relation to skills, technologies, and other tangible and intangible inputs (Dragičević;2012,62).

According to Mathieson and Wall, countries should exploit their capabilities in order to improve the effectiveness of their own economies. According to them the implications of tourism clusters and investment in tourism on the economy are as the following:

- Creation of new local requests for equipment, food and other means that accelerate the growth of existing and creation of new industries and bring business and new markets;
- The growth of urbanization through the constant growth of construction and renovation of tourist facilities;
- Growth of profit by the help of foreign currencies which are essential in developing countries to reduce the current account deficit;
- Redistribution of capital between developed and developing countries;
- Multiplicative effects within the economy (Mathieson & Wall;1982,64).

The literature also suggests that clustering is possible in all sectors. In accordance with the title of this paper, further discussion will be pointed at the need and the possibility of using the concept of clusters in the development of rural tourism.

Clusters and partnerships –impetus to the Rural Tourism development

Tourism is the fastest growing “industry” where the number of international tourist arrivals in December last year reached one billion (UNWTO;2012,1). Faced with the increasing global competition it is therefore very necessary, if a competitive advantage and socially responsible destination management wants to be achieved, to encourage a culture of collaboration and cooperative relations among all stakeholders in the tourism industry (OECD;2010,80). Clusters and other forms of partnerships (public-private, public-public, private-private) are very useful means for raising the competitiveness of the sector of tourism.

Rural tourism in Croatia in all its forms has still not reached the importance similar to the coastal one. Moreover, the proportion of overnight stays in the conti-

mental regions in relation to the overall number of stays stands at barely 5% . The reason for this is the lack of a clear vision of development, lack of emphasis on rural destinations potentials, a small number of accommodation facilities, lack of knowledge and skills for developing a variety of activities in tourism and the disconnection of the participants in the tourism value chain(Kranjčevićand all;2010,48-49).

Due to the complexity of the touristic value chain, key stakeholders in the world's tourism industry have realized the need of connectivity, networking and creating different types of partnerships in order to retain the existing market segments and to increase competitiveness. Partnerships are made for many reasons. In tourism industry it is primarily due to the creation of new and distinctive products, protection and raise of the quality of tourist attractions, the introduction of standards and standardization, improvement of the image of destination, increase of marketing efficiency, introduction of new methodologies of market research, education in tourism and for tourism, investment in infrastructure and finally due to ensuring the favorable funding for the sector of tourism(KPMG, WTOBC; 2004,1). Because of the specificity of tourism and its multiple economic and social impacts, the public sector should be an essential factor in almost all forms of partnerships in tourism. In the recent years, the concept of clusters of public-private type seems to be associated with the implementation of various projects in tourism more and more frequently (Kunst; 2011.,185; KPMG, WTOBC; 2004.,9). The way and the extent in which clustering will benefit the local community will depend on the interest of the public sector for individual projects. On the other hand, it is important for the private partners that the payback period of investment is within acceptable time frames.

Since most of providers of the services, especially in rural tourism, fall into the group artisans, small and medium entrepreneurs, it is sometimes hard to raise the public interest on innovative projects in the sector of tourism. Therefore, it is essential to connect various stakeholders in the tourist value chain for the sake of appearance before the public and finance sector. In that case, vision, stringency and persistence of the entrepreneur or the group of entrepreneurs, which will guide the project and encourage the stakeholders within the cluster, is needed.

Positive examples of associating into clusters with the purpose of creating new touristic products, recognizable tourist destinations, common marketing programs, and other can be found in the world. One such project is mentioned in the publication "Co-operation and Partnerships in Tourism: A Global Perspective", that

was created for Canadian Tourism Commission, World Tourism Organization, World Tourism Organization Business Council by the company KPMG Canada. It is about a cluster of Wine and cultural Tourism in the Thompson Okagan. The partnership was a cooperativemarketing and product development alliance that involved both the private and the public sectors:

- Thompson Okanagan Tourism Association
- Okanagan Wine Festivals Society
- British Columbia Wine Institute
- Private sector participants including wineries, hotels, motor coach operators and a range of sponsors.

The original vision for creating the cluster was to stimulate visitations to the local wineries by organizing the autumn wine festival. The duration of the festival for the first year was planned in ten-day frame, within which 45 various events such as wine tours, wine exhibitions and grading, gastronomy events, etc. were held. Out of sixty regional vintners, six to eight of them joined the cluster within the first year. Nowadays, the autumn festival contains 50 different events which last for 15 days and during the summer a summer festival with over 45 events during five days is also held. By joining of the touristic entrepreneurs into the cluster, an ice wine fest also including food-tasting and the tour of local wineries, as well as two- or three-day stay and ski-lift tickets was held. During the summer, a package deal with three stays also includes visits of the various events connected to local gastronomy. (KPMG; 2002).

The counties Koprivnica-Križevci, Virovitica-Podravina and Osijek-Baranja, which are referred to in this paper, are neighboring counties placed between the River Drava and Bilogora, respectively Papuk, Psunj and Krndija. They are characterized by similar natural characteristics and analogous anthropogenic touristic attractions. Excluding the Baranja part of Osijek-baranja county, touristic movements on this area are almost negligible. With the proclamation of the Regional park Mura-Drava which stretches throughout all three counties, great possibilities for development of various selective forms of tourism are being created, because within few years, this area will be a part of the system of the biggest biosphere in Europe, namely Mura-Drava-Dunav. This fact will present a strong factor of attraction for a great number of potential visitors and it might be a stimulus for the development of touristic offer in the area of these three counties. Positive shifts in

the development of sustainable tourism can be expected only by good planning and cooperation, as well as affective destination management which is essential in the area of these three counties. The reasons for the deficiency of the touristic offer can among other things be seen in:

- Incoherence of the attractions in the area of the Regional Park,
- Insufficient valorization of touristic potentials,
- Lack of recognizable and attractive image of the destination ,
- A small amount of accommodating facilities,
- Poor offer of accommodation on family farms,
- Insufficient knowledge and skills of providing services in tourism

(Kranjčevićostali, 2010, 48-49).

It can be easily concluded from the previously mentioned features which of the main operating fields of destination management and which stakeholders should connect into the tourist cluster in the future.

Figure 1: A hypothetic Tourist Cluster Mura - Drava



Source:Authors illustration

Conclusion:

According to data about the competitiveness of Croatian economy, a considerable lag in comparison to other economies of similar size and number of residents can be seen. A somewhat better situation lays in tourism, but considering comparative advantages that Croatia possesses, 35th place is not precisely a result to be proud of. The indicators in the sector of tourism that record growth in the last few years are mostly connected to motions in coastal areas of Croatia, (even though they are still not at the level of competitiveness in which they could be). However, the greatest unused potential for the raise of competitiveness and the reduce of the great seasonality is precisely the empowerment of the development of tourism in continental parts of Croatia. Due to the problems of the destination management in continental parts of Croatia which were mentioned in this paper, the various forms of association of all stakeholders into clusters in tourism are just the ways for a rapid development of rural tourism. The questions that need to be the guidelines for everyone interested in touristic development of the continent: *What is it what I need?*, *Who might my potential partner be?*, and *What is it that I can offer in order to accomplish the objectives of the partnership?*, create numerous possibilities which are put before the participants of the touristic chain of values by “homo touristicus”, who is hungry for new touristic experiences, so distinctive from uniformed ones, the mass 3 S⁴ destinations.

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