Tourism clusters as a tool for the improvement of rural competitiveness: first experiences from Slovakia

Abstract: Slovakia is the country with unusually appropriate conditions for development of tourism. Therefore the governmental programmes with economic development of rural area as one of their priorities emphasise diversification of economic activities including creation of new work opportunities in the sphere of tourism. In connection with development of tourism and rural areas there appear some studies based on concept of clusters. The aim of paper is to describe potential benefits of cluster concept application not only on tourism development in rural areas, but also on general local and regional development. On the other side, in the context of the overestimation of assets from application of cluster concept for individual players and region, we are trying to stress the attention on some dangers for involved companies and own rural development. In the second part of paper we introduce the first attempt of Slovak tourism cluster establishment. Organization "Cluster Liptov" (name of the historical Slovak region) is a result of agreement between crucial public and private players who decided to cooperate with aim to increase the visit rate of region and to achieve individual successes by common prosperity.

Keywords: concept of clusters; tourism; rural areas; Liptov region; Slovakia

Introduction

Localities and regions boast their developmental potential relying on the physical-geographical conditions, relative geographical position or individuals that possess appropriate capacities (skills) and are associated in local communities. Such potential though, is not the same for all economic activities. It depends both on time and the changes in time. The conditions in different stages of the historic development suitable for instance for agriculture, for industry or leisure and recreation branch of the economy are not always
comparable. Humans choose individual localities and regions for realization of their activities depending on the society's and knowledge levels, applying both rational and irrational reasons for their decisions. Geographical research which focused in the past more on description of the existing spatial differentiation of material manifestations of human activities is now trying to find answer to the questions why this spatial differentiation exists and under what conditions it transforms; why some localities and regions attract people to reside, work, invest or to relax there more than other places or why some localities and regions are less attractive for them. Answers to these questions may help comprehension of the developmental dynamics of the existing differences in population distribution and economic activities.

Slovakia is the country with unusually appropriate conditions for development of tourism. However, its inner differentiation in terms of prerequisites necessary for the development of tourism is often emphasised. Attractive regions alternate with those that are not capable of attracting visitors. The problem occurs both in cities and rural areas that undergo great functional changes. At present, the governmental programmes of the socio-economic development for the rural areas put great stress on diversification of economic activities and generation of new jobs beyond agriculture (mainly in the sector of tourism). Tourism is also often uncritically considered as a key segment of the rural economic development strategy. This is the reason why possibilities to develop tourism and the rural areas are sought in terms of their economic growth often in spite of the declared interest in sustainable development of rural tourism. (Economic) competitiveness became the central concept of the development of economic subjects, branches and spatial units. The success of applied strategies is assessed almost exclusively on the basis of quantitative values of the selected economic indicators (visiting rate, proceeds and profit). This is the reason why the approach based on concept of clusters is now so popular in plans for the development of tourism and regions/localities.

The aim of paper is to describe potential benefits of cluster concept application not only on tourism development in rural areas, but also on general local and regional development. On the other side, in the context of the overestimation of assets from application of cluster concept for individual players and region, we are trying to stress the attention on some dangers for involved companies and own rural development. In the second part of paper we introduce the first attempt of Slovak tourism cluster establishment.

**Concept of clusters**

The term “cluster” is used in scientific and technical literature for the strong tendency to network economical activities and for their spatial (geographical) concentration. The term “cluster” was introduced by the American economist M. Porter, who described it not only as an analytical concept but also as a political tool for achieving the competitiveness of various economical branches (particularly in manufacturing) and spatial units. Porter defines clusters as
“geographic concentrations of interconnected companies, specialized suppliers, service providers, firms in related industries, and associated institutions (universities, standards agencies, and trade associations) in particular fields that compete but also cooperate” (Porter, 1998). Contracting supply-demand relationships, joint technologies, common purchasers or distribution channels or even the common labour market are the factors that unite cluster into one unit. But it can be also various training or research initiatives, joint marketing and lobbying (Nordin, 2003). Existence of the relationships between the participating actors is clearly accented. The second but not less important characteristics of the cluster is the geographical proximity of the groups of interlinked companies as a precondition of intensive intercompany and interpersonal contacts (Porter, 1998). Although Porter’s work is mainly focused on the manufacturing industry, it has also been extended and applied to service industries, such as tourism.

Porter (1990), in his primary study devoted to the national competitive advantages and international competitiveness develops the idea that the success of export companies (competitiveness of companies is connected with their success in export area) depends on the “competitive diamond” of four sets of factors (adapted to tourism):

1. Strategy and structure of companies and the intensity of the domestic competition between rivals (for instance, high degree of rivalry in a sector of tourism influences introduction of new products and improvement of service quality),
2. Factor input conditions (relative geographical position, available labour forces, capital, natural resources and infrastructure in the territory + a lot of specialized, unique factors),
3. Demand conditions (size and demandingness of market expressed by behaviour of consumers and their specific demands),
4. Presence and quality of locally based supporting industries related to tourism (accommodation and catering facilities, transport service, etc.)

These sets of factors interact. The more developed and more intensive are interactions between these four sets of factors, the higher will be the productivity of companies that enter these relationships. It is supposed that precisely the geographical proximity may help the existence and development of an interaction beneficial for all participating partners. Porter saw the cluster (and clustering) as a geographically localized grouping of interlinked businesses as one of the possibilities how to increase their competitiveness, improve the productivity and through them to increase the economic well-being of population living in the concerned territories.

Networks and active participation of the individual players (municipalities, firms, etc.) of these networks are particularly important for the tourism sector, which is represented by the groups of organizations trying cluster together to form a destination context (Novelli, Schmitz, Spencer, 2006). Tourism clusters are the result of the co-location of complementary firms, which may not necessarily be involved in the same sector, but may benefit by pre-existing
network membership and alliances’ dynamics. Networks of created and functional clusters provide approach to knowledge, resources, markets, or technologies for individual firms. They also make it possible for actors to participate in the co-development of tourism products or services and spillover of theoretical and practical knowledge: one member of the network (cluster) is affected by the experience of another.

**General geographical characteristic of the region of Liptov**

Liptov as one of historic regions of Slovakia is situated in the north of Slovakia and its north-eastern part is in contact with the Slovak-Polish frontier. It is included in the administrative region of Žilina. It consists of two former districts of Ružomberok and Liptovský Mikuláš (Figure 1) with total area of 1,970 km².

![Figure 1. Geographical position of the region of Liptov in Slovakia](image)

From the geographical point of view, Liptov is almost an ideal example of the natural and socio-economic unit of ellipsoid form with its longer axis stretching in the west-east direction (Lehotský, Székely, 1995). Important mountain ranges of Slovakia surround its central part, the Liptovská Basin (Liptovská kotlina). District boundaries run alone the ridges of the following mountains: Nízke Tatry and Kozie chrbty (south), Západné Tatry, Chočské vrchy (north), and Veľká Fatra (west). The Nízke Tatry, Veľká Fatra and Západné Tatry mountain ranges were designated the territories under the top level of nature and landscape conservation, as National Parks or parts of National Parks due to their extraordinary landscape value. Liptov is relatively open to the Popradská Basin (Popradská kotlina) in the east (Figure 2).
Conspicuous and typical for the region of Liptov is the vertical differentiation of the territory. Sea level altitude moves between 420 m (north-western part of the territory) and 2,043 m (Ďumbier, the tallest peak of the Nízke Tatry Mts.). Distinct differences in sea level altitudes between the central lower situated part of Liptov and its ring of mountains determine the specific climate, which is the case of the vertical soil-vegetation zonality. The lower part of Liptov (conditions suitable for swimming and water sports) is in moderately warm climatic zone with the mean July temperatures around 16°C and the January temperature around -3°C. Number of summer days, i.e. days with temperature exceeding 25°C, is higher than 30 round the year. Precipitation average, an important part of which is produced during summer, is about 600-700 mm.

The climatic antipode is represented by the marginal and higher situated parts of Liptov - they belong to the cool climatic zone. Along with the year round use, some of them are suitable for the skiing and winter sports. The mean July temperature depending on sea level altitude oscillates between 10°C and 16°C. In January, the coldest month of the year, the mean temperature is between -4°C and -7°C, and reaches -10°C in the top parts of mountain ranges. The value of precipitation is higher compared to the lower positions of Liptov (up to 1,600 mm). According to Kollár (1999), number of days with snow cover in these higher parts of Liptov is 160 to 180 (November - April).

Liptov is a closed unit in terms of hydrogeography. All streams that spring in the territory of the region mouth to the longest Slovak river Váh (catchment of the Black Sea). The Váh River is the central 80 km long stream of the whole Liptov. It mouths to the water reservoir of Liptovská Mara, built in 1970-1975. Its original
function was the production of power and protection against floods. But its recreational function has been recently increasing. Estimating by the volume of the retained water, Liptovská Mara is the biggest water reservoir in Slovakia. The area of its water surface is 21.6 km$^2$. Numerous mineral springs use of which led to the foundation of several spas (for instance Lúčky, Korytnica) and water parks (Bešeňová, Liptovský Mikuláš) are also important for the development of tourism in the Liptov region.

Historic development and natural conditions are the causes why that Liptov is not among the most populous regions of Slovakia. According to the last Census in 2001, in the territory of the former districts Ružomberok and Liptovský Mikuláš in three towns and 78 rural municipalities more than 133 thousand inhabitants lived. They represented only about 2.5% of total Slovakia’s population (Table 1). Liptov is distinctly homogeneous in terms of ethnicity - almost 98% of its population declared affiliation to the Slovak ethnicity. Population density (68 inhabitants/km$^2$) in Liptov is distinctly lower than the Slovak average; that is 110 inhabitants/km$^2$. Population concentrates in the valley of the Váh River in the central part of the region. Higher situated marginal parts are either not settled or very scarcely settled. The majority of Liptov’s population (almost 72 thousand = 53.7%) live in three towns (Liptovský Mikuláš, Ružomberok and Liptovský Hrádok). The biggest town in terms of population number in the region is Liptovský Mikuláš (33 thousand), which along with Ružomberok (almost 31 thousand) ranks among the medium-sized towns of Slovakia. Liptovský Hrádok is a smaller town and ranks lower in the settlement hierarchy. Its population amounted 8.2 thousand in time of the last Census. However, rural municipalities prevail while almost half of the total (48.1%) of settlements are small villages with population up to 500 inhabitants. More than three thousand inhabitants lived in only two rural municipalities (Liptovská Lúžna and Liptovské Sliače).

Table 1. Size categories of municipalities in Liptov region

<table>
<thead>
<tr>
<th>Size category of municipality (number of inhabitants)</th>
<th>Number of municipalities</th>
<th>%</th>
<th>Total number of inhabitants</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 200</td>
<td>12</td>
<td>14.8</td>
<td>1,585</td>
<td>1.2</td>
</tr>
<tr>
<td>201-500</td>
<td>27</td>
<td>33.3</td>
<td>9,174</td>
<td>6.9</td>
</tr>
<tr>
<td>501-1 000</td>
<td>16</td>
<td>19.8</td>
<td>11,024</td>
<td>8.3</td>
</tr>
<tr>
<td>1 001-2 000</td>
<td>17</td>
<td>21.0</td>
<td>23,276</td>
<td>17.4</td>
</tr>
<tr>
<td>2 001-3 000</td>
<td>4</td>
<td>4.9</td>
<td>9,837</td>
<td>7.4</td>
</tr>
<tr>
<td>&gt; 3 000</td>
<td>5</td>
<td>6.2</td>
<td>78,508</td>
<td>58.8</td>
</tr>
<tr>
<td>Total</td>
<td>81</td>
<td>100.0</td>
<td>133,404</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Own calculations based on the data from the Central Statistic Office of the Slovak Republic
The OECD has developed a classification of rural areas based on the percentage of the population of a country living in rural municipalities (typical descriptive definition). Three broad classes of rural areas or regions have been distinguished: predominantly rural (over 50% of the population living in rural municipalities), significantly rural or intermediate areas (15%-50% of the population living in rural municipalities) and predominantly urban (less than 15% of the population living in rural municipalities). Pursuing this classification, the territory of Liptov is a “significantly rural or intermediate area”. Territory of the region is not homogeneous - its western part (district of Ružomberok) is a “predominantly rural area” and the eastern part (district of Liptovský Mikuláš) is a “significantly rural or intermediate area” (Székely, 2003).

At present, the nature of Liptov is combined industrial and agricultural while industry concentrates in the towns, centres of the economic life. However, in the last time, the significance of services, above all tourism, increases in terms of the number of employees, as Liptov possesses ideal conditions and prerequisites for this industry. Population of Slovakia perceives Liptov above all as a region with an extraordinary high natural and landscape value (national parks, folk architecture and conserved folk traditions), and as the region of origin of the Slovak gastronomic speciality “bryndzové halušky” and as the region connected with the life of the legendary Slovak robber and national hero Juraj Jánošík (1668-1713).

Good transport accessibility contributed to the popularity of the region. The main road and railway communications run through its centre in the west-east direction. International roads cutting the mountainous barrier cross the region in the north-south direction as well.

Interaction of all relevant factors makes Liptov the region with above average potential for the development of tourism. Marketing activities initiated by the local and regional self-administrations in coordination and cooperation with the local business group are oriented to the exploitation of this potential. The fragmental romantic picture, so spread in the past, and the present marketing of Liptov’s recreational facilities which substantially contributed to its high visiting rate should be now complemented by an overall view of Liptov and its subsequent promotion. Presumably, the targeted regional marketing will support the interest of both the domestic and international clientele in visiting and cognition this part of Slovakia.

**Cluster “Liptov” – 1. tourism cluster in Slovakia**

The emphasis on competitiveness, prosperity and sustainable development of member countries and their regions declared by the EU has led the representatives of the Žilina’s regional self-administration (with co-operation with local University and partner’s institutions) in 2005 to work on the project *Innovation Policy of Žilina* (part of the Regional Innovation Strategy for the Region of Žilina). Its aim was to create an environment stimulating regional innova-
tion potential, cooperation between the existing institutions and organizations, and to prepare a developmental frame in order to activate the companies so that they introduce further innovations. One of the projects supporting the building of innovation infrastructure (as a part of RIS) is the project *Clusters and Partnerships* (Dado et al., 2006). Implementation of this project is expected to support not only the cooperation of companies but also to increase their international competitiveness. As the real result of the quoted activities is introduced the first tourism cluster not only in the region of Žilina but also in Slovakia. In April 2008, organization of “Liptov cluster - tourism association” has been established. Its web site (http://www.klasterliptov.sk/) declares that it is “the first organization of destination management (DMO) in Slovakia and the joint marketing centre of the destination of Liptov”. It associates the entities of the private and public sectors and the aim is the joint promotion of the region of Liptov as the unique “green” region for an “attractive reserve full of agreeable experiences”. Founders of the organization with the name containing the word cluster are the three towns of the region (Liptovský Mikuláš, Ružomberok and Liptovský Hrádok) and four important tourism centres with supraregional significance: Aquapark Tatralandia, Thermal Park Bešeňová, Jasná Nízke Tatry, and Ski Park Ružomberok. The founders financially support the newly established organization as its strategic objective is to double the current visitor rate of Liptov up to 2013. The ambition of Liptov cluster is to: “incorporate Liptov to the map of sought out European tourist destinations, to present Liptov as a unified brand both at home and at abroad, to generate competitive products in the sector of tourism, and to promote the active cooperation in the region”. Activities of cluster “Liptov” should be directed to professional coordination of tourism development in the Liptov region.

The individual towns, founders of this organization, have been mentioned above. Representatives of the towns appreciate that in addition to of cultural and historic monuments which they possess, their greatest asset for their visit is the proximity of attractive tourism centres (they are also founders of tourism cluster “Liptov”) represented by the private business sector (together with towns they constitute an example of something like public-private-partnership) and their activities complement each other. Aquapark Tatralandia, located in the territory administered by Liptovský Mikuláš with its 11 swimming pools and toboggans is the biggest year-round open water park not only in Slovakia but also in Czech Republic and Poland. It exploits the local thermal springs (60.7°C), which were the base for building a combination of different services offering the complete physical and mental relaxation of visitors. The Thermal Park Bešeňová was built with the same objective and on the same basis. It is located in administrative territory of the village situated 12 km away from Ružomberok. Both companies may as well stand for the typical example of horizontal competitive-cooperative interlinks of established cluster.

Centres focused on winter sports, Jasná Nízke Tatry and Skipark Ružomberok, represent a considerably less balanced couple. The first of them is located near Liptovský Mikuláš on the territory of several rural municipalities and the
National park of Nízke Tatry. It is the most sought out and the biggest winter sport centre in Slovakia. However, the declared ambition of the management is further expansion. Plans exist to make not only the centre the biggest ski resort in Eastern Europe, but also to diversify activities in order to reach the balanced year-round operation. The result should include the increased visiting rate, proceeds and profit. The centre has been classified under the top category of tourism facilities with international significance. The Skipark Ružomberok has been also included in this category. Its natural potential and the ensuing prospect of spatial expansion though, are much more limited than in case of Jasná. However, in spite of being a smaller ski centre, it is one among ski centres in Slovakia with the top evaluation. It is situated in the territory administered by the town of Ružomberok (including also some typical rural settlements) and in the territory of the National Park of Veľká Fatra. Managers of the centre adopted the same strategy for the future development as those at Jasná: they try to diversify activities in order to reach a more balanced visiting rate during the whole year. Like in case of regional centres of Liptov exploiting the hot springs, regional ski centres can be also considered entities participating in the horizontal competitive-cooperative interlinks of established cluster.

Declared advantages of firms co-location (declared advantages firm’s presence in cluster)

In case of clusters, it is manifestation of firms co-location, which brings certain greater advantages to the participating individual firms than in the case of their isolated locations. According to Marshall (1890) who is considered the author of the idea about geographically concentrated clusters, advantages concerned reduction of cost in three areas. The first of them is the use of certain common sources, for instance a specialized infrastructure where cost of its building and maintenance are shared (it means reduction of total cost for each firm) among more firms. A typical example can is perhaps the specialized school system, building of which is normally interesting for all companies competing in the same sector. The second area is the local labour market characterized by a high specialization of labour forces and jobs (demand and supply on a spatially confined labour market) which, accompanied by the reduced cost, makes it possible to meet the interests both of employees and employers. The third area concerns reduction of intercompany transactions and trade cost due to the short distance between actors. It manifests itself above all in case of a vertically integrated manufacturing system, i.e. the system based on the relationships between suppliers and consumers.

As obvious from the most recent literature involved with the subject, assessing the advantages from spatial concentration of companies does not only consider those ensuing from cost reduction. Malmberg a Maskell (2002) even stress that no theory explaining existence of cluster can be based exclusively on mere reduction of interaction cost. This is the reason why to the quoted three types of advantages from the co-location of companies, also the factor
of forming the special local (regional) conditions is included. Such conditions create the special local (regional) milieu that may facilitate the “knowledge spillovers and stimulate various forms of adaptation, learning, and innovation” in favourable circumstances. Dynamic processes of mutual learning, accumulation of knowledge and innovation production are possible. A specific local/regional culture and climate (local or regional milieu) are created and facilitate not only formal but also ever more important intuitive (tacit), regionally locked knowledge between the participants of the networked cluster. All these processes lead to increased competitiveness of not only participating economic actors but also the region where they are acting.

**Specific conditions of localities and regions as the determinants of their competitiveness**

At present, the creation of exclusively positive image of clusters (clusters are described by high productivity, by growth of entrepreneurial activities, as an important means for support of competitiveness and innovations, by knowledge formation and way to progressive knowledge economy) is under the scrutiny (for instance Martin and Sunley, 2003). The main reason is connected with the discrepancy between the theoretical ideas and results of empirical research which were expected to definitely confirm and support the idea of advantages of co-located companies in, in terms of higher competitiveness reached by the reduction of cost and easier adoption of progressive technologies and innovation. Confrontation of the theory with the reality has shown that the results of the company and regional performances (as indicators of their competitiveness) are as a rule determined by the local (regional) specificity, which reflects the character and power of the competitive and cooperating environment formed by the participating economic actors and their representatives. The knowledge gained, inherited and acquired capacities, innovation and other positive personal properties contribute to the formation of a unique entrepreneur environment in a particular territory and in particular time (Feldman et al. 2005).

Quality of the regional management, their enthusiasm, openness, progressiveness and purposeful movement to the set aims also plays an important role in formation of the regional specificity. The existing quality of human capital and “culture” that are unique in region is something that cannot be simply reproduced in another region. In the consequence of these facts, it is not possible to apply any simplified or mechanic generalizations (generated only by the empirics of “successful” companies from “successful clusters”) about the increased competitiveness of companies and regions where clusters exist. The practice gained by the individual states, however, proves that the politicians do not accept this piece of knowledge when formulating regional policies (see for instance Hospers and Beugelsdijk, 2002, and Lepawski, 2009). In spite of the fact that uniqueness of local and regional factors increasingly determines the economic success of companies and regions, the efforts of politicians to copy and apply the “best practice” of successful regions (regardless the evi-
dent differences in specific regional features) are frequent in a very questionable process of the new cluster formation. Special rules which are politically motivated are introduced and they often reflect the effort to maintain power of the concrete political representation.

**Conclusion**

Opinion on suitability of cluster concept and its exploitation in the development of any economic branch and any spatial units is now very disparate. On the one side, the origins, existence and functioning as well as the effects of clusters on economic performance and competitiveness of companies and consequently the regional/local economic growth are accompanied by uncertainties which lead to an unsatisfactory situation in formation of theoretical constructions regarding this phenomenon. On the other side, the reality is that the concept of clusters as an avenue to the economic prosperity and well-being gained (because of extremely successful marketing strategy) popularity among the decision makers on all hierarchical levels (national, regional, local). The result is the dichotomy of opinion between scientists and politicians. It also is the cause that unconventional terms appear in literature involved with clusters. Martin and Sunley (2003) talk about the “cluster brand”, or the “Porter brand” built in connection with positive associations. These positive associations markedly help promotion of the cluster concept as the developmental strategy in competition with other theoretical and applied constructions.

In case of clusters in the sphere of tourism something more is necessary than a common marketing strategy. The real cluster should not be only represented by a common brand and trademark for the organization that introduces the word “cluster” in its name and sells the regional material and non-material products. It is above all the tourism cluster that should be a phenomenon based on existence and gradual perfection of horizontal and vertical relationships between the participating actors. The result in time of economic prosperity should then be not only an adequate profit of the whole and the individual members but also a functioning regional economy.

An important note is necessary to add here: economic development supported by clusters is based on local and regional specialization. In the consequence of empirically observed and theoretically justified alternation of economic prosperity and economic decline (the present global financial and economic crisis) it represents a very risky strategy of the regional development. Individual economic entities heavily depend on each other in functional clusters. If one is threatened, other members are threatened as well. This fact can, but does not necessarily have to, revise the exaggerated expectations of the decisive actors of local and regional economies about the permanent quantitative economic growth.
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