



Successful managerial behaviour for farm-based tourism: A functional approach



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HIGHLIGHTS

- Farm-based tourism operators must cover a wide range of managerial sectors.
- Functional approach regards managerial process as a set of functions with specific skill.
- Managerial behaviours of farm operators consist with six categories.
- Developing new products and promotion factor among managerial behaviours have significant influence on business performance.

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ABSTRACT

Despite the overall growth of rural tourism, not all have benefited equally. This study reports research designed to improve managerial performance in the rural tourism sector in Korea. Six areas are identified as being important: product/service development, business planning and evaluation, promotions, human resource management, networking, and cost reduction. It was found managers in farm-based tourism have primarily concentrated on product/service development, human resource management, and cost reduction. Of these areas, only product/service development and promotions have exhibited a statistically significant effect on real profits and on positive subjective evaluations of financial results. Based on these results, this study suggests that continuous investment in product/service development and promotions should have positive effects on operations and result in increased competitiveness and viability in the Korean farm tourism sector.

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1. Introduction

The necessity of regenerating the rural economy combined with the needs for alternative tourism attractions has encouraged the development of various tourism activities in rural areas (Do, 2010; Page & Getz, 1997). In addition, inspired by success stories and governmental support, rural entrepreneurs have accelerated the diversification of agricultural business into tourism (Lordkipanidze, Brezet, & Backman, 2005; Sharpley, 2002; Wilson, Fesenmaier, Fesenmaier, & van Es, 2001). Tourism in rural areas is now considered to be a significant growth engine for improving the

quality of rural life and local development (Hjalager, 1996; Nickerson, Black, & McCool, 2001).

However, despite the current expansion of rural tourism, the performance of tourism business in rural areas has not created sufficient profits to lead to rural rehabilitation. For example, in the United States, the number of farms engaged in recreational activities actually decreased from 28,016 in 2002 to 23,350 in 2007, although there is currently growth in the rural tourism market in the United States (USDA, 2009). Likewise, in Korea, many tourism farms have run into deficits despite their growing numbers; more than half of these farms have earned less than US\$18,000 per year (Yoon, 2010).

These statistics imply that a gap remains between the growth of the rural tourism market and the success of individual farm-based tourism businesses in rural areas. Although rural tourism has developed over a long period of time, farm-based tourism businesses have remained small-scale enterprises with mixed

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economic results (Ateljevic, 2007). Thus, rural tourism businesses have not become feasible or particularly profitable. In fact, Reichel, Lowengart, and Milman (2000) contend that many operators of rural tourism business have failed to meet customer demands for services because of their inadequate knowledge regarding service management. Therefore, it might be that the failure to achieve financial success is a reflection of the inefficiencies of individual farm-based tourism enterprises (Fleischer & Pizam, 1997; Fleischer & Tchetchik, 2005). Nevertheless, studies examining the rural tourism business have paid little attention to explaining how to manage rural tourism operations from a practical perspective. Practical management processes and the influence of operational characteristics on performance at the individual business level have rarely been studied (Barbieri, 2013).

From this perspective, the complex contexts of rural tourism businesses have raised interesting issues and questions concerning the characteristics of successful rural tourism management (Comen & Foster, 2006; Komppula, 2014; Reichel et al., 2000; Wilson et al., 2001). Developing sustainable rural tourism business through effective management should be investigated. In particular, researchers in small business management and rural tourism business have argued that rural tourism businesses are usually small, family-run businesses – the success of which is highly dependent on a single decision maker or owner-manager (Do, 2010; Feltham, Feltham, & Barnett, 2005). The manager must typically operate across a range of management functions (Sadler-Smith, Hampson, Chaston, & Badger, 2003), and managerial distribution of limited resources significantly affects the operations and viability of such businesses (Getz & Carlsen, 2005). Thus, the managers' practical activities in operating tourism businesses are crucial elements of the competitiveness and profitability of these businesses. Firm-level studies that concentrate on the successful operation of small tourism businesses in rural areas must be conducted.

In this study, an empirical investigation examining managerial behaviour in farm-based tourism businesses and its influence on business performance was conducted. Unlike previous studies concerning rural tourism business management, the main purpose of this study is to explain the practical and functional activities of a small farm-based tourism business operation. In addition, this study concentrates on what type of managerial activities and what operational functions would be most helpful in improving the viability and growth of such businesses. In particular, monitoring the managerial behaviour of operators in small tourism enterprises should allow for an evaluation of the organisation's success in achieving its own goals and provide the basis for future decision-making and performance improvements (Morrison & Teixeira, 2004; Noel & Breakey, 2008; Reichel & Haber, 2005; Sadler-Smith et al., 2003). Through empirical investigation, this study addresses effective ways of operating tourism businesses in rural areas. Lastly, this study examines the influence of managerial behaviour on small tourism businesses' performance. Managerial behaviour and competence should provide a useful lens through which to understand and improve business operation and viability. By suggesting how to distribute limited resources to different functional areas in operation, this study may also help to enhance the competitiveness and sustainability of businesses.

2. Literature review

2.1. Farm diversification and farm-based tourism businesses

Farm-based tourism businesses have grown because of the interest in rural rehabilitation (Hjalager, 1996; Nickerson et al., 2001; Sharpley & Vass, 2006). Sharpley and Vass (2006) focused on the

possibility that rural tourism businesses might serve as a supplemental income source for traditional agricultural production. The authors addressed the transition of many traditional agricultural businesses to a new model with diversified income streams. As a supplemental enterprise, tourism might be helpful in maintaining the farm and its environment. Thus, to stay in business, farmers have been encouraged to diversify into various areas of entrepreneurial family-based business activities, including farm tourism (Di Domenico & Miller, 2012; Sharpley & Vass, 2006). For farmers, tourism has been considered to be a good opportunity for improving their quality of life despite the severe downturns of many rural economies (Pearce, 1990). By developing special attractions and products based on an agricultural setting, certain farmers have been able to enjoy supplemental income and pursue hobbies (Sharpley & Vass, 2006; Walford, 2001). In addition, the diversification of farm business has also increased the competitiveness of their agricultural operations by adding value to their products (Nickerson et al., 2001). To date, there are consistent reports of an increase in farm diversification and farm-based tourism businesses (Barbieri, 2013; Sharpley & Roberts, 2004; Su, 2011; Yoon, 2010).

McGehee and Kim (2004) have argued that the boundary of farm-based tourism would be delimited by being 'on a working farm'. The authors identified farm-based tourism attractions such as farm accommodations, farm catering, and farming-related activities. Likewise, Davies and Gilbert (1992) divided farm-based tourism businesses in rural areas into three categories: accommodation-based, activity-based, and daily-visit-based, with the last including educational visitors or retail activities, such as farmers markets. Of these different types of farm-based tourism, an educational farm is an alternative farming enterprise. An educational farm may be defined as a business conducted by a farm operator for the enjoyment and education of the public that promotes products from the farm and thereby generates additional farm income. The list of farm-based tourism activities continues to grow and includes a variety of participant, educational, and spectator experiences (Adam, 2004; Canavari, Huffaker, Mari, Regazzi, & Spadoni, 2011; Wilson, Thilmany, & Sullins, 2006). By offering natural and family-friendly programs, farm-based tourism has been hailed as an opportunity for education, rest, and fun (Pearce, 1990). In Korea, educational farm is a leading business category in rural tourism market. In 2006, the Rural Development Administration (RDA) of the Korean government started national-wide projects for developing educational farms. The projects have created approximately 60 educational farms per year. Unlike other farm tourism businesses focused on simple experiences, such as 'pick-your-own' farms, the educational farm was encouraged the development of specific and organised education activities based on a school curriculum.

2.2. Managerial behaviour in farm-based tourism businesses

Small-business management literature suggests that there are certain unique characteristics of farm-based tourism businesses, such as informality, secondary operation, and personalised motivation (Doh & Lee, 2009; Getz & Calsen, 2005; Page & Getz, 1997; Pearce, 1990). The facts indicate that such enterprises do not typically have long-term strategies or formalised control systems (Page, Forer, & Lawton, 1999). Likewise, most studies on management behaviour have insisted that small businesses typically do not spend time and money on management development, and limited resources of business information and knowledge have hampered formal strategic planning (Ogunmokun, Shaw, & FitzRoy, 1999). As a result, informality and improvisation in management activities have often fostered unreasonable expectations, marginal decisions,

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