

# CLUSTERIZATION - A FACTOR OF EFFICIENCY IN SMALL AND MEDIUM HOSPITALITY ENTERPRISES

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# CLUSTERIZATION – A FACTOR OF EFFICIENCY IN SMALL AND MEDIUM HOSPITALITY ENTERPRISES

## ABSTRACT

In the modern global economy that is constantly changing and causing constant threats and challenges, various forms of association and networking enterprises are of growing importance. Considering that small and medium enterprises are drivers of economic growth and employment, they should be the most dynamic and most efficient segment of the economy. The same is true for the hospitality industry, where small and medium hospitality enterprises are the main providers of the tourism offer. The lack of networks in clusters of small and medium hospitality enterprises in Croatia is the cause of the unsatisfactory level of competitiveness and quality of hotel facilities with negative implications for economic and social development. The beginning of clustering in Croatia could be a good way to increase the economic efficiency of Croatian small and medium hospitality enterprises. The aim of this paper is to present clustering as a factor that affects the quality of small and medium hospitality enterprises by increasing their competitiveness in the tourism market which is becoming an important element for their business efficiency. For the purposes of the research, a survey was carried out on a sample of 72 small and medium hospitality enterprises in the period from June to September 2012. The survey results have shown that clusterization is a factor of efficiency in small and medium hospitality enterprises.

**Keywords:** Small and medium hospitality enterprises, clusterization, competitiveness, efficiency

## 1. Introduction

In order to overcome the obstacles in their business in a turbulent environment, small and medium hospitality enterprises (SMHEs) are compelled to rely on cooperation with other similar enterprises and individuals in related industries in terms of strategic networks. Strategic networking refers to the group of enterprises and individual entities that join efforts to achieve a competitive advantage, while

such achievement would be very difficult with individual efforts. Attention has increasingly been accorded the importance of strategic networking in the tourism and hospitality industry (Augustin and Knowles, 2000; Chathoth and Olsen, 2003; Copp and Ivy, 2001; Lynch, 2000; Morrison et al., 2002; Pavlovich, 2003; Telfer, 2001). According to the previously mentioned authors, strategic networks are used to achieve various functions of hospitality enterprises: marketing strategy, cooperation among

hospitality enterprises within the destination, obtaining the resources, information and advice as well as networking among hospitality enterprises and other economic entities. Despite the increasing volume of literature on SMHEs, the problem lies in the fact that most research deals with clusters for small and medium-sized businesses in the manufacturing and technology industry. Only a few studies deal with the influence of clustering in the tourism hospitality industry. However, the discussion is limited to whether the clusterization is useful as an innovative process to support SMHEs.

Porter (1998) defines a cluster as a “geographic concentration of networked enterprises and institutions in a particular field, linked by the similarity and complementarity”. His definition could be used as a general template for the hospitality industry through niche markets involved in the process of clusterization in SMHEs and by providing greater economic and social benefits for the local community. He is also focused on creating economic and social conditions in the small tourist communities through the development of tourism clusters whose members collectively can enrich the tourism product that would be specialized, i.e. the regional tourism product. An increasing number of politicians and scientists (Isaksen, 2004; Jackson and Murphy, 2006; Novelli et al., 2006; Bernini, 2009) have also recognized the significant economic contribution to the regional tourism cluster by service activities, SMHEs, tourist consumption, destination in itself - a tourist cluster in Orlando, Florida (Hsieh and Lee, 2012). The ability of SMHEs to achieve the gains will depend on the strength of local links in the value chain. Zeng et al. (2010) conducted empirical research and concluded that there are significant positive relationships within the network and innovation in SMHEs. Examples from practice showed that a higher level of innovation is linked with cooperation and knowledge. Results of the study conducted by Baptista and Swan (1998) have shown that enterprises that are in the cluster innovate more, which will strengthen the cluster itself and there will be employment opportunities within the sector. Lee (2010) has developed a framework to assist managers in creating new value through innovation in the service industry. On the side of demand, innovation in SMHEs can create a better perception of value and provide a unique experience to guests, thus creating the appropriate advantages in terms of willingness to pay for quality services.

Observing the effects of cluster on the enterprise's business, Bell (2005) studied the effect of different mechanisms inside and outside the industry cluster. SMHEs can maximize the value they create by enhancing the perception of guests and reducing costs. They are able to maximize their value by becoming members of the cluster, actively participating in the formation and management of the cluster, but also working with businesses and individuals within the cluster due to shared competencies, focus on guests, and focus on new innovative solutions to increase the perceived user benefits. Increasing the value includes the total market value and the value distribution among the stakeholders, analysing the competitive market environment and stakeholders which adopted relatively higher or lower value depending on the distribution of proprietary and complementary assets within the cluster, creating alternative mechanisms to limit the loss of value and to ensure that businesses and individuals within the cluster take most of this value (Lee, 2010a).

According to Porter (1998), clusterization impacts on competition by increasing the productivity of the cluster, following new trends and introducing innovations, and stimulates the creation of new enterprises. Based on the literature review, there are indications that the area of influence of clusterization on the development of SMHEs, particularly in the Republic of Croatia, has been insufficiently studied and that there is a need of research on the issue. Therefore, the purpose of this paper is to explore how clusterization impacts on business performance of SMHEs in Croatia. The survey was conducted in the summer of 2012 on a sample of 72 SMHEs in Croatia.

## 2. Clusterization in hospitality industry

Clusterization is a dynamic phenomenon and therefore it is difficult to define because of its complexity and economic multidimensionality. Clusterization is in an economic sense and context a “geographically similar group of interlinked enterprises and institutions in related activities” (Porter, 1998a). They are considered to be one of the most important forms of organizational development and as such are perceived as important drivers of economic growth. Originally, clusterization was linked to advanced economies, then after 2000 the concept of clusterization appeared in the transition economies.

Porter (1990) provides a framework for improving the economic competitiveness of the local and national economy. In his analysis local factors such as environmental protection, knowledge and motivational factors constitute an important contribution to the success of individual enterprises. He emphasizes the need for a stable political environment which allows businesses to effectively operate and produce products according to market needs, in a business environment with local suppliers, adequate infrastructure, educational institutions and human resources. In the process of stakeholder networking clusterization occupies a central place. According to the Global Competitiveness Report (2011), Croatia was in 94th place out of 144 countries with regard to the cluster development, and in the 110th place according to the width of the value chains linking suppliers with mass producers. In Croatia, more than 500 enterprises participated in clusterization, with more than 25,000 employees. Most of these clusters are in the manufacturing sector, but tourism and agriculture are well represented too (Institute of Tourism). Clusterization in the hospitality enterprises belongs to the service clusters and could be encouraged by the natural features of the area in which they do business (Lee-Ross and Lashley, 2013). They are mostly informal (Hsieh and Lee, 2012a) and therefore business relationships within them are weaker and shallower. When faced with an economic crisis, enterprises in a cluster are more stable and less sensitive to the crisis. The effects of clusterisation in the hospitality industry are positive, and the presence of clusters is a crucial part of the attractiveness of the destination. Clusters can arise naturally, but a functional analysis of the concentration of hospitality enterprises shows that their shape and development depends largely on initiatives undertaken by local businesses and the local administration linked with the existing natural resources and potentials (Dragusin et al., 2010). Concentration within the cluster is based on the integrated tourist offer that operates on the principle of introducing new tourist attractions, physical and communications infrastructure, accommodation, transport, travel agencies, farmers and other supporting services in a distinctive offer. Clusterization in the hospitality industry is present in different geographic areas (Dragusin et al., 2010a), from the city or local level (Business Tourism Cluster in Denmark, Hong Kong cluster), regional (the Galapagos in Ecuador Cluster Eastern Tourism Cluster in the UK) to national level. The number of employees within the cluster in the hos-

pitality industry varies widely from 7,000 employees (Wales Tourism Cluster) to 153,000 employees (Amusement Nevada Tourism Cluster in the United States) and 284,000 employees (London cluster in the UK). It is interesting to point out that in a number of clusters their members originate from different activities, e.g. in the case of Wales, the West cluster or the South cluster in the UK, their members come from 15 different sectors, including hospitality. There is an obvious development of tourism clusters in developing countries, where the cluster represents the possibility of linking various economic and non-economic entities. The most important tourism cluster was built on the Cote d'Azur, as a result of the development of agricultural clusters, which requested a market for surplus food products (Hsieh and Lee, 2012b). There are several clusters in the hospitality industry in the developed countries that are ranked 3 to 1 star, e.g. Italy has 12 identified clusters, Spain has eight clusters, Austria six clusters, France and Switzerland four clusters each and Germany two clusters. Most of them are just agglomerates that have limited connectivity among the cluster members and operate exclusively on formal basis.

The number of members within the cluster is important for its sustainable development in the hospitality industry. The development of the hospitality industry through clusterization, i.e. by linking of travel agencies, local farmers and other entities, is certainly an important factor in their survival and increases their competitiveness. Cluster development is a regional response to the competition arising from globalization.

In Croatia, cluster management organization is established in many industries. Croatian Employers' Association established the National Centre for Clusters, which provides better financial, administrative, personnel and other conditions for the successful implementation of projects. In addition to these institutions, monitoring and overseeing of cluster operations was established in the National Competitiveness Council of Croatia. There are several tourism clusters, but their members complain that tourism clusters invests less than the rest of the economy. Institutional support to SMHEs declined as a result of orientation of the state institutions to large sized hotels and privatization processes. The most famous are Cluster Zagreb and Slovenia (multinational), the Cluster Association of Small and Family Hotels in Dalmatia and Istria Cluster. The

Dalmatian tourism cluster was initially financed mainly by funds from USAID through the National Council for Competitiveness, while the Istrian cluster was mostly supported by tour operators and hotels there are privately owned. The Istrian model shows an alternative approach, opposite to the nationally recognizable model of establishing clusters. The specificity is that the coordination with the central government was limited, and communication was mainly at the regional and local level, with maximum participation of investors and entrepreneurs from Istria. This indicates a weakness of the national policy regarding the development of this tourist destination, as well as the importance of capital as a prerequisite for the process of clustering, showing inadequate communication at all levels.

### **3. Clusterization – a factor of quality of small and medium hospitality enterprises**

Business operations of hospitality enterprises in the modern world are based on quality products and services, innovation, speed, flexibility, connectivity and production or service potential. This newer style of operations requires a team approach at the local level and the clusterization approach. All over the world SMHEs have a tendency to network in clusters. These enterprises are not isolated, but in carrying out their activities generate interaction with their suppliers, competitors, guests and public institutions. The quality of connection and the system of relationships established with other businesses can significantly influence their competitive advantage. High competitive advantages lie substantially in local staff-knowledge, motivation and the quality of products or services that they possess, which can best be developed through cluster networks. One of Porter's brief definitions is that clusters are a critical mass of enterprises and institutions in one place. Their development is the most effective way to enhance the quality of the local environment including SMHEs that are in the area, and are members of a cluster.

Quality is a key factor in business efficiency on clusters market (Dragičević and Obadić, 2013). It is establishment of various management systems to integrate them in order to create competitive advantage and sustainable growth of clusters and SMHEs within them. SMHEs will support the process of integration in management system clusterization only if they directly benefit from it, or if

members who have already implemented it can expect further savings and new benefits at the cluster level. Integrated management system clusterization (Davidović, 2013) encompasses all implemented quality management systems, environment, health and safety, human resources, finance, etc., and integrates processes and documentation that describes them. Clusterization cannot meet all the demands of tourists and other stakeholders unless the quality of common products and services is constantly improved. Therefore, risk management is one of the key processes that should be conducted in accordance with ISO 31000 (Dopson and Hayes, 2011). Clusters and their members use stamp of quality, indication of geographical origin and authenticity of products or stamp of the supply chain and apply standards and quality control procedures for obtaining and use of such marks, which should also be involved in the scope of system integration. For example, clusters of food producers from the geographical origin should implement a system for monitoring the succession of products throughout the production process. Their integration can be based on standards of food safety (ISO 22000, ISO 15161) and health safety (HACCP), and encompass procedures for obtaining Halal and Kosher certificates. This is very important for the hospitality industry considering that HACCP has to be used. Then there is Halal and Kosher quality with appropriate certification that is increasingly sought by today's guests. The quality of services in the hospitality industry is an important factor in an efficient business. The current trend of quality management in the hospitality industry ensures the achievement of competitive advantages. In other words, the competitive advantage of SMHEs determines their competitive positioning. To operate efficiently, SMHEs must offer higher quality of their products and services than their competitors. The ability to provide quality services, which will be easier to achieve within the cluster, will allow them to increase prices of their products and services and to expect better business results and profit. Consequently, their competitiveness is achieved at the local level through their capability to constantly create new and improve the quality of existing products and services and by ensuring that all resources are used in the best and most sustainable way. The competitiveness of SMHEs requires a "competitive diamond" (Dragičević and Obadić, 2013), which is the business environment that will encourage a continuous process of innovation and improvement of quality of hotel products and services, a high level of

productivity in the use of resources and high business efficiency in the performance of competing activities.

### 3.1 Clusterization – a factor of SMHE efficiency

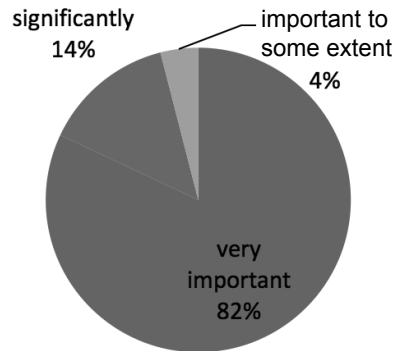
The efficiency of the hotel business is based on its market position, satisfying the guests, their loyalty, highly personalized service and the hotel's profits. Synergistic action of all components (Hope and Player, 2012) is emphasized in the strategy of efficiency of hotel operations. SMHEs need to adjust to changes in the tourism market, which are numerous and very difficult to keep up with. The increasing concentration and growing competition entail the concentration of hotel facilities. To maintain control over the manufacturing, service and distribution chains, SMHEs must develop their business strategy in tune with the world trends, as well as develop links with business partners and the local population leading to a regional or local network in clusters.

By networking in the cluster SMHEs at the local level acquire the possibility to reduce operating costs through joint procurement of goods and services, improving the skills of employees through a variety of education and training programmes, thus establishing better communication and belief that their ideas are more easily accepted. Above all, they can achieve better business performance than when they act alone in the tourist market. All this is feasible, as well as the sustainability of the destination itself for a longer time in which the cluster operates. It would be equally good to expand the network to foreign enterprises, in this instance the best international agencies, which would allow local cooperation between the tourist offer and planning to be more effective in achieving the expected business results. This can be done in situations with insufficient local funds and promotional activities, which makes the link between travel agencies and SMHEs desirable. In clusterization the image and brand names of travel agencies will assist in better positioning of hotel enterprises in the tourism market.

Empirical research was conducted in all Croatian counties on a random sample of 250 small and medium hospitality enterprises. The survey was conducted in the period from June to September 2012. The data obtained from the research were processed by May 2013. The elementary unit of the survey research, which was selected in the sample,

was defined as a business unit that specializes in providing accommodation services. This paper uses the results obtained on a sample of 72 small and medium hospitality enterprises.

**Figure 1** Importance of clusterization as a factor of business efficiency of SMHEs



Source: Authors' research

When asked about clusterization as a factor of business efficiency, managers of surveyed SMHEs considered it very important (82%), significant (14%), while only 4% thought that it was important to some extent. This implies that clusterization as a factor for the efficiency of operation of SMHEs is very important. The study (Sölvell, 2009) about the importance of clusterization that involved 30 countries indicated that in 30% of countries clusterization was very important, it was deemed as medium important in 40% of European countries while it was considered less important by 30% of the countries. By comparing these two studies it can be concluded that clusterization as a factor of business efficiency is very important in Croatia and European countries.

## 4. Research methodology and research results

The research was conducted on a sample of 250 SMHEs in all Croatian counties. There were 72 valid questionnaires (28.8%). The research instrument was a highly structured questionnaire consisting of 25 questions. High structure of the questionnaire included the use of closed questions and Likert scale. It consisted of five groups of questions, and the questions were of three types: open type questions, closed questions with the possibility of choosing the answer and finally the expression of agreement with the given statements. The elemen-

tary unit of research was defined as a business unit that specializes in providing hotel services to tourists, while the reporting unit were the managers of SMHEs.

#### 4.1 Sample

Of the 72 managers surveyed only 20.8% were women. The most represented were respondents aged 41-50 years with 38.9%. The majority were, with 41.7% of the sample, those with higher education. A more detailed age structure of respondents and years of service are given in the following table.

Table 1 Characteristics of respondents

TOTAL		N	%
FUNCTION	Manager	43	59.7
	Deputy manager	9	12.5
	Owner	12	16.7
	Chairman of the Board	2	2.8
	Sales and marketing manager	5	6.9
	SEX	Male	57
	Female	15	20.8
AGE	Up to 40 years	24	33.4
	41-50 years	28	38.9
	51-60 years	17	23.6
	More than 60 years	3	4.1
LEVEL OF EDUCATION	High school education	8	11.1
	College education	30	41.7
	University degree	28	38.9
	Other	6	8.3
YEARS OF SERVICE	Less than 11 years	10	13.9
	11-20 years	24	33.3
	21-30 years	22	30.6
	More than 30 years	16	22.2

Source: Authors' research

The studied sample encompassed mostly SMHEs that are in the category of 5 stars. More than half of them are limited liability companies. The following

table provides detailed data on their category and associations they belong to.

Table 2 Characteristics of the studied sample

TOTAL		N	%
		72	100
FORMS OF ORGANIZATION	Joint stock company	32	44.4
	Limited company	38	52.8
	Craft	2	2.8
CATEGORY OF HOSPITALITY ENTERPRISES	5*	29	40.3
	4*	18	25.0
	3*	25	34.7
HOSPITALITY ASSOCIATION	HUPUH	4	5.6
	UPUHH	34	47.2
	OMH	13	18.1
	NMOH	21	29.1

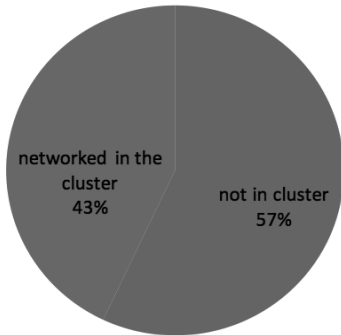
Source: Authors' research

#### 4.2 Research results

The analysis of clusterization in SMHEs on the Croatian territory was conducted by means of a survey. For the purpose of making conclusions about the implementation and importance of clusterization in the hospitality industry several study goals have been defined: (1) determine whether the proportion of SMHEs that are networked in a cluster are significantly different from share of those enterprises that are not, (2) determine whether SMHEs that operate within the cluster perform better than others, (3) determine whether clusterization is an important factor in increasing the competitiveness and quality of SMHEs.

Statistical analysis of all data from the questionnaire was conducted in SPSS 20.0. To determine the impact of clustering on the development direction of SMHEs the method of inferential statistics was used, i.e. the chi-square test of independence characteristics ( $\alpha = 0.05$ ). The first part of the research included the testing of the share of SMHEs networked in the cluster. The data surveyed and depicted in Figure 2 shows that 43% of SMHEs networked in the cluster.

**Figure 2** The share in the total number of clusters of SMHEs

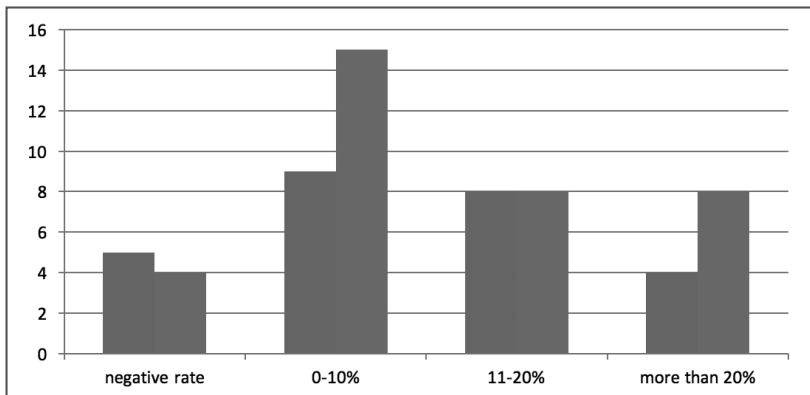


Source: Authors' research

According to Cluster Observatory in 2012 (Solvell, Lindquist and Ketels), Italy has the largest number of enterprises that are in a cluster in the tourism and hospitality industry (80,847 enterprises), or 1.67% of the total number of enterprises. In France, the share of enterprises in the tourism and hospitality industry that are networked in the cluster is 2.07% while in Spain, for example, the share is slightly higher 3.11%. In the Republic of Croatia the share of tourism enterprises that are in the cluster does not significantly differ from the major European tourist countries as the share of such enterprises is 2.03%. The only country that stands out among all the European countries by the share of networked enterprises in the cluster is Austria, whose share is as high as 6.28%.

**H1 SMHEs that are networked in a cluster are significantly different from the share of those that are not in a cluster**

**Figure 3** The representation rate of productivity in SMHEs that are networked in the cluster and those that are not



Source: Authors' research

The test results are shown in the following table.

**Table 3** Test Statistics

	CLUSTER
Chi-Square <sup>a</sup>	1.389
Df	1
Asymp. Sig	.239

<sup>a</sup>. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 36.0.

Source: Authors' research

The empirical value of chi-square test was 1.389, a level of significance of  $p = 0.05$  and a degree of freedom critical value that separates the area of acceptance of the areas rejection hypothesis is 3.84146. Since the empirical value is less than the theoretical conclusion that the presence of SMHEs networked in the cluster and those that are not in a cluster in the Republic of Croatia are equal so the hypothesis is rejected.

In order to determine whether hospitality enterprises networked in a cluster are more successful than those that are not, the calculation was made on the basis of the rate of productivity and the rate of the efficiency in 2012. These rates were calculated for 85% of SMHEs that participated in the survey whose data were available. The bar graph in Figure 3 shows the presence of individual rates of productivity in SMHEs that are networked in the cluster and those that are not.



The rate of productivity shown in Figure 3 is divided into four grades, where as many as 15 SMHEs that are not networked to the cluster belong to the grade of positive productivity (0-10%). The smallest number of enterprises that are networked in the cluster (4 hotels) achieved productivity of more than 20%, whereas 8 hotel enterprises that are not networked in the cluster achieved the same rate. Their distribution is shown in the following table for the contingency rate of productivity.

**Table 4 Table contingency for SMHEs for the rate of productivity**

	RATE OF PRODUCTIVITY				Total
	0	1	2	3	
CLUST 0	5	9	8	4	26
1	4	15	8	8	35
Total	9	24	16	12	61

Source: Authors' research

**H2 The rate of productivity of SMHEs that are in a cluster is different from those enterprises that are not in a cluster**

In order to determine whether there is a significant difference in the rate of productivity of hospitality enterprises that are in the cluster and those that are not, they were tested by chi-square test. The test results are shown in the following table.

**Table 5 Chi-Square Tests**

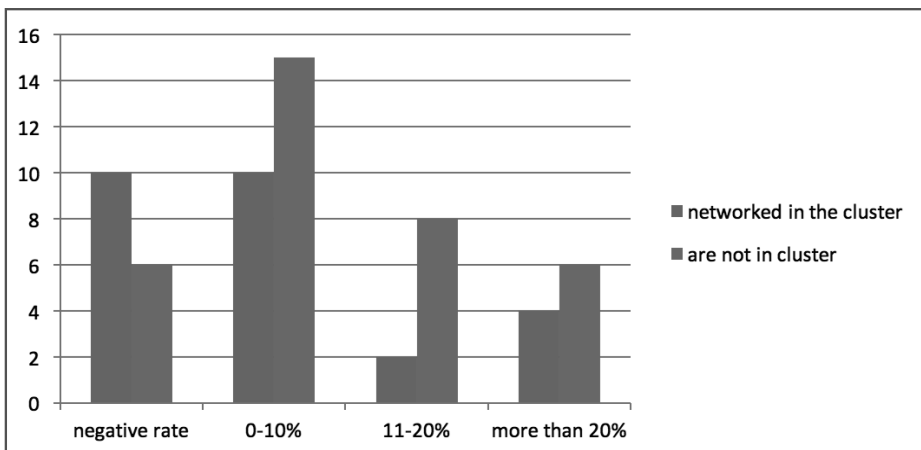
	Value	df	Asymp. Sig. (s-sided)
Pearson Chi-Square	1.653 <sup>a</sup>	3	.648
Likelihood Ratio	1.654	3	.647
Linear-by-Linear Association	.344	1	.557
N of Valid Cases	61		

<sup>a</sup>. 1 cell (12.5%) has an expected count less than 5. The minimum expected count is 3.84.  
Source: Authors' research

The empirical value of 1.653 is less than the size of the chi-square test for the three degrees of freedom and  $p = 0.05$  is 7.81473 so it can be concluded that there is no significant difference in the rate of productivity among SMHEs that are in the cluster and those that are not.

The rate of effectiveness is divided into four grades. SMHEs that have negative growth are in the economy grade 0, those enterprises with a rate of effectiveness of 0-10% are in grade 1, those with a rate of 11-20% in grade 2, while those with rates of effectiveness higher than 20% are in grade 3. The following figure provides a bar graph which shows the representation of a particular rate of effectiveness in these enterprises.

**Figure 4 The representation rate of effectiveness in SMHEs that are networked in a cluster and those that are not**



Source: Authors' research

There are several enterprises with a negative growth rate of effectiveness, which are networked in a cluster. As many as 15 hospitality enterprises have the rate of effectiveness within the 0-10% range, while 10 which were not networked in the cluster have the same rate of effectiveness. The smallest number was found for those hospitality enterprises that are networked in the cluster and have the rate of effectiveness of 11-20% (2 hotels). Their distribution is also shown in the table contingency rate for the rate of effectiveness as already mentioned on the rate of productivity.

**Table 6** Table contingency for SMHEs to rate of effectiveness

		RATE OF EFFECTIVENESS				Total
		0	1	2	3	
CLUST	0	10	10	2	4	26
	1	6	15	8	6	35
Total		16	25	10	10	61

Source: Authors' research

### H3 The rate of effectiveness is different in hospitality enterprises that are in the cluster compared to those that are not

Chi-square test is carried out to establish whether there is a significant difference in the rate of effectiveness. The test results are shown in the following table.

**Table 7** Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	4.776 <sup>a</sup>	3	.189
Likelihood Ratio	4.942	3	.176
Linear-by-Linear Association	2.281	1	.131
N of Valid Cases	61		

<sup>a</sup> 2 cells (25.0%) have expected count less than 5. The minimum expected count is 4.26.

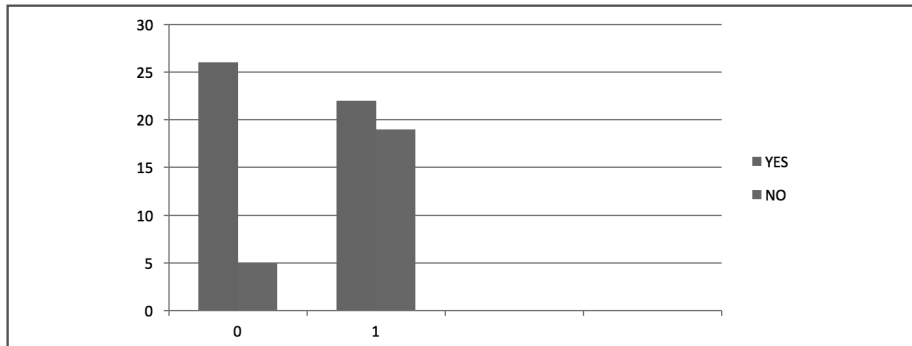
Source: Authors' research

Empirical value is 4.776 and is less than the size of the test chi-square test for the three degrees of freedom and  $p = 0.05$  is 7.81473 so it can be concluded that there is no significant difference in the rate of effectiveness among SMHEs that are networked in a cluster and those that are not. Therefore, the hypothesis 3 is rejected.

The last part of the research seeks to determine the effect of clusterization on the competitiveness of SMHEs and the quality of their business operations. Hospitality enterprises that are members of the cluster were analysed and participated in the questionnaire. The analysis of data was expected to yield the overall picture of whether clusterization is one of the major factors influencing the increase in the competitiveness of SMHEs in the tourism market, that is, to show whether the business quality of these enterprises improved. The effect of clusterization on the competitiveness of the analysed enterprises was extracted from the opinion of managers whether clusterization reflects on the business by improved competitiveness in the tourism market. The impact of clusterization on the competitiveness of SMHEs and the quality of their business operations was researched by looking into business cooperation of those enterprises that are members of the cluster. Then the importance of clusterization as a factor in increasing the competitiveness and quality of business operations of enterprises was analysed, and finally the intensity of the impact of clusterization to increase the competitiveness and intensity of the impact of clusterization on the quality of business operations of analysed enterprises.

According to the analysed responses, the importance of clusterization for the business of SMHEs is very important and significant for 84% of managers, 16% considered it important to some extent, and none considered it of little meaning or completely irrelevant. These results indicate that clusterization is very important for the business of enterprises. When asked whether they believe clusterization has an effect on business through better competitiveness in the market, 84% of managers responded positively, which indicates that clusterization is an important factor in increasing the competitiveness of business operations.

**Figure 5 Comparison of opinions on the impact of clusterization on the competitiveness of business in SMHEs that are in a cluster with those that are not**



Source: Authors' research

It is obvious that in the group of SMHEs that are not in clusters there is a larger share of respondents who believe that clusterization is reflected through improved competitiveness in the market. The bars in Figure 5 indicate that in both groups, 0 - SMHEs that are in clusters and 1 - those that are not in the cluster, the higher share of respondents answered yes to the question of whether clusterization increases the competitiveness of business operations. Also, it can be concluded that in the group 0 there is a significantly higher share of those who believe that clusterization increases the competitiveness of business operations.

From these considerations it can be concluded that the respondents from SMHEs in Croatia are aware that clusterization allows for better competitiveness in the market. The share of respondents who believe that clusterization has an effect on the operations of enterprises through quality hotel offer is 61%, 35% think that clusterization is reflected in the affordable price of the product, 13% consider that it is reflected in the increasing and continuous innovation, and 26% believe it is reflected in more original offers.

According to all of the above it can be concluded that clusterization is an important factor in increasing the competitiveness and quality of SMHEs.

## 5. Conclusion

Clusterization in the hospitality industry can create the most opportunities for the development of the region or regions since clusters operate by accelerating technological progress and develop-

ment due to synergy effects. Although synergy effects have some disadvantages, they are the result of combining resources and should be superior to the individual abilities of some hospitality enterprises and their competitors. The first step for hotel enterprises is to recognize that none of them are able to operate individually and be competitive in the tourism market, without networking with other business enterprises that normally operate in a form of strategic network.

Clusterization in the hospitality industry also breaks down the barriers that separate the hospitality enterprises and other businesses, networks, institutions, competent authorities and ordinary people. It is focused on strengthening the economic basis such as infrastructure and labour force, as well as social capital. Clusterization in the hospitality enterprises allows for the introduction of innovation, achieving high business standards and increasing the competitiveness of the hospitality industry in the tourism market.

According to respondents (managers), through networking in clusters SMHEs can improve the quality of service, guest satisfaction, and the likelihood of their returning to the same enterprise. It is important that the increase in quality of hotel services is not accompanied by the increase in prices, as was the case in traditional business. For this reason it is necessary for SMHEs to network in clusters, which will enable them to improve the existing quality, guest satisfaction and ultimately the effectiveness of hospitality business. On the basis of the opinion of the managers on the quality of services as well as the results obtained from the conducted survey

on a selected sample of SMHEs in the Republic of Croatia, there is sufficient evidence that the quality of services is the most important factor in the effective operation of SMHEs. It should be mentioned that clusterization was assessed as very important by 84% of managers, who also emphasized its impact on better operating results.

From the research results it can be concluded that most respondents (managers) are men aged 41-50 years with a college education and work experience of 11-20 years. On this issue a lot has not changed when referring to all hotel enterprises in Croatia. As regards their legal status, the largest number of hotel enterprises in the sample are limited liability companies (52.8%) of which 43% are in the cluster, and most of them are categorized as a five-star establishment.

According to the opinions of managers, clusterization improves the competitiveness of SMHEs on the tourism market and impacts on their business performance. This proves that clusterization is an important factor in increasing the competitiveness and quality of hospitality enterprises. From the results of testing the H1 it can be concluded that there is an equal share of SMHEs networked in the cluster and those who are not. From this it can be seen that most managers recognize the importance of networking in the cluster that would contribute to their more efficient business.

According to the results based on revenues, expenditures and the number of employees in the surveyed enterprises, it can be concluded that the rate of productivity up to 20% is achieved mostly by enterprises in the cluster, whereas there are more enterprises not networked in the cluster whose rate of productivity exceeds 20%. Regardless of this result, it can be concluded that clusterization has a positive impact on business performance of SMHEs that are networked in clusters. At the rate of efficiency the results are almost the same as in the representation rate of productivity. The overall conclusion of this paper is that the process of clusterization can be one

of the paths to increased economic performance of Croatian SMHEs.

Finally it should be emphasized that the almost equal number of SMHEs in Croatia that are networked in clusters and those that are not indicates that clusterization as the process of improving business has been recognized.

### 5.1 *The baselines for further research*

Permanent changes in the tourism market include changes in the way SMHEs operate, a specific attitude towards the process of clusterization for the future sustainable development of enterprises, specific interests linked to network in clusters of SMHEs and interests linked to better performance and quality of business. In these conditions where it is increasingly "difficult" to sell tourist products the process of clusterization should be the way to better business performance of mentioned enterprises and their competitiveness in the tourism market. Based on the research and forecasting of further development of SMHEs that are networked in the cluster it can be concluded that it is necessary to design a model that will recognize and adapt to market changes and trends. It is therefore recommended to continue research of these extremely interesting and important topics for business development and improved competitiveness of enterprises in Croatia.

According to all the above stated in this research, clusterization is unavoidable for the quality and performance of SMHEs and a lack of scientific research would not be good for the future of their business. Since the effect of clusterization on the business of hospitality industry had not been sufficiently investigated, it is considered that the analysis in this paper made an adequate contribution for further research. Future research may identify activities and effects on the business performance of hospitality enterprises, the characteristics of the life cycle of clusters and investigate possible methods of measuring the efficiency of the business of those enterprises that are members of a cluster.

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## KLASTERIZACIJA – ČIMBENIK UČINKOVITOSTI MALIH I SREDNJIH HOTELSKIH PODUZEĆA

### SAŽETAK

U modernoj globalnoj ekonomiji koja se stalno mijenja i uzrokuje stalne prijetnje i izazove, veliku važnost imaju različiti oblici udruživanja i umrežavanja poduzeća. S obzirom da su mala i srednja poduzeća pokretači gospodarskoga rasta i zapošljavanja, trebali bi biti najdinamičniji i najučinkovitiji čimbenik gospodarstva. Isto vrijedi i za hotelijerstvo, gdje su mala i srednja hotelska poduzeća glavni nositelji turističke ponude. Umrežavanje poduzeća, od kojih je najzastupljeniji oblik klaster, koristi se za poboljšanje različitih funkcija hotelskih poduzeća: marketinšku strategiju, suradnju ugostiteljskih poduzeća unutar destinacije, za pribavljanje resursa, informacija i savjeta. Nedostatak umrežavanja malih i srednjih hotelskih poduzeća i njihova poslovanja u klasteru u Republici Hrvatskoj uzrok je nezadovoljavajuće razine konkurentnosti i kvalitete hotelskih objekata, s negativnim posljedicama za gospodarski i društveni razvoj. Započinjanje procesa klasterizacije u Hrvatskoj mogao bi biti dobar način za povećanje ekonomske učinkovitosti hrvatskih malih i srednjih ugostiteljskih poduzeća. Cilj ovoga rada je prikazati klasterizaciju kao čimbenik koji utječe na kvalitetu malih i srednjih hotelskih poduzeća što dovodi do povećanja konkurentnosti na turističkom tržištu koje postaje važan čimbenik za njihovo učinkovito poslovanje. Za potrebe ovoga istraživanja provedena je anketa na uzorku od 72 mala i srednja hotelska poduzeća u razdoblju od lipnja do rujna 2012. godine. Rezultati su istraživanja pokazali da je klasterizacija čimbenik koji utječe na uspješnost malih i srednjih hotelskih poduzeća.

**Ključne riječi:** mala i srednja hotelska poduzeća, klasterizacija, konkurentnost, uspješnost