



## Case Study

## The role of individual entrepreneurs in the development of competitiveness for a rural tourism destination – A case study



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## H I G H L I G H T S

- The role entrepreneurs is underestimated in models of destination competitiveness.
- DMO's roles in the models are overemphasized.
- Especially in rural regions, even destinations without any kind of DMO do exist.
- Municipalities have a crucial role as facilitators of entrepreneurial environment.
- Without innovative, committed and risk-taking entrepreneurs no destination is to flourish.

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## A B S T R A C T

The aim of this case study is to increase our understanding of the role of entrepreneurs in enhancing the competitiveness of a rural tourism destination. A literature review of the research on destination competitiveness with a focus on the roles of different stakeholders is first presented, followed by a narrative about rural tourism development, the competitiveness of rural destinations and the role of entrepreneurs in establishing successful destinations. The data consists of six case studies and nine semi-structured interviews among tourism entrepreneurs and managers at a rural tourism destination in Finland. The findings challenge the prevailing DMO dominated approach to destination competitiveness development, and call for the acknowledgment of collaboration between small tourism enterprises in the enhancement of rural destinations. Municipalities have a crucial role as facilitators of the entrepreneurial environment, but without innovative, committed, and risk-taking entrepreneurs no destination will flourish.

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## 1. Introduction

Tourism destination competitiveness (TDC) has been a topical subject in destination marketing and management research in recent years. The seminal model of TDC by Crouch and Ritchie (1999) and Ritchie and Crouch (2003) has encouraged research and applications of the model (e.g. Enright & Newton 2004) as well as further development and discussion (e.g. Dwyer & Kim 2003; Kim & Wicks 2010). TDC researchers rely on the work of Porter (1990), whose framework has been used in several studies of different industries and economies (Enright & Newton, 2004). Definitions of destination competitiveness refer to the ability of the destination to attract and satisfy tourists (Enright & Newton, 2004; Tsai, Song, & Wong, 2009) and to deliver goods and services that

perform better than those offered at other destinations (Dwyer & Kim, 2003). Destination competitiveness is also associated with the long-term economic prosperity of the residents of an area (Ritchie & Crouch, 2003), the ultimate goal of competitiveness being to maintain and increase the real income of the inhabitants (Dwyer & Kim, 2003). According to Dwyer and Kim (2003), destination competitiveness is both a relative and multi-dimensional concept. Relativity refers to relevant competing locations, which means that it is important to establish which destinations comprise the competitive set (Crouch & Ritchie, 2005; Enright & Newton, 2004; Uysal, Chen, & Williams, 2000). The quality of the competitor determines the chances of being successful in the competition, which indicates that competition has to be specified along with the competitiveness (Tsai et al., 2009). Multidimensionality refers to the salient attributes or qualities of competitiveness.

In the research on destination competitiveness the key role of DMOs (destination marketing and/or management organizations) is emphasized, and the role of the firms that supply the services in

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the destination has received scant explicit attention (Enright & Newton, 2004) although several authors have emphasized the importance of suppliers and the multiplicity of the products contributing to the overall destination product (see e.g. Buhalis, 2000). Ryan, Mottiar, and Quinn (2012) also note that entrepreneurs as contributors to tourism destination development is a neglected field of research, and refer, for example, to Butler's (1980) much cited tourism area life cycle (TALC), which identifies the role of local entrepreneurs only at the involvement and development stages of tourism development, but sees their role decreasing in the later stages. In the oft cited book by Ritchie and Crouch (2003) entrepreneurs as stakeholders contributing to the destination competitiveness have deserved only two subheadings, one under the chapter on the competitive micro-environment and the other under the chapter on supporting factors and resources. According to Ritchie and Crouch (2003) entrepreneurship, referring to new venture development and small businesses, contributes to destination development by creating competition, cooperation, specialization, innovation, investment, growth, risk-taking, productivity and so forth. They also state that 'despite these numerous contributions, several problems and challenges are also evident. The existence of so many small businesses in tourism means that many owner-managers lack the skills, expertise or resources to function efficiently and effectively' (Ritchie & Crouch, 2003, 141) and that 'small tourism enterprises may not recognize or care about the wider and long term consequences of some of their actions'. Instead, they argue that 'the DMO plays a particularly critical and vital role in efforts to ensure that the expectations of stakeholders are satisfied to the greatest extent possible' (Ritchie & Crouch, 2003, 142, 145). They continue that without the effective leadership and coordination of a committed tourism organization a destination is 'ill-equipped to be either competitive or sustainable' (Ritchie & Crouch, 2003, 174).

Nevertheless, small and medium sized enterprises are numerically dominant and a key distinguishing feature of the tourism industry (Morrison, Carlsen, & Weber, 2010). In Finland, for example, 90% of tourism businesses can be classified as micro enterprises (Peltonen, Komppula, & Ryhänen, 2004). The neglect of individual enterprises and especially SMEs in the research on destination competitiveness may be due to the tendency to understand a destination mainly as a country, state, province, or other established tourism destination, such as e.g. presented by Buhalis (2000), namely seaside, alpine, authentic Third World and unique-exotic-exclusive destinations. In several European countries the fifth type, rural tourism, is a relatively important sector in the tourism industry (Pesonen, Komppula, Kronenberg, & Peters, 2011), but has attracted scant interest among researchers of destination competitiveness. Several authors have found it challenging to define what is meant by rural tourism or how it could be measured (e.g. Barke, 2004; Huang, 2006; Pesonen & Komppula, 2010). In some countries, the term farm tourism (agritourism, agrotourism) is seen as synonymous with rural tourism. Similarly, there seems to be no consensus about the definition of the concept of tourism destination. Following Saraniemi and Kylänen (2011) rural tourism destination is defined as a set of institutions and actors in a sparsely populated geographical and/or administrative area, 'where marketing-related transactions and activities take place challenging the traditional production–consumption-dichotomy' (Saraniemi & Kylänen, 2011). The area may include towns, which in terms of population might be considered as urban, but which are surrounded by countryside and are essentially rural in their functions and characteristics (Barke, 2004).

Inspired by the aforementioned arguments an interest on the role of individual entrepreneurs in developing destination competitiveness especially in a rural tourism context arose, given

that depending on how rural is defined, the major part of the Finnish tourism offering except the metropolitan area and ski resorts can be considered to be rural tourism. The final impulse to conduct this study was a discussion at a tourism development seminar, where the author was a member of the audience. A panel discussion among several DMO managers concluded with a statement that small business owners claim all the credit for a successful season, but blame the ineffective operations of the DMO if the season is a failure. As Morrison et al. (2010, p. 746) encourage small business researchers in tourism to 'pursue research dimensions that reflect the reality as defined by small tourism businesses themselves', the viewpoint of individual entrepreneurs on destination competitiveness was taken.

The purpose of this study is to investigate private entrepreneurs' perceptions of their own role in the development of the competitiveness of a tourism destination. A case study method was adapted, as the aim is to increase our understanding of the phenomenon of competitiveness in a specific context, namely at a certain rural destination, rather than to present any generalizations to be applied in destination competitiveness models. Nevertheless, the paper seeks to challenge the prevailing DMO dominated approach to destination competitiveness especially in rural contexts, and calls for the acknowledgment of informal affiliation, coordination and small scale cooperation (Wang & Krakover, 2008) between small tourism enterprises in the enhancement of rural destinations. First, a literature review of the roles of different stakeholders in the research of destination competitiveness is presented, followed by a review of the literature on rural tourism destination development. Then the context and method of the empirical case study are presented, followed by findings and conclusions.

## 2. Roles of different stakeholders in destination competitiveness

In their integrated model for measuring the competitiveness of a tourism destination Dwyer and Kim (2003) bring together the main elements of national and firm competitiveness as well as destination competitiveness as proposed in the much quoted work of Crouch and Ritchie (1999) and Ritchie and Crouch (2003) in particular, and additionally explicitly recognize demand conditions as an important determinant of destination competitiveness. According to Dwyer and Kim (2003), destination competitiveness is not an end in policymaking, but an intermediate goal in the quest for regional or national economic prosperity. In their model four main elements of destination competitiveness are distinguished, namely resources, destination management, demand conditions and situational conditions. Empirical evidence presented by Cracolici and Nijkamp (2009) shows that the natural and cultural resources of a destination constitute only a comparative advantage of a tourist area: they are a necessary but not a sufficient condition for being competitive. Accordingly, Gomezelj and Mihalic (2008) state that a competitive advantage can only be created by improving responsiveness to demand side challenges, which, according to them, calls for a significant role of destination management.

According to Ritchie and Crouch (2003) tourism destination policy is regarded to be under the responsibility of public sector actors whose aim would be to 'create an environment that provides maximum benefit to the stakeholders of the region while minimizing negative impacts' (p.148). DMOs have been established in order to provide leadership for the management of tourism at the destination (Bornhorst, Ritchie, & Sheehan, 2010) and several researchers and practitioners emphasize the role of DMOs in developing destination competitiveness (e.g. Dwyer, Mellor, Livaic,

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