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Conference Paper

From local to regional competitive advantage (The case of Nikita's Homestead in Olkhon island - Baikal)

54th Congress of the European Regional Science Association: "Regional development & globalisation: Best practices", 26-29 August 2014, St. Petersburg, Russia

Provided in Cooperation with:
European Regional Science Association (ERSA)

Suggested Citation: Borsekova, Kamila; Petrikova, Katarina; Vanova, Anna (2014) : From local to regional competitive advantage (The case of Nikita's Homestead in Olkhon island - Baikal), 54th Congress of the European Regional Science Association: "Regional development & globalisation: Best practices", 26-29 August 2014, St. Petersburg, Russia, European Regional Science Association (ERSA), Louvain-la-Neuve

This Version is available at:
https://hdl.handle.net/10419/124362

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From local to regional competitive advantage

(The case of Nikita´s Homestead in Olkhon Island – Baikal Lake)

Authors: Ing. Kamila Borseková, PhD., Ing. Katarína Petríková, PhD., doc. Ing. Anna Vaňová, PhD.

General Theme: G_V Regional cooperation and competition

Abstract:
Paper deals with the issue of competitive advantage on the local level, its specifics, factors and process of its creation, exploitation and building by using unique empirical case study. Through the theoretical knowledge, empirical research results and case study we point out how building competitive advantage on the local level influences the development of the region and building of strong competitive advantage on the regional level.
The main aim of the paper is to define the process of identification, creation, building and exploitation of the local competitive advantage based on internal resources and cooperation of local private and public subjects, networking and participation and its influence on building strong regional competitive advantage. The aim of the paper is fulfilled through the critical analysis of wide theoretical knowledge in comparison with the own empirical research results and an attractive case study.
The first part of the paper contains the review of the theoretical knowledge about competitive advantage on the local level. There are several theoretical approaches to competitive advantage. As ~~a~~ two basic approaches can be considered market-based approach to a competitive advantage and a competitive advantage based on resources. A compromise between these two approaches offers demand orientated approach based on marketing places principles. Theoretical part of the paper is supported by the results of own empirical research aimed on identification and exploitation competitive advantage on the regional and local level, its factors and their importance.
The second part of the paper is dedicated to the methodology and results of own empirical research. The empirical research was realized through questionnaire survey by the Delphi method with expert group consisting of domestic and foreign experts dealing with the issue of competitiveness and competitive advantage.
The third part of the paper is a practical implication~~s~~ of theoretical knowledge and empirical research results on the example of creating unique local production system located on the island Olkhon in lake Baikal. A base of this local competitive advantage creates an excellent location on the island Olkhon inside the Baikal Lake and the sacred place for Buryats. Lake Baikal and its whole area are written in UNESCO world heritage as the oldest and deepest lake and the biggest source of freshwater in the world. This uniqueness together with experienced and skilled human resources, development and building of cooperation with local suppliers and great reputation among the travelers from all over the world create strong inimitable competitive advantage. Even this competitive advantage has local level; it influences positively the development of the whole island and helps to create strong regional competitive advantage. Empirical case study is based on own experience gained during the research stay in Siberian Russia.
The end of the paper includes conclusions, recommendations and inspirations for practical exploitation of knowledge and experience contained in the paper.
Key words: **competitive advantage, internal resources, uniqueness, location, cooperation**
JEL code: R 19

Introduction

Nowadays, in time of many opportunities to travel and to relax, the place which wants to be successful on the market has to contain some unique feature or ability, just the unique place is not enough for a demanding customer. This is demonstrated also by the case study about the Nikita´s Homestead and the Olkhon Island in the Baikal Lake. The Olkhon Island is called also the jewel of Siberia, because of its beauty, however just this preposition was not enough to make from the island the tourism centre visited by the tourists from all over the world. Paper deals with the issue of a competitive advantage, at first from the theoretical point of view and then it is researched on the example of Olkhon Island. We chose the example of Olkhon Island because of our own empirical experience there in summer 2013. The experience was so inspiring that we would like to present this place as one of the best examples in the field of naturally created local production systems in the Russia.

The main aim of the paper is to define the process of identification, creation, building and exploitation of the local competitive advantage based on internal resources and cooperation of local private and public subjects, networking and participation and its influence on building strong regional competitive advantage. The aim of the paper is fulfilled through the critical analysis of wide theoretical knowledge in comparison with the own empirical research results and an attractive case study.

The paper presents the results of the project VEGA V-14-101-04 Creative industries delivering the crucial intangibles to public sector in context of innovation and smart growth and the project of 7th Framework program FOLPSEC.

Local and regional competitive advantage – theoretical overview

The current state of knowledge of the competitive advantage issue is mainly focused on the business sector – microeconomic level, where it is well processed, highly topical and developing through innovations and finding new methods and processes for gaining competitive advantage. The issue of competitive advantage is also processed on the macroeconomic level.

According to Martin (2002)[1], there is no independent, comprising economic or economic-geographic theory, which provides a generally acceptable definition and explanation of regional competitiveness and regional competitive advantage. Authors Kitson,

[1] Martin, R. (2002). A study on the factors of regional competitiveness. European Commission. 184 p.

Martin, Tyler (2004, p. 993)[2] considered at the regional level concepts of regional competitiveness and regional competitive advantage as very similar and in some aspects even consider them as synonymous. Authors dealing with competitiveness at regional level (Martin 2002, Kitson, Martin, Tyler 2004; Gardiner 2003[3]; Skokan 2004[4] etc.) agree that emphasize is on citizens in terms of quality of life and growth of living standards, or growth of regional product and regional employment. The concept of regional competitiveness has its origins in several theories - institutional economics, evolutionary economics and the theory of learning regions, but also in Porter's approach of strategic planning and the theory of competitive advantage. Understanding of the spatial dimension of competitiveness adds approach of a new economic geography (Hudec, 2007, p. 59)[5]. The competitiveness at regional level is close to the macroeconomic view of global competitiveness, where the emphasis is on the region's ability to be an attractive place to live. This is reflected in its ability not to attract only residents but also investors (Martinčík, 2007, p. 2)[6] and tourists.

In recent years, importance of regions in the national economy has received special attention. According to Beneš, there are two main reasons. 1. Regions are the basis of national competitiveness, because at their level there is a direct conflict between creators of the knowledge and its users. Then, the prosperity of the region depends on how much of the gap between two groups of the entities can be overcame. 2. The progress in the global economy towards the "regionalization" at the level of national clusters. This leads to reducing the role of states that will lose some powers in the implementation of macro-economic policy. We can say that the states are transformed into some kind of regions, because their procedures to affect some economic phenomena are rather similar to those of regional authorities. It was particularly the possibility to carry out macro-economic policy, by which the central authorities differ (2006, p. 22-23)[7]. This is confirmed also by EU regional policy for the years 2014-2020, which will be not more focused on reducing regional disparities but for the support of strong, competitive regions.

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[2] Kitson, M., Martin, R., Tyler, P. (2004) Regional Competitiveness: An Elusive yet Key Concept? In: Regional Studies. 38(9), 991-999.

[3] Gardiner, B. (2003). Regional Competitiveness Indicators for Europe - Audit, Database Construction and Analysis. 21 p.

[4] Skokan, K. (2004). Konkurenceschopnost, inovace a klastry v regionálním rozvoji. Ostrava: Repronis, 2004. 160 p.

[5] Hudec, O. (2007), Regionálne inovačné systémy – Strategické plánovanie a prognózovanie. Košice: Ekonomická fakulta TU, 200 p.

[6] Martinčík, D. (2007). Konkurenceschopnost krajů ČR – měření úrovně a dynamiky. In: Regio – Konkurenceschopnost podniků, měst a regionů. 18 p.

[7] Beneš M. (2006). Konkurenceschopnost a konkureční výhoda. Centrum výzkumu konkurenční schopnosti české ekonomiky. 39 p.

In the literature can be find several theoretical approaches to the competitive advantage, that should be applied by the method of analogy on the conditions of region or territorial unit. As two basic approaches can be considered market-oriented approach (Porter 1999[8]; Kotler 2005[9]; Vaňová 2006[10]; O'Learry 2000[11]; etc.) and approach to competitive advantage based on resources (Grant 1991[12]; Ulrich, Lake 1991[13]; Powell 1992[14]; Hall 1993[15]; Pffefer 1994[16]; Barney, 1997[17]; West Ford, Ibrahim 2010[18]; etc.).

Although there are several differences in these approaches, basically all authors agree that the competitive advantage is a certain higher value compared to the competition. Several authors (Ansoff 1965[19]; Solomon, Marshall, Stuart 2006[20]; Vaňová 2006) associate it with the term uniqueness, others agree in that it is related to profit (Porter 1999; Barney 2002[21]; Besanko, Dranove, Shanley 2000[22]; and others).

Market orientated approach focuses mainly on external factors – opportunities, threats and sectoral competition. According to this approach, market and environment identify subjects, that are non-effective or offer products for that are consumers not willing to pay required price.

Approach to the competitive advantage based on resources focuses on the resources of the territory and the competitive advantage is created through internal resources of territory. Unique resources help create a unique position in the market

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[8] Porter, M. E. (1999). Competitive Advantage of Nations. New York: Free Press

[9] Kotler, P. et al. (2005).. *Moderní marketing*. Praha : Grada Publishing, 2005. 1041 p.

[10]Vaňová, A. (2006). Strategic marketing planning of territorial development. Banská Bystrica: Faculty of Economics UMB.

[11] O´Leary, N. (2000). Unique Selling Proposition. Adweek Western Edition.

[12]Grant, R.M. (1991). The Resource-Based Theory of Competitive Advantage: Implications for Strategy Formulation. In: California Management Review. 33(3), 114-135

[13] Ulrich, D.,Lake, D. (1991). Organizational Capability: Creating Competitive Advantage. Academy of Management, 5(1), 77-92.

[14] Powel, T.C. (1992). Organizational Alignment as Competitive Advantage. In: Strategic Management Journal. p. 119 – 134

[15]Hall, R. (1993). A framework linking intangible resources and capabilities to sustainable competitive advantage. Strategic Management Journal, 14(8), 607-618.

[16] Pfeffer, J. (1994). Competitive advantage through people: unleasing the power of the workforce. Boston: Harvard Business School Press.

[17]Barney J. B. (1997). Gaining and sustaining competitive advantage. Ontario: Addison-Wesley Publishing Company.

[18]West, D., Ford, J., Ibrahim, E. (2010). Strategic Marketing: Creating Competitive Advantage. New York: Oxford University Press. 585 p.

[19]Ansoff H., I. (1965). Checklist for Competitive and Comptetence Profiles. New York : McGraw-Hill,

[20] Solomon, R. M. & Marshall, G. W. & Stuart, E. W. (2006). Marketing: real people, real choices. Brno: Computer Press,

[21]Barney, J.B. (2002). Gaining and Sustaining Competitive Advantage (In RUMELT, R. 2003. What in the World is Competitive Advantage? 5 p.

[22]Besanko, D., Dranove, D., Shanley, M. (2000). Economics of Strategy. (In RUMELT, R. 2003. What in the World is Competitive Advantage? 5 p

A compromise between these two approaches is an approach based on the value networks (McPhee, Wheeler, 2006[23]). Building of the sustainable competitive advantage is based on the positioning of subject in value networks. By applying this approach to conditions of places, as positioning we understand market position that gain place on the market of places in comparison with competitive places. Required market position can be achieved through the competitive advantage of the territory (Hollensen 2010, p. 28-35)[24].

This approach to the competitive advantage the most corresponds to marketing concept, in particular marketing places (Borseková, Petríková, Vaňová, 2012)[25]. Kotler defines marketing places as "set of activities aimed on creation, maintain or change of attitudes and behaviour to certain places. The aim of the marketing places is to attract to some place, region or state new inhabitants, tourists or investors" (1982, p. 482)[26]. Vaňová defines marketing places as "continuous social management process which provides the ability to influence more effective sustainable development of the place through building sustainable competitive advantage by creating synergies among demand and supply by using specific marketing methods and tools" (2006, p. 36). We consider this approach to the competitive advantage as a suitable compromise of the first two approaches, which is also well applicable to the conditions of territories (on the local or national level) and development of tourism. Through the strategic marketing planning and several marketing analysis which are a part of this process there are possibilities to exploit the existing tourism potential more efficient and to build from the region unique marketing tourism place (Borseková, Petríková, Vaňová, 2013)[27]. This approach remains consistent with the contemporary approach to territorial development, putting emphasis on specific resources, which are rooted into regional context and "territorially tied" (Sokołowicz, 2012, p. 19)[28]. In the regions or places that are the tourist destinations, often instead of using the term competitive advantage is used the term „unique

[23]Mcphee, W. Wheeler, D. (2006). Making the case for the added-value chain. Strategy and leadership 34(4), 41 p.
[24]Hollensen, S. (2010). Marketing Management: a Relationship Approach. Edinburgh: PEL.
[25]Borseková,K., Petríková, K., Vaňová, A. (2012). The methodology of use and building competitive advantage on the regional level. In Journal of Security and Sustainability Issues. 2(1), 41-50
[26]Kotler, P. (1982). Marketing for non-profit organizations. Prentice-Hall.
[27]Borseková, K., Petríková, K., Vaňová, A. (2013). From tourism space to unique tourism place through conceptual approach to building competitive advantage. Advances in Tourism Marketing – Proceedings – Marketing Places and Spaces: Shifting Tourism Flows, p. 124 -131
[28]Sokołowicz M. (2012). Territorial Context in the Research on the EU Cohesion. One-Speed or Multi-Speed Europe? Studia Regionalia by the Committee for Spatial Economy and Regional Planning-Polish Academy of Sciences, (33), 9-28

selling proposition“ or „unique selling point“ O´Learry (2000)[29], Lupberger (2009)[30], King (2010)[31]. We consider these terms as synonymous.

The competitive advantage of the place is an important basis for taking the position in the market, as it makes the place more attractive. (Borseková, Vaňová, 2011, p. 3)[32].

Real competitive advantage needs to meet certain qualities. These can be identified as follows (Lesáková, 2004[33], p. 30 - 31, Kotler, 1992[34], p. 321, Vaňová, 2006): unique characteristics (sources of these characteristics are mainly human potential, internal potential, ability and flexibility to adapt to changes in the external environment, ability and flexibility to respond to competition, ability and flexibility to respond to customer needs); compliance with market needs (competitive advantage is an advantage only if it is accepted by the market); sustainability; brand/name of the place (customer knows what to expect); existence of imperfect competition (competitive advantage can not be achieved in markets with perfect competition); profitability; compliance with the external environment.

All three approach pay attention on the sustainability of a competitive advantage. Among authors dealing with this issue, there are different opinions on factors influencing creation of competitive advantage (Figure 1).

Figure 1 Factors of competitive advantage

Author	Factors of competitive advantage	Required output
Ulrich, Lake (1991)	organizational capability (especially human resources with their knowledge, experience, skills and creativity), financial or economic capability, strategic/marketing capability, technological equipment	resource-based competitive advantage
Porter (1998, 2001)	social structure of the region, the existence of auxiliary social networks, social capital and institutional structures	market orientated competitive advantage

[29] O´Leary, N. (2000). Unique Selling Proposition. Adweek Western Edition.
[30] Lupberger, D. (2009). Unique Selling Proposition. Qualified Remodeler.
[31] King, A. (2010). Point of difference. In: BRW. 36(32), 28-29
[32] Borseková, K., Vaňová, A. (2011). Competitive Advantage of Slovak Republic. International Journal of Multidisciplinary Thought, 1(4), 237-257.
[33] Lesáková, D. (2004). Strategický marketingový manažment. Hronský Beňadik : NETRI, 263 p.
[34] Kotler, P. (1992). Marketing Management. Praha: Victoria Publishing, 1992. ISBN 80-85605-08-2

Kitson, Martin, Tyler (2004)	human capital (quality and skills of the workforce), social and institutional capital (scope, depth and orientation of social networks and institutional forms), cultural capital (the range and quality of cultural facilities and assets), knowledge and creative capital (present innovative and creative class) , infrastructural capital (size and quality of public infrastructure)	regional productivity, employment, living standard
Vaňová, based on Porter (2010)[35]	territorial potential (including human resources), information, character of demand, territorial strategy, competition, government influence, foreign investment and random effects	marketing (demand) orientated competitive advantage
Borseková, Vaňová 2010	human potential, tangible and intangible resources, financial resources and prices	resource-based competitive advantage

Source: own workmanship according to Ulrich, Lake (1991), Porter (1998,2001), Kitson, Martin, Tyler (2004), Vaňová (2010), Borseková, Vaňová (2010)

We see that there are different opinions of authors on the number and composition of factors influencing the creation of competitive advantage, but all authors agreed on the human resources as a crucial factor.

The aim of the regional development and destination marketing is to build the partnerships at local level with target to attain the competitive advantage in a global market (Stimson, et al, 2011[36]; Soteriades, 2012[37]). One of the most important challenges for destination marketing management is to bring all individual partners together to cooperate, to pool the resources towards developing an integrated marketing mix and delivery system (Buhalis, Cooper, 1998[38]; Fayos-Sola, 1996[39]; Garmise, 2006[40]). This is possible only in case of quality human resources.

The importance of human resources, especially in the form of networks, clusters and partnership of various stakeholders in the tourism destination declares the studies of many

[35] Vaňová, A. (2010) Creative economy and development of places (from marketing places point of view). In Creative Economy / Jitka Kloudová et al. Bratislava: EUROKÓDEX

[36] Stimson, R. & Stough, R., R. & Nijkamp, P. (2011). Endogenous Regional Development. Cheltenham: Edward Elgar Publishing Limited.

[37] Soteriades, M. (2012). Tourism destination marketing: Approaches improving effectiveness and efficiency. Journal of Hospitality and Tourism Technology. 3(2), 1-23.

[38] Buhalis, D., Cooper, C. (1998). Competition or co-operation: The needs of small and medium sized tourism enterprises at a destination level. In E. Laws, B. Faulkner, G. Moscardo Embrancing and managing change in Tourism. London: Roudledge.

[39] Fayos-Sola. 1996. Tourism policy: A midsummer night's dream? Tourism Management, 17(6), 405 – 412.

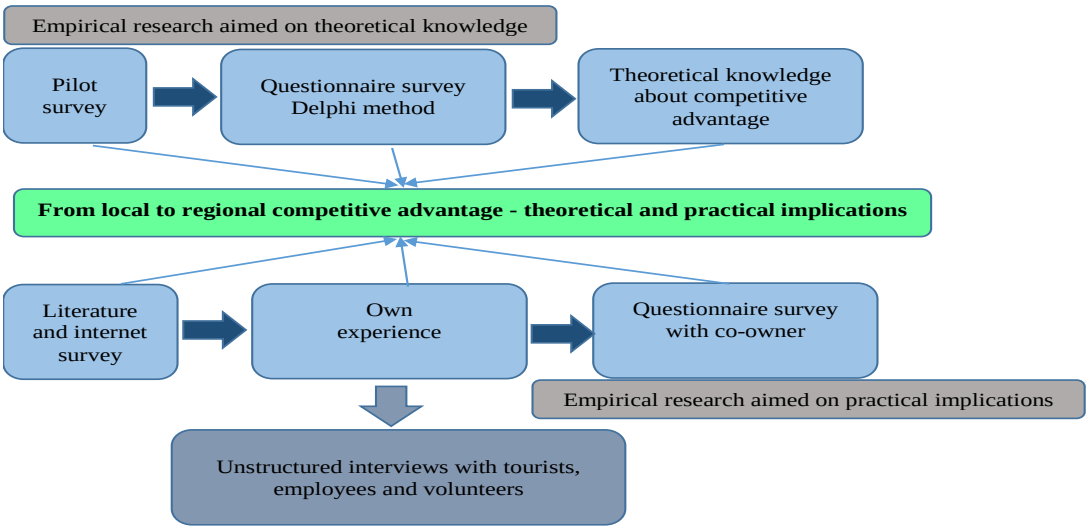
[40] Garmise, S. (2006). People and the Competitive Advantage of Place, New York: M.E. Sharpe

authors (Ryan, 2002[41]; Michael, 2003[42]; Pike, 2004[43]; Hall, 2005[44]; Tinsley and Linch, 2007[45]). Destination marketing partnerships are important because most destinations have to compete on the global world (Soteriades, 2012). The partnership and its quality influenced by human resources brings various positive benefits in tourism destinations including the increasing the competitiveness of the regional tourism industry and sustainable competitive advantage (Poon, 2002[46]; Michael, 2003[47]; Saxena, 2005[48]).

Methodology and empirical research results

In the paper, we use the results of empirical research divided into two main fields – theory and practice. Primary research orientated on practice was realised in the form of structured and unstructured interviews with employees of Nikitas Homestad and additional questionnaire with the one of co-owners of Nikitas Homestead, which is a main contact point for Olkhon destination. The results are processed in the form of case study in the following part of the paper. Next figure 2 describes a realisation of the empirical research.

Figure 2: Empirical research



Source: own workmanship

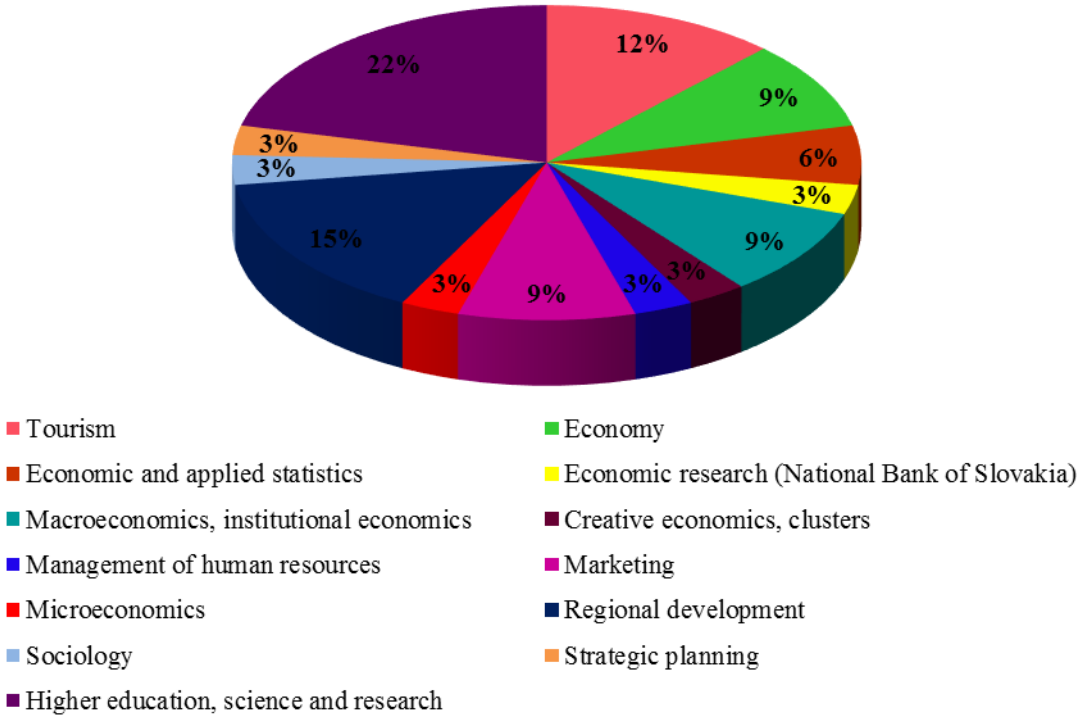
[41] Ryan, C. (2002). Equity, management, power sharing and sustainability – issues of the new tourism. Tourism management, 23(1), 17-26.
[42] Michael, E. J. (2003). Tourism micro-clusters. Tourism Economics, 9(2), 133-145.
[43] Pike, S. (2004). Destination management organisation. Elsevier, Oxford.
[44] Hall, C. M. (2005). Rural wine and food tourism cluster network development in Hall, D., Kirkpatric, I., Mitchell, M. Rural Tourism and Sustainable Business, Channel View Publications, Clevedon, pp. 149 – 164.
[45] Tinsley, L., Linch, (2007). Small business networking and tourism destination development: a comparative perspective. The international Journal of Enterpreneurship and Innovation. 8(1), 15 – 27.
[46] Poon, A. (2002). Tourism, Technology and Competitive Strategies, CAB International, Oxford
[47] Michael, E. J. (2003). Tourism micro-clusters. Tourism Economics, 9(2), 133-145.
[48] Saxena, R. (2005). Relationships, networks and the learning regions: Case evidence from the Peak District National Park. Tourism Management, 26(2), 277-289.

Theoretical phase of the research was realised in two phases and aimed on identification and verification of basic theoretical knowledge related to the issue of territorial competitive advantage. We choose the method of interview in the form of questionnaire by Delphi method. Respondents were the members of expert group composed of domestic and foreign experts. The classic Delphi method is based on three fundamental principles. The principles are a mutual anonymity between experts, an information feedback link between experts and research investigators and a use of statistical methods for processing obtained data (Reichel, 2009)[49]. As main advantage~~s~~ of the questionnaires we consider good securing of expert's anonymity, as well as reduced rates of conformity to the opinion of eminent expert, or dominant personality. None of the experts knows who formed an expert group (Reichel, 2009). The main advantage of Delphi method we consider that it is possible to cooperate with experts who are otherwise unreachable. We have in mind several important experts, which we get involved in the research. Delphi method we have chosen for the reason that theoretical knowledge of the competitive advantage and its factors, are mainly processed on micro or macro level. With help of expert group we analogically used available competitive advantage knowledge in conditions of regions and expert group also assisted by identifying competitive advantage on the regional level and its factors.

Through the questionnaire we involved domestic (52%) and foreign (48%) experts with aim to reach their opinion on chosen theoretical knowledge concerning the competitive advantage issue. The first phase was a pilot research involving 10 experts who also reviewed the questionnaire. Based on their comments, we modified the questionnaire and we realized a second round in which 35 experts from 7 countries (Belgium, Czech Republic, Finland, Germany, Netherlands, Slovakia, USA) were involved. All experts deal within their work with the issue of competitive advantage and their professional orientation includes thirteen different areas, see the figure 3 below.

[49] Reichel, J. (2009). Kapitoly metodológie sociálních výzkumů. Praha: Grada. 184 p.

Figure 3 Professional orientation of expert group



Source: own workmanship

The first part of the survey was aimed on identification of competitive advantage on the regional level. Expert's opinions confirm that the competitive advantage of the region is associated with the concepts of uniqueness, excellence and value. According to the results of the questionnaire, the competitive advantage can be understand as a significant advantage, specific priority, exceptional ability in the quality, quantity or how to use the regional potential; offering or conducting higher value compared to competing territories; or own unique resources that through effective and quality exploitation brings significant benefit.

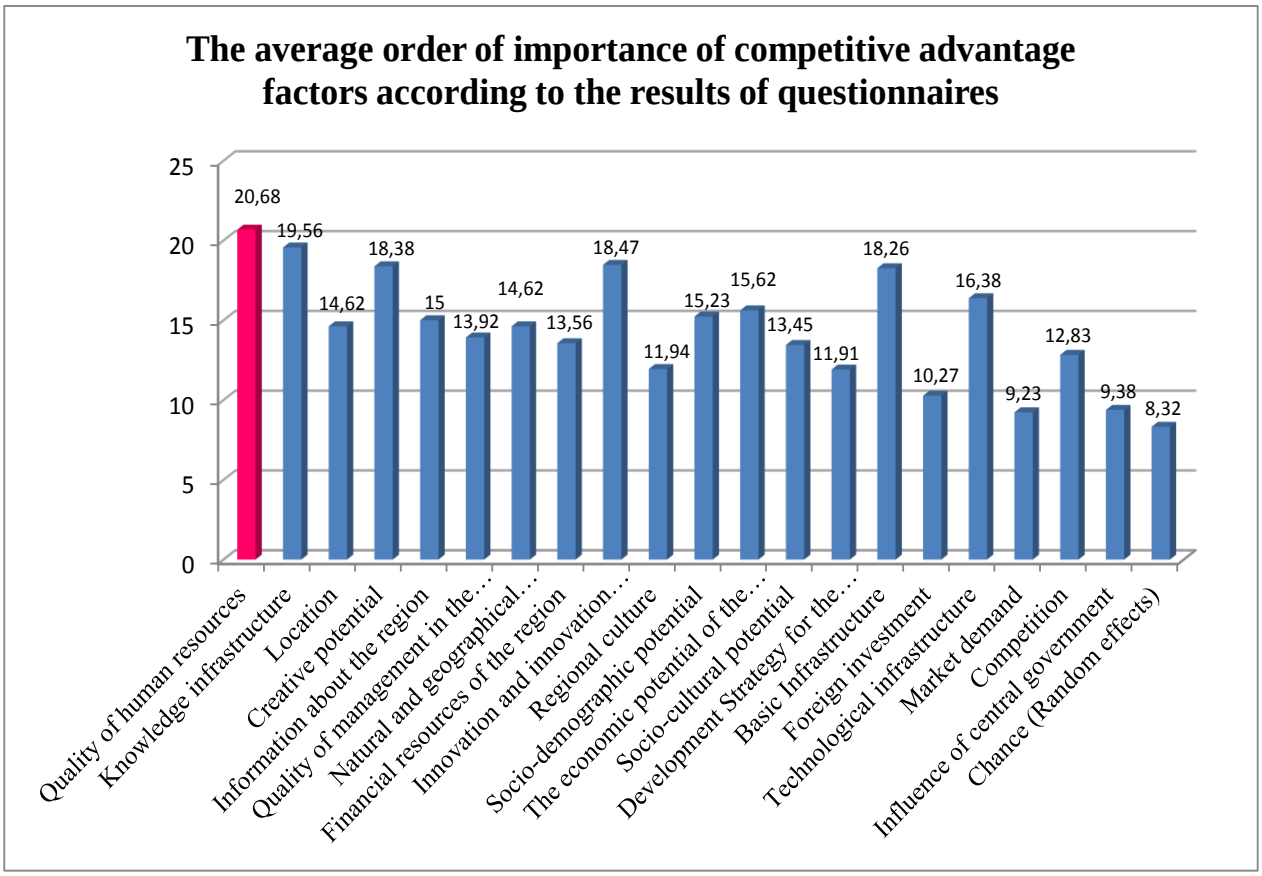
A part of empirical research was aimed on evaluation of competitive advantage factors. The importance of the factors was verified through Friedman test. Friedman test is a non-parametric test similar to two-factor analysis of variance with one observation in the subclass. The input data are arranged in a matrix of k rows and n columns. Friedman test statistic has the following form:

$$F = \frac{12}{nk(k+1)} R - 3n\,(k+1) \qquad R = \sum_{j=1}^{k} \left(\sum_{i=1}^{n} Rx_{ij}\right)^2,$$

where n means the sample size, which is the same for all selections; k is the number of selections; R is a final order totals in columns bring to a square. The average order of

importance factors of the region's competitive advantage as a result of Friedman's test shows the following figure.

Figure 4: The average order of importance of competitive advantage factors



Source: own workmanship according to primary research results

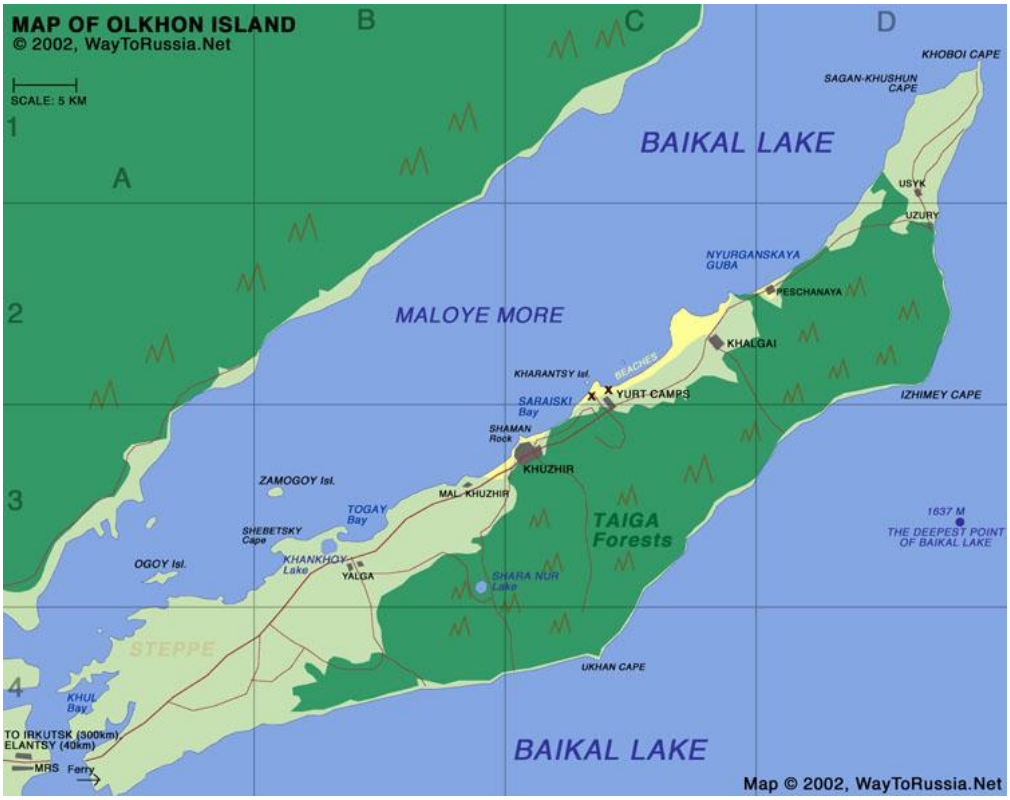
Primary research results showed that experts consider as the most important factor influencing competitive advantage the quality of human resources. This opinion of expert group confirmed theoretical knowledge that human resources are crucial factor of creating and building of competitive advantage. Based on knowledge of domestic and foreign authors and the results of primary and secondary research, we understand competitive advantage of the region as a specific characteristic, value or uniqueness, which is beneficial for customers of the region (citizens, tourists, businessmen and investors), and these customers prefer it before value offered by competing regions. This value can be given by the regional potential (natural, geographic, human, economic, demographic, cultural, innovative, creative etc.), or can be created through more efficient and improved utilization of regional potential, or market opportunities comparing to the competition. Region (regional representatives) must be able to identify this value and use it in a sustainable way with aim to bring to the region and its

customers benefit. The most important impact on the creation and building of competitive advantage has the quality of human resources in the region and quality and intensity of cooperation in the region. Creation and exploitation of competitive advantage affects the entire spectrum of external and internal factors, several of which are conditional on the type of competitive advantage. According to our mind the regional competitive advantage should be also created through strong local competitive advantage or set of local advanatages that creates and builds a strong competitive advantage.

Nikita´s Homestead in Olkhon Island inside the Baikal Lake - case study

An inspiration for writing this paper and case study was an own experience gained during research stays realized within the project of 7th Framework program FOLPSEC (Functioning of the local production systems in the times of crisis) in Russia with overall duration almost half year. The project is focused on the research related with different types of local production systems in several countries and their comparative analysis. As very interesting local production system we found Nikita´s Homestead in the island Olkhon in Baikal Lake.

Figure 5 Map of the Olkhon island



Source: http://www.waytorussia.net/Baikal/MapOlkhon.html

Olkhon Island, according to many resources, is the most amazing place in Baikal Lake area. Olkhon is the biggest island inside the Baikal Lake, only one inhabited, with an area of 730 square kilometres and the fourth largest lake-bound island in the world. The island is 72 kilometres long and 15 kilometres wide with population around 1500 people, consists mostly from aboriginal inhabitants – Buryats. The most of island population (around 1200 people) live in the capital Khuzir, which is the main village of island. There are four other settlements in the island; most of inhabitants are fishers, farmers and cattle-ranchers. Due to an increasing number of tourists from all over the world, many residents work in this sector as well, and tourism has become an important part of the economy in Olkhon.

Olkhon is located approximately 8 hours' drive (300 km) from the city Irkutsk, which is the important transport hub. Irkutsk is located on the Trans-Siberian route. From Irkutsk you can go in two directions – by using Trans-Siberian route into Vladivostok or you can go by Ulan-Ude route through Ulaanbaatar to Beijing. Even Olkhon is only 300 km from Irkutsk, the route shall take 8 hours, as from the half way there is only dirty road[50].

As a potential competitive advantage of the island can be identified the landscape, special climate conditions and relating fauna and flora on the island. Scientists still debate whether "Olkhon" translates as "little forest" or "dry" as both names fit well. The amount of precipitation is extremely low here, about 200 mm per year[51], which corresponds to biotope of semi-desert.

The second potential competitive advantage is an Olkhon richness in archaeological landmarks. Olkhon is a geographical, historical and sacred center of Baikal, the heart of many legends and fairy tales and is believed to be the home of many Baikal spirits. Legends say that Khan Gutababai came here and was sent by high spirits from the Heavens. He was the head of all khans. His son Shubunkua still lives here as a white eagle[52]. The indigenous Buryats, adherents of shamanism, believe the island to be a spiritual place; one of the groups of deities' adhered to in Buryati yellow shamanism is called the oikony noyod, the "thirteen lords of Olkhon". On the western coast, close to Khuzhir, is Baikal's most famous landmark, the Shamanka, or Shaman's Rock located on the Burkhan cape. Natives believe that Burkhan, a modern religious cult figure of the Altai peoples, lives in the cave in this rock[53]. Burkhan Cape (Shaman Rock) - known as one of the palaces of Heaven's gods, tengrii, and one of nine Asia's most sacred places. This is the most famous of Olkhon's capes. Here, many testimonies

[50] http://www.olkhon.info/en/olkhon/olkhon.html
[51] http://www.irkutsk.org/baikal/olkhon.htm
[52] http://www.irkutsk.org/baikal/olkhon.htm
[53] http://www.olkhon.info/en/olkhon/olkhon.html

of ancient people's lives were found. The strongest of heavenly tengriies (gods) chose Shaman Rock to be his home, and people were not allowed to go there. Many years ago people used to cover hooves of their horses so as not to disturb the Great Spirit and master of the rock. Now people are not supposed to think negatively or behave badly here[54].

The prepositions of the tourism development of Olkhon considered one of five global poles of shamanic energy by the Buryat people, the 72 km-long island's main settlement is Khuzhir were very positive and thanks to the inspiring efforts of Nikita Bencharov, owner of Nikita´s Homestead, resulted in a tourist boom over the last few years. He was in the role of strategist and manager of tourism development. Gradually, he implemented his vision and strategy by necessary steps that significantly influenced the territorial development on the Olkhon Island in positive way.

Nikita´s Homestead is located only 5 minutes' walk from Burkhan cape and Shaman Rock and als runs the tourist information office outside its premises. Nikita´s Homestead is a family run tourist base offering wide range of tourist services, including accommodation, traditional homemade food and beverages, sport services, culture events, excursion and trips, bike rental, horse riding, tourist information services, souvenirs etc.

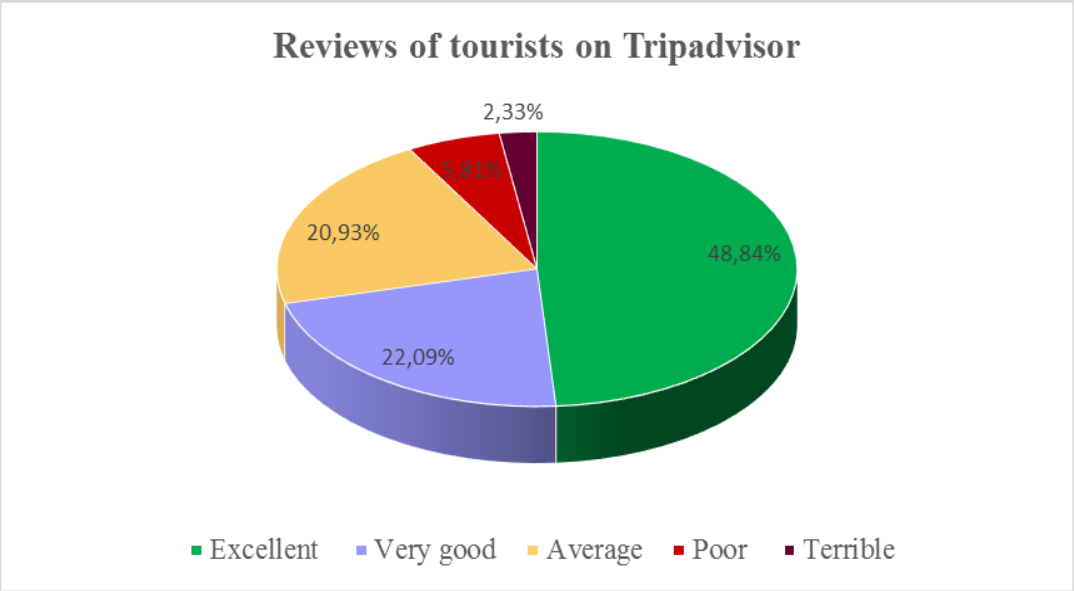
Nikita Bencharov was former very good and successful Russian representative in table tennis, is the first person who started to work with tourists in Khuzhir. He is a pioneer of tourist industry and he used to say that Olkhon is the point where people can get rid of problems. When in 1989 he moved to Khuzhir, nobody thought that it's a good opportunity to run tourist business there. After 25 years his tourist base is the most famous among foreign tourists heading to Olkhon or even to Baikal area. One of the reasons is that Nikita's place has own, well processed web site including accommodation reservation system in 4 languages – Russian, English, German and French. Natalia, his wife, moved to Olkhon 18 years ago from Moscow. She worked at the Mars CIS Company as a financial manager. Nikita and Natasha speak English very well, Nikita also speaks some Japanese. Their tourist base looks like Siberian wooden estate with log cabins for guests, brick stoves, Russian banya and large dining room. They host foreign as well as Russian tourists. They also invite foreign volunteers, who teach languages at local school, provide them with free accommodation and food[55].

There are many internet resources where information about Olkhon Island can be found. The most of them are mentioning also Nikita´s Homestead, usually as the option

[54] http://www.irkutsk.org/baikal/olkhon.htm
[55] http://askbaikal.com/2011/05/love-story-olkhon-island-and-nikitanatalia-bencharovs/

number one where to go during the stay in Olkhon Island, including resources as wikitravel.com[56], lonelyplanet.com[57], tripadvisor.com[58], hostelworld.com[59], waytorussia.net[60], lakebaikaltravel.com[61], grandbaikal.com[62], baikalnature.com[63], baikalex.com[64], etc. We can conclude that all these web resources highly recommend this place to stay and reviews of tourists are mostly positive or very positive. We can choose 2 examples. In the Lonely Planet tour guide are included 7 facilities in Olkhon Island, Nikita´s is recommended as a top choice. Trip advisor presents 11 facilities in Olkhon and Nikita´s has the most reviews - overall 86 reviewers from all over the world, including 26 countries from Europe, Asia, Australia and New Zeeland, North, South and Middle America. The figure 6 shows ratings on Tripadvisor for Nikita´s Homestead.

Figure 6 Reviews of tourists on Tripadvisor



Source: own workmanship accroding to http://www.tripadvisor.com/Hotel_Review-g304562-d1151987-Reviews-Nikita_s_Homestead-Olkhon_Irkutsk_Oblast_Siberian_District.html

According to available information, the island is visited by about 50,000 people every year (mostly in summer), most of them (80%) are just campers, the rest approx. 10 000 stay at the tour basis, guesthouses, yurt camps. Overall, there are 26 facilities in Olkhon Island that

[56] http://wikitravel.org/en/Olkhon
[57] http://www.lonelyplanet.com/russia/siberia/olkhon-island/hotels
[58] http://www.tripadvisor.com/Tourism-g304562-Olkhon_Irkutsk_Oblast_Siberian_District-Vacations.html
[59] http://www.hostelworld.com/hosteldetails.php/Nikita-s/Olkhon-Island/28961
[60] http://www.waytorussia.net/Baikal/Destinations/Olkhon.html
[61] http://www.lakebaikaltravel.com/trip_planner/tour_baikal/159-olkhon-island-guide.html
[62] http://www.grandbaikal.com/qa/1057.html
[63] http://www.baikalnature.com/hotels/57872
[64] http://www.baikalex.com/travel/olkhon.html

offer accommodation or services for tourists. The most of them are guest houses or homesteads (usadba), 3 have character of hotel, few camp places and tourist cottages. Prices start at 600 rubles per night (approx. 13 euros), the most common price is around 1000 rubles (21 euro), in some facilities also full board is included in this price. The most expensive facility in Olkhon is Baikal View Hotel where the price for one night is 3600 rubles (77 euro) included breakfast. Prices in Nikita´s Homestead are between 1000 (21 euro) rubles to 1500 rubles per night per person and included full board or half board – differences are influenced by the season. Price for tourist accommodated in neighbourhood is 950 rubles (20 euro), included full board served in Nikita´s Homestead. According to information from Natalia Bencharova, in 2013 their place visited approximately 2500 tourist, which means 25 % share of the accommodated tourist in the whole island. With the overall capacity 113 persons + tens of other accommodation possibilities in neighbourhood, Nikita´s Homestead belong among the biggest tourist facility in the Olkhon Island and with the share of approximately 25 % of overall accommodates tourists is the leader on the market. The booking of rooms in the high season (July and August) is needed to be done very in advance, sometimes even year before as this tourist base is absolutely full during the summer and demand highly exceed supply. Because of this reason owners start~~s~~ to cooperate with their neighbours in Khuzir village and in case of need they are able to accommodate tourists in neighbour houses and offer all services within their tourist base. Nikita´s Homestead cooperates with 18 subjects in neighbourhood who provide accommodation for tourist and 22 local households that are food suppliers (milk, fish, meat, vegetables). The cooperation from the both side is evaluated as very good and helpful. Suppliers initiate this cooperation as they come to Nikita´s Homestead and offered their services. By owners the cooperation with local suppliers helps them cover the demand of tourists more effectively and local suppliers are thankful for the opportunity to earn money. During the peak season (July, August) there is 70 employees, during the rest of year there is 12 stable employees. They also provide a tourist information office, establish a local museum and cooperate with 2 bike rentals and they can manage horseback riding for tourists. They also cooperate with Buryat village with aim to show the way of life of aborigines people – Buryats and their religion – shamanism. Thanks to the boom of tourism and cooperation the Olkhon Island was reconnected to the electricity grid in 2005 and mobile phones now work in Khuzhir[65].

[65] http://www.lonelyplanet.com/russia/siberia/olkhon-island#ixzz34Sb02GZW

Owners of Nikita´s Homestead highlight the level and importance of cooperation. All their business activities are based on building smooth and partner relationships in their team, and also with guests and locals. Their rule is that the guest is not just a person who paid money and left. The good relations resulted in various kinds of activities, e. g. humanitarian projects[66], promotion of island and Nikita Homestead, and cooperation in expeditions. In 1997 Nikita Homestead hosted Jacques-Yves Cousteau team in winter time; they shot a documentary about Baikal Lake. It helped (amongst others) the following on several occasions with their projects: ZDF television company (Germany), shootings for reality-show "Whisper of the stars", Channel 1 (Germany), with their set of documentary films about Baikal, by Klaus Bernaz awarded in Germany as "The best documentary of the year". It provided accommodation for movies and magazine teams: panoramic shooting for movies Silk *(2007, Director – François Girard*) and Serko (*2006, Director – Joël Farges*), photo sessions for ELLE magazine. In March 2010 Jim Denevan made his art work at Lake Baikal ice. It also hosted different professional symposiums for physicists, psychologists, doctors, sociologists and others[67].

Conclusions – theoretical and practical implications via case study

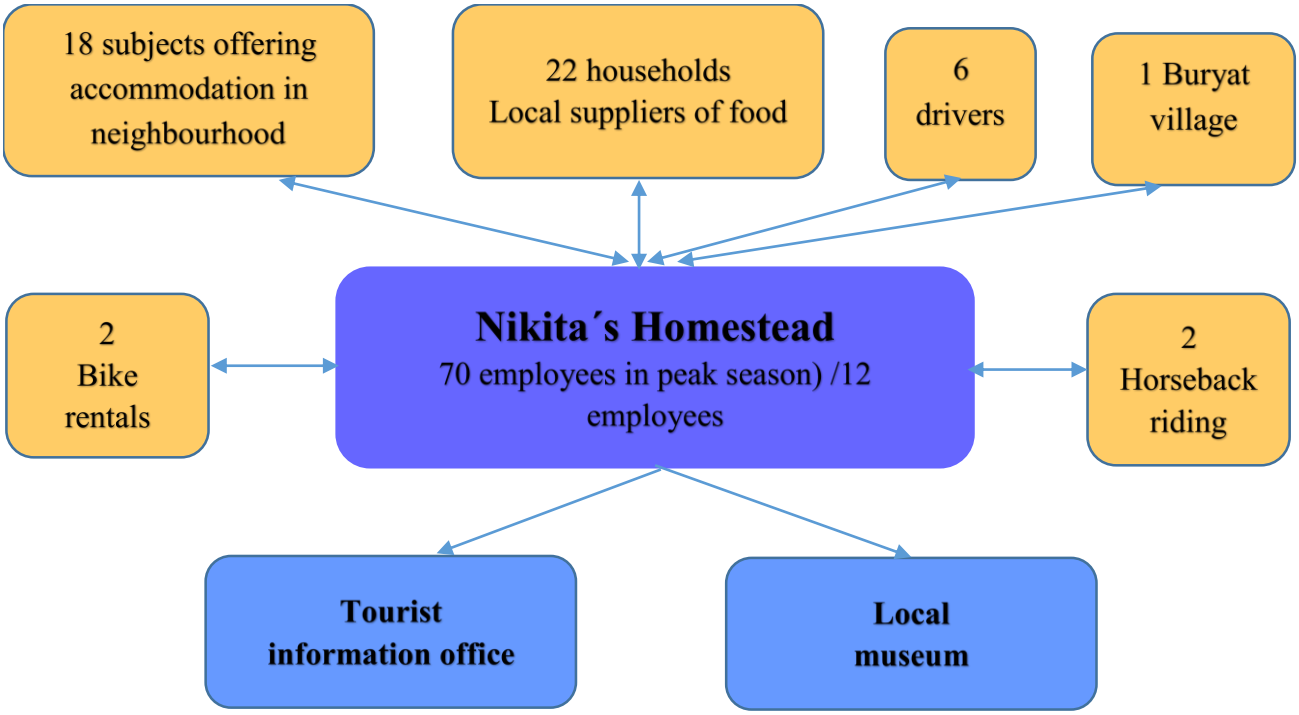
In the first part of the paper we describe a competitive advantage on the territorial level. Under the competitive advantage on the territorial level we understand the significant advantage of specific priority, exceptional ability in quality or quantity, or how to use potential of the territory, which has a territory over its competitors and allows it to realize greater value than the competitors reach in the same market (Vaňová, 2006, Borseková, 2012)[68].

Real competitive advantage needs to meet following qualities - unique characteristics, compliance with market needs, sustainability, brand/name of the place, existence of imperfect competition, profitability, compliance with the external environment. Literature and empirical research realised via Delphi method with expert group confirms that the most important factor of regional competitive advantage are quality human resources. An attention should be paid also to cooperation and their level and quality in the territory.

[66] http://askbaikal.com/2011/05/love-story-olkhon-island-and-nikitanatalia-bencharovs/
[67] http://askbaikal.com/2011/05/love-story-olkhon-island-and-nikitanatalia-bencharovs/
[68] Vaňová, A. (2006) Strategic marketing planning of territorial development. Banská Bystrica: Faculty of Economics UMB, Borseková, K. (2012). Identification and utilization of competitive on the regional level. Faculty of Economics: Banská Bystrica.

In the case study we analyse unique local production system – Nikita´s Homestead. Local production system should be defined as territorial union or network of different subjects or actors, whose focus their effort on interconnected activities and have a common goal or set of goals. Cooperation and interaction among subjects within an LPS play a critical role in the development and competitiveness of an LPS as a whole (Garcia, 2006[69]; La Rovere, 2003[70]). As the most common type of LPS should be regarded a cluster. There are several different definitions of clusters, but the most influential is undoubtedly that of Michael Porter. Porter (1998)[71] defines a cluster as a geographic concentration of interconnected companies, specialized suppliers, service providers, associated institutions and firms in related industries'. The subjects networked with each other and operating in close proximity are seen to have a competitive advantage. Following figure 7 shows Nikita´s Homestead as a local production system.

Figure 7 Local production system Nikita´s Homestead



Source: own workmanship

69 Garcia, r. (2006). External economies and competitive advantages in local productive system: the Marshall, Krugman and Porter's views. Ensaios FEE, 27(2), 301-324.

70 La Rovere, R.L. (2003). Competitive strategies in systems of micro, small and medium companies: the importance of the information management. Small company: cooperation and local development.Rio de Janeiro, RJ, Brazil: Relume Dumará.

71 Porter, M. (1998). Competitive advantage of nations. 2nd edition. Macmillan Business

According to the theoretical knowledge and empirical research results we can define Nikita´s Homestead as an effective functioning local production system. Local production system includes several local suppliers and subjects and also 2 own established subjects – a tourist information office and a local museum. The positive fact is that this local production system was created naturally, because of the demand of tourists exceeds supply and will of local people to be involved in the tourist industry.

We analyse its internal and external environment, market and competition and we can define competitive advantage of Nikita´s Homestead. The strong local competitive advantage is based on the very unique location, close to one of the nine most sacred places in Asia, and high level of developed cooperation. High level of cooperation is developed thanks to high quality of human resources, esp. people who are managing Nikita´s Homestead. Nikita Bencharov can be regarded as visionary and together with his wife they have skills needed for developing effective LPS (communication skills, language knowledge, strategic thinking and planning, management skills). He was the first one who start to build tourism in Olkhon Island and over the years he build well known tourist base with great reputation all over the world. Thanks to his vision, effective network was built and grew into participation. Even Nikita´s Homestead covering only small local area on the Baikal region, we can say, based on the theoretical and empirical analysis, that Nikita´s Homestead has not only local but also regional competitive advantage. The factors that influence shift from local to regional competitive advantage can be divided into 3 categories: natural, obtained and market.

The natural factors are especially a unique location, a unique natural environment of Olkhon island, an interesting history of the Olkhon Island and religious, a cultural and spiritual richness of the place. The obtained competitive advantage factors are a great image of the Nikita´s Homestead among the tourist from all over the world confirmed also by the most prestigious tour guides and tourist information web sites, well developed cooperation with local suppliers which resulted into formation of the unique local production system.

The market factors are still increasing number of tourist heading to Olkhon, demand exceeding supply in this facility, new trends in travelling including spiritual trips and finding inner peace of people.