



## INNOVATIONS, SMART SPECIALISATION AND REGIONALISATION – KEY APPROACHES TO STRENGTHENING COMPETITIVENESS IN TOURISM

### INOVACIJE, PAMETNA SPECIJALIZACIJA I REGIONALIZACIJA – KLJUČNI PRISTUPI ZA JAČANJE KONKURENTNOSTI U TURIZMU

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#### Abstract:

Competitive position of tourism industry and tourist destinations is a key issue for defining the tactical and strategic approach to the operations in the tourism market. Based on the results achieved and relevant indicators, the competitive position of Serbia as a tourist destination can be assessed as unsatisfactory, particularly in the international market. The paper emphasizes the importance of three key contemporary approaches to strengthening the tourism competitiveness. It is about a joint functioning of innovations and smart specialisation, and their influence which can be properly formulated within the selected region. Regions should designate the areas in which they have a competitive advantage, and should encourage and promote innovations in these areas, on the basis of smart specialisation. The process of Serbia's accession to the European Union will also involve the harmonisation with the strategies and measures used within the EU in order to strengthen its competitiveness. Therefore, the timely review and coping with the key approaches to strengthening of tourism competitiveness, is an important step towards the comprehensive and serious approach to the creation of new and more sophisticated basis for improving the competitive position of Serbia in the international market.

#### Key words:

tourism, Serbia, competitiveness, innovations, regionalisation.

#### Apstrakt:

Pitanje konkurentnog položaja preduzeća turističke privrede i turističkih destinacija je ključno za definisanje taktičkog i strategijskog pristupa poslovanju na turističkom tržištu. Konkurentski položaj Srbije kao turističke destinacije se može oceniti nezadovoljavajućim kako prema ostvarenim rezultatima, posebno na međunarodnom tržištu, tako i prema relevantnim pokazateljima. U radu je istaknut značaj tri savremena ključna pristupa jačanju konkurentnosti u turizmu. Reč je o združenom delovanju inovacija i pametne specijalizacije čiji se uticaj može na pravi način uobličiti u okviru odabranih regiona. Regioni bi trebalo da odrede oblasti u kojima poseduju konkurentne prednosti i da za te oblasti, na osnovu pametne specijalizacije, podstaknu i unaprede inovacije. Proces pristupanja Srbije Evropskoj uniji podrazumevaće i harmonizaciju sa strategijama i merama koje u su okviru EU koriste u cilju jačanja konkurentnosti. Pravovremeno razmatranje i suočavanje sa ključnim pristupima za jačanje konkurentnosti turizma jeste, shodno tome, bitan korak ka sveobuhvatnom ozbiljnom pristupu stvaranju novih i savremenijih osnova za unapređenje konkurentnog položaja Srbije na međunarodnom tržištu.

#### Ključne reči:

turizam, Srbija, konkurentnost, inovacije, regionalizacija

## 1. FOREWORD

Tourism of Serbia, as well as the overall economy, has been facing with the key issue - the issue of competitiveness on the international market. The main indicators of competitiveness of Serbia as a tourist destination are more than unsatisfactory. According to the competitiveness of tourism destination indicators contained in the latest published Competitiveness Index of the World Economic Forum (WEF TTCI 2013), Serbia is globally ranked at the 89<sup>th</sup> place out of 140 countries in Europe at the 40<sup>th</sup> place out of 42 countries. In relation to a defined competitive set (Czech Republic, Slovenia, Hungary, Poland, Bulgaria, Slovakia, Romania), Serbia is at the bottom both by the overall index and by sub-indices of competitiveness (Popesku & Pavlović, 2013). Despite certain deficiencies of this indicator, it is necessary to bear that in mind when defining measures for strengthening tourism competitiveness of Serbia. Along with this, it is necessary to carry out the comprehensive research in order to determine the importance and influence of certain competitiveness factors and take into account the corresponding results when defining the relevant tourism development strategies.

The process of Serbia's accession to the European Union also implies the harmonisation with the strategies and measures used within the EU in order to strengthen its competitiveness. The European Union has defined that in the period up to 2020, the basis for strengthening the competitiveness should imply innovations on the one hand, and smart specialisation on the other hand. This should form an essential element of the European cohesion policy that should be based on the principles of 'smart', 'sustainable' and 'inclusive' growth. The focus is on the regions that should define the areas of its competitive advantages and support and promote innovations within these areas (McCann & Ortega-Argiles, 2011). It will anyway be a challenge for Serbia, which may be one of the important ways for overcoming the crisis.

## 2. RESULTS AND DISCUSSION

Tourism and tourism industry are undergoing major changes and restructuring. Such changes result from the factors that influence the phenomenon and characteristic forms of tourism demand, as well as the influence of environmental factors with



special emphasis on the technological environment. In this sense, changes in tourism are particularly associated with the development of new technologies connected with the effects of organizational and structural innovations (Stamboulis & Skayannis, 2003).

The following driving forces can basically encourage innovations in tourism (Liburd & Edwards, 2010): technology, research, price, employees, customers (tourists), legislation, and suppliers. Normally, special attention is paid to market factors, or the influence of tourists as users of tourism innovations (needs, desires and demands of tourists). This influence takes its shape through product and service innovations that tourists themselves consider new or that can be considered new within a particular company or tourist destination.

Globalization played and it still plays an important role in the total area of innovations performance and increasing acceleration of changes. In such a context, there is a very indicative opinion disclosed for more than twenty years, that tourism is undergoing the crisis of change and uncertainty that occurred due to the rapid changes in the nature of the tourism industry itself with a huge significance of new technologies, more experienced consumers, global economic restructuring and the limits of growth related to environmental issues (Poon, 1993).

The basis for strengthening the competitiveness of the European Union in the upcoming period should be based both on innovations and smart specialisation, which should be the basis of the European cohesion policy based on the principles of 'smart', 'sustainable' and 'inclusive' growth.

The nature of innovations in tourism should be understood in the context of broader economic and political changes related to the groups of four key factors (Hall & Williams, 2008): firstly, changes in the amount of available income, free time and consumption characteristics had a significant impact on the overall characteristics of the tourism market, particularly in relation to the prevailing forms of tourism products, which is particularly evident through the expansion of markets (e.g. BRIC countries); secondly, the incentives for innovations in tourism often arise from the environment, especially technological, which is particularly evident through the development of air transport, and the impact of information and communication technologies; thirdly, tourism itself also appears as a creator of innovations both in the context of tourism companies and through the impact of government policies; and fourthly, tourism is also a carrier of new ideas and innovations, particularly in connection with the expansion of demand.

Currently, there is a small corpus of the research and knowledge on the extent and effects of innovation processes at the level of both tourism companies and tourist destinations. It is believed that the interrelationship between tourism companies, and establishing of special relations between them and all others involved in the creation of value chain at the level of tourist destinations, is crucial for understanding the essence of creation and dissemination of innovations in tourism. As regards this, it is highlighted that the main tourism businesses possess only a limited ability for innovations. They are usually shaped in the context of specific value chains that comprehensively respond to the demands, desires and needs of consumers in tourism (Hjalager, 2010).

The importance of innovations as an essential basis for solving crises problems results from the appreciation of knowledge as a key factor in this process, as well as from the need that an adequate cooperation between the public sector, the private sector (economy) and research organizations or academic community will be established.

Within the Global Innovation Index (GII), Serbia assumes 67<sup>th</sup> place out of 143 countries observed. In 2013, Serbia was the

54<sup>th</sup> out of 142 countries. In relation to the sub-indices, Serbia assumes 59<sup>th</sup> (innovation effect) or 75<sup>th</sup> (quality of conditions for innovation) place. According to the so-called relative investment efficiency (ratio between the effects and the quality of conditions for innovations), Serbia is at the 46<sup>th</sup> place (Cornell University, INSEAD and WIPO, 2014). It is particularly important to note that Serbia occupies a very low position in relation to indices of market and business sophistication (134<sup>th</sup> place according to the market and 83<sup>th</sup> to business sophistication). This can be interpreted as a lack of local competition and disadvantages in business environment. In this sense, insufficient cooperation in the field of research between the academic institution and industry, as well as the underdevelopment of the clusters is particularly emphasised.

The second pillar of the new approach towards strengthening competitiveness, particularly at the level of regions, besides innovations, is a smart specialisation. As a concept, smart specialisation was created in 2008, as a result of academic debate, especially in relation to the issue of the transatlantic gap in productivity. Since then, it has received great support from the policy makers, particularly at the level of the European Union (Foray *et al.*, 2011). Smart specialisation is mainly based on vertical measures, or intervention which involves prioritising. It comes down to the identification and targeting of selected areas that need to be a priority by specialising some technologies, business systems and group activities in order to be more attractive compared to others.

Smart specialisation strategy should be directed towards focusing on engaging resources in areas where there are significant comparative advantages of the region, or to clusters, existing sectors and cross-sectorial activities, eco-innovations, high added value markets or specific research areas.

The objective of regional smart specialisation strategy should be to define key priority sectors and investments of always limited funds in sectors defined in this way. It is supposed to be quite opposite from the usual approach where limited resources are invested in a number of sectors or business activities that either did not lead to the desired effects or were insignificant. The aim is to achieve such a regionalisation where the regions within a country will not compete with each other on the basis of dealing with the same type of activity. The basis for the creation of regionalisation system should make activities directed "bottom-up", supported by the state on the basis of cooperation between all key participants with higher emphasis on the rational use of resources. In addition, smart specialisation also paves the way towards economic transformation based on regional profiles within the global value chain, which should also contribute to the academic community in the field of innovations, competitiveness and growth.

The practical use of smart specialisation strategy is implemented by applying research and innovative RIS3 strategy. It relies on the adoption of the common vision of the regional economy as a long-term competitive and sustainable economy based on the priorities arising from the unique capacities and resources of the region.

The experience of Croatia, as the youngest member of the EU, could be of great importance for Serbia, in connection with the strengthening of the competitiveness of the economy on the basis of sectorial specialisation and development of competitiveness cluster. As a basis for formulating a strategy for the development of the tourism industry, 4C model has been applied, consisting of: choices and critical mass - carefully chosen and limited number of priorities based on the territorial capital and smart sectorial specialisation; competitive advantage - connecting research and development capacity and innovations



capacity with the needs of the tourism industry; clusters and connectivity - cluster development and networking of public, private and scientific research sectors; collaborative leadership - management of tourist destinations and establishment of an effective innovation system based on a partnership between the public and private sectors (The Ministry of Economy of the Republic of Croatia, 2014). This approach may also be important for the formulation of a new strategy of tourism development in Serbia, which must take into account the fact that strengthening of tourism competitiveness should be based on regionalisation, innovations and smart specialisation, bearing in mind the process of Serbia's EU accession.

### 3. SUMMARY

Identifying the basis for the new tourism development strategy of Serbia involves the use of new approaches in the process. At a time when the most striking changes occur in the functioning of the key elements of the tourism market (for instance, through sharing economy), it is necessary to use those mechanisms of directing the development that could be the basis for the creation of new solutions, especially at the regional level. Serbia needs new tourist regions that are created on a different basis. Besides that, it also needs the clusters that will not be formed as a result of the rigid territorial division of Serbia or as 'experiential zones' without a foothold in the modern approach to regionalisation, for which the key is in improving the creation of innovations and smart specialization. Only in such way could Serbia have a solid basis for redefining its strategic approach to tourism development, as well as for thorough adaptation to strategies and measures used within the EU in order to strengthen its competitiveness.

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