



Cuba in transition: Tourism industry perceptions of entrepreneurial change



Nathan Hingtgen^a, Carol Kline^{b,*}, Luci Fernandes^c, Nancy Gard McGehee^d

^a Center for Sustainability, East Carolina University, Rivers Building RW 208, Greenville, NC 27858, USA

^b Hospitality and Tourism Management, Appalachian State University, 4078 Peacock Hall, Boone, NC 28608, USA

^c Anthropology, East Carolina University, 285 Flanagan, Greenville, NC 27858, USA

^d Hospitality and Tourism Management, Virginia Tech, 363A Wallace Hall, Blacksburg VA 24060, USA

HIGHLIGHTS

- Tourism stakeholders revealed their perceptions on increasing private enterprise in Cuba.
- Governance barriers included high taxes, arbitrary regulations & limited 'allowed' businesses.
- Other barriers are insufficient infrastructure, lack of financial capital & no wholesale system.
- Positive factors are remittances from Cuban-American family, training, & strong networks.

ARTICLE INFO

Article history:

Received 30 March 2014

Accepted 26 January 2015

Available online 24 February 2015

Keywords:

Entrepreneurial climate

Private enterprise

Political climate

Marketing

Tourism entrepreneur

ABSTRACT

The Cuban government is working to create a climate conducive to a strong and sustainable private sector. As state employment declines, many residents are exploring the potential of tourism; Cuban entrepreneurs are interested in expanding beyond packaged mass tourism to develop more creative tourism products. However, the success of Cuban entrepreneurs is dependent on a number of conditions external to the entrepreneur known as the entrepreneurial climate (EC). Building on previous entrepreneurship research, this study utilizes interviews of a small group of tourism stakeholders in Cuba to address the research question – what are the perceptions of tourism stakeholders of both barriers to and factors encouraging private enterprise. It concludes with recommendations for planning and policy based on these perceptions that may cultivate entrepreneurial tourism development in Cuba, including improved internet access, development of both wholesaling and financing systems, business education, and legalization of additional tourism professions. Recommendations from the informants also align with recent initiatives in other centrally-governed nations (e.g. China, Singapore, and Bolivia) that have introduced private enterprise to their economies recently. These initiatives could serve as models for Cuba moving forward.

Published by Elsevier Ltd.

1. Overview

Life in Cuba is changing. At the forefront of these changes are economic reform and the steady growth of international tourist arrivals. However, Cuba has had a complicated, conflicted history in regards to private enterprise (PE). Much activity has occurred in the informal economy since Fidel Castro's Cuban Revolution in 1959 and subsequent planned socialist government. Since its inception

at that time, various reforms allowing the diffusion of PE have taken place over the years, but Raul Castro's 2008 assumption of power and accompanying reform marked "the start of a slow but irreversible dismantling of communism" ("Revolution in retreat," 2012, p. 1).

Increasing the role of international tourism as a way of improving the economy is one focus of these reforms (Babb, 2011; Miller, Henthorne, & George, 2008). The government created the Instituto Nacional de Turismo in 1976, and by the mid-1980s, tourism had become a focal point of economic development (Sharpley & Knight, 2009). In 1982, joint ventures allowing up to 49% ownership by foreign companies were legalized in several

* Corresponding author. Tel.: +1 919 306 1705.

E-mail address: klinec@me.com (C. Kline).

sectors, including hotel construction, mining, and oil exploration (Díaz-Briquets & Pérez-López, 2005).

Tourism infrastructure, visitor arrivals, and revenue generated by tourism all increased drastically throughout the 1990s and early 2000s (Sharpley & Knight, 2009; Taylor & McGlynn, 2009). The Cuban newspaper *Granma* (2012) reported 2.7 million tourist arrivals in 2011, up from 340,000 in 1990, before international tourism became a key component of Cuba's economy. The legalization of joint ventures proved vital to this process and became "a key source of capital, management expertise, and markets for the international tourism industry" (Díaz-Briquets & Pérez-López, 2005, p. 277). Despite this relative success, issues regarding tourism development continued, including low visitor return rates, a reliance upon low-cost package tours, competition within the Caribbean region, lack of a diverse tourism product, and limited infrastructural investment (Elliott & Neirotti, 2008). According to Ateljevic and Li (2009), the connection between PE, particularly in the form of entrepreneurship, and sustainable tourism has been overlooked in the literature.

Entrepreneurs fulfill an important role in regard to economic expansion, as they quicken the development and proliferation of innovative ideas (Hjalager, 2010). This is especially true in developing countries where innovation is necessary to create a more globally competitive tourism product while reducing travel expenditure leakage (Carlisle, Kunc, Jones, & Tiffin, 2013). An environment that encourages innovation and entrepreneurship is essential to support small business development in developing economies (Carlisle et al., 2013). This has been referred to in the literature as entrepreneurial environment, entrepreneurial infrastructure, entrepreneurial ecosystem, or entrepreneurial climate (EC), and will be discussed within the Cuban context at length in this study.

1.1. Purpose of the study

Ateljevic and Li (2009) examined the state of entrepreneurship research in tourism by analyzing research published from 1986 to 2006 in seven major hospitality and tourism journals and found that only 2% (97 articles) of published articles over the twenty-year time period pertained to entrepreneurship. Hjalager (2010), Roxas and Chadee (2013), and Thomas, Shaw, and Page (2011), also highlight the lack of research targeting the relationship between EC and tourism. This is disheartening as many researchers such as Koh (2002) assert that for destinations seeking to employ tourism as a means of economic development, assessing and improving the destination's EC is critical. In the case of Cuba, because the reforms have been enacted recently (Peters, 2012a), there is little published research about the current state of the EC as it relates to tourism. This study begins to remedy that problem as it examines the perceived barriers and opportunities for engagement in PE through the use of qualitative interviews with Cuban tourism stakeholders. Qualitative methods were deemed viable for this investigation as they are often employed to try and understand the meanings that people assign to phenomena in their social reality (Snape & Spencer, 2003). This study addresses two specific research questions: *What are the perceived barriers for residents attempting to engage in tourism-related private enterprise? What perceived factors are present that most facilitate resident engagement in tourism-related private enterprise?*

2. Approaches to understanding entrepreneurship

An agreed upon definition of entrepreneurship has not emerged (Gartner, 1990; Morrison, 2006). The wide array of definitions pertaining to entrepreneurship, the entrepreneur, and EC contribute to

the fragmented nature of entrepreneurship research, in which a "hodgepodge of research is housed" (Shane & Venkataraman, 2000, p. 217). While it is beyond the scope of this paper to discuss the characteristics, motivations and process of the entrepreneur, it is, as Gartner (1990) stressed, important to be clear when discussing entrepreneurship. He asserted "If many different meanings for entrepreneurship exist, then it behooves us to make sure that others know what we are talking about" (p. 28). In regards to the Cuban context and for the purposes of this research, an entrepreneur can be defined as an individual or group of individuals who create an enterprise to take advantage of market gaps through an innovative product, service, means of production, supply chain, or organization. In Cuba, entrepreneurship and innovation often occur within groups, as is discussed further in the results.

Koppl (2007) found that there is a strong theoretical component present in many entrepreneurship articles, but no real consistency among them. This is largely a result of entrepreneurship having been studied through the frameworks of other disciplines such as economics or management, typically within two primary categories of theory. The first is based upon Schumpeter's work (1934) that establishes innovation and associated economic development as the primary outcomes of entrepreneurship. The second incorporates the environment surrounding the entrepreneur, which can either nurture or limit entrepreneurial efforts. Although this paper is primarily concerned with the environment external to the entrepreneur, elements from both categories are necessary to examine the entrepreneurship process within Cuba. The Cuban government plans to shift 500,000 employees from the public to the private sector (Central de Trabajadores de Cuba [CTC], 2010) to jumpstart its floundering economy, requiring the widespread creation of PE likely stemming from entrepreneurial activity (Harnecker, 2011). Therefore, it is the premise of this study that the role of entrepreneurship in Cuba is to provide innovative ways to take advantage of widespread market gaps in products, services, production, supply chains, or organizations through the formation of an enterprise that creates economic growth.

2.1. Entrepreneurial climate

To understand entrepreneurs, one must take into account the influence that the external environment exerts upon their behavior. Identifying cultural norms should be the initial step in any analysis of EC (Morrison, 2006). Business start-up is more likely if positive societal attitudes toward entrepreneurship and community support for entrepreneurial activities exist (Gnyawali & Fogel, 2004). Researchers have found that entrepreneurs share some traits across cultures but that other traits are culturally specific and are likely to reflect pervasive elements of national culture (Thomas & Mueller, 2000). For example, the American entrepreneur is often seen as highly individualistic (Thomas & Mueller, 2000) whereas family networks are vital to business start-up in Asia (Redding, 1996).

Although arduous to gauge empirically, EC has the potential to play a key role in the overall entrepreneurship process. Generally, deregulated markets with little government intervention and limited entry barriers foster entrepreneurial opportunities. Burdensome bureaucracy and taxation, lack of capital, and governmental price regulation all generally deter the entrepreneurship process (Cuba Study Group, 2011). However, government intervention has positively influenced entrepreneurial climate in countries like China, Vietnam, and Singapore, as they transition from a centrally-planned economy to a more market-based economy (Cuba Study Group, 2011). While government policies and culture represent macro-scale EC elements, others exist at more localized levels. Previous studies have broken the components of EC into many categories (Chatman, Altman, & Johnson, 2008; Gnyawali &

Download English Version:

<https://daneshyari.com/en/article/1011913>

Download Persian Version:

<https://daneshyari.com/article/1011913>

[Daneshyari.com](https://daneshyari.com)