

**CLUSTER-BASED ECONOMIC DEVELOPMENT STRATEGIES:
A MODEL FOR THE TOURISM INDUSTRY IN KWAZULU-
NATAL**

A RESEARCH REPORT

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ABSTRACT

The purpose of this study was to explore how a potential model of a tourism industry cluster could be developed in KwaZulu-Natal (KZN). To undertake this task an extensive literature review of cluster-based economic strategies was done. This was followed by a synopsis of the tourism industry from a global and South African perspective in order to determine issues of competitiveness and their impact on provincial dynamics. The study employed a qualitative research design and focused on the tourism industry in KwaZulu-Natal as a case study. Major stakeholders in the industry were interviewed.

The main findings of the study are that KZN has the necessary preconditions for existence of a potential tourism cluster, and these conditions make it ripe for the cluster to be activated and developed. Activating and developing a cluster would bring home major benefits. The study highlighted various tools and mechanisms which could be used to analyse the province's cluster map, and a model cluster map is also suggested based on contributions from different respondents. Using Porter's Diamond Model, the competitiveness of the KZN tourism industry was assessed. Overall, it has been found that the province's tourism industry possesses a mixture of resources and capabilities, which could be capitalised upon to developing the industry in future. However, glaring weaknesses are also exposed, which need to be dealt with urgently. In particular, crime and grime, together with the lack of tourism infrastructure to attract the high-end of the market, are seen as huge liability for the industry. A major contribution of this study is in identifying strategic management challenges that cluster studies have not addressed previously. The study also highlighted important critical success factors for cluster development and the drivers for change. The presence of some of these factors contributes to making the future prospect of the tourism industry in KZN to look bright. The study concludes by recommending that a tourism cluster be activated and developed in KZN and this process be led by an Independent Cluster Facilitator, who must be appointed by the Member of the Executive Committee responsible for Finance and Economic Development in the province in consultation with industry leaders.

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ABBREVIATIONS

BBBEE (Broad-Based Black Economic Empowerment)

DEAT (Department of Environmental Affairs and Tourism)

DEP (Department of Public Enterprises)

DTI (Department of Trade and Industry)

FEDHASA (Federated Hospitality Association)

KZN (KwaZulu-Natal)

SAT (South African Tourism)

TBCSA (Tourism Business Council of South Africa)

THETA (Tourism, Hospitality and Sport Education and Training Authority)

UNWTBC (United Nations World Business Council)

UNWTO (United Nations World Tourism Organisation)

WTTC (World Travel and Tourism Council)

GLOSSARY

Clusters

Clusters are geographic concentrations of interconnected companies and institutions in a particular field. They encompass an array of linked industries and other entities important to competition, which include amongst others, suppliers of specialized inputs such as components, machinery, and services, and providers of infrastructure. Clusters often extend downstream to channels and customers and laterally to manufacturers of complementary products and to companies in industries related by skills, technologies, or common inputs. Clusters also include governmental and other institutions – such as universities, standard-setting agencies, think tanks, vocational training providers and trade associations – that provide specialized training, education, information, research, and technical support.

Economic development

Economic development refers to a qualitative increase in the collective well being of a nation or area and in the welfare of its people. It is about raising the standards of living and simultaneously improving the quality of life by ensuring higher per capita income, access to basic services such as water, housing, electricity, health, and education; as well as opportunities for sustainable job creation and entrepreneurship. The outcome is basically achieving economic growth that results in lowering the gap between the rich and the poor.

Strategies

The reference to strategies in this study connotes roadmaps and tools, policies and interventions or actions employed to achieve economic development as articulated above.

Cluster-based Economic Development Strategies

Accordingly, cluster-based strategies refer to economic development techniques that address challenges that may not be solvable by individual firms and institutions working in isolation within defined a locational context.

Tourism

Tourism is travel for recreational or leisure purposes. Tourists are people who travel to and stay in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes not related to the exercise of an activity remunerated from within the place visited.