

NETWORKS AND CLUSTERS, WAYS FOR DEVELOPING TOURISM SECTOR IN ROMANIA

Adina Letiția Negrușă
Babeș-Bolyai University, Faculty of Business
Cluj-Napoca, Romania
email: adina.negrusa@tbs.ubbcluj.ro

and

Valentin Toader
Babeș-Bolyai University, Faculty of Business
Cluj-Napoca, Romania
email: valentin.toader@tbs.ubbcluj.ro

ABSTRACT

The tourism sector is probably the only service sector that provides concrete and strong trading opportunities for all nations, regardless of their level of development. For many developing countries tourism is a fundamental sector of their economy a vehicle that boosts the national economy, while for others it is only a source of foreign currency and employment. The tourism was considered a really chance for Romania. Despite this, the travel and tourism economy contribution to Romanian GDP varied around 2 per cent in the last 10 years.

For the regional development of tourism sector, the network and cluster theories contribute with solutions or advantages and emphasize the impact on innovation process. In this respect the objective of the paper is to examine the relevance of clusters theories implementation in tourism industry. We will study the potential of networks in providing innovative opportunities for Romanian entrepreneurs from tourism sector to operate and develop in a competitive environment. The analyze starts from a relevant literature review on networks, clusters and forms of tourism's innovations. Further there are presented different types of cooperation already done in Romanian tourism sector at regional level. Based on their analysis we have identified good practices of innovation and clustering which could be examples for developing competitive advantages. The paper ends so with practical recommendations for operating and developing clusters and networks in tourism, as well as theoretical contributions to the growing research in this area.

Key Words: innovation, tourism products, network, cluster, competition.

INTRODUCTION

The tourism industry is recognized as a highly fragmented one, represented by a large number of family-run small and medium size tourism enterprises. The position of tourism SMEs is vulnerable, due to negligible market power to influence purchases and sales. Because the owners have a substantial portion of their wealth in the firm and weak management expertise it is difficult for these firms to assure a secure finance level and creativity in introducing new service products. The main constrain for all these small firms is the lack of financial resources necessary to sustain the investments and their development (Watson and Everett, 1996). Many small tourism firms faced difficulties in terms of financing and had to rely on financial support from family or entrepreneurs' revenues. Another challenge related to financing sources is the lack of physical capital and high share of human capital in this industry. But on the other hand they have a greater contribution in offering to tourists a unique atmosphere by providing narratives on local history, culture, folklore and landscape, advising about itineraries, as well as playing an active role in the advancement of the community.

Just as any company, SMEs have to adapt themselves towards a tourist who is more demanding than before. Consumers are much more affluent and mature and expect a more individualized product offering. This need to feel different must be translated by all enterprises and will determine whether or not the company remains successful. In general SMEs need to differentiate from the big players. Therefore, SMEs need to work closely together in order to overcome these constraints and assure their market position (Dubini and Aldrich, 1991; Coviello and McAuley, 1999). The integration between producers (attraction, transport and accommodation operators) and travel organizers and the integration between different modes within a sector became vital. There are mentioned two types of cooperation among small firms: vertical, which involve cooperation among units from different areas of tourism chain and horizontal, imply cooperation among

competitors or potential competitors (Lorange and Roos, 1992). The literature given us many terms for the nature of interfirm cooperation: alliances, cooperative relationships or ventures, networks and clusters. This study will focus on networks and clusters.

LITERATURE REVIEW

The concept of interfirm cooperation was introduced by Alfred Marshall in 1890. He argued that the nation economic success depends on the agglomeration of highly diversified business activities at local level which create local economies (1920). In the 90' Michael Porter argued that at regional level economic agglomeration of business activities and interconnected activities could determine a maximization of potential technology, new markets opportunities or a reinforcement of competitiveness. In this way based on local factors like knowledge, relationships, motivation, etc. there are created strong competitive advantages with which competitors from a geographical distant cannot compete. Porter introduced the notion of "business clusters" as a geographical group of interconnected companies and associated institutions in a particular field linked by commonalities and complementarities (Porter, 1998).

The network concept can be defined as patterned relationships among individuals, groups and organizations (Dubini and Aldrich, 1991). The cooperation inside of a network is a voluntary arrangement between two or more firms that involves durable exchange, sharing, or co-development of new products and technologies (Groen, 2005). Networking is valuable to small business sector due to the particularity of a supportive inside environment which encompasses their vulnerability and can be seen as facilitating or constraining the action of people and groups. Szarka notes (1990) that networking gives small firms alliance opportunities and a competitive advantage from that. They can become specialized in areas of the value chain that they are good in, while in other areas they can rely on the strengths of network's partners. Szarka argues that networking and a regional concentration of small firms from related sectors seem to coincide.

The main differences between clusters and networks are represented in the Table 1 (Rosenfeld, 1997):

Table 1
Networks versus Clusters

NETWORKS	CLUSTERS
Companies can rely on expert services.	Companies can attract special services in one specific region.
Networks use a club concept in their creation.	There is no club or close team concept.
Networks are count on deals and contracts organized upon certain structures.	Clusters are based upon social values which promote trust and encourage mutualism.
Networks follow to achieve certain financial goals.	Clusters are self-governed and financial supported through team work.

Tourism network structures within a destination tend to exist only based on complementary product, e.g., activities, accommodation, transport and food, whereby clients are referred from one organization to another to provide a comprehensive tourist experience (Grefe, 1994). SMEs that exclude themselves from these linkages end up disadvantaged as such interfirm connections often results in market visibility and strategic leverage (Novelli, M., Schmitz, B., Spencer, T. , 2006). The structure of the destination network and the manner in which the linkages between SMEs are formed and maintained can therefore be critical.

Empirical studies (Jakson and Murphy, 2006) found out that business clusters are eminently suitable for application to tourism industry, especially in regional areas where there are specific local factors endowments, a range of industry sectors and varying market segments. A tourism cluster could be defined as a geographical concentration of interconnected companies, public and private institutions through tourism activities. A different approach for tourism cluster came from Beni (2003), as a set of attractions, less differentiated, concentrated in a geographical area, which offers a complex set of facilities, products and services, coordinates collective production chain and adopts an excellent management of the companies' network.

An important aspect in the cluster theory is this mix of government policies with business operators' strategies working together for serving the needs of customers and enhancing their interest for a long development of local destination region. In conclusion a tourism cluster is associated with tourism products and destinations. Its' objectives could vary from: successful promotion of a destination, gaining competitive advantages, to create an integrative tourism product addressed to specific market share.

In order to initiate and develop a tourism cluster some premises are needed, like:

- the existence of competitive companies
- a set of attractions in the region: natural potential, cultural traditions, gastronomy, etc.
- existence of key partners in the area and a greater diversity of them
- formal and informal links among cluster's members

NETWORKS AND CLUSTERS IN ROMANIAN TOURISM

Even if the clustering and networking phenomenon have being promoted lately in Romania, we were able to identify some relevant examples from tourism industry. It will be interesting to see that some of these forms of interfirm cooperation were developed naturally, during time, as a result of the necessity to identify and enter on new markets, to increase the profitability and to become more competitive. We will present a cluster and a network recently developed and other two networks that were created long time ago, but they become fully functional only few years ago.

The first cluster initiative in Romanian tourism was **Carpathian Tourism Cluster**, a cluster that has been founded in 1 November 2010, in Braşov, as a result of cooperation between the Tourism Association Braşov (Asociația pentru Promovarea și Dezvoltarea Turismului din județul Braşov - APDT) and the Tourism Association Monteoru Renaissance (Monteoru Renaissance - Asociația pentru Dezvoltare Regională Durabilă în Turism – județul Buzău) from Buzău County. The aim of this cluster is to support sustainable tourism development and create additional value for the tourism industry in region of the Carpathian Mountains. The cluster is a non-governmental organization, structured as an independent network of regional and national tourism stakeholders working with complementary products and services: tour operators, travel agencies, tourism guides, event agencies, accommodation providers, suppliers of the tourism industry, leisure and entertainment industry, transportation companies, tourism development associations and related NGOs, local and national authorities, service and consulting companies, universities and training institutes (Carpathian Tourism Cluster's website).

The Carpathian Tourism Cluster promotes the development of new tourism services and products. Due to their initiatives, the cluster is a good example of innovative tourism activities. Firstly, the cluster supports rural and culinary tourism, the project Mobile Cooking Romania combine the “culinary treasures of the Carpathian garden with the most beautiful tourist attractions in Romania” (Carpathian Tourism Cluster's website, Mobile Cooking Romania page). Secondly, it promotes the cycling tourism activities in Carpathian Mountains and supports the creation of homologated cycling routes – in April 2011 they lunched a pilot project (Dealul Mare Cycling Route) which allows the tourists to discover the culinary and wine tradition, the culture and the nature of the area. Thirdly, it develops and promotes historical and cultural events to attract new tourists to the country. Medieval festivals from Bran, Râsnov, Făgăraş and Braşov represent good examples of their activity.

All these events we presented previously are the result of a good management and organization. The cluster is organized in working groups, where the cluster members are developing new touristic initiatives and events. So, the results of the discussions from culinary tourism working group is the project Mobile Cooking Romania, the Dealul Mare Cycling Route is the outcome of cycle-tourism working group, while tourism events working group is planning and organizing the medial festivals and other events.

Beside the Carpathian Tourism Cluster, in Romanian economy we also find examples of networks initiatives. We will present two types of network initiatives: public initiatives – like the one resulted from the funding of European Regional Development Fund, and private initiatives - networks developed during the time by private entrepreneurs.

The European Funds represent a stimulus for many institutions and companies to promote cooperation and networking activities. In Romania, we have identified a tourism network, created as a result of a project financed through the Sectoral Operational Programme Human Resources Development 2007 - 2013, **NETIMM** – „Networking of SMEs - an innovative way to increase the competitiveness and adaptability of SMEs in Romania (Crearea de rețele de IMM-uri – modalitate inovativă de creștere a competitivității și adaptabilității IMM-urilor din România)”. The project was implemented during the time span 1st of November 2008 – 31st of October 2011. The main objectives of the project were to promote the cooperation between the SMEs (from construction, tourism, human capital development and consultancy), to increase SMEs competitiveness, to transfer good practices implemented in the partner country (Germany, in this case) and to develop the

entrepreneurial skills. For each of the four domains mentioned above, they were created three regional networks: in North West, North East and Bucharest Ilfov.

The tourism networks are formed from SMEs providing complementary products and services: tour operators, travel agencies, accommodation units, transportation companies and leisure and entertainment units. In Bucharest Ilfov the network had 9 members; in North East the network had 4 members, while in North West the network gathered together 14 members (NETIMM webpage). Each network has organized monthly meetings with experts in order to build up the confidence and to enforce the cooperation between network members, to exchange ideas and good practices and to develop common instruments to promote their services (webpage, brochures). As a result of these meetings, when NETIMM project ended, the tourism network from Bucharest Ilfov have continued the activity and formed a formal network, the Tourism Experts Network, while the networks from other two regions remained informal networks.

The **Tourism Experts Network (TEN)** comprise 18 SMEs working in tourism, firms that consider the networking and cooperation as an important competitive tool (TEN webpage). Until now, the network has created an identity and it started to develop common action plans. The purpose of the members is to create new and competitive tourism products. TEN founders want to create a community of experts in tourism, in order to harness the knowledge of each member, to share ideas, information and best practices. Also, the development of common projects represents a priority. As a result, one of the first initiatives of the network is a web portal, *Pensiuni în România* (Guest houses in Romania) - <http://www.pensiuni-in-romania.ro/>, project that promotes the guest houses from Romania.

Regarding the private initiatives we will present two examples of SMEs which succeeded to develop networks for rural tourism: a network at local level, in village Sâncraiu from Cluj County and a network at regional level, in Transylvania, Maramureş and Bukovina. In both cases, the whole touristic activity is coordinated by a SME which promotes the area and the tourism products developed there. The networks are organized also on the principle of complementarity, the whole activity being concentrated around the company who coordinates the network activity. The main difference from the network and cluster presented above is the complementarity existing between the coordinator and all other members, while the network members provide substitutes - the same services and products (most of them accommodation and food).

The **agro tourism network from Sâncraiu** (Cluj County) is coordinated by a tour operator, Davinze Tours. The network was founded in 2002 from the initiative of a local entrepreneur which succeeded to determine some accommodation units from the village to join him in tourism activity. Step by step, the network increased and today it comprises 45 small guest houses, with an accommodation capacity of approximately 250 places. Lunch is served at the host, the tourist having the possibility to choose Romanian or Hungarian dishes. The innovative aspect of the network is that it provides services also for large group of tourists (above 20 persons). The management of resources realized by the network coordinator represents a good practice for the management of tourism networks. They have a precise schedule of tourist distribution to the whole 45 accommodation facilities from the network in order to satisfy and motivate all the network members to contribute to the network success. Also, in order to satisfy the demand of the large tourists groups, they have built a common dining area, where the tourist can enjoy the traditional music and dances while they are serving their meal.

Within this network, the tour operator organizes touristic tours by walking, bike and car, conferences, workshops, presentation of the folk costumes, guides for sightseeing in the area, Easter and New Year programs, visits to the sheepfold and preparation of cheese, presentation and learning of old crafts (wood carving, making seams, weaving) and organizes social events: Rosehip Festival, Village Days, Folk Dance Camp or Grapes Ball (for more details visit the webpage <http://www.davinze.ro>). All the services provided by the network from Sâncraiu are promoted by the network coordinator through its participation in events and tourism fairs from Romania and abroad and through its website. This is a big advantage for the network members, allowing them to enter on markets that otherwise they never could reach. All the network members have only a small accommodation capacity, so it is unprofitable for them to spend significant amounts of money for their individual promotion and marketing activities.

Green Mountain Holidays is a Belgian-Romanian tour operator specialized in active holidays and eco-tourism in Romania since 1998. The firm is the coordinator of an informal network of companies and institutions involved the rural tourism. The organization stimulates and encourages ecologic tourism development in the rural regions, working as much as possible with the local population (local producers, accommodation units). The services provided by the company are arrangements and information for self-guided

trips as well as customized trips or guided trips like: cycling and hiking trips, kayaks, horse riding or caving trips, active cultural trips and photo safari in Maramureş, Bukovina and Transylvania (for more details visit <http://www.greenmountainholidays.ro/>).

As in the case of Sâncraiu network, Green Mountain Holidays develops touristic products and promote those products at international level through other partners (foreign tour operators) and through their webpage (<http://www.greenmountainholidays.ro>). The main difference between these two networks is that the Sâncraiu network is concentrated in a smaller geographical area, all the network members being from Sâncraiu village. As a result, Davincze Tours is promoting not only the destination and the products, but also its partners, while Green Mountain Holidays is promoting only the touristic products and the touristic destinations.

The efficiency of the last two networks can be evaluated using the financial results of the network coordinator. Comparing the results we observe that Green Mountain Holidays has obtained better financial outcomes. The main reason for this situation is that the network they are coordinating benefits of more resources and natural endowments for tourism activities. While the Sâncraiu network provides tourism activities only around the village, the tourism products provided by the other network are implying a bigger geographical area and many natural, cultural and social touristic attractions. Furthermore, the supply of Green Mountain Holidays is more diversified and comprises more activities.

CONCLUSIONS

Analyzing the example of Carpathian Tourism Cluster, we consider the results they obtained are the effect of high touristic potential in the area combined with a diversified supply of touristic and complementary products and services. Adding to this the support obtained from the public institutions (County Councils) we identify a situation of vertical cooperation between complementary units, a network that develops strategic cooperation along the whole tourism value chain. This example proves that the theoretical findings of Jackson and Murphy (2006) and Greffe (1994) are valid also in the case of a tourism industry and like in many other economic sectors the outcomes of the clusters activities have an important role in the economic development of the area.

In the case of NETIMM tourism networks, the participants' goals in network were not exclusively linked to financial gains as Rosenfeld suggests. First of all, most of the members were not familiar with the concept of networking; they did not know what are the benefits and opportunities which may result from such activity. So, the first objective for many of them was to clarify these concepts. Then, they tried to know each other, to identify cooperation options with other units from their field of activity and they learned one from another in order to improve the way they operate. And not in the last, the network members tried to promote together. Each network chose a specific instrument to promote its services: the network from Bucharest Ilfov has developed a webpage, while the other two tourism networks have realized presentation brochures, which were distributed to member groups in order to advise their clients about the services that are provided by their partners. Therefore, when the network is at the beginning, the members have other objectives than the financial gain, while as the network consolidates, the profit became the main objective of the network's members.

Analyzing Sâncraiu network we conclude that all the characteristics identified by Rosenfeld for networks are present in this case. The activity of the network is concentrated around the network coordinator, the tour operator company which plays the expert role. He is organizing the whole activity, the other members providing the basic services (food, accommodation and traditional products). Secondly, in order to join the network, an accommodation facility is mandatory to fulfill some criteria established by the coordinator. Discussing with the network coordinator, we found that during the time, they had cases when some accommodation units did not receive tourists until they improved the facilities provided to the tourists. Unfortunately some of these units refused or did not have the financial means to do the necessary improvements and, like Pavlovich (2001) suggested, they end up by being excluded from the network. So, we can consider that we have a situation similar to a club organization, where the relations between the tour operator and accommodation units are clearly established and know by all parties. Moreover, the main reason for most of the accommodation units to participate in the network is the necessity of obtaining additional revenues for their families. Usually in rural areas, the tourism is seen as an extra source of revenues, and in Sâncraiu we have the same situation.

The same conclusion results from the study of the network coordinated by Green Mountain Holidays. As Groen (2005) suggested, the involvement in the networks activities is voluntary; for example, each accommodation unit from the geographical areas where both networks operate has the possibility to join the

networks and cooperate with other members, but, in spite of this possibility, some of them choose to work on their own. Moreover, both networks present the characteristics of an innovative network which consist of a set of vertical and horizontal relations established among various organizations that are orchestrated by a lead firm. This firm has a central position in the network structure and the power to perform a leadership role, facilitating and enabling collaboration. Being someone with a responsibility for the entire innovation process and for coordinating the entire activity into the network is the key element for the Romanian interfirm cooperation. Having in mind cultural factors which influence the entrepreneurs' behavior and attitude, we can conclude that in Romanian society and especially for rural society, formal coordination modes are more efficient and generate favorable attitude toward networking. Additionally, we should mention that the resources available for tourism activities have an important contribution to the network success.

A higher implication of governmental local agencies in the initiating process of networks and clusters is important, due to formal coordination preference. Entrepreneurs from rural and regional areas are expecting from authorities to have a higher implication in the development of infrastructure and especially of tourism infrastructure, like local festivals and events, heritage trails and cultural sights. Also these initiatives should be developed starting from fruitfully local resources, creating or promoting local tourism attractions, in order to gain the trust of the community and its favorable attitude.

At a theoretical level, this paper highlights the elements and benefits of the interfirm cooperation through networking and clusters for small enterprises and how these work to produce tourism policies for the regional development. Whilst some of the studies come with augments for initiating networks and clusters in the tourism industry, other researches presented a clear image of their elements and structure in this sector and offered comprehensive definitions of its. At the practical level, the paper illustrates some characteristics for the Romanian tourism networks initiatives and highlighted their role in the region tourism development. All the network examples we have identified and analyzed have similar objectives, focused on innovation of tourism products and promotion of local tourism resources – heritage, traditions, gastronomy etc. Further directions of our study will be concentrated on two main aspects. Firstly, we will study the status of the innovation activity in the tourism industry and how the networks and cluster can foster the innovation in this sector. Secondly, we are aware that not all touristic units want and have the capacity or to join a network. Therefore, we will analyze the firms' capacity to join and to harness the opportunities created by the development of the network.

REFERENCES

- Beni, M. (2003). *Globalização do Turismo: Megatendências do Sector e a Realidade Brasileira*, Editora Aleph, São Paulo
- Dubini, P., and H. Aldrich (1991). "Personal and extended networks are central to the entrepreneurial process." *Journal of Business Venturing* 6: 305-313.
- Coviello, N.E. and McAuley, A. (1999). Internationalization and the Smaller Firm: A Review of Contemporary Empirical Research, *Management International Review*, 39(3), 223-256
- Cravens, D. W., & Piercy, N. F. (1994). Relationship marketing and collaborative networks in service Organisations. *International Journal of Service Industry Management*, 5(5), 39–53.
- Greffe, X. (1994). Is rural tourism a lever for economic and social development? In B. Bramwell & B. Lane (Eds.), *Rural tourism and sustainable rural development* (pp. 22-40). Clevedon: Channel View Publications
- Groen, A.J. (2005). Knowledge intensive entrepreneurship in networks: towards a multi-level/multi dimensional approach, *Journal of Enterprising Culture*, 13(1), 69-88
- Iorio, M., Corsale, A. (2010), Rural tourism and livelihood strategies in Romania, *Journal of Rural Studies* vol. 26, pp. 152–162
- Jackson, J., Murphy, P. (2006). Clusters in regional tourism. An Australian Case. *Annals of Tourism Research*, Vol. 33, No. 4, pp. 1018–1035
- Lorange, P., & Roos, J. (1992). *Strategic alliances*, Cambridge, MA: Blackwell.
- Marshall, A. (1890). *Principles of Economics*, Macmillan and Co., Ltd., London.

Nordin, S. (2003). Tourism clustering and innovation - Paths to economic growth and development. Oestersund, Sweden: European tourism Research Institute, Mid-Sweden University.

Novelli, M., Schmitz, B., Spencer, T. (2006). Networks, clusters and innovation in tourism: A UK experience. *Tourism Management* vol. 27, pp. 1141–1152

Pavlovich, K. (2001). In the Groove: An Analysis of Dynamic Structures and Learning Networks. Paper presented at the Academy of Management Conference. How Governments Matter., Washington D.C., 3-8 August.

Porter, M. E. (1998). Clusters and the new economics of competition. *Harvard Business Review*, 76(6), 77–90.

Porter, M. (2000). Location, competition and economic development: Local clusters in a global economy. *Economic Development Quarterly*.

Rosenfeld, S. A. (1997). “Bringing Business Clusters into the Mainstream of Economic Development”, *European Planning Studies*, Vol.5, N°1, pp.3-23.

Szarka, J. (1990). “Networking and small firms.” *International Small Business Journal* 8 (2): 10-22

Watson, J., and Everett, J.E. (1996). Do Small Businesses have High Failure Rates? Evidence from Australian retailers, *Journal of Small Business Management*, 34(4), pp.45-62.

***, Carpathian Tourism Cluster, <http://tourism-cluster-romania.com/>, [Accessed the 21st of January 2012, 10:28]

***, Davincze Tours, <http://www.davincze.ro/>, [Accessed the 18th of January 2012, 19:23]

***, Green Mountain Holidays, <http://www.greenmountainholidays.ro/>, [Accessed the 19th of January 2012, 14:43]

***, NETIMM, <http://www.netimm.net/>, [Accessed the 18th of January 2012, 15:37]

***, Tourism Experts Network, <http://www.ten-netimm.ro/>, [Accessed the 18th of January 2012, 17:02]