

Tourism Entrepreneurship and its Role in the Activity of SMEs in Romania

S. Rusu, L. M. Csorba, R. Cureteanu, F. L. Isac

Sergiu Rusu,

Faculty of Economics

"Aurel Vlaicu" University of Arad, Romania

Faculty of Economics

University of Oradea, Romania

Luiela Magdalena Csorba, Radu Cureteanu, Florin Lucian Isac

Faculty of Economics

"Aurel Vlaicu" University of Arad, Romania

Abstract

Entrepreneurship associated with small businesses is regarded as a key vehicle for the creation of new enterprises, as it generates job growth and stimulates competition. In hotel, tourism and leisure industry, even if they still are a huge number of multi-corporations and multinational chains, industry is dominated by a substantial number of small businesses.

Keywords: entrepreneurship, tourism, SMEs, local communities, economic growth

Introduction

The subject of entrepreneurship has attracted much attention in all the EU countries in the last years. It is widely recognized that, regardless of the domain, the promotion of entrepreneurship is not only necessary for a healthy economy, but is also critical for sustaining prosperity and creating new jobs. That's why, the developed countries encourages the entrepreneurial activities as a most important way to increase development, productivity and economic growth.

The importance of entrepreneurship pervades all the economic sectors and all the types of organizations, but the industry and the activity of SMEs are particularly the domains where entrepreneurship is crucial for economic growth and job creation.

Small businesses are the lifeblood of the economy. That's why entrepreneurship associated with small businesses is regarded as a key vehicle for the creation of new enterprises, as it generates job growth and stimulates competition.

Entrepreneurship has been heavily researched but, in tourism, a relatively little attention has been paid to the role of entrepreneurial activities and, particularly, to the manner how tourism enterprises operate in different countries.¹

Nowadays, tourism is the largest growing industry all over the world. The tourism, accommodation and leisure industry are built first of all upon the entrepreneurship and the activity of small firms.² That's why an entrepreneurial approach is just as relevant and important in hospitality, leisure, sports and tourism, as in other sectors, if not more.

Generally, tourism entrepreneurship means a lot of commercial activities done by firms (at microeconomic and macroeconomic level) which activates in urban or rural areas owned by small individual undertakers, by groups of business partners or private/public companies with limited liabilities, which offers a wide range of tourism services. Such services are: transport, hotel, food service outlets, guest houses, travel agencies, tour operator services, leisure, entertainment, health and fitness clubs, the production and trade of works of art and handicraft, sport tourism and visitor attractions ranging from gardens to local museums, and many other types of outlet. That way, tourism industry is seen as a combination of the activity of public and private organizations actively involved in the development, the production and the

¹ Shaw G., Williams A. M. Critical issues in tourism: a geographical perspective (the 2nd edn), Oxford: Blackwell, p. 145-164

² Peters M., Frehse J., Buhalis D. The importance of lifestyle entrepreneurship: A conceptual study of the tourism industry, PASOS. Revista de Turismo y Patrimonio Cultural, Vol. 7 N°2, 2009, p. 396

commercialization of products and services able to assure the needs of the tourists.¹

Material and methods

In order to meet the aimed desideratum, we performed a theoretical analysis of the representative specialized literature, on the subject of the influence of tourism entrepreneurship upon the activity of the SMEs, all over the world and, particularly, in Romania.

Literature review

Tourism entrepreneurship is defined by Koh and Saayman² as activities which are dependent upon the existence of a firm and upon the manner in which a legal entity operates in tourism. This field creates many job opportunities in the labor market. These businesses are motivated by the profit earned through the services offered in order to satisfy the needs of tourists and visitors. Such entities are: hotels, guest houses, travel agencies and tour operator services. That means the individuals who sell products and services to tourists - for example handicrafts - are tourism entrepreneurs.

Shaw and Williams (2002) explore the importance of tourism entrepreneurship and discuss its role in understanding tourism's impact on economic development.

Entrepreneurs within the tourism industry are dependent on major tourism developments. For example, in Romania the development of the guest house industry is enormous. The development of this industry depends upon the involvement of the local workforce which may play the role of the employees or of the entrepreneurs, but also it

¹ Lordkipanidze, M. Enhancing Entrepreneurship in Rural Tourism for Sustainable Regional Development. The case of Söderslätt region, Sweden, The International Institute for Industrial Environmental Economics, 2002, IIIIEE, Lund University, p. 35

² Saayman, M., Slabbert, E. Tourism Entrepreneurs: Opportunities and Threats. A South African Perspective, <http://fama2.us.es:8080/turismo/turismonet1/economia%20del%20turismo/economia%20del%20turismo/tourism%20entrepreneurships%20in%20South%20Africa.pdf>, (accessed May 2011), p. 8

needs the goodwill showed to the tourists by the local host.¹ A major development of the local tourism is seen as a way which offers the opportunities to increase the local and also the regional economy. SMEs provide a range of employment opportunities. That's why these businesses have a strong connection with the production and development of new and creative products and with the innovative entrepreneurship spirit.²

In hotel, tourism and leisure industry, even if they still are a huge number of multi-corporations and multinational chains, industry is dominated by a substantial number of small businesses. The vast majority of these small independent owner-managed businesses have outlets which tend to be highly flexible to the changing customer demands and usually offer personal and localized services. Just a scarce number of these businesses will have the possibility to growth in a significant way. That means, the private entrepreneurs has to possess multilateral skills/abilities, to be able to compete with large firms which usually use to hire relevant specialists from this field. Accordingly, to be able to compete with large firms in this domain, the entrepreneur must have the capacity to work out a great number of issues and situations.³

The greatest part of the involved entrepreneur businesses has a direct connection with small family businesses, small hotels, hostels and cabanas, with agricultural farms and diverse art and handicraft stores.⁴ Haywood quoted by Blackstock considers the existence of a healthy and roaring community to be the corner stone for a successful tourism industry.⁵ The activities of the SMEs in tourism are connected with the local communities through the purchases of products, services and

¹ Blackstock, K. A critical look at community based tourism, *Community Development Journal* Vol 40, No 1, 2005, Oxford University Press, p.39

² Ateljevic, J., Page, S. *Tourism and Entrepreneurship – International Perspectives*, Elsevier Butterworth-Heinemann, 2009, p.149

³ Morrison, A., Rimmington, M., Williams, C. *Entrepreneurship in the Hospitality, Tourism and Leisure Industries*, Butterworth-Heinemann, U.K., 1999, p. 125

⁴ Dhakal, D.P. *Sustainable Rural Tourism for Improved Livelihood of Local Communities*, Nepal Tourism Board (NTB), Economic Policy Network, Policy Paper 4, 2005, http://www.mof.gov.np/economic_policy/pdf/SustainableRuralTourism.pdf, (accessed May 2011), p.17

⁵ Blackstock, K. A critical look at community based tourism, *Community Development Journal* Vol 40, No 1, 2005, Oxford University Press, p. 39

through the employment.¹ That way, a new concept appears: „The civic entrepreneur”, who’s main purpose, is to help the communities to establish collaboration with each other and with the governmental organizations, to have the possibility to organize their activity and to create links between the public and the private sector, and the voluntary sector (the community sector).² The voluntary sector is named also the civic sector, and means the sphere of social activity undertaken by organizations that are not for profit and nongovernmental, emphasizing the sector’s relationship to the civil society.

Tourism entrepreneurship is believed to flourish in an environment where the social, economic and political conditions serve as a motivational force, but such activity needs to be supported by the community and governing bodies. The understanding of the relationship between the local community and the governing bodies, as a key aspect of the local development, will help rather to dismount than to consolidate, the crossings existent in the way of the democracy and local development.

The local and regional development has a major role within the activity of the local tourist communities. Because of the rapid growth of the tourism and leisure industry all over the world, a critical and open approach of tourism is needed.³

We consider that tourism entrepreneurship may growth in such an environment in which the social, economic and political conditions attend as a motivational force, but, such an activity must be sustained by the community and the leadership of the businesses.⁴

¹ Ateljjevic, J., Page, S. Tourism and Entrepreneurship – International Perspectives, Elsevier Butterworth-Heinemann, 2009, p.165

² Roberts, L., Hall, D. Rural Tourism and Recreation: Principles to Practice, CABI Publishing, 2003, p. 207

³ Blackstock, K. A critical look at community based tourism, Community Development Journal Vol 40, No 1, 2005, Oxford University Press, p.46

⁴ Hollick, M., Braun, P. Lifestyle Entrepreneurship: The unusual nature of the tourism entrepreneur, http://www.cecc.com.au/clients/sob/research/docs/pbraun/AGSE-2005_1.pdf, (accessed April 2011), p.3

Tourism entrepreneurship means a lot of activities which creates and operates legal businesses in that field.¹ Generally, all over the world, tourism consists in small and medium businesses with rapidly changing consumer demand/expectation and constant innovation. So, the entrepreneurs are those who may contribute at the economic and social development of the local communities, assuring a balance in a historical period when we assist at the increasing influence of the transnational companies.²

Morrison, Rimmington and Williams declare that the dispersed structure of the tourism industry makes the supply and demand be able to vary significantly from geographical point of view, from one location to another. For entrepreneurs, this creates a dynamic and challenging business environment, which is in perpetual motion. In addition, market fluidity creates tremendous business opportunities.³

Venkataraman⁴ pointed out that small businesses are often considered overlapping directly with entrepreneurship, but in fact the two are not quite synonymous.

Tourism entrepreneurs continuously developing their businesses with minimal strategic planning and the mediocre performance can be considered a result of the lifestyle.⁵

Finally, tourism entrepreneurs have the opportunity to catalyze the situation, balancing and offering on the one hand close contact with local communities and traditions in the area, and on the other hand they may transform the local resources into high quality tourism products/services.

¹ Tassiopoulos, D. *New tourism ventures: an entrepreneurial and managerial approach*, Juta & Co. Ltd., Juta Pty Ltd Academic Publishers, 2008, p.12

² Roberts, L., Hall, D. *Rural Tourism and Recreation: Principles to Practice*, CABI Publishing, 2003, p. 114

³ Morrison, A., Rimmington, M., Williams C. *Entrepreneurship in the Hospitality, Tourism and Leisure Industries*, Butterworth-Heinemann, U.K., 1999, p.186

⁴ Ateljevic, J., Page, S. *Tourism and Entrepreneurship – International Perspectives*, Elsevier Butterworth-Heinemann, 2009, p.77

⁵ Hollick, M., Braun, Patrice. *Lifestyle Entrepreneurship: The unusual nature of the tourism entrepreneur*,

http://www.cecc.com.au/clients/sob/research/docs/pbraun/AGSE-2005_1.pdf, (accessed April 2011), p.6

Tourism entrepreneurship in Romania

All over the world, tourism entrepreneurship is considered to be a central force of the economic and social development, as long as it generates growth and new jobs. The same happens in Romania. To navigate successfully toward high performance, owners of small tourism firms must ensure that their businesses are well positioned strategically to fight the market and the competitive environment. They must be willing to risk and innovate, passing everything through the filter of people and having the ability to make things happen through people (technical dimension), to create a work environment for the company, both for employees and for customers (psychological dimension), and last but not least, to be based on moral values (ethical dimension).¹

Romania has a wide range of natural and cultural features attractive to tourists, both in urban and rural areas. An increasing numbers of urban or rural householders usually offer bed and breakfast accommodation to visitors; more than that, entire rural communities find themselves drawn into tourism, as a potential future job. That's why rural tourism entrepreneurship is seen more and more as a way to create a new service industry, in the conditions that traditional manufacturing industries decline.

In Romania, like in other countries, within the private sector of tourism, can be find essentially three types of enterprises:²

- Individual or family enterprises, which operate at a relatively small scale, often in their own home or very close to it, with limited capital and using mainly their own work. These individual or family businesses can make decisions easily and can withstand fluctuations in trade. But it can be difficult to raise sufficient capital for most significant expenses and also may be more difficult to adapt to rapidly changing market, regulations, tax systems, etc. These “small enterprises” tend to expand

¹ van Zyl C., Mathur-Helm B. Leading Tourism Ventures, http://www.usb.ac.za/Media/thoughtleadership/leaderslab/Leading_tourism_ventures.pdf, (accessed April 2011)

² ***, Developing Sustainable Rural Tourism, Thematic guide. Pan-European Summer Academy for Sustainable Rural Development, 2002

their business in a prudent manner, avoiding risky adventures. Most of the tourist farms, small hostels and tourist shops fall into this category.

- Small businesses (with more than twenty-five employees) owned by a family or a few local people. There is an inborn loyalty to the local area and, therefore, employ local people, use local suppliers etc. Staff often work part-time or include seasonal workers, and this enables them to control costs. Team and staff of such an organization can be large enough to allow the manager or others to specialize in different areas such as marketing, law, accounting, or other aspects of a business, which helps them to make decisions on new investments and space modernization.

- Larger companies typically have multiple facilities, sometimes in other regions, such as a chain of hotels, restaurants or resorts. Loyalty to the region is not important, unless they have employees specialized in different areas, and suppliers may be from outside the area. They are usually professionals and at the same time very aware of the standards that are expected from them by the tourists.

Analyzing this classification, we have to underline that in Romania, the greatest part of the tourist businesses are family business enterprises.

The key elements necessary for the development of tourism entrepreneurship in Romania and all over the world, includes:¹

- The initiation of change: the ability to identify an opportunity for creation, innovation and transforming a new idea into reality;
- Creative resources: ingenious selection of financial resources and management in order to find and transform the opportunities;
- Entrepreneurial education: motivation to acquire knowledge and expertise needed through relevant exploration in order to excel;
- Innovation and creativity: renewal of products and services by adding value through expertise and imagination;
- Knowledge of management and leadership: developing sources of information management to enable strategy formulation and efficient implementation;
- Vigilance regarding opportunities: continuous focus on new trends and opportunities;

¹ Peters, M., Frehse, J., Buhalis, D. The importance of lifestyle entrepreneurship: A conceptual study of the tourism industry, PASOS. Revista de Turismo y Patrimonio Cultural, Vol. 7 N°2, 2009, p. 396

- Relationship Management: creation and maintenance of teams, effective network and management flexible structures;
- Time of action: to act in an appropriate time, when opportunities can be optimized;
- Vision and strategic orientation: formulating goals and strategies to achieve them.

Conclusions

The reality shows that, some of the major problems of tourism entrepreneurs in Romania are the lack of experience in that field or, even they have experiences in management, they have insufficient capital and a lack of formal business skills.¹

Tourism is a field with huge development possibilities. Still this domain needs entrepreneurs, they can be considered to be the main actors in developing the national economy for the future. As Peter Drucker said: "The entrepreneur always searches for change, responds to it and exploits it as an opportunity."

Bibliography

- Ateljevic, J., Page, S. (2009). *Tourism and Entrepreneurship – International Perspectives*, Elsevier Butterworth-Heinemann
- Blackstock, K. (2005). *A critical look at community based tourism*, Community Development Journal Vol. 40 No 1, Oxford University Press
- Dhakai, D.P. *Sustainable Rural Tourism for Improved Livelihood of Local Communities*, Nepal Tourism Board (NTB), Economic Policy Network, Policy Paper 4, 2005, http://www.mof.gov.np/economic_policy/pdf/SustainableRuralTourism.pdf, (accessed May 2011)
- Hollick, M., Braun, P. *Lifestyle Entrepreneurship: The unusual nature of the tourism entrepreneur*,

¹ Hollick, M., Braun, P. Lifestyle Entrepreneurship: The unusual nature of the tourism entrepreneur, http://www.cecc.com.au/clients/sob/research/docs/pbraun/AGSE-2005_1.pdf, (accessed April 2011), p.6

- http://www.cecc.com.au/clients/sob/research/docs/pbraun/AGS_E-2005_1.pdf, (accessed April 2011)
- Lordkipanidze, M. (2002). *Enhancing Entrepreneurship in Rural Tourism for Sustainable Regional Development*. The case of Söderslätt region, Sweden, The International Institute for Industrial Environmental Economics, IIIIEE, Lund University
- Morrison, A., Rimmington, M., Williams, C. (1999). *Entrepreneurship in the Hospitality, Tourism and Leisure Industries*, Butterworth-Heinemann, U.K.
- Peters, M., Frehse, J., Buhalis, D. (2009). *The importance of lifestyle entrepreneurship: A conceptual study of the tourism industry*, PASOS. Revista de Turismo y Patrimonio Cultural, Vol. 7 N°2
- Roberts, L., Hall, D. (2003). *Rural Tourism and Recreation: Principles to Practice*, CABI Publishing
- Saayman, M., Slabbert, E. *Tourism Entrepreneurs: Opportunities and Threats. A South African Perspective*, <http://fama2.us.es:8080/turismo/turismonet1/economia%20del%20turismo/economia%20del%20turismo/tourism%20entrepreneurships%20in%20South%20Africa.pdf>, (accessed May 2011)
- Shaw, G., Williams, A. M. *Critical issues in tourism: a geographical perspective* (the 2nd ed), Oxford: Blackwell
- Tassiopoulos, D. (2008). *New tourism ventures: an entrepreneurial and managerial approach*, Juta & Co. Ltd., Juta Pty Ltd Academic Publishers
- van Zyl C., Mathur-Helm, B. *Leading Tourism Ventures*, http://www.usb.ac.za/Media/thoughtleadership/leaderslab/Leading_tourism_ventures.pdf (accessed April 2011)