

Building value in Aboriginal and Torres Strait Islander tourism enterprises in remote Australia:

The role of cooperation and clustering

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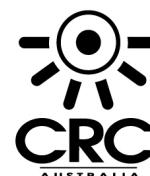
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The role of cooperation and clustering**

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Glossary

Aboriginal tourism is the sector of enterprises owned or operated by Aboriginal and Torres Strait Islander people that provide cultural products and experiences for visitors.

Business model is the means for an enterprise to conceptualise and understand their development capability, customer needs and target segments and engage in value creation processes. A business model specifies the match between value creation and consumption to ensure profitability for an enterprise.

Capacity building includes activities and initiatives to develop resources and/or competencies required to achieve desired outcomes.

Clusters are groups of cooperating enterprises and organisations in particular locations that work together in a manner usually based on some form of structure and aim to achieve a common goal based on productivity and competitiveness.

Competitiveness is understood as business activities that build productivity, create value for customers and maximise profits for the enterprise.

Cooperation involves people working together in mutually beneficial ways to create synergies and opportunities and to develop those opportunities.

Cooperative Research Centre for Remote Economic Participation (CRC-REP) is a public good research centre established to deliver solutions to economic disadvantage in remote Australia.

Critical mass is achieved when related organisations are established within an area or region to create industry density, economies of scale and increased choice for consumers.

Economies of scale are the cost advantages that can be obtained through size, or scale of production or operation. Costs generally decrease and efficiency increases as scale increases.

Enterprise resilience is the focus on sustaining the long-term viability of a business.

Global economy is the overall economic activity taking place across the world.

Globalisation refers to the growing economic integration of economies around the world. It particularly highlights the worldwide changes taking place to remove national boundaries and increase flows in production, trade, finance, investment, technology and labour.

Industry value chains are formed by companies that produce complementary products and services and bring them to market.

Innovation is the act of implementing new and improved ideas, processes, products and technologies to meet market, production and/or social needs.

Ninti One is a not-for-profit national company that builds opportunities for people living in remote regions of Australia. Ninti One manages the development, commercialisation and intellectual property of the Desert Knowledge CRC and the CRC-REP.

Remote Australia is classified according to the physical road distance to the nearest town or service centre. The geographical area is 86 per cent of the country and it is home to 3 per cent of Australia's population. There are many diverse settlements, including pastoral, farming, mining, tourism and Aboriginal and Torres Strait Islander communities.

Remote tourism is often referred to as tourism in and beyond areas peripheral to urban and regional destinations. This includes travel activity in regions such as remote Australia where there can be narrow or constrained opportunities for economic activity which is largely a by-product of limited services, infrastructure or industries to support visitation.

SMEs can be defined according to the number of employees, turnover or assets. Small businesses employ fewer than 20 employees, while medium enterprises may employ between 20 and 200.

Synergies are interactions between enterprises that produce greater effects combined than each enterprise can achieve on their own.

Value is created when products and services are perceived to be worth more than they cost to produce. Value is both created by enterprises in their profit-making production processes and perceived by customers in their buying processes.

Value chain is all the activities enterprises and industry sectors engage in to deliver a particular product or service to customers. A value chain is also called a supply chain, commodity chain or production chain.

Shortened forms

CRC-REP Cooperative Research Centre for Remote Economic Participation

SME Small- and medium-sized enterprise

Executive summary

This working paper aims to build knowledge about how Aboriginal and Torres Strait Islander tourism enterprises operating in remote regions of Australia can build their competitiveness in the global marketplace and ensure their long-term viability and resilience, despite the multiple challenges that operating in remote Australian regions brings. The paper draws on Australian and international research and management practice concerned with building the competitiveness of small and remote enterprises within the global economy.

The review shows that improvements in cooperation strategies may enable small- and medium-sized (SME) Aboriginal and Torres Strait Islander tourism enterprises to better address the wide range of challenges they contend with while operating in remote Australia. These challenges include, but are not confined to, remoteness and isolation from key resources and support, a lack of critical mass of enterprises to achieve economies of scale, limited capacity to innovate and grow, and constraints within social and cultural realms. In general, these challenges are not unique to Australian operators but are experienced by many Indigenous and other SMEs across the world. Many of these enterprises have been able to reduce their challenges and improve their business success by actively embracing strategies of cooperation.

Cooperation in industry value chains is an inherent part of the way many tourism enterprises coordinate and package tourism experiences for visitors and maximise the value experienced by enterprises and customers. However, unrealised opportunities for mutually beneficial cooperation often exist, especially in SMEs. Enterprise cooperation can provide many benefits, including improvements in value chain efficiencies, competitiveness and profitability; access to resources, innovation and product development; knowledge and skills transfer; marketing and promotion; investment; and business opportunities. Greater cooperation may also reduce the challenges of remoteness and provide improved flow-on benefits to enterprises and communities.

The analysis suggests that cooperation, and more specifically industry clustering, may provide many opportunities for Aboriginal and Torres Strait Islander enterprises in remote Australia to overcome some of their challenges, improve their value chain efficiencies, grow their businesses, and build their competitiveness and resilience within local, national and international markets. The findings of the paper are limited to some degree in that they predominantly draw on academic research and practical initiatives from other parts of the world. Little research has been conducted with Aboriginal and Torres Strait Islander enterprises in remote Australia to understand their unique business situations and their particular value chain issues. Nevertheless, internationally, considerable research and management experience over many decades now show that enterprises, both small and large, can achieve substantial value chain efficiencies and improved competitiveness through strategies of cooperation. Accordingly, there appear to be few barriers to Aboriginal and Torres Strait Islander enterprises also benefiting from such strategies.

1. Introduction

This paper examines the role of cooperation and clustering as a strategy to enhance the competitiveness of Aboriginal and Torres Strait Islander tourism enterprises in remote Australia. The paper draws on Australian and international research that focuses on building the competitiveness of small and isolated enterprises within local, national and global economies. The paper demonstrates that implementing cooperation strategies, including clustering approaches, may enable operators to adapt to the wide range of challenges Aboriginal and Torres Strait Islander tourism enterprises contend with in remote Australia.

2. The role of tourism in economic development

Tourism is among the industries viewed as drivers of economic development in regional and remote Australia. This is because in small regional economies, earnings from tourism can be important in enhancing economic development and supporting industry growth (Ffowcs-Williams 2012a). Tourism can stimulate flow-on effects that deliver economic benefits, which in turn provide opportunities to develop new enterprises and other initiatives (Leiper 2004). Michael (2003, p. 143) explains that tourism:

... draws new spending to a region and requires a specialized mode of production that ... brings with it a demand for a range of visible complementary services in hospitality, accommodation and other traveller needs beyond the immediate tourism product, and thus generates a need for new investment in the provision of these services.

The diverse products and services consumed by tourists within a destination provide scope to add more value to tourist experiences and thereby boost yield from the sector (Schmallegger et al. 2010). New opportunities can emerge to specialise and innovate with complementary products and services that add to the range of options available to remote area visitors.

Developing tourism destinations that are prosperous, resilient and deliver benefits to local communities is the aim of such development. Tourism enterprises in regional areas of Australia are increasingly involved in shaping local economic development that more closely aligns with community goals, resources and needs (Jackson & Murphy 2006, Richards & Hall 2000). Governments have argued that the development of sustainable tourism enterprises and industries supports economic growth and nurtures sustainable regional and remote communities (Sharpley & Sharpley 1997, UNCTAD 2013). However, further development is not without challenges, given that these enterprises compete within a rapidly changing and increasingly globalised economy.

3. Global economies and the imperative of competitiveness

Internationally, improvements in technology, transportation and infrastructure, and a deregulation of trade, finance and investment have led to a global economy with a focus on intense competition (OECD 2008, UNCTAD 2013). At the same time, the growing reach of globalisation has provided opportunities for economic growth, enterprise development and improved livelihoods, particularly in developing regions (Kaplinsky & Morris 2001).

Globalisation has changed the economies in which tourism businesses now operate, creating increased wealth for those able to adapt and increasing challenges where participation has been more difficult (Kaplinsky 2000). Globalisation has fuelled the size and power of multinational corporations intent on

maximising their market share; small local enterprises generally do not have the economies of scale to compete. Anecdotal evidence reveals a similar trend in Australia, where some small Aboriginal and Torres Strait Islander operators have drawn attention to the difficulties of competing with large tourism corporations – especially when these companies include Aboriginal and Torres Strait Islander cultural themes and the same locations in their itineraries.

3.1 Competitiveness and SMEs

In reality, it can be difficult for small- and medium-sized enterprises (SMEs) to be competitive in global contexts. Remote and regional economies are most often driven by SMEs, which, in Australia, constitute 90 per cent of the tourism industry (Braun 2005). SMEs contribute to economic growth, employment and sustainable development and provide a wide range of benefits across regional communities (Rola-Rubzen 2011, Taylor et al. 2008). Similarly, they foster competitiveness and innovation within local economies and extend the productive capacity of communities and regions.

The domination of multinational corporations in the marketplace creates pressure for SMEs (Michael 2003, UNCTAD 2005), and globalisation has simultaneously eroded the capacity of governments to regulate business environments that support small, disadvantaged or fledgling businesses (Lafferty & van Fossen 2001, 2005). This context touches on some of the concerns for Aboriginal and Torres Strait Islander SMEs in remote Australia. SMEs are expected to compete head to head with large corporations which have equal or greater access to resources and greater capacity. Unlike these large corporations, Aboriginal and Torres Strait Islander SMEs more often have fewer resources and less capacity to engage with the same opportunities or to be competitive within the global arena (DKA 2005, 2006; Rola-Rubzen 2011).

3.2 Competitiveness and enterprise resilience

Competitiveness is now considered a critical determinant of business success across a wide range of enterprises and industries (OECD 2008, UNCTAD 2013). Accordingly, Australian governments have responded to globalisation by encouraging industries and enterprises to improve their efficiency and to pursue strategies of competitiveness rather than seek government protection (Brown 2001). While many Aboriginal and Torres Strait Islander operators currently occupy a niche in the marketplace, there is a need to leverage off that advantage to ensure long-term viability.

For tourism enterprises operating in remote Australia, a competitive approach is important if they are to be resilient, remain financially viable and deliver benefits to stakeholders and communities in the long term (Taylor et al. 2007). As competition increases, tourism enterprises can no longer rely solely on their natural and cultural attractions to bring in customers (Bordas 1994, Jackson & Murphy 2006). The internet and other technologies provide consumers with easier access to the global tourism marketplace, which in turn can place pressure on enterprises to set themselves apart from the multitude of competing destinations (Braun 2005). Increasingly, being competitive means extending the value that can be created for customers and the business (Porter 1985, 2000). Consequently, businesses need to move beyond reliance on their comparative advantages (for example, their unique landscapes and cultures) and outdated models of business practice.

4. Creating value in enterprise and industry value chains

Creating and delivering value for visitors, at the greatest level of profit for the business, is a fundamental way enterprises ensure their profitability and ongoing competitiveness within the marketplace (Ffowcs-Williams 2012a, Porter 2000). At a broad level, this requires an enterprise to have a business model appropriate to their needs and contexts. Through a business model, an enterprise can conceptualise their development capability, target segments and value creation processes (Teece 2010). A business model describes value creation and consumption to allow a big picture assessment of profitability.

The process of creating and adding value to a product or services for consumers undertaken by an enterprise or industry sector takes place within a value chain. A value chain is described as the complete range of activities enterprises or industry sectors engage in to deliver products and services to customers (Porter 1985). At the enterprise level, this encompasses the whole chain of business activities, from initial ideas and product design, to sourcing and acquiring inputs, assembling products and services, delivering these to customers, and disposing of final wastes (Porter 1985, Sturgeon 2001). Other terms for value chain are supply chain, commodity chain, production chain, activities chain and product pipeline (OECD 2008).

An industry value chain, on the other hand, focuses on activities engaged in by industry partners who, together, produce interconnected products and services and bring them to market (Kaplinsky & Morris 2001). This occurs at a broader level than an enterprise value chain, which can involve (for example) raw material suppliers that contribute to an end product or service of an enterprise. In an industry value chain, on the other hand, each enterprise offers unique products or services that satisfy different consumer needs. Enterprises have little need to diversify because consumers can access complementary products or experiences through other enterprises in their industry value chain. Many businesses may be involved in a chain of value creation activities and processes (Shank & Govindarajan 1993) that includes suppliers, partner businesses, community organisations, institutions, policymakers, consumers and any other stakeholders who contribute in creating and delivering particular or related products and services.

4.1 Creating and delivering value: how do enterprises maximise the value they add to products and services?

Enterprises add value in their production processes and through their interactions with suppliers and industry partners who contribute inputs to the production process and to the delivery of products and services to customers.

It is critical to business resilience that enterprises maximise value within their own chain of production activities (Porter 1985, 2000). Improvements in value chain processes (e.g. production, technology, design, marketing) have delivered greater competitiveness and market share across a wide range of industries worldwide (Ffowcs-Williams 2012b). However, the linkages and interactions between enterprises offer the greatest opportunity for improved efficiency and value creation. A focus on an enterprise or industry value chain provides opportunities to analyse how products and services are produced and coordinated, with special attention on the linkages between participants, since this is where the greatest synergies and efficiencies can be achieved (OECD 2008; Porter 1985, 2000).

4.2 Efficiencies in Aboriginal and Torres Strait Islander enterprise value chains

Improving the linkages between Aboriginal and Torres Strait Islander enterprises is an important step to improve value-adding processes and enterprise competitiveness. Most tourism enterprises, regardless of their size or resources, focus on creating value and improving their competitiveness, but their linkages with related enterprises and industry players are generally not well developed (Lade 2010, Tremblay & Wegner 2009). Yet by developing these linkages, enterprises around the world, both large and small, have been able to boost value creation and profitability. According to Porter and Kramer (2011), one of the most effective ways this has been achieved is through enterprise cooperation.

5. The role of cooperation

Research from around the world highlights that SMEs can remain competitive within the global economy by using strategies of cooperation (Fernando et al. 2011, Taylor et al. 2008). The definition of cooperation refers to enterprises working together with other enterprises, in agreeable ways, so that each can benefit from improved opportunities (Porter & Kramer 2011). Existing work in regional and remote areas demonstrates that even relatively small numbers of sparsely distributed businesses can improve their competitiveness and success through strategies of cooperation (Alcacer 2006, DKA 2005).

By cooperating around key value-adding processes (such as supply, production, knowledge and marketing), enterprises can enhance their production processes and opportunities. Indeed, cooperative arrangements are now recognised as important for individual enterprises to achieve and maintain competitiveness within the global marketplace (Ffowcs-Williams 2012a, Strobl & Peters 2013). In addition, research in regional Australia suggests that cooperation strategies are one of the few ways for SMEs to achieve critical mass and remain competitive into the future (Fernando et al. 2011, Lade 2010). Being part of a group of cooperating businesses enables small businesses to build synergies and efficiencies that can enable them to develop and prosper despite the presence of larger and more powerful competitors (Hamel et al. 2002, Krugman 1991).

Notably, however, this level of cooperation has not been common for tourism SMEs in Australia. The relationships between tourism enterprises are more often uncoordinated and informal (Ashkenas et al. 1995). Australia tourism SMEs often engage in networking and tourism associations but are reluctant to engage in more robust cooperative arrangements. Most SMEs remain focused on their own production processes and profitability (Ashkenas et al. 1995). The fragmented nature of the tourism industry, which is dominated by SMEs, attests to this. However, the success of a tourist destination is not only closely tied to the success of each enterprise, but also to the influence of their collective might.

Traditional views, where each organisation focuses solely on maximising its own individual success, are increasingly considered a barrier to improved enterprise and industry competitiveness (Ffowcs-Williams 2012b). Authors such as Krugman believe that the common idea that individual enterprises are in battle against each other is false. He argues ‘it is the illusion of economic conflict, which bears virtually no resemblance to the reality, that poses the real threat’ to enterprise success in contemporary times (Krugman 1997, p. 70). The experiences that have emerged from various studies (e.g. Ashkenas et al. 1995, Taylor et al. 2008) strengthen the argument that greater benefits can be achieved when businesses cooperate and focus on their mutual synergies to improve collective competitiveness.

As the demands on enterprises increase, various industry experts have observed that few enterprises will be able to develop products and markets while maximising efficiency and quality (Hamel et al. 2002). Ashkenas et al. (1995, p. 199) take this a step further, asserting that successful enterprises:

... will be those that take a systemic, boundaryless view of their participation in the value chain. They must acquire an entirely new mindset, abandoning the legalistic view of organisations as independent entities linked only by market forces and learning to see themselves as parts of an integrated system ... success will come from improving the overall profitability and continuing viability of the value chain as a whole, rather than just their own bottom lines.

Cooperation does not mean that an enterprise should stop engaging in competition. Cooperation is recognition that there are benefits in doing some things together. This is well supported by national and international studies (Ashkenas et al. 1995; Buhalis 2000; Buhalis & Cooper 1998; Krugman 1991, 1995; Mitchell et al. 2009; Morris 2001; Porter 1985, 2000) which demonstrate that working cooperatively can be an important factor in enabling small enterprises to participate successfully in global economies, despite their challenges.

6. Tourism cooperation

Cooperation between tourism enterprises is a key factor in destination prosperity (Buhalis 2000, Morris 2001). To varying degrees, many tourism enterprises already cooperate to deliver complementary tourism products and services (e.g. attractions, transport, accommodation, entertainment, food and beverages) within a destination region (Braun 2005, Greffe 1994, Lafferty & van Fossen 2001). Referring customers on to other local enterprises is an example of this, as are cooperative marketing and branding and contributing to tourism associations.

Most tourism products combine skills, processes and products, some of which can be beyond the reach of individual enterprises (Gomes-Casseres 2002). A cooperative approach based on complementary products and services is suited to tourism given that tourists most often view a whole destination region as a singular product containing a range of different options (Leiper 2004). Experiences are typically bundled within and around the destination, wherein tourists consume a wide and varied mix of product offerings. This means that in order to be market-driven, SMEs need to tailor their business models to 'fit' within their destination tourism system.

An ongoing concern in any destination is tourists perceiving deficits in the quality or diversity of destination products. These perceptions can arise due to poor linkages between destination enterprises (Leiper 2004, Pavlovich 2003). Additionally, tourist needs and expectations can change, and meeting these needs often involves integrating related products and services (Ashkenas et al. 1995). This signals an opportunity for greater cooperative activity, not only to build visitor satisfaction, but also to enhance the competitiveness of the destination (Gnoth 2002, Greffe 1994, Hall 2004). As such, there is a need to recognise business model needs (e.g. opportunities to create better value for visitors) and to ensure that appropriate cooperative strategies are established. Determining the appropriateness of a cooperative strategy depends on the situation for each enterprise and forms of cooperation available in their region.

6.1 Forms of tourism cooperation

Cooperation by Aboriginal and Torres Strait Islander enterprises could take many forms, based on common needs and goals and recognised opportunities for synergies and mutual gain. Some ways that tourism enterprises cooperate include (but are not restricted to):

- developing complementary tourism products and services
- exploring new opportunities
- marketing and developing the destination image
- linking products in tourist itineraries, for example through referrals
- working together to meet specific customer needs, for example special interests
- responding to customer travel patterns, for example themed travel routes
- reducing costs and adding value to production processes, for example cooperative purchasing
- fostering specialisations
- building local knowledge
- developing staff, learning and skills networks
- encouraging new enterprise entry
- any other forms that provide mutual benefits.

7. Benefits of cooperation

Cooperation has the potential to provide various benefits and synergies for tourism SMEs (Buhalis & Cooper 1998, Ffowcs-Williams 2012a). Benefits include access to resources that increase competitiveness; reduced operating costs; management, marketing and training support; economies in design, production, marketing, organisation and management; increased knowledge and skills through improved linkages between enterprises; and increased customer satisfaction through product integration and improvements. A full list of benefits from cooperation is provided below:

Improved access to resources

- Improved access to infrastructure and services
- Improved access to technologies
- Improved access to specialist resources and advice
- Improved investment
- Improved access to regulatory structures
- Improved access to research and training
- Improved access to industry and government bodies
- Improved community resource sharing

Improvements in competitiveness

- Improved productivity
- Growth in specialisation
- Growth in diversification
- Improved business performance
- Higher profits
- Greater market share

Improvements in marketing

- Improved market intelligence
- Improved marketing activities
- Greater market share
- Improved targeting of advantageous markets
- Improved branding and destination image
- Greater influence on visitor markets
- Improved profile and visibility
- Improved national and international marketing

People and relationship building

- Provides supportive relationships
- Provides space for sharing ideas and getting feedback
- Encourages leadership and mentoring
- Encourages assistance and advice
- Positive intrinsic benefits
- Improved access to networks

Enhanced value chain activities

- Synergies in processes
- Improved efficiencies
- Improved effectiveness
- Economies of scale
- Improved access to inputs and suppliers
- Improved distribution
- Cost reductions

Product development

- Improved innovation
- Incubation of new ideas and opportunities
- Encourages research and development
- Product improvements
- Improved quality
- Coordinated destination strategies
- Improved complementarity of products
- Improved range of product offerings
- Improved customer satisfaction

Knowledge transfer

- Improved access to information
- Improved access to knowledge and skills
- Access to privileged knowledges
- Nurtures creativity and ideas
- Improved management practices
- Improved collaboration

Increased investment

- Encourages investment
- Stimulates ideas
- Opens new business opportunities
- Nurtures partnerships
- Encourages new businesses
- Encourages new entrepreneurs and staff
- Encourages improved training and education

Decreased challenges

- Enables critical mass
- Helps overcome capacity issues
- Lessens issues of remoteness
- Provides a sense of proximity
- Encourages social cohesion
- Reduces risk
- Protects against contingencies
- Reduces isolation
- Yields collective influence

Strengthened regional economy

- Enhanced community benefits
- Higher value employment
- Improved wages
- Including wider community concerns
- Tackling larger social issues
- Improved economic growth
- Improved social wellbeing

8. Cooperation and Aboriginal and Torres Strait Islander Tourism enterprises

Cooperation may have an important role in reducing some of the challenges faced by Aboriginal and Torres Strait Islander tourism enterprises operating in remote Australia. Below is an outline of some of these challenging contexts, including issues around remoteness, lack of critical mass, limited capacity, fragmentation and isolation. While these challenges are well recognised, existing research has paid little attention to opportunities such as innovative cooperative strategies and business models adapted to these conditions in remote Australia. The view in this paper is that the challenging operating contexts of Aboriginal and Torres Strait Islander remote tourism enterprises provide opportunities for cooperative strategies that can stimulate the innovation potential of Aboriginal and Torres Strait Islander entrepreneurs.

8.1 Remoteness

Remoteness is a challenge for many Aboriginal and Torres Strait Islander tourism operators. Many operators who work and live in remote areas of Australia (illustrated in Figure 1, below) are dispersed across sparsely populated areas with limited access to many resources that enterprises in larger urban, industrial and metropolitan centres take for granted.

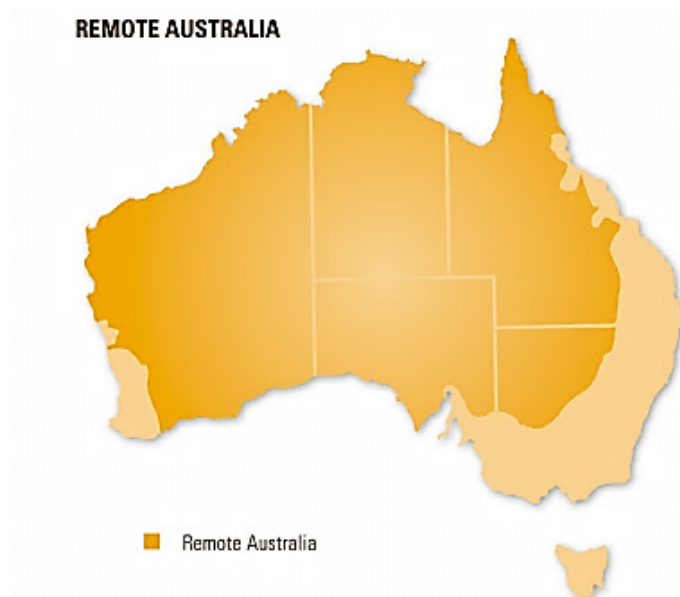


Figure 1: Remote Australia

Operating in remote Australia means that tourism enterprises are often dependent on distant towns and cities to deliver some ingredients needed to sustain market-driven tourism enterprises (Schmallegger et al. 2010). Long distances and poor infrastructure also create disadvantage through limited access to suppliers, consumers, skilled labour and training, primary and support businesses, infrastructure, industry support, research and development, social systems and other important resources (DKA 2005, 2006; Strobl & Peters 2013; Taylor et al. 2008). Costs and inefficiencies created by long distances erode enterprise productivity, limiting the capacity to add value, meet market demands and remain financially viable.

Some authors have pointed out that remote area tourism development options include strengthening local capacities or building connections with non-remote areas (Schmallegger et al. 2010). Cooperation strategies can provide innovative ways to reduce costs and build synergies in production processes, supply and distribution (Jackson & Murphy 2006). Enright and Roberts (2001) highlight the reductions in transaction costs that can be achieved between suppliers and buyers operating cooperatively in remote and regional Australia. Similarly, Novelli et al. (2006) highlight the efficiencies that can be achieved in processes of producing, delivering and promoting tourist destinations when enterprises work cooperatively.

In remote areas, knowledge, products and services are disconnected. This situation creates an opportunity for enterprise cooperation. Many visitors travel long distances across remote Australia, so an opportunity exists to capitalise on this mobility and structure business cooperation accordingly. Since Aboriginal and Torres Strait Islander people are often the local community in many parts of remote Australia, their presence in these areas is itself a distinct advantage. This presence translates to opportunity for the procurement and provision of the wealth of products and services across the entire tourism system. The possibilities of cooperation identified here offer levels of coordination and enterprise integration enabling Aboriginal and Torres Strait Islander tourism enterprises in remote Australia to operate as part of a cohesive and productive sector.

A study of tourism operators in the Northern Territory identified that forms of cooperation differ from region to region, as do the capacities and cooperation needs at an enterprise level (Tremblay & Wegner 2009). The study pointed towards a need for strong government support, and also showed that there are numerous approaches to enterprise cooperation in remote areas, many of which encourage complementary

tourism products within the entire tourist destination (Braun 2005, Buhalis 2000). This cooperation allows enterprises to link their products in ways that reduce issues of remoteness and isolation, and fit better with consumer needs and expectations.

8.2 Lack of critical mass

Along with issues of remoteness, studies in regional Australia recognise that most SMEs experience a lack of critical mass of related enterprises and industries that could improve competitiveness and foster economic development (Enright & Roberts 2001). Critical mass is important because a large enough group of related organisations working together enables opportunities to achieve synergies and economies of scale (Rosenfeld 2009). Industry critical mass provides visitors with more product and service options. Critical mass can also make a difference in visitor expenditure and length of stay in a region.

Brown (2001) contends that Australia's lack of industry critical mass is related to its small population and the widely dispersed nature of its industries. While businesses in metropolitan areas in Australia can take advantage of economies of scale in infrastructure, investment and social systems that build competitive advantage in the marketplace (Krugman 1993), outside the metropolitan areas, these economies of scale are difficult to achieve. Business and locational constraints deter enterprises from developing industry links, which creates further disadvantage (Enright & Roberts 2001). The concentration of industry in urban regions has also contributed to a more general decline in regional economies and led to increasing economic disadvantage, a lack of opportunities and limited viable options for economic and social development.

The limited industry critical mass experienced by many Aboriginal and Torres Strait Islander enterprises in remote Australia provides a strong incentive for greater cooperation. In 2011, a Ninti One study sought to overcome critical mass limitations in remote areas of far south-west South Australia. The study showed that through greater networking, participating operators enjoyed improvements in critical mass, and the identification of new business opportunities and new funding sources. Through greater collaboration, participants also gained access to added knowledge, support and industry jobs (Fernando et al. 2011). The study highlighted that forming cooperative arrangements based on collaboration and agglomeration of value chain activities provided a means for Aboriginal and Torres Strait Islander SMEs to begin to overcome many of the difficulties inherent in operating in remote and isolated regions.

Cooperation can uncover opportunities for partnerships and future business activities (Novelli et al. 2006) and shield enterprises against risk and unforeseen situations (Gomes-Casseres 2002). This can be especially important for the survival of tourism businesses in isolated rural, regional and remote contexts (Lemmetyinen & Go 2010).

Destination identity, branding and marketing are often catalysts for greater cooperation (Soteriades et al. 2009). An important aim is to coordinate enterprise brands in step with the overall destination and/or to position SME products within the destination product mix. By working together, SMEs have greater capacity to understand visitor needs and shape consumption patterns within their destination (Braun 2005, DKA 2005). This also enables individual tourism enterprises to be influential in shaping destination branding and allows shared marketing expertise to filter back to each cooperating enterprise (Hollick 2003). Cooperation means market segments can be more aligned with enterprise activities, and it encourages destination-oriented business models that enhance quality of experience and customer satisfaction (Braun 2005, Normann & Ramirez 1993). Thus, cooperation can enable Aboriginal and Torres Strait Islander enterprises in remote Australia to implement marketing approaches in tune with the overall image of their destination and desires of visitors to the region.

8.3 Limited capacity

Because of their characteristically small scale and limited access to resources, capital and finance, Aboriginal and Torres Strait Islander enterprises often have limited capacity to pursue enterprise growth and industry competitiveness (DKA 2005, Foley 2003). SMEs are often so busy ‘just surviving’ that they are unable to take advantage of wider opportunities (Taylor et al. 2008) or adapt to changing economic conditions (Crowe 2005, DKA 2005). Achieving economies of scale can also be difficult for SMEs given that their production outputs are usually modest and they have limited demand for raw materials, production inputs, equipment and related services (Rola-Rubzen 2011). In short, many Aboriginal and Torres Strait Islander enterprises in remote Australia are small and are owned and operated by people with very high workloads and limited resources.

Building on cooperative links makes sense for tourism businesses, but only as long as the forms of cooperation are available and achievable. Through cooperative activities, tourism enterprises can create added value for their own business, and for their customers. For instance, enterprises can utilise cooperation to facilitate the ‘integrating or bundling [of] complementary services into a single product for sale – in effect, allowing firms to diversify their activities to meet the needs of a target group’ (Michael 2003, p. 139). An appropriate cooperation strategy can be part of business models that broadens the value an enterprise creates for visitors but reduces the resources and capital needed in the value chain.

The economic environment in which some Aboriginal and Torres Strait Islander enterprises currently operate can also stifle their capacity for further development. For example, restrictions on lending to SMEs can mean access to credit is limited (UNCTAD 2013), and this is exacerbated by poor perceptions of the merit of providing credit to Aboriginal and Torres Strait Islander enterprises (Foley 2003, Rola-Rubzen & Ferguson 2009). Such limitations constrain business expansion and the entry of new entrepreneurs, and can mean Aboriginal and Torres Strait Islander SMEs may be especially vulnerable to business failure. However, many supporters of enterprise cooperation (e.g. Enright & Roberts 2001, Ffowcs-Williams 2012a, Smith 2012, Porter 1998a) argue that these activities can improve access to resources, technologies, markets, networks, infrastructure, regulatory structures, tax breaks, supply and distribution. While it is often difficult to directly influence policy or legislation, the critical mass created through enterprise cooperation can boost the performance potential in a region to, among other outcomes, reduce risk from external interests (e.g. investors) and increase bargaining power.

Like operators of SMEs more generally, many Aboriginal and Torres Strait Islander operators enter the sector with limited education and business training. This highlights the need to build capacity and expertise in business and financial management, research and product development, strategic planning and forecasting, communication and human resource management, and marketing on national and international levels (DKA 2005, Fuller et al. 1999, Rola-Rubzen 2011, UNCTAD 2005). No matter the industry or ownership, SMEs tend to have few staff, which further restricts how much operators can engage in training and information sharing that may enhance their competitiveness (Jackson & Murphy 2006, Lade 2010). Foley’s (2008) research found that strong social networks were considered essential by Aboriginal and Torres Strait Islander enterprises; however, he argues, ‘they experienced little diversity in their networking, [and] their business relationships were often that of dependence with a distinct separation between social and business networking interactions’ (Foley 2008, p. 204). Ideally, enterprise cooperation determined by destination contexts would ensure that Aboriginal and Torres Strait Islander enterprises in remote Australia are integrated within their destination and maximising the available cooperation opportunities appropriate to their region.

8.4 Isolation and fragmentation

The isolation that remoteness can create for a business is a barrier for some Aboriginal and Torres Strait Islander enterprises seeking greater cooperation and engaging with industry networks (Crowe 2007; DKA 2005, 2006; Rola-Rubzen & Ferguson 2009). More generally, the tourism industry in Australia is known to be highly fragmented with little cooperative activity (Braun 2005, Jackson & Murphy 2006, Lade 2010). However, continued fragmentation compounds the problems created by remoteness and adds to the challenges of remote tourism operators. Cooperation, on the other hand, may lead to improved coordination among collections of enterprises in a destination (Ffowcs-Williams 2012a). It can also mean improved access and dialogue with industries and networks, trade associations, research organisations, training bodies, public agencies, government structures and other useful organisations (Smith 2012). But as the existing studies above have shown, the challenge for operators is to identify the appropriate approaches and to sustain the activity over time.

There is no one best approach to overcoming fragmentation. The research by Tremblay and Wegner (2009) recommended that governments and support agencies play an increasing role in the facilitation of this activity. Other work by Tremblay (2010) argued that cooperation is one component of a range of capacity-building needs among the sector. Background research in preparation for this paper revealed a wealth of resources available to business start-up and development, but very little in relation to cooperation between Aboriginal and Torres Strait Islander enterprises in remote Australia. Fragmentation is also a concern for the Aboriginal and Torres Strait Islander tourism sector overall, which suggests that fragmentation among operators in remote Australia must be viewed in broader contexts.

8.5 Social environment

Alongside the challenges noted above, many Aboriginal and Torres Strait Islander remote tourism enterprises can be embedded within communities of hardship and government administration. They may contend with external concerns relating to land, governance and poor social conditions. For example, insecurity of land tenure and policies on native title can be challenging for some operators (DKA 2005). Additionally, enterprises are often 'dependent on racial acceptance' and they experience internal concerns, including limited resources, market and cultural constraints, and a lack of positive engagement by family and community members (Foley 2003, p. 204; Jacobsen 2013).

For Aboriginal and Torres Strait Islander enterprises located on country, the desire for benefits to flow back to country, culture and family is often strong (Moylan 2005). Cooperation between various Aboriginal and Torres Strait Islander remote tourism enterprises can require sensitivity. While sources in the literature maintain that cooperation is often an exercise in community building that has the potential for wider benefits within the destination and the community (Porter & Kramer 2011), important and complex cultural issues mean it is not always appropriate.

Multiple challenges faced by tourism operators in remote regions of the world, including Aboriginal and Torres Strait Islander operators in Australia, have been outlined by Jacobsen (2013):

External concerns

- Overcoming a troubled past
- Influence from external governance
- Change imposed by legislation
- Lack of land tenure
- Counteracting extraction industries
- Dealing with multiple jurisdictions
- Reliance of external partnerships

Internal concerns

- Internal politics
- Resistance to change
- Need for basic infrastructure
- Need for self-sufficient infrastructure
- Limited access to skilled labour
- Need for capacity building
- Loss of traditional ways

Target markets

- Short tourism season
- Narrow visitor markets
- Limited access to visitor markets
- Competing with large organisations
- Low tourism revenue
- Negative visitor word-of-mouth

Remoteness

- Operating in fragile ecosystems
- Sparse populations
- High costs

(Source: Jacobsen 2013, p. 26)

Aboriginal and Torres Strait Islander enterprises have much to gain from adopting a more cooperative approach to business, since cooperation provides advantages that otherwise might be difficult to achieve, or are scarcely available at all. As the research and various sources discussed above have shown, the challenges of remoteness, critical mass, limited capacity and isolation can be reduced when SMEs come together, not only to share concerns and resources, but to create solutions together (Krugman 1991, Porter & Kramer 2011). Various studies have demonstrated examples where SMEs operating in sparsely populated regions have used strategies of cooperation to overcome remoteness, gain critical mass, achieve economies of scale, address issues of limited capacity, improve their market share, and develop a strong diversified industry base to improve business and industry competitiveness (Delgado et al. 2012; Ffowcs-Williams 2012a; Gomes-Casseres 2002; Jackson 2006; Klint & Sjöberg 2003; Lade 2010; Mitchell et al. 2009; Rosenfeld 2001, 2009). Indeed, the cases reported in this growing pool of literature are sourced from remote locations all over the world.

Examples include community-owned lodges in Kenya, Indigenous-controlled protected areas in Chile and experiences in the west Arctic region of Canada. In each of these cases, remote tourism enterprises have drawn on collaborative relationships to manage and market the products and services they offer to tourists (Jacobsen 2013). Similar Aboriginal and Torres Strait Islander initiatives have emerged in remote Australia in recent years, including:

- The Bama Way in north Queensland
- The Fitzroy River Aboriginal Tourism Association (FRATA) in the Kimberley
- Lirrwi Yolngu Tourism Aboriginal Corporation in Arnhem Land
- Central Aboriginal Experiences in central Australia.

In various places around remote Australia, small enterprises are now working together to build on their respective synergies and complementarities. At the time of writing, the CRC-REP is conducting a study to

assess the nature of this activity in much more detail. Simple cooperative arrangements, such as referring customers on or developing tourist routes that link enterprises together, can be highly effective and require minimal investment of resources. Opportunities also exist to extend these cooperative activities in ways that provide greater benefit to each organisation.

Various economists advocate cooperation that goes beyond simpler forms of industry collaboration and includes proactive participation in industry networks, strategic alliances and industry clusters (Jackson 2006, Jackson & Murphy 2006, Lade 2010, Michael 2003, Soteriades et al. 2009). These forms of cooperation may require a greater investment of resources (especially time and energy), so they may not be for everyone. However, experience worldwide suggests more formalised group cooperation, through industry clusters, provides considerable competitive advantages for small and large enterprises.

9. Clusters

Clustering is internationally recognised as a strategy to ensure the competitiveness and sustainability of SMEs in remote and regional locations (Ffowcs-Williams 2012a, OECD 2008). Porter (1998b) emphasises that business cooperation through clustering can achieve considerable competitive advantages for SMEs that cannot be achieved by any other means. Clusters are not just about building networks and exchanging information, although knowledge and social connection are important ingredients (Ffowcs-Williams 2012a). Neither are they merely an agglomeration or grouping together of enterprises that cooperate.

9.1 What are clusters?

Clusters are ‘geographic concentrations of interconnected companies, specialised suppliers, service providers, firms in related industries, and associated institutions in particular fields that compete, but also co-operate’ Porter (1998b, p. 197–8). Clusters are gatherings in particular geographic locations that are made up of enterprises and industries with similar and related business needs and interests (Rosenfeld 2003). Enterprises that form a cluster generally share a particular geographic region which enables them to build on localised processes and knowledge that cannot be easily copied by outsiders (Ffowcs-Williams 2012a).

At their heart clusters are about ideas, relationships and place.

Is there special shared knowledge?

Do workers, firms, entrepreneurs and managers connect with one another?

Are these connections concentrated in a particular locale?

These three elements define clusters and describe the avenues for making them stronger.

(Cortwright cited in Ffowcs-Williams 2012a, p. 33).

Clusters are not easy to form, and there is huge variety in how they develop. Each enterprise in a cluster has opportunities to benefit from what others bring to the arrangement (Ffowcs-Williams 2012a), while each participating enterprise should fulfil specific roles that provide benefits to others in the cluster.

Cluster members collaboratively address shared problems and seize shared opportunities without displacing the competition that exists between them (Ffowcs-Williams 2012a). Thus, clustering approaches recognise the importance of maintaining competitiveness between individual firms (Porter 1998b). Rather

than creating conflict and disruption, this tension can be fertile ground for ideas and innovation (Porter 2000). Clusters encourage individual enterprises to focus on their specialisations while coming together to manage their combined products and services as a destination or region.

9.2 Clustering and value adding

Clustering can improve competitiveness by focusing on value-adding processes and generating competitive advantages for cooperating enterprises (Porter 2000). The interactions between cluster participants facilitate value creation. Porter (1998a) describes a cluster as ‘an alternative way of organising the value chain’ which exploits the synergies created by working together. A cluster ‘represents a robust organisational form that offers advantages in efficiency, effectiveness and flexibility’ (Porter 1998a, p. 79).

Clustering allows enterprises to create and contribute to products and services of greater value than they could produce alone (Ashkenas et al. 1995). Clustered enterprises operate in synergistic relationships, no matter how remote or isolated they are, and it is through these relationships that value chain efficiencies can occur (Cope 2002). The key to effectiveness and efficiency in an industry value chain is how participating enterprises fit together – how they interact and cooperate to create their value chain, as well as how they manage collective resources and opportunities (Krugman 1993, Sturgeon 2001). A cluster focuses on the linkages and interdependencies between enterprises that increase productivity, innovation and competitiveness (Bergman et al. 2001, Porter 1998a). The cooperative interactions between organisations are where value chain contributions are made (Bergman et al. 2001) and efficiency, productivity and competitiveness are maintained.

For Aboriginal and Torres Strait Islander operators, enterprise development may have social, cultural and commercial ramifications which can be integrated into cluster development strategies (Moylan 2005). Flexible boundaries mean clusters can be focused around appropriate geographic regions, be relevant to the individual characteristics of that region and/or include a broad range of organisations working within a destination region. Thus a cluster can include a broad range of SMEs and other contributing organisations and stakeholders within a region and embrace concerns that affect the whole destination (Ffowcs-Williams 2012a). They also have the capacity to embrace issues of sustainability and community goals, such as poverty reduction and education and training, and take action on a regional, state and even national level (DKA 2005). In remote Australia, where enterprise proximity is not possible, alternative ways of looking at clusters may be needed that fit with local needs and conditions. For example, competitive advantages can still be gained through relationships that foster coordination, complementarity and value creation.

9.3 Cluster characteristics

Successful clusters share a number of important features (Porter 2000). These include:

1. a shared understanding of the imperative of competitiveness and the role of clusters in creating competitive advantages
2. a focus on removing obstacles and reducing constraints through clearly formed and reinforced goals of cooperative competition
3. a structure that builds on strong local foundations and encompasses existing organisations and clusters
4. appropriate cluster boundaries that build on linkages and economic realities rather than fixed, artificial or political boundaries
5. wide involvement of a range of willing cluster participants and associated institutions from industry, community and public bodies

6. private sector leadership supported by government (and community) participation
7. close attention to personal and social relationships to foster linkages, encourage open communication, build trust and facilitate information flows
8. a bias toward action, a broad vision of the future and the desire to achieve results. Strong leaders from industry and other opinion leaders are important in this
9. institutionalisation of relationships, linkages and concepts to provide a long-term commitment to building cluster advantages.

Thus, clusters go beyond other types of cooperative networks and alliances, because each enterprise participating in a cluster contributes to the creation of value for other members (Ashkenas et al. 1995, Roelandt & Hertog 1999). Networks and alliances tend to retain boundaries between organisations that block the cross-fertilisation that can occur when ideas and information are exchanged (Ashkenas et al. 1995). By making boundaries more permeable, clusters dramatically increase flexibility, integration and innovation and facilitate a more efficient flow of management practices, strategy, technology, resources and values (Ashkenas et al. 1995, Ffowcs-Williams 2012a). Clusters are driven by the potential for improved linkages, synergies, efficiencies, innovation and productivity in the value chain processes of enterprises and industries and consequently by the benefits that can be gained for individual enterprises and the industry (Beer et al. 2011, Hamel et al. 2002).

9.4 Cluster participants

Many enterprises and organisations can be involved in a cluster, since the production of tourism products and services also involves many contributors, and the interactions and relationships between enterprises represent key areas where added value can be created. The role of cluster members is to both contribute to and generate value from cluster arrangements (Ffowcs-Williams 2012a). To this end, clusters benefit from acquiring members with competencies that are complementary and build the strength of the group.

A range of actors may be involved in a cluster, including representatives from education and training, research, partner businesses, related enterprises, suppliers, consumers, community organisations, industry associations, institutions, policymakers and any other actors with the capacity to contribute to cluster activities (Porter 2000). These additional contributors can be important to the strength and success of clusters given the increasing role of policy and the knowledge-based economy (European Union 2010).

10. Cluster development in remote Australia

There is increasing support for cluster development to facilitate the growth and sustainability of SMEs in remote and regional Australia (Braun & Lowe 2005, Marceau 1999, Roberts 2000). Geographic features, landscapes and natural resources have traditionally provided incentives for clustering activities by small tourism businesses (Enright & Roberts 2001). For example, the Great Barrier Reef in far north Queensland and Sunshine Coast beaches in south-east Queensland have provided the impetus for clustering in the Queensland tourism industry (Braun & Lowe 2005, Ffowcs-Williams 2012b, Roberts 2000). In Victoria, clustering has been used to facilitate a collaborative e-commerce gateway and booking service (Braun & Lowe 2005).

Federal and state governments have also advocated enterprise and industry clustering to improve competitiveness and deliver sustainable development outcomes (DKA 2005, 2006). Recent initiatives have

been promising. For example, in desert Australia, the DKA Linked Business Project used information technology to enable a number of enterprises to prosper (DKA 2006, Taylor et al. 2008). The Desert Knowledge Australia Outback Business Networks (OBN) has used communication technology to connect businesses and industries across remote Australia, which in turn has helped them to develop linkages and gain economic benefits in the process (DKA 2014a). Examples of some of these linkages include:

- Station Stays is a cluster of pastoral operators who have increased their marketing presence through a website and shared marketing materials, thereby boosting visitation to their bed and breakfast experiences (DKA 2014b)
- The Overlander's Way touring route between Townsville and Tennant Creek has enabled improved market awareness and reduced marketing costs for a cluster of the route's Shires and Visitor Information Centres (DKA 2014a)
- Beds and Stays across Australia is a developing cluster of cross-border tourism accommodation providers geared towards improving their linkages and cooperation (DKA 2014c).

These more recent initiatives aside, the view among many commentators is that operators in Australia have been slow to embrace clustering approaches (Novelli et al. 2006, Taylor et al. 2007), and clustering initiatives lag behind international standards in sophistication and contribution to economic development (Brown 2001, Wickham & Hanson 2002). Cooperative activity does occur, especially in tourism; however, there are few mature functioning clusters actively cooperating to improve value chain synergies and industry competitiveness (Enright & Roberts 2001). This may be because Australian enterprises have traditionally looked to governments to stimulate industry development (Marceau 1999). Other sources in the literature (such as Braun 2005, Brown 2001, Mitchell et al. 2009, Porter & Kramer 2011) suggest that the relatively slow uptake of clustering in Australia may also be because of geographic, social and enterprise barriers, some of which might be addressed through policy and management initiatives.

11. Perceived barriers to clustering

11.1 Limited size, resources and capacity

The small size of many SMEs can mean they have limited capacity or resources (such as time, money and staff) to participate in industry clusters (DKA 2005). Some commentators also suggest that SME operators may lack the skills to engage in these activities (Braun 2005, McRae-Williams et al. 2005), particularly given the low entry requirements in tourism (Hollick 2003, Braun 2005). As well, cluster development may be viewed merely as a discretionary or voluntary activity that provides few benefits and distracts from core business activities. However, even small cooperation initiatives between two enterprises can have competitiveness pay-offs.

11.2 Lack of geographic proximity

Many regions appear to lack sufficient enterprises to form a beneficial cluster because of a sparse population and distances from potentially valuable partners. Improving technology is helping to cross distance barriers in remote areas (Taylor et al. 2008). But small tourism operators in remote regions have generally been slow to embrace information technology systems (Braun 2005), with uptake hampered by poor infrastructure, access and other social and cultural constraints (DKA 2005, Rola-Rubzen 2011).

Improvements in infrastructure, technology and access would be beneficial in attempts to addressing these limitations.

Coming together to discuss concerns, share ideas and develop strong relationship and enterprise bonds is important (Ffowcs-Williams 2012a; Porter 1985, 2000). Face-to-face contact and group engagement provides ‘the social glue that binds clusters together’ as well as ‘a sense of common interest and “insider” status’ (Porter 1998a, p. 88). However, the formation of clusters need not be constrained by geographic distance. On the contrary, clusters can form wherever participants see possible advantages in cooperation. For example, clusters can be based on meeting particular customer needs or in response to customer travel patterns (such as along travel routes). As the work of DKA described above shows, it is not uncommon for clusters to cross regional, state and even national boundaries (DKA 2005, 2006).

11.3 Issues of trust

Lack of trust among cluster members can be a key concern that hampers greater participation in cluster activity (Pesämaa & Hair 2008, Rosenfeld 2003). Effective collaboration is based on the trust that underlies the flow of information, by both formal and informal means (McRae-Williams et al. 2005). Research shows that lack of trust can increase where enterprises are overly focused on accessing information from each other rather than their shared needs. This may be especially the case where cooperating enterprises are pursuing the same markets (Hamel et al. 2002). Attention to building strong mutually beneficial relationships, and clearly defined boundaries, can go a long way in addressing trust issues (Ashkenas et al. 1995, Porter 2000). Indeed, establishing, nurturing and maintaining trust is a vital ingredient to any cluster.

11.4 Issues of leadership

Leaders play a crucial role in the processes of organising, coordinating, envisioning, social integration, managing knowledge transfers and encouraging a spirit of enterprise and innovation (DKA 2005, Svetina et al. 2004). Effectively filling leadership roles may be challenging for groups with limited skills and training. In this regard the development of skills and commitment to mentoring can be valuable in ensuring strong leadership (Braun 2005, Jackson & Murphy 2006). However, this may also represent an opportunity to develop skills and mentor others.

11.5 Culture

Family and culture are often deeply interwoven with business for Aboriginal and Torres Strait Islander people. Family dynamics and relationships may be ‘at the heart of the enterprise’, which means they can be sensitive to and influential over how business is conducted and with whom (Moylan 2011, p. 160). Cooperating does not mean compromising these relationships or cultural matters. Culture need not be viewed as a hindrance to clustering at all, but little research has been conducted to investigate the role of Aboriginal and Torres Strait Islander cultures and worldviews on the creation and maintenance of enterprise clusters. Indeed, with several cases of Aboriginal and Torres Strait Islander tourism enterprises emerging in remote Australia (e.g. Bama Way, FRATA and others in section 8.5), there is scope to consider enterprise groups in relation to cluster elements as outlined by Porter (1985, 2000) and Ffowcs-Williams (2012a). More importantly, inquiries should pay particular attention to how Aboriginal and Torres Strait Islander cultures and worldviews can enhance clustering and to shift the concept from a Westernised perspective to be more applicable in the contexts of Aboriginal and Torres Strait Islander tourism enterprises in remote Australia.

12. How does cooperation work?

Cooperating is about taking advantage of opportunities where they exist. Even small acts of referring visitors to each other can go a long way in linking enterprises, adding value to visitor experiences and building competitiveness. But each enterprise faces unique contexts and available opportunities for cooperation, which means that there is no universal process to establish cooperation. There are, however, some useful guidelines.

The potential for joint benefits is a key ingredient that drives cooperation strategies. Establishing areas of common concern can provide a sound basis for cooperation and clustering (Delgado et al. 2012, Freytag & Ritter 2005, Klint & Sjöberg 2003). Cooperation works best when each enterprise has important needs fulfilled (Hamel et al. 2002). Common goals represent another area where greater cooperation can be beneficial. Overlaps across complementary business activities represent another. Relationships based on reciprocity are therefore important in demonstrating commitment to mutual benefits.

Greatest benefit is gained when each enterprise can access the wider range of group member specialisations, thereby strengthening the competitiveness of all participating enterprises through their improved knowledge, complementarities and specialisations (Hamel et al. 2002, Gomes-Casseres 2002). The aim is not to develop situations where enterprises become reliant on each other for their success.

Building and maintaining sound relationships is key to cooperation success (Ashkenas et al. 1995, Porter 2000). Forming cooperative relationships based on existing ties and mutually beneficial relationships may increase the potential to generate competitive advantage and opportunities (Hall 2004, Strobl & Peters 2012). For remote tourism SMEs, cooperating through existing relationships can enhance personal ties, feelings of belonging and a shared sense of identity (Huang & Stewart 1996, Tinsley & Lynch 2001). Mutual trust is developed when each participant is viewed as an equal partner and valued for their contribution (Kanter 2002). Kanter also stresses that relationships take work and should not be taken for granted.

Ensuring that clear guidelines and boundaries are established is also important. Enterprises that establish effective cooperative arrangements follow clearly set guidelines that focus on mutual gain, while ‘guarding against transferring competitive advantages to ambitious partners’ (Hamel et al. 2002, p. 3). Participating in a cluster does not mean that enterprises give over all of their ‘secrets’. Indeed, guidelines are important to clarify the terms of mutual interest and rights of cluster participants. Information should be managed carefully and based on maintaining the integrity of collaboration (Ffowcs-Williams 2012a). Such cooperation can require careful negotiation and management. Guidelines outlined in the literature for cooperating while maintaining a competitive stance are described below:

- Focus on shared goals, benefits, needs and complementarities – exploit areas of mutual gain
 - Develop opportunities for mutual gains, efficiencies and improvements – focus on synergies
 - Actively utilise shared knowledge, skills and information – be receptive to learning
 - Know the objectives of collaborators (as ongoing competitors) and how these will impact your success – be savvy
 - Set boundaries around what will and will not be shared – limit transparency
 - Expect tension as part of effective and creative processes – utilise conflict positively
 - Aim to build the competitive strength of your collaborators, alongside your own – actively contribute
- (Source: Ffowcs-Williams 2012a, Hamel et al. 2002, p. 1–3)

Where cooperation is based in more formalised clusters, good leadership and collective governance is important. Some form of structure and collective governance ensures there is agreement about how the group will function, where competitive advantages will be created and how group activities will occur (Gomes-Casseres 2002). As with all task-focused groups, too much informality can sometimes create confusion and conflict. Governance structures provide a sound framework for cooperation and help bridge interpersonal and organisational differences and minimise unproductive conflict.

This is not to suggest that a cooperative arrangement or cluster should remain the same. Enterprises typically join and exit such arrangements as the cooperative activity evolves (Gomes-Casseres 2002, Kanter 2002). The internal and external environments of an enterprise can constantly change, requiring enterprises and clusters to adapt accordingly. All cooperative arrangements are dynamic, making it important for organisations to have management approaches for dealing with change.

13. Summary

This paper has examined the role of cooperation and clustering as a strategy that Aboriginal and Torres Strait Islander tourism enterprises in remote Australia could use to enhance their competitiveness, resilience and profitability. The paper shows that the wide range of challenges that currently impede the development of Aboriginal and Torres Strait Islander tourism enterprises in remote Australia – including remoteness and isolation, fragmentation and a lack of critical mass, limited resources and capacity, and other issues related to insecurity of land tenure and market and cultural constraints – can be reduced through strategies of cooperation.

Australian and international research now shows that greater cooperation between enterprises located in remote regions has the potential to reduce many of the challenges tourism operators currently experience in developing their enterprises (DKA 2005, 2006). A cooperative approach focuses on the synergies between enterprises and the added value achieved when enterprises work together (Taylor et al. 2008). The complementary nature of tourism products required to satisfy tourist needs and desires provides fertile ground for nurturing these relationships. In particular, fostering industry linkages and cooperative arrangements between tourism Aboriginal and Torres Strait Islander enterprises operating in remote Australia has the potential to improve visitor experiences and thereby enhance enterprise competitiveness and regional prosperity.

Cooperation and, where possible, clustering can provide considerable benefits to individual enterprises and industry sectors that help improve competitiveness, bolster profits and reduce risks. Benefits include improvements in value creation and delivery, innovation, product quality and coordination, knowledge transfer, access to resources, marketing and branding, investment and new business start-ups. Clusters also have the additional capacity to embrace wider sustainability goals and deliver improved economic growth to the communities in which they are active.

In remote Australia, a wide range of related industry and community organisations have the potential to contribute to cooperative arrangements and clusters, although cluster development has been limited to date and may need to be fostered and supported. Clustering also requires the contribution of people with appropriate leadership skills and a climate of inclusion, trust and cooperation. The development of vigorous and competitive enterprises is essential to economic growth and social progress in remote regions. By building cooperative relationships and supportive industry clusters in remote Australia, not only can the competitiveness and productivity of businesses be promoted, but social value can also be created for communities in ways that also address their wider needs and challenges.

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