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## **The Cluster Organization of Entrepreneurial Activity Within the Tourism and Recreation Sphere**

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### **Abstract**

This article illustrates the backbone role of the tourism and recreation sphere in the region's social-economic development and the significance of entrepreneurial activity not only in the recreation sphere but adjacent areas as well, which facilitates an increase in the tourism flow. The author defines the major dimensions of entrepreneurial activity in the tourist region; proposes cluster organization as an integrative form of entrepreneurial activity in the tourism and recreation sphere; defines the objective of the cluster organization of entrepreneurship, which lies in entrepreneurial entities achieving competitive advantages through the identification and realization of the innovation potential of small and medium organizations; identifies the major conditions needed for the cluster to function as an efficient system; proposes activities, as part of cluster policy, for ensuring the effective interaction of entrepreneurial establishments within the tourism and recreation sphere.

**Keywords:** tourism and recreation resources; cluster organization of entrepreneurial activity; territorial concentration; public-private partnership; tourism and recreation product creation processes; synergy effect; structure of tourism and recreation potential; components of economic potential; network potential; cluster policy

### **Introduction**

The tourism and recreation sphere is one of the priority sectors of the national economy. Due to its multi-sector nature, the tourism and recreation sphere plays an active part in the formation of the Gross Domestic (Regional) Product and makes a stimulating impact on the development of the crucial sectors of the economy. This impact is assessed by the multiplicative effect which serves as an efficient instrument for stimulating social-economic development.

Natural-climatic conditions and balneological resources in the tourism and recreation complex make it possible to ensure the realization of the socially significant functions of treatment, rehabilitation, health improvement, and leisure of the population, which directly or indirectly facilitates improvement in the population's quality of life.

### **Discussion**

The tourism and recreation sphere is characterized by being closely interdependent with virtually all spheres of life and brings together many other sectors related to serving tourists under

a single technological cycle. The tourism and recreation sphere is of a polyfunctional nature, which testifies to the existence of inter-industry, inter-sector, and inter-function links. The interaction of all the subsystems as part of the operation of an integral system ensures the stable operation and sustainable development of the tourism and recreation sphere. Sustainable operation implies changes in the quantitative and qualitative characteristics of tourism and recreation resources involved, inclusive of the increase in the degree to which the results of the operation of the tourism and recreation sphere are effective.

The character of the formation, engagement, use, regulation, and control of tourism and recreation resources is governed by the following factors: social-economic, political, natural-climatic, environmental, as well factors related to the region's interaction with its milieu.

The integrated and rational use of all types of resources – natural-climatic, labor, financial, and information – with the active participation of the entrepreneurial sector ensures the accelerated development of the tourism and recreation sphere. Tourism and recreation activity as an economic phenomenon has a pronounced resource aspect. Under federal legislation, “tourism resources are natural, historical, and social-cultural sites that include sites for tourist sightseeing as well as other sites capable of meeting the spiritual and other needs of tourists and facilitating the maintenance of their life activity and recovery and development of their physical vigor” [1]. The terms “tourism resources” and “recreation resources” are much interrelated. In this regard, natural-climatic, historical-cultural, and social-economic phenomena and sites, which are preconditions for various types of tourism and recreation activity, should be regarded as tourism and recreation resources.

The integrated use of tourism and recreation resources and factors of production of various types of the economic activity and recreation potential of the region makes it possible to create many tourist products that are based on various combinations of tourism products and services as well as the region's distinctive characteristics. This is associated with the availability of tourism potential, formation of entrepreneurial establishments in the tourism sphere, availability of a perfect institutional environment, conducting an active state policy in the area of the development of tourism, among the major dimensions whereof is the protection of the rights and interests of entities within the tourism market and comprehensive support for inbound and domestic tourism [5].

With the shift to the market system of economic management, there has increased the significance and role of entrepreneurial activity not only in the tourism and recreation sphere but adjacent areas as well, which facilitates the increase in the tourism flow and, as a consequence, the creation of new jobs and the social-economic development of regions.

The effective use of natural resources, including recreation ones, by entrepreneurial entities testifies to an effective and successful mechanism of managing and regulating the tourism and recreation specialization.

The development of the entrepreneurial sphere as a specific resource for economic development has special significance for the state as a whole. Furthermore, the activity of entrepreneurial entities is aimed at the integrated use of production factors within a specific tourism and recreation region. The regional orientation of entrepreneurial activity and the degree to which its economic and social role is manifested help assess the significance of this sphere in the regional aspect specifically.

Based on the principles of entrepreneurship, the tourism and recreation sector services the population amid the poor development of tourism infrastructure, the high degree of wear and tear on the capital stock, the low diversification of recreation supply, the low quality of services provided and their price uncompetitiveness compared with their foreign counterparts, etc. A priority objective in modernizing existing entrepreneurial practice within the tourism and recreation complex is putting together a commercially viable tourism and recreation cluster.

The cluster is one of the integrative forms of organizing entrepreneurial activity within the tourist region. Cluster organization involves developing, substantiating, and realizing regional strategy for the development of the tourism and recreation sphere as part of the general concept of the social-economic development of a specific region.

This form is predicated on the balance of interests – those of both its participants and other entities within the social-economic system. The territorial concentration of entrepreneurial entities within the tourism and recreation sphere is governed by the following factors: the opportunity to derive economic gains as a result of distribution of costs in the process of the operation of tourism

chains; territorial proximity in terms of the deployment of tourism resources for the region; the creation of a uniform information resource in the process of social-economic interactions between economic entities.

Irrespective of the character of entrepreneurial strategy employed, each of the entrepreneurial entities interacting within the cluster is just one of the parties to the interaction process, and its interests differ from those of other entities within the network association.

In present-day conditions, clusters, as alternative mechanisms for the development of the economy, have become a considerable phenomenon in terms of economic policy. The primary goal of the cluster organization of entrepreneurship lies in entrepreneurial entities engaged in the cluster achieving competitive advantages through identifying and realizing the innovation potential of small and medium organizations.

The relevance of clusters for present-day Russia is associated with the currently observed rift between the macro- and micro-levels of the national economic system, which arises due to renouncing sectoral planning, the disintegration of the system of sectoral and intersectoral links, and the degradation of territorial-production complexes. As a result, there has formed natural demand for meso-economic establishments as the means and, concurrently, the goal of new economic policy.

The development and operation of the tourism and recreation cluster is affected by various factors: a set of recreation services provided; the availability, quantity, and quality of attractions; the time of year (seasonality); the comfort of using recreation services; the duration of recreation; personal factors (the psychophysiological state, intellectual development, the size of the wages of the population, etc.).

The development of the tourism and recreation cluster is, in large measure, affected by the state and dynamics of external factors which are manifested in the set of regional policy measures and the degree of state support. The sustainable development of these factors will facilitate establishing a constructive dialog between regional administrations and entrepreneurial establishments.

The Concept of the Long-Term Social-Economic Development of the Russian Federation through to 2020 [2] views clusters as a new model for the spatial development of the Russian economy. Observing the balance of the interests of society, business, and the state can be possible within the framework of public-private partnership which is viewed as the organizational-managerial basis of tourism and recreation clusters.

The interaction of business entities, infrastructure facilities, institutes, organizations, and individuals forms the competitive sector of the economy and brings together the interests of the three parties: business, society, and the state.

When it comes to the cluster organization of entrepreneurial activity, the following minimal set of instruments should be considered:

- organizational-communicative;
- investment;
- organizational-legal.

As a sustainable and effective system, the cluster forms when the following major conditions are available:

1) initiative – entrepreneurs, representatives of the authorities, educational institutions, and social organizations must prove the effectiveness of the cluster organization of entrepreneurial activity;

2) innovations – novelties that open up new vistas in competition and cooperation;

3) information – helps achieve lower transaction costs as well as advantages in access to markets of labor and capital resources, etc.;

4) integration – implies the use of innovations and new technology for partnership between entrepreneurial entities in all adjacent types of economic activity;

5) interest – ensures the major conditions for the life activity and development of entrepreneurial entities only when there is interest on the part of members of the cluster in deriving economic gains [6].

In creating an entrepreneurial network as part of the tourism and recreation cluster, there is ensured the synergy effect derived through common strategy and joint tourism and recreation activity, as well as the opportunity to assess the input of each participant in the tourism and

recreation sphere in the overall effect, analyze the interrelationship between specific participants, and assess the degree to which entrepreneurial entities impact the various types of tourism and recreation activity.

In order to assess the effectiveness of activities carried out, one needs to conduct the assessment of the cluster's impact on the development of the economic potential of entrepreneurial entities within the region's social-economic system (Fig. 1).

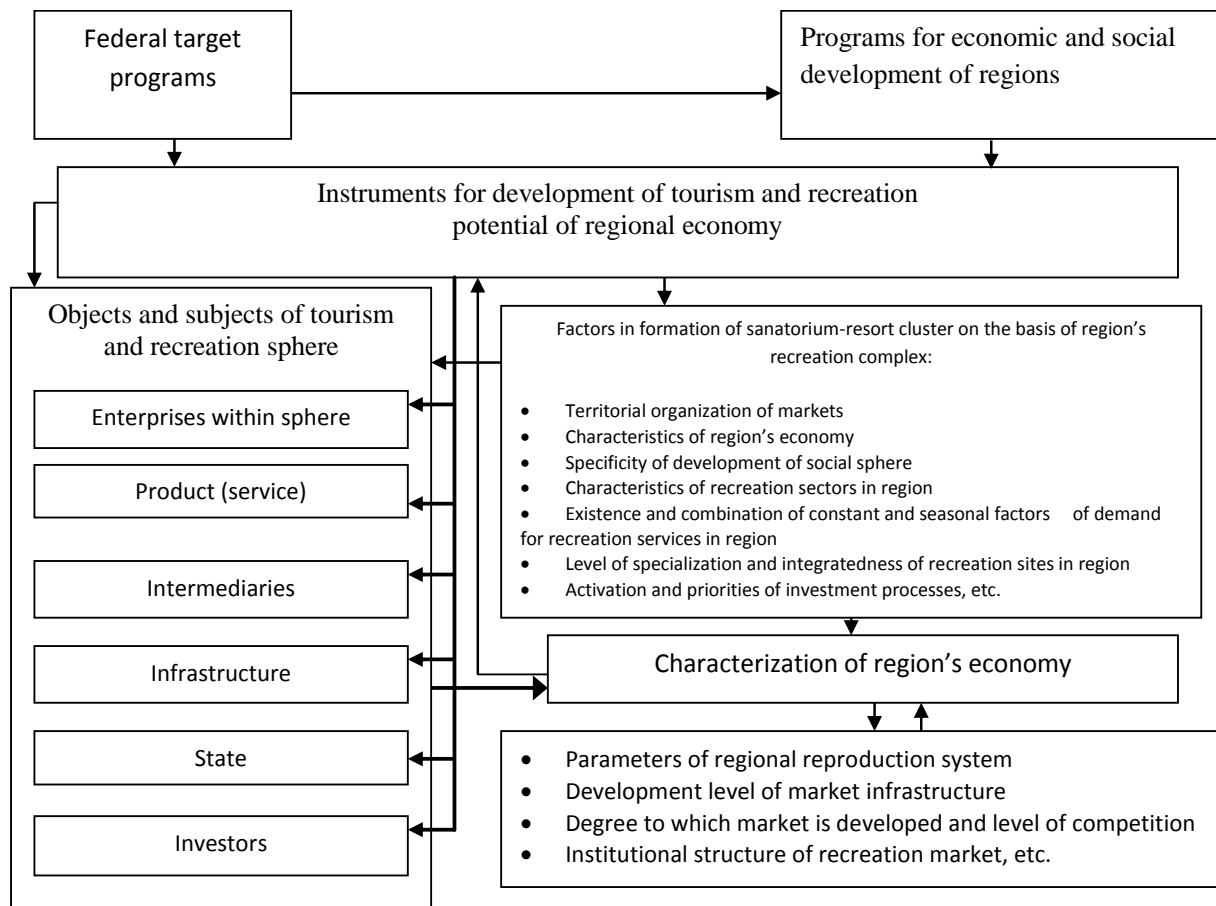


Figure 1. The place of the economic potential of tourism and recreation complexes within the region's social-economic system

The cluster organization of entrepreneurial activity within the tourism and recreation sphere helps make a fuller use of organizational-managerial (organizational, managerial, and information), production (technical, technological, labor (social)), and competitive [8, 9] potential.

The network potential of cluster participants helps:

- a) increase the productivity of cluster participants through better access to labor and material resources, investment, and social services (goods);
- b) make use of information flows and communications, which help, through information interaction, reduce transaction costs [8];
- c) boost the pace of implementing innovations, which lays the groundwork for future economic growth;
- d) boost commercial viability, etc.

The main difference of the tourism and recreation cluster is its territorial organization, which is predicated on the uniqueness of the recreation resource.

The formation of the tourism and recreation cluster takes place within the boundaries of the recreation territory. The existence of the business component (recreation enterprises and infrastructure facilities) helps establish close production-economic ties. When it comes to the sustainable development of the entire tourism and recreation system, one has to take account of

the characteristics of specialized recreation entrepreneurship in each tourism and recreation cluster. That said, within the boundaries of the entire regional tourism and recreation system, each specific cluster has its functional objectives and its own specific types of tourism and recreation.

The tourism and recreation cluster is a multi-sector complex that brings together various, in terms of production technology and service provision (goods, works), entrepreneurial establishments engaged in various types of economic activity and, consequently, sectors of the regional economy. The extent to which entrepreneurial entities within the tourism and recreation sphere participate in the production and provision of tourism services (works, products) differs. Therefore, raising the issue of which of them should be subsumed into the cluster's tourism and recreation industry is quite logical.

On the strength of methodological approaches to classifying the tourism and recreation sphere developed by foreign and national economists, the following crucial criteria for subsuming it into a specific sector are employed:

- current supply in the tourist market on the part of relevant entrepreneurial entities within the tourism and recreation sphere;
- the extent of their participation in the process of servicing visitors to the cluster (country, region).

Based on the varying extent of participation on the part of entrepreneurial entities within the tourism and recreation sphere in the process of production of the tourism and recreation product, the very process of production of the tourism and recreation product is divided into the primary, auxiliary, and servicing processes.

Major entrepreneurial entities within the tourism and recreation sphere which are engaged in meeting tourists' need for diverse impressions, entertainment, treatment, leisure, etc., make up the nucleus of the tourism and recreation cluster.

Entrepreneurial entities involved in realizing the auxiliary processes of consumption of the tourism and recreation product (hotels, food enterprises, transport enterprises, etc.) operate to ensure favorable conditions for the process of meeting the various needs of tourists.

It should be noted that the set of major, auxiliary, and servicing entrepreneurial entities varies depending on the purpose of visiting the tourism and recreation cluster.

Consequently, the industry of the tourism and recreation cluster can be viewed as a multi-sector complex that is an aggregate of major, auxiliary, and servicing entrepreneurial entities whose operation is aimed at providing various services (goods, works) to consumers (tourists, excursionists, local residents) in accordance with the purpose of their trip.

The cluster organization of entrepreneurial activity within the tourism and recreation sphere at the regional level is capable of ensuring a commercially viable recreation product grounded in the region's exclusive natural-climatic resources. The high social-economic significance of recreation is a crucial precondition for the formation of strategy for the priority development of the regional tourism and recreation complex. The cluster organization of entrepreneurial activity ensures the region's relative and absolute advantages in the interregional division of labor and GDP growth through the integrated use of exclusive recreation resources.

Cluster organization helps establish ties and develop mutual relations between entrepreneurial entities, which traditionally have acted in an isolated fashion. The synergy effect arising as a result of clusterization facilitates attracting tourism flows and boosting the commercial viability of business in the sphere of tourism and recreation. The cluster organization of entrepreneurial activity fosters close ties between suppliers and consumers and new contractual and partner relations, brings into being new markets and creates new customers, and boosts innovation activity and efficiency at the level of specific entrepreneurial establishments.

The basis of the operation of entrepreneurial entities within the tourism and recreation sphere is formed by resources of a natural, anthropogenic, and natural-anthropogenic nature available in their area.

In defining the economic potential of tourism entrepreneurial activity as part of the resource approach, we could pinpoint the objective and subjective components of the economic potential of tourism entrepreneurial activity (Fig. 2).

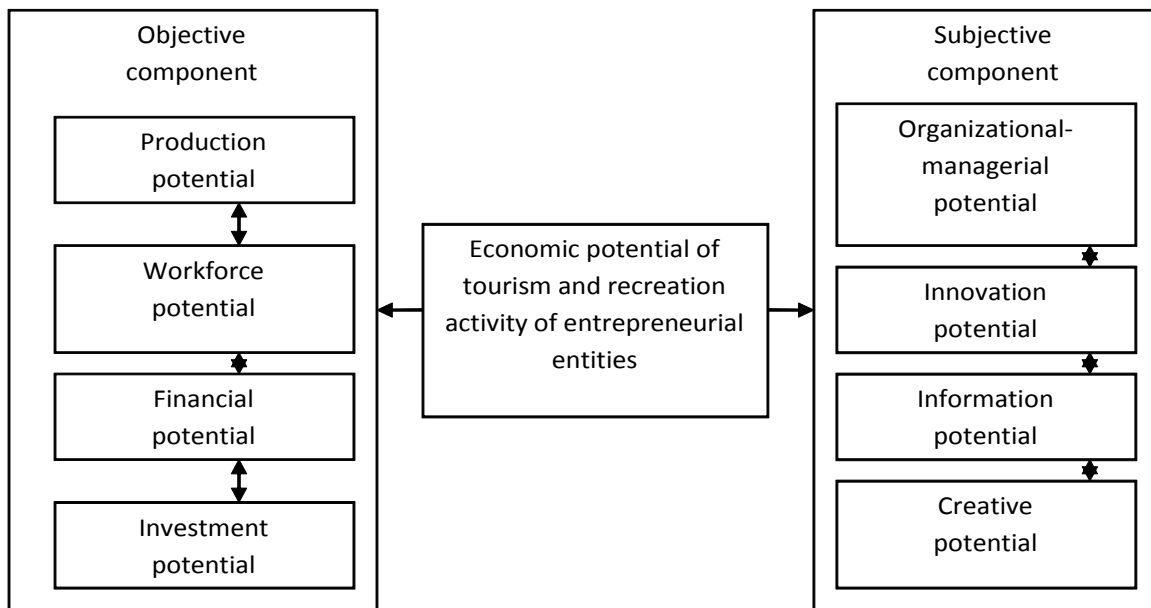


Figure 2. The components of the economic potential of tourism entrepreneurial activity

The economic potential of entrepreneurial entities within the tourism and recreation sphere is an aggregate of various types of resources at the disposal of the business entity, as well as its ability and capacity to engage them in entrepreneurial activity with a view to boosting the entity's competitiveness based on meeting the consumer's various needs for services (goods, works) [7].

Assessing the components of the economic potential of entrepreneurial entities takes account of the degree to which resources are commercialized, the development level of horizontal links between entrepreneurial entities within the tourism and recreation sphere, and transport accessibility in relation to the major sales markets.

### Conclusion

Assessing the economic potential of entrepreneurial entities within the tourism and recreation sphere is a preparatory stage in working out the region's cluster policy. In order to ensure the effective interaction of entrepreneurial establishments as part of cluster policy, the following activities need to be carried out:

1. cluster analysis of the potential of the region's tourism and recreation sphere;
2. identifying and assessing factors in the creation and development of clusters;
3. working out mechanisms for realizing the concept of the cluster organization of entrepreneurial activity;
4. identifying the levels of clusterization of entrepreneurship within the tourism and recreation sphere;
5. putting together a methodological and guidance framework for managing the clusterization of the entrepreneurship system within the tourism and recreation sphere.

Carrying out all of the above activities will ensure realizing the concept of the cluster organization of entrepreneurial activity within the tourism and recreation sphere. The concept is oriented towards boosting the effectiveness of the activity of entrepreneurial entities in present-day economic conditions, which is founded on the latest solutions and technology. Under the cluster organization of entrepreneurial activity, there is created a new form of organizing labor and formed a multi-cluster innovation system not only within the tourism and recreation sphere but the economy of the entire region.

Only the cluster as an institutional form of organizing the techno-industrial and socio-cultural set-up binds together common sectoral and regional development [3, p. 312].

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