

RURAL DEVELOPMENT, TOURISM BUSINESSES IN VADU AND CORBU'S MUNICIPALITIES

Safta Dan

The Academy of Economic Studies, Bucharest

Faculty of Management

The main purpose of this article is to present the transformation needed by a seaside rural area in an internationally competitive tourism. Vadu and Corbu areas are rural municipalities which want to develop and convert into a new city: Orion City. Therefore, Vadu and Corbu's municipalities want to become a cluster region within the tourism industries and hence turn into a resort municipality where tourists can live and run their businesses as well as providing for tourism activities. The reason why it is interesting to create a cluster region is because it comes with benefits for the companies and it helps developing the regional economy, since clusters' lower barriers in a new business formation are the ones which improve the environment for productivity. One investment that needs to be made in the direction of becoming a great resort municipality is the start up of an Advanced Rural Tourism Vocational Education in the region, named Orion Entrepreneur.

It should start with only 20 students in this programme, skilled ones, which should all want to start up own businesses within 10 years, and maybe some of them even plan to establish their companies in Orion City.

Also, the two municipality councils should invest in attractions to capture tourism companies.

However a trend can be estimated from the very beginning. The districts where most of the tourism businesses in Romania take place are rural areas close to populated regions, so called semi-urban areas. Or, there are no cities in Corbu and Vadu's municipality only one bigger town, Constanta. These makes us believe that, if the two rural areas want to become tourism municipalities they must invest, for example creating job opportunities and new residential areas. Therefore, the idea that I would like to promote would be to build a Las Vegas as a city of Romania, a city that would become internationally recognized as a 5-star holiday city, with hotels and rest facilities, shops and famous casinos, access to the delta, the Black Sea coast and to the historical sites for the passionate, but also access to spa treatments.

These investments are needed to attract inhabitants and business people to their municipalities before the tourism companies can flourish. Investments make this type of clusters attractive.

Keywords: cluster, tourism, rural, investments, entrepreneur.

JEL L26; L83

I. Introduction

The rural tourism related industries are clearly growing in Romania and in the European Union. The rural tourism industries come with many job opportunities which have economic benefits (Erlandsson, 2009). Furthermore, there is a demand for cluster regions within tourism industries because clusters develop businesses, build up the rural areas and creates a regional growth (Guinet, 1996; Porter, 2000). There has been a structural change within the rural tourism industries. Historically rural areas were used for agriculture and farming. Nowadays rural areas are starting to be used for leisure time and for sports. There is a connection between people getting more leisure time and the growing rural tourism industries.

Corbu and Vadu's municipalities want to seize the opportunity of these growing industries. The hobby establishments are a large part of these industries, but there is a need for professional tourism businesses to make the rural tourism more solid. Therefore Corbu and Vadu want to create a cluster region and become a rural tourism municipality where tourists can live and run their businesses as well as providing for sports activities. The first investment in this respect needs to be the Advanced Rural Tourism Vocational Education in their region, named Orion Entrepreneur. One specification needs to be made: the enrollment needs to take place on a national level and to have high entry criteria.

The purpose of this paper is to identify a general outlook about what it can be made to see if the municipality is suitable for transforming from a rural territory into a tourism resort or not. This paper is therefore based on interviews with municipal authorities about their business ideas, and what they think of the future of the municipality and the future of the education. This study aims to answer the following questions:

- Are Vadu and Corbu suitable municipalities for tourism companies and being a cluster region within tourism industries?
- What is missing in Vadu and Corbu area?
- What future investments should the municipality council make?

To be able to answer these questions, interviews have been conducted with several local authorities, local business counselors and entrepreneurs in the area. The reason why local business counselors were encouraged to participate was to eliminate skewness and to receive everybody's opinions. Several interviews took place on the telephone and two have been face to face. The interviews were conducted in Romanian, and parts of the interviews were translated into English, by the author, for quoting purposes. The interviewed persons could choose to be anonymous.

The delimitation on the qualitative part of the report is what arising companies thereof will have on the municipality.

This study begins with an explanation of the theoretical framework including the theory of market demand for cluster regions and the definition of cluster theory and the effects of it. Further on, excerpts of the interviews and quotations were analyzed. The subsequent part presents the qualitative analyze which determines the future outlook for each municipality based on the interviews. The study ends with conclusions.

II. Literature review

This part will examine the theory of clusters and market demand of cluster regions. Porter, Giarratani, Hoover, Nelson, Lundvall, Karlsson, Blien, Enright, and Ohlin are well known researchers who have elaborated much in the field of cluster theory. The empirical study for this article is based upon a cluster analysis derived by Brakman, Garretsen, and van Marrewijk (2001). The analysis investigates the industry agglomeration (y) through geographical and industry concentrations (G and Herfindahl Index (H) respectively).

The theory of market demand is partly derived from the acknowledged microeconomist Varian's book *Intermediate Microeconomics, A Modern Approach* (2005). Varian (2005) describes market demand as the aggregated demand of all consumers in a market. One part of market demand, which is important for this article, is the market demand for cluster regions.

2.1. Market demand for cluster regions

Why is it interesting to create a cluster region? There appear to be two types of clusters, company clusters and geographical clusters. Company clusters indicate a close relationship with partner companies and organisations, which does not necessarily be within a region. Geographical clusters on the other hand imply that companies interact with each other locally. However, both

cluster types are signified by innovations, networks, information flow and labour skill. These effects are valuable for the regions where the companies are located in both cases.

These two cluster types can further be divided into two categories (Porter, 1990). These two are vertical and horizontal clusters. Vertical clusters imply that a whole product chain is present in one region or that the whole product chain has close interactions (no matter where they take action). Horizontal clusters imply that companies have common costumers, share same technology, uses same channels, etc. A cluster economy is defined as a region where a specific industry has increased to over its normal value (Blien & Maier, 2008). "They [Clusters] are present in large and small economies, in rural and urban areas, and at several geographic levels (for example nations, states, metropolitan regions and cities)." (Porter, 1998b). According to Porter (2000) a cluster economy comes with benefits. Cluster regions, for example, decrease the risks of transport delays and also prevent hidden costs. Cluster regions contribute with increased innovation and knowledge. Even if companies are rivals there will be information spillovers through informal interactions and contacts due to "people talk". This happens mainly between companies in the same region. In Porters' major work, *The competitive Advantage of Nations*, (1990) he states the negative effects of cluster economies. High labour costs due to attractive labour force are one drawback. Further there must be a local demand for quality for companies to develop their products and thus increase their global competitive edge. If this local demand lacks, Porter thinks businesses will lose innovation efforts. Blien (2008) said that knowledge leakage, industry spying and poaching of experts (into the cluster from elsewhere) are some of the negative effects. Martin and Sunley (2003) affirmed that cluster policy has become a trend and is seen as a solution for economic problems, but many decision makers rush into applying cluster policy, the decision makers should be more cautious, they said. Martin and Sunley (2003) further stated that not even researchers have agreed upon the definition of clusters, so there is concept confusion.

According to Brakman, Garretsen, & van Marrewijk (2001:189) "a major drawback of urban agglomeration is to be found in congestion, which can arise in many different ways, such as limited physical space, limited local resources (such as water for cooling processes), environmental pollution (which may require extra investment), and heavy usage of roads, communication channels, and storage facilities".

Clusters can arise either from policy interventions and thus be a transplant cluster, or it can arise from nature, and thus be called an organic cluster (Enright, 1998). A combination of the two is also possible, called hybrid cluster (Enright, 1998). "Transplant strategies can help develop a regional economy rather quickly, but are limited to the investments available for attraction, are subject to imitation and destructive competition, and face the risk that poorly embedded facilities will eventually close." (Enright, 1998).

Local suppliers, customers and society demand for cluster economies. Ohlin (1933) declared that local suppliers and customers will interact where there is specialized labour skills and diversification in order to become economies of scale. Clusters are dependent on labour force and to create a geographical cluster the industrial politicians need to provide attractive opportunities locally with the aim of attracting labour force. With the demand of local economic growth in society, R&D and educational institutions are used to develop the innovation systems (Lundvall, 1992; Nelson, 1993). With increased innovation businesses will utilise their resources in a more efficient way, and hence become more competitive. The most innovative companies are the ones with strongest cooperation globally.

Dissimilar companies or industries located in clusters have also shown economic benefits when interacting. No matter the size of the business, if they are service or goods businesses, or if they are high or low tech, they can still benefit from interacting.

Giarratani and Hoover (1971) stress the importance of clusters to attract customers. For example, high fashion shops are often seen in shopping centres or agglomerated shopping districts. This idea is based on bringing similar products to one place to facilitate customers' decisions. But, even though the information technology improves steadily, the personal contact between people is still very important when it comes to complicated matters. Therefore geographical closeness is seen as an advantage and lays the foundation for innovation and knowledge. Clusters increase productivity in terms of outsourcing or vertical integration through improving access to specialized inputs and information, facilitating complementarities among cluster participants, and improving incentives and performance measurement. More important, in many cases, is the role of clusters in improving the rate and success of innovation. Finally, clusters lower barriers to new business formation that improve the environment for productivity. While traditional agglomeration economies are centered on cost minimization, cluster advantages rest on information, transactions costs, complementarities, and incentives as well as “public” goods that result from both public and private investments.

III. Methodology

3.1. *Research design*

Since the research is qualitative, it is clear that it focuses on the studied municipalities, in our case Vadu and Corbu. The study does not proceed from a hypothesis but it is let free to emerge (De Vos et al., 2002). In this type of study, the questions can be modified and the advantage is that the conclusions can be draw directly from the answers. The study is exploratory and it tries to find out which are the necessary tools and techniques in order to guarantee successful rural tourism development.

3.2 *Preliminary Study*

According to De Vos et al. (2002) in a qualitative research, the preliminary study is meant to test and thus conduct to modifications both in the interview plan and in the nature of question in order to improve the investigation.

Also, this preliminary research: asses the non-structured interview, estimates the necessary time during the non-structured interviews, predicts problems which may take place while applying the non-structured interviews and decides on the respondents who will be part of the target group at which the non-structured interviews should be applied to.

The methodology of the preliminary study consisted of several stages. First, the approach of municipalities' involved authorities and entrepreneurs. Second, after making a list with these names and speaking to them, obviously that the researcher introduced to these persons the research goals and inquired them if they would desire to participate in the preliminary study. Ten respondents who were part of the public management team of each municipality accepted to participate in the preliminary study and further on were arranged interviews. Also 10 entrepreneurs accepted the interview. Their names will not be told for confidence reasons. Respondents were offered Appendix A in electronic format. Further on, the study was conducted through a survey where personal interviews were held. The discussion at these interviews was focused on rural tourism development in general and Appendix A.

The conclusions of the preliminary study are presented in the next sections.

3.3. *Sample Framework*

In the hereby research will be used two types of sampling techniques in order to establish the sample framework. Using sample gives you a higher accuracy than a census (Saunders, 2012). Firstly it is judgmental sampling, which implies that sample elements have things in common, in the present case: rural tourism development. The preliminary study was used to identify sample elements with similar features. In our case, the common feature is that both municipality

authorities and entrepreneurs claim that they want to make strategic planning for rural tourism development in Vadu and Corbu area.

The major benefit of the sample method used before is the fact that respondents offered to the researcher the contact details needed in order that the most important municipalities public managers, strategy implementation managers and entrepreneurs can be contacted and interviewed. Five persons from each municipality were chosen and 5 entrepreneurs, a total amount of 15 persons.

IV. Results

In this part, the answers from the interviews are qualitatively analyzed. The analysis is drawn upon how the local authorities and entrepreneurs themselves expect their future to be, as well as how they believe that the municipalities' future will be.

What Strengthens the Tourisme Businesses in Corbu and Vadu area?

A city in full construction, where the extravagant luxury and the opulence surround everyone. I propose therefore to build Orion City, a city that never sleeps a spectacular city full of unexpected energy.

The city would focus on tourism, especially if we consider the area's history, geographical position and traditions.

Therefore, it will be necessary to set up casinos with a range of facilities. Thus, there is a need to restaurants and shops, and local authorities and entrepreneurs proposed even small miniature imitation of the world's major tourist attractions, such as the Eiffel Tower, the Pyramids of Egypt, Hanging Gardens, etc., which will create an interesting atmosphere by locating them geographically together.

In addition to the casino games, other things would be more interesting in the casinos. There will be large palaces that will exceed all imagination. In this regard, it is necessary when selecting projects to be held, to be chosen the most daring, extravagant and, why not, the more difficult to achieve. Each casino will have a special theme. Thus, for example there may be a casino called Luxor, which must have the shape of a pyramid with a Sphinx at its' entrance. Obviously, the casino will be built in the Egyptian style, full of statues.

Another casino could be built in the form of Taj Mahal, this bringing tourist into the Oriental world, close to Buddha and Tagore, etc. Of course, all this luxury should be dazzling; everything should be perfect, so that no one can resist without playing a sum as small.

Orion City is intended to become the shopping capital of Europe, will be a real paradise for shopping lovers from around the world, which can loiter for days in the modern malls with large stores, fashion houses and also in the traditional bazaars, where bargaining should be on the agenda.

Besides this, Orion City would provide other attractions that tourists would not expect: horse racing, hot beaches, archaeological sites, water park sites rarely seen in other cities of the world, golf courses and much sun. Yacht sightseeing cruises and scuba diving, characteristically for a city on the Black Sea coast would be among the highlights. With all this, Orion City would offer unique attractions.

The Romanian state will be the one that will ensure all city utilities and also the building of a football stadium within a public-private partnership, where sport competitions and shows would take place, a stadium with a capacity of about 100,000 spectators, therefore higher than New Camp stadium in Barcelona.

There will also be build Olympic competition pools, tennis courts, volleyball, basketball and the largest amusement park in the world with a capacity exceeding 5 mil. Pers. / year.

In conclusion, the tourist attractions of the new city will be varied, for all tastes, given that the city has natural resources that were not recovered at all so far.

Given all the above, we can provide the Orion City motto as: “Orion City - gateway to absolute luxury”.

Both entrepreneurs and the municipality council share the view that when tourism companies will establish in Corbu and Vadu area, they will trigger further establishments of other companies in the area. Increasing the number of hotels, events and activities would spread the news of Corbu and Vadu area being a developing rural tourism municipality. Tourism development attracts retail stores and service companies.

V. Conclusions

As written in Giarratani and Hoover (1971), they emphasise that cluster regions attract labour force. The reason why it is interesting to create a cluster region is because it comes with benefits for the companies and it helps developing the regional economy (Enright, 1998; Porter, 2000). “Clusters lower barriers to new business formation that improve the environment for productivity.” (Porter, 1998a). Also Ohlin (1933) proclaimed that clusters develop rural areas. Vadu and Corbu area are rural municipalities; therefore it is understandable why they would benefit to attract entrepreneurs to their municipality.

Finally it must be said that model-building and development plan of Orion City will be implemented and achieved only if all social actors, at all levels, regional, national or international, will be integrated and only if they will implement the innovative ideas, actions and objectives already stated. It’s in the power of governors and of the future Orion City mayor to satisfy the conditions necessary to achieve those objectives. Only through a unified thinking about the objectives that must be followed will be created the necessary prerequisites to ensure the occurrence of a strong impact in achieving a harmonious and sustainable project as the one presented.

The development phase of this project involves examining all complex issues specific to various forms of land ownership.

Also, the Romanian seaside will be unable to compete as long as entrepreneurs in the area will not apply sustainable strategies, aimed at creating quality tourism products which meet the requirements of tourists. This must stop pursuing further high profits by charging extremely high prices not reflected in the actual quality of the services and products marketed.

VI. Bibliography

6.1. Books

1. Blien, Uwe (Eds.), Duque, Juan C., Maier, Gunther (Eds.), Rey, Sergio, Torre, Andre, & Wrobel, Martin. *The economics of regional clusters — Networks, technology and policy*. Cheltenham: Edward Elgar Publishing. 2008.
2. Brakman, Steve, Garretsen, Harry, & van Marrewijk, Charles. *An introduction to geographical economics*. Cambridge: Cambridge University Press. 2001.
3. De Vos, Andre, Strydom, Henry, Fouche’, Christa B. & Delpont C. S. L. *Research at grass roots. For the social science and human services professions*. 2nd Edition. Pretoria: Van Schaik Publishers. 2002.
4. Giarratani, Frank & Hoover, Edgar. M. *An introduction to regional economics*. Morgantown: West Virginia University. 1971.
5. Guinet, Jean. *Institutional framework conditions for the development of the knowledge-based economy*. Paris: OECD. 1996.
6. Lundvall, Bengt-Åke. *National systems of innovation: Towards a theory of innovation and interactive learning*. London: Pinter. 1992.
7. Martin, Ronald. & Sunley, Peter. *Deconstructing clusters: Chaotic concept or policy panacea?*. Oxford: Oxford University Press. 2003.

8. Nelson, Richard. *National innovation systems: A comparative analysis*. Oxford: Oxford University Press. 1993.
9. Ohlin, Bertil. *Interregional and international trade*. Cambridge: Harvard University Press. (1993).
10. Porter, Michael E. *The competitive advantage of nations*. Basingstoke: Macmillian Press. 1990.
11. Porter, Michael E. *The Adam Smith address: Location, clusters, and the “new” microeconomics of competition*, Jan. 1998; 7; 13). Business Economics, Nabe. 1998a.
12. Porter, Michael E. *On competition*. Cambridge: Harvard Business School Press. 1998b.
13. Porter, Michael E. *Location, competition, and economic development: Local clusters in a global economy*, (2000; 14; 15). Economic Development Quarterly, Sage. 2000.
14. Lyon, F., Möllering, Guido & Saunders, Mark N.K (Eds.). *Handbook of Research Methods on Trust*. Cheltenham, UK: Edward Elgar. 2012.
15. Varian, Hal R. *Intermediate microeconomics, A modern approach*. New York: W. W. Norton & Company. 2006.

6.2. Articles

16. Erlandsson, Eskil. *Conference EU Equus 2009*. Sweden. Uppsala 29-30th of October. 2009.

VII. Appendix A

Dear participant,

By answering the following questionnaire we would like to find out your opinion on tools and strategies which can be used in order to transform the Vadu-Corbu area in a resort city. Therefore, your contribution is considered very important for the successful completion of this study. Your answers will be treated with strict confidentiality.

Thank you in advance for your time and effort.

Kind Regards,
Safta Dan (PhD. In Management)

The Interview Questions

Section 1: Introductory Questions

Gender

- Male Female

Age

- 18-29 30-39 40-49 50-59 +60

Educational background

- High School University Postgraduate (MSc) Doctoral (PhD)

Marital Status

- Married Single Divorced

Department You Work In

- Management Marketing IT HR Production Other

Work experience at present job

- <1 year 1-3 years 3-5 years 5-10 years >10

Section 2: Entrepreneur's Questions:

What was your first motivation to start up a business? Which are your best qualities as an entrepreneur?

- Which qualities would you like to have?

What is your best advice to success in your industry branch?

How has the education influenced you as an entrepreneur?

Section 3: Business/ Local authorities' questions:

What is your opinion about Vadu and Corbu as a municipality?

Does everything you need for your business exist in Vadu and Corbu area?

- What is missing?

Could you imagine Vadu and Corbu area after investments are made?

What makes Vadu and Corbu area interesting for you?

How can be financed this start up process?

Would it be profitable for people from Vadu and Corbu area?

Section 4: Both Entrepreneur and Business/ Local authorities' questions:

Please shortly describe your business idea.

- What makes it special? How did you come up with it?

- For how long have the idea existed in your mind? How has your idea changed during the education period?

- What has the education contributed with? How can you materialise your idea?