



Exploring entrepreneurship in the sharing accommodation sector: Empirical evidence from a developing country

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ABSTRACT

A plethora of research has been conducted over the past few years to explore several aspects of the key exchange actors within the sharing accommodation sector (i.e. hosts and guests). However, despite the exponential growth in the sharing accommodation entrepreneurship, literature exploring the characteristics, motivations, and challenges of entrepreneurs venturing in this sector is still scant. This study draws on a qualitative study approach using semi-structured interviews with entrepreneurs involved in the sharing accommodation sector in Petra, Jordan. Findings revealed that sharing accommodation entrepreneurs were mainly driven by the desire for economic and cultural benefits. The positive host-guest relationship (e.g., honesty toward guests and enhancing positive reputation) emerged as a key factor influencing the growth of the sharing accommodation businesses whereas market-related issues (e.g., severe competition and lobbying efforts from traditional lodging businesses) were found to be the key challenges derailing the businesses.

1. Introduction

Market-based unregistered entrepreneurial activities, referred to as the “informal economy” or the “shadow economy” (Schneider, Buehnb, & Montenegro, 2010) have long existed driven by several reasons including the desire for evading tax burden and business regulations (Schneider et al., 2010; Yamada, 1996). While entrepreneurship in the informal economy has been widely recognized to be much more common in the developing countries (Schneider, 2002; Thai & Turkina, 2014), the emergence of online community marketplaces and the explosive growth of the sharing economy platforms (e.g., Airbnb) contributed to the expansion of the informal economy (Williams & Horodnic, 2017) in both developed and developing economies. The peer-to-peer exchange of services mediated by the sharing economy platforms is expected to constitute a larger fraction of the world's economy in the coming years (Cohen & Sundararaja, 2015).

The introduction of the sharing economy platforms over the past few years has revolutionized the tourism and hospitality industry by creating both potential threats and opportunities (Pizam, 2014; Sigala, 2017). For instance, while traditional brick-and-mortar businesses are susceptible to disruption from the new sharing economy business models, both sides of the exchange process (i.e., service providers and customers) are gaining enormous advantages including access to entrepreneurial opportunities that eventually create supplemental

incomes and access to a variety of offerings with lower prices (Hsieh & Wu, 2018; Koh & King, 2017; Richardson, 2015; Zervas, Proserpio, & Byers, 2017). From the supply side, the sharing economy platforms have fueled a new type of micro-entrepreneurship in which individuals can capitalize on their own assets (e.g., houses, cars) to generate revenues and ensure a source of income from idle resources (Martin, 2016; Stabrowski, 2017). While the sharing economy is influencing almost all industries (Belk, 2014), its impact seems to be more evident in the tourism and travel industry. Specifically, the hotel sector is highly vulnerable to disruption by the sharing economy platforms (Akbar & Tracogna, 2018).

The sharing economy has received considerable attention over the past few years. It may be indicative to note that, since 2016, at least four special issues in high tier tourism, hospitality, and management journals addressing this topic either have appeared, are being currently peer-reviewed, or are still receiving submissions. Specifically, considerable research endeavors have been undertaken to explore different aspects related to the key exchange actors within the sharing accommodation sector (e.g., Belarmino, Whalen, Koh, & Bowen, 2017; Mao & Lyu, 2017; Tussyadiah & Pesonen, 2018) as well as the impact of the sharing accommodation sector on both traditional accommodation businesses and tourist destinations (e.g., Ginindza & Tichaawa, 2017; Koh & King, 2017; Oskam & Boswijk, 2016). Yet, as noted by Sigala (2018: 160), “sharing economy entrepreneurs do something so un-

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traditional that is yet not defined and measured". The present study is, therefore, a response to the urgent need for exploring the nature, motivations, and challenges of the emerging micro-entrepreneurship in the sharing accommodation sector. As noted by Cheng (2016), most of the research addressing the sharing economy in tourism and hospitality focused on the impacts of the sharing economy on tourist destinations and tourists. The present study contributes to a research stream that shifts the emphasis from tourists and destinations to hosts. While entrepreneurship in the tourism and hospitality realm is seldom entertained (Li, 2008), most of this research has been traditionally undertaken in Western contexts (Solvoll, Alsos, & Bulanova, 2015). Likewise, research exploring the sharing economy within the tourism and hospitality seems to be predominantly conducted in developed countries (Cheng, 2016). The present study, therefore, examines an understudied issue within an under-presented context. By viewing Airbnb hosts as entrepreneurs pursuing their activities on off-the-books basis within the informal economy, the present study contributes to the growing body of knowledge on both entrepreneurship in the informal economy and, in a narrower sense, entrepreneurship in the sharing economy.

2. Literature review

2.1. Entrepreneurship in the informal economy

The informal economy refers to the economic activities occurring outside the ambit of law enforcement but that enjoy legitimacy from large portions of the society (Webb, Bruton, Tihanyi, & Ireland, 2013). In other words, the informal economy is the set of illegal yet socially legitimate activities through which opportunities are recognized and exploited (Webb, Tihanyi, Ireland, & Sirmon, 2009). The average size of the informal economy is estimated to be around 18% of GDP in developed countries and more than twice this percentage in developing countries (Schneider, 2002). Heavy tax burden and constraining laws are among the key drivers of entrepreneurship in the informal economy (Schneider et al., 2010). The tourism and hospitality industry is argued to be particularly appealing for entrepreneurs venturing in the informal economy (Williams & Horodnic, 2017). Yet, regardless of whether it takes place within the formal or informal economy, entrepreneurship is recognized as one of the most powerful factors influencing economies in both developed and developing countries (Thai & Turkina, 2014).

Entrepreneurial activities in the informal economy differ from those in the formal economy in several aspects. In sum, while entrepreneurs venturing informally may gain several benefits including avoiding state-imposed constraints such as taxes and regulations, their activities can be disadvantaged for the lack of resources (e.g., financial credit) and limited access to the formal market (Çakmak, Lie, & McCabe, 2018). Moreover, businesses in the informal economy require few resources and much less initial capital (Valenzuela Jr, 2001). For instance, street vendors (Trupp, 2017) and day labourers (Valenzuela Jr, 2001) can be considered micro-entrepreneurs whose economic activities require little to no start-up capitals. It is noteworthy, however, that informal and formal economies may have significant interlinkages (Castells & Portes, 1989; Damayanti, Scott, & Ruhanen, 2018). For instance, formal economy businesses may outsource activities to informal economy businesses (Çakmak et al., 2018), similarly, to reduce taxes, some businesses in the formal economy may not declare all their transactions, therefore, part of their economic activities can be illegal (Williams & Horodnic, 2017). Formal economy entrepreneurs may even switch into the informal economy when they perceive existing regulations as too constraining (Webb, Ireland, & Ketchen, 2014). Entrepreneurship in the informal economy is more common in the emerging economies than it is in the mature economies (Schneider, 2002; Thai & Turkina, 2014). Research suggests that entrepreneurs who are highly educated, have higher level of social security, and higher income are less likely to venture in the informal economy (Thai &

Turkina, 2014).

Several researchers endeavored to explore the motivations of entrepreneurship in the informal economy. The widespread notion suggests that entrepreneurs choosing to work on off-the-books basis are driven by economic logics, that is, evading extra costs associated with taxes and state-imposed regulations (e.g., De Soto, 1989). Closely related to this issue is the labour market disadvantage that allows restricted if no access to the formal sector for disadvantaged individuals such as migrants or individuals lacking qualifications (Çakmak et al., 2018). Relatively recent research, however, offers a different perspective. For instance, Thai and Turkina (2014) maintained that entrepreneurs in the informal economy are typically driven by a socially-supportive culture. Similarly, Williams and Nadin (2012) challenged the assumption that informal entrepreneurship is purely commercially-driven. Their findings indicated that entrepreneurs venturing in the informal economy often combine both commercial and social rationals and that their motivations may vary over time and geography (e.g., poor district and rich district). Keeping with this line, Carlsen, Morrison, and Weber (2008) noted that entrepreneurs in tourism may venture informally as a lifestyle choice or because of the lack of an alternative.

As an emerging and rapidly expanding type of the informal economy (given that the sharing economy remains unregulated in most parts of the world), the sharing economy is simply defined as peer-to-peer sharing of goods and services mediated by online platforms (Koh & King, 2017; Richardson, 2015; Wiles & Crawford, 2017). Typically, online community marketplaces (e.g., Airbnb) act as intermediaries facilitating the exchange process between individuals while creating revenues by applying fees on transactions. Referred to as "collaborative consumption" (e.g., Botsman & Rogers, 2010) and "gig economy" (e.g., Burtch, Carnahan, & Greenwood, 2018), the sharing economy has been extensively examined within the framework of the disruptive innovation theory (e.g., Guttentag, 2015; Guttentag & Smith, 2017). This theory suggests that a disruptive product usually underperforms in terms of the products' key attributes, yet it offers several distinct benefits with competitive prices, thus initially attracting customers from the low-end of the market. While incumbent companies may give less attention to the disruptive product in its first stages, they soon feel threatened and disrupted as the emerging product starts to dominate larger portions of the mainstream market competing with the previously dominant products and thereby disrupting the bottom line of incumbent companies (Guttentag, 2015).

While significant attention has been given to the mainstream entrepreneurship, as noted by some scholars (e.g., Bureau & Fendt, 2011; Webb et al., 2013), much less work has been done so far regarding the entrepreneurship in the informal economy. By identifying the characteristics, motivations, and challenges of entrepreneurs working on off-the-books basis within the sharing accommodation sector, the present study contributes to the limited yet flourishing stream of research on the entrepreneurship in the informal economy.

2.2. Entrepreneurship in the sharing accommodation sector

The emergence and the growing popularity of the sharing economy platforms such as Airbnb enabled customers to engage in a sort of micro-entrepreneurship whereby services are sold to and exchanged with peer customers (Abrate & Viglia, 2017; Martin, 2016). The potential of these platforms to enhance the desire for entrepreneurship and innovation is well recognized (Cohen & Sundararaja, 2015). While sharing economy has become common in all industries (Belk, 2014), it seems to be more prevailing in the realm of tourism and hospitality (Priporas, Stylos, Rahimi, & Vedanthachari, 2017). This is not surprising given the nature of the tourism and hospitality services and the fact that sharing economy is more related to the supply of services (Abrate & Viglia, 2017).

From the demand and supply perspective, the sharing economy

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