



Tourism growth and entrepreneurship: Empirical analysis of development of rural highlands



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ABSTRACT

We investigated small tourism-related businesses in Kinabalu National Park, Sabah, to identify their characteristics and constraints. Awarded World Heritage Site status in 2000, Kinabalu National Park provides a wealth of economic opportunities to adjacent rural communities. Quantitative data from a sample of 145 tourism-related small business entrepreneurs from these communities revealed that most of these entrepreneurs were female, middle-aged or older, and poorly educated. Most used their own savings to establish and maintain their businesses, sustaining operations and staffing levels throughout the year despite seasonal slumps in tourist numbers, marginal profits, and a lack of tourism-specific knowledge and skills. Respondents received virtually no financial support or training from government sources and there were few incentives for the local community to participate in tourism-related activities. Government and related organizations should aim to reduce such constraints on the operations of small businesses to ensure more sustainable tourism development in Kinabalu National Park.

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1. Introduction

Rural tourism is a tool for rural revitalization. Hall (2004) observed that in both developed and developing countries, tourism often serves to stimulate regional economic activity. Nunkoo and Gursoy (2012) reported that rural tourism benefits local communities in terms of economic growth, sociocultural development, the provision of essential and non-essential services, and rising standards of living. These benefits can contribute to the development of positive attitudes among local communities with regard to tourism development (Jurowski, Uysal, & Williams, 1997). To this end, Fleischer and Pizam (1997) reported that rural tourism often enjoys substantial local support, receiving direct financial assistance from both the public and private sectors.

Small businesses dominate the rural economic landscape. In traditional societies, economic activities and nature often coexist, as they have done for centuries, with economic development through local capital being inherently slow. As a consequence, the capacity for tourism activities in rural areas varies in accordance with local resources (Lane, 1994). Rising up to meet the demand, rural tourism offers the ideal market for small businesses—directly and indirectly bringing economic benefits to local businesses, and encouraging the development of related small businesses (Campbell, 1999; Wild, Cooper, & Lockwood, 1994). Tourism also benefits rural and isolated areas by serving as a impetus for development, often reviving traditional industries on the brink of extinction (MacDonald & Jolliffe, 2003). Furthermore, Brown and Hall

(2000) argued that remote and difficult to reach places are perceived by tourists as having certain idiosyncratic qualities by virtue of their isolation, such as natural beauty, quietness, and uniqueness. Consequently, the demand for tourist attractions in rural areas often serves to stimulate the creation of small businesses (Irvine & Anderson, 2004).

Rural tourism small businesses have a number of unique characteristics. In many cases, these businesses have non-economic goals. As such, the business might have started in response to the owner's needs or desire for a particular lifestyle (Morrison, Rimmington, & Williams, 1999). Consequently, the literature sometimes categorizes small business owners in the tourism sector as *lifestyle entrepreneurs* (Ateljevic & Doorne, 2000; Shaw & Williams, 1998). These businesses are sustained with an absolute minimum of staff and rely on a high turnover of sales (Dewhurst & Horobin, 1998; Hollick & Braun, 2005; Reijonen, 2008). Moreover, small businesses rarely allocate any significant budget toward promotion (Gilmore, 2011), instead relying on word-of-mouth advertising through developing strong relationships with existing customers and subsequent repeat business. Notwithstanding, several studies have alluded to the benefits for small businesses in colluding with tourism organizations and specific networks to improve their marketing activities (Frazier & Niehm, 2004; Gaddefors, 2005).

Small businesses operating in rural areas face a number of obstacles unique to the rural setting. Remote communities often lack educational opportunities for small business owners to understand the intricacies of business management, marketing, and the tourism industry, often lack the capital or other sources of finance with which to maintain a business during a downturn, and are more strongly affected by the seasonal

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nature of tourism (Ateljevic & Doorne, 2000; Frederick, 1993; Krannich & Petrzalka, 2003; Mathieson & Wall, 1982). Furthermore, small businesses in rural areas often lack even basic governmental supports, including welfare and financial services, training and education programs, and other incentives for local community support for tourism activities (Ateljevic, 2009). Therefore, in this study, we aim to investigate: (1) small businesses characteristics in rural areas, (2) the constraints of operating a small tourism-related business in a rural area, and (3) the role of the government in helping small rural tourism-related businesses to survive and develop. The setting for this investigation of small rural tourism-related businesses is Kinabalu National Park, a World Heritage Site (WHS) in Malaysia. Inscribed as a WHS by the United Nations Educational, Scientific, and Cultural Organization (UNESCO) in 2000, Kinabalu National Park covers an area of 753.7 km². Following WHS recognition, the demand for tourism services around Kinabalu National Park increased significantly and a number of small businesses emerged from within the surrounding rural communities in response to this demand. In this study, the researchers investigate the health of these small businesses and ask if their contribution to the local rural tourism industry can be sustained. In so doing, we review the existing literature *vis-à-vis* rural tourism, entrepreneurship in rural tourism, and the role of government in rural tourism entrepreneurship; we expound upon our research methods, and the results and findings of this study. Before concluding, we undertake to discuss our findings in relation to the relevant literature.

2. Literature review

2.1. Rural tourism

The Organization for Economic Co-operation & Development [OECD], 1994) defines rural tourism on the basis of location, as tourism occurring in the countryside. Rural tourism showcases the rural lifestyle and has become a dynamic link bridging urban and rural economies (Pérez, 2010). Various interpretations of rural tourism have been proposed, with Reichel, Lowengart, and Milman (2000) associating the term with rural areas, small-scale enterprises, open space, and sustainability. Bramwell and Lane (1994) related rural tourism to activities and interests in farming, nature, adventure, sports, health, education, arts, and heritage. While rural tourism might be regarded as a boutique form of tourism the demand for rural tourism products is expected to grow (Gartner, Carter, & Reynolds, 2004).

Various theories have been put forth to explain the growth of rural tourism. Sharpley and Sharpley (1997) suggest that rural tourism has the intrinsic qualities of a sense of space, peace and tranquility, and escape from modern pressures. Long (1998) proposes that rural areas are perceived to be places of safety surrounded by open spaces and natural beauty—places where one is treated with respect and kindness. MacDonald and Jolliffe (2003) note that with many traditional cottage industries stilling operating in rural areas, rural tourism has become a means of reviving these declining traditional industries; thereby contributing toward the conservation of cultural traditions while simultaneously contributing toward the development of the local rural economy. Eruera (2008) observes that rural tourism encompasses a range of activities inclusive of natural and man-made attractions, amenities and facilities, transportation, marketing, and information systems. Dimitrovski, Todorović, and Valjarević (2012) proposes that *rural tourism* is both a geographical term and a descriptor of cultural activities associated with rural communities. Dimitrovski et al. (2012) notes the domination of the rural tourism sector by small businesses, usually owned by families from the local community, and that local agricultural products and cultural activities feature prominently in the business models of these enterprises. Therefore, rural tourism stimulates local economic development, creating job opportunities, and bringing in both domestic and foreign revenue (Gurung & DeCoursey, 2000).

Consequently, rural tourism is regarded important economic strategy for improving rural social conditions (Liu, 2006). A number of studies have highlighted the economic and social benefits of rural tourism. Gale (2006) discusses the role of rural tourism as an important sources of income for families in a remote rural areas of Chile. In Croatia, rural tourism contributes toward sustaining the regional agriculture industry (Petric, 2003). Sharpley (2000) notes the role rural tourism plays in facilitating socio-economic regeneration and development. Rural tourism is a growing sector of the overall tourism market, representing a significant source of income and employment for rural economies (Hummelbrunner & Miglbauer, 1994), contributing to the sustainability of local communities (Simpson, Chapman, & Mahne, 1998), and revitalizing flagging rural economies (Din, 1993).

A more poignant discussion of the benefits of rural tourism is provided by Hall (2004), who concludes that rural tourism benefits local communities by providing a supplementary sources of income to local farming, craft, and service sectors; the opportunity to realize the economic value of high quality local food products; and the opportunity to re-evaluate a region's heritage, symbols, environment, and identity. These benefits result in economic growth with new primary sources of income from business catering to the immediate wants and needs of tourists, secondary incomes through the sale of handicrafts and other region-specific products, income protection, and employment opportunities (Sharpley, 2000). Clarke (2000) identifies opportunities for rural businesses in the supply of accommodation, catering, information, transport, facilities, and other services for tourism development. As a service-intensive industry, tourism provides employment to rural residents directly involved in tourism activities, regardless of their level of skill (Mokhtar, Poo, & Salleh, 2012).

However, rural tourism is not without its drawbacks. The growth of rural tourism can negatively impact rural communities by contributing to the amount of trash and litter, the loss of tranquility, and rising crime (Park, Lee, Choi, & Yoon, 2012). In seeking to mitigate these adverse impacts government policy makers might consider involving local communities in the planning or rural tourism development programs. Furthermore, tourism should not replace established economic activities in rural areas. Where tourism has supplanted more traditional rural economic activities, an economic monoculture dependent on domestic and international demand develops. According to Idelhadj, Mateos, and García (2012), rural tourism must be allowed to compete in a cycle of economic growth and income, providing additional benefits to rural communities and as part of an integrated overall economy.

2.2. Entrepreneurship in rural tourism

Despite the lack of a universally accepted definition of entrepreneurship, Zhao, Ritchie, and Echtner (2011) has described entrepreneurship as “the initiation of change through creation or innovation that usually bears risk” (p. 1571). Entrepreneurship emphasizes opportunities to create and operate businesses and organizations (Bygrave, 1993; Zhao et al., 2011). Furthermore, entrepreneurship has a significant influence on the evolution of tourist destinations (Russell & Faulkner, 1999, 2004). In simple terms, entrepreneurs conceive an innovative idea or see an opportunity and pursue it, resulting in them establishing a business (Bygrave, 1993). Such behavior explains the influence of entrepreneurs on tourism development. Russell and Faulkner (1999) found a significant relationship between innovative individuals (i.e., entrepreneurs) and the development of tourist destinations.

Traditionally, most businesses related to tourism are small enterprises (Bastakis, Buhalis, & Butler, 2004; Morrison, 1998; Page, Forer, & Lawton, 1999). Reasons for the high prevalence of small businesses in tourism include the fact that smaller businesses can often be established with a minimum of capital, there are few specific prerequisite qualifications for most tourism-related businesses, businesses can be localized,

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