

**THE ROLE OF LOCAL AND GLOBAL NETWORKING FOR TOURISM  
FIRMS AND CLUSTERS: THE CASE OF ANTALYA**

**A THESIS SUBMITTED TO  
THE GRADUATE SCHOOL OF NATURAL AND APPLIED SCIENCES  
OF  
MIDDLE EAST TECHNICAL UNIVERSITY**

**BY**

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**IN PARTIAL FULFILLMENT OF THE REQUIREMENTS  
FOR  
THE DEGREE OF DOCTOR OF PHILOSOPHY  
IN  
CITY AND REGIONAL PLANNING**

**NOVEMBER 2008**

Approval of the thesis:

**THE ROLE OF LOCAL AND GLOBAL NETWORKING FOR TOURISM FIRMS AND  
CLUSTERS: THE CASE OF ANTALYA**

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## **ABSTRACT**

# **THE ROLE OF LOCAL AND GLOBAL NETWORKING FOR TOURISM FIRMS AND CLUSTERS: THE CASE OF ANTALYA**

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**November 2008, 328 pages**

The aim of this thesis is to explore the role of local and global networking, institutionalization and institutional thickness of tourism firms and clusters in order to explain their contribution to tourism development. Recent development literature emphasizes the crucial role of different level of networks, institutionalizations and clustering in the development of regions. In this respect, this thesis tries to explore the role of networks, new organizational set-ups and clustering by adapting them to tourism case. It is hypothesized that global networks are also important in addition to local networks, and play crucial role in the performance of tourism firms and clusters. On this basis, types and intensity of local & global networks in tourism organizations and clusters, development of associational structure in tourism clusters and firms, and the level of relations between different associations and tourism firms are tried to be examined by focusing on the theoretical framework on development models, networking, institution and cluster based studies.

This thesis employs a quantitative method of analysis and social network analysis for identifying the level of networks of tourism firms&organizations and clusters. In this way, this thesis describes their contribution to local tourism development. Although tourism is somewhat

different from other sectors, findings of the case study generally support the claims of the development literature for tourism case.

Keywords: Tourism Development, Networks, Tourism Institutions, Institutional Thickness, Tourism Clusters.

## ÖZ

# YEREL VE KÜRESEL AĞLARIN TURİZM FİRMALARI VE KÜMELERİNDEKİ ROLÜ: ANTALYA ÖRNEĞİ

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Kasım 2008, 328 sayfa

Bu tezin amacı, turizm kalkınmasında turizm firmaları ve kümelerindeki yerel ve küresel ağların, kurumsallaşma ve kurumsal derinliğin rolünü araştırmaktır. Son dönemdeki kalkınma yazını özellikle farklı ölçeklerdeki ağların, kurumsallaşmaların ve kümelenmelerin bölgelerin kalkınmasındaki önemini vurgulamaktadır. Bu kapsamda tez, yerel ağların yanında özellikle küresel ağların, kurumsal yapılanmaların ve kümelenmenin rolünü turizm örneğinde açıklamaya çalışmaktadır. Tezde “Küresel ağların da yerel ağlar kadar önemli olduğu ve turizm firmaları ve kümelerinin performansında önemli bir role sahip olduğu” temel hipotez olarak incelenmektedir. Bu temelde, turizm firmaları, örgütleri ve kümelerinde yerel ve küresel ağların çeşitleri ve yoğunluğu, örgütsel yapının gelişimi, turizm firmaları ve örgütleri arasındaki ilişkinin seviyesi kalkınma modelleri, ağ, kurumsallaşma ve kümelenme çalışmaları teorik çerçevesi ışığında değerlendirilmektedir.

Bu tezde kantitatif analiz yöntemleri ve sosyal network analizi kullanılarak turizm firmaları & örgütleri ve kümelerindeki yerel küresel ağ ilişkileri tespit edilmeye çalışılmış, yerel turizm kalkınması sağlamada katkıları değerlendirilmiştir. Turizm diğer sektörlere göre daha farklı bir yapı sergilese de, alan çalışması bulguları genel olarak kalkınma yazınındaki iddiaları turizm

özelinde de destekler niteliktedir.

Anahtar Kelimeler: Turizmde Kalkınma, Ağlar, Turizm Kurumları, Kurumsal Derinlik, Turizm Kümeleri.

**To Ersin**

## ACKNOWLEDGEMENT

I would like to express my thanks and deepest gratitude to Prof.Dr. Ayda Eraydın, the supervisor of this thesis, for her incomparable guidance, criticisms and encouragements throughout the research process. I also would like to express my thanks to the jury members Prof.Dr. Erol Taymaz, Prof. Dr. Ali Türel, Assoc.Prof. Dr. M. Melih Pınarcıođlu and Assist. Prof. Dr. Pieter Terhorst for their critical reading of the thesis.

Special thanks go to Assist. Prof. Dr. Burak Beyhan, my intimate, who has contributed to the body of this thesis in several ways. I am indebted him for his valuable comments, support, kind help and moral support during all stages of the thesis. It has been also a pleasure to have creative deep theoretical discussions, methodological searches together with him and with Dr. Tunga Korođlu during the study. I am also grateful to Assist. Prof. Dr. Pieter Terhorst not only for his critical reading of my thesis and articles, but also his scientific and moral support, interest and care during my research in University of Amsterdam.

I would like to thank Aldülkadir Usta in Ministry of Trade and Industry, M. Kemal Nalçacı in Turkish Patent Institute and Bayram Gökçeođlu in Subsidies Department of T.C. Bařbakanlık Hazine ve Dıř Ticaret Müsteřarlıđı for their flexibility and kind provision of the database and material needed in the thesis. Thanks also go to Dr. Ceylan Yozgatlıgil, instructor in Department of Statistics in METU, for her technical support in the statistical analysis of the thesis. I also would like to thank Mert Temimhan, coordinator of Betuyab and Latuyab, for his support for covering the structure and relations of tourism associations existing in Antalya.

Last but not least my thanks go to my family, my mother and father also my little sister for their patience and moral support. Particularly, I am very grateful to my husband, Ersin Yasin Öztürk, for his generous encouragement, patience and understanding during the research process.

This study was supported by SPO (State Planning Organization) in collaboration with METU (Middle East Technical University), Graduate School of Natural and Applied Sciences Grant No:BAP-08-11-DPT2002K120510(ÖYP-FBE)

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## LIST OF ABBREVIATIONS

- ALÇED- Alanya Environment Education Association)  
AKTOB (Akdeniz Tourism Hoteliers' Association)  
ALTAV (Alanya Advertisement Foundation  
ALTİD (Alanya Tourism Managements' Association)  
ARO: Antalya Tour Guides Organization  
ATAV (Antalya Advertisement Foundation)  
BETUYAB (Belek Tourism Investors' Corporate),  
Chi-Sqr: Chi Square  
CRS: Computer Reservation Systems  
ÇAMOB: Çamyuva Hoteliers' Investments and Management Association  
ÇEKÜL: Environment and Culture Association  
GATAB (South Antalya Tourism Development and Infrastructure Management)  
GDP: Gross Domestic Product  
GDS: Global Distribution Systems  
İNTOD: İncekum Tourism Hotelier's Association  
KETAV: Kemer Tourism Promotion Foundation  
KETOB: Kemer Hotelier's Association),  
KONTİD: Konaklı Tourism Manager's Association  
LATUYAB: Lara Tourism Investor's Association  
LQ: Location Quotient  
MOCT: Ministry of Culture and Tourism  
NGO: Non Governmental Organization  
NID: New Industrial District  
POYD (Professionel Hotel Manager's Association  
RDA: Regional Development Agency  
ŞİDE-TUDER: Side Tourism Hotelier's Association  
TİSODER: Titreyengöl-Sorgun Hotelier's Association  
TNC Transnational Corporation

TUROB: Turkey Hotelier's Association

TUROFED: Turkey Hotelier's Federation

TÜRKTİD: Türkler Tourism Manager's Association

TYD: Tourism Investor's Association

SIS: State Institute of Statistics (Devlet İstatistik Enstitüsü)

SPO: State Planning Organization

SME: Small and Medium Size Enterprise

SMET: Small and Medium Sized Tourism Enterprise

MATAB: Manavgat Tourism Development and Infrastructure Association

# CHAPTER 1

## INTRODUCTION

### 1.1 The Aim of the Thesis

Patterns of development approaches have changed to competitiveness based efforts by the effect of globalization. Until 1970s, the conceptual base of development was built on the investments, subsidies and exogenous resources of nation states based on income redistribution and welfare policies. Capitalist accumulation, fordism, was the basic backdrop during the 1970s development approach. This system was based on the large-scale production of standardized customer goods via a highly specialized division of labor within production. Keynesian demand management and the supporting alleviation of the welfare state, both of which underpinned the mass market (Morgan et.al, 2000).

After the crisis of 1970s, some of the concepts and approaches have been emphasized as crucial factors for adapting to the new conditions of the world. In this context, *cluster dynamics, networking and institutional thickness* are taken as important factors for defining competitiveness on different geographies and on different sectors. Besides, in most of the newly developing countries, the service sector, ‘especially tourism’, is taken as a catalyst for local development at the centre of interest to academics as well as to urban managers. Many cities invest heavily on tourism for promoting local development, however, little is known about critical success factors that determine economic development of cities via tourism.

Despite the growing amount of local development literature focusing on networking and clusters, tourism case has not been covered enough yet in these debates. Only a few recent studies (e.g. Canina, Enz, & Harrison, 2005; Hall, 2005, Michael, 2003, 2004; Nordin, 2003; Saxena, 2005; Tinsley & Lynch, 2001) deal with the implications of networks and cluster

formation for tourism sector in the context of local development (Novelli, Schmitz & Spencer, 2006). However, limited discussions are observed not only in development but also in tourism literature on the contributions made by the level of networking to the competitiveness of tourism firms and tourism clusters.

In fact, tourism is an important sector which requires strong network linkages due to having strong complementarities due to the characteristics it include. Although strong local networks is important for tourism, it requires at the same time strong external linkages / global networks when compared with other sectors because its production and consumption links are more related with the external environment.

Therefore, the aim of the thesis is to define the types and the intensity of local & global networks between tourism institutions (firms/organizations) and to find out their role on the success of firms and clusters. In contemporary local development literature, local networks of firms and their linkages with global networks have been emphasized as critical factors for local economic development. In this context, the main aim of the thesis is formulated in the guidance of contemporary emerged local development literature which puts main emphasis on clustering, institutional thickness and networking environment.

In that view, two questions come to mind related with the aim of the thesis based on this literature: *“To what extent do local & global networks strongly effect the success of tourism clusters and tourism firms? and “What is the contribution of institutional thickness for the success of firms and local development?”* In the guidance of these questions, the main hypothesis of this thesis is formulated as follows; *“The successful tourism firms and therefore the successful tourism clusters are the ones which have strong global linkages in addition to local linkages and as well as the ones which have a strong institutional thickness”*.

On this basis, cluster dynamics, types and levels of networks according to different tourism clusters, development of associational structure in tourism clusters, institutionalizations of tourism firms; types and level of relations between different associations and tourism firms, types of relationships such as purchasing based relationships are scrutinized for clusters and firms. Shortly, related with the aim of the thesis, the role of different types of local and global networks of tourism firms will be analysed with respect to different clusters and different type of tourism firms in Antalya.

## 1.2 The Context of the Thesis

By the effect of globalisation, the conceptual base of discourse on local development has to changed. Together with 1980s, competitive advantage start to be emphasized as a crucial factor in promoting local development (Porter,1990; Scott, 1995; Cooke,1997; Amin 2000). Although industrial districts and clusters were taken as successful examples for local development in endogenous growth theory, starting from 1990s; learning regions, innovative milieus and regional innovation systems have become critical models for contemporary development approaches.

Especially in the development approaches of 1980s, competitive advantage shifts to smaller producers that take place in industrial clusters working in flexible, market-based, information rich collaborative relationship environment (Raco,1999). In this process, the central factor that lies on clusters success is the existence of *local networks* covering collaboration and competition type of relationships of small and medium sized firms to sustain competitive advantage (Cooke,1998). The notion of "cooperative competition"<sup>1</sup> has become popular in this competitive era. Within this point of view, the relationships which act as mediators for locally based interfirm collaboration and cooperation that allow for the creation of mutual networks of knowledge creation and production come into influence by the creation of local voluntary associations.

According to flexible specialization approaches of 1980s, local institutional networks have gained importance in industrial clusters by using the externalities of clusters and networking which triggers effective relationships based on confidence, solidarity and trustworthy behaviour among actors. It was argued that an embedded social structure built on trustbased social networks provides a strong foundation for economic development. This was supported by Fukuyama (1995) who suggested that the "social capital" developed in high-trust societies and triggers development.

Trust and reciprocity help local organizations to overcome growth constraints by creating social capital. Collaborative action which is based on social capital dynamics may foster institutional success of clusters. On this basis, the existence of effective trust and local network relations provide a suitable environment for joint-action (Schmitz, 1999; Schmitz

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<sup>1</sup> The most competitive firms find ways to work together even as they go head to head in the development of new products and the battle for markets. Out is the notion that companies minimize risks and maximize their competitive position by strictly regulating any information exchange with direct competitors (Bergman and Feser, 1999).

and Nadvi, 1999). In this context, spatial proximity, organizational, institutional and technical proximity gain importance for the constitution of joint action (Maskell and Malmberg, 1999, Kirat and Lung, 1999, Porter, 2000).

Combining local tacit knowledge with global codified knowledge became crucial for clusters to be globally competitive. In this process, cooperation with small, large firms and other related organizations become meaningful (Antonelli, 1999) in order to transfer knowledge. However in endogenous development models, external global networks have not been adequately captured. By the effect of globalisation, these development models, which mainly depend on only local resources and local networks became inadequate to integrate with global.

Starting from 1990s, recent development models depended on local capacity and knowledge started to be criticized (Humphrey, 1995; Staber, 1997, Glasmeier, 1999; Helmsing, 2001). In this debate, important concepts of contemporary development approaches, such as spatial proximity, local embeddedness, tacit knowledge and local production culture have been criticised with negative and positive sides (Schmitz, 1999; Eraydin, 2002). Therefore, global networks started to be emphasized as a crucial factor for the competitiveness of clusters by avoiding 'lock-in effect' (Harrison, 1992; Humphrey, 1995; Glasmeier, 1999; Staber, 1997; Cooke, 1998b; Schmitz, 1999).

Despite the critics about the highly bounded perspective of local development models that depends on the local conditions and potentials, contemporary critical development debates still emphasize the role of the place specific tacit knowledge, clusters and local networks at local level beside emphasizing the crucial role of global networks (Keeble, et al, 1999; Cooke, 1990; Thrift and Amin, 1994). Benefits of local collaboration, externalities and also benefits of integrating with global network system have been emphasized simultaneously in contemporary local development debates. In this respect, it is understood that not only internal tacit knowledge, but also external codified knowledge is required to be competitive in the contemporary conditions (Bell and Albu, 1999; Amin, 1999; Porter, 2000; Yeung, 2000; Lyons, 2000; Koschatzky and Bross, 2001).

In the contemporary economic environment, it is believed that none of the regions can achieve continuous growth depending only on endogenous development processes. There is a requirement on global networks which promote the connectedness of that cluster with the global market. There is also a need for global networks to transfer the technology and to be

stay updated in the external world. On this view, global networks, anymore, are believed to be important to prevent the region from lock-in situation of that cluster (Eraydın, 2003; Eraydın and Fingleton, 2006).

In the guidance of local development debates, it could be concluded that networking capacity of a cluster is the crucial factor to sustain competitive advantage. Especially for the tourism clusters, beside the importance of *nature of attractive capacities* such as quality of environment and quality of service, *institutional capacities*, *networking capacities* such as social capital formation (capacity of corporate networking between institutions) can be taken as important qualities for the promotion of tourism development.

Because of the number of forces such as similarity of service needs, more mobile and more informed buyers of services, rising economies of scale and geographical scope, greater mobility of service personel, greater ability to interact with remote buyers, and continued wide disparities among nations in the cost, quality, and range of services available from local firms, international competition in services, networking has become undispenible factor for the survival of the sector. Looked at this view to local development, *tourism* as a service sector may reveal different possibilities and pathways for firm and cluster behavior for successful development. Anymore, tourism firms have diverse types and level of linkages due to requiring strong complementary relations. In addition, for most of the developed countries, tourism has always been taken as an important activity for promoting local economic development. There are some successful tourism clusters in different countries such as in Spain, France, UK, Italy, Netherlands, Greece, Australia and New Zealand specializing on tourism sector and they try to be competitive in the global environment by trying to develop strong innovative networks beside using their own nature of attractions.

It is seen that Turkey is one of the popular tourism destination in Mediterranean region. It could be claimed that tourism has gained crucial importance for economic development of Turkey when compared with other sectors. That is why governments take tourism as a part of the development policy for cities. It is increasingly observed that in addition to existent institutions of tourism, recently new institutional set-ups such as non-governmental organizations have been appeared by their fruitful implementations and collaborative projects with tourism firms for increasing the attractiveness of tourism cluster. Especially in Antalya, the leading tourism destination in Turkey, tourism firms have started to collaborate and cooperate for promoting mutual benefit and cluster attractiveness by the help of these voluntary and nation based tourism associations and their network relations with other firms.

Based on the changes in institutional and relational structure of tourism, this thesis is an attempt to analyze different types and geographical levels (global and local) of networks for evaluating their contribution to firm and cluster success in tourism with reference to Turkey/Antalya. Starting from this aim, *clusters, tourism firms and organizations* and *networking (types and levels)* which take important part in the literature on local development will be discussed in detail. In this context, the main hypothesis; “*The successful tourism firms and therefore the successful tourism clusters are the ones which have strong global linkages in addition to local linkages as well as the ones which have a strong institutional thickness*” try to be verified.

### **1.3 Research Questions of the Thesis**

In the literature, recent studies emphasize that global networks are becoming very crucial in addition to local networks in the dynamic environment of globalism. For firms and organizations in a certain cluster, it became necessary to strengthen its linkages with local and global networks for taking advantages of network externalities to be competitive (Capello, 1993; Eraydin and Fingleton, 2006). In the guidance of these discussions, *the main research questions* of the thesis are formulated as follows:

- *“To what extent do local & global networks strongly effect the success of tourism clusters and tourism firms?”*
- *What is the contribution of institutional thickness to the success of tourism firms and local development?*
- *To what extent are these tourism clusters different regarding their level of linkages and emerging associations?*
- *To what extent are these tourism firms different regarding their level of linkages and connections with associations?*

For answering these questions, after reviewing the literature on networking and clustering based local development literature, connections between local and global networking, institutional thickness, firm success and local development will be examined. On this account, firm specific (Selin and Beason, 1991; Yeung, 1997;1998;2000; Amin and Thrift,

1995; Tremblay, 1998; Koschatzky, 2000; Arndt and Sternberg, 2000; Wanhill, 2000; Lynch et.al, 2000; Scott, 2001; Benneth, 2000; Pearce, 2002; Lechner and Dowling, 2003) and cluster specific (Porter, 1990;2000; Doeringer and Terkla, 1995; Enright, 1996; Rosenfield, 1997; Feser, 1998; Bergman and Feser, 1999; Altenburg and Meyer-Stamer, 1999; Schmitz and Nadvi, 1999) literature about networking and institutional thickness are scrutinized. After revealing the connections between these variables, questions of the field survey are designed according to these connections.

#### **1.4 Overview of the Research Design**

This thesis is designed to identify and to explain the relationship between local and global networks and their contribution to tourism cluster development and tourism firm performance. Starting from this aim, the study is built around the main concepts', 'clustering', 'institutionalization' and 'networking' as important components of local development. It is already argued that network capacity at local and global level are crucial for the emergence and competitiveness of localities. For this reason, local and global connections of tourism firms and associations become crucial for examining this research.

For the tourism sector, existing and emerging local&global network relations and their contributions to tourism cluster and firm success has not been discovered enough yet in the literature. In this context, the question; *"To what extent do global networks of tourism firms in a cluster effect local development and the success of the tourism firms when compared with local networks?"* takes the core point of this research. Therefore, in this research the type of clustering, local & global networks and the level of institutional thickness are scrutinized and their contributions to local development and firm success will be identified by an empirical way with a case study research. In order to analyze these relationships, *Antalya is selected for the case study to demonstrate the theoretical claims due to dominating the tourism industry in Turkey.*

Beside having important historical and cultural places, Antalya is the first visited sun-sea-sand tourist destination in Turkey, with more than ten million registered overnight stays a year after the year of 2004. Not surprisingly, tourism is very important to the economy of Turkey and to the employment in particular. Moreover, many people earn their living in hotels, travel agencies, supporting activities such as shops, restaurants and pubs.

Due to being the heavily concentrated and agglomerated with tourism activities, Antalya is

also selected for the case study area to represent local and global linkages of tourism industry. Moreover, Antalya is important tourism destination that shows an increase in institutions such as increase in tourism associations and collaborative tourism activities for the competitiveness of tourism in Turkey. Recently, new associations and their successful partnerships and joint projects have emerged such as in the case of GATAB (South Antalya Tourism Development and Infrastructure Management) in Kemer, MATAB (Manavgat Tourism Development and Infrastructure Association) in Manavgat, AKTOB (Akdeniz Tourism Hoteliers' Association) in Antalya center, BETUYAB (Belek Tourism Investors' Corporate) in Belek-Serik, Kemer Tourism Promotion Foundation (KETAV) in Kemer, ALTİD (Alanya Tourism Managements' Association) in Alanya and many other self-help voluntary associations have appeared by their fruitful implementations for tourism.

Tourism agents such as hotels, tour operators, travel agencies, airline corporations and tourism associations in Antalya have started to collaborate and cooperate for promoting mutual benefit by the help of these associations and the network relations they supported. The linkages between these agents need to be scrutinized as to the type and the level of network relations for understanding their contributions to the competitiveness of tourism firms and clusters. That is why the case study aims at describing and analysing the level and type of network relations of different agents of tourism such as hotels including different sizes, travel agencies, tour operators, airline corporations, associations; by using a survey questionnaire for evaluating their contributions on local and firm success.

In the case study, two steps were implemented for the collection of data. The first is collecting the related SIS and MOCT data consisting of existing tourism firms for the whole Antalya. The second way is organizing a field survey among sample tourism agents for 14 settlements of Antalya, those are located in Akseki, Alanya, Elmalı, Finike, Gazipaşa, Kale, Kaş, Kemer, Korkuteli, Kumluca, Manavgat, Merkez, Serik, Side. As it is observed from the survey data, different clusters and different type and size of tourism firms have different behaviour in developing linkages due to the characteristics they own.

## **1.5 Outline of the Thesis**

This thesis is consisting of eight chapters. In the following chapters, conceptual frameworks of the study, the methodology employed to gather data, the structure of the case study area, results of the data analysis and discussion with conclusions are presented. Based on the considerations elaborated above in this introductory chapter, chapter 2 puts the theoretical

discussion in order to reveal the importance of clustering, networking and institutionalization for local development. In this context, evolution of local development perspectives from nation based development to multi actor based development is briefly summarized, then, relationship between clustering and local development is evaluated in detail by emphasizing the importance of externalities, the increasing role of global networking in addition to local networking and the role of institutions especially organization building and institutional thickness in order to highlight the their contribution to firm and local success. Finally, important conceptual and practical openings is discussed under the summing up which shows important issues for new theoretical discussions.

Chapter 3 devoted to the elaboration of tourism within the perspective of clustering, networking and new institutional set up. This chapter starts with discussing the importance of tourism in local development. Then, the crucial importance of networking and organization development in building tourism clusters are evaluated. The significance of networking for developing sustainable tourism cluster is discussed subsequently. In this context, types of networks such as governmentally supported, environmentally sustainable and firm based networks emerging in tourism literature are discussed. Consequently in this chapter, important factors for a new theoretical model is offered based on theoretical discussions and empirical studies for understanding the relation between tourism and local development.

After discussing the theoretical framework, methodology and design of the thesis is explained in Chapter 4. In this chapter, after describing the hypotheses the choice of the case study area, sample design of the field survey, and methods of analysis is given. Chapter 5 presents changing economic structure, development dynamics and the importance of tourism in the global integration process of Antalya. In this context, transformation of economic growth and development trends, actors and policies that foster and motivate the development in Antalya, global integration dynamics and lastly changing spatial structure and transformation processes of Antalya are scrutinized.

Chapter 6 shows the results of the field survey by building on firm based and cluster based description of analysis. In the first step, global and local connectivity of firms and clusters are redefined for tourism inspired from the empirical and descriptive studies of the literature. In the second step, *firm level analysis*, factors such as firm size, category and creative project development that define the level of networking between tourism firms are analysed. Then, factors defining the relations between tourism firms and tourism associations are evaluated.

In the third step, *cluster level analysis* are employed. Local and global connections of tourism firms for different clusters of Antalya is identified. Then, cluster types such as agglomerated, specialized, governmentally initiated, self-help developed clusters are evaluated according to their level of connections. After, institutional structure of clusters are evaluated according to the types of clusters and networking behaviours. Lastly, the role of local and global networks is assessed for defining their contribution to local development of a tourism cluster. In this context, the intensity and geographical level of purchasing relations of tourism firms are evaluated for different type and size of firms and clusters to assess the effect of tourism development to nearby settlements by using simple percentages and chi-square analysis.

In Chapter 7, the importance of local & global networks and organization building are quantitatively analysed in order to reveal their role for defining the success of tourism firms and local development in tourism clusters. In this context, an econometric model is employed for revealing the factors having important contributions to define the level of networks, firm success and local development. Firstly, theoretical and empirical studies that justify the factors that have strong relation with global networks, firms success and local development is scrutinized for tourism case. Then, these factors are analysed by using multivariate techniques covering linear and binary logistic regressions.

Finally, last chapter provides a summary of the discussion, interpretation of the findings stated in the thesis. Then, important conceptual openings based on contradictory and consistent messages from findings are discussed under different headings that contribute to the development theory by empirical results. Policy implications are also made for development policies, strategies and models and in particular for the needs of the tourism cluster selected as the case study area in Antalya.

## **CHAPTER 2**

### **THE IMPORTANCE OF NETWORKING AND INSTITUTIONS IN THE CONTEMPORARY DEVELOPMENT APPROACHES**

The concept of development has effected from the paradigm shifts of the world. A transition is observed from industrial society to information society, from the world of the nation states to the globalisation and from modernist approaches to postmodern understandings (Tekeli, 2002). In the transition environment, the meaning of development has transformed and a growing body of literature on development have effected evolutionary by the paradigm shifts.

There seems an important change in development approaches spanning from post-war years when the national welfare states were the main actor as development agents, towards the contemporary world where the multi-actor network relations, institutional thickness, knowledge, learning and innovation are taken as the main factors for local development. In recent years, there has been a growing body of local development literature based on the critics of endogenous development and focused on the relationship between local & global networking, cluster dynamics and institutional thickness.

In the context of evolving local development literature, this chapter aims to elaborate the theories of development; evolutions, emerging new concepts and perceptions of contemporary local economic development and aims to scrutinize the role of local and global networks with respect to clustering and local development. Moreover, the constraints of local network relations and the need for global networks for the success of firms and clusters are also examined.

## 2.1 Evolution of Local Development Approaches

Significant changes have been occurring in the patterns of development perspectives. The emerging transformations in development perspectives affected from the paradigm shifts observed after the 2<sup>nd</sup> World War. The first paradigm emerged in the post-war era and remained its power until the 1970s when the capitalism was faced with an upside down in its all dynamics. The post-war era characterised by the formation of a bipolar world under the hegemony of US and Soviet powers (Tekeli and Pınarcıoğlu, 2004). The conceptual base of development was built on the redistribution mechanism of Keynesian welfare state. According to this state led development approach, it was assumed that economic growth can only be sustained by exogenous resources, government interventions, and infrastructure and production investments. The central dynamic in this theory is ensuring capital accumulation. In this process, knowledge and technological progress was achieved by the process of capital accumulation especially in large firms (Bell and Albu, 1999).

Spatial reflections of growth dynamics of regional economy was based on growth pole theory of Perroux (1955). According to this theory, large firms are interpreted as engines of dynamic change, fostering new technologies of production and organization (Plummer and Taylor, 2001). Therefore, state has invested on large scale infrastructure and production investments to avoid unequal development in underdeveloped regions of the country.

The second paradigm came to the fore in the 1970s when it was capitalism turning upside down and its regulatory mechanisms enter into an incisive crisis (Tekeli and Pınarcıoğlu, 2004). In this period, the internationalization of production and the growth of the export sector reduced the real wages to promote competitiveness. The regime of Fordist accumulation, Keynesian welfare-state mode of social regulation was fallen down starting from the late 1970s (Scott, 1988: 174). This was due to the increase in oil prices, the collapse of the Bretton Woods system of international regulation, the slow down in the growth of western and the decline in foreign aid (Morgan, et. al., 2000). The redistribution mechanisms of welfare state became inadequate for proposing new solutions to overcome crisis.

The crisis of 1970s has become important turning point in the development approaches. After 1970s, the emphasis was on the elimination of price distortions, the privatization of the public firms, the acceptance of private foreign investment and the competitiveness in global market. In the face of uncertainties and fragmented demand, the need for greater flexibility in organising production with respect to vertical disintegration, subcontracting and other

related activities became an important tendency towards a new order. In emerging flexible environment, monetarist policies that made the welfare state hollow out also backed the restructuring efforts (Tekeli and Pınarcıoğlu, 2004). The crucial role of state interventions, subsidies, infrastructure investments and external support for the development of the region have diminished their importance. The main characteristics of these three theoretical paradigms are given as a summary in Table 1.

Table 1 General characteristics of the evolutions of development in three periods since 1950 and three corresponding theoretical constellations

<b>General Characteristics</b>	<b>1950-1970</b>	<b>1970-1990</b>	<b>1990+</b>
Mode of Governance	Strong Nation State Welfare State <ul style="list-style-type: none"> <li>• Sensitive to Inequalities</li> <li>• Redistributive Functions</li> </ul>	Crisis of Welfare State <ul style="list-style-type: none"> <li>• Increasing Role of Local Government</li> </ul>	Nation State as a Partner of Global Governance <ul style="list-style-type: none"> <li>• Emerging Actors of public Sphere (NGO's)</li> </ul>
Policy instruments of the state	<ul style="list-style-type: none"> <li>• Direct Investment in Productive Activities</li> <li>• Infrastructure Development</li> <li>• Regulative Measures</li> <li>• Control over Flows (Capital, Goods, Information, Labor)</li> </ul>	<ul style="list-style-type: none"> <li>• Supply Side Policies do not Need to be Centrally managed</li> <li>• Infrastructure Development</li> <li>• Regulative Measures</li> <li>• Strong emphasis on Local Institutions</li> </ul>	<ul style="list-style-type: none"> <li>• Transnational Network Formation (Global/Local)</li> <li>• Local Network Formation</li> <li>• Formation of Innovative System</li> <li>• Open to Institutional Innovations</li> </ul>
Actors of Guidance Mechanism of Social System	<ul style="list-style-type: none"> <li>• Well- Structured Hierarchical Bureaucratic Structure</li> <li>• (Technical Reason Dominant) Bureaucracy-Instrumental Rationality</li> <li>• Planning-Programming Oriented Bureaucracy (Scientific Legitimacy)</li> </ul>	<ul style="list-style-type: none"> <li>• Decentralized Bureaucracy, Horizontal Relations</li> <li>• Subcontracting Relations</li> <li>• Balance of Cooperation and Competition</li> </ul>	<ul style="list-style-type: none"> <li>• Governance (Multi-actor Steering and Partnership)</li> <li>• Increasing Self-governance Capacity</li> <li>• Institutional Instrumentality</li> <li>• Increasing Institutional Thickness</li> </ul>
Mode of Accumulation	Fordist Mode of Accumulation	Flexible Mode of Accumulation	Mode of Accumulation in Knowledge Society
Type of Production	Mass Production	Flexible Production (Small-Batch Customized)	Diversified Mass Production+Flexible Production+Innovation
Economic Theory	Keynesian Demand Management Neo-classical Industrial Location Theory	Neo-liberal Monetarist Theory Supply-side Economics	Institutional, Evolutionary Economics

Table 1 continued.

Source of Regional Growth	Externally Driven (External Demand, Redistributive Decision of the State, External Decision TNC)	Internally Driven (Development from Below)	Internally Driven (Technical and Organizational Innovation) (Incremental and Path-Dependent)
Elements of Dynamics of Regional Growth	<ul style="list-style-type: none"> <li>• Capital Accumulation-Investment Dynamics</li> <li>• Vertically Integrated Economy</li> <li>• Traded Interdependencies (I-O Relations)</li> </ul>	<ul style="list-style-type: none"> <li>• Development of Human Capital</li> <li>• Vertical Disintegration</li> <li>• Horizontally Integrated Economy</li> <li>• Collective Entrepreneurship</li> <li>• Untraded Interdependencies</li> </ul>	<ul style="list-style-type: none"> <li>• Driven by Technical and Organizational Innovations</li> <li>• Quasi-vertical Integration</li> <li>• Creation of Social Capital</li> <li>• Social Embeddedness of Economic Relations</li> <li>• Untraded Interdependencies</li> </ul>
Reasons of Comparative Advantage	<ul style="list-style-type: none"> <li>• Due to Pre-given Advantages (Geographic Advantages)</li> <li>• Scale Economies+ Agglomeration Economies</li> </ul>	<ul style="list-style-type: none"> <li>• Historically Accumulated Advantages</li> <li>• Economies of Scope+ Agglomeration Economies</li> <li>• Shared Infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>• Historically Accumulated Advantages</li> <li>• Network Externalities (Local Networks, Trans-Local Networks)</li> </ul>
Spatial Reflections of Growth Dynamics of Regional Economy	<ul style="list-style-type: none"> <li>• Growth pole</li> <li>• Big Push</li> </ul>	<ul style="list-style-type: none"> <li>• Marshallian Industrial Districts</li> <li>• New Industrial Spaces</li> </ul>	<ul style="list-style-type: none"> <li>• Innovative Learning Region</li> <li>• Territorial Innovation Models</li> <li>• Innovative Milieu</li> <li>• Place</li> <li>• Dependent=Path Dependent</li> </ul>

Source: Adapted from Tekeli and Pınarcıoğlu (2004)

Although the role of the welfare state has weakened, the state still maintains its role of further enhancing infrastructure and regulating the economic life in the region. Regulations are mostly concentrated on sustaining macro-economic balances as a solution for crisis. Local governments and entrepreneurs do appear as a critical actor in this period which trigger collectivity and close cooperation among them to sustain local development (Tekeli and Pınarcıoğlu, 2004).

There are various schools of thought which seek to explain this change in competitive environment. First of all, the “*Regulation School*<sup>2</sup>” seeks to analyse how the production and growth of the advanced capitalist economies is regulated. It assumes that there must be mechanisms and policies to overcome constantly recurring disequilibria and attempts to gain some sort of balance (Lipietz, 1992; Tickell and Peck, 1992). Secondly, “*Neo-Schumpeterian School*” which pays attention to technology in initiating and sustaining periods of economic growth. Lastly, the “*Flexible Specialization Approach*” which emphasize craft production, based on skilled workers providing a variety of customized goods (Piore and Sabel, 1984).

This period could be assessed as a turn that is from a mass production to a flexible production which is based on small, manageable units. The emergence of the new form of industrial organization was called as flexible specialization (Glasmeier, 1999, Scott, Storper; 1987). Therefore, the theory of flexible production reverts to the model of *industrial district*. The strategy was to give individuals an entrepreneurial spirit. It was also understood that small firms are more flexible and therefore resistant to the crisis (Capello, 1996). Therefore, small and medium sized entrepreneurs (SMEs) were supported to solve the unemployment problem instead of increasing production by supporting consumption through redistribution mechanisms of nation states. In this respect, deregulation policy has taken as the main solution to overcome the 1970-1980s crisis. Attention has now shifted towards indigenous development and local capacities to generate self-sustaining economic growth (Plummer and Taylor, 2001:219).

The indigenous development approach emphasizes the economic externalities and increasing returns, associated with spatial clustering, specialization and agglomeration of small and medium sized enterprises (Amin, 1999). Spatial agglomeration of firms is one of the common features of indigenous development approach. Therefore, firms in these districts take advantage of economies external to the firm but internal to the region, within which positive external economies come from their geographical proximity. The close proximity of firms within a particular industry provides opportunities for entrepreneurs to specialize and to secure their scale (Keeble and Wilkinson, 1999).

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<sup>2</sup> Proponents of the regulation approach argue that capitalism is an unstable, contradictory system that must restructure itself in order to resolve its periodic crises. Each period of restructuring brings different regional and local economic impacts (Tickell and Peck 1992). Regulation theory introduces the concept of a ‘*regime of accumulation*’ - a social system linking production to consumption. The temporary stability of this system depends on a particular ‘*mode of social and political regulation*’ based on a ‘set of internalized rules and social procedures (Lipietz, 1987: 15), including state action, social institutions, behavioral norms and political practices (Tickell & Peck, 1992).

Theoretical and empirical studies on explaining economic development in this period emphasize the crucial role and advantage of localities by discussing the importance of tacit knowledge, human capital, high specialization, low transaction costs, joint action, inter-firm relations, close subcontracting relations, local institutions, collective entrepreneurship based on trust and reciprocity, labor markets, culture and embeddedness to explain differences in local economic dynamics and in the capacities of places to cope with, and adapt to, change. In particular, four factors are underlined as the sources of local development in this new paradigm, namely: entrepreneurship; production flexibility; district economies; and the presence of some 'collective agents' capable of acting as a catalyst for the mobilization of the 'indigenous potential' (a local bank, wholesalers, local industrial associations, some enlightened entrepreneur, etc.) (Capello, 1996).

In this period, industrial economic theories emphasize the importance of 'horizontal integration' models. The large firm model of the vertically integrated firm, with its strongly centralized decision-making power, is replaced by vertically disintegrated systems, based on a series of specialized SMEs. "The theory of transaction costs emphasized by Williamson (1985) becomes rather useful in this period; in the choice between 'make' or 'buy', the solution towards the purchase of some functions guarantees firms more flexibility and less fixed costs in production processes: for this reason, the emerging industrial organization of that time is constituted by a group of SMEs legally independent from one another but very much vertically integrated with a particular production process through cooperative inter-firm linkages" (Capello, 1996;486).

For small businesses, close ties on the regional level are often an essential prerequisite for surviving in international competition (Sternberg, 2000). However, collective structure and embeddedness to local area have been seen as a weakness of clusters for generating radical changes (Schmitz, 1999). Regional-local networks improve the access of small businesses to local experience and knowledge pools, but their true strength can be found in their ability to provide connections to global networks. Moreover, the role of global relations have not adequately considered in indigenous development approach (Humphrey, 1995). That is why, in the literature, debates about development which only depends on local capacity based on local network and local knowledge have started to be criticized with the end of 1990s (Staber, 1997, Glasmeier, 1999).

According to these critics, local embeddedness and strong local networks have been defined as a weakness of clusters by not generating innovative changes to be competitive (Schmitz,

1999). For Camagni (1991), the connection of regional networks with global networks is necessary to be competitive in the global. Therefore, in the third paradigm integration with global networks and importance of external knowledge has been increasingly discussed due to increasing competitive capacity of clusters and firms (Amin, 1999, Porter, 2000, Yeung, 2000, Lyons, 2000, Koschatzky and Bross, 2001).

In fact, the third paradigm was emerged by the technological restructuring via information technologies and the collapse of socialist block. A transition was clearly observed from industrial society to information society, from the world of the nation states to the globalisation. When the state lost its dominant position in the globalised world, action units are coordinated by the interactions of public semi-public and private individual actors. Governance has become the central mechanism for the intervention policies which necessitates the involvement of a multiplicity of both public and private actors.

Although nation-state is not the dominant actor, but regarded as a partner of global governance, in close relationship with other states. In a globalised world, the nation-state as an actor should be conceptualised in relation to a global governance system that emerges through the interaction of nation-states. Starting from the third paradigm, institutions and institutional thickness have gained crucial role to promote local development (Amin, 1999). In this context, non-governmental organizations (NGOs) has emerged as a strong partner willing to exert an influence on the government related with development issues. Within the contemporary development models, firm is considered as interactive units and a part of local and global networks, the importance of which has been emphasized frequently. Moreover, enterprises or organizations are taken into consideration as the nodal points of both global and local networks (Tekeli and Pınarcıoğlu, 2004) to be globally competitive. This is also due to the development of the Single Market in this period. The decreasing inflation rates, and especially the stable exchange rates encourage firms to open to external markets, transforming mostly national competition into global competition (Capello, 1996).

Instrumental rationality of previous development approaches has changed, communicative rationality is taken as a new type of perception in the third paradigm of development which is closely related institutional and evolutionary approaches based on networks, social capital (social capacity of collective works) formations, institutions, knowledge, learning and innovation concepts. Institutional and evolutionary approaches depend mainly on “increasing returns” and “untraded interdependencies” with regards to institutional structure and historical perspective. The theory of regional innovation systems, innovative milieus, and learning

regions (Braczyk et.al., 1998; Lundvall, 1992; Maillat, 1996; Maskell et.al., 1998; Putnam, 1993) is promoted by the evolutionary and institutionalist theory.

Increasing role of knowledge (tacit), innovation, technology transfer, social capital, network externalities, institutional capacities and local learning capacity start to be discussed in recent approaches for promoting competitiveness in the concept local development. Maskell and Malmberg (1999) argue that globalization affects knowledge creation in a differentiated manner. Codified knowledge may be accessed anywhere on the globe (it becomes ubiquitous). Creation of tacit knowledge requires organizational, cultural and spatial proximity. Locally embedded tacit knowledge, therefore becomes a crucial source of localized capability.

In this period, innovation is taken as the driving element of development, the possibility of revitalization, the strategic weapon against increasing competition. It is, however, also the challenge offered to local systems and to their stability, a challenge that if ignored, drives the local area to economic decline (Capello, 1996). Camagni (1995) presents the theory of the 'innovative milieu', a theory based mainly on the tradition of the bottom-up development approach, of the industrial districts, but which finds its innovative roots in the dynamic interpretation given to these traditional theories. According to Camagni (1991 and 1995), innovative milieux are able to achieve the dynamic efficiency in two complementary ways;

- by developing local networks, in which the element of proximity generates three distinctive features: density of relations, informality and openness (Conti & Dematteis, 1995).
- by developing trans-territorial networks, i.e. systems of relations for long-distance cooperation, where the non-proximity of partners implies and requires relatively few links, greater formalization of relationships, network selectivity and closure.

As it is seen from theories of development, networking gains an important ground for competitiveness by creating new solutions and possibilities to share costs, and risks, as well as to keep up with information updated and knowledge accumulation for institutions. The network of vertical and horizontal inter-firm linkages became indispensable in this competitive environment to promote competitive advantage. The most efficient organizational form of production became as 'quasi-vertical integration'; this is assuming an ever more important role as an alternative to full vertically integrated or vertically

disintegrated production systems (Capello & Gillespie, 1993).

The traditional models of the large, vertically integrated firm of the 1960s, and of the small autonomous, single-phase firm of the 1970s and part of the 1980s, are replaced by a new type of large networked firm, with strongly centralized strategic functions extending in several directions, and by a new type of small enterprise, integrated into a multi-company local network. The network firm is attracted towards diversified mass production and the competitive factor of the single firm is the control of complementary assets in the hands of its potential partners (Capello, 1996).

The economic efficiency of the system is based on 'network externalities'. Network externalities have a crucial role on facilitating information flows, production sharing and diffusion of technologies (Capello and Nijkamp, 1996; Cecil *et al.*, 1996; Ettlinger and Patton, 1996; Park, 1996; Staber *et al.*, 1996; Cornish, 1997a; 1997b; Izushi, 1997; Ivarsson, 1999; Walcott, 1999). These externalities are particularly important for the (re)production of innovative networks in specific places and regions (Grotz and Braun, 1997; Pratt, 1997; van Geenhuizen and van der Knaap, 1997; Lawson *et al.*, 1998). The advantages of network externalities stem from the fact that marginal benefits exceed marginal costs; a new partner generates more advantages than costs to the already existing partners (Capello, 1994).

The network paradigm is embodied in three main theories, which are discussed in the book by Conti, Malecki and Oinas (1995), namely:

- \* cooperation agreements among firms;
- \* local/global developments of local areas;
- \* the new management of territory by firms.

In the network paradigm, a new interpretation of the locational choices of firms based on the new information and communications technologies emerging in this period. The cluster of small firms, which accompanies the development of the industrial district model, is useful to exploit proximity effects. This spatial organization model continues to be true for small firms; however, the large emerging firms, which revitalize their production processes, pursue a new strategy of spatial organization, no longer based on the minimization of transport costs but of maximization of information in decision-making processes, of flexibility in production processes and contacts with different firms located in other areas (Capello, 1996).

As it is seen from the evolutions of development paradigms, the main emphasis has shifted firstly from firm to localities/clusters by the increasing importance of local networks; however in recent theories the necessity to increase global networks in addition to local networks is emphasized as a crucial factor for places to be competitive in the global market. By this type of change in the development models, it is implied that, in addition to the importance of clusters/local areas, firms and their global linkages gains significance irrespective with the cluster and its dynamics.

Some of the discussions on local development claim that the role of space diminishes with the transformations in technology, and there is no need to locate near agglomerated places to develop global connections. In this view, geographical space is taken as space of flows irrespective from physical space. But, if location/space does not matter, why is today's economic map of the world is still being dominated by growing clusters of economic activities?

Because of the importance of this question, core discussions on local development still considers space / location is an important factor for developing cooperative environment (Porter, 1990; Porter, 2000; Kuah 2002). Especially, clusters are taken as important places for firms by its dynamics such as externalities, complementary and cooperative linkages for promoting competitiveness in the global market. In the following part, clusters, externalities, the changing role of local networks and increasing role of global networks in clusters for competitiveness are elaborated under the sub-heading of clustering and local development.

## **2.2 Clustering and Local Development**

The geographical concentrations of firms and the questions; how a company's ability to compete is affected by the place where it is located, why similar and related activities form geographic concentrations (agglomerations) and how different types of related economic activities develop in relation to each other, have for a long time attracted the researchers of economic geography. In 1919, Alfred Marshall coined the notion of industrial district as characterized by economies of specialization, information, and labor supply, all embedded in an "industrial atmosphere" created by dense networking (Pyke and Sengenberger, 1992, p. 280).

Companies tend to agglomerate, forming critical masses in one place, to take advantage of synergies such as increased productivity, a higher pace of innovation and the possibility of

becoming more competitive. Porter defined agglomeration as:

...a geographical assembly concentrating inter-related enterprises, correlated institutions in a determined area linked to common and complementary elements. The geographical scope varies from a single town or state to the whole country or even a net of neighboring countries. The agglomerations assume diverse ways, depending on their deepness and sophistication, but most of them include enterprises of products and final services, specialized input suppliers, components, equipment and services, financial institutions, enterprises and correlated sectors. The agglomerations generally also include companies up and down in the supply chain, producers of complementary products, suppliers of specialized infrastructure, governmental institutions and others, devoted to specialized training, education, information, research and technical support (such as universities, study centers and workers on vocational training), and standardization agencies. The governmental institutions with main influence over the agglomeration would be one of its members. Finally, many agglomerates include commercial and other private associations which support its members. (Porter, 1999, p. 211-212)

According to Porter (1990) and Nordin (2003), companies in agglomerated areas get access to an environment where the level of innovation is high, new products and services are constantly being developed, increased specialization is taking place, skilled labor, and the latest knowledge and information are available. Local concentration of specialized activities exhibited external economies in the ready availability of skilled labor; the growth of supporting and ancillary trade; and the specialization of firms in different stages and branches of production (Koeh, 2002). Piore and Sabel's seminal book 'The Second Industrial Divide' (1984) again put the spotlight on the *spatial clustering* of firms, elaborating especially on technical and economical aspects but also considering the social dimension of the localized organization of economic activity.

Clusters are critical masses of sectorally specialized and geographically concentrated activities (Bergman and Feser, 1999; Forti, 2006). Generally, they include a large number of interrelated suppliers distributed along the whole value chain<sup>3</sup>. Generally, local public institutions, research institutes, training centres, professional associations and other bodies provide firms in the cluster with a broad range of services and support activities (Porter, 2000; Forti, 2006).

Based on this perspective, clusters could be considered as something new in comparison to previous approaches. A wide body of the literature shed light on the phenomena of

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<sup>3</sup> Value chain can be described as a series of horizontal and vertical links between economic agents which can be independent from one another or not. At each link one or more of the chain's activities is carried out, and a contribution is given to the total value added of the whole chain. 'A single firm may consist of only one link in this process, or it may be extensively vertically integrated.'

clusters, including those on growth poles and backward and forward linkages, agglomeration economies, economic geography, urban and regional economics, national innovation systems, regional science, industrial districts and social networks. All types of clusters hold in common the notion that geographic proximity between member enterprises lends certain competitive advantages (Bergman and Feser, 1999). According to Eraydin and Fingleton (2005), clusters which information flows, institutions, infrastructure, and competence formation are localised, provide the basic context supporting the performance of a firm.

According to Porter (2000), a cluster is a geographically proximate group of interconnected companies and associated institutions in a particular field, linked by commonalities and complementarities. Cluster theory, in contrast, advocates building on emerging concentrations of companies and encouraging the development of those fields with the strongest linkages to or spillovers within each cluster. Clusters occur both in high-tech and traditional industries, in manufacturing as well as in service industries.

In the mid-1980s a body of literature emerged on “industrial districts” (Storper and Scott, 1986; Scott and Storper, 1987; Scott, 1988; Storper, 1993 and 1995; Humphrey, 1995) referring industrial clusters. The growing interest in industrial clusters has its origins in Harvard professor Michael E. Porter's studies, where he showed that leading industries in basically any field tend to group in relatively small geographic areas - in competitive clusters. Although cluster is a wide literature and popular still today, similarities can be observed with industrial district literature. In industrial districts, business and social concerns combine at a collective level, providing a natural seedbed for personalized small-business networks. Economic activity is then embedded in a social texture knit together by strong ties representing a collective social-capital and governance structure (Cooke et.al., 2001).

Brusco (1986) defines industrial districts as a spatial concentration of firms from the same or closely connected branches of industry in a relatively small and delimited but not clearly define space. Well known industrial districts have comparative advantages over regions as it is seen in ‘Third Italy’, Badenwürttemberg, Boston, Massachusetts, Silicon Valley (Piore and Sabel, 1984; Harrison, 1992; Benko and Lipietz, 1992).

The success that lies behind the industrial districts may be summerized as; the advantages of flexible specialization, organizational deepening (each firm becomes a specialist supplier for

other firms) that generates external economies, the advantages of collective efficiency (Schmitz, 1995, 1999), the opportunity of firms to organize themselves in that cluster, deliberate and purposeful joint action involving inter-firm vertical co-operation and horizontal cooperation and untraded advantages (Helmsing, 2001).

According to the industrial district approach, firms can respond to the changing market conditions in two different ways (Scott and Storper, 1987): (1) either by increasing vertical integration within the firm (a major strategy of big firms) or (2) by increasing the horizontal integration in order to benefit from the external economies created by the agglomeration of firms (a major strategy of small firms). According to Scott and Storper (1987), it is the second option that constitutes the founding rationality of the spatial agglomeration of firms. Spatial proximity inside the agglomeration reduces transactions costs and increases the possibility of exploitation of external economies.

Although NIDs have positive contributions to firms and clusters, being only restricted to small firms creates problems in NIDs such as obscuring the role of large firms in districts and paying less attention to “why clustering occurred?” (Humphrey, 1995). In fact, the industrial district model focused heavily on inter-firm relations within districts but failed to be specific on external linkages (Helmsing, 2001). Schmitz (1995b) also added that differences in firm size might have different implications for the characteristic of industrial districts. Supporting this view, Asheim (1992) argued that intra-district firm dynamics may be altered when large firms emerge within clusters or penetrate clusters from the outside.

Although old reasons for clustering have diminished in importance with globalization, new roles of clusters in competition have taken on growing importance in an increasingly complex, knowledge based and dynamic economy (Porter, 1990). In this context, apart from the clusters which include mainly small firms as in NIDs, new type of clusters that covers not only small firms but also large firms have been heavily discussed in the contemporary literature. It is known that there are diverse types of clusters by covering a diversity of sectors. Consequently, ‘what are clusters?’ and ‘in what way do they increase the competitiveness?’ are questions frequently asked in the literature. Porter’s (1990) discussion on *how clusters densely networked firms serve global markets while deriving their strength from a regional basis* is taken as a critical debate for this thesis.

In the earlier works on the Competitive Advantage of Nations, Porter (1990) introduced the concept of clusters being “*groups of interconnected firms, suppliers, related industries and*

*specialised institutions in particular fields that are present in particular locations*". According to Porter (2000) more than single industries, clusters encompass an array of linked industries and other entities important to competition. They include suppliers of specialized inputs such as components, machinery, and services as well as providers of specialized infrastructure. Many clusters include governmental and other institutions that provide specialized training, education, information, research, and technical support. Many clusters include trade associations and other collective bodies involving cluster members. For him, foreign firms can be and are part of clusters, but only if they make permanent investments in a significant local presence (Porter, 2000).

Cluster theory bridges the network theory and competition. A cluster is a form of network that occurs within a geographical location, in which the proximity of firms and institutions ensures certain forms of commonality and increases the frequency and impact of interactions. Network theory can greatly inform understanding of the way clusters work and how clusters can become more productive. Institutions, especially organizations play important roles in facilitating the formation of networks.

The difference between clusters and networks is sometimes difficult to see. One difference between a network and a cluster is that networks can occur among firms situated anywhere, whereas clusters usually refer to a core of firms in a more limited geographical area. Rosenfeld (2001) points out more important distinctions between a cluster and a network that make the difference more distinguished, even though it is important to remember that there are no universal rules that apply to every situation. For instance, networks allow firms access to specialized services at lower costs. However, clusters attract needed specialized services to a region. While networks have restricted membership, clusters have open "membership". Networks are based on contractual agreements; clusters are based on social values that foster trust and encourage reciprocity. Networks make it easier for firms to engage in complex production; however clusters generate demand for more firms with similar and related capabilities. Networks are based on co-operation; clusters require both cooperation and competition. While networks have common business goals, clusters have collective visions.

According to the definition of OECD (1999):

'The cluster concept focuses on the linkages and interdependencies among actors in the value chain in producing products and services and innovating. Clusters differ from other

forms of co-operation and networks in that the actors involved in a cluster are linked in a value chain. The cluster concept goes beyond "simple" horizontal networks in which firms, operating on the same end-product market and belonging to the same industry group, co-operate on aspects such as R&D, demonstration programs, collective marketing or purchasing policy. Clusters are often cross-sectoral (vertical or lateral) networks, made up of dissimilar and complementary firms specializing around a specific link or knowledge base in the value chain'.

A cluster enhances its success not only through the acquisition and assembly of inputs but also through facilitating *complementarities* between the activities of cluster participants. Some of the most important types of complementarities are the following according to Porter (2000; 22);

· *Complementary products for the buyer:* In tourism, for example, the visitor's experience is affected not only by the appeal and quality of the attraction (e.g., beach, historical site) but also by the quality of the hotels, restaurants, souvenirs, airport facilities, and transportation, making the different parts of the cluster mutually dependent. Such complementarities across products in creating buyer value are common, being present not only in service delivery but also in product design, logistics, and after-sales service. The co-location of firms and industries within a cluster makes it easier to achieve product-service coordination and creates internal pressures for improvement among parts of a cluster in ways that can substantially improve overall quality and/or efficiency.

· *Marketing complementarities:* The presence of a group of related firms and industries in a location offers efficiencies in joint marketing (e.g., firm referrals, trade fairs, trade magazines, marketing delegations). It also can enhance the reputation of a location in a particular field and makes it more likely that buyers will consider a vendor or manufacturer based there. Buyers can see multiple firms in a single visit. The presence of multiple sources for a product or service in a location also can reduce perceived buying risk by offering buyers the potential to multi-source or switch vendors if the need arises.

· *Complementarities due to a better alignment of activities among cluster participants:* Linkages with suppliers, channels, and downstream industries are recognized and captured more easily within clusters than among dispersed participants. Substantial improvements in productivity also sometimes are possible when several parts of a cluster change simultaneously (e.g., coordination to develop cluster standards and measures)".

Hence in a cluster the focus is on the linkages between firms and suppliers, customers, complementary businesses as well as different institutions such as research institutes, universities and government agencies. However, it is usually not a group of firms that deliberately join to reach common objectives, but rather a non-planned phenomenon. It is a group of companies forming linkages and alliances with the unique feature that companies selectively compete in certain respects and yet cooperate in others.

Apart from the importance of complementarities for the success of cluster, *new business formations* have also shown the success of the cluster. The advantages of a cluster in new business formation can play a major role in speeding up the process of cluster innovation. Related with the performance of clusters Porter (1998c) pointed out that rapid firm growth and new firm entry are two signals of a successful cluster. Because of new business formation, the depth and breadth of clusters often grow over time, enhancing cluster advantages. The recent econometric work carried out by Baptista and Swann, 1999; Beaudry et al., 1998; Cook et al., 1999; Pandit et al., 2001: a-b, 1999; Swann et al., 1998; Swann and Prevezer, 1996 further supported this. These works investigated into the rate of growth of the firm as a function of the strength of the cluster in which it is located and whether strong clusters attract a disproportionate number of new start-up firms.

Porter defines four conditions essential for locational competitive development in clusters as *factor conditions* (quality of labor, capital, knowledge available); *demand conditions* (scale and quality of regional home market); *supplier industries* (globally competitive suppliers, specialized services); *business strategy* (rivalry between local firms but also willingness to cooperate in research, sales and marketing). In fact, the interplay of competition and cooperation is taken as a fundamental thing. According to him, firms can sometimes gain competitive advantage from breath through competing globally or from exploiting interrelationships by competing in related industries. For example, a firm can gain advantage by sharing its brand name, technological skills on worldwide basis.

According to Porter, clusters have several advantages by increasing productivity, stimulating and enabling innovations and facilitating commercialization. Clustering mainly provides efficient access to specialized inputs, services, employees, information, institutions and “public goods” (e.g. training programs), knowledge creation, rapid diffusion of best practices, facilitates coordination, transactions across firms, innovation opportunities and experimentation given locally available resources and clusters give opportunities for new companies and new lines of established business are more apparent. Clusters reflect the

fundamental influence of externalities and linkages across firms and associated institutions in competition.

Porter (1998c) summed up that clusters broadly affect competition and create competitive advantage in three ways:

- By increasing the productivity of companies based in the cluster;
- By driving the direction and pace of innovation, which underpins future productivity growth;
- By stimulating the formation of new businesses, which expands and strengthens the cluster, forming a virtuous circle or positive feedback.

Since the cluster concept can be found in a variety of contexts and takes on different meanings and definitions<sup>4</sup>. Anders Malmberg, a Swedish scholar, has tried to structure the different meanings of the cluster concept. He distinguishes between three interconnected main areas. The first one is *a functional* dimension of clusters, which focuses on related links and industries often knit together by a network or a production system. The second dimension concerns clustering as a *spatial* phenomenon. It focuses on similar and related businesses forming concentrations (agglomerations) in a limited geographic area. The third dimension deals with clustering as a *development strategy*, taking the form of policy programs promoting clusters. The last one often involves the attempt to create strong regional brands, such as Hollywood or Silicon Valley.

In the literature, various types of clusters are defined according to their process of development and types of firms which they included. According to African case studies (McCormick, 1999), “groundwork cluster” included survival oriented small and micro enterprises which have lack of inter-firm relations, “industrializing cluster” that is local market oriented and enjoys limited external effects, and “complex industrial clusters” containing firms oriented towards national markets and exports. In Latin American clusters, there are threefold typology of clusters. While “survival cluster” consists of small enterprises, second type of cluster refers to more advanced and differentiated mass producers

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<sup>4</sup> Rosenfield (1997:4) has defined clusters simply as ‘concentration of firms that are able to produce synergy because of their geographical proximity and interdependence’ whilst Roelandt and den Hertog (1999:9) characterised clustering as networks of producers of strongly interdependent firms linked to each other in a value-adding production chain. Swann (1998:1) has defined clusters, in geographical and technological sense, as a large group of firms in related industries at a particular location. Taking the number of definitions further, Feser (1998:26) said that ‘economic clusters are not just related and supporting industries, but rather related and supporting institutions that are more competitive by virtue of their relationships’.

established during the era of import substitution and the third type consisting of TNCs and attracted from new foreign investment (Altenburg and Meyer-Stamer, 1999). Rosenberg classifies clusters as working cluster (overachieving), latent clusters (underachieving) and potential clusters (wannabees). According to Park (2000;329), there are three basic types of Marshallian districts; hub-and-spoke, mature satellite and pioneering high tech industrial districts.

In fact, the behavioral phenomena behind industry clusters emphasize explanations for observed spatial clustering of business enterprises (e.g., Enright, 1990; 1996), with theories of business externalities, agglomeration economies, labor pooling, and knowledge spillovers the main focus. Others highlight the link between and clustering, drawing on theories of growth poles, development blocks, and Schumpeterian entrepreneurship (DeBresson, 1996). Porter claims that innovation gains are achieved through interaction between geographically proximate actors, which also contributes to new business formations because of the needs perceived in the cluster.

Doeringer and Terkla (1997) specify three major drivers of industry clustering: 1) strategic business opportunities derived from specific kinds of interfirm alliances ; 2) traditional regional factor market advantages (labor pools and localized knowledge spillovers); and 3) the role of non-business institutions such as universities, colleges, trade unions, and associations.

Related from the discussions on clusters, Kuah (2002;221) has also classified three main elements emerging in clusters: “Firstly, a cluster must consist of groups of associated and interconnected firms that are linked vertically and/or horizontally through their commonalities and complementariness in products, services, inputs, technologies or outputs activities. Secondly, clusters are physical proximate groups of interlinked companies which can encourage the formation of, and enhances value creating benefits via their interaction. Lastly, co-location itself does not imply clustering when these associated clustering benefits like innovation, productivity, growth or other superior competitiveness cannot be shown or described”.

There is a general agreement that one of the major changes affecting clusters is the increasing international competition as countries open up their economies. What is the capacity of a cluster to respond to external changes and what is the role of external agents become the crucial question for the competitiveness of clusters. According to Humphrey

(1995), network between the firms and institutions in the cluster and the other elements in the commodity chain promotes competitiveness and therefore the development of that cluster.

Porter (1998c) has similarly suggested that a cluster's boundaries are defined by the linkages and complementarities across industries and institutions that are most important for competition. It is implied that the spatial context, boundary of cluster remains unclear. For Porter, the appropriate definition of a cluster may differ in different locations, depending on the segments in which the member companies compete and the strategies they employ. "The lower Manhattan multimedia cluster, for example, consists primarily of content providers and firms in related industries such as publishing, broadcast media, and graphic and visual arts. The San Francisco Bay area multimedia cluster, by contrast, contains many hardware and software industries that provide enabling technology. Clusters also can be examined at various levels of aggregation (e.g., agriculture cluster, wine cluster), thereby exposing different issues".

Clusters are also not homogenous in terms of firm characteristics, nor do they remain static over time (Helmsing, 2001). Some firms benefit from clustering than others and some debates explain this difference by the existence of active collective efficiency in that cluster (Schmitz, 1995; 1999). *It is claimed that there is a positive association between inter-firm cooperation and the economic performance of firms in the clusters.* As to Rabellotti and Schmitz (1999), large firms draw less on the cluster while small firms engage less in joint action. However, it is now clear that "a single firm may be part of a cluster focused on local markets, but it is most likely that small firms belonging to clusters are also part of value chains— which very often span the whole world, and are therefore called global value chains" (Forti, 2006)

In the following parts, core theoretical concepts emerging in cluster literature will be elaborated to understand their role on firm and cluster competitiveness: external economies and externalities of clusters, networking, complementarities and institutional thickness in clusters.

### **2.2.1 Externalities of Clustering**

The economic advantages of clustering, which have been labelled as "collective efficiency", stem from a series of factors which can be traced back to external economies and joint action

(Porter, 1998; Schmitz, 1995; 1999). Externalities are generally defined as impacts, side-effects or spillovers which are usually not reflected in the costs or prices of a particular good or service, i.e. not covered by a market mechanism (Kuah, 2002; 210). External economies are advantages that accrue to firms as an unpaid side effect of the presence and activity of other firms and entities, due to factors such as: the availability of skilled workers, networks of specialised suppliers of goods and services, traders linking the cluster to external markets (even very distant markets), professional associations, and so on. External economies are “incidental”, but other advantages may come from a deliberate force at work which has been called joint action. The nature of joint action is vertical when it links producers, their suppliers and subcontractors, traders and buyers. The nature of joint action may also be horizontal when it links two or more producers. Joint action can also involve other actors such as service providers, training institutions, professional associations, and so on” (Forti, 2006).

Regional scientists and geographers are strongly interested in how and why firms cluster in geographic space, and particularly how such clustering influences regional development paths. Two basic conceptual approaches for understanding benefits to concentration dominate the literature: industrial location theory where the benefits are called agglomeration economies, and the Marshallian perspective that takes as its point of departure Marshall’s ([1890], 1961) analysis of external scale economies and their presence in “industrial districts”. In both cases, various types and sources of externalities are cited as the reason why firms co-locate. The literatures differ somewhat in their relative emphasis on static versus dynamic externalities, while neither perspective is particularly concerned with distinguishing between pecuniary and technological externalities (Bergman and Feser, 1999). According to Scitovsky (1954), it has been customary to consider two categories: “technological externalities<sup>5</sup>” (such as spillovers) and “pecuniary externalities<sup>6</sup>.”

In the Industrial Location Theory, Weber (1929) defines agglomeration economies (defined as cost savings firms enjoy as a result of increased spatial concentration) as one of three primary causes of spatial clustering. However, Weber is not mainly concerned with *why* such agglomeration economies arise, preferring to suggest that they are simply external varieties of internal scale economies (see Weber, 1929, p. 127). The primary aim was to model how such economies might lead to agglomeration. It was a theoretical approach and

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<sup>5</sup> Technological externalities deals with the effects of nonmarket interactions which are realized through processes directly affecting the utility of an individual or the production function of a firm.

<sup>6</sup> Pecuniary externalities refer to the benefits of economic interactions which take place through usual market mechanisms via the mediation of prices.

methodological emphasis that eventually became the traditional regional science/urban economics approach to the study of externalities (Bergman and Feser, 1999).

Hoover (in Bergman and Feser, 1999) does introduce the distinction between urbanization and localization economies. In the cluster literature, the focus is mainly on externalities related to proximity among business enterprises (localization economies), rather than on externalities associated with general urban advantages (urbanization economies).

In the urban economics literature, agglomeration externalities are due to any economies or cost reductions that are possible if several firms locate near to each other (Evans, 1985). However, in cluster literature, it is emphasized that potential customers can reduce their searching costs and compare prices with quality by being located close to one other. Reputation of a cluster will further draw customers to the location for their custom. Silicon Valley has become an international cluster reputed for its design and innovation ability (Saxenian, 1994). Firms may sometime cluster in particular location to take advantage of close proximity to concentrations of their customers, which may of course be other firms. This can sometimes be imposed by the customers, such as Dell Computer, who to benefit from integration in the supply chain, demand that supply sources be located within a certain distance. Models of dynamic externalities argue that cities or clusters grow because they allow people to interact and learn from one another, and this is promoted by physical proximity (Kuah, 2002).

According to Marshallian Theory, external scale economies is defined as cost savings accumulating to the firm because of size or growth of output in industry (Marshall ([1890] 1961). Moreover, external economies contrast directly with internal scale economies, which are the source of increasing returns. Such external economies are mainly spatial externalities, which may be defined generally as economic side-effects of proximity between economic actors. They can be either negative or positive, static or dynamic, pecuniary or technological. While the static variety are reversible, dynamic externalities are those associated with the technological advances, increased specialization, and division of labor that triggers growth and development (Young, 1928).

For the most part, regional scientists are interested in dynamic external economies, though this is not made explicit. Dynamic external economies associated with learning, innovation, and increased specialization. Marshall illustrates the workings of (largely dynamic) external economies with reference to concentrated industrial districts, places where firms enjoy the

benefits of large, skilled pools of labor, greater opportunities for intensive specialization, and heightened diffusion of industry-specific knowledge and information (knowledge spillovers) (Bergman and Feser, 1999). Behind those dynamics is not just the size of the district alone, but social, cultural and political factors, including trust, business customs, social ties, and other institutional considerations (Bellandi, 1989).

Marshall's externalities turn out to be a mixture of technological and pecuniary externalities. Generally, the "Marshallian externalities" arise due to (i) mass production, (ii) the formation of a highly specialized labor force based on the accumulation of human capital and face-to-face communications, (iii) the availability of specialized input services, and (iv) the existence of modern infrastructures (Fujita and Thisse, 1996). Much of Marshall's analysis is relevant to Porter's (1990) discussion of firm structure, strategy and rivalry as one of the four determinants of competitiveness (Peneder 1995). Not surprisingly, Marshallian externalities are the engine of economic development in the new growth theories.

Both Krugman and NID also stress the importance of clustering and draw on Marshall to identify the different types of externalities involved. The concept of *externality* has been used to describe a great variety of situations. Externality may lead to the agglomeration of economic activities. A major force in the existence of "externalities" since the geographical concentration of economic activities can be viewed as a snowball effect. Specifically, more and more agents want to agglomerate because of the various factors that allow for a larger diversity and a higher specialization in the production processes, and the wider array of products available for consumption. The setting up of new firms in such regions gives rise to new incentives for workers to migrate there because they can expect better job matching and, therefore, higher wages. This in turn makes the place more attractive for firms which may expect to find the types of workers and services they need, as well as new outlets for their products. Hence, both types of agents benefit from being together (Fujita and Thisse, 1996).

Krugman (1995) emphasized the path dependent nature of specialization in clusters and warn to the lock-in effect in clusters when high levels of specialization are reached. Krugman thinks that clusters arise to concentrate production so as to gain economies of scale, with large firms co-locating because of the external economies. Since the mid-1990s, clusters are taken as a phrase in industrial development due to having strong complementarities, increasing returns. However, in NIDs research looking at what happened within the clusters, but ignores their external linkages.

In the late-1980s and early-1990s evolutionary thinking based on the firm behaviour (Nelson and Winter, 1982) has transformed into new evolutionary thinking on local economic development and gained influence in local and regional studies. Two issues were central to this new perspective: firstly, tacit knowledge exchange needs spatial (as well as organizational and cultural) proximity, secondly, learning and knowledge creation process has a territorial context. Collective learning has gained influence and analytical entry points are varying. Some started from the perspective of firms, others drew on the literature on regional innovation systems which emphasizes the territorial context. Still others developed the notions of “learning region” and “innovative milieu” (Helmsing, 2001). Literature on the milieu focuses on the specific nature and quality of transactions, alliances and partnerships between enterprises (Bergman and Feser, 1999). But the focus is less on bilateral ties than the degree to which they support a collective environment for innovation (Malecki 1997).

The milieu is one mechanism for learning and for the reduction of uncertainty. The network is another (Camagni, 1991). The milieu is open ended and relies on ‘pure’ externalities, while networks are selective and closed and turn externalities into club goods (Helmsing, 2001). Both of them offer the capability for sustained competitive advantage. Regional collective learning approach can also be considered as an extension of the innovative milieu and network approach (Keeble, et al., 1997; 1999).

Although localized capacities is an important mechanism for a cluster and for firms that emerges by institutional development, new firm formation and internal economies of scale and agglomeration economies in that cluster (Helmsing, 2001), it does not confer permanent advantage when successful institutions and firms resist change in the global conditions. It then creates lock-in in that cluster.

Collective learning enhances the capacities of firms to learn to adapt and to innovate. However, patterns of learning are different for small firms than for large firms. This may be defined in the literature as; “large firms are more autonomous, can mobilize internal resources, have their research and development (R&D) budgets, can engage in strategic alliances, and so on. However, small firms lack the resources to maintain a dynamic capability on their own and need to draw on external resources and support (Helmsing, 2001)”.

Factors effecting long term sustainability of NIDs and clusters are important. Because cluster-based approach to economic development attempts to strengthen the sector’s

competitiveness by focusing on the development of a domestic value chain linking its member businesses from the production to the delivery stage. In addition to domestic value chain, external value chain linking is also important to sustain long term competitiveness in clusters (Forti, 2006).

In the literature, it is implied that internal differentiation of firm size in a cluster and increasing international competition effects the clusters long term sustainability. In this context, the capacity and industrial organization of a cluster to respond the global changes and the role of global agents need to be scrutinized detailly for clusters. Humphrey (1995) emphasize the crucial role of global chains and sets of networks to the industrial districts as:

“The trajectory of development of the cluster will be the outcome of an interaction between the firms and institutions in the cluster and the other elements in the commodity chain. Whether or not insertions in a commodity chain will create development potential for a cluster will depend on both its position in the chain and the capacity of firms and institutions to make use of or create resources of competitive advantage and opportunities for upgrading” (Humphrey, 1995; 158).

While competitive rivalries continue, joint networks and cooperation are increasingly becoming the norm in every industry. Companies tend to cluster. They form concentrations of interconnected similar industries in a specific geographic region and by doing so, they achieve synergies. Porter has pointed out that economic geography in an era of global competition poses a paradox. In theory, location should no longer be a source of competitive advantage. Open global markets, rapid transportation, and high-speed communications should allow any company to source any thing from any place at any time. In this context, the role of networking becomes crucial for the competitiveness of clusters and need to be examined in detail, although location still remains a critical factor for competition since the proximity of companies in a limited geographical area provides competitive advantages.

### **2.2.2 Importance of Networking in Clusters: The Role of Local and Global Networks**

The world is becoming increasingly competitive and firms have to react with speed and flexibility. In fact, both firms and governments are being forced to realize a new approach of 'cooperative competition' in this competitive environment. In this context, *networking* would seem to have an important role for achieving this aim (Porter, 1990; Morgan, et.al. 2000).

Networks as both a governance structure and a process of socialization through which disparate actors and organizations are connected in a coherent manner for mutual benefits

and synergies (Yeung, 2000). They are topological associations between actors without an inherent geography. In fact, it is a topic which has seen a growing literature in recent years and forms part of a complex field spanning both sociology and economics. Since the early 1990s, networks have been recognized as a crucial ordering principle in the Western world's economies. Firms and organizations actively engage in networks as a means to survive in a volatile international market and to cope with rapid technological change (Van Den Berg et.al. 2001). In this concept, networks constitute the major component of an innovation system because of enabling the transfer of knowledge among the different parts of the system. Firms are the important parts of these networks whose activities initiate, support and diffuse new technologies (de la Mothe and Paguet, 1998 in Eraydın, 2003).

Participation in a network enables a firm to concentrate on core capabilities, and provides access to resources (such as specific know-how, technology, financial means, products, assets, markets etc.). This helps them to improve their competitive position (van den Berg et.al. 2001). Broadly speaking, networks are introduced as intermediate organisational forms between market and firms and they turn knowledge into competitive advantage.

*“Hierarchies have limited learning abilities and markets have limited capacities to process information effectively. Network alliances are a way to counter these failures: they reduce uncertainty and adaptation costs arising from the complexity of the environment through an increase of the collective organizational capabilities of the partners”* (de la Mothe & Paguet, 1996 in Morgan et.al.2000).

Cluster theory focuses on how combination of economically linked firms and institutions in a specific geographic location affects competitiveness (Porter, 2000). It also focuses on the role of social capital in the competitiveness of clusters. In the competitive environment, organizations keep and improve its central position by increasing adaptation capacities. Within this knowledge-oriented era, networking has come into agenda as a catalyst for knowledge dissemination. Networking as an important system, binding firms to gather into a relational contracting, collaborative product development and multiplex inter-organization alliances induces innovation processes of firms and regions. It is also possible to differentiate these network relations according to their characteristics and meanings. Formal and informal, loose and strict, vertical and horizontal relations are also possible among actors at local and at other levels of localities.

Similarly, network relations are differentiated by Capello (1996) according three main streams;

- cooperation<sup>7</sup> agreements among firms (synergy networks, complementary networks, strategic networks)
- local/global development of places (*local networks*; density of relations, informality, openness and *trans-territorial networks*; greater formalization of relationships, network selectivity and closure)
- the new management of territory by firms

By looking at the debates of the literature related with the types of networks, we can group the networks into two types;

- *Collaborative networks* (emphasize co-opetitive horizontal relation such as compete by collaborating or cooperating)
- *Complementary networks* (emphasize intersectoral vertical relation)

For collaborative networks, it could be said that these networks are usually defined as learning networks (Amin and Cohendet, 1999; Keeble et al., 1997), which enable knowledge sharing (Asheim, 1996; Florida, 1995; Hassink, 1997) and access to external economies of scale (Fariselli, et al., 1999). According to Lozano (2007a;372), collaboration is about using information, divergent insights and spontaneity to solve problems and develop new understandings or new products. Cooperative networks mainly in the fields of (Meijers, 2005) infrastructure/urban facilities, economic development/roles and business and residential environments. Besides, according to Meijers (2005) definition, cooperative networks include knowledge transfer, joint project to supply service for a region.

According to (Trullén and Boix, 2005), in general, while complementary networks are inter-industry networks, synergy and specialization networks are intra-industry networks. The relations of both collaborative networks and complementary networks could be at local and global level. While collaborative networks emphasize the horizontal linkages of competing actors, complementary networks emphasize the vertical linkages of non-competing actors.

In fact, networking can be seen at different levels: they can be either worldwide, such as global networks, or they can be restricted to a specific area, such as local networks (Amin and Thrift, 1994; Capello, 1994; Van den Berg et.al. 2001).

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<sup>7</sup> Lozano (2007a;372) makes a good definition for co-operation. In his article, it is defined as something about taking and sharing the values of the group and taken as a socialization exercise and not an increase of performance (Denise, 1999). It breaks when one, or more, actors involved perceive that there is nothing to be gained for them (Odero, 2002).

In the development theories, networking is also taken as a process of socialization through which actors and organizations are connected for mutual benefits (Yeung, 2000) and synergy is considered as a local issue. In the development literature starting from 1980s, the contribution of networks and their role in local development are discussed by focusing on the role of place-specific local networks in clusters (Piore and Sabel, 1984; Scott, 1988; Scott and Storper, 1989; Pyke, Becattini, and Sengenberger, 1990; Harrison, 1992).

An increasing number of studies use network theory and concepts to explore the mechanism behind clusters (Peck, 2005). In this context, spatial agglomeration and the formation of networks are important (Malmberg *et al.*, 1996; Malmberg, 1996; 1997; Malmberg and Maskell, 1997; Maskell and Malmberg, 1999).

It has been widely discussed since the 1990s that no region/cluster can achieve sustained growth and competitiveness through dependence only on local networks and endogenous processes in contemporary economic relations. Starting from 1990s, integration with global networks and importance of external knowledge has been increasingly emphasized (Amin, 1999, Porter, 2000, Yeung, 2000, Lyons, 2000, Koschatzky and Bross, 2001; Eraydın, 2003) in development literature. Although local networks of companies in clusters have important internal dynamics and created externalities, global networks have gained importance by preventing the lock-in situation among locally-bounded clusters (Cooke, 1990; Camagni, 1991; Schmitz, 1999; Amin and Thrift, 1994). In this regard it has recently been argued that not only local networking, but also global networking (Camagni, 1991; Schmitz, 1999; Amin and Thrift, 1994) and spatially unbounded network relationships are required if clusters are to enhance the individual competitiveness of the companies, as well as the clusters themselves. As Breschi and Lissoni (2001) explain, there is a need inside the clusters for agents that can translate local tacit knowledge into codified knowledge and re-combine it with external knowledge.

Although successful clusters faced with global patterns of subcontracting problems in keeping abreast of new technologies in internationalized markets by protecting existing inter-firm relations within the existing districts (Glasmeir, 1991; 1994), not all networks exhibit horizontal, mutually beneficial and egalitarian character. To avoid lock-in, as Kautonen (1996) suggests, network relations that will lead to innovation are needed both within local milieux and in the global environment.

Innovation in regional clusters is the notion of a densely connected localized inter-firm

network which generates variation by establishing bridges to extra-regional network clusters in search of new knowledge and complimentary resources. This notion is well documented in the literature on neo-Marshallian nodes (Amin and Thrift, 1992) which combines Marshall's logic of a local division of labor with non-local exchange relations forward and backward the value chain. Research on the global networks of the London media industry has illustrated empirically that firm networks sustain innovative potential by economizing on local proximity and selective access to knowledge external to the urban cluster (Nachum and Keeble, 2003). The logic of local clustering and global linking is also implicit in the literature on global cities. If the regional economy is dominated by just one interconnected cluster, variation through external linkages becomes crucial to avoid technological lock-in and subsequent economic decline (Glückler, 2007).

Apart from that, it is emphasized in the literature that only successful firms could be linked to global knowledge networks. Advantages and knowledge of these global networks come into that locality and disseminate through the local network relations of externally connected firms. While locality provides firms information and communication infrastructure, human capital, social capital, local knowledge pool, firms both local and global network relations provide locality an integration opportunity to global market, external knowledge and capital flow, synergy and other opportunities for development. However, global network density of a cluster may also change by the diversity of firms type, in other words, the existence of firm type and firm size in that cluster which determines the level of networking of that cluster.

In the interactive global environment, it is claimed that transnational companies play a key role (Van den Berg et. al. 2001). Especially well-resourced large industry players have been upgrading and globalizing their network systems (Braun, 2005). Several studies in industrial development have highlighted the close link between global networking and large companies. As argued earlier by Asheim (1992), intra-district firm dynamics may be altered when large firms emerge within clusters or penetrate clusters from the outside. Tödling (1999; 695) claims that *“only a small share of firms has truly global links in the innovation process, despite much emphasis on this phenomenon in the literature”*. In addition, Tödling and Kaufman (1999) claims that *“Larger firms interact more with support institutions and global value chains are important in innovative activities”*. Shortly, empirical studies about relationship between firm size and networking (Arndt and Sternberg, 2000, Kaufmann and Tödling, 2000) suggest that smaller firms are more spatially embedded and strongly tie with local networks than large firms.

Lynch (2000) comments on the stable mentality of SMEs and their resistance to external interventions. However, Greffe (1994) claims that small tourism companies tend to have network structures that exist only within a cluster on complementary products, such as accommodation, catering and transport. Generally, it is implied from earlier literature that large companies are strong enough to develop global linkages, while small companies generally lack the resources to keep abreast of developments, and thus act individually.

Some studies claim that there exists an asymmetrical power relation among global and local actors. This is because the existence of different actors which have different level of resources and status, such as competence and information. It is suggested that “power governs the interaction of individuals, organizations and agencies influencing, or trying to influence, the formulation of policy as well as tourism policy and the manner in which it is implemented” (Hall 1994:52). Power relations are important in order to define how global networks are connected to local systems and the actors of these systems (Eraydın, 2002b).

However, networks are seen as channels for the exchange of knowledge and information that are needed to access resources. Ideas and information can be shared more easily between agents in the same neighbourhood than between firms which are dispersed (Audretsch & Feldman, 2003; Gordon & McCann, 2000).

To gain dynamic competitiveness in contemporary economic conditions, there is a need to know what happens in other regions and firms. As it is seen from the previous examples, the only way to get knowledge is through ‘global networking’ (Eraydın, 2001). Global networks provide opportunities for new cooperations, but at the same time these networks have some limitations by dominating some conditions. The critical factor for economic success is not the presence of local relations of association and institutional advancement but the ability of places to anticipate and respond to changing external circumstances (Amin, 1999).

Nowadays information, technology and other opportunities are provided by global networks because of the need to know what happens in other regions and firms. That is why not only local networking but also global networking became crucial for all of the firms in contemporary development debates which function as open gates in order to adapt the different types of knowledge (Eraydın, 2003). Ultimately, local agents should achieve to form different type of global networks simultaneously. This promotes an important success for local environment to be competitive.

The increasing attention to networking can be understood by giving attention for organizations, associations, management, entrepreneurship and intra and inter-organizational ties within the network field. Network ties are recognised as a resource of “social capital” (Burt, 1995; 2005; Lin, 1999; Mouw, 2003). In this context, examining institutions, institutional thickness and their roles to intertwine the local and global levels of networks between firms will be crucial for evaluating the success of firms and clusters.

### **2.2.3 Importance of Institutions and Institutional Thickness in Cluster Development**

In addition to the elaboration of clustering and networks in recent industrial geography literature, there appears to be a resurgence of research interest in the role of *institutions* in promoting firm growth and transformation in clusters. Key concepts such as ‘institutional thickness’ (Amin and Thrift, 1994), ‘institutional capacity’ (Phelps and Tewdwr-Jones, 1998) and ‘institutional spaces’ (Jones, 1998) have begun to emerge in the literature of industrial geography based on firm formation and regional development. Institutions arise because people interact and agree to do certain things in certain ways. They are not static entities and continuously respond to changing contexts and emerging structural crises.

In the examination of institutions and institutional dynamics, contemporary literature has served many ways to define institutions. In a sociological perspective, *institutionalisation* is the process by which individuals inter-subjectively approve. Institutions arise because people interact and agree to do certain things in certain ways. Once institutions are there they blocks certain paths of action and enable other ones. Systems or parts of systems can then be said to follow their own evolutionary path, but this path is dependent on other paths related to its own (Appelman, 2004).

In this context, *institutions* include not only formal organizations, but also more informal conventions, habits and routines which one sustained over time (Amin & Thrift, 2000; Scott, 2001, Amin, 1999; Nelson, 1998; Hodgson, 1988; Nelson and Winter, 1982). According to the definition of Scott (2001), institutions connote stability but are subject to change processes, both incremental and discontinuous. As said by sociologists, there are different types of institutions such as kinship groups, social classes, religious systems, and voluntary associations where common beliefs and values are more likely to exist (Scott, 2001).

Also, *institutions* can be taken as *formal organizations* which can be defined as the players in which groups of individuals bound by a common purpose to achieve objectives. They

include political bodies, economic bodies, social bodies and educational bodies. Formal organizations have codified rules and regulations that define and prescribe the roles, privileges and obligations of members of a society. Organisations are comprised of firms and production systems and are formed when firms and individuals come together to share physical and intangible inputs under the umbrella of associations. In fact, associational economy is a repertoire in which intermediate associations (e.g., business networks, trade associations, labour unions, civil associations and so on) are empowered to foster social and economic development and political stability.

According to Gibbs, et. al. (2000), the success of local and regional economic development is closely related to the strength of 'institutional capacity' within an area. Institutions are seen as the critical factor in contemporary development approaches due to reducing information and transaction costs. That is why institutions became the crucial determinants of the efficiency of markets (Harris et.al, 1995). In regional innovation systems, institutions have a critical role to determine the rate and the direction of innovative activities (Lundvall, 1998). As in the role of regional governments, institutions link the actors and match them according to the needs of innovation, at the same time initiate collaborative activities among different actors (Landabaso, Oughton and Morgan, 1999).

The formal institutions in the region have a leading role to facilitate and organize networks. In this respect, the role of multinational corporations, leading local firms, special organizations such as private firms, regional public institutions, central state sponsored bodies and international organizations are important in the organisation of both local and global networks to be competitive in the global environment. Because associations are an important source of learning and adaptation, networks of associations in the economy facilitate the spread of information and capabilities and the prospect of economic innovation through social interaction.

Porter emphasizes that the *opportunity of associations to enhance cluster competitiveness is much greater than governments*. Moreover, he claims that *trade associations are more effective than national associations*. The associations can resolve conflicts of interest between firms. Associations may take a variety of forms. Traditionally, they represent their members in their dealings with their government, lobby for more favorable economic policies, and often negotiate collective wage agreements with trade unions. Their other traditional function is a social one by providing a reference group for individual entrepreneurs (Helmsing, 2001). Recently, the emphasis shifted to two other functions: the

provision of real services and what Streeck and Schmitter (1985) called “private interest governance”.

The expanding role played by business associations may be due to several factors. The first is the transformation of the role of the state in economic development. Neo-liberal thinking, which gained ground in the 1980s and early-1990s induced national states to reduce their interventionist economic policies. Market forces were expected to provide better solutions to the problems of economic growth. Since, then there has been a growing realization that market responses are not automatically forthcoming. To avoid the old trap of government failure, new forms of governance are advocated (Helmsing, 2001). Business associations are the crucial actors articulating concerns and demands of producers, pooling resources and providing semi and public and club goods (Best, 1990; Humphrey and Schmitz, 1996; Maskell et.al.,1998; Meyer-Stamer, 1997).

Globalization has considerably increased the complexity of the economic environment in which firms operate and they need access to specialist business services. In this context, business associations provide such services, thus contributing to collective efficiency (Helmsing, 2001). They constitute a key dimension of the ‘institutional thickness’ of industrial districts and considered important components of local social capital (Amin and Thrift, 1994).

“*Institutional thickness*” is discussed as an important component of competitiveness of a region with respect to institutional capacity of region. It is also ubiquitously not available regional capacity as institutional endowment (Amin and Thrift, 1995). Local institutional thickness can be defined as the combination of factor including inter-institutional interaction, synergy, collective working for a common purpose and shared values. The thickness needs the trust type of relationships and continues to stimulate entrepreneurship. A strong institutional presence (number of diversity of institutions), high levels of interaction amongst institutions in local area, mutual awareness of being in a common enterprise are the factors that contribute towards the construction of institutional thickness (Amin and Thrift, 1995, p. 102).

The involvement of institutional networks and local partnerships constitutes important mechanisms to enable economic and social integration (Oliver and Jenkins, 2005). Putnam (1993) argues that membership and engagement in voluntary associations foster communication and dissemination of information and generate and reinforce trust in societal

norms which is conducive to co-operation and economic development. In fact, this associational economy is taken as a repertoire in which intermediate associations (e.g., business networks, trade associations, labour unions, civil associations and so on) are empowered to foster social and economic development and political stability (Yeung, 2000).

Global and local relations which argue that 'successful' regions flourish as a consequence of institutional thickness, creating powerful local nodes of economic activity within an increasing competitive global economy (Amin and Thrift, 1992).

Amin and Thrift (1995) identify four elements to local institutional thickness:

- *Institutional presence,*
- *Networks,*
- *Structures of power,*
- *Domination and control.*

In addition, institutional thickness became important by including;

- enterprise support systems
- political institutions
- social citizenship (Amin &Thrift, 1995).

The factors of institutional thickness produced six outcomes (Özelçi, 2002, p. 67-68);

- 1) Reproducing of local institutions.
- 2) The construction and deepening of an archive of commonly held knowledge of both the formal and tacit kinds.
- 3) Institutional flexibility, which is the ability of organizations in a region to both learn and change.
- 4) High innovative capacity, which is not just specific to individual organizations but, is the most common property of a region.
- 5) The ability to extend trust and reciprocity.

Institutions reproduce themselves continuously and the reproduction is incomplete to adapt the contingent conditions of environment. In this context, *localised capabilities* and institutional endowment are taken as the supporting components of institutional capacities. *Localised capabilities* are defined as “the specific combination of localised factors which influence the distribution of economic activity between and within each country or region”

(Maskell and Malmberg, 1999b). Localised capabilities which firms locate and build their competitiveness in interaction with, are primarily based on (Maskell and Malmberg, 1999a);

- the region of built environment
- the natural resources accessible in the region
- the regions specific institutional endowment and
- the knowledge and skills available in the region.

Beside localised capabilities, *institutional endowment* is also important to promote competitiveness for firms and regions. Institutional endowment was defined by Maskell and Malmberg as by embracing the rules, practices, routines, habits, traditions, customs and conventions associated with the regional supply of capital, land and labor and the regional market for goods and services. This also includes the *entrepreneurial spirit*, the moral beliefs, the political traditions and decision-making practices, the culture, the religion and other main values characterising the region. In addition to these characteristics, institutional endowment facilitates the localised knowledge creation and therefore develops *local learning capacities* in the formation of the competitive advantages experienced by firms in some regions but not in others. The institutional endowment simultaneously triggers or limits the development of firms in the region by having or not having transformative capacity.

In the global competitive and technological environment, firms need to continuously upgrade their capabilities. Although much technological knowledge is codified and increasingly globally accessible, use and successful adaptation to local circumstances necessitates tacit knowledge (Maskell et.al, 1998; Raco, 1999). Firms can acquire this on the basis of their own resources to a certain extent, but smaller and less experienced ones need to draw on external resources in order to learn. Associations help to develop the preconditions necessary for 'collective learning' (Keeble et.al, 1999). Through local business associations linking up with business associations in Italy, they obtained 'role models' on how to reorganize their industry and bring their own practices up to global standards. Associations may be conduits through which firms 'learn by interaction' (Morgan, 1997; Raco, 1999). They also benefit from economies of agglomeration.

Associations are also important institutions for 'collective entrepreneurial drive'. While associations can play a positive role, they can also contribute to a 'lock-in', in the sense that they adhere to existing routines and practices and are unable to change and make use of new opportunities. In this competitive environment, it is proposed that government should have a

production rather than a distribution focus, seeking to shape markets, stimulating and undertaking complementary investments in business support systems, and encouraging firms to develop strategic alliances (Best, 1990).

Empirical literature which is concerned with the formation and the role of a particular local set of private institutions – business associations, trade organizations and chambers of commerce shows that, these private sector institutions have both the potential and the capacity to promote a sense of shared group identity and to strengthen the voice of local firms, e.g., in the case of the Lace Market Manufacturers Association in the Nottingham Lace Market (Crewe, 1996). Studies by Bennett (1997b; 1998a; 1998b; 1998c; 1999) have also shown that voluntary local business associations in Britain are most effective if their spatial reach is confined to small geographical areas. Local business associations act as local business clubs and play an important role in informal business advice as well as developing contacts and marketing networks. They are, however, vulnerable to competition from public sector service providers which receive state subsidies. On the other hand, the larger and government-approved business associations tend to be much better resourced and capable of working with the government to develop services and membership. These empirical findings imply that while small chamber development can be encouraged at the local level, public policy should continue to be directed at increasing the geographical scale and service scope of the larger chambers and business associations (see also Glasmeier, 1999b).

Ultimately, institutional relations are seen as critical in facilitating the (local) collectivisation of economic, social and cultural practices which enable regions to prosper in competitive environment (Cooke and Morgan, 1995; Sassen, 1991). In other words, institutions provide the basis for localised social and economic networks; therefore strong local institutional relations may act as a prelude to regional economic success (Amin and Thrift, 1995).

### **2.3 Summing up: The important issues in new theoretical discussions**

Recent studies have shown that *spatial agglomeration*, *institutions* and *the formation of networks* are clearly important for the competitiveness of clusters and firms. In recent theoretical contributions to industrial geography, Storper (1997a; 1997b; 1997c) and Scott (1998) argued that territorial development is significantly embedded in networks of relational assets and geographical proximity particularly at the local and regional scales such that ‘territorialization is often tied to specific interdependencies in economic life’ (Storper, 1997a: 20).

According to Novelli et.al (2006), clusters and networks are vital for regional development increasing the productivity, performance, innovative capacity and local businesses' critical mass. Moreover, it is claimed that the success of local and regional economic development is closely related with the strength of 'institutional capacity' within an area (Amin and Thrift, 1995; Raco, 1999; Amin, 2000; Gibbs, et. al.,2000). Strong linkages with formal associations such as between firms, government and associations in a geographically clustered area are taken as the critical factor in contemporary development approaches.

Emerging development debates are mainly focused on competitiveness and competitive advantage to describe the development of a region/locality. In this competitive environment, firms have to react with speed and be flexible in a new approach of "cooperative competition" by investment decisions, by the effective use of technology and innovative, relational organizational structures. According to Morgan et.al. (2000), competitiveness is seen to be achieved by the role of networking. Promoting competitiveness, creating *competitive advantage* have taken as crucial factors for nations to adapt the changing global environment (Porter, 1990; Scott,1995; Cooke,1997; Amin, 2000). However, in this competitive environment not only competitive advantage, but also *comparative advantage* or *characteristics of clusters* could be taken as primary inputs for local development (Figure 1). In this context, historically accumulated advantages and network externalities at local and global level are taken into consideration.

Clusters and their role are also discussed in the context of competitiveness debates, as a geographically concentrated group of firms, large and small, interact with each other by joint ventures, subcontracting and other collaborative attempts by gaining external economies of scale with doing this, therefore deriving international competitiveness from local sources (Cooke, 1995; Bergman and Feser, 1999; Porter, 2000). It is implied from the discussions of local development that, cluster dynamics, externalities, skilled labour, human capital, social capital, intense levels of interfirm collaboration, networking and technological innovations offer some of the key factors for growth and competitiveness (Porter,1991; Amin,2000).

In addition, competitive advantage shifts to smaller producers working in flexible, market-based, information rich collaborative relationships (Raco,1999). As Cooke(1998) notes, the central factor of clusters lies in the collaboration and competition type of relationships to sustain competitive advantage. These relationships come into influence by the creation of local voluntary associations which act as mediators for locally based interfirm coordination

and cooperation that allow for the creation of mutual networks of knowledge creation and production.

In the guidance of these debates, the comparison of development models as regards to changing components tried to be represented in Figure 1. With respect to these conceptualizations, important factors for local development can be defined under three factors such as *the role of new institutional dynamics, relational dynamics; local and global networks and cluster dynamics*. Under this classification, widely emphasized factors of development such as externalities, specialization and agglomeration opportunities, skilled labor, human capital, social capital, collaborative action, new modes of governance, self-governance and multi-actor partnerships, associational partnerships, knowledge dissemination, information exchange, knowledge share partnerships, local learning capacity and innovativeness (Figure 1.) are elaborated by showing their connections with other development factors.

The direction of relationship, the effects and practical implications of these factors on cluster development and competitiveness are elaborated under final outputs as; an increase in production capacity, entrepreneurship, investment capacity, that makes increase in income generation, firm growth and employment opportunities such as skilled and non-skilled labor.

When we look at the relationship between local development factors in detail, *institutional capacity, relational capacity and general capacities of clusters* are defined as crucial factors for defining the local development of a region/cluster. *Institutional capacities* and *relational capacities of clusters* can be taken as *contributing inputs* for the development of clusters (Figure 1.).

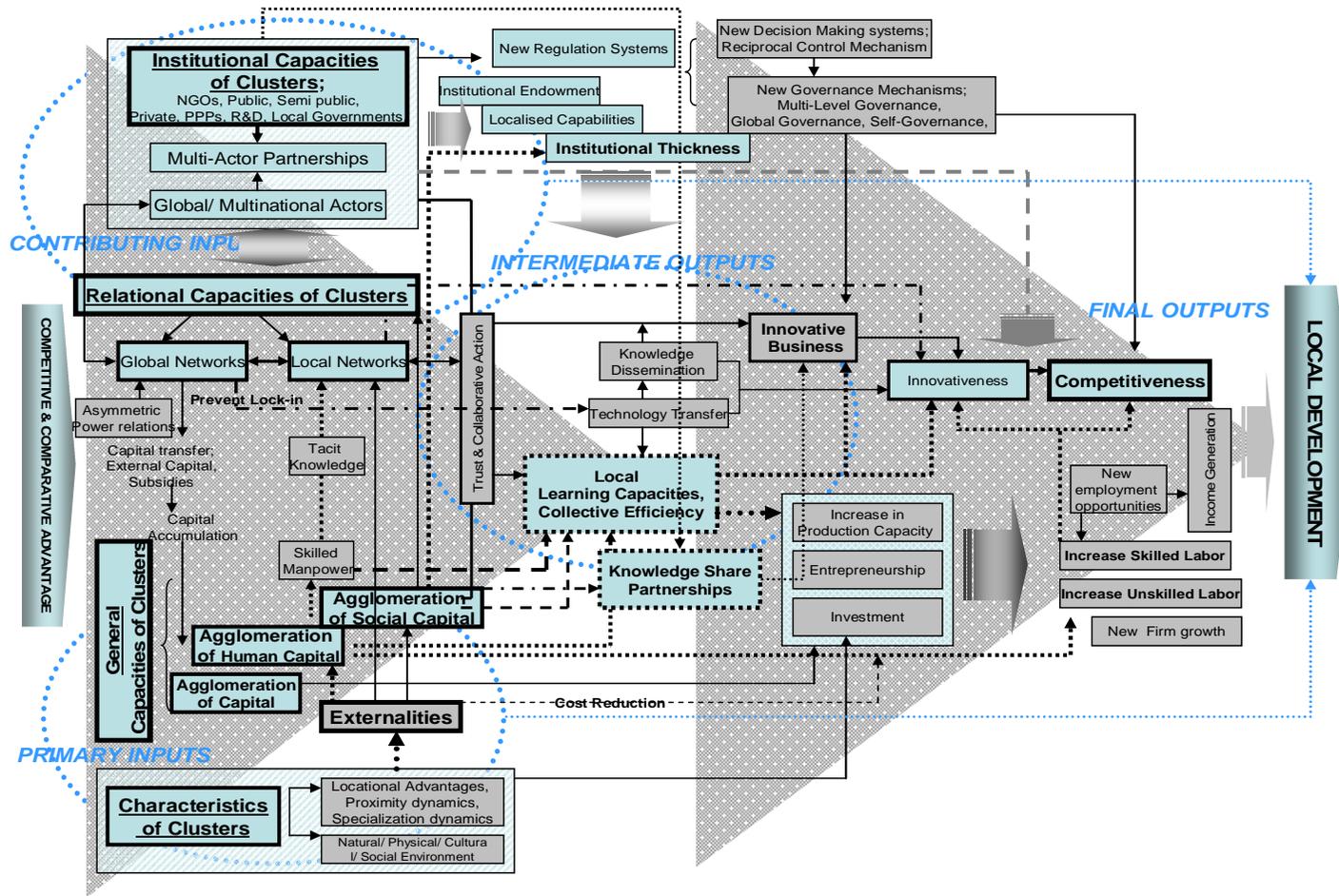


Figure 1 Important factors for local development

Institutional capacities refer the change in regulation systems, and emerging multi-actor partnerships at different geographical levels. *New regulation systems* refer the *new reciprocal decision making systems* and *new governance mechanisms*. In fact, *new institutional capacities of clusters* support the social capital formation of that cluster by increasing trust and collaborative action environment. In addition to the contribution of social capital formation, the well working institutional capacity of cluster promotes local learning capacity, collective efficiency and knowledge share partnerships thereby the development of innovative business and the competitiveness of that cluster (Figure 1.). In practice, emerging public-private partnerships, voluntary associational partnerships and joint projects may contribute to the success of that cluster.

Moreover, as a contributing factor, '*relational capacities of clusters*' can be taken as a crucial factor to be competitive in global environment. Relational capacities involve the capacity of local and global networking of that cluster. Local network of a cluster nourishes from externalities, locally embedded tacit knowledge, competence of manpower / human capital existing in that cluster. When local networks combined with multi-actor local institutional capacities, then social capital can be developed to promote collaborative joint action, local learning capacity, collective efficiency and knowledge share partnerships based on innovative business, all of which contribute to the development of that cluster (Figure 1.).

The promoting factors such as local learning capacity, collective efficiency, knowledge share partnerships, innovative business and technology transfer represent the *intermediate outputs* of the region (Figure 1.). Cooperation with customers, suppliers and partners through formal and informal local networks can be considered as the main sources of learning process and innovative activities (Cooke, et. al., 1997).

In development approaches of 1980s, local embeddedness, tacit knowledge (Asheim, 1997; Maskell and Malmberg, 1999), local institutional environment and shared cultural backgrounds of network participants (Maillat, 1996), local networks for the creation of locally shared tacit knowledge have been strongly emphasized as critical factors of local development (Plummer & Taylor, 2001; Amin, 2000). However, for supporting the innovative environment for innovative business, there is also a need for developing global networks to prevent the cluster from lock-in situation by providing information, technology and capital transfer.

In that view, the strong linkage between local and global networks and the institutional

structure support this relations which are also crucial for increasing technology transfer, knowledge dissemination in global environment. In the guidance of this situation institutional structure and the level of networks (local-global) can be emphasized as the umbrella components behind the all discussed variables of local development to promote competitiveness. Therefore, ongoing parts will discuss the role of local and global networks and their determinants for successful tourism firms and tourism clusters.

In addititon to the importance of local and global networks, different types of linkages of tourism firms in different tourism clusters will be evaluated. Some questions appeared in mind when evaluating the theoretical debates on local development in the context of tourism case. Especially, the question, “*Which kind and level of networks and which type of institutions are more crucial for successful clusters which are specialised tourism services?*” become important for tourism case which is tried to be evaluated in the following chapter by focusing on tourism literature and the structure of tourism sector.

## **CHAPTER 3**

### **THE INCREASING IMPORTANCE OF NETWORKING AND NEW INSTITUTIONAL SET UP IN TOURISM DEVELOPMENT**

The theoretical framework of this thesis has been discussed in the previous chapter by emphasizing the paradigm shifts and transformations in development approaches from the domination of nation state interventions to a flexible multi-actor networking initiatives of public, semi-public and private sectors. By the effect of globalization and technologic development, competitiveness has become the core issue for all sectors, firms and clusters. In this competitive environment, networking has been accepted as a very important factor of competitive advantage of regions and companies (Porter, 1980). Companies and regions actively engage in networks and create new institutional set-ups in order to survive in the volatile global market. Network relationships are particularly important for the tourism sector, as groups of organisations cluster together to form a destination context (Pavlovich, 2003). Although creating a competitive destination is the core common goal for tourism companies, which encourages them to join together (Jamal & Getz, 1995; Gray, 1989; Tinsley & Lynch, 2001; Hassan, 2000), tourism companies collaborate also to benefit from the different advantages of networking and collaboration (Selin & Chavez, 1995; Bramwell and Sharman, 1999).

Networking among those involved in the development of tourism can bring certain benefits to all the participants: Firstly, networks help to decrease transaction costs and allow an exploitation of the economies of scale and scope in various activities (Tremblay, 2000), since they spread the risk and enable access to complementary resources (Kumar and van Dassel, 1996). Secondly, networking potentially avoids the cost of resolving adversarial conflicts among stakeholders in the long term (Healey, 1997), as the sharing of ideas among the

participants of a network results in a richer understanding and learning of issues, and leads to more innovative activities (Roberts and Bradley, 1991; Camagni, 1991; Tödling and Kaufmann, 1999; Roome, 2001). Learning-based networks are important for increasing the capabilities of firms through rules that guide the behaviour of interacting entities (Kogut, 2000). Thirdly, as emphasised by Lane (1994), collaborative networks improve the coordination of policies and related actions, and promote the consideration of the economic, environmental, and social impacts of tourism in development strategies. Fourthly, networking enables a large number of small actors with limited resources to be a part in the decision-making process, especially those that cannot pursue sustainable development independently.

Although tourism is taken as “network type of an organization” due to its strong complementarity character, networks of tourism organizations still have received comparatively little attention in literature. Pearce commented in 1992 that “*within the now extensive tourism literature tourist organizations have largely been ignored*”. This neglect is apparent in much of the literature on networks between tourism organizations.

Networks are the core features of clusters. Networking is very important for clusters, and clusters are generally defined by the local networks. Therefore, networks between companies and clusters are discussed in the same theoretical framework. Many network relations between companies can be located in a specific area (Van den Berg et.al., 2001) and broaden at a local level in a cluster. The term ‘cluster’ refers to a localized network of specialized organizations, which includes close local links between companies from different levels in the industrial chain. However, in development literature it is emphasized that ‘not only local networks but also global networks make important contributions to the competitiveness of clusters’. As to the debates in the literature, externalities provided by local networks create difference when linked with global networks. Therefore, by revealing the type of clusters and the type of firms which have strong global networks, important assumptions can be made related to the competitiveness of different clusters and firms.

In this chapter, relationship between tourism and local development is analysed within the perspective of clustering, local and global networking and new institutional set up. This chapter starts with discussing the importance of tourism in local development. Then, the crucial importance of networking and institutional development in building tourism clusters are evaluated. The significance of networking for developing sustainable tourism cluster is

discussed subsequently. In this context, types of networks such as governmentally supported, environmentally sustainable and firm based networks emerging in tourism literature are discussed detailly. In the context of firm based networks, types and levels of networking between tourism firms are classified inspring from the examples of the literature. Consequently, a new theoretical model is offered based on emerging theoretical discussions and empirical studies for evaluating the relation between tourism and local development.

### **3.1 Tourism as one of the basic sectors of Local Development in the Contemporary Period**

By the effect of globalisation and technological evolution, places started to compete in a contingent international environment. In the international context, tourism is widely recognised as an instrument for promoting local economic development (Agarwal et al., 2000) that force places to compete. There can be no denying that tourism is a major global economic force and world's largest industry (Jones and Haven-Tang, 2005; Lickorish and Jenkins, 1997; Sharpley, 2000), also plays a major role in bringing people and countries together, contributing to mutual understanding, as well as being an important source of revenue and employment (Crouch and Ritchie, 1999; Göymen, 2000).

According to the World Tourism Organization (WTO, 2004), tourism is a sector that favors local development because it generates jobs, increases the income of workers and stimulates capital investments through new business opportunities, which results in the establishment of new organizations, including SME, among other advantages. As reported by the World Travel and Tourism Council (WTTC), the contribution of tourism to the global economy after 2000s encompassed more than 10 percent Gross Domestic Products; created 250 million jobs, which equates to 8 percent of total employment and will generate 5.5 million new jobs per annum until the year 2010 (Holden, 2000). Third World countries have utilized tourism to achieve improvements in balances of payments; to increase the general income level; to create additional employment opportunities; to stimulate economic diversification and to decrease regional imbalances (Theuns, 2002).

Actually, tourism not only represents a major economic activity, generator of income and employment but also promotes social development by its impact on employment creation,

income redistribution and poverty alleviation<sup>8</sup>. Therefore, it can be stated that tourism plays a major role in economic and social development by bringing people and countries together.

Until the 1980s the activity of tourism-led economic development was confined narrowly to the place marketing activities of the traditional sea, sun and sand resorts (Agarwal, 1999). Since the 1980s, the increasing internationalization process and the opening of national economies have boosted tourism to becoming the second most global sector, second only to the financial sectors (Silveira, 2002 in Cunha and Cunha, 2005). Improved transport and communications systems that have reduced traveling time and costs, as well as the increasing number of business trips and social gains have accelerated the growth of tourism and the internationalization process. In this process, tourism became “an essential part of the economic development strategies of the local state” (Hall and Jenkins, 1995: 38).

In most economic activities, it is the product that reaches the consumer, but when it comes to tourism, it is the opposite in that the consumer seeks for tourism services. Because of this characteristic, tourism has a heavy impact on local development. From this perspective, tourism and local development are interconnected because they take place if the regional socio-cultural and environmental characteristics are respected where the activity takes place (Cunha and Cunha, 2005).

Tourism differs from other sectors in that its product can only be consumed *in loco*, thereby stimulating the development of other economic activities (entertainment, trade, transport, lodgings, travel agencies, crafts, supporting services and amenities) in addition to the development of infrastructure depending on the cultural and environmental sustainability and the generation of income and creation of local jobs (Cunha and Cunha, 2005).

Although there was an opinion that tourism could help places work towards a ‘virtuous circle of growth’ and an improved image to economic development, destination places need to find new ways to be competitive in this environment by increasing interaction with global spaces (Bramwell and Rawding, 1994; Göymen, 2000).

In that view, the satisfaction of tourist became important to sustain competitiveness of a place via tourism. “*If the visitor does not feel that a place is worth a visit then it will*

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<sup>8</sup> More detailed description is available at [www.lib.umi.com/dissertations/preview\\_pickup/81/53/1168153/1/00015.gif](http://www.lib.umi.com/dissertations/preview_pickup/81/53/1168153/1/00015.gif).

*disappear from the tourist map*” (Cooper, 1993). Tourist satisfaction largely depends on the quality of tourism services, facilities and management at the tourist destination. According to Tosun and Jenkins (1996), this satisfaction requires a flexible approach based on organizational participation at local and global level by reducing the dominance of government decisions.

For improving this kind of flexible approach, adaptation to international tourism is required for tourism destinations. International tourism has different contributions to local tourism development, with technological improvements, rising living standards and leading to the rapid increase in visitor numbers. In simple terms, tourism must be viewed as a transaction process which is once driven by the global priorities of multi-national corporations, geopolitical forces and wider forces of economic change, and the complexities of the local where residents, visitors, workers, governments and entrepreneurs interact at the industry (Milne and Ateljevic, 2001).

Several arguments claim that globalisation reduces the role of nations to one of de-and re-regulatory facilitation. However, the national scale remains significant to any understanding of tourism’s development outcomes. In the global-local context of development, the region/cluster taken as a vital component. In tourism, the cluster has seen as an important driving force to link disparate segments of the industry and enable destination networks to form (Milne, 1998). In this environment, clusters are discussed in terms of ‘learning networks’ and ‘reflexive institution forms’ and are simply viewed as vital *competitive assets* on the supply side of the global economy (Swyngedouw, 2000). Therefore, in the following part, the importance of tourism clusters are evaluated within the perspective of network creation and institution building.

### **3.2 The Crucial Importance of Tourism Clusters in building Networking and Institutional Development**

Porter (1998) has pointed out that economic geography in an era of global competition poses a paradox: “In theory, location should no longer be a source of competitive advantage. Open global markets, rapid transportation, and highspeed communications should allow any company to source any thing from any place at any time”. Contrary to this argument, it is also stated that location still remains a critical factor for competition, since the proximity of companies in a limited geographical area provides competitive advantage.

Many of the productivity advantages of clusters involve location-specific public goods or benefits that depend on physical proximity, face-to-face contact, close and ongoing relationships, and “insider” access to information. The advantages that come with the cluster concept are described as follows (Porter 1990; 205):

“Clusters align better with the nature of competition and the sources of competitive advantage. Clusters, broader than industries, capture important linkages, complementarities, and spillovers of technology, skills, information, marketing and customer needs that cut across firms and industries... Such connections are fundamental to competition, to productivity, and especially, to the direction and pace of new business formation and innovation.... Viewing a group of companies and institutions as a cluster highlights opportunities for coordination and mutual improvement in areas of common concern without threatening or distorting competition or limiting the intensity of rivalry.”

Generally, the theories of clustering have mainly been applied to the manufacturing industry. This is still today dominating, despite the fact that the service sector, and as a part of it the tourism and travel industry, is one of the fastest growing with a great future potential. In this context, clustering in tourism can be taken as an engine for regional and national development. A cluster-based approach for tourism is interesting, not only because of the service sector in general has been overseen for a long period, but also because of the tourism and travel industry' covers some rather unique features (Nordin, 2003).

Many of tourism products are being produced and delivered simultaneously; this is not generally seen in other sectors. However, the experience of the tourist is still based on the overall impression of the destination visited, which means that the guest may not return to the hotel, even if the stay was excellent if for instance the restaurant nearby offered poor service. This means that much of an individual tourism business potential to achieve growth lies outside the influence of the firm, but lies inside the influence of that cluster.

According to Porter, a well-working system of players can create added value, “a host of linkages among cluster members result in a whole greater than the sum of its parts. In a typical tourism cluster, the quality of a visitor’s experience depends not only on the appeal of the primary attraction but also on the quality and efficiency of complementary businesses such as hotels, restaurants, shopping outlets, and transportation facilities. Because members of the cluster are mutually dependent, good performance by one can boost the success of the others” (Porter, 1998, 77). This means that actors in the tourism industry can increase their collective markets and capacities by working together. By creating integration across businesses and sectors to achieve synergy, new products and services can be created and an

innovative and competitive environment achieved. In fact, working together in an integrated system supports the development of economies of scale, which may be critical to competitiveness (Nordin, 2003). In this context, emerging tourism associations as a new institutional set up in tourism clusters has gained importance by enhancing cooperation and collaboration between tourism firms.

When thinking of tourism as an integrated system in a limited geographic area, the importance of clusters, dynamics of *tourism clusters*, comes to the agenda. The tourism cluster is defined by Montfort from Porter's agglomeration concept as:

A complex group of different elements, including services carried out by tourism companies or business (lodging, restoration, travel agencies, aquatic and theme parks, etc...); richness provided by tourist holiday experiences; multidimensional gathering of interrelated companies and industries; communication and transportation infrastructures; complementary activities (commercial allotment, holiday traditions, etc.); supporting services (formation and information, etc); and natural resources and institutional policies. (Montfort, 2000, p. 46)

Clusters generally arise naturally, but may need to be developed to reach their fullest potential. Their course of development may be influenced by strategy plans, government support and investments in infrastructure or joint marketing efforts. The interdependence of attractions, services, transportation, information and promotion draw attention to the need for collaboration and it is evident that companies located in a destination have a lot to gain from being located in a close proximity (Nordin, 2003). Besides, Beni highlights the advantages of tourism cluster (in Cunha and Cunha, 2005) as:

Tourism cluster is a group of highlighted tourism attractions within a limited geographic space provided with high quality equipment and services, social and political cohesion, linkage between productive chain and associative culture, and excellent management in company nets that bring about comparative and competitive strategic advantages. (Beni, 2003, p. 74)

The participants of tourism clusters need to look at themselves as a part of an integrated system. In order to remain competitive, network-based operations will be essential to a large degree. Machiavelli (2001; 7) emphasizes that "if cooperation takes place with companies in different sectors (vertical cooperation) further synergies are developed and they generate positive effects on the economic front (reduction of transaction costs) and, above all, on the front of the qualification of the products offered."

Tourism industry has strong linkages with other closely related industries and supporting clusters, such as outdoor equipment, design, beverage and food. Cooperation beyond natural

borders ought to come easier to an industry that in itself embraces a multitude of sectors. A system of linkages between tourism enterprises and to actors outside the sector is necessary in order to satisfy the demands of the customers.

In this thesis, the concept of tourism cluster is taken as a group of companies and institutions bound up to a tourism product or group of products in a tourism settlement. In this context, the network relations of tourism organizations are scrutinized by not only covering the relations with actors in tourism sector, but also covering the relationships with actors outside the sector.

Consequently, the cluster-based tourism approach examine a destination's travel industry with an emphasis on increasing inter-sectoral linkages and reducing tourism leakages. The objective is not only to confer greater coherence to the industry but also to strengthen other interrelated business sectors. Cluster strategies achieve their ultimate aim by enhancing the destination's overall economic resilience and by making it less dependent on one or few economic activities. Clustering, as a means of fostering economic growth, has been taken as an approach for different tourism clusters and gained success such as seen in Tropical North Queensland in Australia, Napa Valley in United States (wine cluster), the cluster initiative of Africa; the township of Khayelitsha and Are& Funasdalsfjallen in Sweden (Nordin, 2003). They involve a bottom-up approach in co-operation and problem solving, thus ensuring that the interests of small firms within the destination are taken into account.

Increased integration strengthens linkages between the travel industry and other economic sectors, such as agriculture, construction and crafts manufacturing. These linkages create opportunities for SMEs to provide restaurant services, supplies of handicraft, consumables and furniture to hotels, domestic transport, local tour operating and guiding services.

A key advantage of cluster-based approaches is that they continuously connect the marketplace by encouraging a culture of collaborative decision-making. This co-operation embraces the concept of sustainability by avoiding actions that cancel out benefits through invisible leakages such as harm to the environment and worker exploitation. In addition, conflicts of interest and the negative consequences of top-down policy-making are avoided.

### **3.3 Network Relationships in Tourism Clusters**

In the new production environment, the most efficient relationships are based on the creation

of alliances, partnerships and networks between firms. Networks become crucial for regions/clusters by promoting to adopt new technologies and to develop human and social capital. Thus, networks are part of the dynamic organizational creativity, directed towards building and continuing competitive links to the global economy and based on strengthening existing competitive activities (Castells, 2000).

Especially by the effect of neoliberal policies, the emphasis shifts on the coordination process in tourism as industry comes to include organizations supplying services or goods to tourists purposefully and routinely involved in doing business with tourists (including possibly some operators, resort hotels, airlines and travel agents, etc.) (Leiper, 1990). This new situation presents a major challenge for all countries and destinations aspiring to have a larger tourism share, leading to the restructuring of national tourism administrations and emergence of new players, as well as new patterns of cooperation and partnership (Göymen, 1996).

Destination regions rely on network formation (between businesses, between the private and public sectors) for the development of competitive tourist products. The increasing technological dependence of the industry are likely to lead to the further strengthening of large enterprises, while also opening opportunities for small flexible firms. The use of networking and strategic alliances becomes increasingly important. For small firms this will provide opportunities to overcome the disadvantages (most notably access to technology) associated with their size (Milne and Ateljevic, 2001).

In addition, Lazonick (1992) and Boekholt (1994) emphasize that in the performance of a cluster; a major role is played by the networking relations, not only between the same type of organizations, but also between organizations and companies operating in different sectors. It is seen that a complex system of connections and interrelationships are formed in tourism clusters. Tourism networks are not equivalent to industrial networks due to the structural characteristics of tourism. Existing co-operation theories which emphasize one layer relationships consisting of vertical and horizontal value chains must contextually be extended to allow for situations where different layers of actors are of importance for business success (Björk & Virtanen, 2003). Due to covering complementary products of activities, such as accommodation, transport and catering, which co-exist alongside support activities and infrastructure (Pavlovich, 2001), tourism firms and clusters comprise different kind and level of network linkages.

Firms and organizations in a cluster have not only vertical and horizontal but also quasi-vertical, local and global relationships. Global market conditions are causing a more competitive arena. In this competitive environment, in addition to develop linkages at any level, there is also a need to enhance vertical and quasi-vertical relations which have also positive effects for the success of the tourism cluster.

Interdependence, small size, market fragmentation and spatial separation are all factors which may lead to desire for joint action, a willingness to unite to achieve common goals, a need to form tourist organizations (Pearce, 1992). Interdependence leads to a need to coordinate the different sectors to ensure that they function harmoniously, for example promoting a common image, reduce risks, share the profits by creating a synergy and at the end, they will convert the *competitive advantage* to *collaborative advantage* (Huxham, 1996). Leiper (1990) claims that despite the fragmented and expenditure-driven nature of tourism related firms, the appellation of industry remains meaningful if it refers to the firms purposefully undertaking the joint coordination of their activities for the purpose of servicing tourists.

Within tourism, two characteristics emerge that become pertinent to the relational perspective. First, these interrelationships are fashioned around mixes of diagonal and vertical linkages (Poon, 1990) and form a partial industrialisation of tourism by loose liaisons from across-industry groups (Leiper, 1990). Thus, the tourism destination generally comprises different types of complementary and competing organisations, multiple sectors, infrastructure and an array of public/private linkages that create a diverse and highly fragmented supply structure. Yet, it is this structural combination that conditions the second characteristic of tourism, in that strong market interdependence forms between these organisations, as suppliers pass customers from one organisation to another in order to provide a comprehensive tourist experience (Greffé, 1994).

When researchers analyse and assess the desirability of corporate strategies such as vertical integration, diversification, and transnational expansion among tourism firms, difficulties with industry boundary definitions emerge. Although these difficulties exist, all tourism organizations have relationships with other entities such as suppliers, distributors, competitors, public organizations, governments, and other firms carrying out complementary activities because of its nature which is based on dependence on internal and external environment.

As it is seen from the discussions, the sector of tourism could be taken as an interdependent,

inseperated, complicated, intangible and multisectoral activity (Jones and Haven-Tang, 2005) in its external and internal environment which is composed of a number of typical subsectors such as transportation, hospitality, and distribution services (retailing and wholesaling), as well as attractions (including a number of ancillary services which can become attractions in their own right). In fact, it is a global activity which is affected by many external developments from different scales and is affected and shaped by its internal environment simultaneously. That is why the establishment of cooperative relationships with other organizations at local and global increasingly regarded as a crucial factor for organizational performance and survival (Child and Faulkner 1998).

When talking about tourism organizations, we must take into consideration the heterogeneous and complex product of tourism. Firstly, services are distinct because of functional heterogeneity (transport, hospitality, tour operations and retailing rest on different technological know-how) and spatial or cultural differentiation. Moreover, industrial nature of tourism shows this heterogeneity on its firms and organizations (Lash and Urry, 1994; Tremblay, 1998). Tourism activity in a cluster creates new “actors” (local organizations, voluntary bodies, associations, guides, concerned mayors, local administrations, and municipal unions) that are willing and capable of cooperating with related actors in the sector. Therefore, each type of firm and organization has the capacity to create different level of linkages to be competitive in global market. Because relationships between firms are taken as an important component of competitive advantage (Porter, 1980).

Within tourism, two characteristics emerge that become pertinent to the relational perspective. First, these interrelationships are fashioned around mixes of *diagonal and vertical linkages* (Poon, 1990) *as complementary networks* and form a partial industrialisation of tourism by loose liaisons of *horizontal linkages as co-opetitive (cooperative-competitive) relations* from across-industry groups. That is why the tourism destination generally comprises different types of complementary and co-opetitive organisations, multiple sectors, infrastructure and an array of public/private linkages that create a diverse and highly fragmented supply structure (Pavlovich, 2003).

According to some tourism managers, establishing inter-organizational relations is increasingly important in the era of globalization to achieve collective and organizational goals (Selin and Beason, 1991; Selin and Chavez, 1995; Gunn 1994). In this context, types and levels (local and global) of networks in a tourism cluster need to be defined for

evaluating their contribution to tourism firm and cluster success. Therefore, in the following part, firstly, the fields which tourism agents collaborate or develop networks with other firms are scrutinized. Then, business networks emerge between tourism agents are examined detailly as to types and levels.

### **3.3.1 Public-private partnerships**

In tourism literature, a wide discussion has been emerging based on partnership formation, public-private partnerships and intergovernmental coalitions due to the advantages for tourism firms, regions (Murphy, 1985 in Selin and Chavez 1995; Bramwell and Rawding, 1994; Selin and Chavez, 1995; Augustyn and Knowles, 2000; Greer, 2002; Young, 2002; Dredge, 2006), and especially for less developed countries (Tosun and Jenkins, 1998; Tosun, 1997,2000,2001; Brohman,1996; Göymen,2000; Seckelman, 2002).

Partnerships between the public and the private sectors have recently come to prominence as a strategic tool for tourism development (Selin and Chavez, 1995; Augustyn and Knowles, 2000; Greer, 2002; Bramwell and Rawding, 1994). Co-operation within tourism regions keeps much attention when the fragmented nature of tourism supply at destinations taken into consideration. Partnerships between the public and the private sectors (Murphy, 1985 in Selin and Chavez, 1995) have importance among various forms of co-operation in tourism (Augustyn and Knowles, 2000). Prime motivations behind the participants vary according to the type of participants. For instance, the prime motivation for a private sector operator may well be profit maximization, while the public sector may have more varied such as economic, social and environmental objectives (Bramwell and Rawding, 1994).

Selin and Chavez (1995, p. 844) define the partnerships as '*an arrangement devoted to some common and among otherwise independent organisations*'. Equally, a partnership can also be regarded as a voluntary pooling of resources between two or more parties in order to accomplish collaborative goals- in part a mutual self help group (Gulati, 1998). A tourism partnership is an agreement between a local institution and a private company to work together in establishing a tourism enterprise. Both contribute to invest, and both share in the benefits under terms of a long term agreement. It can also be called as a 'joint venture' (Community Tourism in Southern Africa, 2004). In other words, where a number of interested parties contribute resources to develop a tourism product whose total benefit to potential customers is greater than the sum that all members could offer independently is a joint venture (Palmer and Bejou, 1995).

A partnership can be a voluntary pooling of resources (labor, money, information, etc.) between two or more parties to accomplish collaborative goals. Partnerships may be highly structured, characterized by legally binding agreements, or may be quite unstructured verbal agreements between participating organizations (Gray, 1985). When we consider partnerships in tourism field, we can see the interactions between park authorities and support groups which voluntarily provide services for local tourism attractions (Selin and Chavez, 1995).

By confronting complex infrastructure problems in tourist areas, solution of these problems requires a partnership between all those involved in the public and private sectors (Bramwell and Rawding, 1994). Timothy (1999) identifies four types of partnerships in the context of tourism planning. As well as the better known public-private sector form, they may operate among government agencies; among levels of administration (such as among nation, state and municipality) and; among the same administrative level(s) across territorial political boundaries. The partnership is organised along horizontal lines and involves both the public and the private sectors. It involves reciprocal relations and sometimes develop from personal contact (Augustyn and Knowles, 2000).

Social partnership is one of the more unusual forms of collectivities that is more common with public-private partnership and as a status of social problem-solving mechanisms. Waddock (1989) proposed that three conditions must be present for organizations to participate in collaborative efforts: recognition of interdependence, perceptions that significant benefit will result from the collaboration, and recognition of importance of the issue(s).

Besides these situations, Greer (2002) also similarly proposed the conditions influencing the development of partnerships that are subdivided into four categories as contextual, stakeholder, decision-making and operational conditions. He examined this conditions on the development of partnerships between the Northern Ireland Tourist Board and Bord Failte to give an idea on tourism partnerships across national, regional and local administrative boundaries. This scale of partnership relations are also examined by Araujo and Bramwell (2002), based on regional development perspective. Mohr and Spekman (1994) suggest three sets of behavioral characteristics as success determining factors of interorganizational relationships (IR): attributes of the IR (commitment, trust, coordination, and interdependence), communication behaviours (communication quality, information exchange, and participation

in decision making), and techniques utilized to resolve conflicts.

According to Gray and Jamal and Getz (1995), collaboration increases during crises, the existence of problems which are bigger than any single organization acting alone can solve. As it is seen from the examples, the reasons to form a partnership can appear in different situations and different forms. Some communities have valuable tourism assets, such as wildlife or wilderness, but they don't have the resources and skills to set up a profitable tourism enterprise on their own. A private partner can bring finance, marketing and tourism enterprise, so help the community to earn the full commercial value of its resources, and provide incentives for sustainable management. Apart from that, a partnership also has disadvantages: organizational separation of tourism marketing from tourism planning, development and management (Bramwell and Rawding, 1994), costs, commitments, sharing of benefits.

Bramwell and Sharman (1999: 392-393, 411-412) defines the potential benefits of partnerships and stakeholders' collaboration as: "*avoiding the cost of resolving adversarial conflicts; legitimizing decisions eventually taken; improving co-ordination of policies and related actions; and 'adding value' by building on the existing store of knowledge, insights and capabilities*". However, Bramwell and Sharman (1999) also hasten to point out the limitations of such collaborative efforts. They give example on the case of the Hope Valley tourism management plan in Britain, concluded that consultation leading to the preparation of the plan facilitated by partial consensus; and that the existing unequal power relations remained after this process.

Tosun (2001) claimed that the structure of international tourism industry depends on the domination of Transnational Tourism Corporations (TTCs) in developing countries. It is argued that the industrialized countries generate tourist demand for most developing countries. According to him "*tourism is an industry developed and run by foreigners for foreigners*". Large foreign firms dominate the flow patterns of developing countries as seen in Turkish tourism sector. This external control could be explained by the fragility and unpredictability character of tourism sector. Hence, dependency of tourism development in developing countries could be explained by the time and scale of tourism development in these countries at the domination of international tour-operators and multinational companies as decision-makers. That is to say, unless the international tour operators are willing to collaborate with developing countries for sustainable development of destination place, destinations could not recover themselves hit by crisis

(Cavlek, 2002) and there will be a a real danger of losing the option of sustainable tourism development.

Looked at this angle, tourism partnerships are affected by the dynamic interplay between internal and external forces, with the latter including diverse social, cultural, economic, and political influences (Araujo and Bramwell, 2002). These external forces might include a local crisis, the intervention of a convenor, a legal authorization from central government, or prior relations among stakeholders in existing networks. More attention could be paid to how such external influences interact with internal relations in tourism partnerships during their establishment, evolution, and possible closure.

### **3.3.2 Environmentally Sustainable Governance Practices**

For more than two decades, already, sustained environmental quality and protection of the environmental assets received a great deal of attention as central policy issues in tourism development. Although the development of tourism promotes social and economic development, it can also bring about many negative impacts to the economic, social and environmental sustainability of the local community. In order to overcome negative effects and benefit from its social and economic advantages, sustainable development perspectives based on collaborative network behavior try to be developed between public and private actors of tourism.

In fact, the literature on sustainable tourism emphasises the importance of institution building, the roles of different types of networks on the creation of different institutions (Dedeurwaerdere, 2004), and the steering role of institutions on a collectively organized network (Kickert et. al., 1997, Schout and Jordan, 2003), although the existing ones are not sufficient (Jamal and Getz, 1995; The Report of International Council on Local Environmental Initiatives, 1999).

While the importance of institution-building has been emphasized, recently it has been argued that collaborative and associative forms of governance on environmental issues among tourism firms and other related agents are increasingly becoming important to maintain sustainable environmental tourism development (Brundtland Report, 1987; Ostrom, 1990; Clarke & Roome, 1999; Bramwell and Lane, 1999; Selin, 2000; Sharpley, 2000; Hassan, 2000; Halme, 2001; Hardy and Beeton, 2001; Dewhurst and Thomas, 2003; Mihalic, 2004; Buckley, 2004) and thereby enhance competitiveness of firms as well tourism clusters.

Networks for environmental governance can be established with a diverse range of motivations in mind. These can include dealing with problems of crisis (Gray, 1989; Selin & Chavez, 1995), initiating environmental planning projects based on consensus-generating processes (Jamal and Getz, 1995, Bramwell and Lane, 2000), protecting and improving natural assets (Hassan, 2000), and developing proactive actions through new projects (Ostrom, 1990). Reed (1999) emphasised that collaboration in networks is necessary since, as also claimed by Devereaux Jennings and Zandbergen (1995), individual stakeholders contribute less to environmental sustainability than networks of agents. Financial incentives and contributions of governments as well as different types of awards, prizes and competitions at the national and international levels are used to attract the attention of the different actors (Fadaeva, 2004).

Selin and Chavez (1995) suggests that tourism partnerships intended to promote sustainable development may vary according to such attributes as their geographic scale, legal basis, locus of control, and their organizational diversity and size. Their geographic orientation may be at a community, state, regional, or national scale, while the legal basis for their establishment may come voluntarily from the grassroots or it may be mandated in legislation. In addition, Jamal and Getz (1995) propose several factors for developing collaborative relationships among stakeholders in community tourism settings for sustainable tourism. These include having stakeholders recognize their interdependence, perceiving that benefits would enhance to partner members, utilizing the skills of a strong convenor and having a strategic plan monitored by a collaborative reference group. Selin and Myers (1998) investigated a partnership formed by government, community and private sector tourism organizations correlates of partnership effectiveness. It is indicated that administrative support for the coalition, feelings of belonging and trust, open lines of communication and a sense of collaboration and co-operation among partners, contribute most to developing and sustaining the partnership for sustainable tourism.

### **3.3.3 Firm Based Networks: Strategic Alliances, Business Partnerships**

Collaborating and cooperating with partners through the formation of strategic alliances has long been a feature of business strategy, but more attention is given this partnership since the late 1980's (Evans, 2001). After this period, cooperative and collaborative marketing initiatives are widely discussed in tourism literature (Milne and Ateljevic, 2001; Ioannides and Debbage, 1997-1998; Witt and Moutinho, 1989; Sautter and Leisen, 1999; Palmer,

1998; Trousdale, 1999; Palmer and Bejou, 1995; Buhalis, 1999; Evans, 2001; Bayraktaroglu and Ozen Kutanis, 2003).

*Strategic alliances* are defined as “co-operation between two or more companies, whereby each partner seeks to add to its competencies by combining with those of its partners” (Porter, 1991). In addition, strategic alliances serve a clear strategic purpose, and it is this strategic objective which distinguishes strategic alliances from other forms of inter-firm cooperation. Also, strategic alliances create benefits from a mix of resources, the meshing of firms’ culture and functions thus offering a strong synergistic opportunity by accumulating learning of knowledge (Morrison, 1994; Sautter and Leisen, 1999 ).

Alliances such as joint ventures, franchises or common marketing agreements are based on varying degrees of integration covering vertical and horizontal ones. Within strategic alliances there are associated participation expenses of an economic, operational and contractual nature. Airlines now have equity based and non-equity based strategic alliances at global scale. Significant horizontal integration occurs in travel agencies, usually in the form of takeovers or mergers. Alliances also have vertical integration (backward and forward) components that lead to increased control of the industry’s value creation process.

Tour operators integrate forward into retail distribution, marketing and sales, but not into charter airlines or hotels. Airlines integrate forward into marketing, sales, tour packages and charter flights but do not build their own planes and airports (Poon, 1994). Nonetheless, participation in computer reservation systems through strategic alliances has become an essential tool for marketing. In this context, alliances emerging in the global distribution chains of tourism become important.

In fact, in the 1990s a framework, called ‘global commodity chains’, is developed that tied the concept of the value-added chain directly to the global organization of industries (Gereffi and Korzeniewicz, 1994). This framework not only highlighted the importance of coordination across firm boundaries, but also the growing importance of new global buyers (mainly retailers and brand marketers) as key drivers in the formation of globally dispersed and organizationally fragmented production and distribution networks.

In 1998, Clancy elaborated *global value chains* for tourism sector to draw attention to the role of networks in driving the co-evolution of cross-border industrial organization. According to Clancy (1998), the sector of tourism has become much more centralized and

integrated at the global level. Trans national corporations (TNCs) have come to predominate in hotels, airlines, travel agencies, tour operators and restaurant chains.

Information technology has also fundamentally changed the nature of the industry. For instance, computer reservation systems (CRS) allow travelers to plan almost every aspect of a journey at once. They also link major firms offering transport, lodging and entertainment and therefore the separate components of tourism have become much more closely tied together. For Clancy (1998), the governing structure of tourism vary and neither conforms purely to buyer-driven<sup>9</sup> or producer-driven<sup>10</sup> commodity chains, in fact, tourism conforms contract-driven chains.

Marketing systems of tourism can be more generally classified under *complementary vertical* or *co-opetitive horizontal* in nature. *Vertical systems* refers to a co-ordinated distribution channel, linking producers with wholesalers and retailers, designed to achieve operating efficiencies and marketing effectiveness. These systems are becoming the dominant force in the process of hotel product distribution such as Utell, Galileo Gulliver. *Horizontal systems* refers to voluntary chains which are related business entities. Distribution is concentrated through co-operation, and joint marketing services which fosters collectivity in decision making (Morrison, 1994; Yarcan, 1992). The success of two systems depend on collective action of a different group of businesses.

### ***Nature of Inter-Firm Networks in Tourism Industry***

Tourism firms have relationships with suppliers, distributors, competitors and other organizations carrying out complementary activities. The establishment of cooperative relationships with other firms is increasingly regarded as a crucial factor for organizational performance and survival. Raco (1999) claims that to maximize the *efficiency* of collective resources, there must be a contact between sector specific organizations and other support organizations (RDAs, large and small firm lobbies, function specific producer service agencies, trade unions, chambers of commerce, local authorities). Hoteliers are seeking ways to increase revenues by working with travel agencies to expand sales in a cost effective fashion. At the same time, they are turning to hotel bookings to support their revenues as

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<sup>9</sup> TNC based retailers set up and maintain arm's length relationships with producers who are located in the third world. TNCs seldom own any of their own firms and instead establish relationships with separately owned but often nearly leader dominated suppliers.

<sup>10</sup> Chains that are large, vertically integrated transnational corporations internalize most aspects of production, distribution and marketing processes.

airline commissions are decreasing. Broadly speaking, new technologies, particularly the Internet, are forcing them to change their traditional modes of operation. For instance, traditional retail agencies greatly reduce their bookings unless they become virtual operations (Medina-Munoz and Garcia-Falcon, 2000).

By the effect of globalization era, tourism would appear to offer a logical arena for corporate concentration. Its component sectors of transport, accommodation, entertainment, food and beverages are closely integrated through the consumption patterns of travelers. Concentration of tourism is based on two main modes of governance: firstly, *horizontal integration*, comprising horizontal mergers within each of tourism's component sectors (for example, between different hotel companies); and, secondly, *vertical integration*, comprising mergers across these component sectors (for example, between hotels and airlines)(Lafferty and Van Fossen, 2001; Buhalis 1998; Yarcana, 1994, 1996; Dussage and Garrette, 1999).

*Evolution of inter-firm relationships: a historical development perspective*

In the past, the sector of tourism was comprised of small and medium sized firms mostly serving to their own markets. In the first development period, in the early 1970s, a horizontally integrated structure was observed between these players. There was an oligopolistic structure observed in the airlines. Selected few trans-national hotel companies dominate the hotelling industry, especially through franchise and contract management agreements. The first large national tour operators emerged especially in Europe. The emergence of tour operators was mainly driven by the increase in 'package tours'. According to Lafferty and Van Fossen (2001), fordism offers a more suitable environment for vertical integration. Businesses start to pursue post-Fordist strategies because they offer the prospect 'of higher profits, through customized products and services for & niche markets'.

Therefore in the following period since the early 1990s, vertical integration and international expansion started to define the structure of the tourism industry. The national tour operators started to vertically integrate along the tourism value chain by entering different markets (Säubert, 2005). The major tour operators located in Western Europe and North America exhibit a highly consolidated market structure. By 1994, Hospitality Franchise Systems (HFS) had acquired the rights to chains like Ramada Inn, Howard Johnson, and Days Inn and overtaken Holiday Inn Worldwide to become the world's largest lodging company (Ioannides and Debbage, 1997).

Selected examples of vertical integration exist particularly in Europe where major tour operating firms operate their own charter airlines and/or travel agencies. Similarly, the Canadian Government allowed the Greyhound Canada bus company to launch a low-cost air service. Apart from vertical integration, another type of integration named “*quasi-vertical integration*” was seen. This type of integration involves the association of travel-related companies with essentially non-travel-based corporations. An example of quasi-vertical associations in the travel business include the presence of hotel companies in the gaming industry (casinos), plus the agreements enabling the customers of credit card or long distance telephone companies to accrue frequent flyer miles for airline travel (Ioannides and Debbage, 1997).

#### *Economic background of inter-firm linkages observed in tourism*

Horizontal and vertical integration have been seen in neo-classical economics as determining the profit rates of an industry, while permitting greater economies of scale, lower unit costs, innovation and product differentiation. However, these processes also reduce competition, by the effect of increasing prices. Decreasing costs and increasing prices raise profits, therefore increasing incentives for both horizontal and vertical integration (Lafferty and Van Fossen, 2001).

Horizontal integration is seen as decreasing costs, especially if the merged companies are administratively centralized and rationalized. Efficiency-related and monopolistic motives were typically assumed to drive horizontal integration (Tremblay, 1998). On the other hand, vertical integration can enable firms to gain a competitive advantage over equally efficient rivals, generating barriers to entry and greater certainty of contracts (Porter, 1980). Vertical integration is associated with the need to control markets, exploit synergies (or scope economies) and reduce the transaction costs associated with packaging (Tremblay, 1998). The only attempts on vertical integration across the tourism industry have been organized by large organizations when they had relatively high profitability (Buhalis, 1998).

The most obvious catalyst for vertical integration in the tourism industry would appear to be the airline sector (Benneth, 1997; Evans 2001), since it is highly capitalized and hence more capable of making the necessary investment. In tourism sector, not only in airlines there is vertical integration, there has been also a considerable vertical integration in hotels and other areas, historically started from gambling, then movement into hotel ownership by non-accommodation corporations (Lafferty and Van Fossen, 2001). In addition, international

hotels and tour operators start to conduct their operations through a web of heterogeneous and differentiated contractual arrangements calling for a much richer analytical framework than the narrow market-firm dichotomy (Dunning and McQueen, 1982).

### *Networks of airlines*

By creating closer relationships with hotels, car rental companies, tour operators, and travel agencies, airlines were believed to be redefining themselves and entering the 'tourism business'. According to researchers, airlines were in the process of integrating dissimilar but related activities, possibly to become tourism or hospitality conglomerates (Tremblay, 1998). It is seen that the airlines established *polygamus relationships* (multifaceted) based on *vertical integration* with hotel groups, often investing in the partial ownership of large numbers of partners. After deregulation, different forms of inter-airline alliances, rarely involving ownership integration, emerged to exploit the strategic advantages associated with computer reservation systems and associated marketing tools such as frequent flier programmes (Buhalis, 1998,2000,2002; Evans, 2001).

Bennett (1997), defines partnerships within airlines vary in the form that they take and as such they have been variously defined as networks, joint ventures and strategic alliances. They range from the formal to the informal and the tactical to the strategic. For airline sector, he classifies two types of partnership as tactical (informal) and strategic (formal).

*Tactical partnerships* exist to gain marketing benefits that can be characterized as loose forms of collaboration. Especially, they do not involve major resource commitments and nor are they high risk. These partnerships are encapsulated in codesharing and feed agreements that commonly occur between major and minor airlines. However, *strategic partnerships* tend to be longer where commitment is sometimes demonstrated by way of equity stakes. In other words, strategic alliances is a particular mode of interorganizational relationship where the partners make substantial investments in developing a long-term collaborative effort (Bennett, 1997). Lau (1994 in Bennett, 1997) differentiates a strategic alliance from an equity investment joint venture on the basis that a strategic alliance does not require large capital resources.

Indeed, the best example of collaboration in airline sector due to such risks was the collaborative venture between Boeing and Airbus to develop a superjumbo which could carry up to 1000 passengers (Benneth, 1997). By collaborating through alliances, airlines

are, in effect, reducing the competition. For ex: in the alliance between KLM and Northwest only one service is offered on each Amsterdam US route eventhough two services are shown in the timetable. This is also true for other airlines such as THY/ Lufthansa. In the alliances between major and regional airlines in the US, a significant outcome has been a decline in competition (Williams (1993) in Benneth, 1997).

Reduced risk in airline alliances may be best shown in the *franchise aggrements with UK airlines*. The franchise partners have a high level of local tacit knowledge. Because of this reason British Airlines has favoured collaboration over direct competition. Apart from these advantages the choice of strong partner, to be competitive in global market, becoming very important for success of the partnership (Evans, 2001; Benneth, 1997). According to Evans (2001), partner selection criteria based on capability, compatibility, commitment, control and geographical fit. With these main considerations, driven by the economic imperative and assisted by deregulation, airlines are forming alliances to improve profitability and thereby secure their future in a dynamic sector (Benneth, 1997).

By the development of information tehnologies, airlines start to question the travel agents' commission and the value of their services, therefore they attempted to increase their direct sale mainly through internet reservation systems, computer reservation systems, online portals etc. (Dumazel and Humphreys, 1999; Alamdari, 2002; Jarach, 2002; Yi-Shon et.al., 2003). In fact, airlines have been applying online technologies for booking and ticketing for decades. Since 1980s, the computer reservation system (CRSs) has played a crucial role in the provision of airline services. In 1990s, CRS was integrated with a revenue management system. Car rental and hotel booking systems were introduced. Then, the entire system has returned to a global distribution system (GDS) which is the main idea behind current travel websites on the internet. In addition, Frequent Flyer Programmes (FFP) new examples of e-commerce related to airlines (Yi-Shon et.al., 2003).

### *Networks of Hotels*

The hotel industry comprises of a unique economic activity in that it has really become two businesses: providing hospitality services and real estate. Hotels, like much of the global travel industry, began to form a clearer organizational structure after the Second World War (Clancy, 1998). Prior to the war most hotels and motels were independent operations. Owners were operators, and they mainly catered to business travelers (EIU, 1988). After the war, however, the industry was marked by the growth of association through chains, and by

internationalization.

Transnational alliances have shown the diversity of contractual arrangements (franchises, management contracts, leases, and other sharing arrangements over facilities, technology, or marketing services); and the dominance of non-equity and minority share holding for collaborative efforts involving some ownership participation (Yarcan, 1992; Tremblay, 1998). The prime motive behind the propensity of many hotels to join a group lies in hotel brandnames signaling a level of service, a type of facility or a bundle of attributes. Such signals reduce the transaction costs associated with information asymmetries faced jointly by firms and tourists.

The propensity of many hotels to join a group lies in hotel brandnames, signalling a level of service, a type of facility or a bundle of attributes. These signals reduce the *transaction costs* associated with information asymmetries faced jointly by firms and tourists. When hotel services are offered in new destinations, the need for *quasi-integration* might well be justified by considerations of human and management resources development. (Tremblay, 1998).

In fact, the most common forms of non-equity expansion into new markets for hotels have been through management contracts and franchising. Both of them are contractually based, and results in a fee being paid to the chain by the owner of the hotel. Franchise agreements vary, but usually include use of the chain's name, trademark and other services such as access to a toll-free reservation system in return for a fixed fee along with other percentage-based charges, while requiring the individual hotel to maintain certain standards. In management contracts, responsibility for various aspects of operation of the hotel fall to the chain itself. Standard management contracts generally contain basic fee, incentive fee, marketing fee and reservation fee to be paid to the chain (Clancy, 1998).

#### *Networks of Travel Agencies*

Travel agencies are different to other distributors, since they have no product stock of their own and no economic or financial interests in the products that they market. Travel agencies tend not to sustain large risks because of having the main objective of distributing the products created by accommodation firms and tour operators.

Technology is a key factor to sustain new distribution policies and much more so in the

tourist sector, where travel and tourist organizations play a fundamental role in making the sector more competitive. In addition, tour operators, especially airlines but also accommodation providers, are bypassing traditional distribution channels in order to sell direct to the customer via the Internet.

Several authors argue that the tourism is facing a new period in terms of establishing new policies and strategies regarding the form of travel agencies and tour operators (Parra Lopez and Baum, 2004). According to them, there are three types of important technological ways or developments in the travel agency sector: *teleprocessing*: (recently this has become highly successful in distribution in the leisure sector in Great Britain); *computerized booking systems* (CRS/GRS enable travel agencies to work in real time (online) with their bookings); *Internet and travel agencies*: this development has promoted competitive advantages for some tour operators, as well as producing a significant change in travel agency distribution.

The role of travel agencies is expected to grow in importance for three reasons: they vary related to the consumers of tourism and often play a key role in determining the type of services sought; though travel agents are not necessary to computerized reservations systems (CRSs), they are key players in the spreading of new technologies, including reservation; there are tremendous opportunities for CRSs to *flexibly package holidays* (Poon, 1998; Buhalis; 1998, 2002).

On this basis, it is stated that electronic distribution offers opportunities for closer interaction and co-operation at the local level. Moreover, IT's have much more importance in concrete, heterogenous, service encounters for tourism sector. Moreover, IT's help decrease distribution costs, improve customer services, and result in a competitive advantage (Avcikurt and Koroğlu, 2000, p 113). Many examples can be given for the use of IT's in travel agencies. For example, Travelweb, designed by Pegasus Systems, is one of the most developed virtual travel agencies in the world (Aksu and Tarcan, 2002).

Moreover, new emerging Extranets provide a secured interface for networked enterprises, at the same time facilitate a restricted access and interconnectivity to authorized organizations therefore facilitate the networking of tourism enterprises. Partnerships between telecommunication companies and electronic travel agencies such as British Airways-Lastminute.com and Galileo-Trip.com facilitates networking (Buhalis and Licata, 2002; Wang and Fesenmaier, 2004).

Tour operators gaining some of the financial gain that accrues in the form of e-booking discounts or priority access to best fares to customers by using of ITs. Although travel agencies sell tour operators' products and services through agreements and collaboration programmes, travel agencies have their own sales programmes like tour operators (Parra Lopez and Baum, 2004).

According to Buhalis (1999), small and medium sized tourism enterprises (SMTEs) face enormous difficulties competing with their larger counterparts in the traditional distribution channel (Buhalis, 1999). In this environment, the evolution of electronic commerce on the internet has allowed individual tourism suppliers to compete more equally with the larger multinational brands for the global customer. Vich-i-Martorell (2004) emphasize that the internet increases the marketing and communication opportunities for SMTEs, facilitating direct links with potential customers and the distribution process of their products. In guidance of these situations, it might be said that participating in strategic alliances provides access to resources and strategic benefits (Morrison, 1994; Wanhill, 2000; Smeral,1998).

In this perspective we can see the revival of small firm gains much importance to maintain independence of action, without becoming less visible to the public and sales agents and not losing market share. Computer reservation systems (CRS) have grown to become single most powerful marketing instrument in the hotel sector to promote codified learning. The availability of CRS technologies has created opportunities for the creation of small and medium sized firm networks in the travel industry (Buhalis, 1993). By the effect of this situation, strategic alliances has been formed to reduce the vulnerability of the small firm (Morrison, 1994; Thomas, 2000). The organizations can be under the control of a larger organization (as Galileo, Utell, Amadeus(travel agencies, terminals)), or consulted structure (as Gulliver) or a member controlled structure (Best Western) (Morrison, 1994; Buhalis, 1998).

Interlocking business relationships have become common, and competitors have frequently become partners. Examples are;

- Budget Rent-a-Car entered into an agreement with Avis to process Budget's car-rental reservations.
- The Amadeus global distribution system (GDS) bought System One, which was owned by Continental Airlines. Continental outsourced its management information needs, including reservation processing, to Electronic Data Systems.

- A new company, System One Amadeus, was formed and owned equally by Amadeus, Continental and EDS.
- Perhaps the most impressive example of competitors becoming partners was the establishment of The Hotel Industry Switch Company by 16 rival hotel chains. (Coyne and Burns, Special to Hotel Management Journal)

Beside these situations, it might be said that this new method of commerce could threaten the role of tour operators and travel agents in the travel and tourism value chain by removing them as intermediaries (Steiner and Dufour, 1998; Schuster 1998; Hamil 1997; Vich-i-Martorell, 2003). If information and knowledge are considered to be a source of power for parties involved in negotiation, the use of information technologies could lead to the redistribution of bargaining power and change their relationships as negotiators (Porter and Millar, 1985). Electronic marketing systems may threaten tour operators to the extent that the tourism principals will market and sell their products directly to consumers, allowing the latter to search for products and book them more swiftly and at a lower cost.

According to the debates of the literature, there are two main approaches in service marketing defining the role of travel agencies in the era of internet. The first one, 'innovative approach' claims that the role of travel agencies will transform and new distribution channels will emerge by the effect of internet usage in marketing (Steiner and Dufour, 1998; Schuster 1998; Hamil 1997). The second one, 'traditional approach' (Sarı and Kozak, 2005) states that although information technology has important contributions, the strong relation between supplier and purchaser will continue and traditional role of travel agencies does not change very much structurally (Lin 1998; Walle 1996; Sarkar, Butler and Steinfield 1995). However, newly emerging internet reservation systems has threatened the role of travel agencies (Vich-i-Martorell, 2003). In this context, it is not deniable that types of relations of travel agencies have to change to adapt the conditions of information technology and internet. Some of the travel agencies try to develop vertical linkages by purchasing hotels, airline firms and tour operators to adapt themselves and to protect their roles from the negative effects of internet reservations (Karcher, 1995).

#### *Emerging Network Types between Tourism firms*

The network approach is taken as a new organizational paradigm capable of enlarging the transactional perspective by its dynamic character (Camagni, 1993). Marshall in industrial districts and Richardson in the coordination of capabilities had also emphasized the

importance of networks in an industry. In networks, the centre of attention is on experimentation through relational agreements between business units rather than fear of opportunistic recontracting and short term efficiency gains (Tremblay, 1998).

Camagni's (1993) two types of network organization may be more explanatory to understand the network behaviors of tourism firms. First one is concerned with the spatial distribution of firms, called 'innovative milieux' including neighbouring firms sharing *complementary assets* and fostering entrepreneurial initiatives which can promote mutual advantages and regional growth. Second one examines *co-opetitive (collaborative) assets* as strategic alliances among business entities linked through privileged communication channels, both formal and informal, which have been referred to in economics as '*quasi-integration*'. These type of networks influences on tourism, the first corresponding to destination-based coordination of local services suppliers, and the second explains cooperative alliances between its larger, horizontally or vertically interdependent firms.

Camagni (1993), at the same time, classifies diverse benefits of network alliances in three categories. The first refers to the exploitation of scale and scope economies. In tourism context, alliances and joint ventures between firms sharing technological and physical assets such as facilities or reservation systems. The second one emphasize the firms that undertake cooperation to coordinate complementary assets. Alliances are necessary to manage dissimilar competences related through marketing synergies and product innovations. Cases of vertical tourism quasi-integration fitting this description include long-term contracts and alliances between various functions in the value chain. Finally, higher strategic dimension motivate the creation of network linkages as cooperative assets; cooperative learning and the shaping of technological trajectories (Tremblay, 1998). When we look at tourism organizations in this view, we can see various network type of behavior;

The first type of network found in tourism lies horizontally across firms holding similar technological capabilities but servicing various markets and operating in different destinations (Figure 2.). They invest in competences of the traditional industry- or function-specific type, for instance air transport or international hotel expert know-how. An increasing number of hotel consortia have been created for the sake of sharing marketing channels and investing in brandnames associated with more or less standardized product attributes, when contractual conditions inside a given group vary considerably (Go and Pine, 1995).

Small differentiated hotels form loose partnerships for the sake of coordinating these marketing resources and improving the quality of their human capital through shared training programs (Morrison 1994). Travel agents are also observed to form horizontal alliances when they service business travelers or upmarket segments of international tourism (Feldman 1991 in Tremblay 1998). Moreover, airline network expansion through acquisition of other air carriers is an example of this horizontal alliance.

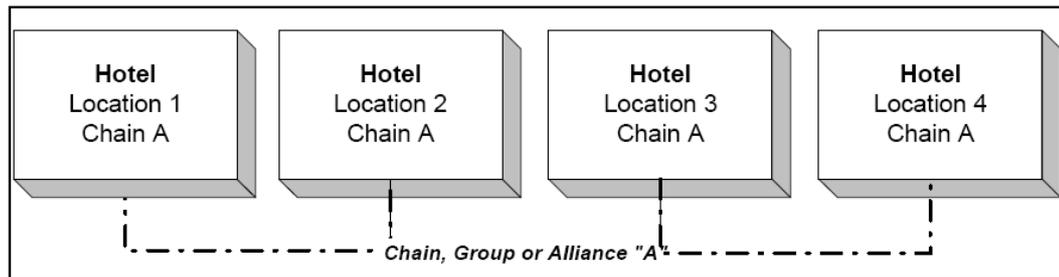


Figure 2 Network Type 1  
 Source: Tremblay, 1998

The second type of network suggested groups firms sharing in the marketing know-how associated with specific customer groups. These relationships generate economic rents by connecting dissimilar competences into a consistent product, through time and place synchronization of activities. Their aim is to control product quality and sometimes even to standardize the "service atmosphere". Such linkages can be referred to as vertical, lateral, or diagonal quasi-integration (Figure 3.).

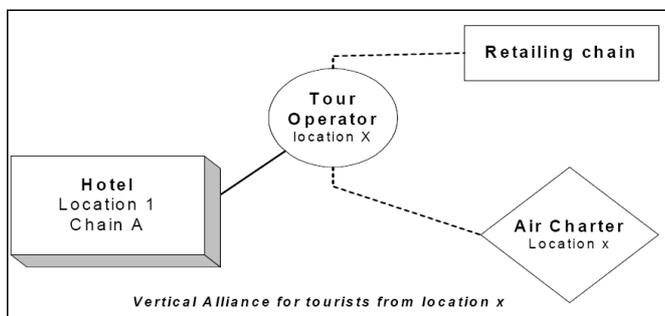


Figure 3 Network Type 2  
 Source: Tremblay, 1998

References to large, more or less integrated tourism business groups connecting complementary activities such as air transport services, tour operations retailing, and the management of hotel groups lump these forms of quasi-diversification, in other words, airlines acquiring hotel chains or tour operators controlling retail travel outlets. The purpose is to ensure cross-functional coordination among differentiated businesses such as retailing, wholesaling and main services functions for a given market. Japanese outbound organizations constitute an example of vertical networks dominated by travel wholesalers. These associations have close linkages with airlines, and some hotel chains, and they often have preferential, or own, travel retail outlets (Tremblay, 1998).

The third type of network ensures the coordination of complementary assets from the destination end of the service chain (Figure 4). Tourism firms in a given destination share public infrastructures and attractions. They need to cooperatively manage those resources and innovate while minimizing negative externalities. Therefore, destination marketing alliances involve firms cooperating to determine the size of the local tourism pie and simultaneously competing to increase their shares (Palmer and Bejou 1995). Cooperative marketing, which was a catch-phrase of the American Tourism industry in the 80s, refers to advertising partnerships between the private and public sector. In the past, destination-based cooperation focused excessively on attracting and promoting destinations, and overlooked the crucial objective of jointly shaping innovative products and managing social and environment externalities (Tremblay, 1998).

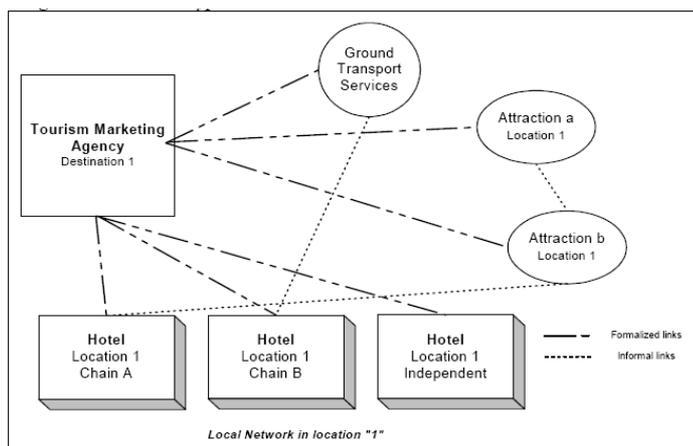


Figure 4 Network Type 3  
 Source: Tremblay, 1998

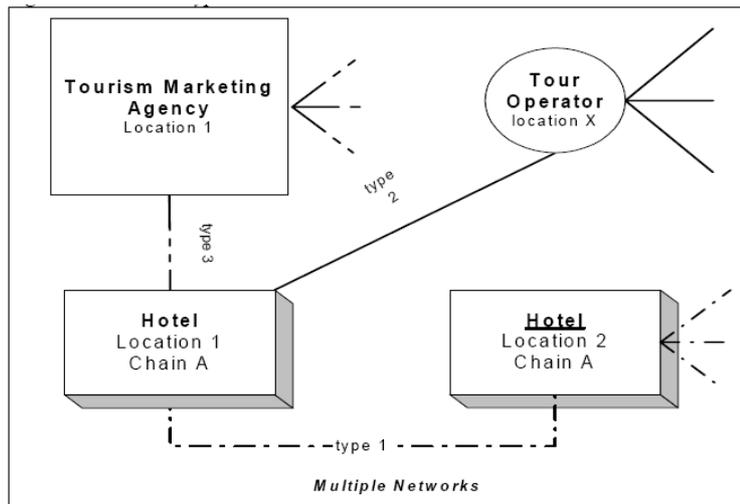


Figure 5 Network Type 4 -Overlapping Networks  
 Source: Tremblay, 1998

The fourth type could be *local destination networks* which play a crucial role in balancing the interest of various stakeholders and can boost a destination's competitive advantage by linking the fragmented capabilities found in a community (Figure 5). At a point in time, any tourism firm can participate in many overlapping networks.

Tourism-related businesses strategically position themselves in the web of relationships underlying the system by comparing the advantages of alternative cooperative linkages. In particular, they will assess the potential return from sharing inputs, lowering of transaction costs, and exploiting economies of scale and scope of various activities. In the long run, the ability to appropriate economic rents from product innovations and new organizational configurations will dominate the strategic agenda of the tourism firms. The sustainable management of organizational and environmental assets will then provide the stimuli for establishing durable collaborative associations (Tremblay, 1998).

In addition to the fourth type of network (overlapping networks) between tourism firms, the dominant role of travel agencies and tour operators over the destinations, principally over the hoteliers (Buhalis, 2000) and the change in network relationships by the effect of information technologies and internet must be taken into consideration to define the real network between tourism firms. Nevertheless, stemming from the structure of tourism industry hotels as a producer directly construct a relationship by the use of information technologies. That is why not only vertical order dependent relationship but also horizontal disordered relations exist in the tourism sector (Figure 6.). This situation figure out the relations of tour

operators and travel agencies as a network type of a relationship by the help of internet (Figure 7.).

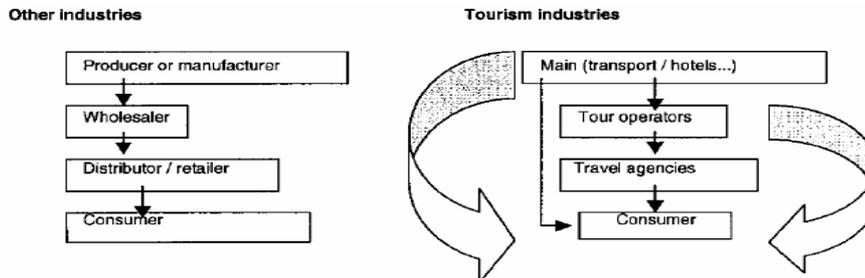


Figure 6 Comparison Between tourism marketing channels and other marketing channels.

Source: Parra Lopez and Baum (2004) which is adapted from Renshaw (1997) and his own elaboration.

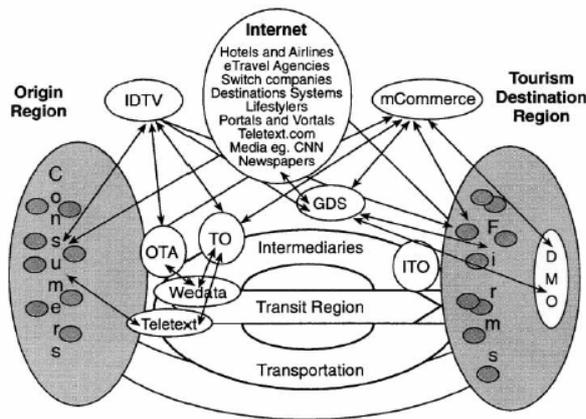


Figure 7 Current tour operators

Source: Parra Lopez and Baum (2004) which is adapted from Buhalis and Licata, 2002

Ultimately, the multidimensional strategic framework for information technologies (ITs) in tourism illustrates that networking and interactivity will increasingly dominate the production (destination) and consumption (origin) of functions. This situation is best described by Poon's (1993) flexible specialization model of tourism business. This is a model, which predicted the impact of *information technology* on the both decision making and consumer behaviour. Nevertheless, the model clearly contributes to the field by encouraging tourism organisations and destinations to challenge existing strategies and practices. Also, the model force on organizations of tourism to approach new tourism with

new tools introduced by technology. Players, who fail to participate in the electronic marketplace without having strategic and tactical management, will face various competitive disadvantages in the long term and will probably lose considerable market share (Buhalis, 1998).

In the same way, closer cooperation and the improved use of information technologies would allow hoteliers to vary their distribution mix and improve their position in the distribution channel. Failure to do this would reduce their competitiveness, as the globalization and vertical integration of the European tourism market means that they will have to negotiate with bigger, more powerful tour operators in the future. Collaboration and the use of information technologies will increase the competitiveness of hotels and destinations (Buhalis, 2000), as well as improving their position in the distribution process.

Throughout the world tourism services are offered by small and medium tourism enterprises (SMTEs) tend to be family managed. The challenge for destination management organisations is therefore to create local partnerships for the delivery of seamless experiences. If these partnerships bring together both private and public sector, they will ensure the long-term competitiveness of the tourism product prevails all decision making processes. Developing long term partnerships with tour operators and leisure travel agencies is therefore extremely significant for the success of leisure destinations especially small and medium sized enterprises (Buhalis, 2000).

### **3.4 Tourism for Local Development: A New Theoretical Perspective**

Since the early 1970s, industrial organizations have undergone paradigmatic shifts in production types. These theorized changes in industrial production are formally labeled the shift from Fordism to post-Fordism or flexible accumulation (Piore and Sabel, 1984; Harvey, 1989; Sayer, 1989). In this context, some tourism researchers (Poon, 1989; Urry, 1990; Mullins, 1991; Page, 1995) have integrated the flexible production literature into explanations of changing patterns of travel and tourism, however the flexible production thesis has been almost entirely discussed in relationship to the manufacturing industry. In the approach of flexible specialization, vertical disintegration is emphasized which means a central enterprise controls the final product and key technology while non-strategic functions are subcontracted to other firms which gives firms the advantage of cost savings and external economies of scale as it is seen in Benetton and Nike Company (Coffey and Bailly, 1992). With respect to tourism, many hotel holding companies have created niche brands, each

catering to one market segment, while diverging from the direct ownership of actual properties through the increasingly ubiquitous more flexible management contract or franchise agreement (Ioannides and Debbage, 1998).

Table 2 The Comparison of Fordist and Post-fordist Production between Manufacturing and Tourism

Fordist Production in Manufacturing (1920s-1970s)	
The Production Process	'Fordist' Production in Tourism (1950s-1990s)
Economies of Scale	Economies of Scale
Mass production of homogeneous goods	Mass, standardized and rigidly packaged holidays
Dedicated (assembly line), inflexible machinery	Packaged tours, charter flights
Uniformity and standardization	Narrow range of standardized travel products
Large buffer (just-in-case) stocks and inventory	Holding holidays 'just-in-case'
Production is resource driven	Tour industry determines quality and type of product
Industrial concentration (vertical and to a lesser degree horizontal integration)	Industrial concentration (horizontal and to a lesser extent vertical integration)
Labor Practices	
Functional and numerical inflexibility (single task performance by specialized worker)	Low labor (functional) flexibility
Little on the job training	High labor turnover, labor is seasonal, low wages, mostly unskilled labor forces
The Consumption Process	
Mass consumption	Mass tourists
Customers are inexperienced, motivated by price	Tourists are psychocentrics (inexperienced, predictable) sun-lust, motivated by price
Post-Fordist Production in Manufacturing (post 1970s)	
The Production Process	'Post-Fordism' "flexibility in Tourism (1990s-future)
Economies of scope	Economies of scale and scope
Small batch production of a variety of customized product types	Emergence of specialized operators, tailor made holidays
Market niching	Market niching
Information technologies and robotics	System of information technologies (SIT) (CRS technology, teleconferencing, video text, video brochure, satellite printers etc.) front and back office automation, internet, World Wide Web
No stocks, just-in-time inventories	Custom designed flexible holidays
Production is demand driven	Tourists determine product type
Vertical disintegration, subcontracting of non-strategic functions	Horizontal integration, subcontracting (e.g. the hotel industry externalizes laundry operations or specialized kitchen activities)
Inter-firm strategic alliances	Adoption of regionally-based integrated computer information systems and strategic network alliances in the airline industry
Labor Practices	
Functional and numerical flexibility	Functionally flexible (skilled) year round employees flanked by peripheral numerically flexible unskilled workers
Employment security for core workers, no security for temporary workers	
The Consumption Process	
Individualized consumption	Independent tourists
Very experienced consumers	Experienced, independent, flexible (sun-plus) travelers
Greater volatility of consumer preferences	Fewer repeat visits
Increased preference for non-mass forms of production and consumption	Demand for 'green tourism' or other alternative forms (e.g. ecotourism)

Source: Coffey and Bailly, 1992; Harvey, 1989; Poon, 1993; Urry, 1995 in Ioannides and Debbage, 1998

Being part of the service sector, tourism has inevitably been associated with developments in new technologies and refreshed by organizational and structural innovations. Therefore, there has been a trend to flexibilization of the tourist product by a form of customization, despite the pressure from tour operators who still advocate packages of mass tourism. (Stamboulis & Skayannis, 2003).

Flexible approach necessitates to generate innovative tourism activities and product developments in tourism to make destination attractive for tourists demands. Although the correlation between the growth of tourism and the degree of innovation is evident, tourism innovation still has been of limited political consideration. In general, it is not as common phenomenon as in the manufacturing industry. It has even been argued that innovations are non-existent in tourism. Although it would probably be a lot closer to the truth to say that they are less frequently occurring and sometimes taking on different features making them harder to detect. Hjalager (2002) describes an appropriate sub-division of innovations into five categories - product, process, management, logistics and institutional innovations.

*Production innovations* consist of changed or new products or services, developed to the stage of commercialization. Loyalty programs, events based on local traditions and environmentally sustainable accommodation facilities are examples of production innovations of recent years. *Process innovations* involve a way of raising the performance of existing operations with new or improved technology or by redesigns of the entire production line. This kind of innovations can be combined with or result in product innovations. Robots for cleaning and maintenance, self-service devices and computerized management and monitoring systems make up good examples.

*Management innovations* cover new job profiles, collaborative structures and authority systems among others often in combination with the introduction of new products, services and production technologies. Staff empowerment through job enrichment, training and decentralization are the examples of this kind. Moreover, *logistics innovations* are materials, transactions, information and customers constitute examples and recent innovations in this field are internet marketing.

Finally, *institutional innovations* deals with collaborative and regulatory structures in communities. Institutional innovations go beyond the individual firm. They transect public and private sectors and form new rules and regulations. Reforms of the financial incentives that restructure social or health tourism concepts, the setting up or change of

credit institutions and changes in the conditions for obtaining finance are such examples affecting tourism. Another perspective comes from Abernathy and Clark (1985) and they have developed a model and applied it to innovations in tourism illustrating four types of innovations -regular, niche, revolutionary and architectural.

In the flexible approach of development the crucial role of clusters in local development is also emphasized. Porter's theory on clusters are based on two main assumptions; geographical proximity between cluster members and strong linkages between companies. As it is seen from the study of Nordin (2003) that factors contributing to the success of tourism clusters in Queensland (Australia), Wine Cluster in Napa Valley of United states and South Africa stems from the formation of collaborative environment and linkages between related actors at different levels.

Any more the success of tourism destinations in world markets is influenced by their relative competitiveness. In this respect, destination competitiveness requires not only destination or tourism-specific factors but also the inclusion of factors that affect the tourism service providers and competitiveness of firms involved in producing the tourism "product" (Ritchie and Crouch, 2001).

Porter also highlights the factors that are central for creating long-term competitiveness. Porter's (1990) framework about competitiveness claims that success in international competition in a given industry depends on the relative strength of an economy in a set of business-related features or "drivers" of competitiveness, namely "factor conditions"; "demand conditions"; "related and supporting industries", and "firm strategy, structure, and rivalry". He presents four key drivers that determine the company's or the cluster's competitiveness, depicted as a diamond model. These attributes (and their interaction) offer the main explanation as to why companies located in a particular region remain competitive and innovative.

*Factor Conditions:* According to classic economic theory on competitive advantages, a nation's or region's competitiveness is virtually explained by its plentiful endowment of required basic production (actors, such as land, labor, capital, natural and cultural) resources. These are the conditions on which firms seek to compete. Without factor conditions, in particular without attractions, there would be no tourism activity. However, as to new economic theory based on flexible approach not only sea and sand are enough for the competitiveness of the region, but also other factor conditions such as human

resources, infrastructure, capital (De Holan and Philips, 1997), supporting diverse institutional structure and social capital stand as crucial factors for competitive development.

According to Inman et. al. (2002), factor conditions are not the vital factor for clusters to become competitive in the global market, but rather the specialized factors. They point out that if the basic endowments were the only explanatory factors, how is it then possible that the Netherlands is a leading nation when it comes to fresh flowers?<sup>11</sup> However, specialized factors foster competitive advantages of a specific cluster, because they are unique by each place and hard to replicate or access by competitors from other regions (Inman et. al.,2002). Strategic work in a cluster may open up for new possibilities. Inman et al. apply their theory to tourism and state that “in tourism, the basic factors enabling a country's development consist of the natural, archaeological, and cultural resource endowment. A country or region's competitiveness lies rather in the quality of specialized factors valuing its inheritance above countries with similar legacy. Human resources trained in tourism, infrastructure designed to provide access to natural resources, suitable capital markets to finance long-term tourism projects, adequate citizens safety level, and wide coverage of public sector support services are examples of this type of specialized factors.

*Demand Conditions:* Both domestic tourists and foreigners visiting the country contribute to the local demand. Thus, the emphasis should be on the size and the structure of the market, focusing on the tastes and requirements of tourists visiting a destination, finding the right position in fast growing markets and strengthening tourism culture of consumers and host societies (Nordin, 2003). According to Smeral (1998) open-minded and sophisticated tourists and consumers are important factors for clusters competitiveness by increasing quality as anticipating consumer needs requires recognizing new trends and new production possibilities early on. Moreover, a strong association is observed between competitive companies and a high local demand.

*Business Strategy, Structure and Competition:* Long-term competitiveness is a driver of the development. Strategies that improve the competitiveness of a tourism cluster are vital

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<sup>11</sup> The country accounts for two thirds of the world's fresh flower exports, but certainly does not have the greatest basic factors needed for this activity - the country suffers from scarcity of land, it has a short production period, not the best climate for this purpose and a relatively expensive workforce compared to competing countries. As it is seen in Netherlands case, lack of factors can also stimulate innovation.

and a strategic plan supported by both public and private actors is a key element. Competition in tourism can be at local and global level. While local competition is observed between the companies of a tourism cluster, global competition is observed between the clusters and countries (Nordin, 2003).

Co-operative organisational structure such as public-private partnerships and building strategic alliances for image building are also important for enhancing the competitiveness of tourism cluster (Porter, 1990; Nordin, 2003; Cunha and Cunha, 2005). Apart from that, Pechlaner et. al. (2002) state that “in the future, a destination's competitive position will critically depend on whether it is able to optimize its Internet presence in terms of information and booking services and whether regional offers can be integrated in a national frame”.

*Related and Support Industries:* Related and support industries provide cluster members with custom-made high-quality inputs, components and services often at lower prices. This means that success and competitiveness is made possible in a very well-developed and efficient network. A tourism area's competitive position is defined by the degree of specialization, by its diversity, the quality of the suppliers and the operating network. Successful clusters require well-functioning relations. It is claimed that having good providers of hotel and restaurant food and supplies; good personnel training schools, at the operating, technical and managerial level; engineers and architects specialized in designing tourism projects, and other service companies related to this activity are important components of a competitive tourism cluster.

The suppliers needed in more or less any destination involve shopping facilities, health care, police, construction industry, taxi drivers, travel agents, tourism guides, banks, cleaners, ski schools, a food and fashion industry, cultural entertainment, sport facilities, parking and access to the destination through train, road, air or sea. Porter points out that “clusters contain one facet of the diamond (related and supporting industries), but are best seen as a manifestation of the interactions among all facets”. The interactions between the four set of factors will affect the success of the firms and tourism clusters.

In addition to recent conceptualizations of competitiveness, Enright, Scott, and Dodwell (1997) proposed an alternative framework that divides the drivers of competitiveness into six categories, namely “inputs”, “industrial and consumer demand”, “inter-firm competition and cooperation”, “industrial and regional clustering”, “internal organisation and strategy

of firms’’, and ‘‘institutions, social structures and agendas’’. Individual tourist destinations may implement strategies on this basis of a comprehensive partnership approach by formulating diverging strategies to manage the quality of a tourist destination.

As shown in the recent conceptualizations of competitiveness, not only *attractors* such as *primary inputs of clusters* are crucial in competitiveness, but also *business related factors* as *contributing factors* and *region of facilitators, institutional and networks capacities of clusters* became important for competitiveness. Moreover, there are critically important variables, such as location, overall costs, and safety, which are beyond the control of the tourism sector but which play a major role in destination competitiveness (Enright and Newton, 2004).

After seeing the new conceptualizations and classification on competitiveness of a cluster to create a continuous demand in the sector, the determinants of tourism demand are determined in the concept of tourism product creation by *assets & attracting factors of clusters* (primary and contributing inputs) and by *facilitators of tourism clusters* (intermediate inputs) (Figure 8). The creation of tourism product involves several steps with respect to the assets & attracting factors of clusters;

The development process begins by the existence of *primary inputs or resources* (assets and attractors - physical facilities) in a cluster such as land, labour and capital. This could be evaluated under two parts as; *the quality of environment* and *the quality of service*. The quality of environment involves the basic background tourism elements such as; natural resources, cultural attractors, sightseeing, uniqueness, life style, identity and image. In fact, the unequal (or equal) spatial distribution of visitation is dependent on the space characteristics. This imperfect factor, immobility as a function of distribution of tourism supply resources, creates the comparative advantage of a particular location (Hoover and Giarratani, 1984).

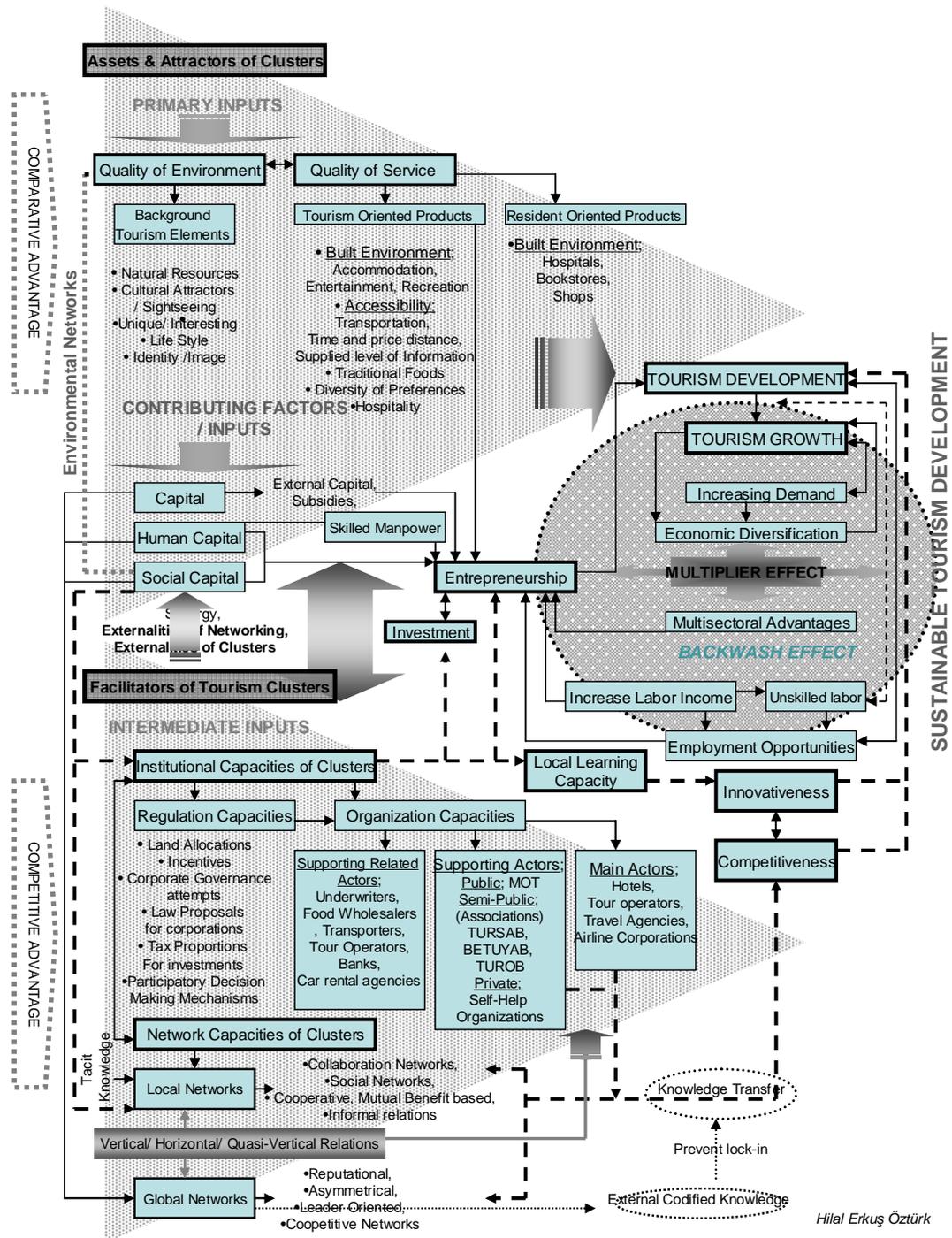


Figure 8 Tourism for Local Development: A new Theoretical Perspective

The quality of service directly affect the quality of vacation experiences and thus the level of future demand. We can say that *the quality of service* involves two types of products; *tourism oriented products* and *resident oriented products*. Tourism oriented products include built environment (accommodation, resorts, parks, convention centers, entertainment,

recreation), accessibility (time and space distance), transportation, supplied level of information, traditional foods, diversity of preferences and hospitality. Tourists generate expectations for a destination based upon advertising and promotional campaigns that, in turn, may influence demand for tourism destinations. Beside tourism oriented products, resident oriented products also support the quality of service by its built environment (hospitals, bookstores, shops). Because as tourists extend to stay at destination sites, they may increase their use of resident oriented products.

Contributing factors or inputs are also support the product of tourism under the context of attractors in clusters. The *capital*, *human capital* and *social capital* determines the contributing factors of the cluster. The capital of a cluster, even sometimes comes from foreign environment, contributes the built environment of a cluster by supporting the primary inputs. In addition to capital, the contemporary development debates and empirical analysis emphasize the positive effect of human capital to the success of a cluster. Human capital support the investment and therefore entrepreneurship of that cluster which have positive effects on tourism development. In fact, human capital at one side refers to skilled labor of a region. However in tourism industry, not only skilled labor but also unskilled labor has contributions to local tourism development.

Apart from capital and human capital, existence of *social capital* in a tourism cluster determines the competitiveness in the global market. Social capital is defined as a corporate capacity of mutual working, emphasizing the existence of collaboration and co-operations between the actors of tourism at any level. It refers also to the institutional capacity of the cluster that trigger the entrepreneurship of the region with the help of this capacity.

Primary inputs and contributing factors/ inputs of the cluster support the growth of tourism. Growth of tourism in a cluster promotes the increasing demand and economic diversification. This could be explained as a feedback mechanism in promoting growth of that cluster. The feedback creates multiplier effect by promoting multisectoral advantages. Created backwash effect supports the region of tourism growth. However, it is not enough for continuous success in the cluster. For this reason, the importance of institutional capacity (regulation capacity and organization capacity) and network capacity (local and global network capacity) of a cluster become crucial for continuous development in that cluster (Figure 8).

Institutional capacities and network capacities could be taken as an intermediate input to

facilitate the growth process of the tourism cluster. Institutional capacity of a cluster involves regulation and organizational capacities. Regulation capacities refer to the land allocations, incentives, law proposals for collaborations, tax proportions for investments and participatory decision making mechanisms. In fact regulation capacities facilitates the implementations on cluster for new developments and collaborations. Beside regulation capacities, organizational capacities have a supporting role not only on the creation of different representative agents of tourism but also have a supporting role on the development of collaborative networks between representative agents of tourism.

Representative agents of tourism can be defined as;

- *Main actors*: Hotels, Tour Operators, Airlines, Travel Agencies

- *Supporting Actors*: Public Institutions, Semi-public institutions, Associations, Private institutions, Self-help organizations

- *Related Supporting Actors*: Underwriters, Food wholesalers, Transporters, Banks, Car rental agencies and daily tour guides

When institutional capacities of a cluster combined with network capacities, local learning capacity increases and the increase in local learning capacity triggers cooperative innovative business which nourishes the success of tourism in a cluster. Moreover, while agents with local networks disseminates knowledge in a cluster to be competitive at local, agents with global networks promotes the technology transfer to be competitive at global. That is why the argument become meaningful for tourism; *“Tourism firms which have global networks as well as local networks play a key role in firm and cluster success”*.

To evaluate which type of networks are important at local and global level for examining the defined hypotheses above, a classification is required for emerging networks types between different type of tourism firms and organizations at local and global level. Therefore, the next part of this chapter will redefine the characteristics of networks to make a comment on the contribution of relationships on local development and firm success.

### **3.4.1 An Alternative Classification on Different Type of Network Relations observed between Different Agents of Tourism**

In the literature, various studies emphasize different types of networks observed in tourism industry. The new classification defined in this thesis will not only inspired by the debates of the literature, but also inspired by the relations observed in practice. The basic relations observed between tourism firms are categorized according to types and geographical levels. Thereby, on the one hand; *complementary vertical relations* and *co-opetitive horizontal relations*, on the other hand; *local and global scales* of these type of relations are evaluated. In addition, an intermediate side of relation observed in tourism, *competing quasi-vertical relations* showing both local/global and horizontal/vertical characteristics, are defined with respect to tourism. This type of classification (type and geographical level) is used to help the elaboration of the main argument of this thesis which is focused on the geographical level and type of networks observed in tourism. In this context, firstly, the characteristics of these classifications are explained with reference to the literature based on the study of Dussauge and Garrette (1999);

*Complementary vertical relations:* Relations are formed by companies belonging to different industries concerned to expand and growth. Growth and expansion options are usually grouped into three main categories (Dussauge and Garrette, 1999);

- International expansion; a strategic move whereby a company extends its activities into new geographic markets.
- Vertical integration; corresponds to a strategy by which a company extends its activities upstream or downstream, for becoming its own supplier or customer. In other definition, bring together companies that operate at two successive stages within the same production process.
- Diversification; also it corresponds to a company's expansion into new businesses outside its industry of origin.

*Co-opetitive horizontal relations:* These relations fall into three categories to which they belong, relations are more or less collaborative or more or less competitive (Dussauge and Garrette, 1999);

- Shared-supply relations: bring together companies which join forces to achieve economies of scale on a given component or on individual stage in the production process. These relations are formed between partners of comparable size.

- **Quasi-Concentration Relations:** bring together companies that develop, produce and market a joint product. The assets and skills that the partner companies bring to the joint project are similar in nature and their goal is to benefit from increased economies of scale.
- **Competing Complementary alliances:** bring together companies which contribute assets and skills of different natures to the collaborative project. Usually formed by two partners, while shared-supply alliances or quasi-integration relations more frequently unite multiple partners.

Apart from those classifications, a redefinition is tackled to the changes in relations at local and global level because of vertical and horizontal relations change and show different type of networks at local and global level (Table 3). This process was very difficult because of slippery structure of the tourism sector and organizations have. Although tourism networks are sensitive and fragile to the changes observed in the world (crises, developments etc.) and can show a dynamic structure, a classification try to be made to shed some light on the widely discussed but rarely tested concepts. Figure 9 gives the possible framework of vertical and horizontal relations of tourism system at local and global level detailly.

- **Co-opetitive Horizontal Relations at Local Level**

#### Mutual Benefit Based Collaboration Networks

##### *1) Self-Support Networks (Formal/ Informal):*

##### *Self-Support Formal Networks:*

In this type of networks, local entrepreneurs are the main actors investing on the establishment of business association. When public institutions are inadequate in providing services, entrepreneurs are forced to collaborate and try to built associations to solve their problems. This type of collaboration support the development of self-help voluntary associations, when public institutions are not very efficient (Eraydin, 2003). In Antalya, these type of associations start to be built increasingly such as Belek Tourism Investors' Association (BETUYAB), South Antalya Tourism and Infrastructure Association (GATAB) and so others which will be elaborated in the following chapters detailly. The main objective of these associations is bringing together companies and individual investors, of sharing information, collaborate and coordinating their activities, of providing technical assistance on behalf of tourism. Since 1992, tourism investors have been allocated state land by paying one-third of the total cost of infrastructural investments as a condition of allocation, thus easing the burden of the state (TYD, 1998).

Table 3 Types of network relationships at local and global level

		Co-opetitive Horizontal Relations		Complementary Vertical Relations
Local		<p><b>Mutual benefit based Collaboration networks</b></p> <p><b>1) Self-support networks:</b> (formal/informal)</p> <ul style="list-style-type: none"> <li>• <b>Self-support formal networks (complementary):</b> by creating an organization, (Tourism Investors' Association) for sustainability, infrastructure, finance, web page, collaborative networks</li> <li>• <b>Self-support informal networks:</b> by friendship relations, family ties, social networks</li> </ul> <p><b>2) Clustered Coopetition Linkages/ Subcontracting Network:</b> (Overbooking) (informal, contractual hazard?)</p> <p>local interacting networks between hotels capacity subcontracting relations, Co-opetitive networks, "I'll scratch your back if you'll scratch mine".</p>	<p><b>Competing Quasi – Vertical Relations</b></p> <p><b>1) Interpersonal Informal Networking:</b> (supported places, hotels by tourists guidance, communication based network)</p> <p><b>2) Dynamic Cyberspace Networks:</b> Marketing relations, information and knowledge and technology networks. Trust based weak tie networking</p> <p><b>3) Public Support Networks:</b> (formal) by making quality control</p> <p><b>4) Sustainability Based Networks:</b> Between global and local institutions <b>5) Outsourcing/Subcontracting</b></p>	<p style="text-align: center;"><b>Complementary Networks</b></p> <p><b>1) Local Internal Network:</b> collaboration with airline, hotel and travel agency, transportation agency in a seperated network, large travel companies in local, as MNG Holding separation of organizational functions, internal contract</p> <p><b>2) Local Leader Oriented Network:</b> participants are organized around a local travel agency such as Hotels are organized around a travel agency, Non-contractual relations</p>
Global		<p><b>Under the same roof networks: (reputational networks)</b> (formal, contractual, control, technology transfer)</p> <ol style="list-style-type: none"> <li>1) <b>Hotel Chains (MNCs):</b> Licansee Agreement, Franchising, Management contracts</li> <li>2) <b>Tour Operators (MNCs):</b> Franchising, collaboration with local tour operators, Collaboration with travel agencies</li> <li>3) <b>Airline Corporations:</b> collaboration with computer reservation systems, Global Distribution Systems, marketting contracts, franchise, investment partnership, shareholder relationships, share turnover</li> <li>4) <b>Hotel Consortia:</b> take support for education, marketing, reservation (Utell), not control accomodation products</li> </ol>		<p style="text-align: center;"><b>Power Dominated Networks: Asymmetric Relations</b></p> <p><b>1) Global Internal Network:</b> collaboration with airline, hotel and tour operator in a seperated network, large travel companies, separation of organizational functions, internal contract</p> <p><b>2) Global Leader Oriented Network:</b> participants are organized around a large company such as Hotels are organized around a Tour Operator TUI, Non-contractual relations, ÖGER such an example of family relations based network that support Turkey, may be aysmmetrical for other country such as TUI</p> <p><b>3) Reservation Consortia:</b> Utell collaboration with airlines</p>

### *Self-Support Informal Networks:*

These type of networks are important in less developed countries to solve local problems by promoting interaction (Eraydin, 2003). They are supported by family ties or friendship relations that is based on trust which can be called as 'social networks'. According to Lechner and Dowling (2003), social networks lead to trust-based business relationships and are used to create the first business networks have a limited impact on subsequent firm development. In other words, they are only an entrance ticket for inter-firm relations and would face quality problems.

### 2) *Clustered Co-opetition Linkages: (Overbooking Networks)*

Overbooking is a part of a linkage in tourism partnerships. A hotel assumes that some reservations may be call off, for this reason it takes overcapacity reservation. But, if reservations are not called off, hotel confronts with an overcapacity problem and transfer the overcapacity to another hotel which has the same quality and has co-opetitive relationships with.

Co-opetition networks are an important source of entrepreneurial firms' flexibility and growth (Lechner and Dowling, 2003) and complementarities that occur within both firm competition and cooperation vertically or horizontally (Brandenberger and Nalebuff, 1996 in Hopkins, 2001). In these horizontal co-opetitive relationships, a firm can hand over a project to another firm to handle it. By capacity sub-contracting, the firm does not loose any clients because of its limited firm size (and consequently capacity).

These relations are also trust based, requiring a high degree of reciprocity, since companies expect the partner to behave in the same way when they have reached full capacity or received a project that is too demanding. Co-opetition networks give companies flexibility and allow them to concentrate on core competencies. Although this situation is fully suitable for an industrial relationship, this may not be suitable for tourism industry at all times. These networks can cause contractual hazard for tourists. Because the hotel which tourist will be stayed was changed and this would be an unwilling situation for tourist.

Apart from this situation, finding a similar competitor in terms of size and attitude towards co-operation in the same place is important for four reasons: first, local culture influences corporate culture, as research on clusters has shown (Lechner and Dowling 2000); second,

finding a partner is easier if the firm has a functioning information network which is usually mainly local; third, a successful agglomeration of firms attracts more business, therefore increasing the probability that the favour will be returned; fourth, trust is built over time and through interaction (Lechner and Dowling, 2003) – strong ties (Grannovetter, 1973) require frequent interaction and often face-to-face contact. Therefore, it can be stated that proximity is crucial for this type of networks.

- **Co-opetitive Horizontal Relations at Global Level**

Under the same roof networks / Reputational Networks:

Some firms developed a system for overcoming constraints for future ties. Therefore, they seek new and highly visible partners. These partners can give a start-up the reputation, otherwise they could not achieve success in the market at that point. The integration of different organizational capabilities under a single roof can constitute an important stimulus for economic development. To join this network for underdeveloped countries requires skilled labor as in the example of Turban Corporation in Turkey (Yarcan, 1996). In this context it is stated that, if you can not enter an alliance with global partner or a chain, you will not have a survival because of not being competitive.

To become a partner of a firm which provide reputation to other firms, a firm has to give something valuable in exchange. Gaining reputation seems to be the key solution for creating future options to survive in the market. Indeed, reputational network has some important features. Reputational networks help to overcome liability of newness. By developing a reputational network, two effects are possible. The firm gains access to other networks and the company gains new relations through the reputational effect (Lechner and Dowling, 2003). Lechner and Dowling emphasize this effect by these words; “*Reputational networks create future options for relational ties. The better the reputation gained, the wider the quantitative and qualitative options for the entrepreneurial firm. Lack of reputational networks constitutes a growth barrier*”.

Reputational networks are best seen in management contracts, franchises and computer reservation systems in tourism sector. Indeed, these networks include collaborative relationships internally because of behaving what under the same roof relationship requires. These networks are, in essence, contractual based relationships and therefore they have to collaborate. Especially small firms under the chain have to collaborate for their reputation

survival. A detailed description can be made on these contract based relationships such as;

*Management Contract:* is a tool for multinational corporations which transfers information and technology from main country to other countries for enhancing their chains. Chain corporation has no risk in this type of contract. It's a preferred mechanism for operation rather than outright ownership to control design, operation, pricing and staffing, though the same companies (Hall and Page, 1999). Examples of this contracts are seen in hotel chains and airline corporations in ABD, Europe, Hong Kong, Taiwan and Japan (Yarcan, 1996).

*Franchising:* In franchise contract, franchise owner of main multinational tourism corporation give right to a firm work under its own brand (mark) in service production and distribution as a preferred mechanism of control managerial, organizational and professional input e.g. Holiday Inns (Hall and Page, 1999). Chain corporation has no risk in this type of contract because of not having physical investment in that country. Franchise is seen mostly in developed countries. Marriott, Radisson, Holiday Inn, Hilton Hotels corporation and ITT Sheraton are the examples in accommodation sector (Yarcan, 1996). Similar relationships are seen in airline corporations and tour operators as management contract and franchise.

As it is emphasized when redefining these networks, some authors believe that some kind of networks that are based on social and reputational relationships decrease in importance over time. For Lechner and Dowling (2003), social networks decrease because reputation networks create more options for new ties. The decrease in reputation networks also makes sense. When an entrepreneurial firm builds its reputation networks, the firm begins to develop its own reputation and moves from being a reputation-taker to a reputation-maker. Therefore, social and reputation networks set the platform for network options in the future but the dependence on reputation networks decreases over time.

- **Complementary Vertical Relations at Global Level:**

Power Dominated Networks, Asymmetric Relations

1) *Global Internal Network:*

Internal networks are loose associations of assets and business units contained within a single company, that subject themselves to market forces. An internal network typically arises to capture entrepreneurial and market benefits without having the company engage in

much outsourcing. The internal-network organization owns most or all of the assets associated with a particular business. Managers who control these assets are encouraged to expose them to the discipline of the market. The basic logic of the internal network is that if internal units have to operate with prices set by the market, then they will constantly seek innovation that improves their performance (Snow *et al.* 1992) .

A good example of internal networks is the organization of large multinational corporations. These corporations have close internal linkages because of creating a separated system which includes such as airlines, hotel chains and tour operator or travel agency. Because of electronic marketing systems may threaten tour operators to the extent that the tourism principals will market and sell their products directly to consumers, allowing the latter to search for products and book them more swiftly at a lower cost. Tour operators develop vertical integration strategies to be competitive in the market, such as buying airlines, hotels etc. In this type of network, separated system creates its brand and gain profit. This is a strategic network which reduces transaction cost by collecting related services in a single network. At the same time, this network has the capacity to dominate some tourism places.

### *2) Global Leader Oriented Network:*

In this type of network, participants are organized around a large company such as hotels organized around a tour operator, travel agency. In other words, stable networks consist of firms engaged in long-term relationships with external suppliers who bring expertise into the parent company. Assets are owned by several firms, but dedicated to a particular business. Often a set of vendors is nestled around a large 'core' firm, either providing inputs to the firm or distributing its outputs.

This network spreads asset ownership and risk across independent firms. In bad times, however, the 'parent' firm may have to protect the health of smaller 'family members'. The benefits of stability are the dependability of supply or distribution, as well as close co-operation on scheduling and quality requirements. The 'costs' of stability are mutual dependence and some loss of flexibility ( Snow *et al.* 1992) .

### *3) Reservation Consortia:*

It is a global type of linkage. Most of them observed between reservation systems and airline

corporations. Airline corporations collaborate with global reservation systems such as Utell to reduce risk and transaction cost. Being in the same network give them accessibility at global scale. At the same time this network facilitate technology transfer. For this reason, this network is beneficial for management decisions of multinational corporations.

- **Complementary Vertical Relations at Local Level:**

In this type of complementary relations, there are two types of networks; Local Internal Network and Local Leader Oriented Network. These networks have the same qualities with global ones. The only difference of these type of networks is scale taking place at local level.

- **Competing Quasi – Vertical Relations at Local and Global Level**

1) *Interpersonal Informal Networking:*

Some tourism areas are indispensable for tourists who are foreigners or citizens of that country. By tourists' secretly passed on advertising, some tourism clusters become a niche and a preferential place without need an external and a formal collaboration network. Indeed, these networks include internal informal relations based on communication. Alanya in Antalya is the best example of this interpersonal network because of being developed by the supportings of informal interpersonal networking of German and Russian tourists.

2) *Dynamic Cyberspace Networking:*

Dynamic networks are more temporary alliances of firms with key skills usually organized around a leading big firm. Each of the units tends to be independent and collaborates on a specific project or opportunity. The cyberspace corporation is fluid and flexible, the co-operation partners contribute only their core competencies to the partnership.

In addition companies join and leave the co-operation according to internal and external requirements. To organize the flexible network configurations, a lead operator is necessary to decide who is in and who is out.

The cyberspace corporation features many distinct characteristics compared to other forms of network organizations and co-operative models. At first, dynamic cyberspace networking includes local and global level partners. The cyberspace corporation is a temporary network

that is neither set up for an agreed period of time nor is it an open ended co-operation, i.e. joint ventures. The partnership lasts as long as the market opportunities are beneficial for the co-operation partners. The partnering companies may also be involved in multiple cyberspace corporations at any one time This statement implies horizontal and vertical value chain integration.

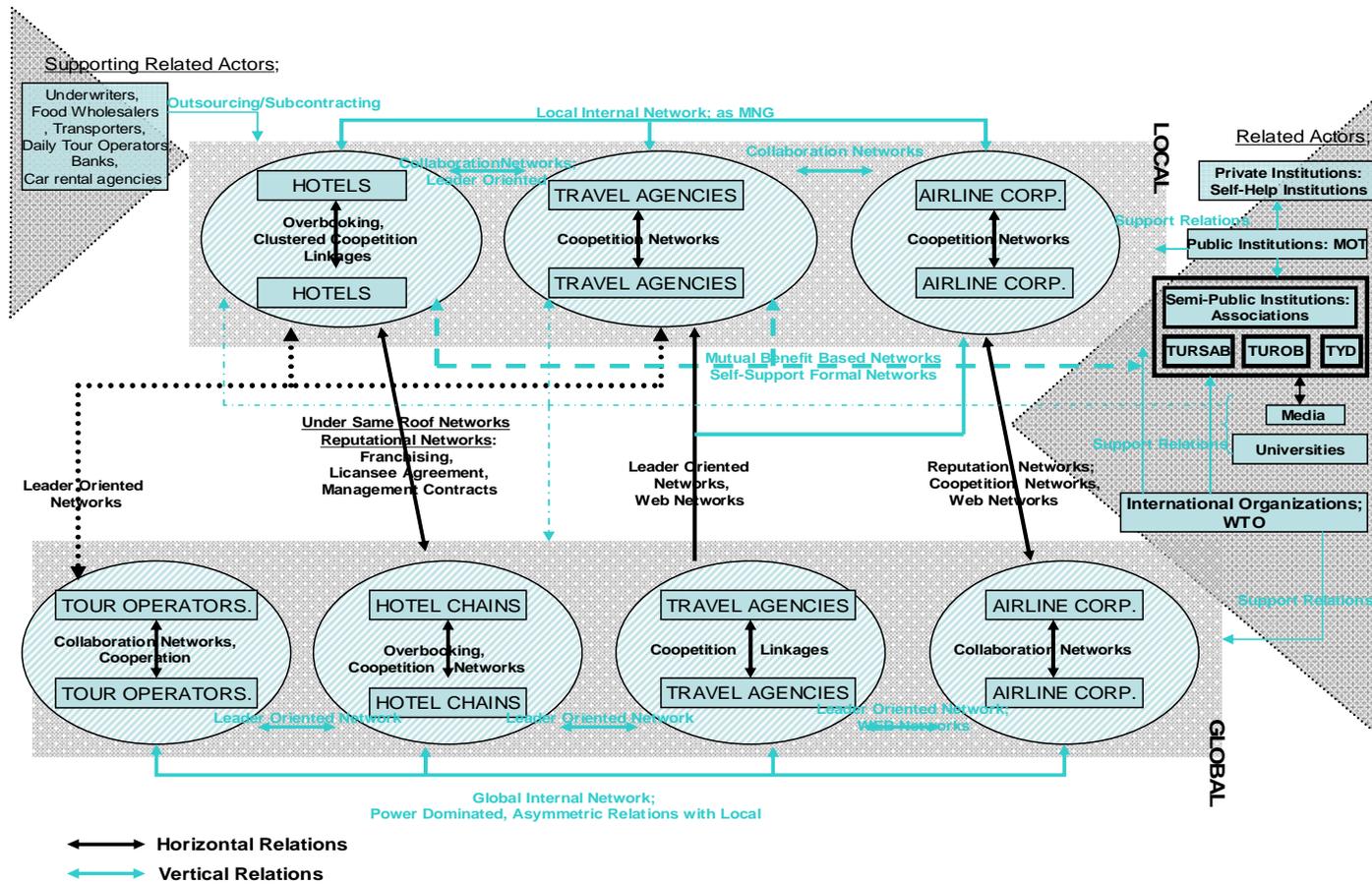


Figure 9 Vertical and horizontal relations of tourism system at local and global level

Furthermore, partnership with a rival company can be beneficial, for example, if one company does not have the financial resources or all the required technical skills to develop, produce and distribute new product developments. In addition, co-operation with a rival company makes sense if one company's market access is limited to a certain geographical area or a particular group of customers. Under those circumstances a cyberspace corporation extends the existing markets of the partnering companies (Franke, 1999).

However, the main emphasis of the cyberspace corporation is to share resources in order to improve competitiveness as a whole, compared to the ability of a single company to compete on a large scale. This concept makes the virtual corporation model attractive for small and medium sized companies of tourism, because it gives them the opportunity to keep their independence, or even decrease their dependence on large companies. These cyberspace corporations are widely seen in accommodation, in transportation (airlines, car rental corporations), in travel agencies and in tour operators.

### *3) Public Support Networks:*

The institutions are critical for economic development and growth for a region or a cluster. For this reason, central government and local governments try to prepare a collaborative ground for introductory references and seek to encourage collaborative partnerships of local associations in tourism. The state plays a major role in developing human resources in tourism, similar to the situation in other countries. Besides the development initiatives of government for tourism, the collaboration observed between regional branches of both the Union of Travel Agents and the Turkish Hotel Association, and together with local municipalities and local nongovernmental organizations are important examples by showing their participation in international tourism fairs and development of new products in their regions (Göymen, 1996).

### *4) Sustainability Based Networks:*

Tourism partnerships begin in a context of environmental forces and sustainability. In the literature, it is emphasized that these type of networks at organizational base should be developed for environmental management. Sustainable tourism development is an enormously difficult task to achieve without the collaboration (Tosun, 2001) and requires new collaboration networks at local and global level. Therefore, new institutionalizations of partnerships have increased but much more required for sustainability at every level.

Although public institutions make quality control for local tourism places to survive the sustainability of that places at local level, more partnerships required to be linked with global level to control environmental sustainability in tourism.

5) *Outsourcing/ subcontracting* :

Outsourcing of ancillary activities provides numerous advantages, including the generation of external economies. Companies accrue considerable savings by buying cheaper services from outside specialist firms, because the latter can generate scale economies. By subcontracting shifting to the burden of one firm to another firm. In cost reduction type of subcontracting, risk is shared by other firms. In other words, the process of distancing non-strategic functions (e.g. peripheral labor tasks) to other firms (e.g. in the travel industry: Hotels subcontract laundry operations or specialized kitchen activities (pastry making), car parking). In this type of relationships, peripheral activities are outsourced. Besides, airlines rely heavily on contract caterers. Along with maintenance operations, airlines increasingly outsource information systems. Airlines also outsource asset ownership such as the purchase of new aircraft. Contracting out services has become so common in the airline industry that many carriers have been turned into 'virtual airlines' whose business focus is to carry passengers and freight. For example, British Airways (BA) is examining the possibility of outsourcing additional functions such as baggage handling, cargo, or ramp vehicle maintenance and has considered making its profitable maintenance division into a separate company (Ioannides and Debbage, 1997).

All these findings and categorizations give important clues about networking relations of tourism firms and organizations. These reformulations about networking type also provide guidelines for designing the research, survey and the case study area of this thesis. Questions derived from hypotheses try to identify whether Antalya represents similar results with existing theoretical arguments in terms of clustering, network relations and institutional set up in tourism, or not. Before examining the emerging relations in tourism for Antalya case, the methodology will be discussed in the following Chapter.

## CHAPTER 4

### **METHODOLOGY AND DESIGN OF THE CASE STUDY: CLUSTERING, NETWORKING, INSTITUTION BUILDING**

Theoretical studies and different examples on contemporary local development and tourism which is based on clustering, networking and institution building have been discussed in previous chapters. Although these studies emphasize the role of clustering and networking on local development in a theoretical way, not enough empirical study is made for identifying the relation between local / global networking and cluster development. Moreover, little is known about the relation between local and global networking and institution building for tourism clusters and firms, and also empirical studies that draw lessons for development policy are scarce.

Apart from that, revealing the types of networks between different actors is difficult because of being complex and living. They are constantly in motion and progress. Identifying the patterns of relations requires a set of methods and analytic concepts that are distinct from the traditional methods. In the way of defining the most appropriate methodology depending on objectives of the study, some of the crucial levels and types of networks is analysed. This research model is tried to be built over two types and levels of networks which are explained in the theoretical part in detail: *vertical relationships (complementary) and horizontal relationships (co-opetitive) at local and global level*. Although different types of networks are defined in the theoretical chapters and asked in the interviews to identify the types observed for Antalya case, there is no clear result get from the interviews based on this variety of relationships. That is why, the relationships could only be evaluated under vertical and horizontal type at local and global level.

Theoretical debates emphasize that to create a vision for a tourism cluster to be competitive

in global market, there is a necessity to develop networking between and within agents of tourism sector. Literature claims that in a network type of a relation, externality provided by local networks creates difference when linked with global networks and therefore it is believed that local success is promoted by the result of these networking relations.

In this context, this chapter deals with the design of the case study for testing the theoretical claims based on clustering, networking and institutional thickness in 14 settlements of Antalya, namely Akseki, Alanya, Elmalı, Finike, Gazipaşa, Kale, Kaş, Kemer, Korkuteli, Kumluca, Manavgat, Merkez, Serik, Side. On this basis, the following part will discuss the main hypotheses and the choice of sample about the case study area of the thesis.

It should be noted that there is a lack of formal statistical data in order to analyze networking in tourism case. Moreover, the lack of data is also observed for different time series. That is why the collection of original data will be tried to get through the field survey.

*The unit of analysis* of the thesis is “*organizations related with tourism*” such as hotels with 1,2,3,4,5 stars, holiday villages, boutique hotels, municipality licensed hotels, associations of tourism, travel agencies, tour operators, airline corporations and “*individuals related with tourism*” such as tour guides. For choosing the case study area, Antalya is chosen for being the leading tourism cluster of Turkey. The main focal points are the local and global network relations of tourism organizations for different purposes. The findings will help to explain the role of global and local networks for the success of tourism cluster as well as for the success of firms at different sizes and groups. In addition, the findings may illuminate new approaches to handle tourism development in a new perspective, and to cover critical success factors which determine the success of tourism clusters and tourism firms.

#### **4.1 The Hypotheses of the Case Study**

The hypotheses could be grouped under two main headings that are defined by the theoretical debates on the performance of *firm & cluster (local development)* specifically based on the importance of *level of networking* and *institution building*. By this way, this study will provide an opportunity to examine the consistency of findings with theoretical debates and practical implementations in tourism case. The group of hypotheses are based on:

- Hypothesis for local tourism development ( for the performance of tourism clusters)

- Hypothesis for the performance of tourism firms,

#### **4.1.2 Hypotheses and Questions of the Thesis**

##### ***Main Hypothesis of the Thesis :***

*“The successful tourism firms and the successful tourism clusters are the ones which have strong global linkages as well as local linkages in addition to have a strong institutional thickness”.*

##### ***Main Questions of the thesis:***

“ To what extent local & global networks and institutional thickness effect the performance of tourism clusters and tourism firms?”

> To what extent are these tourism clusters different regarding their level of linkages and emerging associations?

> To what extent are these tourism firms different regarding their level of linkages and connections with associations?

##### ***Sub-hypothesis on local development of tourism clusters:***

H: The higher the rate of global networks in addition to local networks in a tourism cluster, the higher the local development of that tourism cluster.

H: The more the number of associations and organisation building in a cluster, the more the level of success and the development of that tourism cluster.

##### ***Sub-hypothesis on the performance of tourism firms:***

H: Level of networking of a tourism firm changes by the characteristics (size, creativity, quality) of that firm.

H: The higher the rate of global networks in addition to local networks, the higher the level of firm success.

H: The higher the rate of complementary (vertical) networks and co-opetitive (horizontal) networks, the higher the level of firm success.

H: Existence of high share of vertical linkages positively affect the intensity of global linkages of that tourism firm.

H: The size of the tourism firm affects the development of networking with tourism associations.

H: The success of tourism firm is positively related with the existence of relations with tourism associations.

In the guidance of defined questions and hypotheses set in this research; type, level, density and strength of linkages between organizations try to be defined for related actors of tourism based on determined *survey questionnaire*. Three types of questionnaire is prepared for survey; first one is for *firms* of tourism sector (Hotels, Travel Agencies, Tour Operators, Airline Corporations), second one is for *associations* related with tourism existing in the case study area and the third one is for *tour guides*.

Questionnaire for firms are composed of three main parts: first part is related with structure of the firm and the second part is related with the type and level of network relations of tourism firm and the third part is related with success criterias of firm (see Appendix A). Questions of associations are composed of two main parts; first part is related with structure of association, the second part is related with network relations of that association. Questions of tour guides are related with their roles on enhancing the level of relations between different actors of tourism and their contribution to local development.

#### **4.2 The Choice of the Case Study Area**

Tourism characteristics of a province such as level of specializing on tourism sector and having large shares on domestic as well as foreign arrivals are taken as the main determinants for selection of the case study area. By choosing a province which has not only high local arrivals but also high global arrivals could give us a chance to evaluate different type and level of networking between firms in that area. Moreover, it is assumed that covering tourism firms which have different size and type could also give us an opportunity to explore different type and level of network relations observed in tourism.

Already in the hypotheses, size and type differences for firms are taken as important factors for revealing different level of networking. The following sub section discusses the

increasing importance of tourism in Antalya which explains the reason of selection as a case study area, thereby gives quantitative data collection for explaining this choice.

#### **4.2.1 Increasing importance of Tourism in Antalya**

The empirical study is on Antalya, which covers 14 tourism clusters located in the Southern part of the country. It has been the major tourism destination of Turkey since the beginning of 1980s, especially for tourists from abroad (Ministry of Culture and Tourism, 2003). The number visitors have been increasing rapidly in recent years and the number of arrivals increased from 3518100 in the year of 2000 to 7264896 in year 2005 (Unpublished Statistics of Turkey Statistics Institution) (See Figure 10, 11, 12). According to the tourism development indicators of 1994, Antalya was the second tourists attracting city following Istanbul. After 1995, Antalya has become the first city where tourists have visit and have the highest value in night spending (see Ministry of Culture and Tourism web page). Because of being the major tourism destination of Turkey according to the indicators, Antalya is choosen for the case study area.

In addition, Antalya provides a range of facilities and place for different interests. Tourism clusters of Antalya are mainly on the coastal areas, but there are also tourism nodes in the inland part of this tourism region. Leading coastal tourism clusters of Antalya are Kemer, Kaş, Center of Antalya, Belek (Serik), Manavgat, Side and Alanya, which are specialised in different types of tourism activities. For instance, Belek is characterised by golf tourism and eco-tourism activities. Side is the second attractive cluster (Ministry of Culture and Tourism, 2003) due to its very rich archeological heritage, besides classical sea-and-sun based tourism facilities.

Alanya is another important cluster, which become popular for European tourists as well the people that are seeking for real-estates. Kemer, on the other hand, is a mass tourism area with its new hotel and holiday villages that serve for sun-sea-sand tourism as well as its outstanding nature and ancient town, Olympos. Almost one quarter of the total number of tourists who arrive in Antalya is accommodated in the Kemer cluster (Baysan, 2001). The tourism clusters far from the coastal areas are mostly specialized with agriculture and livestock activities. Moreover, some of these inner clusters are specialized with commercial growing of greenhouse flowers, archeological and cultural tourism activities and also transhumance tourism.

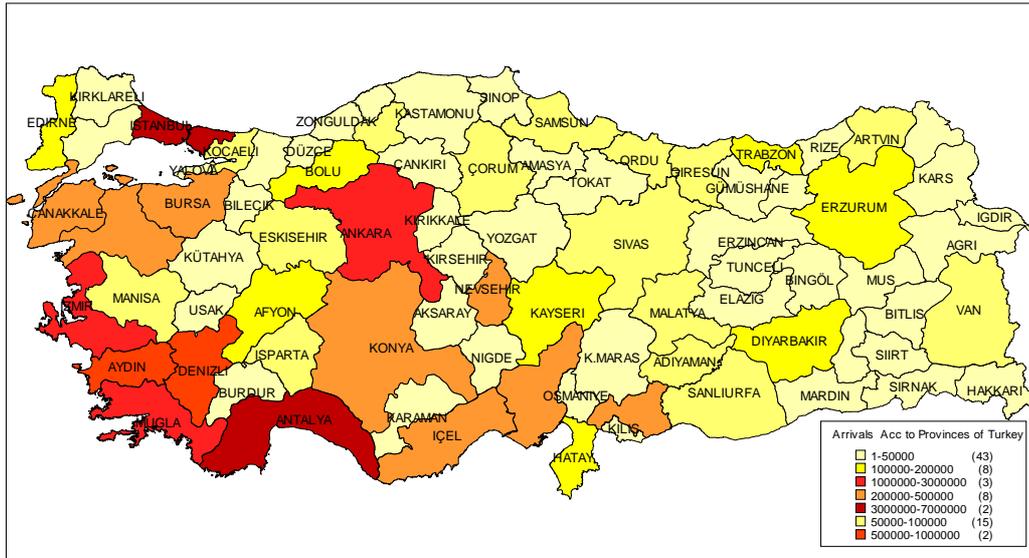


Figure 10 Geographical Distribution of Arrivals According to the Provinces of Turkey (2005)

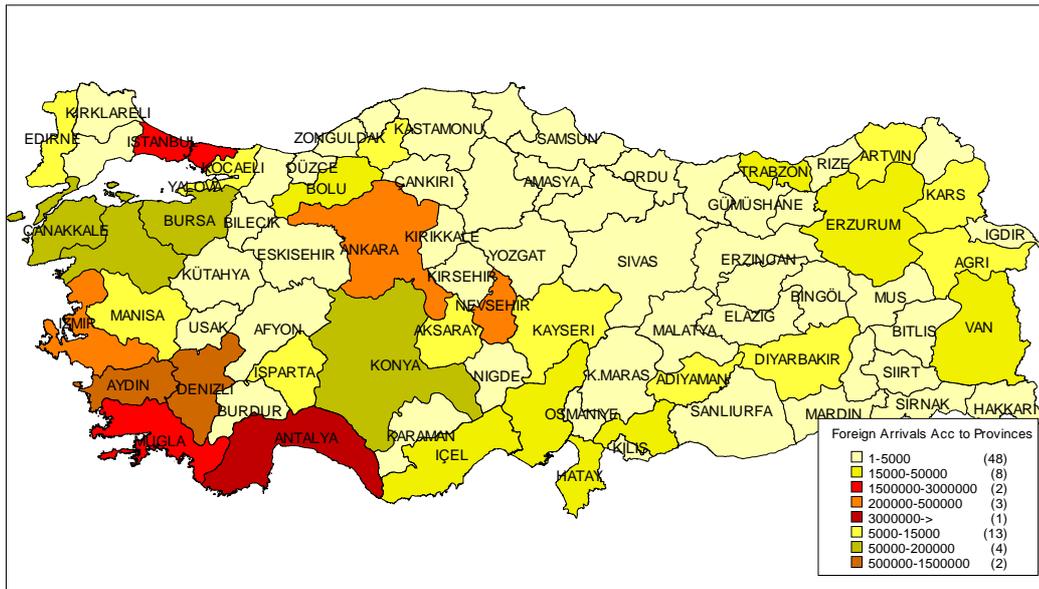


Figure 11 Geographical Distribution of Foreign Arrivals According to the Provinces of Turkey (2005)

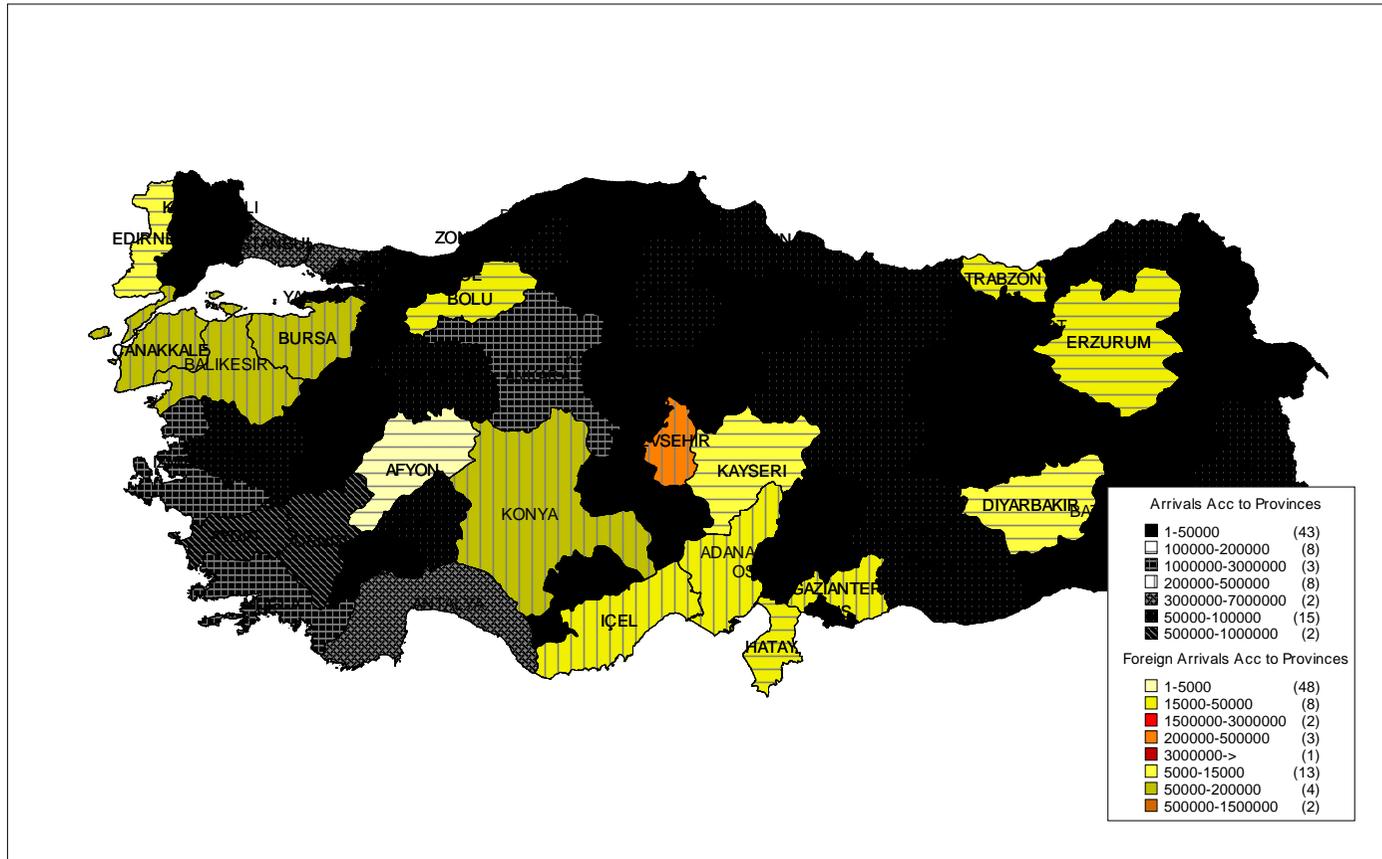


Figure 12 Geographical Distribution of Arrivals and Foreign Arrivals According to the Provinces of Turkey (2005)

Due to the high tourism capacity of these clusters on the coast generated new employment facilities, which attracted people from all over the country, the population growth of Antalya has been mostly concentrated along the coastal band. According to the statistics, Antalya-Center, Alanya, Manavgat, Kemer have the higher population growth rate than other clusters and especially, Antalya-Center, Alanya, Manavgat have the largest share on the distribution of city population (Directorate of Culture and Tourism of Antalya, 2006). These clusters of Antalya are also the most agglomerated tourism clusters when the number of tourism firms taken into account for each cluster.

Antalya is selected as the case study area due to its three important characteristics. Firstly, it is the most globally connected tourism area of Turkey. According to the tourism statistics, Antalya has the highest number of foreign visitors (Figure 11) and has got important amounts of foreign capital. The number of enterprises that are established by foreign capital is 1244 travel agencies<sup>12</sup>, 25 important tour operators and 259 tourism enterprises consisting mainly small size accommodation units.

Secondly, it is the leading tourism center where networking practices are high including various collaborative activities between tourism firms such as overbooking, transportation, infrastructure, wholesaling (food, textile, furniture etc.).

Thirdly, Antalya is a tourism province where governance practices including various collaborative linkages on tourism development among governmental and non-profit organisations are becoming increasingly important. While the earlier practices of association building in Antalya were supported by government led associations, such as Gatab-Kemer, Matab-Manavgat, Betuyab-Belek and Aktob-Antalya, there is also growing number of efforts for association building among tourism agents in recent years. The newly emerging associations have more cluster specific and self-help character namely, Ketav-Ketob, Side-Tuder, Tisoder, Altid, Latuyab, Altuyab, Turktid, Kontid, İntod and Çamob etc.. Most of these associations try to develop projects and solve the existing problems that are crucial for the clusters. In fact, it is seen that both type of the institutions in Antalya try to enhance projects and collaborations with private and public organizations at all level for sustainable tourism development. These characteristics and the various governance practices, including various collaborative activities and joint projects among governmental, non-profit and private organizations, make Antalya as a good case study area for studying network in tourism development.

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<sup>12</sup> Homepage, [www.tursab.gov.tr](http://www.tursab.gov.tr), last accessed date november 2007

After choosing the case study area, *the unit of analysis* of the thesis is determined as “*organizations related with tourism*” including all sizes. The wide coverage of related organizations in this thesis stems from the defined hypotheses which emphasize the roles of different size and type of firms on revealing the networking type and level. Moreover, this is because of the complementary structure of tourism which is characterized by interdependence of different actors. In this context, the related actors of the study which represents the unit of analysis of this thesis are consisting of;

1) Main actors (*Hotels including 1,2,3,4,5 Star, Holiday Villages, Hotels, Aparts and Pensions, Tour operators, Travel Agencies and Airline Corporations*)

2) Supporting Actors ( *Tourism associations such as GATAB (The South Antalya Tourism Development and Infrastructure Management Union), BETUYAB (Belek Tourism Investors' Association), AKTOB (Akdeniz Tourism Hoteliers' Association), KETAV-KETOB (Kemer Tourism Promotion Foundation and Kemer Hotelier's Association), POYD (Professional Hoteliers Investment Association), ALTİD (Alanya Tourism Managements' Association), MATAB (Manavgat Tourism Development and Infrastructure Management Union), Antalya Pensions Organization and Antalya Guides Organization.*

In addition to the formal tourism association, newly emerging cluster specific associations such as Side-Tuder in Side cluster of Manavgat, Tisoyab in Titreyengöl cluster of Manavgat, Latuyab in Lara Cluster of Antalya, Kontid in Konaklı Cluster of Alanya, Türktid in Türkler cluster of Alanya, Altuyab in Alara tourism cluster of Alanya, Intod in İncekum cluster of Alanya, Çamob in Çamyuva tourism cluster of Kemer and similar types of associations are choosen for interviews.

Lastly, tourism advertising associations, tourism businessmen's associations and some of the environmentally sensitive associations such as Alçed (Alanya Environmental Protection Association) and Çekül and others are surveyed.

3) Supporting Related Actors (Tourist guides and car rental agencies)

#### **4.2.2. The Choice of the Sample: Quantitative Data Collection**

After determining the unit of analysis, two steps are choosen for the collection of data. *The*

*first* step is to find out the “*number of the unit of analysis*” which covers all sub-provinces of Antalya. The total number of tourism companies in the 12 clusters of Antalya is 6,897 according to data collected from the MOCT, Antalya Province Culture and Tourism Head Office, Antalya Pensions Association and the Ministry of Industry and Trade in the July-September 2005 period. The crosstabulation table of data which covers all sub-provinces of Antalya in the column and actors of tourism as a unit of analysis in the row provides us a quantitative information on distribution of the tourism actors in different subprovinces of Antalya. The choice of the sample in the case study area is determined by location quotient (Table 5.) and chi-square values (Table 6.) of the crosstabulation table (Table 4.)

According to the crosstabulation, location quotient and chi-square tables, it is seen that there is not so much significant difference between subprovinces when level of specialization is taken into account. Except Serik which is specialized on 5 star hotels and holiday villages, and center of Antalya (Merkez) specialized on tourist guides, it is seen in all subprovinces of Antalya that not only LQ values of firms but also chi-square values are not explanatory to understand the real concentration type in tourism activities within settlements.

Table 4 Crosstabulation table of Antalya Districts and Tourism Units

<i>Crosstabulation Table</i>	AKSEKİ	ALANYA	ELMALI	FİNİKE	GAZİPAŞA	KALE	KAŞ	KEMER	KORKUTELİ	KUMLUCA	MANAVGAT	MERKEZ	SERİK	SİDE	Grand Total
Tourist Guides	0	0	0	0	0	0	0	0	0	0	1	647	0	1	649
1StarHotel	0	12	0	0	0	1	6	10	0	3	0	4	1	0	37
2StarHotel	0	52	0	2	0	4	21	41	1	1	5	36	3	13	179
3StarHotel	0	87	0	0	0	0	5	44	0	1	8	34	2	20	201
4StarHotel	0	80	0	0	0	0	3	47	0	1	30	28	15	38	242
5StarHotel	0	27	0	1	0	0	0	50	0	0	21	25	51	36	211
Rent A Car	0	14	0	0	0	0	3	10	0	0	1	27	2	6	63
Associations	0	10	0	0	0	0	1	5	0	0	1	20	1	2	42
Airline Corporations	0	0	0	0	0	0	0	0	0	0	0	6	0	0	6
Camping	0	5	0	4	1	2	1	10	0	1	2	3	1	1	31
Boutique Hotel	0	0	0	0	0	0	4	5	0	0	0	29	0	3	41
Holiday Village	0	8	0	0	0	0	1	31	0	1	14	2	16	11	84
Tour Operators	0	3	0	0	0	0	0	3	0	0	0	17	1	24	48
Apart Pension	7	680	5	44	14	34	236	790	10	81	122	1252	69	425	3769
Travel Agencies	0	281	0	4	1	1	44	156	0	2	127	590	28	60	1294
<b>Grand Total</b>	<b>7</b>	<b>1259</b>	<b>5</b>	<b>55</b>	<b>16</b>	<b>42</b>	<b>325</b>	<b>1202</b>	<b>11</b>	<b>91</b>	<b>334</b>	<b>2720</b>	<b>190</b>	<b>640</b>	<b>6897</b>

Source: Data is gathered through different institutions related with tourism (Ministry of Culture and Tourism, Antalya Culture and Tourism Province Office, Ministry of Industry and Trade and Antalya Pension's Association in the period of 2005 and 2006)

Table 5 Location Quotient values of Antalya Districts and Tourism Units

Location Quotient	AKSEKİ	ALANYA	ELMALI	FİNİKE	GAZİPAŞA	KALE	KAŞ	KONYA	KELEBEK	ELİ	KUMLUCA	MANAVGAT	MERKEZ	SERİK	SİDE	TAHRAN
Tourist Guides	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,03	2,50	0,00	0,02	2,50
1StarHotel	0,00	1,76	0,00	0,00	0,00	4,39	3,40	1,54	0,00	6,08	0,00	0,27	0,97	0,00	6,08	
2StarHotel	0,00	1,58	0,00	1,39	0,00	3,63	2,46	1,30	3,46	0,42	0,57	0,50	0,60	0,87	3,63	
3StarHotel	0,00	2,35	0,00	0,00	0,00	0,00	0,52	1,24	0,00	0,37	0,81	0,42	0,36	1,20	2,35	
4StarHotel	0,00	1,79	0,00	0,00	0,00	0,00	0,26	1,10	0,00	0,31	2,53	0,29	2,22	1,89	2,53	
5StarHotel	0,00	0,68	0,00	0,60	0,00	0,00	0,00	1,34	0,00	0,00	2,06	0,29	8,78	2,08	8,78	
Rent A Car	0,00	1,20	0,00	0,00	0,00	0,00	1,00	0,90	0,00	0,00	0,32	1,08	1,14	1,15	1,20	
Associations	0,00	1,29	0,00	0,00	0,00	0,00	0,50	0,68	0,00	0,00	1,46	1,19	0,85	0,57	1,46	
Airlines	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	2,51	0,00	0,00	2,51	
Camping	0,00	0,87	0,00	16,00	13,75	10,48	0,68	1,83	0,00	2,42	1,32	0,24	1,16	0,39	16,00	
Boutique Hotel	0,00	0,00	0,00	0,00	0,00	0,00	2,05	0,69	0,00	0,00	0,00	1,77	0,00	0,88	2,05	
Holiday Village	0,00	0,52	0,00	0,00	0,00	0,00	0,25	2,10	0,00	0,89	3,40	0,06	6,82	1,58	6,82	
Tour Operators	0,00	0,65	0,00	0,00	0,00	0,00	0,00	0,68	0,00	0,00	0,00	1,71	1,43	0,48	1,71	
Apartment, Pension	1,81	0,98	1,81	1,45	1,58	1,47	1,31	1,19	1,65	1,61	0,66	0,83	0,66	1,36	1,81	
Travel Agencies	0,00	1,22	0,00	0,40	0,34	0,13	0,74	0,71	0,00	0,12	2,08	1,19	0,81	0,10	2,08	

Table 6 Chi-Square values of Antalya Districts and Tourism Units

Chi-Square	AKSEKİ	ALANYA	ELMALI	FİNİKE	GAZİPAŞA	KALE	K	ER	KORKUTELİ	KUMLUCA	MANAVGAT	MERKEZ	SERİK	SİDE
Tourist Guides	-0,67	-119,69	-0,48	-5,23	-1,52	-4,00		4,27	-1,05	-8,66	-29,81	582,85	-18,12	-51,97
1StarHotel	-0,04	3,93	-0,03	-0,30	-0,09	2,62	10,18	1,86	-0,06	12,73	-1,81	-7,83	0,00	-3,08
2StarHotel	-0,18	10,92	-0,13	0,21	-0,42	7,62	18,24	2,85	1,75	-0,81	-1,62	-17,51	-0,80	-0,24
3StarHotel	-0,21	67,26	-0,15	-1,62	-0,47	-1,24	-2,19	2,09	-0,32	-1,05	-0,34	-26,55	-2,33	0,65
4StarHotel	-0,25	28,03	-0,18	-1,95	-0,57	-1,49	-6,31	0,45	-0,39	-1,54	27,80	-48,59	10,05	15,90
5StarHotel	-0,21	-3,98	-0,15	-0,27	-0,49	-1,28	-9,91	4,18	-0,34	-2,77	11,49	-41,86	351,57	20,25
Rent A Car	-0,06	0,49	-0,05	-0,51	-0,15	-0,39	0,00	-0,11	-0,10	-0,84	-1,41	0,14	0,03	0,11
Associations	-0,04	0,66	-0,03	-0,34	-0,10	-0,26	-0,50	-0,78	-0,07	-0,56	0,43	0,63	-0,03	-0,64
Airline s	-0,01	-1,11	0,00	-0,05	-0,01	-0,04	-0,29	-1,06	-0,01	-0,08	-0,29	5,44	-0,17	-0,50
Camping	-0,03	-0,09	-0,02	56,26	11,83	17,15	-0,15	3,78	-0,05	0,83	0,15	-7,09	0,02	-0,96
Boutique Hotel	-0,04	-7,56	-0,03	-0,33	-0,10	-0,25	2,14	-0,68	-0,07	-0,55	-2,01	9,80	-1,15	-0,05
Holiday Village	-0,09	-3,62	-0,06	-0,68	-0,20	-0,52	-2,25	17,77	-0,14	-0,01	23,77	-29,60	79,47	2,31
Tour Operators	-0,03	-0,56	-0,02	-0,20	-0,06	-0,15	-1,19	-0,45	-0,04	-0,33	-1,22	4,97	0,13	-0,56
Apartment, Pension	2,54	-0,33	1,81	6,10	3,01	5,02	17,73	24,08	2,53	18,77	-21,20	-41,72	-12,49	39,83
Travel Agencies	-1,28	11,60	-0,91	-3,63	-1,26	-5,79	-3,93	-18,14	-2,01	-12,84	71,70	17,87	-1,31	-84,37

However, a detailed representation of LQ values related with the distribution of tourism enterprises can easily be seen in the Figure 13 which shows the distribution of different types of tourist firms according to the tourism subprovinces of Antalya.

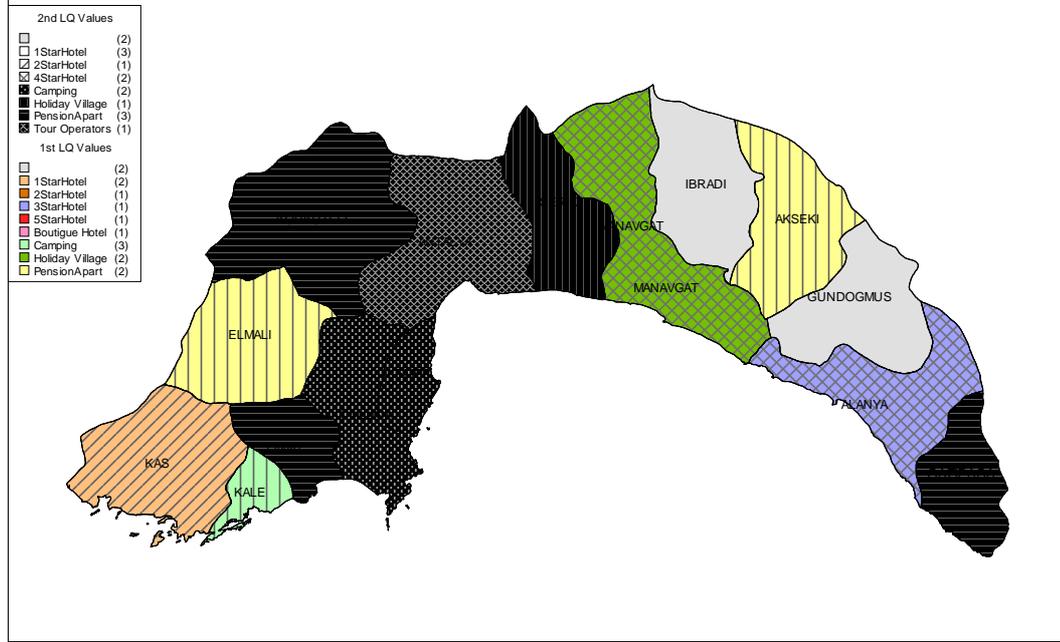


Figure 13 Spatial Distribution of Tourism Units According to the Subprovinces of Antalya

According to the values of LQ and Figure 13, the diversity of Antalya's clusters becomes more apparent when the number and type of tourism companies are taken into consideration for each cluster, with each of the clusters housing companies of different specializations according to the location quotient index (LQ)<sup>1</sup> (Table 6.). By employing the LQ index the sectoral specialization and concentrations of the clusters have been identified, and looking at the results, it is interesting to note that almost all the coastal clusters of Antalya, aside from those of Belek and Kaş, contain all types and sizes of tourism firm in a non-specialized structure. As can be seen from the LQ table, the cluster of Kale-Kaş shows a strong level of specialization by small companies, including 2-star and boutique hotels.

Although most of the districts have similar distribution on the type of tourism agents, Serik shows relatively structural difference by specializing solely on highly qualified, large

<sup>1</sup> LQ index draws on the relative concentrations of the firms in the cluster. Location-quotient index tries to unveil the basic association between two categories such as sector types and clusters. Location quotient index of Antalya is calculated by the created macro of Burak Beyhan. See [www.geocities.com/burakbeyhan](http://www.geocities.com/burakbeyhan).

tourism companies, including 5-star hotels and holiday villages. Manavgat and Kemer shows difference in compositional structure with 4 star hotels. Also, Antalya Merkez shows relative compositional difference on Boutique Hotels, Tour Operators, Tourist Guides, Associations, Airline corporations, Travel agencies and Rent a Car firms when compared with other districts. Moreover, Kemer, Alanya and Side shows relatively the same structural composition in 4, 3 star hotels and rent a car firms. That is why the results of these analysis, the entire districts of Antalya tourism cluster and each size & type of tourism actors are chosen for the sample of the case study.

### **4.3 Research Design and Sample Size of the Field Survey**

Owing to the absence of data on the relations among the different tourism agents a field study was necessary to reveal the level of networking within the clusters. Data needed for the study was collected through face-to-face in-depth interviews and from a survey questionnaire applied in the 14 clusters of Antalya covering Akseki, Alanya, Elmalı, Finike, Gazipaşa, Kale, Kaş, Kemer, Korkuteli, Kumluca, Manavgat, Merkez, Serik, Side. In fact, there is an additional advantage for making in-depth interviews because of implying the general and at the same time the unseen relations between different type of tourism firms such as the leading ones, the followers, bottlenecks of the system, network types, firm structure and time-series changes in company and sector structure.

The survey questionnaire was compiled with the intention of revealing the structure of the companies and the level of networking, and its reasons, importance of different relation types, levels such as local and global networks, densities, frequencies, durations, and the indicators of firm success. However, relation types observed between tourism firms which are defined in the theoretical part detailly by categorization (such as internal network, leader oriented network, reputational network, cyberspace networks and interpersonal informal networks) could not be evaluated in the empirical part due to not getting enough and consistent answers from interviewees. Defined outsourcing, overbooking, self-support formal networks are evaluated under local/global and vertical/horizontal networks which are analysed in the empirical part of the thesis detailly. Survey included three likert scale, covering dichotomous, open-ended and multiple choice questions. In addition, a five-point scale ranging from 'The most important' (5) to 'The least important' (1) was used in the questionnaire.

As it is seen above the crosstabulation table, there are 6897 tourism units in the whole clusters of Antalya. In the design of the case study, 5 % sampling is implemented to hotels, according to their distribution in each cluster, including 5, 4, 3, 2 and 1-star hotels, boutiques, tourism enterprises and holiday villages (HV). Also, 5% sampling is implemented for travel agencies, of which there are around 1,244 units in the entire Antalya region. 5% random sampling enables us to reach 95% confidence level. However, 35% sampling is implemented for tour operators and airline companies due to having small share compare to hotels and travel agencies. Although there are 37 tourism associations exist in Antalya covering different sectors, the ones related with tourism sector, approximately 25 tourism associations, are fully covered in the interviews. Lastly, for Tourist Guides which are including 649 units, 5 % sampling is also implemented via survey questionnaire.

For understanding the structure of the tourism sector and the reliability of the survey questionnaire, at the first stage, a pilot study was made to test the reliability of the questions of the questionnaire in Ankara the period of December 2005, then, the final condition of survey questionnaire is implemented in the period of March-June 2006 on the sample size of the unit of analysis which is explained above detailly.

The survey was carried out after finalising the questionnaire form in accordance with the outcomes of the pilot study. In the first part of the survey, the questionnaire was applied to 115 actors between 4-18 March 2006. Owing to the workload of the subject companies during the peak season, face-to-face meetings were conducted with some tourism companies in the off peak period; these included tourism associations, 5, 4, 3, 2 and 1-star hotels, boutique hotels, some pensions, holiday villages, tour operators, some of the travel agencies and airline companies, which were assessed with an in-depth interview.

In this process of survey questionnaire, the ones that are choosen need an appointment because of the specific type and firm size such as star hotels, tourism associations and leading tour operators and travel agencies. That is why questionnaire of all 5, 4, 3, 2, 1 Star hotels, Boutique hotels, some pensions in all spatial unit, holiday villages, tour operators, some of the travel agencies, tourism associations, private airline corporations are carried out and completed with an in-depth interview. In detail, the questionnaire for 8 tourism associations, 27 travel agencies, 13 tour operators, 2 airline corporations, 3 rent a cars, 6 holiday villages, 12 five star hotels, 12 four star hotels, 9 three star hotels, 4 two star hotels, 1 one star hotel and 2 boutique hotels are completed in the first part of the survey in Kemer, Central Antalya, Belek, Manavgat, Side and Alanya cluster.

In the second part of survey, survey firm completed 220 questionnaires which covers the remaining pensions, travel agencies and tour guides of the entire cluster between 15 April-10 June 2005. The third round of questionnaire was implemented on 13-17 November 2005. In this period for satisfying the additional requirements for the study, 25 tourism associations including newly emerging cluster specific ones and environmental sensitive ones are completed. Moreover, 3 hotels are completed by implementing 5 % sampling for foreign capital hotels in each settlement taking into account the role of global capital firms.

#### **4.4 Methods of Analysis**

What all of these empirical methods say about these theoretical discussions for the Antalya case has been evaluated by employing the analysis, ranging from simple percentages to crosstabulation, chi-square, correspondance, social network analysis and multivariate regression analysis. As it is seen from the type of analysis, not only dependence techniques such as *multivariate analysis* including, linear and logistic regression, but also interdependence techniques such as *correspondance and network analysis* are used for evaluating not only one dimensional causation as seen in dependence techniques, but also multi dimensional causation as seen in interdependence techniques (Hair, et.al., 2006) because of the nature of this thesis which considers network relations.

*Correspondence analysis*<sup>2</sup> is employed to the analysis for understanding similarities between some group of variables. Correspondence analysis as a grouping analysis provides us with a more complete picture in terms of the representation of overall relationship between the size of firm, type of cluster and the level of linkage. In fact, the correspondence analysis is a tool of network analysis and is an “interdependence technique” that has become popular for dimensional reduction and perceptual mapping. Where it differs from other interdependence techniques is its ability to accommodate both non-metric and non-linear relationships. Correspondance analysis brands perceived as similar are located close to one another. In a graphical portrayal (biplot), brands would be located closer to the attributes with which they are highly associated and further away from the attributes with lower associations.

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<sup>2</sup> Correspondence Analysis is completely based on matrix mathematics and eigenvalues. According to Beyhan (2006), correspondence analysis mainly utilizes the coordinates on the bi-plot. The basic outcome of the correspondence analysis is a bi-plot that represents the correspondence between the items of two basic categories according to their distance to each other. The bi-plots of these correspondence analyses are extra-ordinarily informative. A trick is used for these two correspondence analyses in order to increase the perceptibility of the groupings in the pilot of the analyses. This trick is based on the assignment of different colors and figures (square and circle) to the items of two categories.

*Social network analysis* is also used as a tool for revealing the pattern of relationships. The pattern of network member relationships can be examined by measures such as density and centrality (Burt, 1980; Krackhardt, 1990; Scott, 2000). According to the quality of taken social network data, the quality of linkages between the actors of tourism could be defined and interpreted mathematically with methods of social network analysis by using the software of UCINET (Borgatti et.al. 2002).

When we use a model of a social network, points (called nodes) are used to represent actors, and lines connecting the points are used to represent the ties between the actors. Relational data are often presented in two-way matrices termed sociomatrices. The two dimensions of a sociomatrix are indexed by the sending actors (the rows) and the receiving actors (the columns). In the permuted sociomatrix, the submatrices corresponding inter and intraposition ties will usually contain both 1's and 0's as representing binary relation (Wasserman and Faust, 1994). Besides, in order to define the strength of the relationship, valued relations are used in matrices as real values by not containing 1 and 0 values. The real relation value or percentages should be used to define the strength of the relation.

It is seen that the method of social network analysis is also most useful for defining indirect links, frequency, stability, multiplexity, strength, direction symmetry (reciprocity) to measure the ties. It is useful for defining degree (number of direct links), in-degree, out-degree, range (diversity), closeness, betweenness, centrality, prestige to explain individual actors. Structural and locational properties, centrality and prestige measures for roles and positions of actors can also be measured by the *structural equivalence* method. For describing networks some measures such as size, groups, sub-groups, inclusiveness, connectivity (reachability), connectedness, density, centralization, symmetry and transitivity are used to describe networks (Monge and Contractor, 2003). For example, *cliques* and *sub groups* are defined by using centrality and prestige methods, cohesive group ideas, cohesive subgroups such as social cliques, as well as dyadic, triadic methods and blockmodeling.

In the network analysis used in this thesis, spring embedding layout<sup>3</sup> is employed for interpreting the results of network relation between tourism institutions. This approach can often locate points very close together (Hanneman, 2006). For finding and visualizing local sub-structures in the network, *top down approaches* including components, blocks and

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<sup>3</sup> The algorithm of spring embedding layout uses iterative fitting (i.e. start with a random graph, measure "badness" of fit; move something, measure "badness" and if it's better keep going in that direction...) to locate the points in such a way as to put those with smallest path lengths to one another closest in the graph.

cutpoints (bicomponent), factions and blockmodeling (Newman-Girvan) and *bottom up approaches* such as cliques are used for identifying subgroups in the network. Moreover, ego-networks are defined for each cluster to reveal the networks of tourism institutions in their neighbourhood. While including all of the ties among all of the actors to whom ego has a direct connection, neighbourhood network gives us key clues on the nature of networking of actors in that cluster (Hanneman, 2006).

We can also look for sub-structure from the "top-down." Looking at the whole network, we can think of sub-structures as areas of the graph that seem to be locally dense, but separated to some degree, from the rest of the graph. This idea has been applied in a number of ways: components, blocks/cutpoints, K-cores, Lambda sets and bridges, factions, and f-groups. *Components* used in the analysis locates the parts of graph that are completely disconnected from one another, and colors each set of nodes. Apart from components, *blocks and cutpoints* locates parts of the graph that would become disconnected components if either one node or one relation were removed. Cutpoints used in the analysis may be particularly important actors who may act as brokers among otherwise disconnected groups.

A "*faction*" used in the analysis is a part of a graph in which the nodes are more tightly connected to one another than they are to members of other "factions." This is quite an intuitively appealing idea of local clustering or sub-structure. *Newman-Girvan*, named as "block modeling", is another numerical algorithm that seeks to create clusters of nodes that are closely connected within, and less connected between clusters. Rows and columns are moved to try to create "blocks" where all connections within a block are present, and all connections between blocks are absent.

Moreover, many of the approaches to understanding the structure of a network emphasize how dense connections are built-up from dyad, triad to more extended dense clusters such as "cliques." This view of social structure focuses attention on how solidarity and connection of large social structures can be built up out of small and tight components: a sort of "bottom up" approach (Hanneman, 2006). At the most general level a clique is a sub-set of a network in which the actors are more closely and intensely tied to one another than they are to other members of the network. A clique<sup>4</sup> is a sub-structure that is defined as a set of nodes where every element of the set is connected to every other member. We might be interested in the extent to which these sub-structures overlap, and which actors are most "central" and most

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<sup>4</sup> A clique is defined as a maximal subgraph in which every member of the graph is connected to every other member of the graph. Cliques are collections of nodes where density = 1.0.

"isolated" from the cliques. We can examine these questions by looking at "co-membership"<sup>5</sup>."

*Degree Centrality* is also employed in the graph of social network analysis. It shows that actors who have more ties to other actors take advantaged positions. Because they have many ties, they may have alternative ways to satisfy needs, and hence are less dependent on other individuals. Because they have many ties, they may have access to, and be able to call on more of the resources of the network as a whole. Actors who display high out-degree centrality are often said to be *influential* actors. The original degree centrality approach argues that actors who have more connections are more likely to be powerful because they can directly affect more other actors. Bonacich argued that one's centrality is a function of how many connections one has, and how many the connections the actors in the neighborhood had. He also argued that being connected to connected others makes an actor central, but not powerful. The more connections the actors in your neighbourhood have, the more central you are. The fewer the connections the actors in your neighbourhood, the more powerful you are.

*Ego Networks*<sup>6</sup> (*neighborhoods*) used in the network analysis is a very useful way of understanding complicated network graphs, is to see how they arise from the local connections of individual actors. An ego network is the set of actors who are connected to a focal actor, along with the relations between ego and the alters, any relationships among the alters. They are defined for each tourism cluster to reveal the networks of tourism associations in their neighbourhood. While including all of the ties among all of the actors to whom ego has a direct connection, neighbourhood network gives us key clues on the nature of networking of tourism associations in that cluster.

According to the techniques which explained shortly above, quality of linkages is evaluated for contributions of local development directly or indirectly. By using these techniques, quality of linkages are seperated into local and global level relations. The scale and type of linkages are evaluated for the 14 sub-provinces of Antalya. Moreover, local and global networks are also evaluted for vertical and horizontal relations. Beside defining the quality of linkages, type of networks which promote firms success and local development for

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<sup>5</sup> Clique-by-Clique Co-membership matrix shows the number of people that belong to a clique but this to be divided by 2.

<sup>6</sup> The network formed by selecting a node, including all actors that are connected to that node, and all the connections among those other actors is called the "ego network" or (1-step) neighborhood of an actor.

Antalya are evaluated by employing *multiple regression model*<sup>7</sup> which covers linear and logistic regression analysis via using the software of SPSS.

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<sup>7</sup> It is useful method to predict the changes in the dependent variable in response to changes in the independent variables. Involves a single metric dependent variable presumed to two or more metric independent variables. For a more detailed information, look at (Hair, et. al., 2006)

## **CHAPTER 5**

### **CHANGING ECONOMIC STRUCTURE, DEVELOPMENT DYNAMICS AND THE IMPORTANCE OF TOURISM IN THE GLOBAL INTEGRATION OF ANTALYA**

Before analyzing the data of the field survey, in this chapter the changing role, position and structural transformation of Antalya is scrutinized according to the changing conditions in Turkey and also in the global environment. In this context, development dynamics, changing economic structure and the role of tourism is evaluated for Antalya. Within the transformation process, in addition to the indicators of economic and social change, support mechanisms, global connections and spatial distribution of development are analysed for understanding the changing position of Antalya in Turkey and also in the world.

Antalya, located in the southern part of the Turkey, has mainly specialized on tourism. In addition to the importance of the tourism sector, agriculture and commerce have played an important role in the economy. Although agriculture has always been important for the economy of Antalya, tourism industry has also taken an important role in recent years and has defined the global position of Antalya. In fact, it has been the major tourism destination of Turkey especially for the tourists coming from abroad since 1980s (Ministry of Culture and Tourism, 2003). The number of visitors has been increasing rapidly in Antalya from 3.518.100 to 7.264.896 during the period of 2000 and 2005 (Unpublished Statistics of Turkey Statistics Institution). According to the statistics of World Tourism Organization (1998), Turkey is the 16th country in market shares of tourism (Önen, 2000) and Antalya has got the major role for sustaining and increasing the share of tourism market in Turkey.

The main objective of this chapter is to provide a base to understand the role of tourism in transforming the economic structure of Antalya as a global node. Since 1980, development

of economic structure based on the investments and interventions that support tourism and infrastructure are especially important for the transformation of economic, social and spatial configuration of Antalya. In Antalya tourism region, spatial organization has been designed with tourism investments not only by the support of government but also by the support of private initiatives. In this context, these questions are scrutinized for Antalya;

*How economic growth and the development process of Antalya can be defined?*

*How-economic structure of Antalya has changed in the development process?*

*In which sectors growth is observed relatively?*

*How and at what level the development of Antalya is supported?*

*What is the role of different institutions in the development of Antalya?*

*What is the role of government support?*

*What is the role of NGO's and civil initiatives?*

*Whether the level of global connection increases with the transformation process in Antalya or not?*

*What are the social and spatial implications of Tourism Development in Antalya?*

As a result, this chapter provides the necessary frame to evaluate the results of the field survey of the following Chapter with reference to the tourism development dynamics of Antalya.

## **5.1 Transformation of Economic Growth and Development Trends in Antalya**

In this part, the changing position of Antalya is evaluated as to the change in economic structure. In this context, the increase in GNP, the contributions of sectors to the GDP, income per capita, the increase in the number of firms and the increase in employments according to the sectors are analysed in order to learn more about the changing economic growth and development structure of Antalya.

### **5.1.1 Changing Economic Structure of Antalya**

#### ***Sectoral distribution of Gross Domestic Product (GDP)***

*> An increase is observed in GDP values and shares of service sector in Antalya.*

Antalya has a crucial role for the economy of Turkey not only in service activities especially based on tourism, but also in agricultural activities. Income level of Antalya is higher than the region and the country. The share of gross domestic product of Antalya has increased from 2,07% to 2,49% between the period of 1987-2001 (Table 7). Indeed, the increase in GDP of Antalya according to the country is limited and has shown a slight increase for the last fifteen years period. In fact, this is not an expected growth rate for tourism oriented province. The crisis of 1999 and the fragility of the sector for crises could be influential in this slight increase. Although the sector of tourism shows a fragile structure to the changing dynamics of the world, it positively contributes not only to the GDP of Antalya but also to the GDP of the country. The share of service sector is 37,6%, commerce is 35,9%, agriculture is 21,8% and industry is 5,7% in the GDP of Antalya. As it is seen from the table 8, the share of tourism related activities have increased continuously from 1987 to 2001.

Table 7 Share of GDP in national total according to sectors of Antalya

<b>Sectors</b>	<b>1987</b>	<b>1988</b>	<b>1989</b>	<b>1990</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>
<b>Agriculture</b>	3,22	3,18	3,27	3,24	2,82	3,01	4,13	3,34	3,49	3,98	3,86	4,26	3,56	3,07
<b>Industry</b>	0,80	0,83	0,79	0,59	0,59	0,57	0,52	0,63	0,60	0,61	0,52	0,54	0,57	0,52
Mining	0,05	0,06	0,08	0,03	0,02	0,02	0,02	0,05	0,05	0,06	0,11	0,14	0,08	0,07
Manufacturing	0,65	0,69	0,75	0,53	0,56	0,46	0,40	0,52	0,46	0,43	0,40	0,43	0,41	0,40
Electric, Gas, Water	3,18	2,96	1,80	1,55	1,33	1,91	1,81	1,86	2,03	2,34	1,70	1,61	2,05	1,60
<b>Construction</b>	<b>2,90</b>	<b>3,91</b>	<b>3,54</b>	<b>3,22</b>	<b>3,91</b>	<b>3,59</b>	<b>3,91</b>	<b>3,52</b>	<b>3,76</b>	<b>3,01</b>	<b>4,75</b>	<b>4,44</b>	<b>4,46</b>	<b>3,34</b>
<b>Trade</b>	<b>2,54</b>	<b>2,78</b>	<b>3,02</b>	<b>3,07</b>	<b>3,08</b>	<b>3,40</b>	<b>3,27</b>	<b>3,95</b>	<b>3,86</b>	<b>3,88</b>	<b>4,02</b>	<b>3,92</b>	<b>3,70</b>	<b>3,82</b>
Wholesale and Retail Trade	1,08	1,14	1,20	1,30	1,31	1,35	1,28	1,38	1,41	1,31	1,23	1,19	1,15	1,11
<b>Hotel&amp;Restaurant Services</b>	<b>1,45</b>	<b>1,64</b>	<b>1,81</b>	<b>1,77</b>	<b>1,77</b>	<b>2,04</b>	<b>1,99</b>	<b>2,57</b>	<b>2,44</b>	<b>2,57</b>	<b>2,79</b>	<b>2,73</b>	<b>2,55</b>	<b>2,72</b>
<b>Transportation and Communication</b>	<b>2,60</b>	<b>2,66</b>	<b>2,76</b>	<b>2,86</b>	<b>2,81</b>	<b>2,91</b>	<b>2,80</b>	<b>3,38</b>	<b>3,43</b>	<b>3,47</b>	<b>3,62</b>	<b>3,26</b>	<b>3,18</b>	<b>3,35</b>
<b>Financial Institutions</b>	<b>0,96</b>	<b>1,06</b>	<b>1,45</b>	<b>1,47</b>	<b>1,47</b>	<b>2,05</b>	<b>1,68</b>	<b>1,39</b>	<b>1,90</b>	<b>2,17</b>	<b>2,59</b>	<b>2,84</b>	<b>2,12</b>	<b>1,59</b>
<b>Ownership of Dwelling</b>	<b>1,70</b>	<b>1,29</b>	<b>1,07</b>	<b>1,04</b>	<b>1,27</b>	<b>1,19</b>	<b>1,25</b>	<b>1,18</b>	<b>1,20</b>	<b>1,18</b>	<b>1,39</b>	<b>1,92</b>	<b>2,18</b>	<b>2,13</b>
<b>Business &amp; Personal Services</b>	<b>2,34</b>	<b>2,63</b>	<b>3,74</b>	<b>4,00</b>	<b>3,83</b>	<b>3,93</b>	<b>4,19</b>	<b>4,20</b>	<b>4,18</b>	<b>4,17</b>	<b>4,09</b>	<b>4,10</b>	<b>3,99</b>	<b>3,81</b>
(Less) imputed bank service charges	1,04	0,84	0,41	1,00	1,29	1,70	1,97	2,81	2,29	2,07	2,39	2,31	1,87	1,21
<b>Sectoral Total (1-9)</b>	<b>2,15</b>	<b>2,29</b>	<b>2,34</b>	<b>2,26</b>	<b>2,21</b>	<b>2,31</b>	<b>2,45</b>	<b>2,53</b>	<b>2,55</b>	<b>2,61</b>	<b>2,72</b>	<b>2,74</b>	<b>2,57</b>	<b>2,48</b>
<b>Government Services</b>	<b>1,97</b>	<b>1,87</b>	<b>2,48</b>	<b>2,97</b>	<b>3,59</b>	<b>4,26</b>	<b>4,31</b>	<b>3,60</b>	<b>3,90</b>	<b>4,42</b>	<b>5,12</b>	<b>5,18</b>	<b>5,72</b>	<b>5,63</b>
Private non-profit institutions	0,45	0,45	0,46	0,35	0,28	0,37	0,28	0,08	0,08	0,10	0,10	0,10	0,18	0,20
Import duties	0,44	0,42	0,37	0,33	0,29	0,33	0,28	0,42	0,51	0,44	0,41	0,44	0,42	0,44
<b>GDP (Purchasers' value) (13+14)</b>	<b>2,07</b>	<b>2,20</b>	<b>2,28</b>	<b>2,21</b>	<b>2,19</b>	<b>2,31</b>	<b>2,41</b>	<b>2,49</b>	<b>2,52</b>	<b>2,58</b>	<b>2,70</b>	<b>2,72</b>	<b>2,60</b>	<b>2,49</b>

Source: Calculated from Turkish Statistical Institute data

In addition to the impact of service sector in the economy of Antalya, agriculture has been traditionally important for the economy.. The importance of agriculture is seen from the shares of GDP, approximately consisting of 3% of the Turkey during the period 1987 and 2001 (Table 7.) and it is also important not only with the contributions on income, but also with the contributions on employment and export potential.

Antalya, as a metropolitan center of the region, includes not only service functions such as university, hospitals, regional and local public institutions, but also specialized tourism functions such as entertaining, tourism based commerce, cultural and tourism supporting activities. In fact, Antalya harbour, international airport, transportation, communication and storages are important determinants for the development of tourism identity. Transportation and communication based developments and their contribution to the tourism identity of the Antalya are supported by the increase in the share of GDP values. In this context, as a tourism city of the country, it is not surprising that the share of GDP in industrial activities is low.

### ***Increasing Employment Opportunities and Emerging Sectors in Antalya***

*> There is a striking increase observed in the number and the share of employment and firm unit especially in service sector including tourism, trade and transport.*

Although there is a rapid increase in population and a limited increase in the share of GDP, the share in employment seems to be increased in Antalya. Especially, the share of employment in Antalya in total wage earners increases permanently from %66 to %72 between the periods of 1985- 2001. In addition to the increase in wage earners, it is seen that an increase is observed in the share of entrepreneurs when we compare it with the shares of Turkey. Although a decrease is observed in the values of Turkey, an increase is observed in the absolute values of employers working on their own in Antalya (Table 8.).

In fact, it is seen that the increase in GDP per capita is low in Antalya when we compare it with the increase in high numbers of wage earners. This may be due to the employment of high shares of workers in low productivity sectors. Actually, this is not an expected situation for Antalya which is the leading tourism development region of Turkey. However, the rapid increase in employers as an increase in entrepreneurship shows the development of Antalya based on the development of tourism and migration.

Table 8 The distribution of job status of active population according to economic activities

		Number of WAGE EARNER	Share in country %	Number of ENTREPRENEUR	Share in country %	Number of SELF EMPLOYED	Share in country %	Number of FAMILY WORKER	Share in country %	Number of UNKNOWN	Share in country %	TOTAL
ANTALYA	1985	75.891	1,09	2.604	1,34	32.896	0,71	9.854	0,11	1	0,06	121.246
		<b>62,59</b>		<b>2,15</b>		<b>27,13</b>		<b>8,13</b>		<b>0,00</b>		
	1990	138.743	1,54	5.458	1,74	46.020	0,88	17.914	0,20	49	1,92	208.184
Share in province %		<b>66,64</b>		<b>2,62</b>		<b>22,11</b>		<b>8,60</b>		<b>0,02</b>		
	2000	194.121	1,72	15.784	2,33	44.234	0,85	14.807	0,17	45	1,96	268.991
		<b>72,17</b>		<b>5,87</b>		<b>16,44</b>		<b>5,50</b>		<b>0,02</b>		
TÜRKİYE	1985	6.978.178	100	194.124	100	4.662.166	100	8.720.650	100	1.616	100	20.556.734
		<b>33,95</b>		<b>0,94</b>		<b>22,68</b>		<b>42,42</b>		<b>0,01</b>		
	1990	8.990.727	100	313.175	100	5.204.162	100	8.871.277	100	2.552	100	23.381.893
Share in country %		<b>38,45</b>		<b>1,34</b>		<b>22,26</b>		<b>37,94</b>		<b>0,01</b>		
	2000	11.314.030	100	677.316	100	5.228.491	100	8.775.012	100	2.292	100	25.997.141
		<b>43,52</b>		<b>2,61</b>		<b>20,11</b>		<b>33,75</b>		<b>0,01</b>		

Source: Calculated from Turkish Statistical Institute data

Table 9 The distribution of active population according to economic activities

	AGRICULTURE	Share in country %	MINING	Share in country %	MANUFACTURING	Share in country %	ELECTRICITY_GAS_WATER	Share in country %	CONSTRUCTION	Share in country %	RETAIL TRADE	Share in country %	TRANSPORTATION	Share in country %	FINANCIAL INSTITUTION	Share in country %	SOCIAL SERVICE
ANTALYA 1985	23.864	0,2	116	0,08	15.557	0,71	150	0,65	12.859	1,71	19.155	1,39	6.417	1,04	5.525	1,42	36.264
	<b>19,9</b>		<b>0,1</b>		<b>12,83</b>		<b>0,13</b>		<b>10,72</b>		<b>15,97</b>		<b>5,35</b>		<b>4,61</b>		<b>30,24</b>
Share in Province % 1990	37.419	0,3	380	0,29	21.994	0,79	1.098	1,37	26.309	2,22	45.655	2,46	12.826	1,65	10.166	1,88	49.588
	<b>18,21</b>		<b>0,18</b>		<b>10,71</b>		<b>0,53</b>		<b>12,81</b>		<b>22,22</b>		<b>6,24</b>		<b>4,95</b>		<b>24,14</b>
2000	21.165	0,17	362	0,38	26.459	0,81	1.218	1,24	24.995	2,09	80.030	3,18	19.824	2,32	18.242	2,26	75.840
	<b>7,89</b>		<b>0,14</b>		<b>9,87</b>		<b>0,45</b>		<b>9,32</b>		<b>29,85</b>		<b>7,39</b>		<b>6,8</b>		<b>28,28</b>
TÜRKİYE Share in country % 1985	12.118.483	100	137.126	100	2.185.369	100	23.224	100	750.546	100	1.382.636	100	615.888	100	389.254	100	2.847.287
	<b>58,95</b>		<b>0,67</b>		<b>10,63</b>		<b>0,11</b>		<b>3,65</b>		<b>6,73</b>		<b>3</b>		<b>1,89</b>		<b>13,85</b>
1990	12.547.796	100	130.823	100	2.781.717	100	80.324	100	1.184.242	100	1.854.306	100	775.427	100	541.742	100	3.344.033
	<b>53,66</b>		<b>0,56</b>		<b>11,9</b>		<b>0,34</b>		<b>5,06</b>		<b>7,93</b>		<b>3,32</b>		<b>2,32</b>		<b>14,3</b>
2000	12.576.827	100	96.035	100	3.276.173	100	98.152	100	1.196.246	100	2.512.777	100	853.255	100	808.126	100	4.545.535
	<b>48,38</b>		<b>0,37</b>		<b>12,6</b>		<b>0,38</b>		<b>4,6</b>		<b>9,67</b>		<b>3,28</b>		<b>3,11</b>		<b>17,48</b>

Source: Calculated from Turkish Statistical Institute data

It is seen that a striking increase is observed in the share of retail trade from 15,97% to 29,85% in economic active population of Antalya. Moreover, an increase is observed in the activities of transportation and financial institution insurance. Although there is not an impressive increase in the activities of social services, 28% of the active population, approximately 75.840 people in Antalya are employed in social services. Besides, a great amount of worker, approximately 20.000-30.000 people, exists in agriculture, though there has been a decrease in agriculture activities since 1980s (Table 9).

Since 1970s, important shifts are observed in the sectoral distribution of employment of Antalya province. While the share of labor were high in social services, industry, agriculture and services in 1970s, the share of employed population in industry and agriculture has decreased in time. In the course of time, especially tourism and the supporting activities of tourism such as trade, financial activities and transport has increased continuously. Particularly after 1980s, this permanent change transforms sectoral structure and identity of Antalya from agriculture to services and tourism activities (Table 10).

Table 10 Sectoral distribution of employed people in Antalya province

	1970		1980		1990		2000	
	Labor	%	Labor	%	Labor	%	Labor	%
Agriculture, Forestry, Fishing	217347	79.43	248913	70.8	316658	56.97	377654	49.85
Mining	291	0.11	420	0.12	572	0.1	596	0.08
Manufacturing Industry	13923	5.09	19657	5.59	33099	5.95	39518	5.22
Electric, Gas, Water	133	0.05	501	0.14	1558	0.28	1685	0.22
Construction	6583	2.41	14584	4.15	39122	7.04	40151	5.3
<b>Trade and Tourism</b>	<b>9000</b>	<b>3.29</b>	<b>16207</b>	<b>4.61</b>	<b>65405</b>	<b>11.77</b>	<b>137276</b>	<b>18.12</b>
Transportation and Communication	5252	1.92	8411	2.39	18217	3.28	27806	3.67
Financial Institutions	1580	0.58	4764	1.35	12377	2.23	24651	3.25
<b>Social and Individual Services</b>	<b>16967</b>	<b>6.2</b>	<b>36343</b>	<b>10.34</b>	<b>64811</b>	<b>11.66</b>	<b>106519</b>	<b>14.06</b>
Not well defined activities	2570	0.94	1796	0.51	4040	0.73	1658	0.22
<b>TOTAL</b>	<b>273646</b>	<b>100</b>	<b>351596</b>	<b>100</b>	<b>555859</b>	<b>100</b>	<b>757514</b>	<b>100</b>

Source: Calculated from Turkish Statistical Institute data

When we look at the change in the sectoral distribution of Antalya from 1970s to 2000s, it is observed that agriculture has always had a dominant role in the economy of Antalya. It has had important contributions to the economy via creating employment, income and export. It is known that 1.2 percent of agricultural exports of Turkey stem from Antalya. However,

agriculture has started to lose its importance after 1980s. Although agriculture is a huge sector in Antalya and contributes to employment increase, its proportion of share decreases in the economy. In fact, even this share relatively decreases, it increases in absolute term due to the change in production type and production process in agriculture.

According to the location quotient values of sectoral employment between 1990 and 2000, it is observed that Antalya is highly specialized in agriculture except from the central and eastern coastal side. In addition to agriculture, commerce has been gaining importance. Although industrial activities exist in the inner and northern parts of Antalya, they are not high enough to determine the sectoral structure of Antalya. In other words, industrial structure shows weakness in specialization. This weakness is observed by the low share of industry (5%) in population. However, when we compare the industrial structure of Antalya Region including Antalya, Burdur and Isparta provinces, it is seen that Antalya has got the higher share in the industrial activities. 11.392 person with a 47% share of industrial employment consisting of textile, chemicals, glass-plastic and food activities has taken place in Antalya. There are also unregistered workers existing in different sectors which can not be shown in the tables.

As it is seen from the ten years period data (1992-2002), Antalya has higher share than the average share of Turkey in the employment shares of commerce, hotel & restaurant, transportation & communication and social & individual services according to 2002 values. In 1992, the high share of employment is seen in Antalya for the sectors of hotel & restaurants and social & individual services in relation to Turkey. When the shares of sectors are compared with the values of 1992 and 2002, it is observed that service related sectors show a remarkable increase as it is emphasized in the previous parts (Table 11).

Table 11 Employment shares according to the sectoral distribution of Antalya and Turkey between 1992 and 2002

	Total Emp	Manufacturing	Construction	Commerce	Hotel & Restaurant	Transport & Communic	Financial Intermediary Institutions	Real Estate Rent-work activity	Other Social individual services
2002 Antalya	210108	22699	7012	67509	58949	23224	3779	11783	6641
	%	10,80	3,34	32,13	28,06	11,05	1,80	5,61	3,16
Turkey	6497040	2183286	224874	1876525	545167	612814	183169	339502	177924
	%	33,60	3,46	28,88	8,39	9,43	2,82	5,23	2,74
1992 Antalya	60465	6849	1605	22620	15819	1553	111	1944	8786
	%	11,33	2,65	37,41	26,16	2,57	0,18	3,22	14,53
Turkey	2746566	735202	110571	1238350	325816	69815	13686	106997	146129
	%	26,77	4,03	45,09	11,86	2,54	0,50	3,90	5,32

Source: Calculated from Turkish Statistical Institute data\_ (İşyeri sayısı istatistikleri)

Apart from the comparison of Antalya with Turkey, it is seen that Antalya center, Alanya, Manavgat, Kemer and Serik are seen as the leading sub provinces according to the employment shares (Table 12). Sectoral distribution of employment shows that Antalya Center has got the highest share more or less in every sector. However, the special importance is given to real estate (86,39%), other social and individual services (85,51%) and construction (71,53%) sectors when it is compared with other sub provinces. The second higher shares are observed in Alanya especially in each sector. However, Alanya has got the higher share in employment especially in tourism sector based on hotels and restaurants.

Apart from that, Manavgat sub province is also important with its higher shares in tourism, commerce, transportation & communication, financial intermediary institutions and construction employment. In addition, Kemer and Serik sub provinces are important in the employment shares of hotels & restaurants. Serik has got the higher shares not only in tourism but also in other social and individual services. Although higher shares are seen in these provinces, remaining sub provinces of Antalya show low employment shares in all of these sectors (Table 12).

Table 12 Employment shares by sectors and by sub provinces of Antalya

Employment 2002	Total	Manufacturing	Construction	Commerce	Hotel&	Transportation&	Financial Intermediary Institutions	Real Estate Rent- work activity	Other social individual services
					Restaurant	Communication			
Antalya Center	48,77	68,91	71,53	55,93	19,53	59,28	48,53	86,39	85,51
AKSEKI	0,33	0,26	0,26	0,38	0,22	0,58	0,95	61,52	46,11
ALANYA	14,95	9,30	10,05	12,98	23,13	9,94	14,10	0,07	0,17
ELMALI	1,05	2,02	0,37	1,30	0,42	1,25	2,57	7,71	15,23
FINIKE	1,15	1,39	1,01	1,55	0,49	0,74	1,91	0,49	0,80
GAZIPAŞA	1,08	0,92	0,44	1,73	0,34	1,24	0,00	0,00	0,93
GÜNDOĞMUŞ	0,17	0,34	0,40	0,17	0,03	0,24	0,77	0,63	1,42
IBRADI	0,06	0,07	0,00	0,05	0,03	0,19	0,00	0,04	0,05
KALE	0,64	0,41	0,07	0,91	0,39	0,63	2,28	0,00	0,04
KAŞ	1,87	1,82	0,71	1,67	2,28	2,13	4,13	0,34	0,81
KEMER	7,38	0,85	3,81	3,53	18,67	2,86	2,49	0,92	1,60
KORKUTELI	1,31	2,23	1,54	1,74	0,46	1,26	2,28	1,80	3,91
KUMLUCA	1,94	1,71	0,50	2,61	0,84	2,48	4,39	0,62	1,13
MANAVGAT	12,91	5,11	6,93	10,89	20,31	14,24	10,08	2,86	1,76
SERIK	6,41	4,65	2,37	4,56	12,87	2,95	3,10	5,43	8,23

Source: Calculated from Turkish Statistical Institute data

Apart from the employment shares, the number of firm shares is also important for defining the sectoral weight of different sub provinces in Antalya. As it is seen from the table 13, similar distribution is observed with employment shares and firm shares in the sub provinces of Antalya. Antalya center, Alanya and Manavgat have got the higher shares in the distributions of firms, more or less in each sector. However, Serik shows a significant difference in the shares of firms. Commerce and real estate sectors are also important in the shares of firm number in addition to tourism and other social and individual services. It can be concluded from the shares of firm and employment shares that tourism and social and individual services creates more employment than other sectors in Serik. This could be due to the existence of big sized tourism firms in Serik which creates more employment.

Table 13 The number of firm shares by sectors and by sub provinces of Antalya

Share of Firm 2002	Total	Manufacturing	Construction	Commerce	Hotel&	Transportation&	Financial Intermediary Institutions	Real Estate Rent-work activity	Other social individual services
					Restaurant	Communication			
Antalya Center	46,94	51,30	70,29	45,17	32,65	46,51	50,57	85,46	79,97
AKSEKI	0,58	0,54	0,76	0,47	0,73	0,95	1,38	53,23	39,67
ALANYA	14,50	14,66	9,47	14,58	20,17	11,96	15,17	0,18	0,22
ELMALI	1,97	3,12	0,82	1,96	1,92	1,98	1,38	11,99	12,05
FINIKE	1,77	1,97	0,99	1,97	2,15	1,08	2,07	0,92	1,39
GAZIPAŞA	2,02	2,19	0,53	2,32	1,46	2,17	1,15	1,15	1,34
GÜNDOĞMUŞ	0,32	0,68	0,47	0,29	0,26	0,32	0,69	1,03	1,39
IBRADI	0,13	0,22	0,00	0,09	0,17	0,23	0,23	0,12	0,08
KALE	1,09	0,82	0,18	1,27	1,34	0,90	0,92	0,02	0,08
KAŞ	2,60	2,59	1,70	2,16	5,71	2,68	2,07	0,47	1,17
KEMER	3,78	1,00	1,23	4,04	7,45	3,29	2,99	1,25	1,75
KORKUTELI	2,32	3,49	3,63	2,34	1,80	2,16	2,07	2,14	3,28
KUMLUCA	2,69	2,73	1,05	3,10	3,22	1,76	2,99	1,17	1,31
MANAVGAT	14,00	8,82	6,90	13,95	16,82	19,64	13,33	1,77	2,05
SERIK	5,29	5,88	1,99	6,28	4,15	4,36	2,99	7,21	9,73

Source: Calculated from Turkish Statistical Institute data

As it is seen from the emerging sectors, sector based distribution of employments and distribution of firms in Antalya, service sector especially tourism related activities have gained importance in determining the economic structure of Antalya. Also, the employment increase in commerce and tourism from 9.000 people (3%) to 137.276 (18%) people between the periods of 1970 to 2000 shows the crucial importance of tourism and supporting activities such as commerce in the economy of the region and also for the country. The same importance is seen in social and private services which shows increase from 16.967 people

(6%) to 106.519 people (14%) between the periods of 1970-2000 (Sönmez, et.al, 2003). In fact, all of these results have similarities with the outputs of 1992-2002 period employment and firm data by sectors (Table 13).

Service based economy of Antalya is also emphasized in the report of State Planning Organisation (“The functional classification of Provinces in Turkey”) which indicates that Antalya is a province which is specialized with commerce and service activities. As it is observed from different analysis all of which try to show the economic structure of Antalya emphasize that service sector especially tourism is very important for Antalya by creating employment and value added.

### ***Increasing importance of Tourism in Antalya***

*> Tourism positively effect the development of Antalya not only by attracting foreign tourists, but also by creating new tourism enterprises. In other words, Antalya is the leading tourism province of Turkey with regard to the increase in the values of night spending, bed capacity and the number of tourism firms.*

As it is seen from the sectoral evaluations, the crucial importance and the contribution of tourism in the economy of Antalya has to be revealed by focusing on a detailed research. Especially from the second half of this century, tourism has been taken as a solution to solve the economic problems of countries. Via accelerating socio-economic and cultural development, increasing employment is observed not only in tourism but also in tourism supported service activities, and by providing foreign exchange input and foreign capital, sector of tourism has triggered economic development (The Report of Development Bank, 2000).

The share of tourism for supplying the deficiency of foreign trade increased from 11.7% in 1983 to 83.7% in 1994. However, the share reduced to 30-35% for the last few years due to increasing trade deficit. Between the periods of 1983-1997, hotel and restaurant services have been the highest growth sector with 6.6% average growth rate per year. In spite of this increase in growth rates of tourism sector, growth rate of GDP is still around 5.4% (The report of Development Bank, 2000). However, increasing share of tourism and transportation services in the GDP from 4.05% to 6.07% between the years of 1987 to 2001 shows the importance of these sectors in the economy of Antalya (Unpublished Statistics of Turkish

Statistical Institute). Although there are some controversial thoughts, according to the effect of growth rates in tourism sector, it can be claimed that tourism can be taken as a locomotive of the economy of Antalya and its nearby regions.

Especially after 1980s, Antalya has taken a joining role for our country to the global economy due to showing an increase in accommodation units and foreign tourist arrivals. In fact, the important question is whether Antalya will sustain its tourism oriented role as a global node in the future or not? Thus, the aim of this thesis is to find out the factors that sustain the position of Antalya as a global node, and also the factors that promote competitive advantage of Antalya in the global economy. In the literature, it is claimed that the cities which have increasing role in the global economy are mainly specialized on production, service and information activities. In this context, tourism oriented development of Antalya can be taken as an opportunity to represent the country in the global economy and also can be taken as an opportunity to sustain competitiveness in the global market as a global node.

Antalya, located in the Southern part of the Turkey, has been the major mass tourism destination of Turkey especially for the out-coming tourists since the beginning of 1980s (Ministry of Culture and Tourism, 2003). In line with the data of the year 2005, Antalya has been the first province with a share of 60% that attracts tourism investment. According to the distributions of tourism investments in Turkey between the period of 2000 and 2005, Antalya has been the first ranking province that takes 409 tourism encouragement certificates with a value of 4.785.000.000 YTL investment. Moreover, 40 % accommodation capacity of Turkey originated from Antalya in accordance with the values of 2005. In addition to the leadership of Antalya in accommodation capacity, when we look the increase in the share of accommodation capacity between the years 1990 to 2004, it is observed that a 8.5 % increase in Turkey and 10% increases in Antalya is seen (Unpublished statistics of Ministry of Culture and Tourism). In this context, it can be claimed that Antalya is the leading province of Turkey as a tourism destination.

Antalya contains assets that cater for a wide range of interests. Its coastal areas are ideal for sun-sea-sand tourism; while investments have turned the province into the country's leading golf resort. Aside from these, the areas of rich cultural heritage satisfy the needs for cultural tourism, while the inland mountain areas cater for hikers and climbers, and the unspoilt nature for the eco-tourist. Besides the different types of tourism activities, the range of accommodation is broad for different type of clusters, including high quality 5- and 7-star

hotels at the top end of the market, relatively large holiday villages and small boutique hotels in the middle range and hostels at the lower end.

Although there are signs for post-fordist flexible tourism development in Antalya, fordist type of tourism production such as mass tourism, packaged holidays and charter flights are still dominant in the organization of tourism. In line with fordist type of development supported also by government, still mass tourists are dominant in Antalya motivated especially by low price.

However, it must not be denied that Antalya has a wide range of resource potentials that supports the development of tourism in most of the clusters. Belek, South Antalya (Kemer), and Side tourism centers are organized tourism development areas of Antalya which is supported by the tourism plans of the central government. While small sized local tourism firms and local standards are observed in Kaleiçi (Central Antalya), Kaş, Kalkan and Antique Side settlements, big sized tourism firms and global standard in service are seen especially in Kemer, Belek, Manavgat and Alanya tourism clusters.

Table 14 Bed Capacity of the different clusters of Antalya

Bed Capacity	Tourism Operation Licensed	Tourism Investment Licensed	Municipality licensed	Total
<b>Antalya Merkez</b>	12910	9508	8152	30570
<b>KUNDU</b>	4831	608	0	5439
<b>SERİK/BELEK</b>	26249	5955	0	32204
<b>MANAVGAT</b>	48295	6553	23258	78106
<b>ALANYA</b>	53725	4785	56870	115380
<b>KEMER</b>	47396	9774	10327	67497
<b>KUMLUCA</b>	0	0	1162	1162
<b>FİNİKE</b>	647	105	1308	2060
<b>DEMRE</b>	0	291	616	907
<b>KAŞ</b>	1655	201	6574	8430
<b>KORKUTELİ</b>	0	0	83	83
<b>AKSEKİ</b>	0	0	92	92
<b>ELMALI</b>	0	0	90	90
<b>GAZİPAŞA</b>	0	0	0	0
<b>Total</b>	195708	37780	108532	342020

Source: Ministry of Culture and Tourism, 2005

Government plans for the development of tourism in Antalya have proposed 65.500 beds for Kemer - South Antalya Tourism Development Project, 20.250 beds for Belek Tourism Development Project and more than 50.000 beds for Side Tourism Development project.

However, proposals for bed capacity has reached the planned capacity and approximately 235.000 bed capacity is created from operation and investment licensed tourism firms and more or less 110.00 bed capacity is created by municipality licensed firms (Table 14.). The development of accommodation capacity of Antalya between the periods of 1990 and 2005 reveals that bed capacity has reached to 325 thousand (Table 15).

Table 15 Accommodation and bed capacities of Antalya between 1990 to 2005

Accommodation Unit	1990		1995		2000		2005	
	Unit	Bed	Unit	Bed	Unit	Bed	Unit	Bed
Operation L.	237	47.229	390	86.225	390	114.871	704	245.669
Investment L.	456	97.315	357	62.487	355	73.742	221	82.131
Grand Total	693	144.614	747	148.712	745	188.613	925	327.8

Source: (Sönmez, et.al, 2003)

Conclusively, a detailed evaluation can not be made for tourism due to the missing data and statistics which show the contribution of tourism to economic development at subprovince level. Tourism is taken under the service sector, therefore statistics are prepared for service sector level. In this context, the competitiveness and the economic contribution of tourism to Antalya can only be evaluated by using the contribution of GDP at province level, the increase in tourism investments and bed capacity at subprovince level. A detailed analysis related with the contribution of tourism sector to the economy and the determinants of developing competitiveness in tourism is scrutinized in detail in the following chapters.

## 5.2 Actors and Policies that foster and motivate the development in Antalya

*How and at what level the development of Antalya is supported? What is the role of different institutions in the development of Antalya?* are the main questions of this section which are tried to be explained by the following discussions.

Although Antalya keeps on its development by the steering role of the private sector recently, public sector and semi-public institutions have always important contributions for the development of Antalya. It is revealed from the evaluations of the analysis that;

- While direct financial investments of public sector are not very important for the development, other interventions such as land development,

infrastructure provision for tourism, tourism plans and development projects have had striking contributions for the development of tourism in Antalya.

- The role public supported associations have crucial importance for implementing the projects of each tourism development area.
- The increasing number of association types, especially related with tourism, have gaining importance by the type of activities and projects for the development of each local area.

### 5.2.1 The effect of Public Policies for the Development of Antalya

#### *Public Investments and Investment Incentives: Financial Contributions to Antalya*

When we look at the distribution of public investments between the period of 1990 and 2000, it is seen that the share of public investments of Antalya in Turkey is not very high. The position of Antalya in Turkey according to public investments shows that Antalya had an increase in share from 0,70 % to 1,25% during the years of 1990 and 2001 (Table 16.).

Table 16 The share of public investment expenditures of Antalya according to Turkey-2001 prices

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
<b>ANTALYA</b>	0,7	0,51	0,6	0,61	0,72	0,7	0,86	1,22	1,26	1,18	0,91	1,25
<b>REGION TOTAL *</b>	0,95	0,63	0,82	0,9	1,04	1,13	1,3	1,66	1,61	1,42	1,2	1,48
<b>TURKEY TOTAL</b>	100	100	100	100	100	100	100	100	100	100	100	100

Source: Calculated from Turkish Statistical Institute data, 2005, \*Antalya, Isparta, Burdur

Table 17 Annual increasing rates of Public Investment Expenditures

	1990-1991	1991-1992	1992-1993	1993-1994	1994-1995	1995-1996	1996-1997	1997-1998	1998-1999	1999-2000	2000-2001
<b>ANTALYA REGION TOTAL*</b>	-27	18	4,6	-23	-20	55	87	0,2	-15	-5,6	4,5
<b>TURKEY TOTAL</b>	-34	31	13	-25	-10	45	68	-6,1	-20	3	-5,7
<b>TOTAL</b>	-0,6	1,2	2,8	-36	-17	26	31	-2,9	-8,9	22	-24

Source: Calculated from Turkish Statistical Institute data, 2005, \*Antalya, Isparta, Burdur

Annual increasing rates of public expenditures vary not only in Antalya but also in Turkey as to the changing situations. Therefore, there has not been a continuous increasing or decreasing pattern in annual rates of public investments within ten years period (Table 17).

When we evaluate public investments according to the sectoral distribution in 2003, it is seen that the highest public investments have been given in communication and transportation sector in the whole country. Moreover, Antalya is also the 6<sup>th</sup> or 7<sup>th</sup> province compared to other provinces in Turkey in taking public investment in tourism and education. Actually, the highest rate of public investment seen in tourism, transportation & communication and education sectors seems to be not surprising for Antalya due to its character which is based on service and tourism activities.

Although public investments are also seen in energy, agriculture, manufacturing and health sectors, their shares are low and not impressive enough when compared with other provinces of Turkey. However, public investments are important for Antalya because of being the 11<sup>th</sup> (one of the first supported tourism province after the underdeveloped provinces) supported province by the government. For instance, the regional representative offices of leading public institutions such as General Directorate of Highways, Hydraulic Works, Rural Services and Bank of Provinces are located in Antalya. Moreover, free zone, international airport, wholesale bazaar, harbour, hospitals and university have established in Antalya and most of them have the functions that serve not only for province but also for the region.

Even the shares of public investment are not very high according to Turkish average in some years; important contributions are made in Antalya by public supports. In fact, the contributions of public investments have affected the structural and spatial transformation and thereby supported Antalya as a global tourism node in addition to the efforts of private and foreign investments.

Apart from public investments, implemented investment incentives are important for the development of regions. Various countries orient investment incentives to different regions for providing equal spatial distribution in development. While underdeveloped provinces have got the priority for taking incentives, developed investment areas can also take incentives in Turkey. When the shares of incentives have been taken into consideration between the period of 1995 and 2000, it is seen that the share of Antalya in Turkey increases

from 2,86% to 3,29%. Although high shares are not observed in Antalya, important structural changes have been seen via investment incentives.

Table 18 The share of Investment Incentives Certificates of Antalya according to Turkey, 2001 Prices

	1995	1996	1997	1998	1999	2000	2001
<b>ANTALYA</b>	2.86	4.98	3.94	3.23	2.4	2.43	3.29
<b>REGION TOTAL*</b>	7.43	10.35	8.99	6.87	5.13	5.48	7.32
<b>TURKEY TOTAL</b>	100	100	100	100	100	100	100

Source: Calculated from Turkish Treasury data, 2005

\*Antalya, Isparta, Burdur

When we look at the shares of investment incentives according to the sectoral distribution, it is seen that incentives that are given to service sector is very high in Antalya (Table 19.). In fact, this is not surprising for Antalya to get increasing number of incentives in the service sector by the time because of being the major tourism destination in Turkey.

There has been an increasing trend in tourism investments of Antalya beginning from 2001. However, the highest increase (75%) is observed in tourism investments in 2003. During that year 116 investment incentive certificate is distributed in Antalya and thereby 14.950 person should be employed via investment incentives. Although a decrease is observed in investment incentives in the year 2004, there are 70 tourism investment certificates given to Antalya and thereby 9.830 person has found out job opportunities. In 2005, there has been an increase (51%) in investment incentives and 24.570 people have found new jobs in Antalya via 1.768.000.000 YTL investment in total.

By the mediation of these investments, Antalya has become the province that has taken the highest tourism investment in Turkey with a 60% share. Also, Antalya became the primary province in Turkey with a 409 tourism investment incentive certificates and 4.785.000.000 YTL investment during the period of 2000 and 2005 (ATSO, 2006).

In addition to the incentives given to tourism sector, it is seen that much incentives have also been given to the manufacturing sector. However, incentives in manufacturing fall behind the values of tourism incentives. This is because of the increasing dominance of tourism sector in Antalya.

Table 19 The number of tourism investment incentives of Antalya by sectors

	Energy	Services	Manufacturing	Mining	Agriculture	Total
<b>1980</b>	0	3	2	1	0	6
<b>1980-1985</b>	1	40	12	2	10	65
<b>1985-1990</b>	2	103	55	3	26	189
<b>1990-1995</b>	4	158	88	11	39	300
<b>1995-2000</b>	9	267	168	23	60	527
<b>2000-2005</b>	12	371	260	32	82	757

Source: Calculated from Turkish Treasury data, 2005

At the first glance, it can be expected that the reason behind the low shares in total investment certificates of Antalya may stem from the policy that tries to increase the investment incentives in low development regions. However, İstanbul, which is a megalopol city of Turkey, has got the highest share (20%) in investment incentives and also investment incentives rise to 50% in its region. Therefore, it can be concluded that investments are not equally distributed in Turkey's provinces and need to be increased and supported also for Antalya by the government to promote its global competitiveness.

Although the shares of investments and incentives are low, value added created by public investments and incentives in Antalya are important for Turkey. While Antalya provides 1,09% of total tax revenue as an average of 1995-2001, the share of Antalya in national income rises to 2,5% in 2004. According to the annual rate of increase in national income tax revenues, it is seen that there is a decrease in the rate of increase (Table 21.). So, it is seen that these low shares of Antalya has less contribution to the tax revenues of Turkey (Table 20.).

Table 20 The share national income tax revenues- 2001 prices (billion TL)

	1995	1996	1997	1998	1999	2000	2001	1995-2001
<b>ANTALYA REGION</b>	1,11	1,21	1,26	1,18	1,03	0,93	1,00	1,09
<b>TOTAL*</b>	1,46	1,56	1,62	1,50	1,35	1,18	1,25	1,40
<b>TURKEY TOTAL</b>	100	100	100	100	100	100	100	100

Source: Calculated from State Statistics Institute data

\*Antalya, Isparta, Burdur

While there is an increase in investments as it is discussed in the previous part, it is surprising that the share of tax revenues is decreasing in Antalya.

Table 21 Annual rate of increase in national income tax revenues- 2001 prices

	1995-1996	1996-1997	1997-1998	1998-1999	1999-2000	2000-2001
<b>ANTALYA</b>	18,57	22,36	8,92	-10,33	5,16	5,06
<b>REGION TOTAL*</b>	15,79	22,31	7,64	-7,38	2,19	3,18
<b>TURKEY TOTAL</b>	100,00	100,00	100,00	100,00	100,00	100,00

Source: Calculated from State Statistics Institute data

\*Antalya, Isparta, Burdur

***Planning Interventions of Public Institutions to Antalya: Tourism Development Plans, Projects and Land Allocations***

Tourism Master's Plan of Turkey was prepared in collaboration with State Planning Organization and Ministry of Tourism and Advertising in 1960s. In this plan, the coastal area between the south border of Çanakkale province and Mersin province which include Antalya is declared as a *priority tourism development zone* in Turkey. Priority regions are transformed into *Tourism Area* and *Tourism Centers*<sup>20</sup> by Tourism Encouragement Law of The Ministry of Tourism in 1982 (Law No. 2634). In fact, provisions of Tourism Encouragement Law are to determine, to use and to protect the creative resources in tourism, to nationalize the private and public land for developing tourism, to encourage tourism sector via controlling tourism firms and to find financial resources. Allocation of public lands to tourism investments and other incentives given for tourism have contributed to the development of tourism regions as in the case of Antalya.

Tourism development studies of Antalya, which are made in collaboration with Ministry of Tourism and T.C. Tourism Bank, have been realized as developing physical planning of tourism areas, infrastructure studies and yacht marinas. In this context, *Antalya Yatch Marina Environment Tourism, Restoration of Kaleiçi, 600 bed tourism complexes in Side and South Antalya Tourism Development Project* have made important contributions to the development of Antalya as being public investments.

In fact, the most important outstanding integrated project is *South Antalya Tourism Development Project* which covers 75 km. coastal area between Antalya Yatch Marina and

<sup>14</sup>The parts or places specified to be developed on a priority basis within or outside the cultural and tourism preservation and development regions, and are of importance for tourism movements and activities, locations, sites and the boundaries of which are determined and announced by the Council of Ministers upon the proposal of the Ministry".

Gelidonya Foreland and also in the boundary of Olympos-Beydağları National Park. In this project, Antalya is taken as the touristic regional center and Kemer is the supporting settlement of the project. This project was proposed infrastructure investments for 25.000 bed capacity in 1976, and then it has been increased to 39.000 bed capacity to create efficient capacity for mass tourism in a short period. In the establishment period of the project, application was made to the World Bank to obtain necessary credits. The loan agreement signed in 1976 between Turkish Government and the World Bank provided a loan of 26 million dollars.

The aim of this project was to provide the Turkish population and foreign tourists with a capacity of 62.000 beds by 1995. With this project, it is aimed to serve mostly (80%), international tourism, foreign market and thus obtain foreign currency which will bring positive benefits to the balance of foreign trade of the country. The success lays behind this project is “integrated type of mentality” of tourism development project which incorporates from the beginning, planning, programming, finance and operation stages within one project. The state has taken all the necessary precautions for the successful implementation of this project. Some of these precautions are;

- *“The state provides additional financial aid and substantial incentives to the private sector which will provide the touristic facilities.*
- *The state provides all types of high-quality infrastructure in the project area.*
- *The state has undertaken activities pertaining to the provision of the National Park and historical site areas with the aim of protecting the natural and historical environment of the region.*
- *The state is undertaking the construction of all the necessary social facilities (health centre, hotel training centre and training hotel, tourism office and municipality building) in the Kemer support (service) town.*
- *The state is allocating the said areas for rental (lease) to the foreign and domestic investors who are to provide the accommodation and other touristic facilities. The state firstly resolves the issues relating to land in accordance with the existing plans.” (Inskeep, 1991)*

The Ministry of Tourism provides the coordination of the project, and also provides the finance of the project by distributing the funds to the participating institutions except for Kepez A.Ş. as allocated in the annual budget. It is also responsible to the World Bank for

this project. Tourism Bank is appointed as the consultant company by the Ministry of Tourism, as required by the World Bank with reference to Loan Agreement no.1310 (Inskeep, 1991). In the concept of this project, GATAB, an infrastructure development association of Kemer, is established by the government to develop infrastructure in collaboration with public and private institutions of Kemer. This collaborative approach was helpful for the development of successful infrastructure projects of Kemer.

In fact, the legal basis of this project stems from South West Antalya Tourism Development Plan in the 1/25.000 scale. According to this plan, Beldibi-Göynük, Çifteçeşmeler (Beldibi), Kemer, Kiriş, Çamyuva and Tekirova are taken as “Tourism Development Sites”. In the framework of this plan, protecting the forest area and also defending the economic benefit of the people via protecting greenhouses and citrus gardens are taken into consideration. In the scope of this project completed works are;

- *“Construction of network for drinking water and water to be used for other purposes,*
- *Kemer Yatch Marina,*
- *Kemer Town Infrastructure Network,*
- *Sewage Purifying Plants and Sewage Main Collectors*
- *Kemer Health Centre,*
- *Kemer Municipality and Tourism Office Building,*
- *Kemer Yatch Marina and Installations Otem and Training Hotel and Environment Development Works,*
- *Electricity Network,*
- *Turban Kemer Marina Hotel Construction,*
- *Construction of Forest Roads and Fire Watch Towers,*
- *Kındılçeşme Camping Area Electricity Network,*
- *Solid Refuse Disposal Plant,*
- *Phaselis Ancient City Exhibition and Service Buildings and The Infrastructure Facilities Construction,*
- *Housing for the Public Sector Employees and the Tourism Personnel,*
- *Beldibi Sewage Purifying Plant Construction” (Inskeep, 1991).*

In addition to the importance of *South West Antalya Tourism Development Project* of Kemer, *Belek and Side Tourism Development projects* are also important for the development of tourism in

Antalya Tourism Region. Recently, Lara ve Konyaaltı tourism districts have emerged and become popular for touristic activities in central Antalya. In the development of these touristic areas, not only public investments, land allocations and tourism development projects and plans, but also private investments and their collaborative projects with government are also important for the development of these districts. In this context, *Belek and Side Tourism Development Plans* have emerged in addition to the *Project of South West Antalya Tourism Development Project*.

Belek tourism center, located in eastern part of the Antalya Center covering 14 km. coastal area between Aksu stream and Acısu, constitutes of more than 40 accommodation establishment and 5 golf areas in the scope of Belek Tourism Project. Existing bed capacity is 32.204, moreover, accommodation establishments and also infrastructure was completed. In addition to the coastal tourism activities and natural environment, Belek Tourism center is an organized tourism complex for conference and sport based activities.

In the context of Belek Tourism Development Project, BETUYAB has been founded as a management association in 1988 by the investor companies of the region with the support of the Ministry of Tourism which also leads it. From 1991, BETUYAB a joint stock company of Ministry of Culture and Tourism founded by the aim of solving the infrastructure problems in Belek Tourism Center cooperation with Government and Private Sector. It is also a joint initiative of international institutions such as World Bank and World Environmental Protection Association. With the help of global linkages and government support, successful projects are observed in Belek Tourism Center.

Side Tourism Development project area, located in the eastern coast of Antalya between Kumköy and Manavgat Stream, covers 12 km. coastal area. While the proposed bed capacity is 12.000 in the initial stage of the project, bed capacity exceeds 50.000 in these days. Project area covers tourism settlements of Kumköy – Bingeşik – Yeni Selimiye – Antik Side – Titreyen Göl – Kemer – Sorgun –Acısu and Manavgat. Now, infrastructure is completed and directed by infrastructure management association, MATAB, which is mainly collaborated with the municipality when implementing and developing infrastructure projects.

Apart from the projects that are discussed above, settlements developed by land allocations of government are very important for Antalya. Antalya is the primary province that take the higher number of land allocations when compared with other provinces of Turkey.

Approximately, 195 tourism establishments are land allocated including accommodation, golf, yacht and other types in Antalya by the support of the government (Ministry of Tourism, 2000). These lands are important for the development of the coastal areas of Antalya including Belek, Side, Kemer, Kale (Demre) and Alanya (T.C. Turizm Bakanlığı, Tahsis edilecek Kamu Arazileri (Yıllar itibariyle), Yatırımlar Genel Müdürlüğü).

It is observed that Kemer is the leading tourism settlement taking 77 land allocations for tourism establishments. The second important tourism settlement is Side and 45 tourism establishments have taken land allocation. The third important settlement is Belek in land allocations and 41 tourism establishments have taken land allocation. The followings are; 16 tourism establishments in Central Antalya, 8 tourism establishments in Alanya and 6 tourism establishments in Kale (Demre) which have taken land allocation for tourism development in Antalya.

Except for tourism development plans and land allocations of the government, tourism centers defined by the Ministry of Tourism have also had a guiding role for defining the route of tourism development in Antalya Tourism Region. In this context, Kaleiçi, Konyaaltı and Kundu-Kemerağzı in Central Antalya; Serik-Çolaklı, Serik-Manavgat coastal area, Gazipaşa, West Alanya, Alanya-Akdağ, Alanya-Alara-İncekum, Kaş-Kalkan coastal band, Arapsuyu, Side, Perge Congress and Fair, Belek, İbradı Maşata Yaylası, Kale (Demre), Oymapınar Culture and Tourism Conservation Region are defined as tourism centers by the Ministry of Culture and Tourism. As it is seen from the defined tourism centers of government, it is observed that most of the coastal settlements are defined as tourism centers for promoting tourism development in the whole coastal area.

### **5.2.2 The role of NGO's and civil initiatives**

Apart from the contribution of public policies, the role of NGO's and also civil initiatives are important for the development of tourism in Antalya. According to the data of STGM (Civil Society Development Center, 2007), there are 7437 NGO existing in Turkey and 151 of them (%2,03) is from Antalya. Although this share is low when we compare it with the large metropolitan areas of the Turkey, Antalya is also the highest one in number compared with the same scale touristic provinces of Turkey such as Muğla and Aydın.

Due to the absence of historical data on NGO numbers according to the provinces, the increase in the number of associations and NGO's could not be evaluated for each province separately. However, an evaluation could be made on the numbers of NGO's according to the interest areas. The high shares of NGO's in Antalya are seen especially for the interest areas of tourism (%15) and environment (%15). There are no other interest groups exist in Antalya which have the same shares of NGO density. In fact, these higher shares in the number of NGO's is a sign for the importance of tourism and therefore environment for Antalya.

During the last 20 years, tourism and tourism related advertisement, environment, culture and business associations have increasingly become popular and many of them work for providing the development and advertisement of Antalya in the global market. Although the associations which have strong connection with national institutions take place generally in the Antalya Center, the associations that represent the subprovinces of Antalya have also been increasing in recent years. Actually, most of the associations that take place in the subprovinces such as the ones in Kemer, Alanya, Manavgat, Side and Belek aim to promote tourism development via helping advertisement, infrastructure development and project development activities in their localities.

In fact, these kinds of emerging associations serve as a support mechanisms/groups in their interest areas when government supports are limited. Although government policies and projects have important contributions for the tourism development of Antalya, tourism associations have increased continuously. While some of these tourism associations are government supported associations in the establishment process, newly emerging tourism associations are mainly the ones which are established voluntarily by the tourism investors for advertising and promoting development of their tourism cluster. These associations and their contributions to the development of destinations will be discussed detailly in the following chapters.

### **5.3 Antalya as a Global Integration Node of Turkey**

*Whether the level of global connection increase with the transformation process of Antalya?* is the main question of this section to understand and evaluate the global connectedness of Antalya. In fact, it is known that Antalya is a tourism destination of Turkey which connects with Europe, Middle East and Northern countries, integrates with the world and tries to join

with global system by tourism development. However, there are also different indicators which shows the global connectedness of Antalya explaining in the following discussions.

### ***Increasing attractiveness of Antalya for foreign capital firms***

*>Antalya is the second attractive province for foreign firms in Turkey. Antalya has got an important share for foreign capital firms and most of which are mainly consist of tourism and service related activities.*

Turkey has not been very attractive for foreign capital flows yet. Although total number of foreign capital that was accessed to Turkey is 20-30 billion USA dollars since 1950, it seems that this value for foreign capital is low for Turkey when the attractiveness of East European countries for foreign capital is taken into consideration (Eraydın et.al., 2005) In recent years, foreign capital is on the increase relatively and most of the foreign capital tend to increase in the settlements which are specialized on service sector. In fact, the tendency of foreign capital that chooses service cities is an opportunity especially for Antalya to integrate with the global market for becoming globally competitive. However, the increase in the entrance of foreign capital for domestic markets and the emerging of relatively low important sectors are the factors that provide us a critical look on the contribution of foreign capital to export and balance of payments for the Turkish economy. According to the evaluation, one-third of the accession of foreign capital after 2000s goes to abroad as a profit transfer. Therefore, it is understood that the increase in the accession of foreign capital and the increase in the orientation of foreign capital to certain sectors are crucial for a country to enhance the development of a certain region.

According to the data of Turkish Treasury (2007), it is seen that there are 15,171 foreign capital companies in Turkey. Although there is a dominance of İstanbul in the number of foreign companies with a 55,6 % share, Antalya has got the second higher share (11,66 %) with 1765 foreign capital companies due to the trend of global capital which chooses service cities and service type activities (Table 22.). It is emerging that tourism as a service sector attracts too many foreign investors from abroad. As it is observed from the survey questionnaire of this thesis, small sized foreign investors of tourism are mainly the foreign individuals coming from abroad who like Turkey and the Turkish immigrants from abroad.

Table 22 Distribution of Foreign Capital Companies According to the first ten provinces in Turkey

Province	The Number of Foreign Companies (1954-2007 January)	% Share of Foreign Companies
İstanbul	8422	55,5
<b>Antalya</b>	1765	11,6
Ankara	1049	6,9
İzmir	940	6,2
Muğla	879	5,8
Bursa	310	2,0
Mersin	286	1,9
Aydın	234	1,5
Kocaeli	187	1,2
Adana	122	0,8
Other Provinces	948	6,2
Total	15171	100,0

Source: Turkish Treasury, 2007

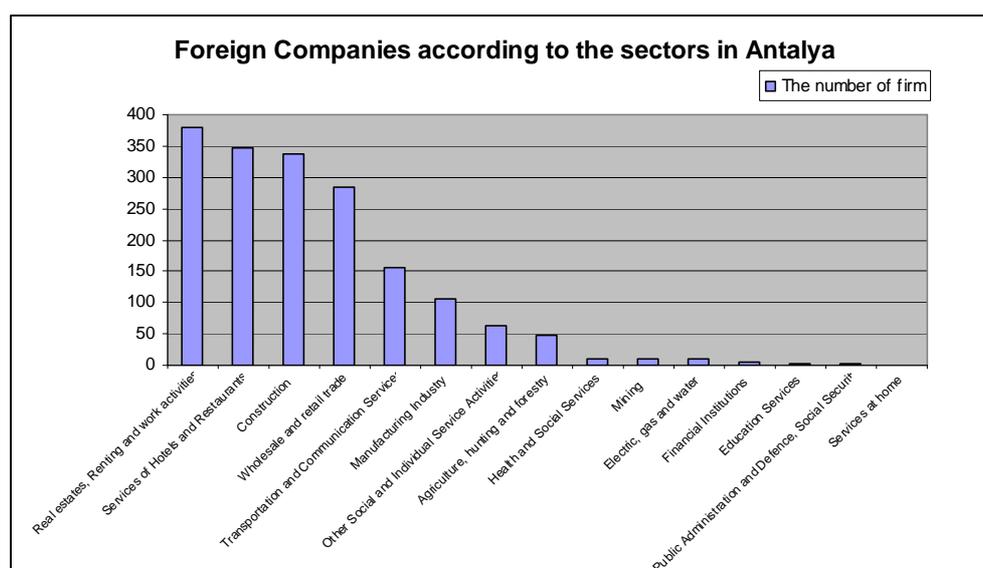


Figure 14 Foreign companies of Antalya according to the sectoral distribution

Foreign capital companies of Antalya distributed to different sectors and most of which are consisting of service based sectors (Figure 14, Table 23). According to the sectoral distribution of foreign companies in Antalya (Figure 14., Table 23), it is revealed that real estate and renting is the first leading sector with a 21,53% share for attracting foreign companies. The second dominant sector is tourism which attracts foreign companies with a 19,6% share. The following sectors are related with tourism activities such as transportation and communication (8,9%). Moreover, construction (19,04%) and trade (16,09%) are also

important and supporting sectors of tourism by attracting foreign capital. In fact, the dominance of service oriented sectors that attract foreign capital is an expected result for Antalya as a service based tourism city. However, there is also need for more foreign capital companies in Antalya for integrating global to become competitive.

Table 23 The share of foreign capital firms of Antalya according to the sectors

<b>Sector</b>	<b>The share of foreign capital firm</b>
Real estates, Renting and work activities	21.53
Services of Hotels and Restaurants	19.60
Construction	19.04
Wholesale and retail trade	16.09
Transportation and Communication Services	8.90
Manufacturing Industry	6.01
Other Social and Individual Service Activities	3.63
Agriculture, hunting and forestry	2.78
Health and Social Services	0.62
Mining	0.57
Electric, gas and water	0.57
Financial Institutions	0.34
Education Services	0.17
Public Administration and Defence, Social Security	0.11
Services at home	0.06
<b>TOTAL</b>	<b>100.00</b>

*Source: Calculated from Turkish Treasury data, 2007*

Apart from the shares of foreign investments according to the sectors, the shares and the number of foreign firms according to different countries show that the leading countries that make investment in Antalya are Germany, Russia, Denmark and Netherlands (Table 24.). The data gathered from Turkish Treasury reveals that foreign capital firms of *real estate and rent sector* in Antalya are consisting of the firms from Denmark (26,05%), Germany (16,31%), England (14,21%), Netherlands (10,78%) and (8,68%) Russia. Countries that invest in Antalya related with *tourism sector (hotels and restaurants)* are mainly from Germany (26,51%), Russia (15,85%), England (15,85%) and Netherlands (10,95%). Related with *construction sector*, foreign capital are from Denmark (21,45%), Germany (15,4%), Netherlands (14,5%), England (12,8%) and Russia (11,2%). In *trade sector*, which supports the tourism activities, the shares of foreign countries are consisting of Germany (27,33%), Netherlands (12,94%) and Russia (12,58%). As it is seen from the shares, more or less in every sector the countries; Germany, Netherlands, Denmark, England and Russia are emerged as the leading countries that invest in Antalya.

> *The countries which invest more in Antalya are mainly the ones which send dense foreign tourist arrivals to Antalya.*

Table 24 The share and the number of foreign companies of Antalya according to the first nine countries

<b>Countries</b>	<b>The number of firm</b>	<b>The share of firms %</b>
Germany	388	22
Russia	219	12
Denmark	210	12
Netherlands	198	11
England	172	10
Ireland	60	3
Norway	48	3
Azerbaijan	47	3
Belgium	42	2

*Source: Calculated from Turkish Treasury data, 2007*

The shares of different countries that invest in Antalya are similar with the countries which have higher shares in tourist arrival to Antalya. According to the data of year 2004, most of the foreign tourist arrival to Antalya stems from Germany (22%), Russia (12%), Denmark (12%), Netherlands (11%) and England (10%). In fact, the high share of tourist arrivals from Germany, Russia and Netherlands shows the attractiveness of Antalya and thereby confirms the investment behaviours of these countries into Antalya.

#### ***The share of Antalya in total exports and the changing structure in exports***

While global connectedness became very popular for a country and for a settlement in the globalisation era, exports for international markets has also become an important indicator for defining the global connectedness of countries and settlements. In this part, global connectedness of Antalya is scrutinized according to the export data between the years of 1993 and 2004. While the share of exports of Antalya is low for Turkey, it shows increase from 0,44 % to 0,71 % between 1993 and 2004. The highest export values and an increase are seen in the year of 2002 for Antalya (Table 25).

Table 25 Export values of Antalya and the share in Turkey

	1993	1994	1995	2001	2002	2003	2004
ANTALYA	67010000	85145000	105626000	314790000	424351000	311836000	449599000
	0.44	0.48	0.49	1	1.18	0.66	0.71
REGION TOTAL*	79618000	100391000	125714000	370941000	494548000	402382000	558014000
	0.52	0.57	0.58	1.18	1.37	0.85	0.88
TÜRKİY	15348015000	17593866000	21636448000	31334216356	36059089029	47252836302	63120948800

Source: Calculated from State Statistics Institute data

\* Region Total is composed of Antalya, Isparta and Burdur provinces

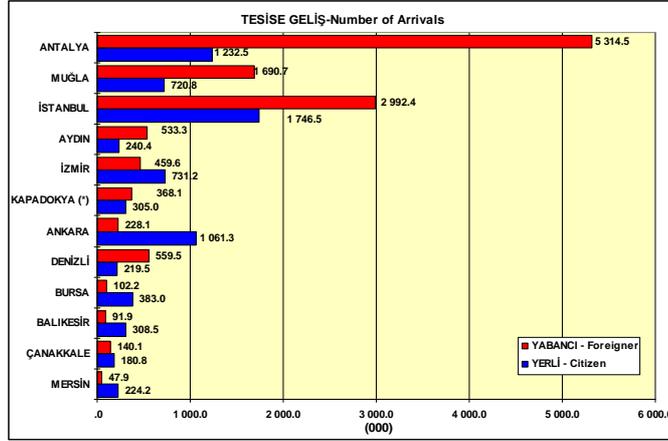
As it is seen from the export values, Antalya is mainly under 1% share in export values of Turkey. However, when it is compared with other provinces in the region, it is revealed that Antalya has dominance in exports as expected.

#### *The share of Foreign Tourists Arrivals of Antalya*

Visiting behaviours of tourists to different destinations for different purposes is another dimension to examine the global connectivity of settlements. In this context, tourism movements, in other words, tourist mobility to a certain settlement gives us clues on the level of global connectedness of that destination. In recent years, tourism sector grows very fast and become advantaged in economic terms due to the increasing contribution of foreign tourist to the balance of payments and the less boundedness to foreign input.

Obviously, tourism statistics reflect us the fast increase. Foreign arrivals to Turkey rises from 6,8 million to 8,9 million between the years of 2000 to 2003. In direct contradiction, the number of citizen arrivals shows a decrease in this period. It is known that economic fluctuations in 2000 and 2001 affect negatively to the citizen arrivals. Values of foreign arrivals according to the different tourism destinations of Turkey show that Antalya is the primary destination which attracts foreign tourists much (Figure 15). Moreover, when the number of nights spend is scrutinized, it is revealed that Antalya is sustaining its primary position in the number of nights spend (Figure 16). When the number of nights spends are evaluated according to the purpose of the arrival, it is seen that the arrivals of pleasure travel and entertainment is the primary reason (27.798.465 number of night spend) for choosing Antalya. Moreover, Muğla is the secondary destination with 7.945.386 nights spend, İstanbul is the third destination with 7.857.607 nights spend, Bursa is the fourth with 4.926.664 nights

spend and İzmir the fifth destination with 1.598.306 nights spend in Turkey. When we look the shares in grand total, it is obviously observed that Antalya is again the primary tourism destination of Turkey with a 31.2 % share.



(\*) KAPADOKYA : KAYSERİ, NEVŞEHİR, NİĞDE, AKSARAY

Figure 15 Number of Arrivals according to different destinations of Turkey

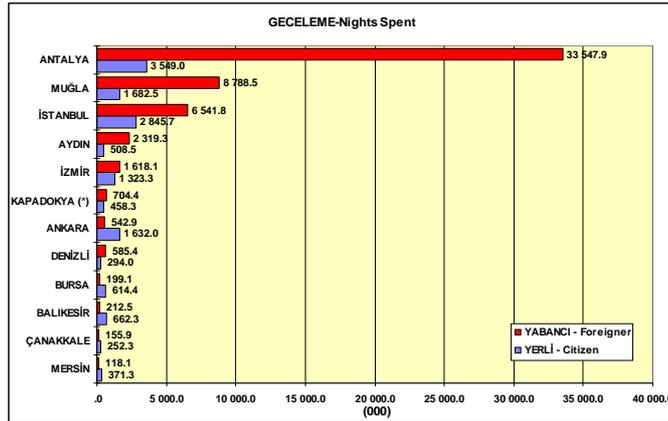


Figure 16 Number of Nights spends according to different destinations of Turkey

Source: Ministry of Culture and Tourism, 2005

As it is seen from the Figure 17, tourism regions of Turkey are not the most attractive ones compared to Balearic Islands in Spain, Algarve region in Portugal, Tirol region of Switzerland, Trier region of Germany and middle parts of the Sweden. However, when the capacity of hotels in different European and Turkey regions are compared with each other, it is seen that Antalya and Muğla are the only tourism regions which have higher and similar capacities with Mediterranean countries such as Spain, Italy, France and Greece in accommodation (Figure 17).

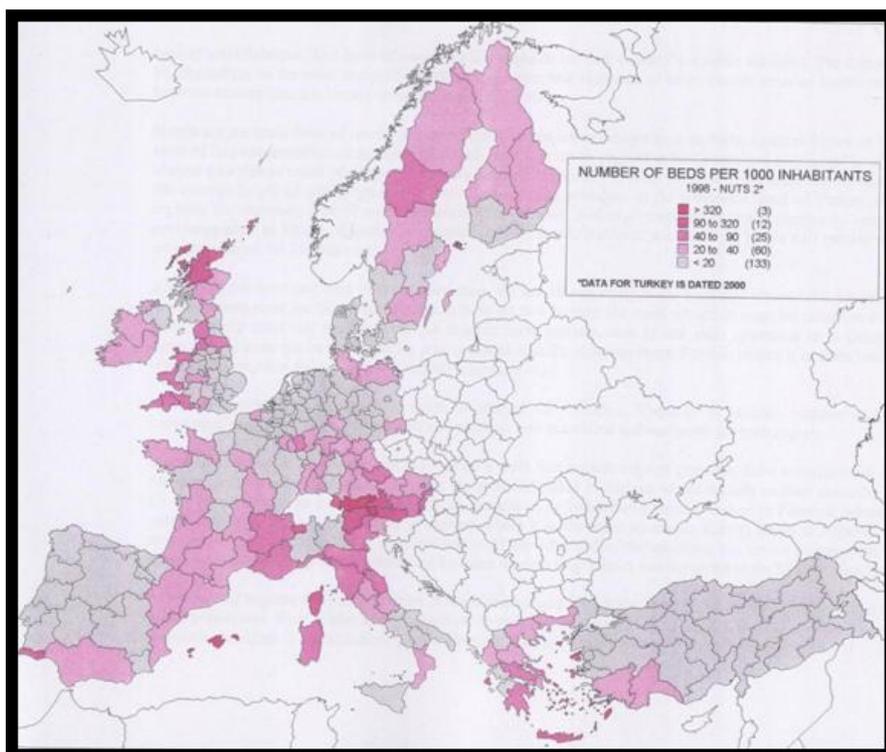


Figure 17 Capacity of Hotels (1998)  
 Source: Eraydin, et al, 2005

Table 26 Tourism Statistics by number of arrivals and by number of nights spend

	2000					
	NUMBER OF ARRIVALS			NUMBER OF NIGHTS SPEND		
	FOREIGNER	CITIZEN	TOTAL	FOREIGNER	CITIZEN	TOTAL
ANTALYA	2465092	1053008	3518100	15988047	3488736	19476783
%	36.23	11.89	22.47	56.08	21.18	43.29
TURKEY	6804076	8855902	15659978	28510906	16475699	44986605
%	100	100	100	100	100	100
	2001					
ANTALYA	3507343	829762	4337105	20317171	2466288	22783459
%	39.96	10.71	26.24	55.86	17.39	45.07
TURKEY	8778165	7749622	16527787	36368500	14178389	50546889
%	100	100	100	100	100	100
	2002					
ANTALYA	1051902	1405857	2457759	4000783	1871681	5872464
%	32.37	16.62	21	40.41	14.37	25.61
TURKEY	3 249 837	8 456 432	11 706 269	9 901 035	13 028 808	22 929 843
%	100	100	100	100	100	100
	2003					
ANTALYA	4051378	1021439	5072817	24150945	3203644	27354589
%	45.06	12.12	29.12	59.1	19.73	47.91
TURKEY	8991456	8429868	17421324	40866002	16233902	57099904
%	100	100	100	100	100	100

Source: Calculated from the adata of Ministry of Culture and Tourism, 2005

As it is seen from the touristic capacity of different regions in Europe, Antalya has got the capacity that reaches the global standard in accommodation. The number of foreign visitor in Antalya is about 7,3 million person and usually shows an increasing trend in foreign tourist arrival except some of the periods which include small crises. While 36,29% of total foreign visitors spend night in Antalya in the year of 2000, this share increases to 45,06% in 2003 (Table 26.). In fact, the continuous increase in tourist arrivals of Antalya stems from the capacities which are including sun-sea-sand type of mass tourism activities, although alternative tourism types are emerging recently.

***The changing position of Antalya in international culture, art, science and sport activities***

*> In addition to the attractiveness of Antalya for foreign firms and foreign tourists, Antalya has also increased its attractiveness by the high rate of increase in international cultural and artistic activities, science and sport activities and also international fairs.*

Antalya, as a tourism destination of Turkey, is also a host town for international cultural and artistic activities, scientific conferences, sport tournaments and fairs in recent years. In the global/world city literature, it is emphasized that existing of an international cultural, scientific and sport activities for a place defines the global connectedness of that place. In this context, Antalya stands as a candidate to be a global/world city due to the increasing international cultural, artistic, scientific, and sports activities.

The share of Antalya increases in international cultural and artistic activities. One of the leading long term annual activity taken place in Antalya is *Golden Orange Film Festival*, have continued for 42 years. The following international activities are *Aspendos Festival - Aspendos International Opera ve Bale Festival* have been continuing for 13 years, *Alanya Culture, Art and Sport Activities* and *Antalya International Small Film Festival* continuing for 12 years, *Antalya Piano Festival*, *Side International Culture and Art Festival* and *International Kemer UnderWater Days* continuing for 6 years. In addition to these international activities, there are more than 60 festivals that take place in Antalya (Ministry of Culture and Tourism, 2005). In fact, most of these international activities take place in Alanya subprovince and Antalya Center. It is seen that not only one tourism destination, but also other destinations in Antalya are important for developing international activities to be competitive in the global environment. Therefore, rising international festivals is a sign that

Antalya is going to be a “global cultural city”, in addition to its identity based on “global tourism city” including all of its destinations.

In addition to the big sized international organizations, Antalya is a host city for many of the national and international culture and trade fairs. According to the data between 2000 and 2007, 153 fairs have been observed in Antalya ([www.fuarplus.com](http://www.fuarplus.com)). While 86 fairs has been made between the years of 2001 and 2005 in Antalya, there has been a rapid increase (33%) in the rates of fairs between the year of 2005 and 2007 and 67 fairs have organized. As it is seen from the data between 2005 and 2007, Antalya has become the second city with 280 fair, while it was the fourth city in Turkey in 2005. When we look the rate of increase in fairs between 2005 and 2007, it is revealed that Antalya has become the first city in the rate of increase in fairs (Table 27.).

Table 27 The number of fairs according to first four cities in Turkey

<b>The number of fairs</b>	<b>2005</b>	<b>2007</b>	<b>Rate of Increase</b>
<b>Antalya</b>	86	153	0.333818
<b>İzmir</b>	111	191	0.311762
<b>İstanbul</b>	644	1034	0.267119
<b>Ankara</b>	181	280	0.243769

Source: *Fuarplus*: [www.fuarplus.com](http://www.fuarplus.com)

Apart from festivals and fairs, Antalya is a host city also for national and international conferences. Antalya Congress Office which is established by the support of Antalya Advertisement Association (ATAV) tries to advertise and to inform the potential of Antalya to the national and international platforms. As it is seen from the contribution of ATAV to the establishment of congress office, institutionalizations in tourism and advertising activities are highly developed in Antalya to make it competitive in the global market. By the help of developing this type of institutionalizations such as associations, Antalya can easily be advertised to the global market as a global node. For instance, Antalya Congress Office tries to develop professional organization in conferences by the help of its members such as hotels, travel agencies, transportation firms, municipalities and the congress centers. Therefore, many of the conferences take place in the conference halls of the qualified five star hotels due to the existing sufficient number of qualified hotels in Antalya. As it is seen from the contribution of conferences that each activity contributes to tourism and tourism

also contributes to the development of new activities.

Except for the importance of conferences, Antalya has become important for sport activities in recent years. Sport tourism start to develop due to the existence of natural resources and qualified hotels in Antalya and nowadays approximately 1500 team choose Antalya for camping. Moreover, league matches, continuous international sport activities and marathons have taken place in Antalya. For instance, Kemer become popular with underwater diving in the international arena. Moreover, Rally of Turkey is taken place in Kemer.

Apart from Kemer, Alanya is an important host subcity for sport championships and marathons. For instance, Alanya International Mountainbike Championship, Alanya Beach Volleyball, Alanya International Triathlon Championship, Alanya International Swimming Championship, Alanya International Rhythmic Gymnastics Championship, Alanya International Street Handball Tournament, Alanya Beach Handball Championship, University Beach Volleyball Tournament, Alanya Tennis Tournament, Alanya Urbanball Festival, Alanya International Street Hentbol Competition and 13th Swimming Marathon are the sport organizations of Alanya that supports the international advertisement of Antalya in the global market.

### ***International position of Antalya in transport capacity***

Evaluation of the global transport capacity of Antalya is made by comparing the European regions with Turkey. In this context, air passenger traffic is taken as the indicator for examining the global transportation capacity of Antalya according to the other countries in the Europe.

Figure 18 was prepared by air passenger traffic per person. According to this figure, Île-de-France region in France is dense with daily transportation; Este region in Spain, Hessen region in Germany, Lombardia region in Italy, Utrecht region, Nord Holland and Zuid Holland in Netherlands are dense with business transportation; and Nisia Aigaiou/Kriti in Greece and Canarias in Spain are dense with tourism transportation in European Union regions (Eraydin et.al, 2005).

When the regions of Turkey are evaluated for global transportation infrastructure, it is seen that Istanbul is the second rank dense region with business and tourist transport. Ankara, the

capital city of Turkey, is dense with administrative transport relations. Coastal regions of Turkey, Antalya, Muğla, Aydın and Izmir, are dense with tourism oriented transportation.

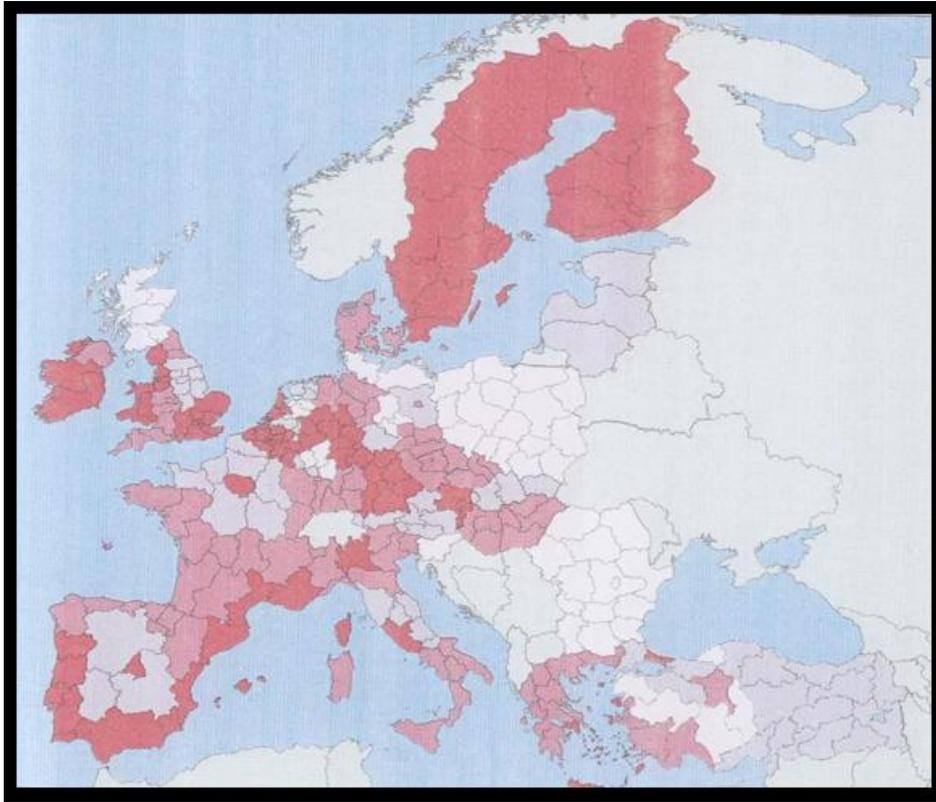


Figure 18 Air Passenger Traffic

*Source: Eraydin et.al., 2005*

Actually, tourism oriented denseness of Antalya in global air traffic transportation is an expected result. However, Antalya has got not only air transportation opportunity, but also has got sea and land transportation opportunity because of being in the intersection point of destinations. When the tourism of Antalya become more integrated with global by developing network relations with global actors and using its capacity of being an intersection node, it has the potential to become highly dense in global transportation as in the other regions of the Europe.

#### **5.4 Spatial Reflections of Tourism Development in Antalya**

After evaluating the economic and sectoral changes, the role of different actors and the international role of Antalya in development, spatial reflection of these developments on

Antalya need to be scrutinized in detail. In line with this analysis, the question: how economic development effect the spatial configuration of Antalya is discussed below.

Spatial reflection of economic activities such as tourism and trade mainly creates a corridor like coastal area tourism development not only attracting economic activities but also attracting population from other provinces as it is observed between Kemer and Alanya corridor. The areas where tourism is not dominant due to the natural barriers and being far away from the coastal area such as inner parts are mainly specialized on agriculture type of activities, however, these parts of Antalya are not very much attractive and developed areas when compared with the coastal parts.

As it is seen from the previous analysis on emerging sectors, sector based distribution of employments and distribution of firms, service sector especially tourism related activities have gained importance in determining the economic structure of Antalya. Apart from the dominance of Antalya center more or less in every type of economic activities such as real estate, construction, social & individual services and tourism, it is observed that sub provinces at the east coastal side such as Manavgat, Serik and especially Alanya have shown a specialization and development on tourism and tourism related activities such as commerce, transportation & communication, financial intermediary, social & individual services and construction type of activities.

In addition to these distributions, when we evaluate the location quotient values of sectors according to different settlements of Antalya for the period between 1990 and 2000, it is seen that inner parts and especially the west coastal side of Antalya shows a strong level of specialization on agricultural activities due to having productive land. Mining and manufacturing activities are also important for the inner and northern parts of Antalya. Moreover, construction, electric gas & water, trade and transportation activities are important not only at the coastal settlements but also at the inner side of the settlements in Antalya (Figure 19).



observed in Antalya center, tour operators and boutique hotels show high specialization in Antalya Center. Manavgat is highly specialized with holiday villages and 4 star hotels. Moreover, Alanya is highly specialized with 3 and 4 star hotels, eventhough it has a dense structure with all type of tourism enterprices. On the eastern coastal line of Antalya, between Antalya Center and Alanya, tourism development is really high except Gazipaşa. Gazipaşa is only specialized with low qualified tourism enterprices such as pension and apart and shows a low developed structure compared with other tourism subprovinces. In fact, this may stem from due to the farness from the center.

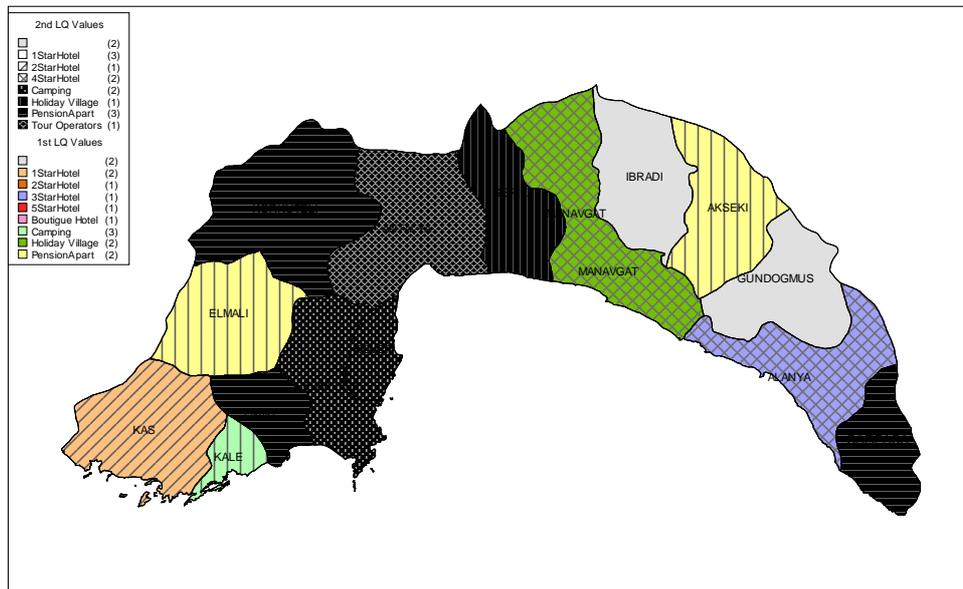


Figure 20 Spatial Distribution of Tourism Units According to the Subprovinces of Antalya

Kemer, located at the western part of Antalya center, shows specialization on high qualified hotels such as holiday villages and camping activities due to the natural beauties of Kemer tourism cluster. Sub provinces of the western coast of Antalya, except Kemer, are highly specialized with camping activities and low qualified small size tourism enterprices such as 1, 2 star hotels or aparts and pensions. This is because of the limited coastal settlement area for the construction of big size enterprices which need large areas. In these areas, space such as natural barriers effects the economic structure and the development of small size tourism investments on the western coastal side of Antalya. However, on the eastern coastal part of Antalya, there is enough space for the settlement of big size tourism enterprices that need

large scale area. In fact, existence of nice coastal area of Antalya triggers and attracts the development of tourism activities.

Spatial configuration of development in Antalya is effected not only by place specific natural resources, but also social interventions of public policies. Causality of tourism development in Antalya is socio-spatial. In addition to the effect of attractive natural resources of space on the development of tourism activities, social interventions have also been effective on determining the type of tourism in Antalya. Sun-sea-sand type of mass tourism development has been developed not only by the support of government policies, incentives and plans, but also the attractive characteristics of space. In this context, large scale tourism activities, high qualified big size hotels, package tours, all inclusive type of service more or less in all kind of hotels are observed in Antalya. As it is seen from these developments on space, it can be claimed that mass tourism development in the highly dense coastal areas of Antalya is determined not only by the social interventions but also spatial attributes.

### **5.5 Conclusive Remarks: Transformation of Economic Structure of Antalya**

In this chapter, transformation of economic structure of Antalya and development dynamics are examined by focusing on *economic changes*; the contribution on GDP, sectoral contributions on GDP, growing sectors and employment, *supporting development mechanisms*; the role of government policies, public institutions, NGO's and civil initiatives; *the increase in global connection*; foreign capital, export capacities, foreign tourist arrival, international cultural, art, science and sport activities, international transport capacity, *change in spatial implications of economic development* such as spatial distribution of sectoral activities.

As it is seen from the transformation dynamics, Antalya has become popular with service sector especially with tourism and tourism related economic activities. In this type of economic development process, supporting mechanisms have really been important for Antalya. Government policies and plans are effective on tourism development. While direct financial investments of the public sector are not very important for the development, other interventions such as tourism plans and development projects have had striking contributions for the development of tourism in Antalya. Also, tourism development projects have determined the route of development in Antalya. Apart from government supports, recently, NGO's and civil initiatives have taken an important place in determining the route of tourism development by infrastructure investments, advertisement activities and tourism supporting

projects. Especially, the role public supported associations have crucial importance for implementing the projects of each tourism development area. However, the increasing number of newly emerging association types, especially related with tourism, have gaining importance by the type of activities and projects for the development of each cluster.

Antalya, as a tourism node of Turkey, has an important contributions to the global connectedness of the country and also for itself. In this context, the level of global connection and its contribution on the local economic development is scrutinized for Antalya. Antalya shows an increasing global connection capacity especially on these criterias; foreign capital, foreign tourist arrivals, global transport capacity, international cultural, sport, science and art activities. According to the global connection parameters, Antalya is the second attractive province for foreign firms in Turkey. Antalya has got an important share for foreign capital firms and most of which are mainly consist of tourism and service related activities. Although the shares of total exports are low in Antalya, the share of foreign tourist arrivals and the number of bed capacity is the highest according to the other provinces of Turkey.

Agglomerations to Antalya based on service activities have effected socio-spatial development dynamics. By the effect of tourism development and its contribution to the employment opportunities, population of Antalya is continued to increase and attracts retired people and migration from the inner parts of the country.

Besides, when we look at the spatial development of Antalya, it is observed that spatial configuration of development in Antalya is effected not only by place specific natural resources, but also social interventions of public policies. However, these indicators are general and at urban scale, therefore, a detailed interpretation can not be made. A detailed examination and real dynamics which trigger the development of a region in the global market has to be scrutinized to answer the question; *Whether Antalya has a capacity to be a global tourism node in the global market or not?, What are mechanisms that can support the development of Antalya as a global tourism node?* Therefore, a detailed analysis is made on this issue in the following chapters. In this context, the role of global and local network dynamics of tourism firms and the role of tourism organizations and institutional capacity in the development and the competitiveness of Antalya in the global market is examined in detail.

## **CHAPTER 6**

### **THE IMPORTANCE OF NETWORKING AND INSTITUTIONS FOR THE SUCCESS OF TOURISM FIRMS AND CLUSTERS: ANTALYA CASE**

Over the last decade there has been considerable interest and activity in networking, institutions and the associated link to the success of firms and clusters. In this context, firstly, the importance of local networks has been emphasized in proximity based cluster and industrial district literature (Piore and Sabel, 1984; Pyke, Becattini, and Sengenberger, 1990; and Harrison, 1992). By the increasing effect of globalisation, global networks of integration have been discussed as a crucial element to avoid lock-in effect of locally embedded networks of integration (Camagni, 1991; Schmitz, 1999; Amin and Thrift, 1994; Koschatzky, 2000; Eraydın, 2002; 2003).

Due to reducing spatial transaction costs (Camagni and Capello, 2000; Tremblay, 2000) and adaptation costs (de la Mothe and Paquet, 1998), networks are taken as a solution for firms to get its advantages. It is claimed that global networks have additional advantages such as enhancing the efficiency and the effectiveness of information flow, resource sharing, operational flexibility and intraorganizational transactions (Kobrin, 1991; Kogut, 1985). It is also highlighted that global networks have a role on upgrading learning, information technology (Tolosa, 2003) and also have a role on developing innovation based practices (Roberts and Bradley, 1991; Camagni, 1991; Tödling and Kaufmann, 1999; Roome, 2001) to enhance local development by promoting global competitiveness (Keeble, 2000; Maskell et al, 1998; Scott, 1998). In fact, the importance of global integration can be easily seen in Kogut's (1984) terms, globally integrated firms gain competitive advantages from

exploitation of: (1) differences in national resource endowments; (2) the flexibility and bargaining strength of a multinational network; and (3) economies of scale, scope, and learning. Because of these reasons global networks of integration are taken as a key solution to promote local development because of standardizing products across markets for generating volume levels which is necessary to compete (Kobrin 1991). At this point, identification of “*global indicators*” that will enable a firm or a region to become globalized, become important for firms in order to sustain and remain competitive in global environment.

In fact, there are different views on the classification of the level of networks between firms in the literature. While some of the authors analyse the levels of network relations at regional, national and international, external or global levels (Amin and Thrift, 1992; Arndt and Sternberg, 2000; Freel, 2000; Koschatzky, 1999; Lechner and Dowling, 2000, 2003; Morrison et.al, 2004), others analyse levels of network relations at local and global level (Braun et.al, 2005; Gibson et.al., 2005; Hart and Simmie, 1997; Lipietz, 1993; Luo, 2002; Marquardt and Snyder,1997; Mauri and Sambharya, 2001; Milne, 1998; Schmitz, 1999). Generally, local and global levels of relations, are used in determining the level of network structure.

This chapter, depending on the data gathered through the field survey, concentrates on defining the role of global connection versus local connection for the success of tourism firms and tourism clusters. The role of institutions and institutional thickness are also scrutinized. In this context, the factors which are important for defining local development and firm success have been defined.

To define the role of global connection, in the first part, global connection parameters are scrutinized starting from different definitions; what it mainly referred by global connectedness of firms and how is it measured, are there any indicators and whether this indicators are suitable for tourism sector or are there any additional parameters that fit well for tourism firms? After defining global integration parameters, firm level analyses are taken into consideration in the second part of this chapter. Therefore, the factors; firm size, firm type, creative project development, institutional thickness have been discussed with reference to local and global networks of tourism firms.

In the third part of this chapter, cluster level analyses are developed for understanding the role of different types and levels of networks and institution building in different type of clusters. In this context, the share and the intensity of local and global networks of tourism firms are evaluated for differentiated clusters of Antalya. Then, organizational structure and institutional thickness of clusters are evaluated under different types of analyses covering simple percentages to social network analyses.

### **6.1 Global and Local Connectivity of Firms and Clusters in Tourism Development**

Debates on global integration and global connectivity have not identified definitions what is really meant by global connectedness of a firm clearly. While some of the definitions of global integration claim that it is as an advanced coordination mechanism that aligns well with both system needs and critical externalities fosters global integration (Luo, 2002), others characterize it as the multidirectional and frequent exchange of products, capital and knowledge among MNC units (Bartlett & Ghoshal, 1987; Ghoshal, 1987; Gupta & Govindarajan, 1991; Kobrin, 1991). In Gupta and Govindarajan's (1991) scheme, the key factor underlying global integration is resource or knowledge flow, which can be defined as the transfer of both visible (e.g., tangible assets and production factors) and invisible (e.g., intangible assets, capital and knowledge) resources amongst geographically dispersed units.

According to Marquardt & Snyder (1997), a company has not been truly globalised until a global way of thinking has been established at the individual and the collective levels in the organization. For them, global integrating mechanisms would be used by organisations to integrate and to develop collaborative efforts among sub-units around the world. In response to varying definitions, global networks of integration can be defined as inter and intra firm flows of resources among corporate units in sprawled geographic areas.

In the literature, factors of global integration including flows are taken under *product* and *factor market integration* as Chen (2006) classifies. *Global product market integration* are defined as international trade flows and foreign direct investment (Summers, 1999; Chen, 2006). According to Summers (1999) and Chen (2006), *global factor market integration* involves foreign capital, foreign labor and international knowledge capacity of units.

In addition, there are also other indicators that are discussed the determinants of global integration. Some of these indicators; having international enterprises (Marquardt & Snyder,

1997), frequency of international travel (Lussier, R., Baider, R. and Corman, J.,1994), employed foreign nationals, subsidiaries managed by foreign nationals, firm size, R&D personel (Lussier, R., Baider, R. and Corman, J.,1994) in other words increasing skill level (skilled manpower) (Summers, 1999) and the fraction of intra-firm sales to total sales are taken as an indicator for global integration (Kobrin, 1991).

In fact, especially for the tourism sector, studies related with the indicators of global integration that will enable a firm to become globally connected are limited and also not clearly defined. However, some indicators that are emphasized in the literature can be useful for tourism to show global integration. The first factor emphasized widely in the literature is the use of all forms of information technology including internet, commercial online services, teleconferencing, and electronic mail. Some of the researchers define this as a generalized concept such as technological intensity (Tolosa, 2003) and improvements in technology (Summers, 1999). It is believed that the higher the technological intensity of an industry or a service, the better will be its chance of successful integration in international markets (Tolosa, 2003). In this context, the share of internet use and e-mail use in the reservations of a tourism firm may be used as an indicator of information technology for defining the tourism firm whether globally connected or not.

Secondly, to determine the level of global connectedness for each tourism unit, debates on global integration and its parameters are grouped under three headings (Table 28.). In this context, *existence of global function & strategy, serving global markets* and *using foreign capital* are taken as concrete factors of global connectivity for the tourism sector (Lussier, R., Baider, R. and Corman, J.,1994).

Serving to global markets is taken as a concrete factor because it is implicitly emphasized in the literature as the frequency of international travel (Lussier, R., Baider, R. and Corman, J., 1994), flows of people across borders (Kobrin, 1991; Sun&Chen, 2006) and the rate of intra-firm sales (Kobrin, 1991). That is why the first group parameter, “*the ratio of foreign tourist arrival of each tourism unit*”, is taken as the best indicator for determining the level of serving to global market. However, it must not be ignored that the ratio of foreign tourist return may be evaluated as the global integration parameter for defining global connection of tourism firm.

Secondly, the indicators of global function & strategy are taken as cross-border organizations, MNCs, intrafirm resource flows, inter-area product flows (Kobrin, 1991; Bartlett and Ghoshal,1987) and having international enterprises (Marquardt & Snyder, 1997) in the literature. It is seen from the literature that existence of global function for a tourism firm can be represented and indicated as “*the relations with foreign tourism firms (tour operators and travel agencies) of each tourism unit*”. In addition, the change in the advertisement expenditure is also important for defining global connection and can be taken as global connection indicator under the heading of global & strategy.

Table 28 Indicators of Global Connectivity for Tourism

<b>Serving to Global Markets</b>	<ul style="list-style-type: none"> <li>• Frequency of <u>international travel</u>, foreign nationals employed (Lussier, R., Baider, R. and Corman, J.,1994)</li> <li>• Intra-firm trade among corporate units in different geographic areas. The <u>fraction of intra-firm sales to total sales</u> as an indicator for global integration (Kobrin, 1991)</li> <li>• <u>The flow of people across borders</u> (Kobrin, 1991; Sun&amp;Chen, 2006).</li> </ul>	<ul style="list-style-type: none"> <li>• <i>The share of foreign tourist arrival for each tourism unit</i></li> </ul>
<b>Existence of Global Function &amp; Strategy</b>	<ul style="list-style-type: none"> <li>• <u>Having International Enterprises</u> (Marquardt &amp; Snyder, 1997), <u>the spread of cross-border organizations</u> (Summers, 1999)</li> <li>• <u>Number of cross-cultural alliances, Global Alliances</u> (Lussier, R., Baider, R. and Corman, J.,1994), <u>Multinational Corporations (MNCs)</u> (Summers, 1999) → number or ratio of global tour operator working with that tourism firm</li> <li>• <u>The relative volume of intrafirm resource flows, inter-area product flows</u> (Kobrin, 1991; Bartlett and Ghoshal,1987).</li> <li>• <u>Participation to Global Associations</u> (Lussier, R., Baider, R. and Corman, J.,1994).</li> </ul>	<ul style="list-style-type: none"> <li>• <i>The relations with foreign tourism firms (tour operators and travel agencies) of each tourism unit</i></li> <li>• <i>The number of participation to global associations</i></li> <li>• <i>Investments in global tourism centers (e.g. hotels)”</i></li> </ul>
<b>Relation with Foreign Capital</b>	<ul style="list-style-type: none"> <li>• Global financing (Lussier, R., Baider, R. and Corman, J.,1994)</li> <li>• Capital Flows (Summers, 1999)</li> </ul>	<ul style="list-style-type: none"> <li>• <i>The number of foreign partnership or ownership</i></li> </ul>

Besides, it is emphasized in the literature that global integration mechanisms are used to develop collaborative efforts among organisational sub units. In this context, the indicators; *cross-cultural alliances, global alliances, participation in global associations* (Lussier, R., Baider, R. and Corman, J.,1994) and *multinational corporations (MNCs)* (Summers, 1999) are widely discussed indicators for global integration. Therefore, the second indicator can also either be taken as “*the number of participation to global associations*” or “*investments*

*in global tourism centers (e.g. hotels)*” for determining the level of global connection of tourism units.

Lastly, the usage of foreign capital can be assessed as the best global integration parameter. Because of the literature emphasize the role of global financing (Lussier, R., Baider, R. and Corman, J., 1994) and global capital flows (Summers, 1999) for representing the global connectivity of units, using the parameter, “*the number of foreign partnership or ownership*”, as the usage of foreign capital could help us to define the firms which are globally connected.

Apart from defining global integrated firms, there is also need for defining locally integrated firms to separate globally connected ones and no connected ones for making a clear definition/separation about the level of connectivity of tourism firms used in the survey questionnaire.

Most of the cluster literature emphasize the importance of local networks and local/regional integration for the competitive advantage of a region by creating and managing tacit or explicit knowledge by exploiting physical proximity in terms of informal relationships among players, overlapping between economic and social relations and mutual trust. Especially for small and medium sized firms, local networks represent a complementary response to the insecurity arising from development and to the use of new technologies (Braun, et. al., 2005). For this reason, local integration literature is taken into consideration for determining the level of contribution, what it really means by local networks of integration and what are the indicators for tourism.

Generally, local networks of integration is differentiated from global networks of integration with its level of geographical proximity, clustering of industries, companies and institutions (Asheim, 2001; Brusco, 1990; Krugman, 1995; Porter, 1990). Therefore, it is intended by means of local integration is that inter and intra firm flows of resources among corporate units in the same cluster. So, as it is seen from the indicators of local integration, similar parameters with global integration parameters have emerged but the significant difference is the local level of connection. In this context, *the number of local relations with tourism units* can be taken as an indicator for defining the local integration of tourism units.

At this point, there comes the question; whether the usage of one parameter is enough for representing the global integration level of that firm/region or not?, whether global connection for supplying service really shows global connection of that firm?, whether foreign tourist arrival of a tourism firm really represents globally connectedness of that firm or not? or Are there any additional parameters needed for defining global connection? become important questions for tourism sector in this research.

For answering all of these questions, the level of connection of each tourism unit of Antalya is evaluated according to the data taken from the survey in the next part. According to the results of the survey, the ones which directly represent global connection in the widely discussed literature may be discussed and eliminated according to its convenienceness for tourism sector. Therefore, the indicators which represents global connection for tourism firms are elaborated in detail in the next part.

### **6.1.1 Indicators of Global Connection for Tourism**

As it is emphasized in the previous part, the share of internet use and e-mail use in the reservations may be used as an indicator of information technology for defining the global connectedness of a tourism firm. However, the usage of e-mail and internet reservation may not be convenient for defining the global connectedness of some of the tourism firms according to the survey data except for hotels. Because the usage of internet and e-mail reservation part of the survey questionnaire is not answered by travel agencies, tour operators, airline corporations, car rental firms and tourism associations in the survey data. So, using information technology as an indicator can not be taken as a good indicator of global connection of tourism firms in Antalya.

Apart from information technology, indicators of global connectedness for tourism which are taken under three groups are evaluated for tourism. Also, the existence of indicators is checked from the results of survey data according to the parameters which represent the three groups that are discussed in the literature.

Related with the first group parameter, “*the ratio of foreign tourist arrival of each tourism unit*”, as a global integration parameter can also be a good indicator for tourism, however, it may also be confusing for the evaluation of global connection of firms in Antalya. On the one hand, the ratio of foreign tourist arrival may be taken as a good indicator for examining

the level of global connection. Because foreign tourist arrival to Turkey has increased from 12,8 million to 21,1 million between the period of 2002 to 2005. As the world's 12th top tourism destination and has approximately %3 market share in Europe for foreign tourist arrival (WTO, 2006), it can be said that Turkey is a globally connected country. Moreover, when the share of foreign tourist arrival of Antalya is compared with the other touristic regions of Turkey, it is seen that Antalya is the most globally connected tourism destination with its 30% share in total foreign tourist arrivals to Turkey.

On the other hand, whether the ratio of foreign tourist arrival is a strong indicator of global connectivity or not is susceptible for Antalya case. According to the survey data, it is seen that most of the tourism firms in Antalya have high ratio of foreign tourist arrival because of being in the most globally connected tourism destination in Turkey. If comparative analysis had been made in this thesis with a locally connected tourism region such as the North Aegean destination of Turkey, it would be meaningful to use foreign tourist arrival as a global integration parameter. Moreover, even small sized tourism firms in Antalya have also high ratio on foreign tourist arrival. However, most of small sized tourism firms do not have also dense linkages with global tour operator and travel agencies because of not having enough room number to fulfill the demand of tour operators and travel agencies.

Secondly, it is seen that existence of global function for a tourism firm can be represented and indicated as "*the relations with foreign tourism firms (tour operators and travel agencies) of each tourism unit*". In the survey data, it is seen that there are 68 tourism units which have global connection with tour operators and most of the tourism units are consisting of big sized 4 and 5 star hotels, travel agencies and a few numbers of medium sized tourism firms. In fact, the relations with foreign tour operators can be a good indicator for representing global integration of a tourism firm. For this indicator, survey data is convenient and most of the tourism units in this indicator are composed of big size firms that the literature supports in discussions.

When the relations of tourism firms with global travel agencies are scrutinized as an indicator of global connection in the survey data, it is appearing that there are only 19 tourism units which have connection with global travel agency. Most of the big size firms and travel agencies that have connection with global travel agencies correspond with the same tourism units in the previous indicator, "relations with global tour operator". So, the only difference is about 6 tourism units which are medium and small sized hotels not

existing in the previous indicator. Solely, the use of connection with global travel agencies can not be taken as an indicator of global connection. However, if tourism units which are global connected via their relations with foreign travel agencies are added to the global integration parameter, this can be used as a good indicator of global connection of firms in Antalya.

Related with the indicator of global function & strategy, secondly, “*the number of participation to global associations*” or “*investments in global tourism centers (e.g. hotels)*” can be used as a determinant of global connection of tourism units. Survey data shows that, there are 13 tourism units which have participations with global associations and most of which are consisting of tour operators and local tourism associations. Only few ones are consisting of hotels and these hotels are generally big sized. In fact, relations with global associations is a good indicator for representing global connectedness, however, our survey data seems to be not convenient for using this parameter.

Global investment can be other indicator for showing global function of a firm and it is seen that there are 23 tourism units which are global tourism investments from other countries and most of which are tour operators and travel agencies in Antalya. Due to not having an equal distribution in the type of tourism firms, this indicator may not be convenient to use as a global integration indicator for Antalya.

Moreover, “*the number of foreign partnership or ownership*” can be taken as an indicator of global capital for representing the global connectivity. It is seen that, there are 196 foreign capital tourism firms in Antalya. Although few ones are hotels, most of the foreign capital firms that are in the list of Turkish Treasury are composed of yacht and construction firms, jeweller’s shop, real estate firms, investment and tour firms. Again, 5% sampling was carried out in survey questionnaire to these foreign capital units. In fact, to what extend is 5% sampling implemented to the low number of foreign capital hotels enough to represent the behavior of the foreign capital firms on global connectivity is suspicious. Because only tourism firms are elaborated in this thesis and their number in Antalya is very low. That is why it is decided that only the usage of foreign capital may not be a good parameter for global connectedness. Although representation problems have emerged, 5% sampling is also carried out to foreign capital hotels with respect to their distribution according to their districts in a second round questionnaire. Then, foreign capital hotels are added to the firms

which have connections with global tour operators to define clearly the globally connected ones.

In addition, there are 21 tourism units which have foreign partnerships in Antalya and most of which are evaluated as globally connected firms in the survey. Therefore, *the number of foreign partnership of each tourism unit* can be taken as an indicator for determining globally connectedness in the whole survey data.

In fact, still, there is not a powerful indicator for representing global connectedness except using foreign capital due to the emerging problems by using foreign capital firms as an indicator which was discussed before. Moreover, using the share of foreign tourist arrival for each tourism unit seems also not to be a strong indicator although serving to local or global market is an important indicator for global connectivity theoretically. However, when we evaluate the survey data, the number of relations with global tourism firms (tour operators and travel agencies) as a parameter of global connectedness seem to be the best one that we can use in the analysis.

In addition to the number of relations with global tour operators and travel agencies as a global integration parameter, foreign capital firms which highly show global connectivity must be taken into consideration when determining the global connectedness of tourism firms. Moreover, *foreign tourist arrival* which represents serving for global markets, *relations with global associations*, *the amount of investments in the global tourism centers* that shows the global function of the tourism unit / region and also *the number of joint partnerships with global* are important indicators which are taken into consideration in the analysis. Whether there is significant difference emerge between these parameters or not must be checked and evaluated for each parameter when examining the level of global integration in this research. In this context, correspondance analysis is used to determine the structural similarities between different type of global integration indicators in tourism. In this context, defined structurally similar indicators based on global integration are taken as the indicators of global integration in this thesis.

In Figure 21, the first number of rows represent the existance of foreign investment. The second number of rows represent existance of global tourist arrival. Besides, while the first number of columns represent the use of internet in tourism firms, the second number of columns show the number of foreign tour operator use. As it is seen from the clustered

parameters of global connectedness in the correspondance plot, *the increase in the foreign tour operator use and the existance of global investment* shows similar structural composition when representing the global connectedness, therefore they are taken as indicators of global integration in tourism firms.

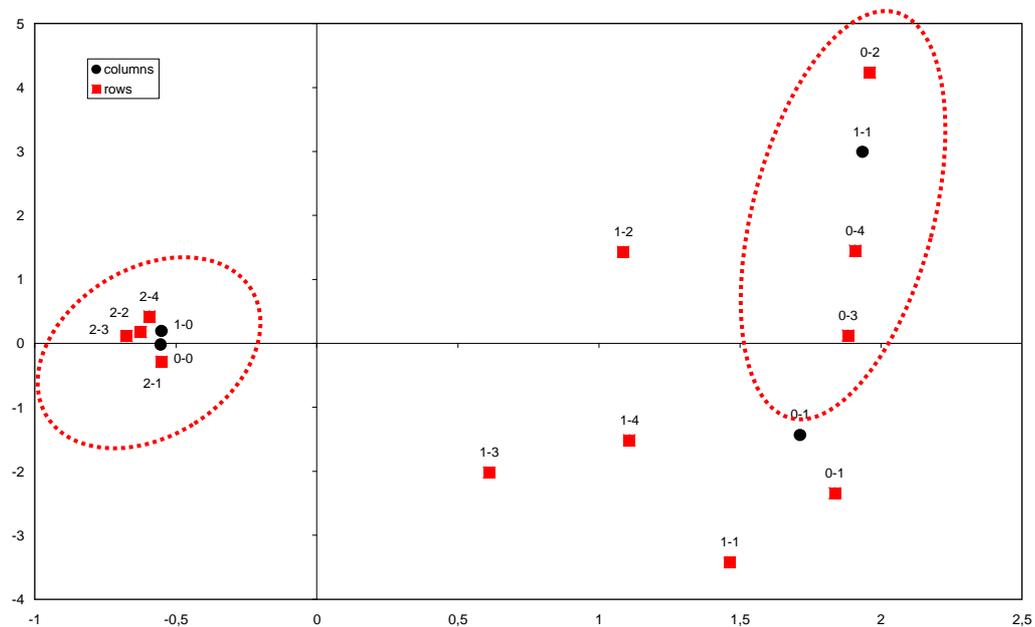


Figure 21 Correspondance between Global Integration Parameters

Source: Calculated from survey data

Note: Rows: Existence of foreign investment (0→No, 1→ 1-2 investment, 2→ more than 2 investments ) \_ Existence of Global Tourist Arrival (0→ No, 1→ 25% arrivals, 2→25-50 % arrivals, 3→ 50-75% arrivals, 4→ 75-100% arrivals) Columns: Usage of internet in tourism firms (0→ No , 1→ Yes)\_Usage of foreign tour operator (0→ No, 1→ Yes)

Apart from the global integration parameters, when we look the local integration parameters, *the number of local relations with tourism units (tour operators and travel agencies, hotels and associations)* can be taken as an indicator of local integration of tourism units in this thesis. In addition to the relations with tour operators and travel agencies, relations with other hotels and associations must be taken into consideration for local integration to separate them from the tourism units which have no integration.

After defining the indicators for global integration and local integration, in the following part, first of all, descriptive analyses such as various types of contingency tables are generated related with the hypothesis and the questions of the thesis to understand the role of local&global networking and institutional thickness on the success of tourism firms and local

development in clusters. Then, evaluative methods, interdependence techniques such as social network analysis are used for testing the hypothesis and questions of the thesis. Lastly, an evaluation is made on the contribution of local and global networks of tourism firms to the local development of their clusters and nearby settlements by analysing purchasing relations not only with their cluster but also with other provinces.

## 6.2 The Relative Importance of Local & Global Networks for the success of Tourism Firms

In this part, the increasing importance given to the networks, networking levels and the reasons behind developing local and global networks for tourism firms is scrutinized in order to understand their contribution to the performance of tourism firms. In this context, firstly, the question; “*whether density of local and global networks are changing according to different types of tourism firms*” is tried to be examined for Antalya.

Table 29 Density of the level of networks according to different types of tourism firms

2005 values Firm Type	Global Network		Local Network	
	Dense	Low	Dense	Low
1 Star	0,50	0,50	0,75	0,25
2 Star	0,18	1,00	0,36	0,64
3 Star	0,62	0,25	0,77	0,23
4 Star	0,92	0,09	0,75	0,25
5 Star	1,00	0,00	1,00	0,00
AirlineCorporation	1,00	0,00	1,00	0,00
Apart-Pension_Hotel	0,08	0,87	0,26	0,74
BoutiqueHotel	1,00	0,00	1,00	0,00
Holiday Village	1,00	0,00	0,57	0,43
RentAcar	0,33	2,00	1,00	0,00
Tour Operator_Travel Agency	1,00	0,00	0,92	0,08
TourGuides	0,06	3,50	0,48	0,36
TravelAgency	0,43	0,06	0,71	0,02
<b>Grand Total</b>	<b>0,29</b>	<b>0,30</b>	<b>0,47</b>	<b>0,49</b>

Source: Calculated from survey data

In the field survey, the density of using different levels of linkages at local and global level has been asked for the years 2000 and 2005 to tourism firms. The density of linkages are determined by the given answers which show their level of linkages under the classification of “dense” or “low”. The change in the behaviour of developing local and global networks

could not be analyzed due to given similar responses for the period between 2000 and 2005 in the survey questionnaire. Thus, the distribution of total number of low and dense networks into different geographical levels is examined in a quantitative way. Number of dense or low linkages of each firm type is divided to the total number of linkages of each firm type for calculating density. It must be admitted that interviewers have evaluated the density of linkages according to their individual experiences.

It is seen that local networks have crucial importance in most of the tourism firms when compared with the density of global network (Table 29). According to the debates of the literature, it is believed that none of the regions can achieve sustained growth depending solely on local networks and endogenous processes in the contemporary economic relations. They require global actors and global networks to adapt the global economy by providing external knowledge transfer (Eraydin, 2002). Although local networks are enhanced by the internal dynamics and externalities of clusters, global networks prevents lock-in situation of locally bounded clusters (Camagni, 1991; Schmitz, 1999; Amin and Thrift, 1994) and creates new type of advantages for firms to adapt the global economy.

According to the Table 29, global relations seems to be important especially for high qualified firms such as 4-5 star hotels, boutique hotels, holiday villages, tour operators and airline firms. Although global network density is low in small sized hotels such as in apartments and pensions, local network density is also low compare to the other types of firms. For high qualified firms, global networks are accepted to be very important in addition to the importance of local networks.

However, for some of the firms, global networks are taken as more important than local networks as it is seen in holiday villages, 4 star hotels, tour operators and travel agencies. This is related with the type of tourism production observed in Antalya which is still based on the dominance of mass, standardized and packaged holidays, dominance of charter flights and tour industry. It is also implied that high qualified tourism firms seem to be crucial for preventing the lock-in situation by developing global networks which enable to reach external knowledge.

In addition to defining the density of the level of networks between different type of tourism firms, the reasons behind developing local and global networks are evaluated in order to understand the structure of the networking behaviour of tourism firms. While easier working

conditions in the cluster and local trust are reported in the field survey as the main reasons of local networks, increasing foreign arrival via being well-known by global firms and reaching external knowledge are stated as the main reasons for developing global networks for tourism firms in Antalya (Table 30.).

The share of firms which reported that being in the same settlement makes collaboration easier, goes up to 78 percent for the reasons of local networking. Also, trust to local firms seems to be an important factor for developing collaboration in local area with a %60 share. However, it is observed that face to face, family and kinship relations, similar working styles, difficulty of finding firms from abroad are observed as not important factors for developing local networking between tourism firms (Table 30.).

Table 30 Reasons for local and global networking with tourism Firms in Antalya

<b>Reasons of Local Networking (no=295*)</b>	No**	Response	%
Being in the same settlement makes collaboration easier	139	108	77,7
Face to face relations, family and kinship relations	139	51	36,7
Your working styles are similar within the region	139	84	60,4
Easier to trust	139	94	67,6
Difficulty at finding firms from abroad	139	55	39,6
<b>Reasons of Global Networking (no=295)</b>			
Insufficient quality systems of local firms	149	43	28,9
Insufficient technological levels of local firms	149	38	25,5
Service and organization structures of local firms do not fit to you	149	46	30,9
Absence of skilled employees in local settlements	149	49	32,9
External relations provide new external knowledge and technology transfer	149	70	47,0
Difficulty at finding firms from your province	149	29	19,5
Increase the number of foreign tourist arrival	149	90	60,4
Easier trust to famous organizations	149	71	47,7
To be known by the global firms	149	67	45,0

\* 295 firms including hotels, travel agencies and tour operators have given response to these questions. Within these firms, 149 firms have given response to the reasons of global networking and 139 firms have given response to the reasons of local networking. Reasons of local and global networking have not answered with tour guides, tourism associations, therefore, they are excluded from the total number of firms.

\*\* These values represent the percentage of answers obtained for each question in Antalya. Percentages show positive effects for developing networking.

Source: Calculated from survey data

According to the results of developing global networks, increasing the number of foreign tourist arrival is the main reason for tourism firms. Although external knowledge, technology transfer and easier to trust to global firms are not the main reason for developing linkages

with global firms, they are the second important issues for developing global networks (Table 30.).

The discussions related with the level of networking and the reasons for local and global networking reveal that local networks are very important, in addition global networks have gaining significance. Especially, a huge amount of high qualified tourism firms in Antalya generates global networking to promote their competitiveness in the global market which also contributes to the competitiveness of their destination. Nevertheless, these findings are too general to understand the nature of networking between tourism firms. Therefore, in the following part, important factors that effect the level of integration of tourism firms are scrutinized in detail.

### **6.2.1. Factors effecting the Level of Networking in Sample Tourism Firms**

In this part, the hypothesis; *“the level of networking of tourism firm changes by the characteristics of that firm”* is scrutinized for tourism firms in Antalya. To examine this general hypothesis of the thesis, several factors are defined under different sub hypotheses which are helpful for explaining and interpreting the role of global and local networking in tourism firms. These functions which are discussed with reference to level of networking are *the size of the firm, the category of the firm, creative capacity of the firm and agglomeration of firms.*

#### ***Firm Size as a Function of Defining the Level of Integration of Tourism Firms***

In this part, the “firm size” and its affects on the level of networking is examined for the tourism firms in Antalya. Although in the tourism literature there is not so much argument on the relation between firm size and level of network relation, in manufacturing literature it is supported that levels of network relation change according to firm size. Related with the firm size, subhypotheses which are defined in this thesis; *“The bigger the size of the firm, the higher the share of developing global networks”* and also *“The smaller the size of the firm, the higher the share of local networks”* are tried to be examined. In the light of the defined hypotheses, the question; ‘to what extent is the size of firm effective in defining the level of networks among tourism firms?’,and ‘Whether the level of networking behaviour changes according to the size of tourism firm?’ is evaluated.

Table 31 Global and local connectedness by the size<sup>21</sup> of tourism agents with percentage values

Firm size	Globally	Locally	No	Total (n=	Chi-Square	P-value
	Connected (%)	Connected (%)	Connected (%)	300)		
Big Size (transport)	11 (69%)	4 (31%)	0 (0%)	(n=13)	56.329	.000*
Big Size (accommodation)	20 (77%)	5 (23%)	0 (0%)	(n=22)		
Medium Size (transport)	6 (63%)	3 (37%)	0 (0%)	(n=8)		
Medium Size (accommodation)	35 (28%)	40 (38%)	30 (34%)	(n=103)		
Small Size (transport)	15 (34%)	23 (58%)	2 (8%)	(n=38)		
Small Size (accommodation)	13 (9%)	25 (21%)	68 (70%)	(n=116)		
Total (n=300)	(n=84)	(n=97)	(n=119)	300		

Source: Calculated from survey data

Note: Small Size =10-49 employee, Medium Size=50-99, Big Size= 100+ employee. Tourism associations and tour guides are excluded.

The findings of the chi-square analysis in Table 31 show that the local and global networking behaviour of different sized tourism firms is significantly different (Chi square=56.329 significant at 0,000 level). As can also be seen from Table 31., most of the large tourism firms are globally connected, such as those providing accommodation, as well as transport firms, such as travel agencies, tour operators, airline firms and car rental firms. While medium-sized travel agents and tour operators show a globally connected structure in their relationships, the medium-sized hotels show a different structure, with equal distribution among global connections (connections with other companies outside country), local

<sup>21</sup> In the table 31, firm size are defined according to two criterias. This is because of the undefined firm size structure in tourism literature. In the statistical analysis of World Tourism Organization, there is no clear distribution on the size of tourism firms such as small sized or big sized. Also, in other studies there is no clear definition, except the ones which define firm size in accommodation as the number of room capacity according to firm type such as in 5 star hotels min 500 rooms and in HV min 60 rooms etc. (Öztaş, 2002). That is why we can not define the size of accommodation firms with reference to other studies. In response to defining firm size in tourism, two criterias are used which are based on the number of bed capacity in accommodation firms and the number of employee in other tourism firms such as tour operators, travel agents, airline and car rental firms. These two criterias and their intervals are determined according to the distribution of firms in the survey data.

connections (connections with other companies in the same and nearby clusters) and those with no connection. The small companies, particularly those providing accommodation, seem to be less locally connected and more with no connections. In spite of this, most of the small tourism companies, with hotels being the exception, seem to be highly connected with other firms at both local and global levels. The surprising fact that most of the small hotels seem to be less locally connected or not connected at all may be down to the absence of large firms in the cluster. As can be seen from the clusters, large firms play a leading role in developing networking relations, not only at a local level, but also at a global level.

These results reveal that while global integration is extremely high among the large tourism firms, this is not the case for small firms. This is an expected result that several studies have commented upon in the past, and it has been debated that this situation can be explained as follows: “*larger firms interact more with support institutions and global value chains*” (Tödling and Kaufman, 1999), “*small firms are more spatially embedded and are more closely tied with local networks than large firms*” (Arndt and Sternberg, 2000), while “*large firms are tied closer to global networks and have weaker connections to local networks than smaller firms*” (Eraydin and Fingleton, 2006). Because of their high service quality and carefully coordinated marketing strategy, the enthusiasm of large tourism firms for destination-based local partnerships to promote destination competitiveness is less than small- and medium-sized firms in tourism (Jones and Haven-Tang, 2005). Lynch (2000) comments on the stable mentality of SMEs and their resistance to external interventions. However, small firms cannot pursue sustainable development in volatile conditions due to a lack of financial resources and less research and development activities unless they develop collaborations with other tourism agents. Therefore, it is implied that small firms should develop connections with tourism firms not only at a local level but also at a global level if they are to be competitive and survive in the global environment.

### ***Firm Category as a Function of Defining the Level of Integration of Tourism Firms***

In this part, firm category is taken for different types of tourism agents which have important roles in the production of tourism activity. Firm category is consisting of hotels with all stars and types, tour operators-travel agencies, tour guides, tourism associations, local travel agencies, airline firms and indirectly related rent a car firms. Most of the firms in this category create linkages within themselves in changing densities such as strong or weak linkages. However, even some of them still shows a disconnected structure in their survival,

it is known that they can not survive their competitiveness unless they become connected with other tourism agents.

Table 32 Global and local connectedness by the categories of tourism agents with percentage values

<b>Category of the Firm</b>	<b>Globally Connected (%)</b>	<b>Locally Connected (%)</b>	<b>No Connected (%)</b>	<b>Grand Total (n= 356)</b>
Hotels	25	27	48	241
Tour Operator_Travel Agency	67	33	0	12
TourGuides	6	39	55	33
TourismAssociation	39	57	4	23
TravelAgency	36	57	7	42
RentAcar	67	33	0	3
AirlineCorporation	100	0	0	2

Source: Calculated from survey data

Table 32 (detailed) Global and local connectedness by the categories of tourism agents with percentage values

<b>Firm Type</b>	<b>Globally Connected (%)</b>	<b>Locally Connected (%)</b>	<b>No Connected (%)</b>	<b>Grand Total (n=356)</b>
1 Star	50	25	25	4
2 Star	27	36,5	36,5	11
3 Star	46	46	8	13
4 Star	50	50	0	12
5 Star	93	7	0	14
AirlineCorporation	100	0	0	2
Apart	14	32	54	22
BoutiqueHotel	67	33	0	3
Holiday Village	86	14	0	7
Hotel	16	22	62	89
Pension	6	29	65	66
RentAcar	67	33	0	3
Tour Operator_Travel Agency	67	33	0	12
TourGuides	6	39	55	33
TourismAssociation	39	57	4	23
TravelAgency	36	57	7	42
Grand Total	25	36	39	356

Source: Calculated from survey data

It is seen in Table 32 that, tourism agents in each category have strong connectivity not only with global, but also with local level. Especially, when we look the level of connection of hotels in detail, it is appearing that holiday villages and 5 star hotels have strong connection with global. It can be concluded from this result that the hotels that are more qualified have more global connections. This is because of the situation that to be competitive in the global environment, there is a need to be more qualified and there is a need to be more globally connected structure for reaching, upgrading and adapting the changing conditions and

interests in tourism. However, in general, hotels in the case study mainly show an equally distributed structure in the level of connectedness.

It is obvious that tour operators and airline firms should be more globally connected than other categories in tourism because of their nature that bounds external world to internal. Besides, it is seen from the survey data that the associations which are environmentally specialized, legally institutionalized and governmentally supported have more global linkages with global tourism associations. However, the associations which are newly emerging and cluster bounded ones are more locally connected than globally connected. In fact, tourism associations have a key role on developing local and global connectivity for tourism agents which are their members.

At this point, associations can be taken as an opportunity for all types and size of the tourism firms to enhance the number and type of connectivity at local and global level for enhancing awareness of the ongoing trends to promote competitiveness and sustainability of that region via tourism. That is why associations and their level of connectivity should be supported by the regulations of government and by financial contributions of the related tourism agents.

#### ***Creative Capacity of Firms as a Factor in Defining the Level of Integration of Tourism Firms to be Competitive***

The relationship between creative capacity and level of networking of a tourism firm is scrutinized in this part. Although creativeness in the field of tourism have also been a matter of limited research, it is an important factor showing competitiveness of tourism firms. This may be explained by the unique features of tourism which makes their product sometimes difficult to grant a patent (Nordin, 2003). In Table 33, creative capacities of tourism firms are evaluated under four intervals which represents the level of increase in creative project development from 0 to 3. In the table, creative projects and enhancement investments are evaluated in the same column to see the contribution of the two important creative and new product development.

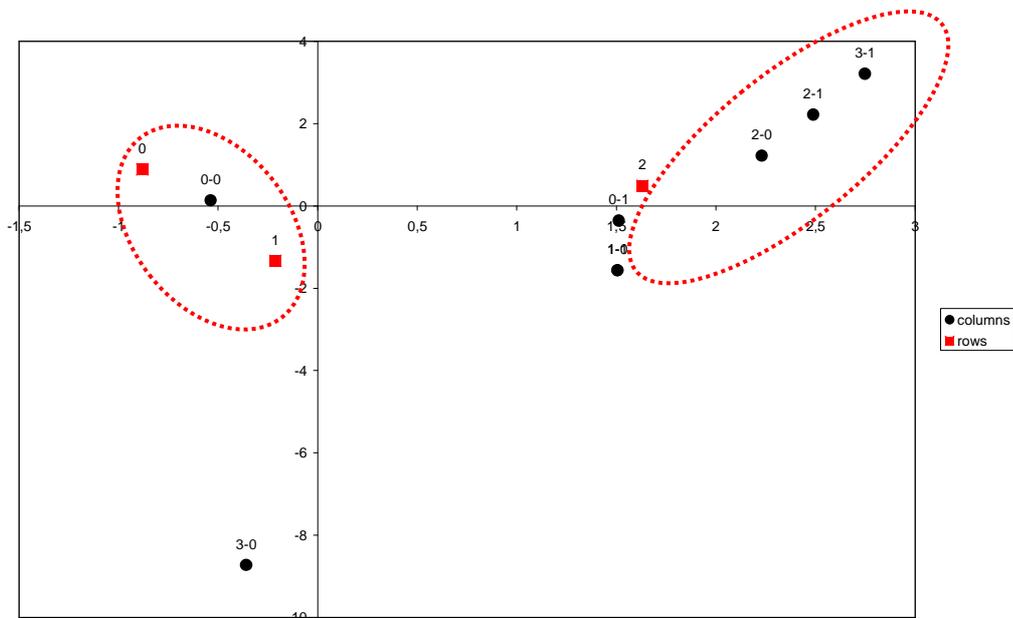
It is revealed from the Table 33 and Figure 22 that the tourism firms which have more creative projects and enhancement investments are the ones that have more global connection. Also, the ones which are locally connected have less creative projects and less enhancement investment. However, no connected tourism firms have no creative activities and no enhancement investments. In fact, this is an expected result that the literature

emphasizes. In the literature, it is claimed that *the increase in the level of creativeness of a tourism firm depends on the number of global networks*, and this is taken an important function in examining the level of connection.

Table 33 Global and local connectedness by the creative projects and enhancement investments of tourism agents

CreativeProjectDev(0-1-2-3)_Enhancement (0-1)	0-0	0-1	1-0	1-1	2-0	2-1	3-0	3-1	Grand Total
No Connection (0)	137	1	0	0	0	0	0	0	138
Local Connection(1)	101	5	8	8	2	1	2	0	127
Global Connection (2)	34	10	12	12	10	11	0	2	91
Grand Total	272	16	20	20	12	12	2	2	356

Source: Calculated from survey data Note: Real numbers are used not the percentages  
 Note: In innovation capacity → (0= no innovation, 1= 1 and 2 innovation, 2= 3-4 innovation, 3= 5- + innovation), In enhancement investment → (0= no enhancement investment, 1= the existance of enhancement investment)



Source: Calculated from survey data  
 Note: Columns: Number of Creative implementations (0→ No, 1→ 1, 2→2,3,4 projects, 3→ 5,15 projects) – Existance of Enhancement Investments (1→yes, 0→ No) Rows: Local-Global Connected (1→Locallyconnected, 2→Globallyconnected, 0→ Noconnected)

Figure 22 Correspondance Between Global Relation- Local relation and Creative Projects – Enhancement Investment

According to the debates, it is emphasized that creative product development depends on the knowledge creation capacity of firms, as well as entering network relations at regional,

national and global levels (Koschatzky, 2000). Therefore, relations with different type of R&D institutions, and cooperation with customers, suppliers and partners through formal and informal local networks are considered as the main sources of learning process and innovative activities (Cooke, et. al., 1997). In fact, it is also a sign for being flexible and being adaptable to the changing situations of the global market.

Table 34 Firm size and its relation according to the level of creativeness of tourism firms

FirmSize	Creative Projects 0	Creative Projects 1	Creative Projects 2	Creative Projects 3	Grand Total
BigSizedFirms	6 (%46)	6 (%46)	1 (%18)	0 (%0)	13
BigSizedHotels	5 (%26)	5 (%26)	8 (%42)	1 (%6)	19
MediumSizedFirms	3 (%37)	4 (%50)	1 (%13)	0 (%0)	8
MediumSizeHotels	82 (%79)	13 (%13)	6 (%6)	2 (%2)	103
SmallSizedFirms	33 (%86)	3 (%8)	2 (%6)	0 (%0)	38
SmallSizedHotels	104 (%87)	9 (%8)	5 (%4)	1 (%1)	119
Grand Total	233 (%78)	40 (%13)	23 (%8)	4 (%1)	300

Source: Calculated from survey data, tourism associations and tour guides are not taken into account because of the absence of employee data.

Note: Number of Creative implementations (0→ No, 1→ 1, 2→2,3,4 projects, 3→ 5,15 projects)

SmallSizedFirms =10-49 employee, MediumSize=50-99, Big Size= 100+ employee

SmallSizedHotels =10-49 bed, MediumSizedHotels=50-499 bed, BigSizedHotels= 500+ bed

Apart from that, it is seen from Table 34 that there is a strong connection between the tourism firms which have big sized and having creative activities. Tödling and Kaufman (1999) claims that “*Larger firms interact more with support institutions and global value chains are important in innovative activities*”. As it is seen in the previous part and the Table 6.2.4. that the firms which are big sized, have more global connection than small ones and therefore it can be concluded that big sized and globally connected firms are more creative than small sized ones in tourism. Because networking binds firms to gather into a relational contracting, collaborative product development and multiplex inter-organization alliances induces creative processes of firms and regions. To avoid lock-in, as Kautonen (1996) suggests, network relations that will lead to innovation are needed both within local milieu and in the global environment. However, for supporting the creative environment, the necessity on developing global networks and more flexible tourism production is beneficial to prevent the region from lock-in situation by providing technology and capital transfer.

### **6.2.2 Institutional thickness between different types of tourism firms and different type of tourism associations**

Institutional thickness that depends on the high levels of interactions amongst organizations and firms have advantages for the success of firms. For some debates, it is claimed that firms seldom survive and prosper solely through their individual efforts. Each firm's performance depends upon the activities and performance of others and hence upon the nature and quality of the direct and indirect relationships a firm develops with its counterparts (Wilkinson & Young, 2002). It is implied from the literature that firms do not operate in isolation but must seek to collaborate with other network actors to achieve their goals. Although there is not so much discussion on the relation between tourism organizations and firms in the tourism literature, in development literature it is argued that strength of relations between different types of firms and organizations have positive contributions on firm success and local development. In this context, it is stated that membership and engagement in voluntary associations foster communication and dissemination of information, generate and reinforce trust in societal norms which is conducive to co-operation (Putnam, 1993).

In fact, business networks are often based on interpersonal ties (Yeung, 1997; 1998), informal information flows (Malecki and Tootle, 1996; Perry and Goldfinch, 1996; McDade and Malecki, 1997; Walcott, 1999), resource sharing (Perry and Goldfinch, 1996) and decentralized learning and knowledge (Amin and Cohendet, 1999). These networks are often embedded in localities with very strong institutional legacies and linkages (Grabher and Stark, 1997a; 1997b; Perry, 1999; Grotz and Braun, 1997). Mainly, networks allow firms and organizations to expand their skill base and support their development, giving them access to more extensive resources, knowledge and technology more quickly. In this way, the network essentially aims at reinforcing the firms' competitive potential cost free while avoiding size related problems (Bocquet, et.al., 2006). Because of the advantages of networks, especially the relations of firms with associations are gaining significance.

In fact, the tendency to support the establishment of tourism associations and the tendency to collaborate with tourism associations are varied according to the type and size of tourism firms. The importance given to the collaborative project development with associations are also changing according to the types of firms in Antalya. In the example of US and Britain, it is seen that associations are popular because business firms want them to collaborate with and they are willing to support them financially and in other ways (Bennett, 2000). Although

there are positive effects for firms, collaborative activities of firms with associations for the development of tourism may be weak for some type of firms.

Generally, it is discussed that small firms develop linkages with associations to adapt the requirements of the sector and global environment because of their vulnerability and weak structure for adapting the conditions (Bocquet, et.al., 2006). Salisbury (1984: 74) argues that sectors composed mainly of small firms will rely to a greater extent on intermediary organisations for collective purposes such as representation because they can seldom afford to pay for individual services directly from consultancy or other specialist firms.

However, this is not mean that linkages with big size firms and associations are not important. Tödling and Kaufman (1999) claim that “larger firms interact more with support institutions and global value chains”. As it is emphasized above, there are different views on describing this relation; different types of tourism firms have different strength of behaviour on developing linkages with tourism associations. However, whether the situation is different for Antalya tourism region with respect to the relationship between different type of tourism firms and associations or not, is an important area of research for identifying these dynamics. Therefore, the question; “*whether firm size and type matters for the development of relation with tourism associations*” become important question to understand institutional thickness of different type and size of tourism firms in Antalya.

In this context, size and type of firms are scrutinized according to their relations with different type of tourism associations. Firstly, the relationship between firm size and linkages with different type of associations are evaluated (Table 35).

Table 35 The Share of Different Size of Tourism Firms According to their Relations with different type of Tourism Associations

<b>FSize</b>	<b>Nation Based Associations</b>	<b>Nationally Organized LocalAssociations</b>	<b>Self-help Local Associations</b>	<b>Global Based Associations</b>	<b>Total Share of Relations withAssociations</b>
<b>BMS</b>	96,67	20,00	26,67	3,33	93
<b>BS</b>	94,29	17,14	11,43	11,43	87
<b>SMS</b>	21,51	1,08	1,08	1,08	27
<b>SS</b>	21,83	0,00	1,41	0,70	29
Grand Total	40,00	4,33	5,00	2,33	40

Source: Calculated from survey data

Note: For Hotels; Big Size Firms→700+bed, Big &Medium Size→200-699 bed, Small&Medium Size→50-199 bed, Small Size→ 1-49 bed. For Other Firms; Big Size Firms→100+emp, Big &Medium Size→50-100 emp, Small&Medium Size→10-50 emp, Small Size→ 1-9 emp

According to Table 35. it is seen that the share of relations with tourism associations are extremely higher in big sized firms than small sized ones. Especially for big sized and big & medium sized firms, networking behaviour is really different when it is compared with small & medium and small sized firms. According to the debates of the literature, small sized firms should have stronger motives for joining and remaining members of associations in order to gain access to collective goods (Salisbury, 1984), however, this is not so much coincide with the situation of small sized tourism firms of Antalya.

It is obviously appearing that big sized firms have more linkages with tourism associations than the small sized ones in Antalya. Related with the linkages of big sized tourism firms and tourism associations, there are different views in the literature. For instance, Mitchell (1990) claims that in terms of cost to the firm and the perceived benefits, large firms disproportionately favor direct representation to use of either sectoral or broader-based national business associations.

As noted by Olson, the smaller the size of businesses, generally the larger is the number of its potential members and hence the opportunities for opting out and free riding are greater. According to the study of Bennett (2000) in Britain, it is seen that high lapse rates offset high joining rates for associations of the smallest businesses showing these bodies to have the highest instability of memberships. This may be true for some of the small size of participation of businesses in Antalya. Therefore, as to Salisbury's argument, it is not expected any more for Antalya that small firm associations are likely to have the lowest rates of joining and retention of members, unless they can link associative activities with other specific benefits.

Apart from the evaluation on the relation with firm size and membership to a tourism association, relation with different type of tourism associations are also important for evaluating the institutional thickness of Antalya. Therefore, the relation between firm size and type of tourism association is also evaluated by using the survey questionnaire data (Table 35). According to the Table 35, it is observed that big size and big-medium size tourism firms have got extremely higher shares in relation with nation based associations than small and small-medium sized tourism firms. In fact, nation based associations have got the dominant share (40%) for the development of relations with each size of the tourism firm. In addition, although the shares of relationship with nationally organized local associations and with self-help local associations are low when compared with nation based associations, it is

observed that big and big-medium sized tourism firms have got also higher shares with these kind of associations.

As it is revealed from these shares, big and big-medium sized firms have more relations with each type of association. In fact, it is well known that nationally organized local associations are established for the advertisement of the country and for the development of mass tourism and high bed capacity for the clusters. The strong relation between big sized tourism firms and nationally organized local associations can be explained within this context. Moreover, newly emerging self-help local associations are established in order to bring solutions to specific issues and problems of their clusters which is different from other districts. These type of associations are mainly seen and concentrated in Alanya cluster. As it is seen from the previous specialization analysis of Alanya, it is mainly consisted of small and medium sized tourism firms and thereby, it creates a lack of representation for big sized firms in Alanya tourism cluster. Big sized firms in different districts of Alanya have triggered the establishment of these self-help associations to represent themselves in the global destination market. This situation explains the findings on the behaviour of big sized firms which has strong collaboration with self-help local associations.

Furthermore, some of the tourism firms which have varying sizes have linkages with associations not only at local but also at global level to take the advantages of global collaboration and also to be competitive in the market. As it is revealed from Table 35, big and big-medium sized firms develop more linkages with all type of tourism associations than small sized firms in Antalya. It seems that big sized tourism firms have more opportunity and flexible structure to develop linkages not only at local scale, but also at national and global scale than small sized ones to be competitive in the global market. In fact, this is an expected result for some of the claims of the literature.

Nonetheless, small sized hotels such as apart hotels and pensions of Antalya have not enough linkages with tourism associations, though they are high in number which gives them a chance to organize themselves under an organization which creates institutional thickness. It seems that institutional thickness for these type of hotels are not enough developed to represent their demand in the tourism market. However, relations with associations are high in qualified type hotels as we have seen in the previous examples. High qualified and big sized tourism firms are more resources, higher revenues and more conscious about the advantages of organizational set-up and institutional thickness. They have also more

financial power to support and the establishment of these kind of organizational set-ups and networking linkages between them.

According to the debates of the literature which are on small sized firms and their relations with associations, it is indicated that they require a strong linkage with tourism association more than big sized firms due to the lack of financial power and lack of advertisement capacities. This may be true for Antalya case, however, it seems that they do not have any contact with tourism associations. Although the reason behind the lack of contact with tourism associations may vary, supporting the tourism associations which represent the demand of different type/size of tourism firms would be beneficial for enhancing the collaborative projects and sustainable tourism development. It is well known that these kind of associations are taken as a solution for solving the requirements and advocating the rights of the firms in the sector.

As a result, relationship between firms and tourism associations are important for different size of the firms. Although some of the linkages between different size of firms and associations are weak, it is seen that almost all firms require collaborative type of a linkage with associations to reinforce the right to be heard in tourism. According to the study of Crewe (1996), it is demonstrated that private sector institutions have both the potential and the capacity for firms to promote a sense of shared group identity and to strengthen the voice of local firms, e.g., in the case of the Lace Market Manufacturers Association in the Nottingham Lace Market (Crewe, 1996). This is also true for private sector tourism associations of Antalya. To strengthen their voice in the global market, local tourism firms should have started to collaborate under the umbrella of tourism associations and it seems that newly emerging associations would give them a chance to be represented in the tourism market.

### **6.3 The Role of Networking and New Organizational Set Up for the Local development of Tourism Clusters**

In this part, the importance of networks, especially the role of local and global networks of tourism firms and new organizational set up in different type of tourism clusters (sub province) are scrutinized for the local development of tourism clusters. Therefore, the questions; *“Whether types and levels of networks change according to different tourism clusters which are agglomerated, specialized, self-help developed or governmentally*

supported?”, and “How associations and institution building in tourism are structured in different tourism clusters of Antalya?” are tried to be examined for tourism case in Antalya.

### 6.3.1 Local and Global Connections of tourism firms in different clusters of Antalya

For defining the local and global connections of clusters, the shares of locally and globally connected firms are examined for each cluster of Antalya. It is appearing that while tourism firms especially take place in Kemer, Manavgat and Kaş cluster have shown a more locally connected structure, Belek and Side clusters have presented a more globally connected structure when compared with other clusters of Antalya (Table 36).

Table 36 Different Level of Networking According to Sub Provinces of Antalya

PlaceofFirm	Globally Connected (%)	Locally Connected (%)	No Connected (%)	Grand Total (n=323)
Kas	0	75	25	4
Alanya	26	36	38	69
Antalya-Merkez	35	33	32	108
Belek	56	11	33	9
Demre	0	0	100	2
Finike	0	0	100	1
Gazipasa	0	0	100	1
Kemer	16	47	37	76
Korkuteli	0	0	100	1
Kumluca	0	0	100	4
Manavgat	17	44	39	18
Side	40	23	37	30
Grand Total (n=323)	27	36	37	323

Source: Calculated from survey data, tour guides are not taken into account because they have not a special stable place.

Nevertheless, the distribution on the level of connectedness for clusters is not given a clear picture to make an interpretation on different clusters of Antalya. Therefore, defining different types of clusters and then examining the distribution of local and global networking would be beneficial for evaluating the level of networking of clusters.

### 6.3.2 Cluster Type as a Factor that Defines the Level of Networking

According to debates of the literature, it is claimed that “clusters” can create some extra advantages by supporting especially local networks between firms, and therefore enhance the competitiveness. In this context, agglomerated and specialized clusters which is widely discussed in the cluster literature are evaluated according to the level of integration which is

also important for the competitiveness of the tourism clusters. Therefore, the question; ‘Whether the level of network creation changes according to agglomeration and specialization in clusters’ is evaluated in the following part.

### ***Agglomeration as a Factor that Defines the Level of Networking in Clusters***

In this section, the relationship between agglomeration and the level of networking is scrutinized in the tourism clusters of Antalya. According to Krugman (1995, 1996), agglomeration creates some kind of increasing returns and therefore enhances competitiveness. To define the tourism development in the context of competitiveness, agglomeration is evaluated according to the level of integration which is also important for the competitiveness of the destinations.

Table 37 The level of networking according to the agglomeration in clusters

	<b>Globally Connected Firms (%)</b>	<b>Locally Connected Firms (%)</b>	<b>No Connected Firms (%)</b>	<b>Grand Total (n=323)</b>	<b>Chi- Square</b>	<b>P-value</b>
<b>Agglomerated</b>						
<b>Clusters (%)</b>	28	37	35	100	4.392	.111*
<b>Non-Agglomerated</b>						
<b>Clusters (%)</b>	20	30	50	100		

Source: Calculated from survey data,

Note: Agglomerated clusters are calculated by the proportion of tourism firms in a cluster to the total tourism firms in the whole region. According to the shares, clusters which have more than %10 share of tourism firms are taken as agglomerated clusters. Antalya Center, Alanya, Kemer, Side are taken as Agglomerated Clusters, others are taken as Non-Agglomerated Clusters

\* Statistically not significant that is more than 0.05 level.

The research findings reveal that firms in agglomerated clusters show a higher networked structure than those in non-agglomerated clusters, as previous researches have claimed. While spatial agglomeration is an opportunity for developing local connectivity, being only locally connected in a spatially agglomerated cluster may be an obstacle by causing lock-in process unless develops global networks in addition to local networks (Camagni, 1991; Schmitz, 1999; Amin and Thrift, 1994; Koschatzky, 2000; Eraydın, 2002; 2003). Although firms in agglomerated clusters show high locally connected network structures, they also feature networks at a global level, and although some of the firms in agglomerated clusters

have no connections with other companies, their share is lower than those in non-agglomerated ones.

Although local networks of firms are high in agglomerated clusters, no significant difference can be observed between the level of networks of the agglomerated and non-agglomerated clusters (Table 37). This is due to the diversity in type and size of the firms in the clusters of Antalya. For instance, in terms of its number of tourism firms. Side is an agglomerated tourism cluster, however this cluster shows a diverse character among its tourism firms, although a globally connected structure is apparent. This is due to the existence of many large hotels, which triggers global linkages.

The situation is different in the case of the Serik-Belek cluster. Although Belek is a non-agglomerated cluster, it shows a highly connected global structure due to the homogenous character (specialization) of its firms, which include large companies specializing in 5-star hotels and holiday villages. This means that individual behaviours of tourism firms and being not spatially agglomerated are not an obstacle for some clusters that comprise of more qualified and big size tourism agents for strengthening the global connectivity. Nevertheless, it is no surprise that the share of firms with no connections is high in the non-agglomerated clusters, which tend to specialize on small tourism companies, such as apart hotels and pensions, like in the Kaş and Kale tourism cluster. In this context, revealing the role of specialization in clusters is important in clarifying the network differentials of firms in the different types of clusters.

### ***Specialization in Clusters as a Factor that Defines Level of Networking***

Although specialization refers to the concentration of the same type of tourism firms in a cluster, In this section the concentration of large and small firms in clusters is taken as a specialization. According to the chi-square values, a statistically significant difference (Chi square=15.151 significant at 0,001 level) observed between the level of networking and the level of specialization in clusters (Table 38). It is revealed that firms in specialized clusters show an individual character in their relations due to the existence of, although not exclusively, small firm structures. Specialized clusters which are large and diverse in structure show a high level of networking with global firms, such as in the case of Belek. Firms in non-specialized clusters show similar characteristics as those in agglomerated clusters in terms of their networking behaviour.

Non-specialized clusters include not only small firms but also medium and large tourism firms, and thereby have a fluctuating structure in the level of networking. As non-specialized and agglomerated clusters, the Central Antalya, Alanya and Side clusters (Table 38) have higher levels of global networking when compared with other clusters. As it is seen from the results, it can be claimed that specialization in tourism clusters is not a determining factor when defining global or local connectivity.

Table 38 Different level of networking according to the specialization in clusters

	Globally Connected (%)	Locally Connected (%)	No Connected (%)	Grand Total (n=323)	Chi- Square	P-value
<b>Specialized Clusters</b>	23	18	59	100	15.151	.001*
<b>Non-specialized Clusters</b>	28	37	35	100		
Grand Total	27	36	37	100		

Source: Calculated from survey data.

Note: Specialization in clusters are calculated by the LQ values of different type and size of tourism firms in that cluster. According to the results, *Specialized clusters* are defined as; Belek-Serik, Kale-Demre, Kaş, Finike, Gazipaşa, Korkuteli and Kumluca. *Non-specialized clusters* are defined as; Alanya, Kemer, Antalya Center, Side and Manavgat.

Tour guides are not taken into account because they have not a special stable place.

\* Statistically significant at 0.001 level.

It can be claimed that specialization in tourism clusters is not a determining factor when defining global or local connectivity. As can be seen from the agglomeration and specialization in the tourism clusters, the only factor that defines the level of networking in that cluster is the existence of large and small tourism firms. While agglomeration in a cluster provides an opportunity to develop local connectivity in some cases, being only locally connected may be an obstacle to development, as a lock-in effect in clusters may emerge, as has been emphasized in previous literature (Cooke, 1990; Schmitz, 1999; Amin and Thrift, 1994; Koschatzky, 2000). In this regard, developing global networks as well as local networks is a necessity if a tourism destination is to maintain competitiveness in the global market, and it would appear that the development of large tourism firms in clusters has a steering and triggering role for enhancing the global level of connectivity of that cluster.

### **6.3.3 The Role of Institutions, New Organizational Set Up and Institutional Thickness of Tourism Clusters in Antalya**

For more than two decades, there has been a considerable interest on the importance of “institutions”, “institutional thickness” and their beneficial role for adapting to global economy and thereby regional development. Although institutions include informal contracts, in this part of the thesis, “*institutions*” and “*institutional thickness*” are evaluated as *formal organizations* and their *level of collaborative projects*. In this context, organisations that are taken into consideration are especially tourism associations. These associations are formed when firms and individuals come together to share physical or intangible inputs. They benefit from economies of agglomeration as a result.

Institutional thickness is taken as an other important area of discussion in the development dynamics of a region. It is claimed that institutional thickness depends on the high levels of interaction amongst institutions in a local area, which in turn leads to development (Amin and Thrift, 1995). In addition, Putnam (1993) argues that membership and engagement in voluntary associations foster communication and dissemination of information and generate and reinforce trust in societal norms which is conducive to co-operation and economic development. In this context, associations can be taken as an important source of learning and adaption, networks of association in the economy facilitate the spread of information and capabilities and the prospect of economic innovation through social interaction.

The theoretical discussions on institutions and institutional thickness have already been discussed in previous chapters detailly. This part will consider the questions; “*how associations in tourism are structured to provide the requirements of tourism clusters in Antalya*” “*How associations and organization building in tourism are structured in different tourism clusters of Antalya?*” and “*To what extent are these tourism clusters different regarding their level of linkages and emerging associations?*”

Within this context, in the first part, a description try to be made on the institutional structure of tourism in Antalya. In this regard, tourism associations are defined and evaluated according to the types, then, relations between associations and the type of tourism firms are scrutinized, afterward, the relation between tourism associations and tourism clusters are identified. In the second part, organizational relations of associations and their patterns

according to different clusters of Antalya are evaluated by top-down and bottom-up relational techniques, named as social network analysis.

### ***Organizational Structure of Tourism in the clusters of Antalya***

In this part, organizational structure of Antalya is evaluated under different types: varying levels and changing densities of tourism associations according to historical development, relations with clusters consisting of government initiated development clusters and self-help development clusters.

In tourism activities, the involvement of organizations especially associations and NGOs have an essential role for building a broader awareness on tourism development. It is obvious that cultivating awareness on tourism development will enhance the climate for developing friendly collaborations between the public and private sectors of the tourism industry, thereby enhancing the industry's image (Hassan, 2000). This collaborative structure is observed in the examples of tourism associations from Italy and Germany (Bennett and Krebs, 1994).

Table 39 The distribution of tourism associations according to the tourism firms in Antalya

<b>Subprovinces of Antalya</b>	<b>Total Tourism Firm</b>	<b>Total Tourism Associations</b>
<b>AKSEKİ</b>	7	0
<b>ALANYA</b>	1259	10
<b>ELMALI</b>	5	0
<b>FİNİKE</b>	55	0
<b>GAZİPAŞA</b>	16	0
<b>KALE</b>	42	0
<b>KAŞ</b>	325	1
<b>KEMER</b>	1202	5
<b>KORKUTELİ</b>	11	0
<b>KUMLUCA</b>	91	0
<b>MANAVGAT</b>	334	1
<b>ANTALYA CENTER</b>	2720	20
<b>SERİK</b>	190	1
<b>SİDE</b>	640	2
<b>Grand Total</b>	<b>6897</b>	<b>40</b>

*Source: Data is gathered through different institutions related with tourism (Ministry of Culture and Tourism, Antalya Culture and Tourism Province Office, Ministry of Industry and Trade and Antalya Pension's Association in the period of 2005 and 2006)*

It is observed that tourism associations of different types have gained importance and increased in number for the last twenty years in Turkey especially in Antalya. These institutions show a varying density, type and distribution according to the different clusters of Antalya (Table 39). In fact, most of the associations take place in a highly populated coastal tourism areas such as Alanya, Manavgat, Side, Serik, Kemer and Antalya Center. Although there are approximately 40 associations exist in Antalya, the ones that are directly related with tourism are only 25 nowadays. Tourism related associations covers tourism investor's, hotels, environment and advertising type of associations. Remaining associations are mainly consisting of profession and culture groups, education, sport, music, art and healthy associations.

Obviously, it is well known that varying associations have different priorities and interests. Particular to Antalya, tourism associations have several types based on different interests and issues which make them to come together for a common goal such as consisting of hotel groups, advertising groups and environmentally sensitive groups for enhancing the development of Antalya. While some of these associations have been supported by the central government institutions, others are generally civil initiatives of tourism investor's that have been established by self-help networks of professional and corporate company groups based on grassroots activities. While government led *nation based associations* have emerged for supporting the Turkish tourism in subprovinces, *nationally organized local associations* has emerged for solving the infrastructure problems of tourism clusters of Antalya. Moreover, *self-help local associations* have mainly emerged for solving the local infrastructure and advertising problems of each district of clusters due to the insufficiency of government led, nationally organized local associations and main cluster associations.

As it is seen from the figure 23, tourism associations are classified as compulsory and voluntary basis. Compulsory associations are the ones which are mainly nation based. Nation based compulsory associations are consisted of two types; national and provincial associations. Although both of them have a crucial role for Turkish tourism, provincial associations are the representatives of local provincial tourism development in a national context. While TUROFED, TURSAB, TUREB and TYD are important for tourism development especially at national level, AKTOB, ALTİD, KETOB, ARO, ATAV, ALTAV are also crucial for provincial tourism development by being in collaboration with the national associations.

TUROFED (Turkey Hotelier’s Federation) is an important leading tourism association for the development of tourism in Turkey. TUFOFED was named as TUROB (Turkey Hotelier’s Association) until 2005s, after this year it has become a federation of hotels named as TUROFED. The TUROB was founded in 1995, (the first regional body of hotel association was set up 1963 and until 1995, 11 regional bodies were established) to set up standards and ethical professional ethics, to facilitate price stability, to contribute to regional development (through branches), to provide general and on the job training; indulge in area promotion and marketing, and to cooperate with national and international tourism organizations (www.turob.org.tr).

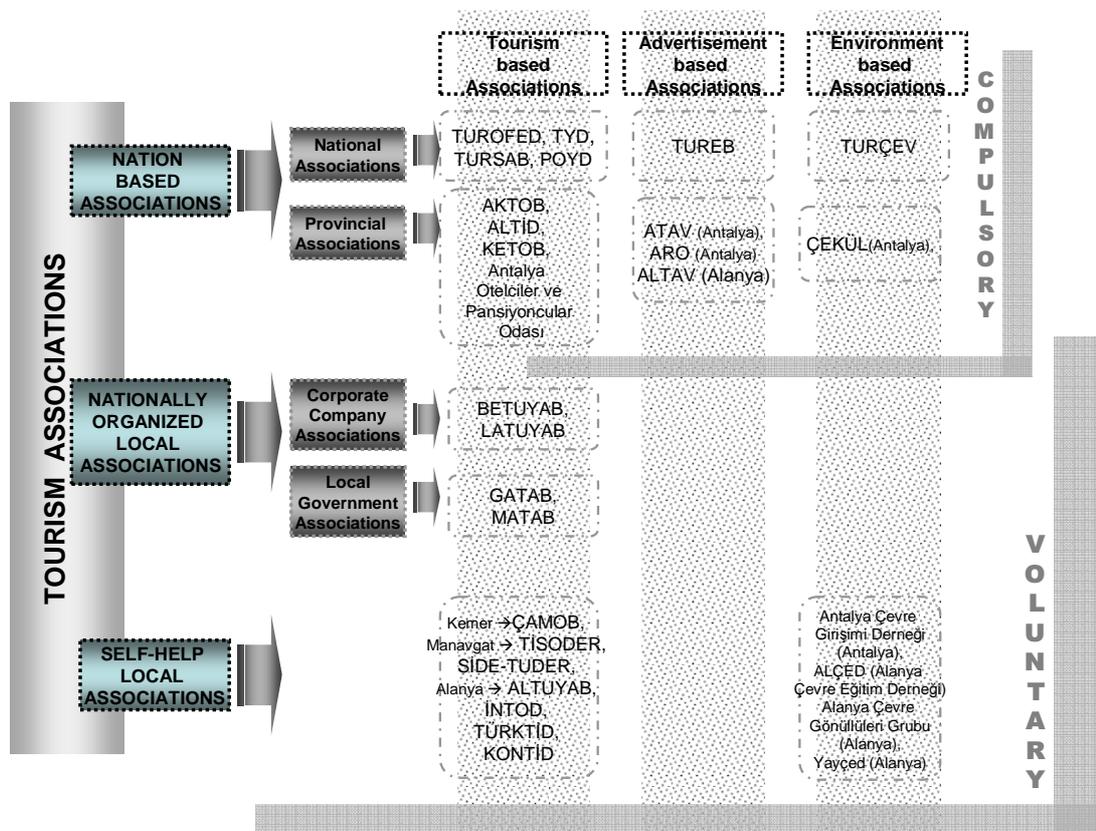


Figure 23 Classification of Different Types of Tourism Associations for Antalya

With respect to the aim on collaboration, TUROB indulged in cooperation with TYD (Tourism Investor’s Association) in order to achieve the aims in a more efficient way. TYD is an independent organization that was established in 1988 by the principal tourism investors in Turkey whose main objective is to bring together specified people and companies investing in Turkey and to provide assistance in their present and future plans.

As an independent organization, TYD is consisting of big sized investor's named as "patrons of tourism" that steers the development of tourism in Turkey. TYD has got regional groups, such as Antalya regional group, for discussing the regional problems of each region and they meet several months of the year for discussing and solving problems related with tourism (Oktay Varlier, Manager of TYD, personal interview, 2007). The Association sees investment in tourism as the power behind the development process of the sector and believes that it has a role in the expansion and orientation of the Turkish tourism (homepage, [www.tyd.org.tr](http://www.tyd.org.tr), last accessed at November 2007).

Besides investing on accommodation sector, TYD members have also invested in marinas and yachting, tourism oriented land and air transport, tour operating, tourist shopping centers, entertainment and recreation facilities and golf courses. The Association also has activities and projects based on partnership with other public, private institutions and NGOs. Moreover, TYD's activities are to realize partnership possibilities for foreign entrepreneurs who are interested in tourism investment. In this context, international cooperation is an important issue for TYD, which is considered as a reference institution for adapting global changes. As a matter of fact in the international field, TYD is the Business Council Member of the World Tourism Organization (Oktay Varlier, Manager of TYD, personal interview, 2007).

Apart from TYD named as the association of tourism bosses, TURSAB (The Association of Turkish Travel Agencies) is important as a non-profit institution and it has a legal personality, established by Law 1618 in 1972. The main aims of the association are to promote travel agency profession, to encourage travel agencies to offer best possible service to public, to contribute to the development of tourism both at local and global in cooperation with the Ministry of Tourism, to set the rules of commissioning and decommissioning them, to introduce and maintain professional ethics and to protect consumers (Interview with TURSAB-Ankara, 2005). In fact, TURSAB worked in cooperation with all authorities, public and private organizations concerned, in order to achieve its goals and objectives for development of tourism. Most of the nation based national associations collaborate with nation based local associations for discussing sectoral and business problems of tourism and for organising advertising activities, fairs and festivals in Antalya.

Apart from nation based national associations, provincial associations such as Aktob, Altid, Ketob and Antalya Hotelier's and Pension's Association are crucial for the tourism development of Antalya. In this context, AKTOB (Akdeniz Touristic Hotelier's Association) is

an important tourism hotelier's association, founded in 1984, which has strong linkages with local tourism associations in Antalya to promote tourism development. In fact, it is the first association of Antalya that has been founded in 1984 and has a leading role on sustaining the contact with other tourism associations that are in other clusters of Antalya. However, the contact made with other clusters is not a project development base. Generally, contact is on the issue of knowledge transfer and labor education.

The other successful, strong and elderly tourism investor's association is ALTİD (Alanya Tourism Manager's Association) in Alanya tourism cluster which is founded in 1985. Most of the hotels in Alanya center are members of this association. It has successful collaborative projects with member hotels and municipalities for the advertisement of Alanya in global market. Moreover, it has collaborative projects with environment (ALÇED- Alanya Environment Education Association) and advertisement association (ALTAV- Alanya Advertisement Foundation) of Alanya.

Antalya Hotelier's and Pension's Association, founded in 1998, represents especially the demand of small sized hotels and pensions after the development of big sized hotels in Antalya. It has tried to be a federation in Turkey, but it has not realized due to not finding sufficient numbers of members. With regard to represent the small size tourism entrepreneurs, it is participated to the meetings of national tourism associations of Antalya.

POYD (Professional Hotel Manager's Association) is another successful association, founded in 2002, representing the demand of hotel manager's to steer the direction of tourism in Antalya. In this context, POYD organizes several meetings and panels with hotel manager's to discuss the direction and the problems of tourism. In addition, it has strong collaborative linkages with leading tourism associations of Antalya such as Aktob and Turkey such as Turofed.

ATAV (Antalya Advertisement Foundation) and ALTAV (Alanya Advertisement Foundation) are important tourism advertisement associations of Antalya and Alanya. They try to advertise Turkish tourism and especially Antalya and Alanya in the global market for attracting tourists. With regard to advertisement of Antalya, they participate into the fairs and joint advertisement activities with hotel associations and municipalities.

Not only at national level, but also at local level tourism associations are varying in Antalya according to different type of interest groups. These interest groups are based on tourism, advertisement and environmentally sensitive issues. Tourism based associations are composed of not only nation based associations (Aktob, Altid, Ketob, Antalya Hotelier's and Pension's Association), but also nationally organized local associations such as; Betuyab, Latuyab, Gatab and Matab, and newly emerging cluster based self-help local associations such as Çamob, Tisoder, Side Tuder, Altuyab, Intod, Kontid and Türktid. The same difference based on local and national scale is also observed in other interest groups including environmentally sensitive and advertising groups (Figure 24).

Apart from national based associations, *nationally organized local associations* are mainly focused on infrastructure development activities of tourism consisting of “*Local Government Associations*” and “*Corporate Company Associations*”. Local government associations mainly take place in Tourism Centers according to the Law of Municipality 1580, Law of Province Administrative 5442 and Law of Village 442. Local Government Associations were expected to bring together the Ministry of Culture and Tourism, local representatives of central government, mayors, tourism investors and neighborhood headmen (muhtar) in terms of execution and operation (Personal interview with Şenol Aydemir, 2005, Vice-Director of Directory of Investments in Ministry of Culture and Tourism). Gatab and Matab are the examples of these types of local government associations for Antalya.

In the context of tourism development project of Kemer and Manavgat, GATAB (South Antalya Tourism Development and Infrastructure Management Association of Kemer) and MATAB (Association of Manavgat Tourism Development and Infrastructure Management) were founded by the support of Ministry of Tourism, in cooperation with the Ministry of Interior. These unions has been founded by the ministries because of a prepared a model of Associations of Infrastructural Services in execution and operation of infrastructural facilities. That is why; they are called as “local government associations”.

In fact, Gatab is the leading and successful one and exhibits a strong model in bringing all concerned parties together when compared with other infrastructure management associations. By setting up a corporation with Altaş Company, for execution and became successful in providing funding from the private sectors investors and shareholders. All infrastructural and environmental services and related tourism services have been provided jointly by

tourism investors, the Ministry of Culture and Tourism, universities and the other public agencies.

In addition to local government associations, “*Corporate Company Associations*” can be taken as an important type of nationally organized local associations of big size hotels. For supporting the development of Corporate Company Organizations, Ministry of Culture and Tourism allocate land for tourism to companies to create a joint-stock company. These corporations provide these companies to develop the mutual action capacity to solve the environmental and infrastructure problems collectively. Via creating a competitive tourism cluster and brand for Belek in the global market, BETUYAB has become the most successful association in Antalya with attractive avant-garde sustainable tourism projects such as vector fight research project, biological diversity project based on awareness-raising studies “100 birds of Belek”, “250 endemic plants of Belek” and golf center project and protection of *caretta caretta* etc..

Betuyab has been founded as a management association of investor companies of Belek in 1988 by the support of the Ministry of Tourism. Ministry of Culture and Tourism bring the membership on BETUYAB as a necessary condition. If a firm does not become a member of BETUYAB, allocation will be canceled for that firm. Therefore, all of the firms become a member of BETUYAB to enhance the mutual action and to maximize their mutual benefit. Still, every company investing in Belek Tourism Center is obligated to be a member of Betuyab. From 1991, the status of the firm has been changed a joint stock company of Ministry of Culture and Tourism founded with the aim of solving the infrastructure problems in Belek tourism center with the cooperation of public - private sector. Betuyab is also a joint initiative of international institutions such as World Bank and World Environmental Protection Association. With the help of global linkages and government support, the most successful projects are observed in Betuyab when compared with other associations in Antalya.

As a tourism investor’s association, Betuyab has several objectives such as struggle with mosquitoes, houseflies, and sand flies and environmental protection activities. Betuyab is one of the few establishments that shed light on the importance and care to the environment and nature as a private sector establishment. It also provides infrastructure facilities to the region and provides protection for the rare *caretta caretta* turtles in cooperation with Ministry of Culture and Tourism, Greece Environment Foundation and local municipalities.

In 1999 with the cooperation of Ministry of Culture & Tourism and Hacettepe University, integrated vector fight research project has been started as pilot researches in Belek within the scope of scientific research projects. Moreover, the project of "maintained Landscape Planning and Belek model" has been completed together with Ankara University Faculty of Agriculture Landscape Department (The project has initiated by International Landscape Engineers Union (IFLA) in Brussels). Furthermore, Fire-base of Fire Intervention Teams of Antalya Province Directorate of Ministry of Forestry has established by Betuyab. The fire-base gives service to whole Antalya. Consequently, some of these projects that have been realized with the available insufficient resources have made Belek win international awards. These projects aim to establish "sustainable tourism" in the Belek Tourism Centre and marks that, for the first time in Turkey, all the investors of a region have handed over the management to an establishment like Betuyab to develop the region.

It is seen that Betuyab has intense local linkages with tourism firms in Belek, tourism institutions in Antalya and strong global linkages with global institutions. Due to the intensity of these linkages, successful joint projects have emerged according to defined objectives of the region. In addition to BETUYAB, recently, LATUYAB and KUYAB are founded effected by the successful studies of BETUYAB and they try to develop similar development based projects for their destination.

In fact, the rich institutional environment in tourism stems from the temporal steps have been taken by Ministry of Tourism starting from 1982 Tourism Encouragement Law for searching a new collaboration between the different levels of the state, private sector, nongovernmental organizations, local government associations and corporate company associations. Especially in 1980s, tourism institutions were small amount in number covering *nation based* (Aktob, Altid) and *nationally organized local associations* (Betuyab and Gatab), however, they have shown significant increase at local level after 1990s and 2000s for representing the entrepreneurs and the common interests in tourism development.

Table 40 Establishment dates of different types of tourism associations

Type of Association	Name of the Association	Date of Establishment
Nation Based Association	TUROB (TUROFED)	1963-1995
Nation Based Association	TURSAB	1972
Nation based Provincial Association	AKTOB	1984
Nation based Provincial Association	ALTİD	1985
Nation Based Association	TYD	1988
Nationally organized local government associations	GATAB	1989
Nation based Provincial Association	ÇEKÜL-Antalya	1990
Nation Based Association	POYD	1992
Nationally organized Corporate Company Associations	BETUYAB	1992
Nationally organized local government associations	MATAB	1992
Nation based Provincial Association	KETAV-KETOB	1994
Nation based Provincial Association	ALTAV	1995
Nation based Provincial Association	Çevre Girişimi Derneği-Antalya	1995
Nation based Provincial Association	Alanya Çevre Gönüllüleri Grubu	1996
Self-help Local Associations	Titreyengöl-Sorgun Turizm Yatırımcıları Birliği	1996
Self-help Local Associations	Side Tuder	1996
Nation based Provincial Association	Antalya Otelciler ve Pansiyoncular Odası	1998
Self-help Local Associations	Alara Turizm yatırımcıları Derneği	2001
Self-help Local Associations	INTOD (İncekum Turistik otelciler Birliği)	2001
Nation based Provincial Association	Antalya Rehberler Odası	2003
Self-help Local Associations	Kontid (Konaklı Turistik İşletmeciler Derneği)	2003
Self-help Local Associations	(TÜRKİD)Türkler Turistik İşletmeciler Derneği	2004
Nationally organized Corporate Company Associations	LATUYAB	2005
Self-help Local Associations	ÇAMOB(Çamyuva Otel Yatırım.İşletmeciler Derneği)	2005

As it is seen from Table 41, firstly, nation based associations at national and provincial level have emerged, then, nationally organized local government associations and nationally organized corporate company associations have emerged beginning from 1990s. From the early 2000s, district based self-help local tourism hotelier's (investor's) associations are starting to emerge such as Latuyab (Lara-Antalya Center), Kuyab (Kundu-Antalya Center), Çamob (Çamyuva-Kemer), Side Tuder (Side-Manavgat), Tisoder (Titreyengöl, Sorgun-Side), İntod (İncekum-Alanya), Altuyab (Alara-Alanya), Kontid (Konaklı-Alanya) and Türktid (Türkler-Alanya) due to respond the additional requirements such as infrastructure development and advertising demands of tourism entrepreneurs. It seems that most of them

have a follower role on realizing similar projects of nation based provincial associations in small scale areas.

They are newly emerging association types of tourism and they try to solve the problems of tourism firms in their district, thereby, promote the local development of each district. Because of the inadequate support of the leading national associations, hotels try to satisfy their needs on the issues of advertisement, marketing and infrastructure by developing corporations within each other. Against to the belief that institutionalization limits some of the practices, it is seen from newly emerging associations that increasing institutionalization is taken as an opportunity to satisfy the needs at local and to promote local development.

Table 41 Networking by the concerning activities of sub-province and district based tourism associations (column shares and row shares)

		Advertise- Fair Cultural Activity	Infrastruct	Knowledg Transfer	Problem Solving	Enviro Protection	Education	Invest	Panels	Total
<b>Cluster Assoc</b>	Hotelier's Assoc.	0,17	0,52	0,10	0,00	0,17	0,02	0,04	0,00	168
	Advertising Assoc.	0,81	0,00	0,11	0,00	0,03	0,00	0,02	0,04	113
	Enviro Assoc.	0,06	0,00	0,00	0,00	0,57	0,36	0,00	0,00	47
<b>District Assoc</b>	Hotelier's Assoc.	0,35	0,29	0,00	0,26	0,07	0,00	0,00	0,03	86
	Enviro Assoc	0,00	0,27	0,09	0,00	0,55	0,02	0,00	0,07	44
	Total	152	124	32	22	88	21	8	11	458

		Advertise- Fair- Cultural Activity	Infra- structure	Knowledge Transfer	Problem Solving	Environment Protect	Education	Invest	Panels
<b>Cluster Assoc.</b>	Hotelier's Assoc.	0,18	0,70	0,50	0,00	0,32	0,14	0,75	0,00
	Advertising Assoc.	0,60	0,00	0,38	0,00	0,03	0,00	0,25	0,45
	Enviro Assoc	0,02	0,00	0,00	0,00	0,31	0,81	0,00	0,00
<b>District Assoc.</b>	Hotelier's Assoc.	0,20	0,20	0,00	1,00	0,07	0,00	0,00	0,27
	Enviro Assoc	0,00	0,10	0,13	0,00	0,27	0,05	0,00	0,27

\* These values represent the percentage of activities for each type of tourism association. In the first table, row shares are calculated. In the second table column shares are calculated.

Source: Calculated from survey data

A strong distinction is observed between the scales of tourism based hotelier's associations which are classified under *cluster based (provincial) tourism associations* and *district based self-help local tourism associations*. Associations are mainly concerned with infrastructure

development, advertising, environmental protection and education activities when developing networking relations with tourism institutions. District based newly emerging self-help tourism associations are a relatively minor agent overall but are experimenting considerably and have a significance in environmental protection, problem solving, advertising and infrastructure development. Although they are newly emerging associations, they try to develop networking relations mainly on problem solving and become strong as other national associations (Table 41.).

Cluster based tourism associations have a wide range of important activities with other tourism institutions covering infrastructure development and some environmental protection activities, investment projects and knowledge transfer activities for making the advertisement of their region. Although district based self-help association's show a similar structure with cluster based tourism associations based on concerned activities and subjects of developing networks, they show a weaker structure than cluster based ones when developing networking linkages with other institutions (Table 41).

Especially, cluster based environmentally sensitive associations have an important role on developing linkages on education in addition to environmental projects with tourism related institutions. In addition to environmentally sensitive associations, an important role given to advertisement associations to present the institutional structure of tourism in Turkey and Antalya. In this context, advertisement associations develop linkages with other tourism institutions mainly on promoting tourism via fairs and cultural activities.

In the institutionalization process, hotel managers have the leading role in joining members that are mainly the hotels of that cluster and district. While some of them have collaborative projects and relations with other district based tourism associations, most of them still show an individual character for solving their problems. This is due to the dispute between different political parties which have dominance for each tourism district and also due to the difference in the tourism destination market contexts of different districts. However, they show a collaborative relationship with their members and with the municipalities of their districts in advertisement and infrastructure development projects for the development of their districts. The main aim behind this type of collaboration is to attract more tourists than the existing situation. In fact, the increase in most of these district based self-help local associations stems from the character of that local. Because each local has got its own problems and national or local based leading associations do not satisfy their needs and

demands (personal interview with Nüvit Özkan- The headmen of ALTAV and KONTİD, personal interview with the headmen of TÜRKTİD).

However, some of the associations such as Latuyab, Side Tuder, Kontid, are more active than others due to their dense relations, institutionalized structure, consciousness and discourses that take place on the agenda and in the press. They try to gain empowerment for their district to represent their objectives and decision making strategies at all platforms. In the studies of Bennett (1997b; 1998a; 1998b; 1998c; 1999), it is observed that local business associations act as local business clubs and play an important role in informal business advice as well as developing contacts and marketing networks. They are, however, vulnerable to competition from public sector service providers which receive state subsidies.

This is also true for some of the tourism associations of Antalya. State support is also important for the development of successful practices of these tourism associations as it is seen in the foundation of Gatab, Matab as local government associations and especially in Betuyab as a corporate company association. It is implied that nationally organized local associations are more effective than other tourism associations in Antalya when representing and advertising the local area in the global environment as a competitive global node. This may be due to the strong collaborative character of these associations with government. Also, it is observed that the larger and government-initiated business associations tend to be much better resourced and capable of working effectively with government to develop services. The study of Glasmeier (1999) verify this outcome by emphasizing that public policy should continue for increasing the geographical scale and service scope of big chambers and business associations, even small chamber development can be encouraged at the local level and develop local relations.

Rather, although every association in Antalya has got the primary aim trying to advertise and to develop their districts, they have the general aim based on the development of tourism for Antalya and also for Turkey in the long run. According to the studies of Bennett (1997b; 1998a; 1998b; 1998c; 1999) for Britain case, voluntary local business associations are the most effective ones if their spatial reach is confined to small geographical areas. As to these examples from world, it can be expected that emerging self-help district based local associations can be taken as an opportunity for representing their demand in small local areas of Antalya, although government supported tourism associations are still the most important associations in promoting tourism development in clusters. Therefore, they could have the

chance to represent and to provide not only the advertisement of each local area but also the competitiveness of each local area in the global environment as a global node in tourism market.

### ***Relationship between Organizational Capacity and Tourism Clusters***

In the first part of this chapter, types of tourism associations, their historical development and motivations for creating associations has been discussed for Antalya. In this part, tourism associations and institutional structure of tourism is elaborated according to different type of tourism clusters in Antalya. Especially, cluster dynamics and their roles on the development of tourism associations are scrutinized. Highly attractive clusters are evaluated based on their development type such as government initiated development and self-help development. According to this classification on clusters, the question; “*whether there is a considerable difference between government initiated development clusters and self-help development clusters in relation with their institutional structure and institutional thickness?*” is examined which becomes important point of discussion to describe the institutional structure of clusters. Moreover, the hypotheses which are defined in the theoretical part of this chapter; “*The size of the tourism cluster with tourism firms matters for the development of tourism associations*” is also scrutinized for describing the institutional structure of clusters in Antalya.

There are 15 clusters existing in Antalya and most of them, approximately 10 clusters, are at the coastal sides. Antalya-Center, Alanya, and Manavgat are the clusters which have got higher shares of population according to other clusters (Directorate of Culture and Tourism of Antalya, 2006). In fact, some of the clusters of Antalya have diverse institutional structure due to having diverse types and numbers of tourism associations. Diverse institutional structure of clusters may stem from the densely populated structure of clusters not only covering citizen population but also huge amount of tourist population. Because of this situation, clusters necessitates the existence and the increase of large amount of diverse hotels which triggers the development of new institutions. Diverse institutional structure may also generate from diverse type of collaborative behaviour of tourism agents in clusters stemming from the externalities of that cluster.

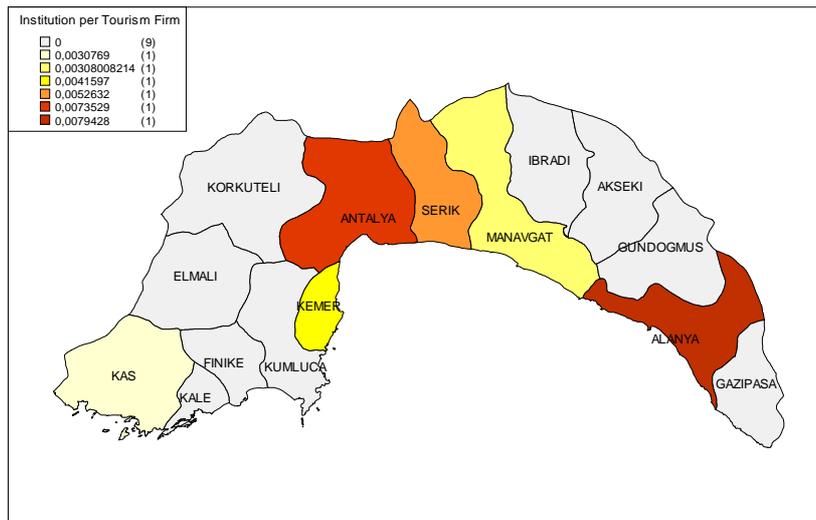


Figure 24 Institution per tourism firm according to the clusters of Antalya

As it is seen from the Figure 24, the high number of tourism firm in a cluster characterizes the denseness of tourism association capacity of that cluster which can easily be seen in the cluster of Alanya and Antalya center. Also, it is seen that attractiveness of these clusters for foreign tourists triggers the development of tourism firms for providing the service demand, therefore, generates the need for tourism associations. According to the data of Ministry of Culture and Tourism (2000 to 2003), it is observed that Alanya has got the higher share in foreign tourist arrival with approximately 1.200.000 foreign tourists. Manavgat and Kemer have got the second higher shares by having approximately 1.000.000 foreign tourist arrivals. Serik and Antalya Merkez follow these shares. Although attractiveness, dense number of population and dense number of tourism firms are important indicators for the development of institutional structure, the contribution of external support for clusters are also crucial for supporting the institutional structure and therefore tourism development. In this context, separation of the clusters according to the development type such as government initiated and self-help development will provide us hints about the institutional structure.

According to the Table 42 and Figure 24, it is seen that most of the tourism related associations take place in a highly populated coastal tourism clusters such as Alanya, Antalya Center, Serik, Kemer and Manavgat. Due to the high tourism capacity of these coastal clusters, new employment facilities are generated and people from all over the

country are attracted to these clusters of Antalya as it is examined in the previous chapters, thereby associations and institutional thickness of these clusters have developed and increased since late 1980s. Similar relation is observed between the increase in associations and economic development in the study of Putnam (1993) which covers 20 regions of Italy that emphasize “there is a positive correlation between the economic success of a region and the density of voluntary associations”.

It is seen that Alanya, Antalya Center, Belek, Kemer and Manavgat are highly institutionalized clusters with tourism associations. These highly institutionalized clusters are leading coastal tourism clusters of Antalya and have specialized with different types of tourism activities. Some of the clusters have also specialized with different kind of organizations and these are consisting of not only nation based or nationally oriented local associations but also self-help local associations. Moreover, the importance given to different subjects when developing associations are varied in some of the clusters such as the increase in the number of environmental associations in addition to the tourism and advertising associations.

Table 42 Association per Tourism Firm according to the Clusters of Antalya

<b>Clusters of Antalya</b>	<b>Total Firm</b>	<b>Total Associations</b>	<b>Associations per Tourism Firm</b>
<b>AKSEKİ</b>	7	0	0
<b>ALANYA</b>	1259	10	0,0079428
<b>ELMALI</b>	5	0	0
<b>FINİKE</b>	55	0	0
<b>GAZİPAŞA</b>	16	0	0
<b>KALE</b>	42	0	0
<b>KAŞ</b>	325	1	0,0030769
<b>KEMER</b>	1202	5	0,0041597
<b>KORKUTELİ</b>	11	0	0
<b>KUMLUCA</b>	91	0	0
<b>MANAVGAT</b>	334	1	0,002994
<b>Antalya Center</b>	2720	20	0,0073529
<b>SERİK</b>	190	1	0,0052632
<b>SİDE</b>	640	2	0,003125
<b>Grand Total</b>	6897	42	0,0060896

Source: Data is gathered through different institutions related with tourism (Ministry of Culture and Tourism, Antalya Culture and Tourism Province Office, Ministry of Industry and Trade and Antalya Pension's Association)

In fact, self-help development clusters generally develop by using local dynamics. However, government initiated clusters discussed in this study are not developed by using local dynamics but developed mainly by external support. Government initiated development clusters are determined by the planned projects of government such as *Antalya Yatch Marina Environment Tourism and Restoration of Kaleiçi in Antalya Center*, *planned 600 bed tourism complexes in Side and South Antalya Tourism Development Project* in Kemer. Therefore, Antalya Center, Kemer, Side, Manavgat, Serik-Belek are defined as government initiated development clusters and other tourism clusters such as Alanya and Kaş are taken as self-help development clusters in the analysis of the thesis.

Table 43 Association per tourism firm according to self-help and government initiated development of clusters in Antalya

<b>Types of Clusters</b>	<b>Total Firm</b>	<b>Total Associations</b>	<b>Associations per Tourism Firm</b>
<b>Self-Help Development Clusters</b>	1584	11	0,0069
<b>Government Initiated Development Clusters</b>	5086	29	0,0057
<b>Total</b>	6670	40	0,0060

Source: Calculated from survey data

However, when the relationship between organization structure and clusters with government initiated and self-help development clusters is evaluated, it is seen that associations are varying in terms of different type of tourism clusters. Although the number of different type of associations according to different type of clusters is not seen in the table, it is well known that government supported associations are dominant and established in government initiated development clusters such as Gatab in Kemer, Matab in Manavgat and Betuyab in Belek, the associations which are established by self-support and civil initiatives are mainly taken place especially in self-help development clusters such as the ones in Alanya.

Although the values of association per tourism firm in two types of clusters are not very different, it is seen that self-help development clusters have more dense values on associations per tourism firm than government initiated development clusters (Table 43). However, when absolute values of tourism associations are taken into consideration, it is seen that most of the tourism associations are taken place in government initiated clusters. In fact, these findings revealed that in addition to the supporting role of government in the

development of tourism associations of different clusters, any more, local dynamics of clusters are important for the development of local institutional structure.

Local dynamics of Alanya has created its own institutional structure, thereby supports the development of tourism related associations consisting of tourism (hotel investor's associations), advertising and environment associations at local and national scale. However, government support such as seen in the government initiated development clusters are important for developing highly successful big projects and institutionalization of tourism associations. Being bounded only to local dynamics and local relations limits the level of success for clusters due to not having a collaborative structure with outside actors and not taking an additional support from external organizations. Although the density of tourism associations are relatively lower in these type of self help development clusters, they have the chance to develop collaborative projects with other organizations as already seen in the collaborative projects of government initiative clusters.

Table 44 Created employment via subsidies according to self-help development and government initiated development clusters

<b>Subsidies</b>	1980-1985	1986-1990	1991-1995	1996-2000	2001-2005
Alanya	4	74	22	54	113
Antalya-Center	7	70	43	80	29
Finike	0	1	0	2	2
Kale	0	0	2	0	0
Kaş	1	5	1	7	2
Kemer	4	22	12	45	106
Kumluca	0	0	0	0	3
Manavgat	6	24	20	33	146
Serik	0	1	4	37	26
Side	2	7	5	18	5
<b>Self-Help Dev. Clusters</b>	5	80	25	63	120
<b>Government Initiated Dev. Clusters</b>	19	124	84	213	312
<b>Grand Total</b>	24	204	109	276	432

Source: Calculated from the data of Undersecretariat of the Prime Ministry for Treasury and Foreign Trade.

Note: Self-Help Dev. Clusters are taken as Alanya, Kaş, Kumluca, Finike.

Government Initiated Dev. Clusters are taken as Kemer, Antalya center, Serik, Side, and Manavgat

It is stated in the interviews of tourism associations that; the increase in the number of tourism firms in different clusters positively affects the development and the increase of tourism associations especially at district level. It is also claimed that the increase in the number of associations in several districts of the cluster is due to the insufficient

representation of leading tourism association of that cluster. In fact, the massive increase in the number of tourism firm, especially the increase in hotels is effected from the mass tourism development policy of government by given subsidies for enhancing investment in the clusters of Antalya.

According to Table 44, it is seen that government initiated development clusters have taken more subsidies and have created many tourism associations which is seen in the previous table. However, tourism associations are also high in Alanya tourism cluster as a self-help cluster in project development. This is explained by the number of taken subsidies of Alanya which triggers the increase in the number of tourism firms, thereby, tourism associations (Table 44.). Moreover, land allocations are also important for the development of tourism and tourism institutions in the clusters of Antalya consisting of Alanya, Kemer, Belek, Side and Manavgat.

It is interesting that Alanya as a self-help development cluster, has the highest institution density per tourism firm when compared with other coastal districts. This high institution capacity in Alanya may be the result of the externalities that the cluster have and also stems from the increasing population, high tourism firm number, high foreign tourist arrival capacity, heterogeneous tourism firm type (including all types and size of tourism firms), as well as increasing popularity of the cluster for European tourists and the people that are seeking for real-estates in recent years. However, it is claimed by the headmen of these associations that, the reason behind the increase in self-help type tourism investor's associations is the lack of representation of existing central Alanya tourism associations for high qualified big sized hotels in some of the coastal districts of Alanya. They claim that the central Alanya associations represent mainly small and medium sized hotels which defines the general tourism firm characteristic of Alanya. Therefore, big sized hotels start to develop new type self-help development associations for representing their destination in the global market. In this context, it can be claimed for Alanya that big cluster size including wide range of tourism firms and big sized firms existing triggers the development of organizational capacity via establishing self-help tourism associations.

In addition to the high number of tourism association, Alanya shows variety in tourism associations including different interests such as tourism investor's associations, advertising and environmentally sensitive ones. Remarkably, a strong tension is observed between district based and cluster based environmental associations of Alanya in the interviews.

Small ones are strongly against to the development of tourism because of the thinking based on “tourism pollutes”. Small sized environmental associations also show an isolated structure with other tourism related associations. They have a negative attitude towards tourism development and have no concrete successful environmental protection project related to development of tourism. However, big environmental associations are working on cleaning and increasing blue flag for beaches, therefore, they are collaborating with other tourism associations for the development and advertisement of Alanya. Those that support tourism and collaborate with entrepreneurs in the region have made important contributions to the development of environmental projects, as can be seen in the cases of Alçed, Matab and the Environment Initiative Association of Antalya. Therefore, in the following analyses, solely, big environmental associations of clusters which support tourism development are taken into consideration as environment associations.

However, organizations that are leading to tourism industry mainly exist in Central Antalya cluster because of being the province center, having the highest population density, thereby having big cluster size by the number of tourism and other firms. Although national head offices (federations) of these tourism organizations take place in Ankara and İstanbul, province based head offices of these organizations, in other words “representatives”, generally take place in Central Antalya cluster. Also, all types of tourism related organizations, “rich organizational structure”, can easily be seen in Central Antalya cluster not only in the numbers but also in types such as hotel and guide associations, entrepreneur and business associations, environment, advertising associations and district based tourism investor’s associations etc.. Although district based tourism investor’s associations, Latuyab and Kuyab, have newly emerged on the east coast of Central Antalya, it seems that they will take an important role for the development of different kind of image for Antalya center based on thematic hotels. These associations are the representatives of big sized hotels existing in Lara-Kundu coastal band, they have enough financial power to satisfy infrastructure and advertisement needs of that district via collaborating with central and local government institutions.

The following highly institutionalized cluster in tourism associations is Belek / Serik. In fact, Belek has got one tourism association named as Belek corporate company association. The number of tourism firms is low including approximately 50 hotels and most of which are 5 star hotels and holiday villages in Belek. That is why, association per tourism firms is seen to be high in Belek cluster. In addition, Betuyab is the only tourism association that has unique

tourism brand projects for the development of Belek such as infrastructure, eco-tourism and golf tourism projects. This difference stems from the support of the big sized tourism firms that have enough financial power to develop and to advertise their cluster by generated brand projects by the intermediate role of Betuyab. It is seen that the existence of different firm size in a cluster is important to develop an association which represent their demands via created successful collaborative projects with associations.

Although Belek tourism cluster is a small sized cluster by having the number of tourism firms, it has created a brand by its homogenous structure solely specializing on high qualified, big size tourism firms including 5 star hotels and holiday villages. The homogenous cluster type with big sized qualified firms triggers the successful projects that are developed collaboratively between Betuyab and central government. Because of all these firms are stockholders of Betuyab, they have financial power to develop and successfully implement the projects for sustaining the competitiveness of Serik / Belek. Moreover, Betuyab shows a more connected structure with leading tourism associations of Antalya and the ones at national scale.

Although Kemer is a popular mass tourism cluster with its outstanding nature and a heterogeneous structure covering mainly holiday villages and hotels that are high in number and high in quality, the density of tourism associations is low when compared with similar clusters which include similar number of tourism firms. This may be due to the enough representation of tourism associations to the respective hotels existing in the cluster. However, district based tourism associations are newly emerging and low in number in Kemer. Although they are low in number, it is a sign which shows the potential for developing new type of tourism associations in the following years.

In fact, Kemer as a government initiated development cluster, has got a strong tourism infrastructure association, Gatab, which has collaborative development projects mainly with central government and municipalities especially on infrastructure development activities. However, tourism investor's and advertising associations of Kemer are not influential enough for developing unique type of brand projects for their cluster when compared with other clusters' associations.

Apart from Kemer cluster, Manavgat-Side tourism clusters are also attractive tourism clusters in Antalya due to their rich ancient heritage and heterogeneous firm structure and

high firm number in cluster, however, they have low organizational capacity as in the case of Kemer. Although the density of tourism associations is low when compared other clusters, Manavgat and Side have got different organizational structure by including government initiated associations and self-help district based tourism investor's associations. In addition to infrastructure association named as Matab, district based self-help tourism investor's associations also exist in Manavgat and Side cluster such as Side-Tuder and Tisoder. Although Tisoder has developed linkages mainly with close associations, Side-Tuder seems to be more active and powerful than Tisoder when the represented tourism firm set, collaborative linkages and advertising sites in the internet are taken into account. As it is seen from the large cluster size by the number of tourism firms, Manavgat and Side create their representing associations. As to the firm size dynamics, it is seen that Titreyengöl district by having big firm size establish Tisoder to represent their demand and advertise their district in the global market.

As it is seen from the diverse character of organizational structure of tourism clusters in Antalya, a detailed analysis is needed for understanding the relations and institutional thickness. Therefore, in the next part, networking behaviour of tourism associations, the strength of networking with related associations and the isolated ones are scrutinized detailly by using social network analysis.

### ***Networking Behaviour of Tourism Organizations and Their Relational Patterns***

Institutional relations have defined under the concept of institutional thickness that generates economic development via enhancing collaborative networks (Amin and Thrift, 1995). In this context, associational networks are also important in addition to business networks. According to Putnam (1993), membership and engagement in voluntary associations are important for the development of cooperation between related actors including public, private and semi-private ones. That is why, an important role is referred to associations for facilitating the spread of information, learning, capabilities and the prospect of economic innovation through social interaction. According to Putnam (1993), "the increase in institutions fosters level of communication and dissemination of information in the sector which is conducive to co-operation". However, associations and their networks with different institutions for supporting the sector have been much less studied in the literature.

Existence of associations usually arises from either a governmental initiative, or from the self-support activities of business associations that provide individual and collective services to their members (Bratton, Bennett and Robson, 2003). The same emergence dynamics, governmental initiative and self-help development mechanisms, are influential in the establishment process of tourism associations in Antalya which was emphasized and discussed in the previous parts. Generally, these associations give some core services to their members such as representation, information, advice, advertising, problem solving, infrastructure development, personal training, certification, documentation and business management training. They generate contact with other institutions to reach their targets.

It is discussed in the literature that business support organizations may also benefit from external economies of scale. External economies of localisation may occur where the support organization is located close to similar bodies (Bratton, Bennett and Robson, 2003). This also designs the development of networking scale between related institutions which is mostly observed in close proximity institutions. In this context, whether proximity matters for designing the networking scale of business tourism associations or not is an important question to understand networking dynamics of Antalya.

In addition to these debates of the literature, how other factors such as *different interest groups* such as accommodation based, advertisement based and environmentally sensitive associations and *different scales of organizations* such as the ones at local and global level designs the networking behaviour between organizations is important to understand the structure of institutional thickness. In fact, types of associations, concerned activities and their relations with other associations are changing according to different clusters of Antalya. Therefore, the nature of networking behaviour between different type of tourism institutions for different clusters of Antalya and also for different scales are examined. In this context, the strength of networks, components, bicomponents (cutpoints and blocks) of network, factions and blockmodeling as a *top down sub-group technique*, also cliques, centrality, eigenvector analysis as a *bottom up technique* and ego networks of each cluster as a neighbourhood technique are evaluated by using social network analysis.

The whole network employed in social network analysis is consisted of defined tourism associations and their networking relationships with other institutions according to the data obtained from survey questionnaire. Organizations which have relations with the surveyed tourism associations are grouped and defined as; the relations with the same tourism

associations, other types of associations, global tourism and environment associations, local government institutions such as municipalities at district and subprovince level, and central government institutions such as ministry of culture and tourism, other ministries and governorships.

> ***Top-Down Network Structure: Subgroups of Networks between Associations***

In order to reveal the nature of networking between institutions, firstly, spring embedding layout is employed to the whole network data both in top-down and bottom-up analysis which treats the lines of the network as springs with a particular elasticity and strength. The procedure searches for a situation in which the system of springs is in a stable situation.

For finding and visualizing local *sub-structures* in the tourism network, first of all, the existence of *component* and *bicomponents* are scrutinized. Generally, *components* locates the parts of graph that are completely disconnected from one another, and colors each set of actors. In the example of tourism actor network, the entire graph is composed of three components.

While the first component is a main component composed of all tourism institutions except isolate, the other components are the isolates, *Çamob (Çamyuva Otelciler Birliđi)* and *global certificate associations* which really show an isolated structure with other nodes in the network. Therefore, except these isolate associations, the networks of remaining actors are examined in top down analysis.

In fact, it is revealed that component analysis does not say so much thing on the subgroups of relationships in the whole network. After examining components, the next step in the network analysis is to define the subgroups which is called as “*bicomponent analysis*” that identifies *blocks* and *cutpoints* in the network. It is an important tool for the network to define important institutions which bounds other institutions to the networks.

*Cutpoints* are particularly important actors who act as brokers among network actors that bounds the network otherwise disconnected groups emerge. However, it is seen that there are two cutpoints consisting of *ARO* and *ALÇED* which connect solely the national association of travel agencies (Tursab) and the national environment agency (TEMA) to the network. In

fact, these cutpoints do not give important clues which effects the main formation of the network and the strong subgroup linkages within the actors in the network.

The third step is defining the subgroups by using faction and newman-girvan (blockmodeling) analysis both of which give important clues for understanding network relations between similar and different institutions. In fact, both of the analysis try to identify local clustering and sub-structure in developing linkages. However, blockmodeling tries create clusters of nodes that are closely connected within, and less connected between clusters. According to the blockmodel analysis, it is revealed that there are three blocks in tourism network of Antalya. The first block is between ARO and TURSAB, the second block is between ÇEKÜL and other municipalities which are out of Antalya, and the third and the most important block is consisting of the all of the remaining tourism associations which are taken into account in the analysis.

Apart from blockmodeling, faction analysis gives us important hints about similar and different subgroup actors and their relationships with each other. According to the Figure 25, it is seen that sub-province based institutions including accommodation associations, environment associations and public institutions such as municipalities and Ministry of Culture and Tourism form first main block which are closely connected within each other as it is seen from their strength of ties. Other associations in the graph show no clear distribution in type and linkages.

When we look the factions in tourism network (Figure 25), a clear differentiation can easily be seen according to the relations between different institutions. Sub-groups in the network are mainly seen firstly, between the ones which are more close to central Antalya, secondly, the ones far away from Antalya-Center especially takes place in Manavgat and Alanya, thirdly, the ones which are indirectly related but support tourism in Antalya and other provinces.

A detailed interpretation on subgroups of networking organizations can easily be made on different type of clusters and organizations. Figure 32 shows that organizations that are in red node faction have a central role in the network of tourism in Antalya including Ministry of Culture and Tourism, nation based leading associations and nationally organized corporate company associations in central Antalya, Kemer and Belek. In fact, these

associations have strong historical connection with central government and these relations are still steering the tourism of Antalya.

As it is already known from the previous analysis, public sector involvement is dominant in all development stages of Kemer, Antalya Center, Belek and Manavgat cluster. Public support is particularly strong in the initiation stage and the strongest in approval and finance. Therefore, in the first subgroup of network consisting of red nodes have a central role in the network of Antalya which is based on mainly the relations of nation based associations.

The second faction between organizations and their relations shows that tourism associations in Alanya creates a subgroup in networking dynamics which is very dense itself but isolated from associations in other clusters of Antalya. This may be due to being far away from Central Antalya. By supporting this view, it is seen that strong connection is observed in spatial proximate associations. In this subgroup, although Alçed has got the central position, Altid and Altav show a strong connection with each other in the whole network of this subgroup. Moreover, the relations with municipality of subprovinces are also strong in most of the associations in this subgroup.

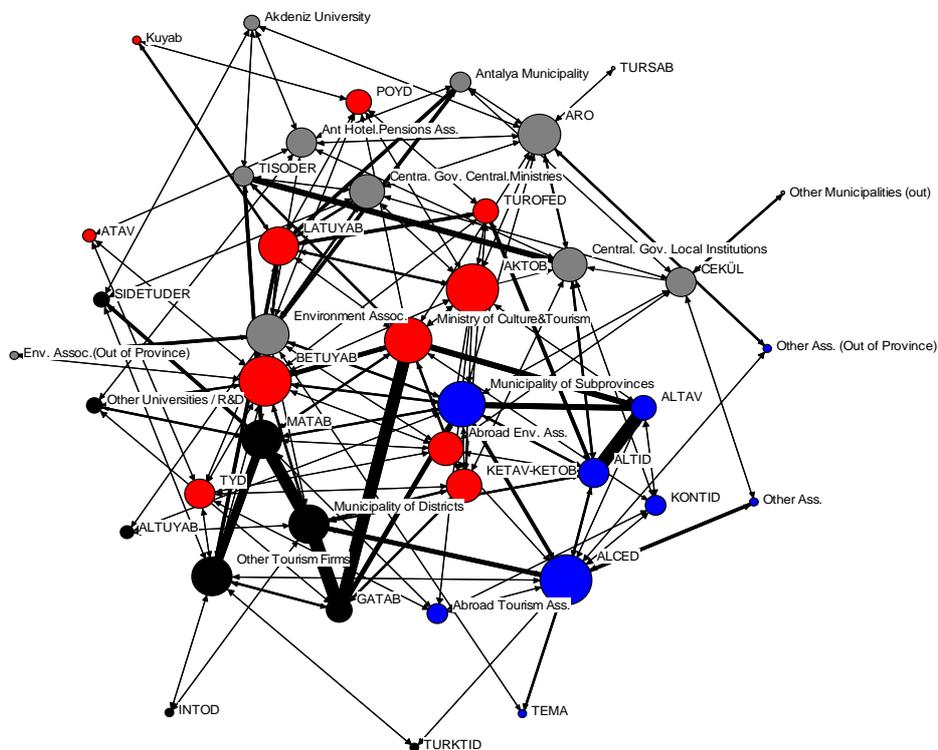


Figure 25 Factions of tourism network with centrality and tie strength measures

The third subgroup is consisting of mainly local government associations which are under the group of nationally organized local associations, Matab and Gatab. In addition, some of the district based associations are also in this subgroup such as Side-Tuder, İntod, Türktid and Altuyab. In this group, especially, the strength of linkages between Matab, Gatab and Municipality of districts take attention. Shortly, the strong relations of associations around municipality of districts may be effective in the formation of this subgroup.

The last subgroup is composed of the institutions that are not directly related with tourism, however, they support linkages with central government institutions, subcentral government institutions and other associations. In addition to these subgroups, environmentally sensitive associations show also a subgroup in the whole network and it is seen that they are not tightly related with other tourism associations in their linkages. Although these type of network structure shows the total linkages of tourism organizations which creates confusion, in the following part sub group linkages of tourism associations are evaluated in detail to understand the thickness in relations.

#### **> *Bottom up Network Structure between Subgroup Associations in Antalya***

After evaluating the top-down approaches that define subgroups in the network, the following step is based on ***bottom-up approach for defining network between subgroups***. In this context, mainly clique analysis is used for defining the regularity of interactions between organizations and also defining the organizations that are more closely and intensely tied to one another than they are to other members of the network. In addition, the extent to which these sub-structures overlap, and which actors are most "central" and most "isolated" from the cliques is an important point for understanding the networking behaviours of the tourism organizations. This is examined by looking at co-membership analysis in clique. Clique-by-Clique Co-membership (Clique Overlap) matrix that allows us to show the number of organizations that belong to a clique.

When we look the the cliques of Antalya tourism network, it is observed that there are many cliques consisting of 2 actors, but no cliques including 5 actors in the same clique. That is why, the cliques which include only 3 and 4 actors are important, thereby, tried to be identified for understanding the ones which are closely connected to each other but less connected to others in the network. Firstly, the cliques which include 4 actors are taken into consideration, and it is appeared that while tourism organizations in Central Antalya

(together with Belek) creates a 4 actor clique itself by showing a strong set of relationships within each other and also has got the highest centrality and strength in the relations of its actors, tourism organizations of Alanya form another 4 actor clique which has weak linkages in centrality and strength of relationships when compared with the clique in Antalya center (Figure 26.).

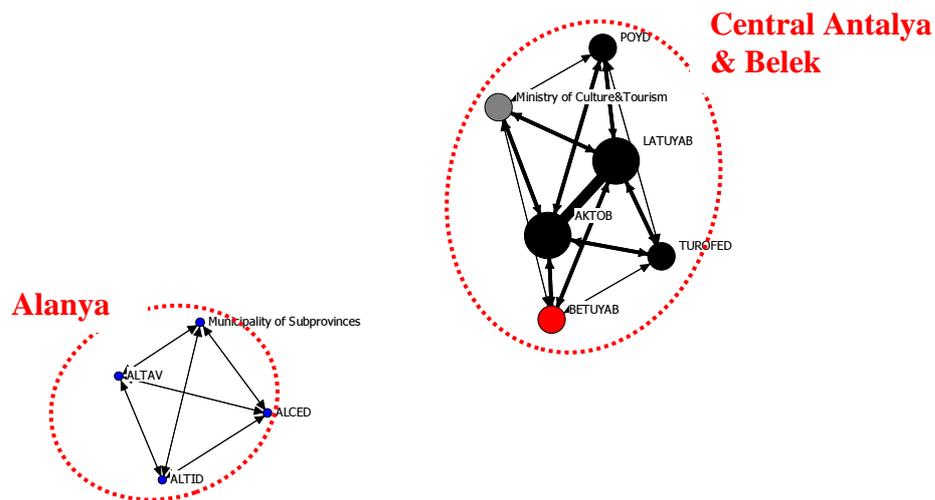


Figure 26 Clique by clique co-membership by cliques including 4 actors

However, it is seen that both of the cliques including 4 actors are strongly connected to the organizations in their cluster and shows an isolated structure with the ones that are in other clusters. Especially, Alanya as a self-help growth cluster has weak linkages with national organizations, but has strong linkages with local organizations including local tourism associations and local government institutions. As to the situation of Alanya, it can be claimed that space matters when developing clique type of strong relationships between tourism institutions. In other words, spatial proximity seems to be important in developing institutional thickness between the organizations of Alanya.

Although tourism organizations of Central Antalya have strong relation with national tourism organizations, nation based local tourism associations show a strong connection within each other. In this context, it can be claimed that strong local connection between

tourism associations of Central Antalya may also be effected by the spatial proximity between tourism associations.

For understanding how these interactions constitute a framework, favoured representations of relational data such as strength and centrality which shows the nodal positions within the network give hints about the network structure. When centrality and tie strength is compared according to the two components of the clique, leading role of central Antalya organizations can easily be seen. As it is emphasized before and is seen in the Figure 26., the strongly connected and central actors in tourism are mainly nation based and nationally organized corporate company associations. Most of these steering tourism institutions of Antalya takes place mainly in Central Antalya.

The steering central Antalya associations have dense linkages only with central government institutions such as with Ministry of Culture and Tourism, but not have more linkages with local public institutions such as municipalities which is mostly observed in other clusters. However, tourism associations of Alanya have linkages not only with tourism associations of Alanya including environmentally sensitive and advertising associations but also with local public institutions especially with municipalities.

1<sup>st</sup> component - 3 factions

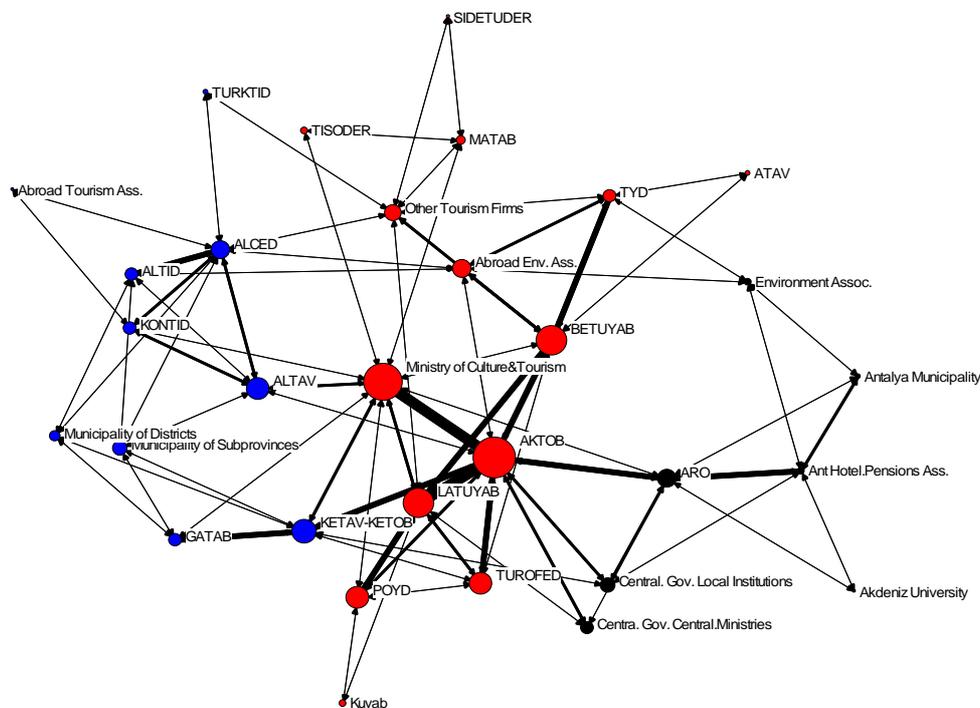


Figure 27 Clique by clique co-membership including 3 actors by 3,4 and 5 factions



Apart from 4 clique overlaps, 3 clique overlaps of networks between institutions shows the strict differentiation between the networks of tourism institutions for clusters which has already been discussed similarly as in 4 clique overlaps (Figure 27). By the help of employing spring embedded layout, the nodes which have strong relations with each other are placed close to each other.

In addition to the subgroup definition technique of faction analysis which shows subgroups under different colors of nodes, spring embedded layout of all faction analysis give important hints about the importance of spatial proximity in developing linkages between institutions. It is seen that subgroups of network emerge according to the different clusters not only in faction analysis based on different subgroups of color nodes, but also spring embedded layout based on the proximity between nodes in the graphical portray.

In all graphs and faction analysis, while the organizations of Alanya show a strong connection within each other, they show a less connected structure with other organizations in other clusters of Antalya. This may be because of being far away from the center clusters and also being powerful enough to satisfy their needs by using their local dynamics and self-support civil initiative structure in institutionalization.

Apart from Alanya, subgroup of networks are also observed in tourism organizations of Manavgat in the next step faction analysis. Because of not being so close to Antalya, Manavgat show an introspective structure when developing networks. Although Alanya and Manavgat are more close to each other and far away from center, tourism organizations do not show a collaborative character with each other, they show generally an individual and isolated character. This may also be due to the self-help development institutional character of tourism organizations of Alanya and government initiated development institutional character of organizations of Manavgat.

While in some of the faction groups, tourism organizations of Kemer show an isolated structure from other clusters of Antalya in networking, they show a collaborative networking structure with tourism organizations of Antalya Center. Because of Kemer has got organizations that have strong connection with central government and more close relation with leading organizations of Antalya center, they are taken under the same sub-group in the network analysis (Figure 27).

The situation for Belek is somewhat different according to the connectedness of tourism organization with other clusters. While Belek is strongly connected with the nation based local tourism associations of Antalya Center and also with the nation based leading tourism institutions in İstanbul, it also shows an individual structure when developing projects with nearby clusters. This may be because of its brand which is created based on environment and natural life such as birds, endemic flora and golf courses that is not coincide with the character of nearby clusters. It is the only cluster that concerns environment based thematic projects. When developing these projects, association of Belek mainly develop collaboration only with Ministry of Culture and Tourism and sometimes with nation based tourism institutions. In fact, strong relational structure of tourism association of Belek with central government institutions stems from the support mechanism of central government in the establishment of this association.

As it is seen from bottom up network analysis, subgroup relations of tourism organizations which have strong collaborative linkage with each other, are mainly affected by spatial proximity of clusters and the type of tourism organizations according to their changing type and levels, nation based and local. It seems that self-help associations collaborate with organizations at local level and nation based local organizations collaborate with tourism organizations not only at local level but also at national and at global level.

#### ***Cluster Based Ego Networks of Tourism Organizations in Antalya***

In addition to the subgroup analysis, cluster based interpretation is required for identifying networks and institutional thickness of different organizations in different clusters. In this context, ego network analysis is employed for understanding how networks arise from the local connections of individual actors. Therefore, ego-networks are defined for each cluster to reveal the networks of tourism institutions in their neighbourhood. While including all of the ties among all of the actors to whom ego has a direct connection, ego network gives us key clues on the nature of networking of institutions in that cluster. The figures below show the links between each organization with other tourism organizations regarding the number of project development for each cluster. Moreover, the thickness of lines shows the proportion of the number of collaborative projects within tourism organizations.

Among the associations in ego network, it is seen that Betuyab and Aktob have got the largest network, the following ones are Latuyab and Altid in size. In addition to the whole

ego network outputs, cluster based evaluations of ego networks is taken into consideration because of giving additional clues on the institutional thickness of each cluster.

In this context, firstly, Alanya cluster is scrutinized according to the capacity of networking between tourism organizations. It is appearing from the Figure 28 that the associations, Altid and Altav, have strong relationship with each other to represent and to advertise Alanya. Although Altav as an advertisement association of Alanya, it has strong linkages with the leading tourism association of Alanya and also strong linkages with Ministry of Culture and Tourism and Municipalities of Districts for representing Alanya in the global market. District based self-help tourism associations have linkages mainly with municipalities of districts. It is known that they are also newly emerging tourism associations in Alanya and the increasing institutionalization process stems from the inadequate representation of Altid. Managers of district based tourism associations of Alanya state that;

“Altid can not represent enough our demands as a different district destination in Alanya. Because majority of the members of Altid are mainly from Alanya center. Therefore, Altid represents generally the demand of associations in Alanya center most of which are mainly composed of small size entrepreneurs such as apartments and 3 star hotels. Associations of Central Alanya which are constituted of small size hotel members serve the concept of bed&breakfast for Alanya. However, our target group and concept in marketing are different from Alanya Center. We serve all inclusive for highly qualified groups because majority our members represent five star hotels”.

Moreover, they expressed that;

“Municipalities of districts in Alanya constituted of different political parties. In fact, this is a constraint on equal representation of entrepreneurs and markets in different districts. So, every district in Alanya try to establish a tourism association for representing their concept in the global market, for advertising their districts such as in fairs and in meetings to attract tourists. Generally, most of these associations made collaborative projects with the municipality of the district to solve their infrastructure problems. That is why presence of associations are still increasing in different districts of Alanya for satisfying the demand of different entrepreneurs”.

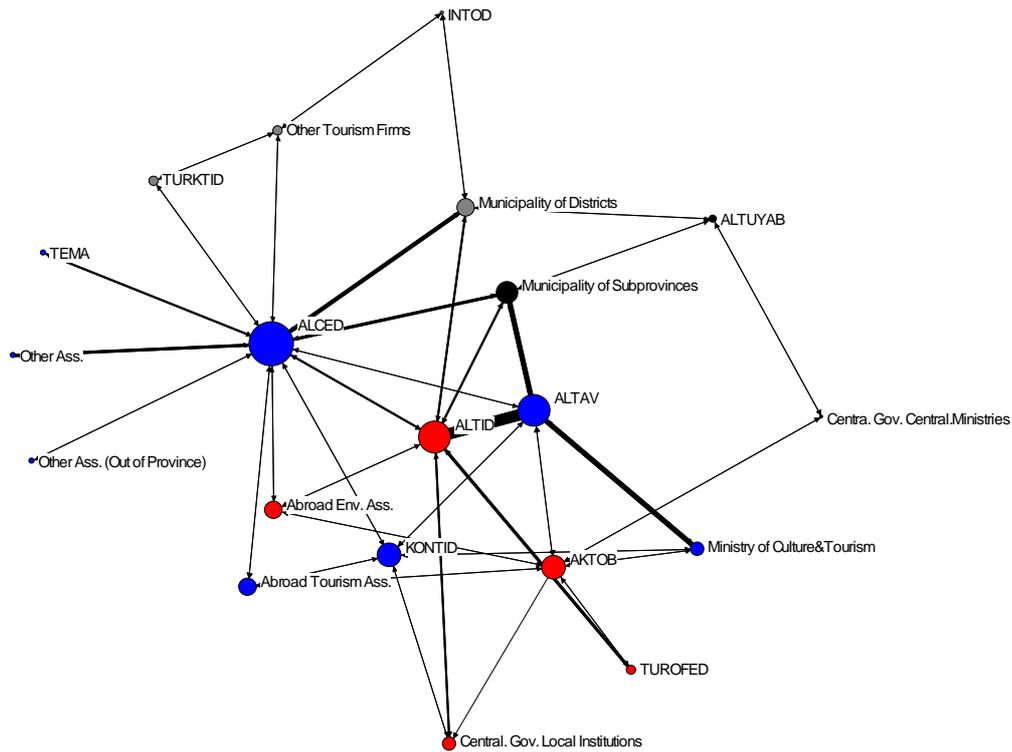


Figure 28 Ego Network of Alanya

As an environmentally sensitive association, Alçed has really a different perspective in developing collaborative projects with other associations from other district based environmental associations of Alanya. Alçed claims that it has strong relations with tourism associations to support the development of tourism based on a “sustainable development” vision. Strong relational structure is only observed in Alçed with other municipalities and with tourism related associations in Alanya.

When we look at the whole network of Alanya, it is seen that there are three kind of subgroups emerge in tourism associations according to their linkages. First group is based on the linkages of leading tourism associations that have strong linkages with each other. Second group is composed of networks between district based self-help newly emerging tourism associations that are really much in a mount in Alanya. The last group is mainly based on environment associations.

It is seen that there do exist more and diverse types of tourism associations in Alanya, however, they show a really weak connection with other sub-provinces and central

government institutions. This may stem from the self-help development character of Alanya that is mainly based on endogenous growth dynamics. It is observed that existing tourism associations of Alanya develop linkages with each other by using local dynamics and most of them do not take additional external support in foundation and project development process.

Apart from Alanya, Manavgat is the other cluster that has different growth dynamics based on institutional structure. Although Manavgat shows a governmentally initiated type of development character in institutionalization, Side cluster in Manavgat start to illustrate self-help character in association development by using local dynamics recently. Apart from that, Matab, as a government led infrastructure association, is the leading association that has connections with most of the associations in Manavgat related with infrastructure development (Figure 29). Also, Matab has shown especially dense network with municipalities to provide the infrastructure service for the whole Manavgat. Although Tisoder is a district based self-help tourism association, it represent demands of tourism firms in Titreyengöl district which is also governmentally supported area. It is seen that Side and Titreyengöl districts have shown different characteristics in development such as government supported and self-help developed. Moreover, these districts also show a different structure in accumulation of firm types which explains their difference in network behaviour.

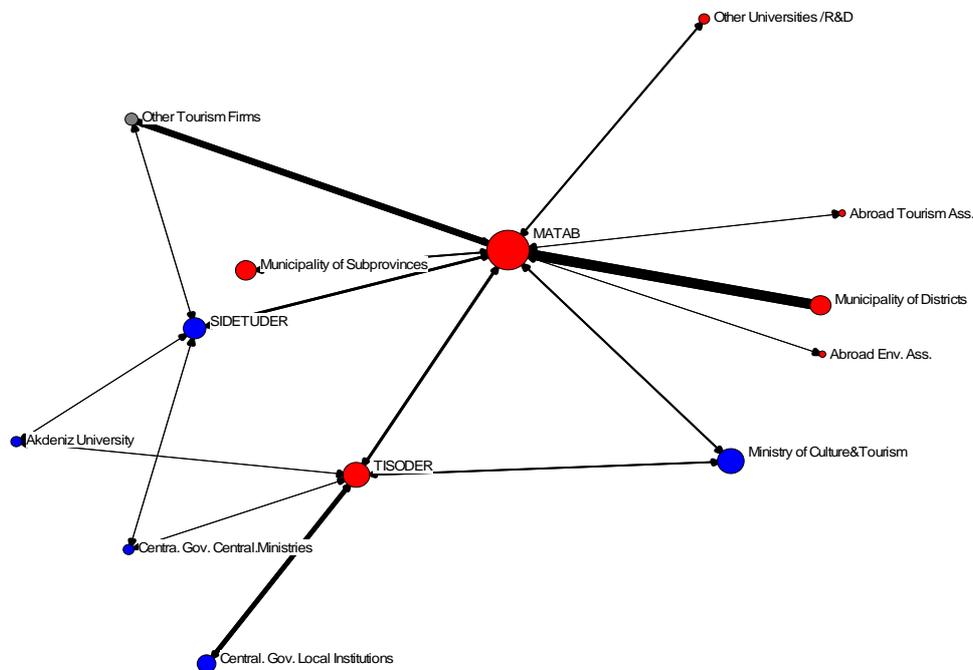


Figure 29 Ego Network of Manavgat

While Side is consisting of mainly small and medium sized firms, Titreyengöl is consisting of big sized tourism firms. They serve for different groups at global, that is why they are taken as different destinations. Because of these reasons Side-Tuder and Tisoder seem to be not strongly connected with each other. In fact, it is surprising that there are similar associations of different districts of the same cluster which may have similar targets on some issues, but have not shown collaborative linkages with each other and have shown individual character to satisfy their needs.

For Serik-Belek tourism cluster, the situation is different because of being the only tourism association in the cluster but showing a dense networking capacity at local and global level. As it is discussed in the previous parts, tourism association of Belek, Betuyab as a corporate company association, has always shown a strong connectivity in developing collaborative projects with Ministry of Culture and Tourism. It has also strong networks with members on project development in Belek. Although it has internally dense linkages with members in existing cluster, it has also strong relations and unique projects not only with leading tourism associations in Central Antalya but also with the associations in other provinces of Turkey such as TYD in Istanbul, Central Government and universities in Ankara.

According to Oktay Varlier (The headman of TYD and old headman of BETUYAB, personal interview in April 2007), the reason behind the success of BETUYAB is its strong collaborative relational structure with Ministry of Culture and Tourism on project development. Moreover, the success of BETUYAB stems from the development of collaborative projects with other institutions not only at local level but also at global level. It can be claimed that it is the only association that has more linkages with global associations than other associations in different clusters (Figure 30). Highly connected structure with other organizations at local and global levels is not only effected by government initiated growth character of Belek, but also effected by the voluntary and conscious character of powerful members of Betuyab in collaborative project development to be competitive in global market.

The headperson of LATUYAB, Mert Temimhan, stated that they have a crucial role for the local development of Antalya. Because of they are composed of the stockholders especially the big sized tourism firms having enough financial power and collaborative character, they support the infrastructure projects of Lara in collaboration with Ministry of Culture and Tourism.

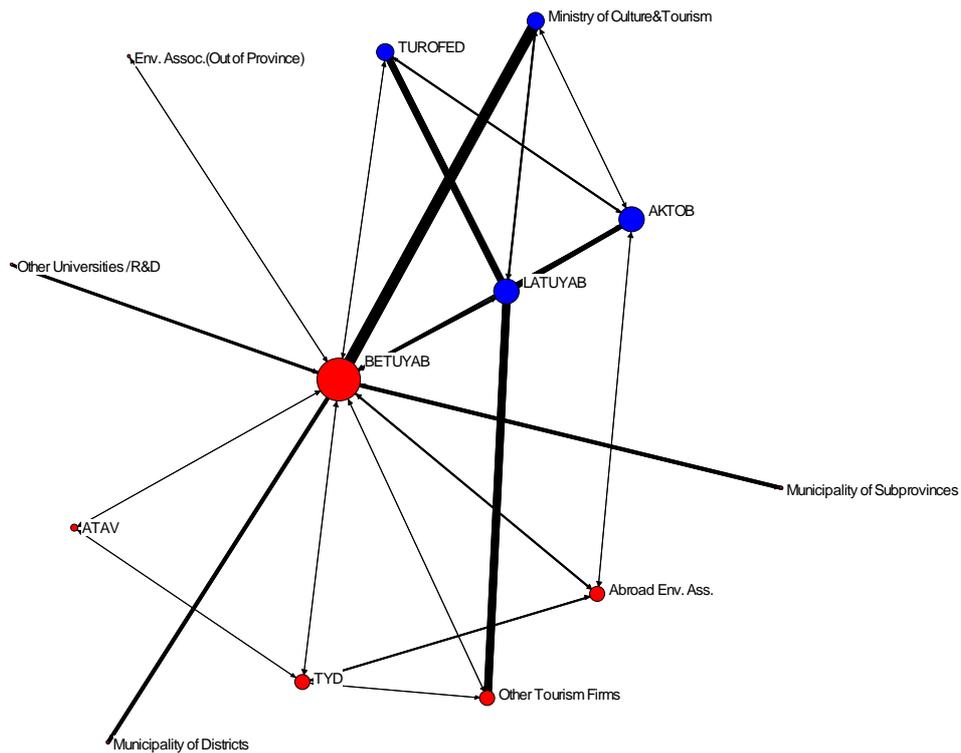


Figure 30 Ego Network of Serik-Belek

Institutional networks of Kemer tourism cluster have similarities with other clusters in Antalya. As it is seen from the graph (Figure 31), Gatab as an infrastructure association has crucial importance in designing the network structure of Kemer. This is because of its strong historical connection with central government especially in foundation and support process of the projects. In addition, Gatab has networks with universities and made several collaborative projects with METU and Hacettepe University, for instance refining sand is converted into energy, vector fight research project is implemented etc. It has also strong collaborative linkages not only with Ministry of Culture and Tourism, but also with municipalities of subprovince and districts on infrastructure development.

In addition to Gatab, Ketav-Ketob is another important tourism hotelier's and advertising association that have linkages not only with the associations inside the cluster, but also with leading associations of Antalya Center, universities and Ministry of Culture and Tourism in Ankara. According to results of the questionnaires, it is revealed that Gatab has intense relationship with Ketav-Ketob. They support each other on financial issues and project preparation for the promotion of Kemer. Because of the government initiated growth

character of Kemer, they have direct collaboration with national institutions to take support for the development projects. It is seen that the associations of Kemer has not only linkages with local institutions, but also linkages with national institutions.

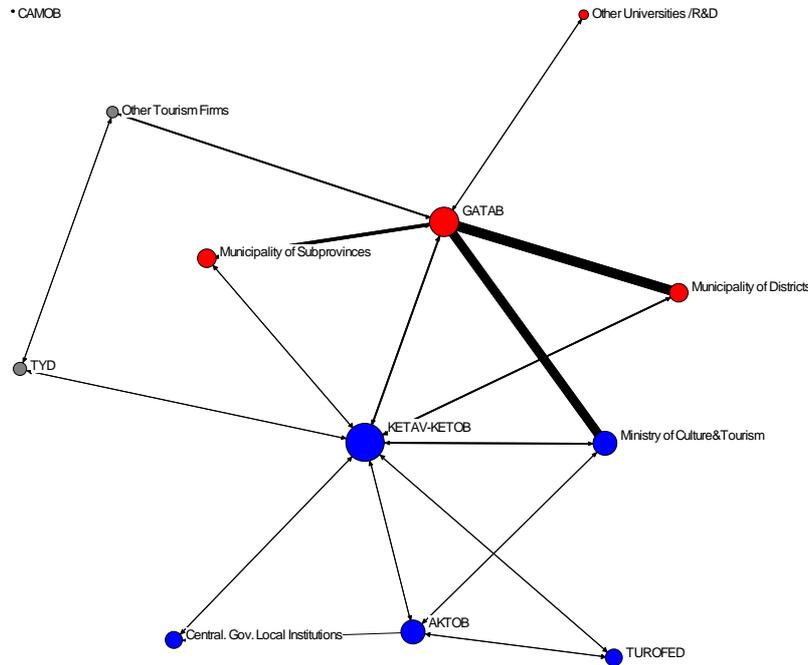


Figure 31 Ego Network of Kemer

After evaluating the institutional thickness among tourism organizations in different clusters of Antalya, the last and the central cluster is Central Antalya which includes various type of important and leading tourism associations on different issues. Antalya center includes nation based local associations and also nation oriented corporate company associations related with tourism including accommodation, advertising and environmentally sensitive interests. It appears that Antalya Center covers most of the linkages that the whole Antalya have (Figure 32). As it is discussed in other graphs, similar groups emerge according to changing networking structure in different type of tourism organizations. They have also strong linkages within, but more weaker linkages between different type of organizations because of conflicting interests.

Nation based tourism hotelier's associations form a subgroup in their networking relations. Environmentally sensitive associations form other subgroup in Center Antalya tourism network. However, the important thing is that Antalya Center is a dynamic leading cluster

and all actors related with tourism are sending information to the center because of including the head institutions of Antalya province. That is why Antalya center show a more dense network structure that steer the nature of tourism network.

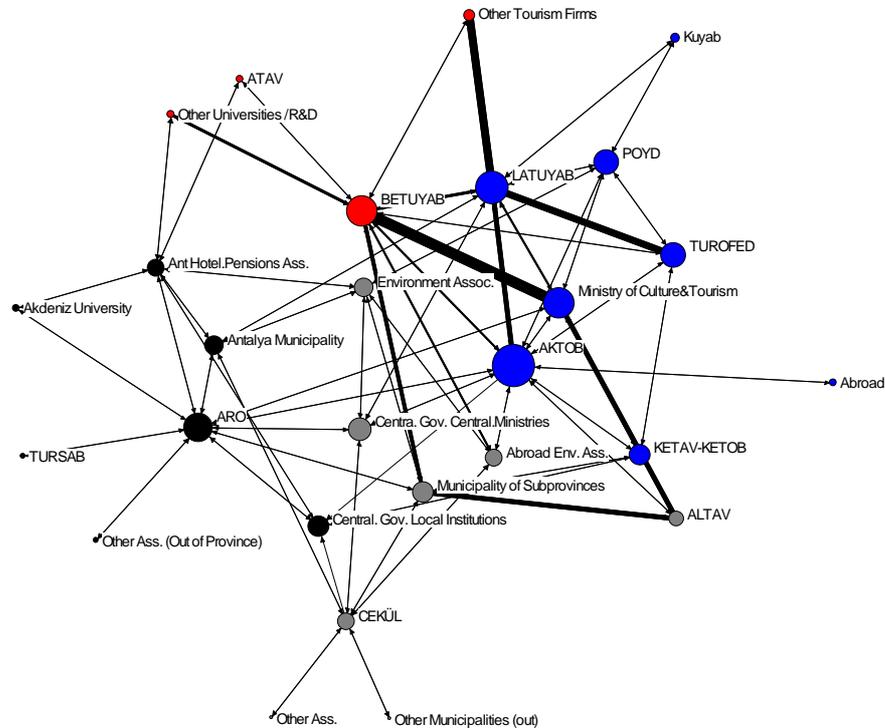


Figure 32 Ego Network of Antalya Center

As it is revealed from the analysis that try to define the relational structure of tourism organizations in different clusters of Antalya, tourism organizations are emerging increasingly and have become powerful for developing linkages and designing the institutional structure of tourism in Antalya. However, institutional thickness between tourism associations are still developing, the strength of networking still needs to be developed for generating successful projects and thereby enhancing the local development in Antalya.

#### 6.4 The Contribution of Local and Global Networks to the Local Development of Antalya

In this part of the chapter, the contribution of global networks versus local networks is scrutinized in a descriptive way for evaluating the main hypothesis of the thesis. In this

context, the question; *“To what extent local & global networks promote local development of tourism clusters?”* is assessed.

General values on the change in employment and the growth in the number of firms between the periods of 1992 and 2002 (Table 12) show that Central Antalya and Alanya have got higher shares of increase in employment and the number of firms in almost every sector. Moreover, Alanya, Manavgat, Kemer and Belek have got higher shares in tourism related activities, transportation & communication and financial intermediary services. However, remaining sub provinces of Antalya have shown low employment growth in all sectors (Table 12). According to this situation, it is seen that sub provinces which show high specialization in tourism have shown an increase in employment and the number of firms not only in tourism activities but also in related sectoral activities. However, these kind of indicators give us a limited information on the contribution of local and global networks in promoting cluster success. Therefore, a detailed analysis is required to understand the contribution of local and global networks to local development. Due to the limited data which shows the networks between tourism firms, survey questionnaire results are scrutinized for explaining the contribution of networks to the local development of Antalya.

Within this view, firstly, different type of tourism firms and secondly, different clusters (total linkages of firms in each cluster) are evaluated according to their level of connection at local and global levels. Then, contributions of tourism firms to local development by their level of linkages are evaluated by analysing their purchasing relations (food, textile, durable consumer good and furniture sales) with its cluster, with the province, with other provinces and with global firms. Thereby, contributions of local and global connected firms to their clusters, to provinces and to other provinces can be evaluated by using the level of purchasing relations. Moreover, purchasing relations at different spatial levels could give important clues on multiplier effects of tourism not only to their clusters but also to their nearby settlements, therefore we can evaluate the contribution of different level of purchasing relations to the local development. In addition to this, purchasing relations of locally and globally connected clusters (defined by the existence of of globally and locally connected firms in each cluster) at cluster, province and national level are also evaluated to understand their contributions to local development by using geographical levels of purchasing relations.

*The Intensity of Purchasing linkages by different type of tourism firms*

In this part, the intensity of purchasing relations of tourism firms are evaluated according to local, province and national and global level. Purchasing relations are defined in the interviews as food, textile, durable good and furniture relations of tourism firms. For evaluating the change in the level of purchasing relations, tourism firms with different type, size and level of connectedness are compared with their share in different level of purchasing relations by using crosstabulation tables.

According to the classification of firms under globally connected, locally connected and no connected, it is seen that each type of tourism firm shows a different level of connectivity in purchasing relations. It is seen that the firms which have shown no connected structure with other firms have purchasing linkages only at local level. They are purchasing with the local firms in their cluster. However, it is observed that globally and locally connected tourism firms have higher shares in developing purchasing relations with the firms that are in central province and other provinces.

Table 45 Geographical Level of Purchasing Relations as to the level of connection of tourism firms

Share of purchasing linkages at different level of settlements	Globally Connected Firms	Locally Connected Firms	No Connected Firms
Food Relations at Local Level	0,33	0,26	0,64
Food Relations at Province Level	0,65	0,69	0,35
Food Relations with Other Provinces	0,02	0,05	0,01
<b>Food Linkages Total</b>	100%	100%	100%
Textile Relations at Local Level	0,28	0,40	0,60
Textile Relations at Province Level	0,29	0,45	0,37
Textile Relations with Other Provinces	0,43	0,15	0,04
<b>Textile Good Linkages Total</b>	100%	100%	100%
DurableGood Relations at Local Level	0,57	0,48	0,65
DurableGood Relations at Province Level	0,24	0,46	0,35
DurableGood Relations with Other Provinces	0,19	0,07	0,00
<b>Durable Good LinkagesTotal</b>	100%	100%	100%
Furniture Relations at Local Level	0,33	0,38	0,63
Furniture Relations at Province Level	0,20	0,31	0,37
Furniture Relations with Other Provinces	0,48	0,31	0,00
<b>Furniture Good Linkages Total</b>	100%	100%	100%

Note: (\*): Cluster refers the district that the tourism firm exists in and have linkages with,

(\*\*): Province refers the other clusters in Antalya province that the tourism firms have linkages with,

Locally connected firms have higher shares of purchasing relations not only with the firms in their local area but also with the firms in different parts of the province. In fact, this is an expected result that locally connected firms can generate purchasing relations with its local area and nearby settlements in the existing province. It is also not surprising that globally connected firms are especially the only ones which have strong connections not only with their local settlements and province but also with other provinces (Table 45). Therefore, it can be claimed that they create an extra multiplier effect of tourism to the nearby provinces by developing food, furniture and durable good relations with other provinces.

When the geographical level of purchasing relations are evaluated according to different type of accommodation firms (Table 46), linkages generating at local level seems to be dominant. While the linkages at local and province level is strong for all type of firms, linkages with other provinces and foreign countries seems to be too weak. In local based purchasing linkages, it is seen that generally small sized hotels especially 1 star hotels with 76 percent, apart hotels with 72 percent and boutique hotels with 92 percent have shown higher shares when compared with other type of accommodation firms (Table 46).

Table 46 Geographical Level of Purchasing Relations as to the different type of accommodation firms

	Local	Province	OtherProvinces	Global Linkages	Grand Total
1 Star	0,76	0,21	0,03	0,00	1,00
2 Star	0,58	0,34	0,08	0,00	1,00
3 Star	0,37	0,49	0,14	0,00	1,00
4 Star	0,40	0,51	0,08	0,00	1,00
5 Star	0,16	0,71	0,12	0,01	1,00
Apart	0,72	0,25	0,03	0,00	1,00
BoutiqueHotel	0,92	0,00	0,05	0,03	1,00
Holiday Village	0,22	0,70	0,06	0,01	1,00
Hotel	0,64	0,34	0,02	0,00	1,00
Pension	0,53	0,47	0,01	0,00	1,00

Source: Calculated from survey data

It is clearly seen from the Table 47 that while small sized firms have higher shares of local level purchasing linkages, big sized firms show higher shares of purchasing linkages at province level. Big sized firms are also the ones which have purchasing linkages not only with other provinces but also with the ones at global level. Most of the big sized firms are globally connected as indicated. In fact, relational behaviour in purchasing show similar

results in globally connected firms and big sized firms which confirms the association between them.

Table 47 Geographical Level of Purchasing Relations as to the size of tourism firms

Firm Size bed capacity	Local Level Purchasing Linkages	Province Level Purchasing Linkages	Purchasing Linkages with Other Provinces	Global Level Purchasing Linkages	Grand Total
Big Size (700- +bed )	0,21	0,68	0,11	0,01	1
Medium-Big Size (200-699bed)	0,29	0,59	0,12	0,00	1
Small Size (1-49bed)	0,57	0,42	0,01	0,00	1
Small-Medium Size (50-199bed)	0,64	0,33	0,02	0,00	1

Source: Calculated from survey data

Shortly, tourism firms which are globally connected and big sized have higher shares of purchasing relations not only with Antalya province but also with other provinces which shows their additional contribution not only to their cluster but also nearby clusters, its province and nearby provinces.

In addition, the chi-square values of geographical level of purchasing relations as to the size of tourism firms indicates that there are significant differences in the level of developing purchasing relations especially in big sized firms. Although the difference is meaningful at some geographical levels for big-medium sized and medium and small sized firms, it is not statistically significant at most of the geographical level of linkages especially for small sized firms. It indicates that in general, big sized firms have developed different kind and level of purchasing relations which effects not only the development of the cluster but also the development of the province and other provinces in an indirect way. However, small sized firms have shown a locally bounded character also in developing purchasing relations which reduces their multiplier effect for tourism development.

Table 48 Chi-square values of Geographical Level of Purchasing Relations as to the size of tourism firms

Types of Firms	Levels of Networks	Chi-Square	P-value
Big sized Firms	Network with local - Network with province	190.905	0.005***
	Network with local - Network with other provinces	120.721	0.012***
	Network with local - Network with global	57.000	0.006***
	Network with province - Network with other provinces	133.905	0.026**
	Network with province - Network with global	40.177	0.418
	Network with other provinces - Network with global	38.000	0.035**
Big-medium sized Firms	Network with local - Network with province	283.500	0.274
	Network with local - Network with other provinces	166.725	0.166
	Network with local - Network with global	9.563	1.000
	Network with province - Network with other provinces	210.600	0.059*
	Network with province - Network with global	54.000	0.027**
	Network with other provinces - Network with global	13.088	0.874
Medium-small sized Firms	Network with local - Network with province	164.997	1.000
	Network with local - Network with other provinces	67.500	0.839
	Network with local - Network with global	82.000	0.000***
	Network with province - Network with other provinces	152.094	0.000***
	Network with province - Network with global	0.615	1.000
	Network with other provinces - Network with global	19.741	0.001***
Small sized firms	Network with local - Network with province	139.065	0.998
	Network with local - Network with other provinces	37.643	0.227
	Network with local - Network with global		
	Network with province - Network with other provinces	36.321	0.051*
	Network with province - Network with global		
	Network with other provinces - Network with global		

Source: Calculated from survey data

\*Statistically significant 0.05 level

\*\* Statistically significant at 0.01 level

\*\*\*Statistically significant at 0.00 level

#### *The Intensity of Purchasing Linkages of Tourism Firms according to Different Clusters*

In this part, different level of networks and purchasing linkages at different levels are evaluated according to the clusters for understanding the contribution of different level of networks to local development. In recent years, the emphasis on the endogenous growth shows the importance of networks. It is also believed that networking with local and global firms and organizations promote the performance of that cluster thereby local development.

Identifying the weight of local and global linkages of firms in different clusters give us important clues about the possible multiplier effects of tourism firms for that cluster. First of all, it is clearly indicated from the chi-square values (Table 49.) that there is a significant difference between vertical and horizontal networks creation of tourism firms in all clusters of Antalya. Related with the created local and global networks in different clusters of Antalya, a statistically significant difference is observed between local and global networks of firms in clusters except Belek cluster. In fact, this result confirms the general relational behavior of clusters in Antalya. As it is examined in the previous analysis, it is observed that local networks have higher shares in most of the clusters of Antalya except Belek. Because in all tourism clusters of Antalya except Belek, the distribution of different type and size of firms generally shows a homogenous character. However in Belek, most of the firms are big sized and they have not only strong local networks but also strong global networks which explains the indifference seen between local and global networks of firms in different clusters.

Table 49 Chi-square values of Different level and kinds of Relations as to the clusters

PlaceofFirm	Types of Network	Chi-Square	P-value
Alanya	Local-Global Network	354.484	0.000***
	Vertical-Horizontal Network	562.680	0.000***
Antalya-Merkez	Local-Global Network	2402.014	0.000***
	Vertical-Horizontal Network	1811.258	0.000***
Belek	Local-Global Network	27.000	0.079
	Vertical-Horizontal Network	45.000	0.039*
Kemer	Local-Global Network	256.000	0.000***
	Vertical-Horizontal Network	400.000	0.000***
Manavgat	Local-Global Network	72.000	0.001***
	Vertical-Horizontal Network	106.000	0.001***
Side	Local-Global Network	173.947	0.000***
	Vertical-Horizontal Network	210.000	0.000***

Source: Calculated from survey data

\*Statistically significant 0.05 level

\*\* Statistically significant at 0.01 level

\*\*\*Statistically significant at 0.00 level

The findings show that the weight of different level of purchasing linkages of clusters are mainly distributed at local level except Belek, Kemer and Kumluca clusters (Table 50.). Kemer, Belek and Kumluca clusters have higher shares of purchasing linkages at province level. Due to having high bed capacity, Belek and Kemer clusters require more purchasing relations not only at local but also at province level, thereby contribute to the local economy

more compared to others. They have also higher shares of purchasing relations with other provinces of the country when compared with other clusters. This also contributes to the economy of the country. According to the chi-square values, while level of purchasing linkages in Belek has a statistically significant difference, however, it is surprising that no statistically significant difference is observed in different level of purchasing relations in Kemer.

Table 50 Geographical Level of Purchasing Relations according to the clusters

PlaceofFirm	Local Level LinkagesTotal	Province level LinkagesTotal	Linkages with Other Provinces	Linkages with Global	Grand Total %
Kas	0,71	0,14	0,14	0,00	1
Alanya	0,65	0,26	0,08	0,00	1
Antalya-Merkez	0,51	0,42	0,06	0,01	1
Belek	0,07	0,79	0,14	0,00	1
Demre	0,75	0,25	0,00	0,00	1
Finike	1,00	0,00	0,00	0,00	1
Gazipasa	1,00	0,00	0,00	0,00	1
Kemer	0,14	0,80	0,06	0,01	1
Korkuteli	1,00	0,00	0,00	0,00	1
Kumluca	0,06	0,94	0,00	0,00	1
Manavgat	0,63	0,31	0,06	0,00	1
Side	0,64	0,33	0,03	0,00	1

Source: Calculated from survey data

Moreover, tourism firms in Antalya center has got not only higher purchasing linkages with local but also higher linkages with other clusters in the province. This is confirmed by the chi-square values (Table 51) which show that there is not a significant difference observed between the local and province level linkages of firms in Antalya center.

Tourism firms in small clusters such as Finike, Gazipaşa and Korkuteli cluster have shown only local bounded purchasing relations. Although local level purchasing relations of firms are also dominant in Kaş, Demre, Alanya, Side and Manavgat cluster, tourism firms in these clusters have also shown purchasing relations not only with other clusters in the province, but also with other provinces which indirectly supports the economic development except the firms in Demre cluster (Table 50).

Table 51 Chi-square values of Geographical Level of Purchasing Relations according to different clusters

PlaceofFirm	Levels of Network	Chi-Square	P-value
Alanya	Network with local - Network with province	221.023	0.000***
	Network with local - Network with other provinces	136.969	0.001***
	Network with local - Network with global	49.000	0.000***
Antalya-Merkez	Network with local - Network with province	97.527	0.989
	Network with local - Network with other provinces	216.965	0.000***
	Network with local - Network with global	107.780	0.000***
Belek	Network with local - Network with province	32.000	0.043*
	Network with local - Network with other provinces	27.000	0.041*
	Network with local - Network with global	-	-
Kemer	Network with local - Network with province	194.816	0.158
	Network with local - Network with other provinces	71.463	0.301
	Network with local - Network with global	15.861	0.823
Manavgat	Network with local - Network with province	31.778	0.133
	Network with local Network with other provinces	24.750	0.132
	Network with local - Network with global		
Side	Network with local - Network with province	188.365	0.561
	Network with local - Network with other provinces	65.417	0.427
	Network with local - Network with global	-	-

Source: Calculated from survey data

\*Statistically significant 0.05 level

\*\* Statistically significant at 0.01 level

\*\*\*Statistically significant at 0.00 level

It is well known by the night spending numbers that Alanya, Side, Manavgat and Kaş clusters are the most attractive clusters for tourists which triggers the development of different level of linkages of firms in that clusters. However, it is interesting that the difference between different level of purchasing relations is statistically significant solely in Alanya according to the chi-square values (Table 51). Although the distribution of firms shows variety in size and type, it seems that this variety affects the level of purchasing relations of that cluster.

Apart from the level of linkages of tourism firms in different clusters, level of purchasing relations of defined locally and globally connected clusters points out that firms in globally connected clusters have purchasing relations not only at local level, but also at province and national level firms. This shows that firms in globally connected clusters contribute to local development by purchasing relations spreading at any level. Therefore, enhancing global connectivity in clusters would be beneficial also for the local development of nearby settlements.

However, firms in some clusters of Antalya still have shown locally embedded character and effect the level of connectedness of their clusters in the global market namely Kaş, Kumluca, Finike, Gazipaşa and Kale clusters. It seems that firms in locally connected clusters have dense purchasing relations at local level. This type of limited connectivity of firms makes their cluster locally bounded which affects their contribution to economic development by reducing multiplier effect to other settlements. In contrast, the weight of purchasing relations at local, province and national level is really high in firms which are in globally connected clusters that makes their cluster crucial for the local economy of their region (Table 52).

Table 52 Level of Purchasing Relations according to the level of connection of tourism Clusters

<b>Level of Purchasing Relations</b>	<b>Sum of Firms</b>	<b>Globally Connected Clusters</b>	<b>Locally Connected Clusters</b>
<b>Local</b>	<b>FoodLocal</b>	85.3	14.7
	<b>TextileLocal</b>	71.8	28.2
	<b>GoodLocal</b>	73.5	26.5
	<b>FurnitureLocal</b>	72.7	27.3
<b>Province</b>	<b>FoodProvince</b>	88.2	11.8
	<b>TextileProvince</b>	78.3	21.7
	<b>GoodProvince</b>	75.1	24.9
	<b>FurnitureProvince</b>	74.5	25.5
<b>National</b>	<b>FoodNational</b>	100.0	0.0
	<b>TextileNational</b>	89.4	10.6
	<b>GoodNational</b>	94.1	5.9
	<b>FurnitureNational</b>	100.0	0.0

Note: Locally and Globally connected clusters are calculated by the location quotient (LQ) values of foreign tourist arrivals of each tourism clusters. LQ values which are greater than 1 (Alanya, Kemer, Manavgat, Serik, Side, Antalya-Center) are taken as globally connected clusters, the values which are lower than 1 (Kaş, Finike, Kale, Gazipaşa, Korkuteli, Kumluca) are taken locally connected clusters.

This part of the chapter having focused on the level of purchasing relations indicates that different type of tourism firms and different tourism firms in different clusters affect the development by having different level of linkages. The importance of global networking in addition to local networking have been strongly emphasized in development literature, and the data of the survey questionnaire reveals the importance of locally and globally networked firms in clusters and their contribution to the local economy by showing their strong connection not only at local level, but also at national level with other provinces in purchasing relations.

In this chapter, the role of local and global networking and institutional thickness of tourism firms and clusters are evaluated in a descriptive way of analysis. In the following chapter, the factors defining the success of firms, local development and the level of networking are evaluated by using an econometric model. In this context, the significance of local and global networking of tourism firms, different type of networks, institutional thickness and organizational capacity for the success of tourism firms and for local development of tourism clusters are explored in a quantitative way.

## **CHAPTER 7**

### **FACTORS EFFECTIVE ON FIRM SUCCESS, LEVEL OF NETWORKING AND CLUSTER DEVELOPMENT**

For more than two decades networking has been accepted as a very important factor for competitive advantage of regions and firms (Porter, 1990). Firms and clusters actively engage in networks in order to survive in the volatile global market (Van den Berg et.al., 2001). Network relationships are particularly important for the tourism sector, as groups of organisations cluster together to form a destination context (Pavlovich, 2003).

Networking can be at different levels: they can be either worldwide, such as global networks, or they can be restricted to a specific area, such as local networks (Amin and Thrift, 1994; Capello, 1994; Van den Berg et.al. 2001). Literature on different levels of networking has been discussed for different periods, beginning from local networks in 1980s. Then, starting from 1990s, the role of global networks have been emphasized as crucial factor for the competitiveness of regions.

The role of local and global networking on the performance of firms is also discussed in the literature. Depending on the characteristics, firms have shown local and also external networks with other firms which are not bounded to a cluster. Generally, networks between firms can extend to a global level due to becoming competitive in the global market. Global networks are particularly crucial for tourism firms because of the prerequisite strong relations with global supplier firms such as tour operators, which are necessary for attracting global customers and maintaining competitiveness in the global tourism market.

Networks are also the core features of clusters. Networking is very important for clusters, and clusters are generally defined by the local networks. Therefore, networks between firms and clusters are discussed in the same theoretical framework. Many network relations between firms can be located in a specific area (Van den Berg et.al., 2001) and broaden at a local level in a cluster. The term ‘cluster’ refers to a localized network of specialized organizations, which includes close local links between firms from different levels in the industrial chain. However, in development literature as it is emphasized before it is claimed that “not only local networks but also global networks make important contributions to local development”.

Based on the above discussions, one of the main questions of the thesis; “*To what extent local & global networks and institutional thickness affect the success of tourism clusters and tourism firms?*” is evaluated in a quantitative way. The analytical studies presented in the previous chapter clearly showed that at different territorial scales networking differs according to different types of tourism firms and different types of tourism clusters. *Which factors have been important in the success of firms and local development of tourism clusters in Antalya? Are global networks formed between different clusters and different firms important in their economic growth?* These questions are the basis of studies presented in this chapter.

A set of analysis is conducted in order to test the relationships between networks at different scales, firm success and cluster success based on the defined hypotheses. In this part, the factors which contribute to the local development of clusters and tourism firms are tested according to the gathered data. Several statistical techniques in addition to simple percentages are used for evaluating interrelations between the variables especially by constructing linear and binary logistic regressions.

In this context, firstly, factors affecting firm success, local development and also especially networking at different scales are scrutinized according to the theoretical and empirical debates. In the model construction part, the first regression model is built for evaluating the factors which affect firm success. Second model consists of the variables that affect growth in tourism clusters. The third one tries to reveal factors which affect the global connectedness of a tourism firm.

## **7.1 Theoretical and empirical studies that identify the factors effective on firm success, cluster development and global networking**

In this part of the chapter, the literature on factors affecting networking scale, firm success and local development are presented based on the empirical and theoretical discussions. In this context, firstly, the factors effective on firm success, then, factors effective on cluster development and lastly, determinants of global networking is evaluated.

Based on the discussions of *firm success*, promoting competitiveness is taken as an important factor for firms. According to Ritchie and Crouch (2000), a firm can enhance its competitiveness through *specialization, innovation, investment, risk taking, productivity improvements and formation of strategic alliances*. Ideally, each firm in the tourism industry will seek to develop new innovative products to be competitive in the global market.

New technology development effects positively the improvement of the productivity at local businesses (Porter *et al.*, 2001). Developments in information and communications technology have greatly increased the potential for collaboration between businesses by making it much easier to integrate and coordinate network activities. According to Poon (1993), innovation and a flexible structure are the demands of consumers in tourism.

Strategic alliances can enhance the productivity and competitiveness of the organizations (Lewis, 1990; Porter *et al.*, 2001). Rabellotti and Schmitz (1999) and Schmitz (1999) have observed a positive association between collective efficiency and economic performance of firms in clusters in Mexico, Brazil, and Italy. Moreover, innovation such as developing new products positively impacts the performance of firms and regions (Sternberg, 1999, Camagni and Capello, 1998, Casson, 1987 etc.). In regions of Germany (Baden, Saxony and Lower Saxony etc.), vertical relations are the most important networks in innovation process. Besides vertical relations, horizontal relations and relations with service firms are also significant (Koschatzky, 1999).

The benefits which a firm might obtain through vertical integration clearly vary from industry to industry however, decreased marketing expenses, stability of operations, certainty of supplies of materials and services, better control over product distribution, tighter quality control, prompt revision of production and distribution policies, better inventory control,

additional profit margins or the ability to charge lower prices on final products are the ones which are mostly cited (Blois, 1996).

Local development literature emphasize that not only local networks, but also global networks which are required for firms for gaining success and competitiveness. Increasing global networks positively affect the internationalization of a firm thereby its success. For firms, involvement in global networks is essential for increasing innovative capacity and competitiveness in order to access the latest technological knowledge from around the globe. Arndt and Sternberg (2000) emphasizes that firms with global linkages have higher turnover growth and the highest share of export. In this context, existence of global network and the level of global connectivity of a tourism firm could be taken as an indicator for its success.

The success of service firms could be determined by; existing reputation, and brand affiliation, quality of accommodation, quality of services, special features, ease of reservations, location, perceived price-value ratio, effectiveness of advertising, effectiveness of direct selling (Yesawich, 2000). According to the theory of the firm, it is seen that the profit of a firm is affected by competition and price discrimination. Therefore, success of the firm may be influenced by the selling rate of supply. For tourism sector, demand rate for supply can be taken as a success indicator for firms. Especially for tourism firms, *occupancy rates* are taken as important factor for representing firm success. According to Lundberg, et.al, (1995, p.52) occupancy rates rise during prosperity. Therefore, occupancy rates are taken as a proxy for a tourism firm to define the success in the analyses.

For Dwyer and Kim (2003), firm quality is also an important factor offering competitive advantage for that firm. It is generally hypothesized in local development literature that firm size has positive effect on the innovative capacity of firms, thereby the success of firms. According to authors, larger firms which employ more high skilled R&D personnel are typically more innovative (Freel, 2003, Arndt and Sternberg, 2000, Koschatzky, 1999, 2000, Keeble at. al, 1998) than small ones.

Apart from the discussions which emphasize the factors promoting firm success, factors effecting *cluster success* and *local development* are scrutinized in this part. Lazonick (1992) and Boekholt (1994) emphasize that in the performance of a cluster, a major role is played by the networking relations, not only between the same type of organizations, but also between organizations and firms operating in different sectors. It is seen that a complex

system of connections and interrelationships are formed in tourism clusters because of the complementary products of activities, such as accommodation, transport and catering, which co-exist alongside support activities and infrastructure (Pavlovich, 2001).

According to Dwyer and Kim (2003), socioeconomic prosperity of a region or cluster is related with the key macroeconomic variables including productivity levels in the economy, aggregate *employment levels, per capita incomes, rate of economic growth* and so on. For tourism perspective, it is claimed that *diversified products in tourism*, services and experiences can enhance destination attractiveness and therefore competitiveness (Dwyer & Forsyth (1993, 1994). Investment in new *creative* products and services, matched to visitor needs, may help to overcome seasonality constraints. *Foreign investment* may enable faster growth of the destination tourism industry to the benefit of local stakeholders.

*Supporting factors* such as tourism infrastructure, general infrastructure, quality of service, accessibility of destination, hospitality and market ties are also important for defining the success of tourism destination. *Market ties* cover several dimensions along which a destination establishes and builds linkages with people in origin markets. It includes ethnic ties underlying VFR travel business ties, and trade links underlying business tourism (Dwyer *et al.*, 1995); economic and social ties including ongoing trade relationships, membership of professional and trade associations, historical and recent immigration flows, common culture and language, common religion (Dwyer and Kim, 2003).

The actions of various industry associations, e.g. air transport associations, hotel associations, tour operator associations, restaurant associations, affect the deployment of tourism resources. These associations may differ in their perceptions of the ecological, social, and cultural impacts of tourism development. Tourism resources are likely to be used more effectively when the different associations and industry groups share a common view regarding a destination's strategy for tourism development (Inskeep, 1991). Gaining common view could be enhanced by developing collaborations and networks not only at local and global level, but also at horizontal and vertical level.

Go and Govers (1999) claim that 'partnerships, including private and public sector collaboration between destinations, is a prerequisite for maintaining destination competitiveness'. 'Partnerships between public and private sector and close cooperation between all local suppliers is the key to the ability of destinations to offer quality products' (Buhalis, 2000: 111). The WTTC strongly advocates networks between the private and

public sectors as the most effective means of achieving competitive travel and tourism development (WTTC, 2001). However, it is observed that there is a lack of data related with the types and level of networks at cluster level for Antalya. Therefore, network and partnership based evaluations could not be made for tourism clusters to evaluate their success.

It is widely emphasized in local development literature that the success of tourism cluster is positively related with the existence of organizations and institutional thickness. In this context, Porter emphasizes that “*the opportunity for associations to enhance cluster competitiveness is much greater than governments*”. Moreover, he claims that trade associations are more effective than national associations.

In this context, associational capacity and institutional support (Plummer and Taylor, 2001; Boschma, 2004; Camagni, 2002; Porter, 1990), which refers public-private-semi-private cooperation and increasing number of NGOs are important factors for defining the success of a cluster. As Cooke(1998) notes, the central factor lies in the collaboration and competition type of relationships to sustain competitive advantage in clusters. Recently, these relationships come into influence by the creation of local voluntary associations; NGO's which act as mediators for locally based inter-firm coordination and cooperation that allow for the creation of mutual networks of knowledge creation and production. In Antalya, existing and emerging tourism associations and their project development relations with tourism firms, especially with hotels, are trying to find new solutions for joint infrastructure problems, advertising problems etc. and therefore creating new competitive dynamic environment for that cluster and trigger the development of tourism. That is why the increase in the number of tourism NGOs is taken as an indicator for showing the increase in associational capacity of the tourism settlements.

The other indicator for defining the cluster success is *entrepreneurship*, which is measured as the increase in tourism entrepreneurs for each cluster. As Plummer and Taylor (2001) emphasize, the role of local “enterprise culture” is revealed – built on specialization, technological leadership, human resources, and the local integration of firms- though significant caveats are attached to the roles of access to information, institutional support and interregional trade as promoters of local economic growth. Increase in the entrepreneurs will create new employment opportunities for the people not only inbound of the region but also outbound of the region. It can be underlined that the increase in the share of entrepreneurs

positively affects the competitive capacity and therefore local success of that cluster. In Antalya, it seems that entrepreneurs are increasing day by day in tourism clusters which needs to be scrutinized.

Another variable for evaluating local success is identified as *innovativeness* which is popular in recent development debates. According to Porter (1991) and Amin (2000), in addition to intense levels of inter-firm collaboration and networking, technological innovations offer some of the key factors for growth and development of that cluster. Generally, innovativeness is measured by the number of patents, useful models and industrial designs (Porter, 1998, Camagni, 2002, Malecki, 2002). Although patent, useful model and industrial design numbers of tourism are not very high when compared with manufacturing sector, these parameters are evaluated as indicators of innovativeness for tourism clusters.

Apart from the factors which are effective on cluster development and firm success, identifying the factors which effect *global networking* of a tourism firm is also important for reaching the aims of this thesis. In the literature, it has been widely discussed since the 1990s that no region can achieve sustained growth and competitiveness through dependence only on local networks and endogenous processes in contemporary economic relations. Although local networks of firms in clusters have important internal dynamics and created externalities, global networks prevent a lock-in situation among locally-bounded clusters (Cooke, 1990; Camagni, 1991; Schmitz, 1999; Amin and Thrift, 1994). In this regard it has recently been argued that not only local networking, but also global networking (Camagni, 1991; Schmitz, 1999; Amin and Thrift, 1994) and spatially unbounded network relationships are required if clusters are to enhance the individual competitiveness of the firms, as well as the clusters themselves.

The first factor defined in the literature related with global networking is *firm size*. Tödling and Kaufman (1999) claim that “*Larger firms interact more with support institutions and global value chains are important in innovative activities*”. Moreover, empirical studies about relationship between firm size and networking (Arndt and Sternberg, 2000, Kaufmann and Tödling, 2000) suggest that smaller firms are more spatially embedded and strongly tie with local networks than large firms. In addition, the increasing technological dependence of the industry are likely to lead to the further strengthening of large enterprises, while also opening opportunities for small flexible firms. The use of networking and strategic alliances becomes increasingly important. For small firms this will provide opportunities

to overcome the disadvantages (most notably access to technology) associated with their size (Milne and Ateljevic, 2001).

The second factor used in the model for defining the global connectedness of the respective firm is *human capital* that is discussed widely in the literature. It is directly related with learning, knowledge therefore skilled manpower is taken as a proxy for human capital which is most popular in recent development discussions. In Antalya tourism region, skilled manpower and educated people are very high because of the attractiveness of the destination covering not only comparative advantage, but also competitive advantages.

The third factor is related with global networking is the *creativity of tourism firms* which is mainly discussed in recent development literature. Many studies put emphasis on the importance of networks for generating creative activities (Asheim and Cooke, 1997, Arndt and Sternberg, 2000, Camagni and Capello, 1999, Cooke and Morgan, 1998). Recently, the importance of global networks has been increasingly discussed especially in empirical studies under the heading of external networks, external knowledge and creative product development (Koschatzky, 2000, Collinson, 2000, Patrucco, 2003). In the survey questionnaire, the number of creative project development was asked for each tourism firm in Antalya. According to the discussion above, the number of creative project development is also taken as a factor for representing the global networking of tourism firm.

The fourth factor of global connection is identified as *organizational-associational capacity* which is discussed in several studies (Porter, 1990; Amin, 2000; Camagni, 2002). Increasing number of NGOs is implied as the determinant of organizational capacity. Recently, in Antalya and in other destinations of the world, the importance and the numbers of partnerships and NGOs related with tourism are increasing. In the competitive environment of tourism, collaborative projects of NGOs are increasing. While some of the projects are government supported projects, others are voluntary projects. In this thesis, the number of membership to tourism associations is taken as the independent variable which represents the associational capacity of each tourism firm.

The fifth factor is related with *agglomeration* of a tourism cluster which is mainly discussed in proximity based literature as a key factor for developing networks and therefore local development. Tourism firms which take place in an agglomerated cluster are stands for '1' and which are not taken in an agglomerated cluster stands for '0' in the model.

The last two functions about global networking are *vertical and horizontal networking*. These networks were emphasized in the theoretical part of the thesis with reference to the discussions of Tremblay (1998). Although different type of networks are defined and presented under vertical and horizontal networks at local and global scale in the theoretical part in detail and asked to the respondents in the interviews, a clear answer were not given by respondents about the different types of networks defined in the theoretical part in detail. Therefore, networks of tourism firms could only be evaluated under vertical and horizontal networks at local and global levels in the analysis.

In the literature and thereby in this analysis, *horizontal networking* is taken as networks comprising horizontal mergers within each of tourism's component sectors (for example, between different hotel companies at local and global level); and, *vertical networking* is taken as networks comprising mergers across these component sectors (for example, between hotels and airlines at local and global level) (Lafferty and Van Fossen, 2001; Buhalis 1998; Yarcana, 1994, 1996; Dussage and Garrette, 1999). For determining the contribution of each level of networking, types of horizontal and vertical networking are taken as important indicators for developing global connectivity of a tourism firm. In fact, tourism firms generally dependent on vertical linkages, however, the level of creating horizontal linkages is not determined. That is why, in the model, the number of vertical and horizontal relations are divided to the total number of relations to define and evaluate their contribution to global connectedness.

After defining the factors which affect firm success, cluster development and the level of networking, the next step is to test and to explore their degree of contribution to the defined variables related with the defined hypotheses and the questions of the thesis by using multivariate techniques based on models of regression analysis.

## **7.2 The Relative Importance of Networks on defining the Success of Tourism Firms: The Linear Regression Model**

In this part, the question related with the aim of the thesis; “*to what extent the level (local & global), the type (vertical & horizontal, associational) of networks and firm characteristics significantly affect the success of tourism firms?*” is examined by using a linear regression model. Due to the existing differences in the dynamics of accommodation firms and

supporting firms (transport firms), model is designed solely for hotels to observe the differences in generating firm success. Due to the lack of appropriate dependent variable which shows success for travel agencies, tour operators, airline and car rental firms, regression model could not be conducted to these type of firms<sup>22</sup>. Before estimating the model, a preliminary study of the correlation matrices was carried out to eliminate the characteristics that caused high correlations with other characteristics. Also, VIF values of variables which are more than 10 are excluded from the model for preventing possible multicollinearity problems. Moreover, outliers are excluded from the model. The variables included in the linear regression analysis were obtained from the questionnaire survey of 241 hotels.

Table 53 Variables of Firm Success used in the linear regression analysis

VARIABLE	EXPLANATIONS
Global Connection	GLOBAL: The logarithm of the number of global connection of each firm
Local Connection	LOCAL: The logarithm of the number of local connection
Agglomeration	AGGLO: Location of the tourism firm represented by a dummy variable whether existed in an agglomerated cluster is stands for '1'; or not stands for '0'
Firm Size	FSIZE: The number of employee that each firm have
Associational Linkages	ASSOC: The number of membership of each tourism firm to tourism associations
Horizontal Linkages	HORZN: The logarithm of the number of horizontal relation of each firm
Vertical Linkages	VERTN: The logarithm of the number of vertical relation of each firm
Creativeness	CREAT: The number of creative projects of each firm
Base Manpower	BMANPOW: The share of base (permanent) labor to total labor

Due to the availability of a variable standing for the economic performance of the hotels, the basic quest in these analyses is to reveal to what extent the economic performance of the hotels is determined by *networking characteristics, firm characteristics and locational variables*. As it is discussed in the previous part, occupancy rates of hotels implies the level

<sup>22</sup> Firstly, the number of tourist arrival the respective firm organized could be taken as an indicator for firms success in supporting firms, however, size of the firm affects the number of tourist arrival, therefore eliminated.

of prosperity (Lundberg, et.al, 1995), demand rate and selling rate of supply, therefore, economic performance of the hotels are measured in terms of occupancy rates as a dependent variable.

According to Campos Soria et. al. (2003), the occupancy level positively impacts on the success of the hotel. Due to reducing occupancy level in low season periods and some of the hotels are closed in this period, occupancy level of high season periods are taken in the analysis. The direct effect of creative product development, level of existence of base manpower will generate an increase in sales. It is assumed that size of the firm may affect the success of the firm differently.

Besides these characteristics, other variables, such as generating different levels and types of networks will have an important effect on occupancy level. Moreover, location matters for the success of tourism firms. Being in an agglomerated tourism cluster may positively effect the success of the hotel due to the externalities emerged by agglomeration. Firm specific characteristics are measured through the variables such as firm size (FSIZE), base manpower (BMANPOW) and creative project development (CREATIVE). The second one, networking characteristics created from the hotels' type of networking relations includes: rate of local networking (LOCALN), global networking (GLOBALN), horizontal networking (HORZN), vertical networking (VERTN), and associational linkages (ASSOCN). The third characteristic includes location variables showing whether hotel existing in an agglomerated cluster or not (AGGLO). In the regression model proposed, these parameters capture these effects. The occupancy level of a tourism firm is expressed by the equation;

$$Y_{it} = c + \delta_0 DO + \beta_1(\log X_1) + \beta_2(\log X_2) + \dots + \beta_n(\log X_n) + \varepsilon$$

$$Y = f ( (Agglo), (\log Globalc), (\log Localc), (\log Horzn), (\log Vertn), (Assocn), (Fsize), (BaseManp), (Creat))$$

$$Occupancy Rate = c + a (AGGLO) + b(SUBSDY) + c(HORZN) + d(VERTN) + e(LOCALN) + f(GLOBALN) + g(ASSOCN) + h(FSIZE) + i(CREATI) + j(BASEMANP)) + \varepsilon$$

What is evident from Table 54 is that the correlations are remarkably high and supportive of the hypotheses of the thesis. It is seen that occupancy rate of a tourism firm is significantly correlated with all defined variables in the model. Correlation matrices show significant

association with rate of occupancy and with other defined variables. However, a high correlation is observed especially between global, horizontal and local networks of a tourism firm and occupancy rates.

Table 54 Correlation Matrices of the firm success variables

Correlations		OCCU	LOGGLOB A	LOGLOCA L	LOGHOR Z	AGGLO	CREAT	FSIZE	ASSO C	BMANPO W
Pearson Correlation	OCCU	1,000	0,409***	0,591***	0,657***	0,194***	0,109*	0,221** *	0,298** *	0,179***
	LOGGLOB A	0,409***	1,000	0,559***	0,501***	-0,076	-0,024	0,042	0,024	0,051
	LOGLOCA L	0,591***	0,559***	1,000	0,828***	-0,034	0,041	0,091*	0,056	0,138**
	LOGHORZ	0,657***	0,501***	0,828***	1,000	-0,012	0,023	0,065	0,072	0,103*
	AGGLO	0,194***	-0,076	-0,034	-0,012	1,000	-0,106*	0,194** *	-0,033	-0,185***
	CREAT	0,109*	-0,024	0,041	0,023	-0,106*	1,000	0,646** *	0,546** *	0,576***
	FSIZE	0,221***	0,042	0,091*	0,065	-0,194***	0,646***	1,000	0,579** *	0,865***
	ASSOC	0,298***	0,024	0,056	0,072	-0,033	0,546***	0,579** *	1,000	0,463** *
	BMANPOW	0,179***	0,051	0,138**	0,103*	-0,185***	0,576***	0,865** *	0,463** *	1,000

\*\*\* Significant at .000 level, \*\* Significant at .02, .03 level, \* Significant at .05, .08 level

Moreover, in the correlation matrices, strong correlation is observed between local network and horizontal network of a tourism firm (>0.8). Apart from that, it is seen that there is a correlation between firm size and level of base manpower of a tourism firm (>0.85). Although there is a strong correlation between these variables, both of them are not excluded from the model because they contribute to the R square values.

Apart from employing correlation analysis, linear regression model is conducted in the next step for identifying the variables effective on occupancy rate. After checking the VIF values, it is seen that there is a multi-collinearity problem on vertical networks. Therefore, the variable, vertical network of a tourism firm, excluded from the model. According to the results of standardized residuals, outliers are excluded from the model. In the first model summary (Table 56.), dependent variable constituting of rates is transformed by using the formula (Neter, et.al., 1990) as below;

$$Y \text{ (transformation)} = 2 * \text{Arcsin} \sqrt{Y/100}$$

After this transformation, the model which covers the variables defined above is significant at 0.000 level and R square values seems to be high (0.571). In fact, the results of the

analysis are quite satisfactory in terms of both high levels of R-squared and significance of the variables.

Table 55 Model Summary for the linear regression analysis on firm success

R	0,75595
R Square	0,57147
Adjusted R Square	0,55595
Std. Error of the Estimate	0,33116
R Square Change	0,57147
F Change	36,8391
df1	8
df2	221
Sig. F Change	0.000
Durbin-Watson	0,57607

a Predictors: (Constant), HUMANCA, LOGGLOBA, AGGLO, INSTITUT, LOGHORZ, CREATIVE, LOGLOCAL, FSIZE  
b Dependent Variable: ARCSINYE

Coefficients Model	Unstandardized Coefficients		Standardized Coefficients			Correlations			Collinearity Statistics	
	B	Std. Error	Beta	t	Sig.	Zero-order	Partial	Part	Tolerance	VIF
(Constant)	1,812	0,072		25,113	<b>0,000***</b>					
LOGGLOBA	0,065	0,035	0,101	1,890	<b>0,060**</b>	0,409	0,126	0,083	0,675	1,482
LOGLOCAL	0,053	0,036	0,122	1,478	<b>0,141*</b>	0,591	0,099	0,065	0,283	3,534
LOGHORZ	0,285	0,046	0,489	6,190	<b>0,000***</b>	0,657	0,384	0,273	0,311	3,220
AGGLO	0,364	0,070	0,236	5,223	<b>0,000***</b>	0,194	0,331	0,230	0,946	1,057
CREATIVE	0,037	0,022	-0,100	-1,649	<b>0,101*</b>	0,109	-0,110	-0,073	0,532	1,880
FSIZE	0,001	0,001	0,256	2,571	<b>0,011***</b>	0,221	0,170	0,113	0,196	5,102
ASSOC	0,094	0,024	0,221	3,883	<b>0,000***</b>	0,298	0,253	0,171	0,598	1,673
BMANPOW	0,001	0,001	-0,116	-1,299	<b>0,195</b>	0,179	-0,087	-0,057	0,244	4,093

a Dependent Variable: ARCSINYE

\*Statistically significant 0.10 level

\*\* Statistically significant at 0.05 level

\*\*\*Statistically significant at 0.01 level

It is observed that there is a statistically significant positive relationship observed between the occupancy level of a tourism firm and global, horizontal and associational networks, indicating the importance of these factors in the rates of occupancy. Similarly the proxy of agglomeration that is introduced to the model has also a positive effect to the occupancy level of tourism firms and significant at 0.000 level. The only variable related with the firm characteristics, firm size, is also seen as significant at 0.01 level and is positively related with the rate of occupancy.

Creative project development and base manpower have a negative sign, which is against the findings of the several studies. In local development literature, innovation and human capital are taken as important factors not only for firm performance but also for local development. However, defining innovation and human capital is not easy for tourism firms due to having different character compare to other sectors. There is limited patent data for tourism. In fact, the product is different compare to other sectors. Besides the importance of permanent manpower and skilled labor which are discussed widely in the literature, unskilled, impermanent and mobile labor is consisting of the higher share of employment in tourism firms. Moreover, the character of tourism is also important for explaining this difference. Tourism in Antalya still has shown price oriented mass tourism character. In this kind of tourism production, the importance given to creative project development and skilled manpower reduces. Due to having these kind of differences observed in tourism and Antalya, the negative affect of creative project development and base manpower can be explained.

The findings show that tourism firms with high number of global, horizontal, local and associational linkages with other firms managed to increase occupancy rates than other tourism firms. Among these firms, the ones with bigger size indicating the higher rate of occupancy of a tourism firm. Big sized firms are under risk in crisis situations and show a more fragmented character compare to small sized ones in big cancellations of reservations, therefore they must have a careful strategy in increasing and stabilizing the occupancy rate. Due to having a careful strategy, the significance of big sized firms to occupancy rate can be explained.

According to the results of this model, it can be claimed that the findings supported the main hypothesis of the thesis indicating the importance of global networks in addition to local networks, institutional thickness and advantages of agglomeration in the success of tourism firm. The reason behind this type of behavior stems from the importance of networks, especially global networks, for the tourism firms, as they necessitate strong relations with global supplier firms to attract tourists from abroad. In this context, the importance of developing relations with tourism associations can be explained because of their support to the development of networks not only at local but also at global level.

### 7.3 Factors affecting Local Development in Tourism Clusters of Antalya: The Linear Regression Model

This part develops a model for destination competitiveness that will enable comparisons between different factors on the local development of tourism cluster. The model seeks to capture the main elements of local development highlighted in the general literature, while appreciating the special issues involved in exploring the notion of destination competitiveness. A set of indicators that can be used to measure the success and the development of any given tourism cluster are defined. These indicators were identified from the major elements comprising the generic local development model for tourism clusters. By constructing this model, one of the main questions of the thesis; “Which factors are important for local development of a tourism cluster?” is scrutinized.

Table 56 Variables of Cluster Success used in the linear regression analysis

VARIABLE	EXPLANATIONS
Foreign Tourist Arrival	FTOURIST: Ratio of foreign tourist arrival 2002 to 1992 for each cluster
Local Tourist Arrival	LTOURIST: Ratio of local tourist arrival 2002 to 1992 for each cluster
Entrepreneurship	ENTREPRE: Ratio of entrepreneurship 2002 to 1992 for each cluster
Subsidies	SUBSIDY: Ratio of subsidy in number 2002 to 1992 for each cluster
Creativeness	CREATIVE: Ratio of number of patents 2002 to 1992 for each cluster
Foreign Investment	FINVEST: Ratio of foreign investment 2002 to 1992 for each cluster
Associational Capacity	ASSOC: Ratio of association 2002 to 1992 for each cluster
Specialization	SPEC: Location quotient values of each cluster in 1992 and 2002

The literature emphasizes that the indicators of cluster success can be the growth of GDP per capita (Budd and Hirmis, 2004; Dwyer and Kim, 2003, Kitson, Martin and Taylor, 2004; Lever and Turok, 1999; Steinle, 1992), the increase in the rate of employment (Kitson, Martin and Taylor, 2004; Steinle, 1992) and employment levels (Dwyer and Kim, 2003). Because of the absence of available GDP per capita values for clusters as an indicator of local development, employment values of 1992 and 2002 is taken as the only dependent

variable for representing the growth in clusters. Also, due to the absence of time series data for employment values, the ratio of 2002 employment values to 1992 employment values of clusters are taken into consideration. Even if time series data would be better for evaluating the growth in cluster, comparing two year data can also give us a chance for evaluating the growth in clusters.

According to the defined variables on local development of a cluster in the first part of this chapter, in this part, results of regression analysis are evaluated for explaining the growth in tourism clusters of Antalya. In this context, the regression model is conducted based on the defined independent variables such as the increase in foreign tourist arrival, local tourist arrival, associational capacity, entrepreneurship, subsidies, creativeness, foreign investment and specialization of the cluster (Table 56.)

The dependent variable is tourism employment ratios for each cluster between 1992 and 2002. The variables included in the linear regression analysis were obtained from the institutions which give data on tourism sector for subprovince level; Ministry of Culture and Tourism, Turkish Statistical Institute, Turkish Patent Institute and Ministry of Treasury. Due to having limited data which represents development potential of the clusters, we use the model below; dependent variable is consisting of the ratios of employment 2002 and 1992, and the independent variables consisting of the ratios of the values of the years 2002 and 1992.

The model is constructed as two different types;

t: time                    i: cross-sectional unit

t1: year 1992      t2: year 2002

$$\ln Y_i(t2/t1) = c + \beta_0 \ln(Y_i(T1)) + \beta_1(X1(t2/t1)) + \beta_2(X2(t2/t1)) + \beta_3(\ln X3(t2/t1)) + \dots + \beta_n(\ln Xn(t2/t1)) + \delta$$

Employment =  $f$  ( Foreign tourist arrival, Local tourist arrival, associational capacity, entrepreneurship, subsidies, creativeness, foreign investment, specialization)

After checking relation charts between the variables used in two models, the variables; *creativeness*, *local tourist arrival* and *foreign tourist arrival* are excluded from the model due to having high variation problems. Then, correlation matrice is developed for explaining

the correlations and their significance between variables used in the model. According to results, the most striking significant correlation is observed between the variables; *association capacity, employment growth and foreign investment* (Table 57).

Table 57 Correlation Matrice for the variables employed in the regression analysis of local development

Correlations		EMPLOY	LNENTRE	LNSPEC	ASSOC	FINVEST	SUBSIDY	LNEMP92
Pearson Correlation	EMPLOY	1.000	0.096	-0.108	0.835***	0.524**	-0.097	-0.334
	LNENTRE	0.096	1.000	0.497**	0.306	0.366*	0.192	0.464**
	LNSPEC	-0.108	0.497**	1.000	-0.050	0.092	0.444*	0.210
	ASSOC	0.835***	0.306	-0.050	1.000	0.862***	0.138	-0.084
	FINVEST	0.524**	0.366*	0.092	0.862***	1.000	0.407*	0.075
	SUBSIDY	-0.097	0.192	0.444*	0.138	0.407*	1.000	0.489**
	LNEMP92	-0.334	0.464*	0.210	-0.084	0.075	0.489*	1.000

\*\*\* Significant at .000 level, \*\* Significant at .02, .03, .04 level, \* Significant at .05 level

While constructing the model, first of all, multicollinearity problems<sup>23</sup> is checked for the variables added to the model. Due to the low observed values covering only 15 clusters, independent variables are tried to reduced by checking multicollinearities. Similarly, those characteristics that did not yield statistically significant differences in the perceived quality indicator were eliminated. However, the independent variables which are not significant, but increase the R squares of the model are not omitted.

Although some of the variables have high VIF values, they are significant in the model and have positive contribution to the significance and R square of the model. Therefore, they are not eliminated from the model. Also, the cluster Gündoğmuş is an outlier, therefore eliminated from the model. Moreover, two separate models are constructed due to high correlation observed between association capacity and foreign investment (see Table 57). High correlation between association capacity and foreign investment affects the sign of foreign investment in the model and can cause misinterpretation of this variable. Therefore, foreign investment added in the second model to identify its contribution to employment growth by removing the variable, association capacity. When association capacity is eliminated in the second model, it is observed that the increase in foreign investment positively effects employment growth in the tourism cluster.

<sup>23</sup> The variables which have high VIF values are eliminated from the models. In the 4<sup>th</sup> model, the variables which have VIF values more than 4 are excluded.

According to the findings of the first model, it is seen that model is significant at 0.015 level and coefficient of determination, R square is really high (0.783). A statistically significant relation is observed between employment growth and the increase in associational capacity of that tourism cluster (Table 58). It implies that development of an associational set-up in a tourism cluster effects the performance and economic development of that cluster.

According to the second model, it is also seen that foreign investment is important for creating tourism employment to the respective clusters. When we remove the variable, associational capacity, from the model and add foreign investment, it is seen that the increase in the rate of foreign investment in a tourism cluster positively affect the employment increase rate of that tourism cluster. Although the R square value of the second model is low (0.410) compare to the first model, it is significant and also explains other factors effective on the employment growth of a tourism cluster.

Table 58 Model Summary for the linear regression analysis on cluster development

Variables	MODEL 1:	MODEL 2:
(Constant)	97.513 (1.002)	101.969 (1.438)
Entrepreneurship LNENTERPRE	-43.366 (-0.545)	
Taken Subsidy SUBSIDY	-1.998 (-0.773)	
Foreign Investment FINVEST		25.825 (2.316)**
Associational Capacity AC	53.153 (4.341)***	
Employment 1992 LNEMP92	-6.025 (-0.522)	-17.873 (-1.631)*
Specialization LNSPEC	10.436 (0.477)	
R	0.885	0.641
R2	0.783	0.410
Sig. F Change	0.015***	0.055**
Ftest	5.763	3.827

Notes: t values are in brackets

\* Statistically significant at 0.1 level

\*\* Statistically significant at 0.05 level

\*\*\* Statistically significant at 0.01 level

In the second model, the negative sign of employment in 1992 for each cluster give us the clue to understand whether big sized clusters grow faster than small sized clusters or not. When Ln1992 employment added to the second model, it is seen that has a significant effect on employment growth, however the negative sign indicating that employment growth in small sized tourism clusters grows faster than big sized ones. This finding implies that tourism development in Antalya reinforce the employment growth of small sized tourism clusters.

According to the results of both models, it can be stated that the richness in associational capacity and the increase in attracting foreign investment by developing global networks in a tourism cluster positively contribute to the local development of that cluster. The increase in foreign investment affects other foreign firms and their decisions to invest that cluster and may increase the attractivity of that tourism cluster. Moreover, associations seem to have a positive role on advertising tourism clusters as seen in previous chapters and the increase in associational capacity would increase the attractivity of that tourism cluster by contributing the created image and image creation for that destination, thereby attracts diverse type of foreign tourists from globe. In fact, these findings support the theoretical discussions on the importance of institutions, organizational set-up and global connections on the development of clusters.

The estimation results presented in Table 58 indicate the importance of associational capacity and institutional support for the competitiveness and for the development of clusters which is widely discussed in the literature (Plummer and Taylor, 2001; Boschma, 2004; Camagni, 2002; Porter, 1990). They clearly indicate that the increase in associational capacities which support the relational capacities and networking of clusters are also important for local tourism development. By analysing the factors widely discussed for local development, it is verified that these factors especially networks with associations and networks with different tourism firms at different territorial scales significantly effect the local development of tourism clusters in Antalya.

#### **7.4 Important Factors affecting Global Connectedness of Tourism Firms: The Binary Logistic Model**

Due to the increasing significance of global networks in addition to local networks, the global connection model is employed for identifying the factors which effect global

connectedness of a tourism firm that are also important for defining the local development of a tourism cluster.

Antalya, the leading tourism region of Turkey, shows globally connected structure to the global tourism market when compared with other tourism destinations of Turkey. With respect to tourism, the characteristics of global connectedness of tourism firms were discussed in the previous part mainly based on *servicing global markets, existence of global function and strategy and the existence of global capital*. Servicing for global markets was defined with the variable of the ratio of foreign tourist arrival; existence of global function & strategy as the relations with foreign tourism firms; and the existence of foreign capital were identified as the number of foreign partnership and ownership which is available in survey data for firms. In the global connectedness model, all of the three characteristics are taken into consideration for defining dependent variable whether that firm is globally connected or not.

Table 59 List of variables used in the binary logistic regression analysis

VARIABLES	EXPLANATIONS
<b>Functions of Global Connection</b>	
Firm Size	F SIZE: The number of employee that each firm have
Creative project development	CREAT: The number of creative projects of each firm & the existance of creative project
Spatial Agglomeration	AGGLO: Firms whether existing in an agglomerated cluster or not (1-0)
Vertical Networking	VERTNET: The number of vertical relation of each firm have
Horizontal Networking	HORZNET: The number of horizontal relation of each firm have
Associational Capacity	ASSOC: The number of membership to associations
Base Manpower	BMANPOW: The share of base labour to total labour

Note: Hotels, travel agencies, tour operators, airline firms and car rental firms are covered in the analysis, tourism associations and tour guides are excluded due to not representing firm characteristics.

Binary logistic regression is used in the model because the dependent variable is defined as “global connectedness of that tourism firm” which is dichotomous non-metric and categorical variable. For this purpose, survey database constructed in the thesis has been utilized according to the criteria’s discussed above. The dependent variable is recoded as the global connectedness of tourism firms; ‘0’ stands for not globally connected and ‘1’ stands for globally connected. In the model, a set of available independent variables have been

identified in order to explain the factors effective on global connectedness of tourism firm (Table 59).

In the model, variables that are related with global connection are defined according to the debates of the literature which discuss that firm size, creativeness<sup>24</sup>, agglomeration of the cluster, vertical networking, horizontal networking, associational networks and base manpower affects the level of network linkages of that tourism firm (Table 59).

Although logistic regression is used because of our dependent variable, global connection is non-metric data and dichotomous, different data types are used for independent variables such as categorical, continuous, dichotomous, non-metric and metric data.

$$Y_{it} = c + \delta 0D0 + \beta 1(\log X1) + \beta 2(\log X2) + \beta n(Xn) + \varepsilon$$

(non-metric)                      (metric)

$$GlobalC = f((AggloD), (\log VertN), (\log HorztN), (Assocn), (Fsize), (Bmanpow), (Creat))$$

Table 60 Correlation matrices for the variables used in the model of global connection

Correlation Matrix	Constant	LOGVERT	LOGHORZN	AGGLO	INNOC	FSIZE	ASSOCC	BMANPOWR
Constant	1,000	-0,221	0,148	-0,837	-0,123	-0,239	-0,242	-0,323
LOGVERT	-0,221	1,000	-0,209	0,087	0,015	-0,209	-0,359	0,136
LOGHORZN	0,148	-0,209	1,000	0,027	-0,157	0,098	-0,346	0,271
AGGLO	-0,837	0,087	0,027	1,000	0,001	0,228	-0,019	0,016
INNOC	-0,123	0,015	-0,157	0,001	1,000	-0,161	-0,198	0,135
FSIZE	-0,239	-0,209	0,098	0,228	-0,161	1,000	-0,032	0,108
ASSOCC	-0,242	-0,359	-0,346	-0,019	-0,198	-0,032	1,000	-0,036
BMANPOWR	-0,323	0,136	0,271	0,016	0,135	0,108	-0,036	1,000

It is appearing that the model (Table 61) constructed to define global networking is significant at 0.00 level and R square value is 0,580. It is indicated that *size of the firm, existing in an agglomerated cluster and vertical network* significantly effects the global networking of the respective tourism firm. The strong influence especially comes from *vertical networking* which is important for global connection of tourism. In practice, hotels generally develop vertical linkages with travel agencies and tour operators at local and

<sup>24</sup> Creativeness of a tourism firm is determined by developing different types of services for tourists.

especially at global level. Travel agencies at local level are the representatives of global tour operators and they have strong connection with global tour operators for designing the trip. In fact, this type of behaviour explains the importance of vertical networking on developing global network of that tourism firm.

Table 61 Model of Global Connection

Model	Model of GlobalConnection		
	Logistic Regression	Significance	Wald (t test)
<i>Constant</i>	-3,724	0,00	19,563
AssociationN*	0,396	0,432	0,618
FirmSize	0,004	0,058	3,606
Creativeness**	0,660	0,116	2,466
Agglomeration**	1,313	0,065	3,399
VerticalN***	1,198	0,000	23,732
HorizontalN***	-0,052	0,765	3,563
BManpower	0,383	0,156	2,016
Nagelkerke R Square	0,580		
Significance F	0,000		

Note: \*Associational networks are categorized into 5 variables from 1 to 15 real numbers,  
 \*\*Creativeness and agglomeration variables are taken as dichotomous variables.  
 \*\*\* Logarithmic values are taken for vertical and horizontal networks of tourism firms.  
 Real numbers are taken for firm size and base manpower variables.

It is implied from the results that horizontal relations have not significant effect on developing global connectedness, however, the development of vertical relations have significant contributions to the development of global connectedness of that tourism firm. Generally, horizontal connections between tourism agents are mainly observed between hotels and affected from spatial proximity. For instance, hotels collaborate with other hotels at local level for using the advantages of spatial proximity. Generally, they collaborate especially for overbooking relations in their cluster and for package tour designs with the hotels in their chain.

Model indicates that firm size effects the global connection of a tourism firm which is statistically significant at 0.000 level. This result supports the findings of the previous chapters which emphasize that big sized firms have shown more global connected structure than small sized ones.

The third significant variable is agglomeration for defining global connectedness of a tourism firm. Theoretically, agglomeration is an important factor for enhancing networking

linkages between firms. It is revealed practically that being in an agglomerated cluster really effects the firm's networking performance positively in Antalya. Especially, tourism firms which take place in agglomerated clusters such as in Kemer, Alanya clusters, have more global linkages and more globally connected than the ones which take place in non-agglomerated clusters as in Kaş and Kumluca clusters.

It is widely discussed in the literature that a firm tries to develop creative products to be competitive in the global market, in other words to be globally connected. In this context, it is implied that there must be strong association between creativeness of a tourism firm and global connectedness. However, as it is seen from the model, creativeness of a tourism firm does not have a significant effect on global connection. Due to the low level of awareness on the positive contributions of creative service development, solely some of the big sized tourism firms have shown creative projects.

According to the model, the level of skilled base manpower in tourism firms seems to have not significant effect for determining global connectedness of that tourism firm. It is surprising that the increase in skilled base manpower has no explanatory power to define global connection of a tourism firm.

Related with the variable associational linkages, no significant relation is observed with global connection of that tourism firm. It is surprising that the level of associational linkages of that tourism firm does not effect the level of global connection. In fact, there is a strong relation observed between associational linkages of firm and firm size.

Generally big sized firms have more associational linkages, and big sized firms have more global linkages. It is indirectly implied that the firms which have global connection have high level of connection with associations and developing associational linkages. However, as the model shows there is no significant relation observed between linkages with associations and global connectivity of that tourism firm.

Related with the variables of global connectedness, model gives us important clues about the variables which support the hypothesis of the thesis. However, there is also need for other kinds of descriptive analysis which shows the contribution of global networks to the development of a tourism cluster. In the following part, the contributions of the level of networks of tourism firms to the local success will be evaluated in a descriptive way.

## CHAPTER 8

### CONCLUDING REMARKS AND FURTHER POLICY PROPOSALS

In this thesis, it is attempted to explore the role of local and global networks and institutions in the performance of firms and clusters. In addition, this thesis is an empirical attempt to identify the role of networks and organizations for tourism development and the relation between local and global networking and organization building for tourism clusters and firms which is not available in greater part of the literature. In this context, this thesis has offered a case-specific illustration of these relational dynamics using quantitative interdependence techniques. Thus, in this concluding chapter, the framework for the performance of tourism firms and local development of clusters is discussed and defined by the increasing importance of local & global networks and institution building approved by the recent theories of local economic development and empirical findings emerging out of this thesis covering Antalya tourism region.

Within this view, the aim of this concluding chapter is to provide an explanation to what is found in the analysis of the case study and to explore the conceptual openings for the discussions emerging out in development literature. Then, some policy proposals and the areas of future research are formulated. Basic discussions defined under the hypotheses of this thesis are based on firm and cluster success in connection with the different geographical level of network relations and types of organization building. Critical findings emerging in this thesis is evaluated under different subheadings as a special part to discuss their importance in theory and practice. The subheadings are based on the *importance of big sized firms, public (central government) support, variety in organizational set-up and partnership types, local and global networks in tourism development and the importance of different*

*success models for different clusters*. In addition, the outcomes emerging out of the findings in this thesis shed light on new discussion areas in tourism development and development policy.

In recent development debates, there has been a considerable interest and activity in networking, institutions and the associated link to the success of firms and clusters. In this context, *clustering, networking and institutional thickness* are taken as important factors for defining competitiveness in different geographies and different sectors. Besides, in most of the newly developing countries, the service sector especially tourism is taken as a catalyst for local development at the centre of interest to academics as well as to urban managers and policy makers. Many cities invest heavily on tourism for promoting local development, however, little is known about critical success factors that determine economic development of regions via tourism.

Network relations not only at the local but also at the global level are emphasized as the crucial factors for promoting the competitiveness and sustainability of places in recent development literature. In fact, literature on the importance of different levels of networking has been discussed in different periods, beginning with local networks in 1980s. Then, starting in the 1990s, the role of global networks have been emphasized as crucial factors for the competitiveness of the region. Although local networks of firms in clusters have important internal dynamics and created externalities, it is stated that global networks prevent a lock-in situation among locally-bounded clusters (Cooke, 1990; Camagni, 1991; Schmitz, 1999; Amin and Thrift, 1994). In this regard it has recently been argued that not only local networking, but also global networking (Camagni, 1991; Schmitz, 1999; Amin and Thrift, 1994) and spatially unbounded network relationships are required if clusters are to enhance the individual competitiveness of the firms, as well as the clusters themselves. As Breschi and Lissoni (2001) explain, there is a need inside the clusters for agents that can translate local tacit knowledge into codified knowledge and re-combine it with external knowledge.

Global networks are of particular importance for the tourism sector, as they necessitate strong relations with global supplier firms to attract global demand, such as the relations between tour operators and hotels. Therefore, global complementary relations are seen as highly important for providing service to the destination. That is why, networks especially

the role of global networks for tourism firms is evaluated in this thesis for explaining the competitiveness of tourism destinations.

Recent studies also showed that some collaborative actions (Ostrom, 1990; Dedeurwaerdere, 2004) have become the basis of networks, which can be defined as an indispensable way of decision-making and strategy-defining to adapt global changes (Tang and Tang, 2006) and led the emergence of new institutions. Institutions are taken as an important source for the development of a region by providing the basis for localised social and economic networks: therefore, strong institutional relations may act as a prelude to regional economic success (Amin and Thrift, 1995). In this context, the role of institutions and institution building are also elaborated for explaining the success of tourism clusters and firms in Antalya.

Despite the growing amount of local development literature focusing on networking and institutions, tourism is not covered enough in this literature. In addition, limited discussions are observed on the contributions made by different geographical level of networking and institutions to the competitiveness of tourism firm and tourism cluster. In this context, the contribution of this thesis is the exploration of the role of local and global networking and institution building in the development of tourism clusters and tourism firms.

The following questions were explored in this thesis; *“To what extent do global networks of tourism firms in a cluster effect the attractiveness of that cluster and success of that tourism firm when compared with local networks?”*, *“What is the contribution of institutional thickness to the success of tourism firms and tourism clusters?”* and *“To what extent do these tourism clusters and firms differ regarding their level of linkages and emerging associations?”*. The case study of Antalya provides empirical evidence of the existence of network relations, institution building in different type of tourism clusters and firms.

Transformation of economic and social development trends of Antalya has shown that it has become popular as a tourist destination center for the last two decades. In the development process of tourism, the following supporting mechanisms have really been important for different tourism clusters of Antalya. Government policies, plans and projects has been effective on tourism development. Apart from government supports, recently, NGO's, civil initiatives and their networking activities have taken an important role on determining the route of tourism development by infrastructure investments, advertisement activities and tourism supporting projects. Especially, the role publicly supported associations have been of

crucial importance for implementing the projects of each tourism area via developing strong networking linkages at local and global level. However, the increasing role of newly emerging self-help tourism associations and their networks observed mainly at local level can not be denied for the development of tourism in clusters. Related with its rich institutional and networking structure based on tourism activities, Antalya is elaborated for explaining the development factors in tourism based on theoretical debates.

Empirical analyses and survey data designed for Antalya show remarkable results in connection with the defined hypotheses which provide new arguments in theoretical discourse regarding local and tourism development. For evaluating the relative importance of these sets of hypotheses, not only traditional statistical techniques covering multivariate analyses, chi-square, location quotient, simple percentages of contingency tables but also new interdependence techniques including correspondence and social network analysis are employed.

#### **Main contribution of the defined framework of development to development theories**

Although development is a context dependent issue, several development approaches has emerged in the literature for explaining the success factors behind regions which are mainly lying behind the success stories. Until 1970s, the conceptual base of development was built on investments, subsidies and exogenous resources of nation states based on income redistribution and welfare policies. After the crisis of 1970s, some of the concepts and approaches have been emphasized as crucial factors for adapting the new conditions of the world. Competitive advantage starts to be emphasized as a crucial factor in promoting local development. In this context, *local networks, cluster dynamics, and institutional thickness* are taken as important factors for defining competitiveness of different regions and of different sectors. Starting from 1990s, *innovation, knowledge creation and global networks* has started to be emphasized as key factors not only for regions but also for firms to promote their competitiveness in the global market.

In this thesis, an empirical attempt has been made for putting theoretical debates into practice for Antalya case in tourism development context. It is an attempt to identify the role of widely emphasized factors for local development including the coexistence of local and global networks, institutions, institution building and institutional thickness not only for the performance of different clusters but also for firms. In addition, this thesis is also a challenge

for tourism literature by discussing, discovering and joining the role of widely discussed popular concepts of development literature.

The findings of this thesis support the main hypotheses of the thesis which are based on the importance of institutions, institutions building and networking not only at the local level but also the global level in the performance of tourism clusters, firms and the development of the region. In this context, it is beneficial to discuss the findings of the hypotheses by defining some headlines shedding light on local development debates in tourism context;

### ***The importance of big sized firms in tourism development***

As is seen from the findings of the case study, big firms in tourism are of crucial importance in sustainable tourism development. In recent development debates networking at the local and the global level, institutional thickness, social capital, innovativeness and knowledge are underlined as key factors for promoting competitiveness. Due to having a higher share of global networking in addition to local networking, associational linkage and differentiation in service products, big sized tourism firms in Antalya are seen to be more competitive compare to small sized ones in the global tourism market.

The necessity for high-quality service and a coordinated global marketing strategy are the main factors triggering the strong global linkages of big sized tourism firms, allowing competitiveness in the global market. Moreover, to fill up the large number of rooms, big sized hotels need to develop linkages not only at the local and also the global level to attract tourists not only for their company but also for their destination. That is why the hotels that are more qualified and big sized enhance more global connections and show more collaborative structure in developing associational linkages. In fact, this kind of networking structure appears to be a natural consequence of firms increasing their turnover and market size, and therefore becoming more global in their stance and adaptation. In fact, the demand structure of tourism in Antalya triggers the development of big sized hotels.

Big sized tourism firms and their linkages are very important in tourism development of Antalya as dominating by mass tourism production and price oriented market. However, a transformation has been observed from mass tourism to a more individualized post-fordist type of tourism production in the global tourism market. Tourists start to use internet reservation for organizing their trips in an individualized way and choose adventure and

culture based trips. In this type of transformation, it must be taken into consideration that the role and the importance of big sized tourism firms may change in the future depending on the context of tourism production type.

Apart from this contextuality, several empirical studies into industrial development have highlighted this close link between global networking and large firms (Koschatzky, 1999, Grotz and Braun, 1997, Sternberg, 1999; Tödling and Kaufman, 1999; Arndt and Sternberg, 2000; Eraydın and Fingleton, 2006). Tödling and Kaufman (1999) claim that “larger firms interact more with support institutions and global value chains”, while Lynch (2000) comments on the stable mentality of SMEs and their resistance to external interventions. In this context, this thesis confirms the assumption of these empirical studies.

It is also revealed that the share of relations with tourism associations is extremely higher in big sized firms compare to small sized firms. They have also more financial resources to support and to initiate these institutions. It is also seen that big sized firms especially 4, 5 star hotels, holiday villages and travel agencies have networking relations not only with nationally organized local associations but also with self-help local associations. Although the shares of relationship with nationally organized local associations and with self-help local associations are low compared to nation based associations, it is observed that big and big-medium sized tourism firms are important for developing strong relations with these kind of associations.

In this context, institutional thickness which is a widely emphasized development factor in local development seems to be high in big sized tourism firms of Antalya. In other words, it can be concluded that highly qualified and big sized tourism firms are more conscious about the advantages of institutionalization and institutional thickness. According to some debates in the literature, small sized firms should have stronger motives for joining and remaining members of associations in order to gain access to collective goods (Salisbury, 1984). However, this is not in line with the situation of small sized tourism firms of Antalya. Although the linkages between small sized firms and associations are weak, it is well known that almost all type and all size of firms require collaborative type of a linkage with associations to reinforce the right to be heard in tourism.

It is seen from the findings of the analysis that the success of big sized firms not only affect the company performance by attracting higher share of tourists but also affect local

development by creating not only employment growth but also developing successful collaborative development projects with public, semi-public and private institutions. Within the context of cluster development, it is eventually seen that big sized firms show more effort compared to small sized firms by having more networking relations (local, global, associational, purchasing, environmental) and successful projects with public institutions for creating a destination image, competitiveness and environmental sustainability of that cluster.

Especially, the characteristics of big sized tourism firms having discussed above are mainly taken as crucial determinants of success in development literature. However, according to the recent development debates, it is the small sized firms which are important for the development of a region. In this context, contrary to the claim of local development literature based on ‘small is beautiful’, this thesis contributes to the literature by emphasizing ‘big is also beautiful’ for tourism development.

#### ***The importance of public (central government) support in tourism development***

Evidence from Antalya revealed that public institutions, especially central government institutions, are still important for the development of tourism. They are supporting tourism development through supporting the establishment of semi-public associations to work collaboratively with private institutions, and also supporting by giving subsidies, preparing tourism development plans as seen in Kemer and Belek Tourism Development Project. In fact, recent local development theories put less attention to the important role of state and central/local government institutions, except limited studies emphasize the reverse (Scott and Storper, 1987; Cooke and Morgan, 1994; Harrison, 1994a, 1994b; Lin, 1997; Armatlı-Köroğlu, 2004). They generally emphasize governance modes based on private and semi-private sectors, the increasing role of firms (SMEs and multinational companies) and NGOs instead of state in promoting local development. For van der Heiden and Terhorst (2007; 344), “Despite their nuanced formulations, many researchers in the field of urban studies and economic geography are inclined to downplay the national scale altogether”.

Contrary to recent development theories, it is seen that the role of public is still important for the institutionalization of tourism in Turkey. The role of state in tourism development has always been important even before 1980s, however, the form of state support has shown a change for the last years. Tourism development projects start to built up in collaboration

between public and private sectors. In fact, the state take the steering role in project development. The coordinator and participant role of state to some extent conform the discussions on glocal state thesis. According to the glocal state thesis, a change is observed from government to governance and a downscaling and upscaling of various forms of governance by solely focusing on the scale at local and global, however, the state also often takes a key role through financing and organizing developments (Brenner, 1999).

It is argued in glocalization debates that the national state continues to exist and has a continuing role to support and steer relationships among the new institutions and scales. According to van der Heiden and Terhorst (2007), varieties observed in glocalization and cities follow dissimilar trajectories of glocalisation and are therefore also likely to set up with different development strategies as seen in Netherlands case and the cities in the same and as well as in different countries (the United States, Canada, the United Kingdom, France, and Italy) in the comparative research of Savitch and Kantor (2002).

Consequently, it is seen in this thesis that the national level continues to play an important role, even though its primacy is being undermined in favour of regional/local and global scales. The glocalization of the state involves that for Brenner (1999), the new regional policy reflects the tendency of the state to promote endogenous development of regions. State intervention into regional economic development takes increasingly direct and entrepreneurial forms through regional and local state institutions and state-organized economic development policies such as public– private partnerships (Pelkonen, 2005). Glocal state thesis seems to be somewhat true in the context of tourism development policy of central government which supports the creation of state organized public-private partnerships as seen in the establishment of BETUYAB, MATAB, GATAB in Antalya.

### ***The necessity of variety in organizational and partnership types concerning tourism development***

One remarkable finding of the case study is the variety of organizational and partnership types observed in tourism clusters of Antalya. Variety is observed in semi-public organizations of tourism, especially in tourism associations. It is interesting to see that lots of varieties in tourism related associations not only in their areas of interest (advertisement, environment, culture and business associations) but also in their scales (national, local, district) depending on the cluster type. In this context, the claim of this thesis; “*Different*

*types of clusters (agglomerated, specialized, governmentally supported, self-help developed ones) have shown a variety of strengths and tights of organization building”.*

It is claimed in the literature that strong institutional presence can provide a basis for the growth of particular local practices and collective representations. The result of the analysis revealed that a variety observed in institutional presence (variety in tourism associations) and networks support the development of tourism by developing collaborative development projects, advertisement and environmental protection activities.

Why is there such a variety needed/observed in tourism associations and partnerships? One possible explanation can be the different capacities, characteristics and contextualities of different tourism clusters of Antalya. Another explanation can be their representative power for representing their market segments. Due to the inadequate support of existing associations for different market segment firms existing in the tourism cluster, new associations have increasingly emerged to represent their market segment in Antalya.

As it is seen from the Antalya case, the firms which serve for different markets require additional support by tourism associations. Related with the characteristics and path dependency of clusters, the distribution of firms which serve for different markets varies in different clusters. The development of some tourism clusters in Antalya were supported by government especially based on the development of high accommodation capacity and therefore, these kind of clusters such as Kemer and Belek were mainly developed on the path that big sized firms dominate. Due to this reason these clusters are generally represented by nationally organized local tourism associations and their partnerships with government institutions such as Ministry of Culture and Tourism.

It seems that nationally organized local associations are established for the advertisement of the country and for the development of mass tourism and high accommodation capacity for clusters. This is in line with the tourism policy of central government which supports the development of mass tourism by establishing representative associations in some of the tourism clusters. The strong relation between big sized firms and nationally organized local associations can be explained within this context.

Clusters which show an endogenous development such as Alanya and, to some extent, Manavgat show a diverse institutionalization in tourism. Due to the existence of a large

variety of tourism firms (2,3,4,5 Star Hotels), firms in different market segments require to be represented by tourism associations. This variety triggers the development of interest based institutionalization by self-help local tourism associations in these kind of clusters. Newly emerging self-help local associations are established in order to bring solutions to specific issues and problems of their clusters which is different from other districts.

These type of associations are mainly seen and concentrated in the Alanya cluster and generally create partnership with local government institutions. As it is seen from the previous specialization analysis of Alanya, it is mainly consisted of small and medium sized tourism firms and thereby tourism associations in Alanya center represent the market segment of small and medium sized firms. However, it is stated in the interviews that representing only one market segment for Alanya creates a lack of representation for destinations specializing on big sized firms in the Alanya tourism cluster. Big sized firms in different districts of Alanya have started the establishment of new self-help associations to represent themselves in the global destination market. This behaviour explains the relation between big sized firms and their strong collaboration with self-help local associations which is discussed in the previous analysis.

In fact, each type of tourism firm has a strong connection with nation based associations. 4, 5 star hotels and travel agencies have a relation not only with nationally organized local associations but also, and especially with self-help local associations. High qualified and big sized tourism firms are more conscious about the advantages of institutionalization and institutional thickness. They have also more financial resources to support and to establishment of these institutions.

Eventhough Alanya has a diverse associational structure, high associational capacity in number including the associations which are consisting of big sized tourism firms, they are newly developed associations and they need time to be more institutionalized. Therefore, these associations still have not developed strong partnerships each other and therefore still do not have unique or big size projects for the development of the cluster. Moreover, having measured the patterns of networks between different types of tourism associations, it is revealed that government supported associations still develop more collaborative projects for the attractiveness of the cluster than self-help associations.

Although project based partnerships between associations are weak, supporting the development of tourism associations is important. Most of these associations could act as a 'broker' or catalyst for a wider network of relations between institutions at local and global scale for the development of successful and creative projects for their cluster. It is well known that these kinds of associations are taken as a solution not only for solving the requirements and advocating the rights of the firms in the sector, but also for enhancing the competitiveness, institutional thickness and attractiveness of clusters in the global market.

It is observed that the factors that create institutional thickness are increasing via the development of tourism associations. It could be stated that these associations and their interaction support the development of tourism and promote a positive role on local development of Antalya. This is expressed by the interviewed associations as: "*they give additional contribution to local development*". They made investments in the region, helped the development of infrastructure, created employment and also advertise the region to attract tourists from abroad, however it is well known that these are special kind of institutionalized associations in tourism of Turkey. In this context, the headmen of TYD, Oktay Varlier (personal interview in April 2007), claims that they have an important role for the development of tourism. He stated that;

"Tourism investor's are the members of this association, and they have regional groups composed of their members that represent the tourism demand of the region. Several times of the year, regional groups such as regional group of Antalya come together and discuss the problems of the sector, decide on the investment types and investment places and made several advertising campaigns. For example, they frequently go to the advertisement meetings for attracting tourists from abroad and this year they made the project of "Anatolian Tourism Days", via this collaborative project with TUOFED, they coordinate tours to advertise 20 cities of Turkey for abroad".

Tourism associations which have different objectives include mostly intense relations within private business firms and associations such as hotels and NGOs, and most of them try to create and contribute mutual opportunities for further tourism development. This relation is verified by the created local development model for tourism clusters of Antalya. It is explored in this thesis that there is a positive significant relation between the increase in organizational capacity of tourism cluster and employment growth. As seen in Barcelona case, the success lies behind the Barcelona model in 1992 Olympic Games stems from new collaborative structure observed in governance structure. Participants including politicians, trade and industry associations, business groups and voluntary associations had created a joint action forum to make projects into practice (NLGN, 2005). According to these

developments it can be stated that a variety of tourism associations would have positive effects on the outgrowth of tourism not only by their own projects on clusters but also by their informal support for the development of institutional thickness in clusters.

### *Importance of Local and Global Networks in Tourism Development*

One of the main concerns of this thesis is to discuss the importance of global networks in addition to local networks within the context of firms, clusters and tourism development. Parallel to the development debates, it is assumed that tourism firms and clusters which have global linkages in addition to local linkages are more successful. My findings confirmed this assumption for the case of Antalya as it was confirmed by many empirical studies in the development literature. In fact, this thesis is the first empirical study on tourism which confirms the importance of local and global networks widely discussed in the local development literature.

Related with the intensity of local and global networks, it is seen from the descriptive analysis that local networks are increasingly important for tourism firms of Antalya. However, it seems that global networks are increasing and they are important especially for high qualified and big sized tourism firms. It is implied that high qualified, big sized tourism firms seem to be the ones which are crucial for preventing the lock-in situation by reaching external knowledge via developing global networks. According to binary logistic regression model results of global connectivity of a firm, it is also confirmed that the big size of the firm, being in an agglomerated cluster and developing vertical network effects global networking of that firm positively. This result is in line with the debates of the literature.

The general findings related with different cluster type, in fact, do not give a clear explanation on the level of networks created. The important factor determining the level of linkages of the cluster is the weight of different sized firms. In this respect, it can be stated that the greater the number of large companies in a cluster does have an effect on the level of networking in that cluster. Lazonick (1992) and Boekholt (1994) emphasize that in the performance of a cluster, a major role is played by the networking relations, not only between the same type of organizations, but also between organizations and firms operating in different sectors. For Antalya case, networking between different tourism type of tourism firms and organizations are at the starting stage and requires to be developed and intensified in all clusters for promoting and sustaining long term local development.

The outcomes indicate that although firm size and local networking relationships are still important for the clusters of Antalya, it is seen that global relations are gaining significance in some of the clusters. This study shows the increasing importance of global networks, even in non-agglomerated specialized clusters such as Belek, and non-specialized agglomerated clusters, as is the case in Alanya, Central Antalya and Side. It is known that “there is need not only to develop solely local networks, but also to develop global networks”. In order to support the development of a tourism cluster as a global node via local networks there is a need to combine local networks with global ones by increasing the connection between large and small companies.

It is clearly shown that the scale of networking differs according to different types of tourism firms and different types of tourism clusters. However, the questions in line with the aim of the thesis come to the agenda “*Which factors have been important in the success of firms and development of tourism clusters in Antalya?*” and “*Are global networks formed between different clusters and different firms important in their economic growth?*”

According to the results of the econometric model built for identifying the success factors for firms, it is revealed that tourism firms with a high number of global, horizontal, local and associational linkages with other firms managed to increase occupancy rates than other tourism firms. Among these firms, the ones which have bigger size indicating the higher rate of occupancy. According to the results of this model, it can be claimed that the findings supported the main hypothesis of the thesis indicating the importance of global networks in addition to local networks, also importance of institutional thickness and advantages of agglomeration in the success of a tourism firm.

Although the relational capacities, the role of local and global networking, are emphasized as important indicators for the success of clusters, in the cluster development model, the role of local and global networking could not be explored due to the lack of time series and cluster based network data. However, additional variables which could be an indirect indicator for global connection employed in the model give us clues about the importance of global connection for the development of a tourism cluster. For instance, it is identified that the increase in foreign investment to a tourism cluster positively effects the employment growth, therefore, the success of that tourism cluster. Apart from evaluating indirectly related local and global network variables of the model for cluster development, the contribution of global networks versus local networks of a tourism firm was evaluated in a descriptive way for

testing the main hypothesis of the thesis. Thereby, contributions of local and global connected firms to their clusters, provinces and to other provinces were evaluated by using the level of purchasing relations of tourism firms.

While the linkages at local and province level is strong for all types of firms, linkages with other provinces seems to be too weak. However, it is observed that globally and locally connected firms have higher shares in developing purchasing relations with the firms that are in central province and other provinces. In fact, tourism firms which are globally connected and big sized have higher shares of purchasing relations not only with Antalya province but also with other provinces which shows their additional contribution not only to their local area but also nearby clusters, its province and nearby provinces. Moreover, it is revealed that the clusters which have highly global connection have high purchasing relations with other clusters and provinces, which shows the scale of created multiplier effect of tourism and their contribution to the local economic development.

As it is revealed from the additional analysis on the relationship between level of networking and local development, networking between tourism firms at local and global level have positive role on local development. Especially, global networks seem to be crucial for the development of the cluster. Conclusively, this expected result confirmed the hypothesis of this thesis by contributing to the development literature with a tourism perspective.

### ***Importance of different success models for different clusters***

As is emphasized before, development is a context dependent issue and there is no “one size fits all” success model for all kinds of clusters. Moreover, each cluster has its own dynamics and paths for sustaining development. As seen in the Antalya case, there is a variety of clusters not only in their development path, but also in their specialization of firms and tourism market. Some clusters are government supported, some are of a self-help endogenous development character. Some of them have a high specialization on big sized firms and their markets, others have no specialization including all size of tourism firms as seen in Alanya case. Some of the clusters serve solely for mass trips, others serve for culture tours. That is why, they show a diverse character in their linkages, types of organizational set-up and development structures. However, to become a competitive destination, firms in clusters start to initiate the development of associations, networking linkages between firms, associations and public institutions at different levels. In fact, there is a limited discussion on

different success models for different clusters in the literature. The literature mainly discusses the success stories and tries to adapt or generalize the success factors for other clusters. In this context, it can be stated that contextuality is somewhat ignored in the success models of the literature.

Therefore, in our case, we explored widely discussed success factors for local development in the case of Antalya tourism. We tried to explore whether these success factors are really important for the development of firms and tourism clusters of Antalya. As a matter of fact, we saw in the analysis that enhancing networking linkages at the local and the global level and enhancing associational networks contributes to the development of a cluster, independently from its type “ governmentally supported or self-help developed”.

Having measured the patterns of networks between different types of tourism associations, it is revealed that still government supported clusters develop more collaborative projects for the attractiveness of the cluster than self-help development clusters. In Alanya and Kaş clusters as self-help development clusters, it is observed that the strength of network between tourism associations is not as strong as in the government initiated clusters. However, it is revealed from the survey that they try to enhance the strength of associational linkages to use the advantages of collaborative working.

The positive contribution of institutions and organization building to the cluster development is also verified by the regression model. It is found that associational capacity is identified as the most important factor for the success in tourism clusters of Antalya. The estimation results indicate the importance of associational capacity and institutional support in the competitiveness of clusters which verifies the studies widely discussed in the literature.

In the 2nd model of cluster success, it is also revealed that small sized tourism clusters grow faster. It is implied from this result that tourism development reinforces the development of small sized tourism clusters. The model also shows that the clusters with high foreign investment has comparatively higher employment growth.

Although clusters have different development dynamics as seen in the Antalya case, no matter whether it is specialized in big sized or small sized firms, or whether it served to mass market or cultural tourism market, or whether it is self-developed or governmentally supported for sustaining the global competitiveness. The most important thing for the

development of clusters is the development of a network by developing partnerships and joint projects at any level with firms and associations to attract diverse foreign and local tourists and for making that destination globally competitive.

### **Some Policy Proposals**

The results of this thesis highlight several broad outlines which may have important implications on the development policies in the future. It is revealed that tourism of Antalya is institutionalized on network formations, project partnerships and collaborations observed within different organizations. However, on the one hand, these formations are not strong enough and they do not trigger the transformation processes in tourism policy. On the other hand, these kind of developments are signs for the evolution of institutional structure from government structure to governance type of mechanisms in tourism. In fact, emerging governance mechanisms in tourism are at the starting stage. These governance type of mechanisms can be taken as a support mechanism for government. As it is discussed before, state is still the most powerful actor in tourism development not only by supporting tourism clusters but also organizational set-ups.

For further tourism development policies, there is need for new institutionalized governance practices which supports the development of new initiatives, organizations, collaborative projects in tourism. There is also need for tourism organizations, especially hotels to become organized under a special kind of law. In the interviews of the case study, it is strongly emphasized by tourism firms that *“we need a separate law for developing our financial infrastructure and realizing our demands, projects and collaborative partnerships”*.

There is also need for a new institutional mechanism at regional level to make an intermediate role for supporting initiatives in tourism. Moreover, there is need for umbrella institution which organizes the requirements of destinations and actors at regional level and supports collaborative projects between them. The findings show the relative importance of institution building regarding the governmentally supported associations and self-help development ones. Moreover, the importance of institutional thickness is also verified in the successful collaborative projects of tourism organizations of Antalya. In this context, it is proposed that collaborative projects at different territorial levels and diversity of organizations which are established not only by state support but also by local concerns and endogenous dynamics should be supported by development policies and laws.

To promote sustainable and competitive development via tourism, attraction points (thematic tourist attraction areas, thematic trip alternatives) should be created for each cluster and creative projects should be proposed and developed for Antalya by the help of institutional mechanisms. In this context, efficient institutions are required in order to create these types of attraction projects. Existing institutions should support the development of these proposals and support the institution building which commit the development of these projects at local and global level. Institutional set-ups should use their abilities and networking relations not only for developing infrastructure projects as seen in Antalya Tourism clusters but also for developing these kind of creative development projects. At this point, the main role is given to tourism institutions, new organizations and especially tourism associations to upgrade the level of tourism cluster in the global market.

It is shown that the coexistence of different types and geographical levels of linkages play an important role in the success of tourism firms and clusters of Antalya. Especially, for the success of tourism firms, it is revealed that the development of global networks seems to be very important for reaching global competitiveness. Moreover, due to the existence difference between the level of networks in different clusters, it is impossible to create different type of development policies for each cluster. Therefore, it is essential to support the different types of local as well as global partnerships for clusters.

Developing global integration in tourism should not only be based on increasing hotel bookings and night spending of foreign tourists in Turkey, but also be based on providing the opportunity to learn and follow the cultural activities of that tourism cluster for creating the right image in foreign tourists' minds. Therefore, a positive image can be created for that destination, thus, the competitiveness and global integration of that local area can be sustained. In this context, it should be identified that; whether existing tourism institutions including public, semi-private and private institutions are successful enough for attracting tourists to the other cultural activities of that locality apart from spending all of their holidays in all inclusive concepts, Which factors increase their success for creating a competitive destination image?, and lastly, in these factors, the importance given to diversity in organizational set-ups and governance structures between public and private institutions should be identified and developed whether it is effective in the success of other clusters as confirmed in this study.

It is identified that big sized firms play a crucial role in sustaining global integration of that locality by developing global linkages and inviting large amount of tourists to Antalya. However, big sized firms have a fragile structure in crises situations. In case of big cancellations in reservations from foreign market, they became weak easily and this situation effects negatively to the local economy. In this kind of unstable conditions, the survival capacity of small sized firms is higher than that big sized ones. They have a positive role on sustaining the survival of tourism economy because they are especially working for different niche markets. **In current mass tourism oriented development conditions of Antalya, it seems that strong networking structure of big sized tourism firms contributes to the local economy and weak networking structure of small sized firms seems to have not enough contribution to the development of tourism.** However, diversity is important for the local economy especially for unstable situations. Generally, small sized firms are important for the economy but they should have changed their existing structure and should try to be more connected not only to local market but also to global market. At this point, an important role is given to institutions and local associations to make them more connected to the other actors in the market not at local but also at global level.

The emerging discussions on networking, especially related with tourism activities, are mainly theoretical, and empirical studies that define them are limited. No real examples of success stories observed in tourism case which is based on networking and organizational capacity. In fact, this is the first study which tries to explore the role of networks and organizational capacity in the success of tourism clusters and firms.

As this study has put forward, networking practices in tourism have been moving ahead, but studies that generate them are emerging quite rarely. For this reason, there is a need for more case studies, comparative examples based on quantitative analysis in order to confront theory with practical evidence, although data collection is very difficult. In particular, contemporary interdependence techniques and network analyses, which provide better explanations than other techniques, must be taken into consideration in order to explore the development of more realistic theories and policies related to networking relationships. In the tourism context, special issues related with networking relations and the factors that generate networking need to be studied in detail in order to provide inputs for tourism agents, planners, and academicians who are interested in how networking can contribute to the competitive tourism destination development.

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## APPENDICES

### A. QUESTIONNAIRE FOR HOTELS

The name of the firm:.....

The type and quality of the firm: (Star Hotels-Motel, Pension, A group travel agency, tour operator, airline corporations etc. ) =.....

The year of establishment=.....

The name of the interviewed person:.....

Duty of the interviewed person (Investor/ Manager/ Service man etc.)=.....

Telephone number= .....

- **Structure of the Firm**

1. What is the legal structure of the firm?

( ) Partnership (Adi ortaklık)

( ) Limited Company

( ) Joint-Stock Company

( ) Holding Company

If there is a change in legal structure of the firm, what was the old legal structure?.....

2. Whether firm change its investor and manager for the last ten years?

Investor; ( ) Yes ( ) No    Manager; ( ) Yes ( ) No

**If yes;**

New investor is from which country? .....

Old investor is from which country?.....

New manager is from which country?.....

Old manager is from which country? .....

3. Has the firm got a partnership? ( ) Yes → Question 3, 4, 5 ( ) No → Question 6

How many partnership does the firm have?.....

Did your firm's number of partners increased or decreased for the last ten years? ( ) Increase ( )Decrease

( ) No change

Does your firm a family company?.....

4. Does the firm have local partnership? .....

**If yes;**

> Their names and qualities:

Firm 1.....

Firm 2.....

Firm 3 .....

(5 star hotel, A Group travel agency etc.)

> Origin of local partners (province) ?

Firm 1.....

Firm 2.....

Firm 3 .....

> Sector of local partners?

Firm 1.....

Firm 2.....

Firm 3 .....

5. Does the firm have global partnership? ..... **If yes;**

> Their names and qualities:

Firm 1.....

Firm 2.....

Firm 3 .....

(5 star hotel, A Group travel agency, tour operator etc.)

> Origin of global partners (province) ?

Firm 1.....

Firm 2.....

Firm 3 .....

> Sector of global partners?

Firm 1.....

Firm 2.....

Firm 3 .....

6. What are the reasons of your firm to go on a partnership? Multiple choice select is possible.

- ( ) Capital increase / To secure the support of finance
- ( ) To reach different markets, Marketing
- ( ) To increase work capacity
- ( ) To develop the service, supplying new services
- ( ) To promote technology and knowledge transfer on new practices of the sector
- ( ) Other .....

7. Is the firm a part of local or global chain?

- ( ) part of local chain ( ) part of global chain ( ) Neither of them →Question 8

8. Which local or global chain is the firm a part of?

Name of the local chain .....

Name of the global chain .....

9. Is there a top organization which your firm member of? ..... If yes;

Name of the top organization:.....

10. Is there a new investment of your firm? ..... If yes;

How many and in which subjects are these investments ? Number: .....

Subjects: ....., ....., ....., ....., ....., ....., ....., ....., ....., .....

11. For the last ten years, is there any change on the number of your firms investments? ( ) Yes ( ) No **If yes; Fill in the blanks;**

		<b>Name of the Investment</b>	<b>Quality of the investment</b> (Establish a new hotel or travel agency.)	<b>Their Origin</b>
New Opened Establishment, Travel Agency or Transport Com.	Opened establishment inside the firm	-		
		-		
		-		
New Closed Establishment, Travel Agency or Transport Com	Closed establishment inside the firm	-		
		-		
		-		
New Opened Establishment, Travel Agency or Transport Com.	Opened establishment by developing partnership	-		
		-		
		-		
New Closed Establishment, Travel Agency or Transport Com	Closed establishment by developed partnership	-		
		-		
		-		
New Opened Establishment, Travel Agency or Transport Com.	Opened establishment by developing a global partneship	-		
		-		
		-		
New Closed Establishment, Travel Agency or Transport Com	Closed establishment by developed global partneship	-		
		-		
		-		

- **Relations of Firms**

1. How much do you use local, national, global relations? Multiple choice select is possible.

	1995			2005		
	Rarely	Sometimes	Always	Rarely	Sometimes	Always
<b>Relations with local firms</b> (inside Antalya)						
<b>Relations with national firms</b> (inside Turkey)						
<b>Relations with global firms</b> (Abroad)						

2. If you prefer to work with firms in your province, what are the reasons and their importance for this?(1= least important – 5= most important)

Being in the same settlement/ city makes work easier	1	2	3	4	5
Face to face relations, family and kinship relations	1	2	3	4	5
Your working styles are similar within the region	1	2	3	4	5
Easier to trust	1	2	3	4	5
Difficulty at finding firms from abroad	1	2	3	4	5

3. If you prefer to work with firms from other countries, what are the reasons and their importance for this? (1= least important – 5= most important)

Insufficient quality systems of local firms	1	2	3	4	5
Insufficient technological levels of local firms	1	2	3	4	5
Service and organization structures of local firms do not fit to you	1	2	3	4	5
Absence of skilled employees in local settlements	1	2	3	4	5
External relations provide new external knowledge and technology transfer	1	2	3	4	5
Difficulty at finding firms from your province	1	2	3	4	5
Increase the number of incoming	1	2	3	4	5
To be known by the global firms	1	2	3	4	5

4. What is the number of firms you are in relation according to their origins?

		Your district	Your province	Other provinces	Abroad
<b>Firms</b>		<b>Number</b>	<b>Number</b>	<b>Number</b>	<b>Number</b>
<b>Hotels</b>	5 Star Hotels				
	4 Star Hotels				
	3 Star Hotels				
	2 Star Hotels				
	1 Star Hotels				
	Boutique Hotels				
	Holiday Villages				
<b>Travel Agencies</b>					
<b>Tour Operators</b>					
<b>Airline Corporations</b>					
<b>Associations Related with Tourism</b>					
<b>Supporting Firms</b>	Banks				
	Underwriters				
	Transport Firms (Taxi, Car Rentals vb.)				
	Outsourcing Firms				
	Wholesalers				
	Food Wholesalers				
	Good Wholesalers				
	Textile Wholesalers				
Furniture Wholesalers					
<b>Other Firms</b>					

5. In what frequency, in which process and through which way and which subjects do you contact with which firms that you are in relation including your kinship relations and what are their importance for your firm? (1= least important – 5= most important)

Subject of Relationships such as:

*Overbooking;*

*Transportation;*

*Supply Purchaser, Tourist;*

*Education of personel;*

*Infrastructure Development;*

*Ecological Protection of Environment;*

*Protection of cultural and natural heritage;*

*Advertisement, Joining the fairs; Joint web page preperation, Publishing;;*

*Courses and Seminars;*

*To find solutions for local and sectoral problems;*

*To find solutions for Juridical and governmental problems ;*

*To develop social, cultural and environmental activities;*

And other subjects that you want to add is possible.

	Firms	Name of the firms	Origin of the firm (District-Province-Country)	Subject of the relation	Frequency of relation (Rarely-Sometimes-Always)	Time duration of the relation (for how many years etc)	Importance of Relation				
							1	2	3	4	5
Hotels	5 Star Hotels	1.					1	2	3	4	5
		2.					1	2	3	4	5
		3.					1	2	3	4	5
	4 Star Hotels	1.					1	2	3	4	5
		2.					1	2	3	4	5
		3.					1	2	3	4	5
	3 Star Hotels	1.					1	2	3	4	5
		2.					1	2	3	4	5
		3.					1	2	3	4	5
	2 Star Hotels	1.					1	2	3	4	5
		2.					1	2	3	4	5
		3.					1	2	3	4	5
	1 Star Hotels	1.					1	2	3	4	5
		2.					1	2	3	4	5
		3.					1	2	3	4	5
	Boutique Hotels	1.					1	2	3	4	5
		2.					1	2	3	4	5
		3.					1	2	3	4	5
	Holiday Villages	1.					1	2	3	4	5
		2.					1	2	3	4	5
		3.					1	2	3	4	5

	Name of the firms	Origin of the firm (District-Province-Country)	Subject of the relation	Frequency of relation (Rarely-Sometimes-Always)	Time duration of the relation (for how many years etc)	Importance of Relation				
						1	2	3	4	5
<b>Relations with Travel Agencies</b>	1.					1	2	3	4	5
	2.					1	2	3	4	5
	3.					1	2	3	4	5
<b>Relations with Tour Operators</b>	1.					1	2	3	4	5
	2.					1	2	3	4	5
	3.					1	2	3	4	5
<b>Relations with Airline Corporations</b>	1.					1	2	3	4	5
	2.					1	2	3	4	5
	3.					1	2	3	4	5
<b>Relations with Other Firms</b> ( with Banks, companies, or subcontracting, outsourcing Relations)	1.					1	2	3	4	5
	2.					1	2	3	4	5
	3.					1	2	3	4	5
<b>Relations with Tourism Related Associations</b> ( like TUROB,TYD, TURSAB, TUYED, TUREB)	1.					1	2	3	4	5
	2.					1	2	3	4	5
	3.					1	2	3	4	5
<b>Associations with indirectly related with Tourism</b> (Associations with Environmental and Ecological Protection of Environment etc.)	1.					1	2	3	4	5
	2.					1	2	3	4	5
	3.					1	2	3	4	5
<b>Relations with Public Institutions</b> (Ministries, Province Head Office, Municipalities)	1.					1	2	3	4	5
	2.					1	2	3	4	5
	3.					1	2	3	4	5

6. For the last ten years, what is the total number of relations according to the origins of the firms which your firm obtained consumption goods?

Consumption Good Input Type	1995				2005			
	Your District	Your Province	Other Provinces	Abroad	Your District	Your Province	Other Provinces	Abroad
Food								
Textile								
Durable Consumer Goods								
Furniture								

7. What are the emerging problems when your firm try to develop a relation or partnership with other firms?  
 .....  
 .....

8. Which of the relationship types do you use and what are their importance for your firm? (1= least important – 5= most important)

<u>Types of Relations</u>	<u>Importance of Relation for your firm</u>				
	1	2	3	4	5
<u>Overbooking; Reservation Transfer</u>	1	2	3	4	5
<u>Kinship Relations</u>	1	2	3	4	5
<u>Local Leader oriented Relationship</u> (especially travel agency oriented relationships)	1	2	3	4	5
<u>Licence Contract</u>	1	2	3	4	5
<u>Franchising</u>	1	2	3	4	5
<u>Management Contract</u>	1	2	3	4	5
<u>Technical Partnership</u> ( işletme için ve eğitim danışmalığı, merkezi rezervasyon sistemi) <b>and</b>					
<u>Consultant Contract</u>	1	2	3	4	5
<u>Hotel Consortia</u>	1	2	3	4	5
<u>Reputation Relations/ Under the same roof networks, Cocoon Relations</u>	1	2	3	4	5
<u>Global Leader oriented relationship</u> (especially tour operator or travel agency oriented relationships)	1	2	3	4	5
<u>Customer's Developed Relations</u>	1	2	3	4	5
<u>Outsourcing Relations</u>	1	2	3	4	5

9. Are there any institutional or organizational platform that you share your sectoral problems?  
 Yes  No If yes;

Which of the them they are? .....  
 .....

10. What are the leading firms in your sector?

For Hotels;  
 1. .... 2..... 3.....  
 For Travel Agencies;  
 1. .... 2..... 3.....  
 For Tour Operators;  
 1. .... 2..... 3.....  
 For Airline Corporations;  
 1. .... 2..... 3.....

11. Is your firm in the relation with these leading firms? ..... **If yes;** Which of them is your firm in relation with?

Firm 1 . .....  
 Duration of Relation (Year, month etc.) ..... Origin of the leading firm .....  
 Firm 2 . .....  
 Duration of Relation (Year, month etc.) ..... Origin of the leading firm .....  
 Firm 3 . .....  
 Duration of Relation (Year, month etc.) ..... Origin of the leading firm .....  
 Firm 4 . .....  
 Duration of Relation (Year, month etc.) ..... Origin of the leading firm .....

12. What are the reasons for leading firms to be successful? (1= least important – 5= most important)

	Importance				
	1	2	3	4	5
Strong Global Relations (Franchisings, Management Contracts etc.)	1	2	3	4	5
Strong Local Relations	1	2	3	4	5
Including advanced technology in services and organizational structures	1	2	3	4	5
Being Institutionalized	1	2	3	4	5
Having educated personel	1	2	3	4	5
Good product and service presentation, Advertisement	1	2	3	4	5
Other	1	2	3	4	5

13. Head offices and service units sometimes locate at different origins in a country, so where are your head offices and where do you pay your taxes? (Only name of the country is enough) .....

14. Did your firm use tourism subsidies? .....

If yes; In which years and how much did your firm use the subsidies? Years ..... TL  
 .....

• **Firm Success**

1. How did the indicators given below changed in last three years? (With current prices)

	2003	2005
Total employee		
Total educated employee		
Rate of Occupancy ( % )		
Number of Night Spend		
Number of Local Tourist arrivals		
Number of Local Tourist arrivals		
Number of Rooms and Beds		
Personal Cost in high season		
Personal Cost in low season		
Total Added Value		
Total Profit		

2. Are there any joint strategy that your firm develop with other firms by collaborating?.....

If yes; What are their subjects? 1)..... 2).....  
 3)..... 4).....  
 5)..... 6) .....

3. Which factors are important for increasing the success and profit of the firm?

(1= least important – 5= most important)

	Importance on firms success and profit				
	1	2	3	4	5
Cost Reduction	1	2	3	4	5
Marketting	1	2	3	4	5
Advertisement	1	2	3	4	5
Pleasure and satisfaction of customer and employee	1	2	3	4	5
Partnerships with hotels	1	2	3	4	5
Partnerships with travel agencies	1	2	3	4	5
Partnerships with tour operators	1	2	3	4	5
Partnerships with airline corporations	1	2	3	4	5
Partnerships with associations	1	2	3	4	5
Others	1	2	3	4	5

4. Which factors determine preference of your firms?

	1995	2005
Price		
Service Quality		
Developing and widening new service types		
Technology upgrading mechanisms		
Educated Employee		
Other.....		
.....		

5. To promote competitiveness, which factors you should have to improve?

Price	( )
Service Quality	( )
Develop new service types	( )
Educated Employee	( )
Developing and widening new service types	( )
Other.....	( )
.....	

6. Which ways do you use for developing innovative practices in services?

		Subjects of innovative practices	Total Number of subjects	Innovation level (province-country)	Importance of innovation for your firm				
					1	2	3	4	5
	Alone				1	2	3	4	5
<b>Local relations</b>	Partnership with Hotels				1	2	3	4	5
	Partnership with Associations				1	2	3	4	5
	Partnerships with Public Institutions (Ministries, Province Head Office, Municipalities)				1	2	3	4	5
	Partnerships with Universities				1	2	3	4	5
	Partnerships with Other Firms				1	2	3	4	5
<b>Global relations</b>	Partnerships with Global Organizations ve				1	2	3	4	5
	Partnerships with Global Universities				1	2	3	4	5
	Partnerships with Global R&D institutions				1	2	3	4	5
	Relationships with Other Global Firms				1	2	3	4	5
	Havayolu şirketi ile işbirliği yaparak				1	2	3	4	5

## B. QUESTIONNAIRE FOR ASSOCIATIONS

The name of the Association= .....  
 The year of establishment=..... The name of the interviewed person =.....  
 Duty of the interviewed person =.....  
 Telephone Number= .....

- **Structure of The Association**

1. For the last ten years, what is the change in the number of distribution of your local and global members according to the sectoral composition?

Your Members	Number of local capital member		Number of Global capital member	
	1995	2005	1995	2005
Hotels				
Travel Agencies				
Tour Operators				
Airline Associations				
Others				

2. What is the distribution of your members according to their origins?

	Number of Member
Your District	
Your Province	
Your Region (Mediterranean Region)	
Other Provinces	
Abroad	

3. In which subjects does your association support the members? What are the frequencies of each supporting service?

**1: rarely 2: sometimes 3: frequently 4: usually 5: always**

	Frequency of service				
	1	2	3	4	5
Juridical Subjects	1	2	3	4	5
Sponsorship service	1	2	3	4	5
Discussing the common problems between local firms	1	2	3	4	5
Transfer knowledge about new investments of the sector	1	2	3	4	5
Knowledge about market, journals, fairs, new service types, seminars	1	2	3	4	5
Relation with government for solving the problems of the sector	1	2	3	4	5
Providing common advertisement and common web page design	1	2	3	4	5
Providing infrastructure investment	1	2	3	4	5
Precaution on environmental protection and joint project development on ecological environment	1	2	3	4	5
Facilitating the relationship between local tourism firms	1	2	3	4	5
Facilitating and supporting the entrepreneurship with local tourism firms	1	2	3	4	5
Establishing a relation or a partnership with the global tourism firms according to their aims	1	2	3	4	5
Providing education and R&D service	1	2	3	4	5

4. Has your association got a public interest certificate? ( )Yes ( ) No

.....

5. Does your association utilize financial support from other professional organizations or associations with the same aim or vice versa?.....

If yes; Please fill in the blanks about these organizations

Name of the organizations and associations	Financial Support		Their origin (province, country)
	Received	Devoted	
1.			
2.			
3.			
4.			
5.			

6. Whether your association has opened new representative offices, agencies, associations and heading institution or not? If yes; please fill in the blanks according to the year of establishment, their origins, the number and subject of joint projects.

	Names	Their origins	The year of establishment	Number of Joint-Projects	The subject of joint projects
<u>Representative office and agency in your country</u>	1.				
	2.				
	3.				
<u>Association and heading institution in your country</u>	1.				
	2.				
	3.				
<u>Representative office and agency in abroad</u>	1.				
	2.				
	3.				
<u>Association and heading institution in abroad</u>	1.				
	2.				
	3.				

7. What are your individual and sectoral problems as an association?

.....

.....

.....

.....

- **Relations of the Association**

8. In what frequency, in which subject and in which origin do you in relation with tourism associations, other local associations and global organizations? What is the importance level of each relationships to your firm? (1= least important – 5= most important)

	Name of the association / organization	The subject of relations	Frequency of Relation (Rarely-Sometimes-Always)	Total number of Joint projects	Their Origin	Importance of each relation to your association				
						1	2	3	4	5
Relations with tourism related associations	1.	1.				1	2	3	4	5
	2.	2.				1	2	3	4	5
	3.	3.				1	2	3	4	5
	4.	4.				1	2	3	4	5
	5.	5.				1	2	3	4	5
Relations with other associations	1.	1.				1	2	3	4	5
	2.	2.				1	2	3	4	5
	3.	3.				1	2	3	4	5
	4.	4.				1	2	3	4	5
	5.	5.				1	2	3	4	5
Relations with global tourism related associations	1.	1.				1	2	3	4	5
	2.	2.				1	2	3	4	5
	3.	3.				1	2	3	4	5
	4.	4.				1	2	3	4	5
	5.	5.				1	2	3	4	5

9. In what frequency, in which subjects do you in relation with public institutions? What are total joint project numbers? What are their origins and what are their contributions on your association? (1= least important – 5= most important)

	Name of the public Institution	Subject of the relations	Frequency of Relation about this subject (Rarely-Sometimes-Always)	Total number of Joint projects	Their Origin	Importance of each relation to your association				
						1	2	3	4	5
<b>Relations with Central Government / (Ministries)</b>		1.				1	2	3	4	5
		2.				1	2	3	4	5
		3.				1	2	3	4	5
		4.				1	2	3	4	5
		5.				1	2	3	4	5
<b>Relations with Local authorities (Municipalities)</b>		1.				1	2	3	4	5
		2.				1	2	3	4	5
		3.				1	2	3	4	5
		4.				1	2	3	4	5
		5.				1	2	3	4	5

10. For the last ten years, in which subjects or projects (technical, environmental, social) and in what frequency, in which origin do you collaborate with your members and non-members?

	Subject of the relation types**	Total number of Joint projects			The place of the first three projects (province-country)	Importance of innovation for your association				
		Technical Service	Environmental Service	Social service		1	2	3	4	5
<b>Members</b>					....., ....., .....	1	2	3	4	5
	Hotels				....., ....., .....	1	2	3	4	5
	Travel agencies				....., ....., .....	1	2	3	4	5
	Tour Operators				....., ....., .....	1	2	3	4	5
	Airline Corporations				....., ....., .....	1	2	3	4	5
<b>Non-Members</b>					....., ....., .....	1	2	3	4	5
	Hotels				....., ....., .....	1	2	3	4	5
	Travel agencies				....., ....., .....	1	2	3	4	5
	Tour Operators				....., ....., .....	1	2	3	4	5
	Airline Corporations				....., ....., .....	1	2	3	4	5

\*\* The subjects of relations can be classified as;

For Technical Support;  
 Reservation service by internet (I),  
 Sponsorship Service (SS),  
 Infrastructure projects and investments (IP),  
 Collection of knowledge (CK),  
 Transport (U), For Others, please write their name.

For Environmental Services;  
 Ecological environment projects(E),  
 Protection of Culture and Natural heritage (CNH),  
 Green Environment development projects or implementations (GE)  
 For Others, please write their name.

For Social Services: Joint advertisements (AJ), Fairs, Conferences, Competitions (F,C,C),Festivals ( F), For Others, please write their name.

# CURRICULUM VITAE

## PERSONAL INFORMATION

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## EDUCATION

Degree	Institution	Year of Graduation
B.C.P.	DEU, City and Regional Planning	2001

## WORK EXPERIENCE

Year	Place	Enrollment
March 2002-July 2002	DE Planning	City Planner
August 2002- Present	METU- City and Regional Planning	Research Assistant

## LONG TERM RESEARCH ACTIVITIES ABROAD

*Institution/University/Place:* University of Amsterdam, Amsterdam, Holland.

*Name of the Supervisor and the Department:* Assist. Prof. Dr. P.J.F. (Pieter) Terhorst, University of Amsterdam (UVA), Metropolitan and International Development Studies (AMIDST), Department of Geography.

*Duration of Stay:* 6 months (27 January 2008 – 27 July 2008)

## PUBLICATIONS

*Full paper published in a peer reviewed journal covered by SCI, SSCI or AHCI core list:*

ERAYDIN, A., ARMATLI KÖROĞLU, B., ERKUŞ ÖZTÜRK, H., YAŞAR, S.S. (2008) Network Governance for Competitiveness: The Role of Policy Networks in the Economic Performance of Settlements in the İzmir Region, *Urban Studies*, Vol.45, Issue 11, 2291-2321.

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ERKUŞ ÖZTÜRK, H. and ERAYDIN, A. (forthcoming) Environmental Governance for Sustainable Tourism Development: Collaborative Networks and Institution-Building in the Antalya Tourism Cluster, *Tourism Management*.

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