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DESTINATION LEVEL INNOVATIVE ENTREPRENEURSHIP: DEVELOPING COMPETITIVENESS¹

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Abstract

This paper examines the contribution of entrepreneurship to the development of tourism destinations. A destination endowed with a vibrant, healthy tourism private sector is at an advantage in the face of increased competition. Small tourism enterprises (STE) are particularly important for the destination competitiveness. In order to maintain or improve destination market position, STEs must be constantly innovative. Innovation is a key factor for improving SMEs performances, and indirectly for increasing destination competitiveness. This paper explores some of the functions performed by destination enterprises which enhance a destination's competitiveness. Some problems and challenges are also identified and a research agenda proposed.

Key words: destination development, entrepreneurship, management, small tourism enterprises (STE)

¹Review paper

TOURISM AS A MAJOR ECONOMIC ACTIVITY WORLDWIDE

As World Tourism Organization (WTO) points out ...”Today, the business volume of tourism equals or even surpasses that of oil exports, food products or automobiles. Tourism has become one of the major players in international commerce, and represents at the same time one of the main income sources for many developing countries... ”. Tourism is one of the fastest growing, and world’s largest industry. Consider following tourism key facts: 10% of GDP–direct, indirect and induced impacts; 1 in 10 jobs is in tourism; US\$ 1.6 trillion in exports; 7% of the world’s exports; 30% of services exports (data provided for year 2017). Tourism growth has accelerated significant changes in the way tourism destinations compete for their share of the global travel market. Different tourism stakeholders try to understand destination competitiveness determinants, find the way to spur relationships and coordination between actors’ activities in a destination, and stimulate tourism led destination development. From the perspectives of entrepreneurship, tourism destination is seen as a different context in which entrepreneurial opportunities can be identified, sized and commercialized into a consumable tourism product. These opportunities are then transformed into business innovations based on nature, culture, heritage, traditions, religions, and other tourism venture initiatives. A small tourism enterprise (STE) is able to cope with the constant market pressure if it realizes reliable, balanced and high-standard operation in its business. STE business innovation activities have been identified by different authors as the principal driver of destination competitiveness, as well as key factor for any business survival (Van Auken et al., 2008). STE business innovations enable STEs to bring new and / or improved products and services in the market and thus meet customers’ needs better and fully, gain loyal customers, increase sales of products and services, substitute outdated products, increase income, improve market share, increase competitive advantage, conquer new market segments, improve performance, and positively affect the economic development of the destination in which STEs operate.

DETERMINANTS OF DESTINATION COMPETITIVENESS

As tourism demand continues to mature, the need for understanding destination competitiveness ability will inevitably lead to competitive advantage factors developing. The concept of competition and competitive advantage of a tourism

destination has been researched and studied across tourism and business disciplines as a part of growing interest in business competition generally (Teece, 2010). Competitiveness is a complex, multi-dimensional, multi-faceted, relative and very confusing concept. Since early 1980s until today, various authors, depending on the width and aspect of their research, offer different views on the competitiveness and continually expand their models for competitiveness. The competitiveness concept according to Waheeduzzaman and Ryans (1996) involves different perspectives, namely, comparative advantage perspective, management and organization perspective, as well as socio-cultural perspective. O'Sullivan (2008) adds cost, quality, delivery dependability, flexibility and *innovation* as factors formulating such a competitive position. The World Competitiveness Report (2014-2015) survey, as well as Porters' work on competition among firms (Porter, 1980, 1985) and among nations (Porter, 1990) provides a stepping stone in understanding the concept of competitive advantage. Porter's "diamond" model (1990) emphasizes the inputs needed to compete in the industry, required level of home demand for the products/services, the context in which *innovative entrepreneurship* nourishes- enterprise creation, organization and management, and supporting and competitive industry structure- supplier and other related industries.

Based on previous notions, we can identify some of the factors that influence destination competitiveness. These are:

- *Infrastructure* group of factors provide foundation for a strong tourism sector, such as roads and communication network, accessibility, accommodation, facilitation, and STEs.
- *Attractive* group of factors represents destination appeal factors, such as physiography, culture, events, activities, ties, and human infrastructure
- *Constraints* group of factors which govern the potential of destination competitiveness, such as location, safety, and cost
- *Destination management* group of factors are shaping the destination competitive strength and marketability, such as marketing and promotion, tourism sector destination organization, strategic alliances, destination maintenance, market research, service productivity and uniqueness.

STEs fall under *infrastructure* group of factors. STEs are a foundation for a strong tourism sector at destination level. STEs are more flexible to the market

changes, they help in creating diversified economic structure, build healthy *competition* environment, stimulate *innovation*, improve quality of the products and services, and foster entrepreneurship culture. As agents of economic development, STEs are cornerstone of the tourism destination economy. STEs play vital role in expanding overall economic development in a tourism destination. STEs are ideal mechanism for development of innovative tourism products and experiences.

INNOVATION - KEY CATALYST OF DESTINATION GROWTH

Small businesses plays vital role in expanding overall economic development in a destination. Small businesses are more flexible to the market changes, they help in creating diversified economic structure, build healthy competition environment, stimulate innovation, improve quality of the products and services, and foster entrepreneurship culture. Tourism is mainly composed of STEs. In OECD countries, 60-90% of all companies in tourism sector employ less than nine employees (OECD, 2014). STEs are characterized with high labor intensity, and low levels of productivity (Aremu and Adeyemi, 2011). Low levels of productivity are affecting the competitiveness, and organization innovation ability. The loss of destination competitiveness can occur when innovation failure becomes widespread across the overall tourism sector. It is better to focus on destination innovation in early developmental phases, than to rebuild already declined destination.

Innovation in the tourism destination can be observed at different levels: firm level, network level, public policy level. Schumpeter (1996) outlines the main areas of innovation as product innovation (new or significantly improved product), process innovation (new distribution method), market innovation (identifying new markets or new ways to serve target markets), and logistical innovation (supply chain improvements). According to Sundbo et al. (1998) tourism innovation means a change in business behavior, which is culture shift. The culture of innovation can be spurred by growing appropriate business attitude, building necessary supporting structures, and focusing state actions into welcoming the new ventures. Once the destination masters the relationship between its public tourism sector and organization innovativeness, destination competitiveness grows naturally. Innovative activity at a destination level can be improved by appropriate public sector decision-making and activity leadership. Cooperation

between public sector policy-makers is fundamental to create innovative behavior in tourism. Public sector has an important role in leading innovation process by building tourism networks which will enhance the learning and dissemination of knowledge at destination level. This leads to the notion of a “learning” destination as a new concept in adding value to destination competitiveness. Private businesses view themselves in terms of competition, that’s why public sector policy-makers can assist in facilitating tourism networks, and educating network agents about the collaborative benefits at a wider, destination level.

NEW VENTURE DEVELOPMENT CONTRIBUTIONS TO DESTINATION COMPETITIVENESS

Innovative STEs are defined as small and medium sized tourism enterprises which create value through 'innovation,' or seek innovative activities continuously. Innovative STEs are those enterprises which play a leading role in creating jobs and add value by improving existing tourism products or services, or producing and distributing new ones. STEs have potential to drive destination growth and create quality jobs through continuous innovation activities. Due to the considerable importance of STEs in job creation at a destination level, policies and approaches to enhance STEs competitiveness have become an important part of public policy decision-making (Figure 1).

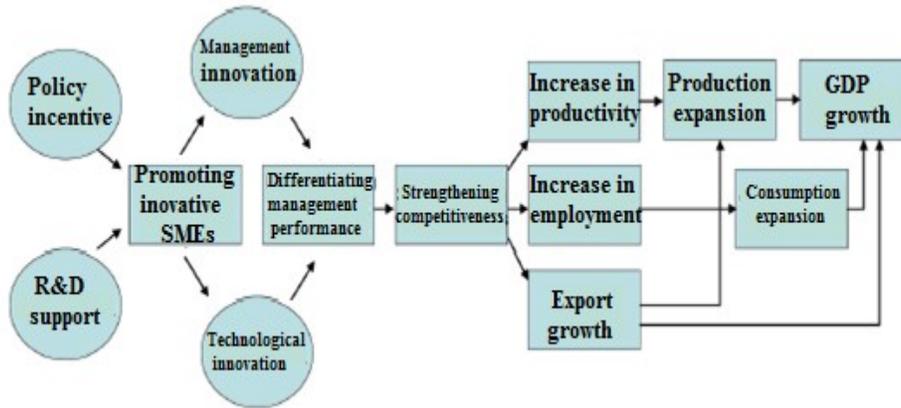


Figure 1: Destination competitiveness impacts of innovative STEs (Developed from Tiwari and Buse, 2007)

Various factors encourage an STE to innovate. These factors can be summarized as follows(O’Sullivan, 2008): emerging technologies; competitor actions; new ideas from customers, strategic partners, and employees; and emerging changes in the external environment (societal, political, industry trends and government support). STEs directly influence visitors’ experience thereby potentially gaining valuable correctives’ in the form of visitor feedback. Acting in a more informal manner and faced with fewer intra-firm hierarchy levels than large firms, STEs are better suited for innovations than their large counterparts. This opportunity for invention should enable STEs to develop products better suited to market niches and thus bring more success at a firm and destination level.

Particularly, with regard to STEs/destination level innovative entrepreneurship, following activities contributes to poorly developed destination competitiveness:

- Local supply of food and services in the hospitality sector creates innovative opportunities for numerous alternative suppliers, building competitive environment for excellence
- Establishing innovative linkages between STEs in a destination encourages inter-firm cooperation on a mutual self-interest in the success of the destination (sectoral associations, market alliances, management structures)
- Promoting learning activities and sharing innovative practices at industry meetings
- Focusing on innovative local and regional foods in product development enables STEs/destination to concentrate on their core competencies
- Receiving consultancy services and expertise from other destinations
- Informal and formal dissemination of acquired knowledge through tourism networking
- Government business assistance in the form of business incubators and facilitators for development of creative destination-wide innovative ideas, which needs to be implemented by private sector
- Establishing municipal incentives for innovations development
- Local authority engagement in stimulating STEs to cooperatively innovate through the process of building public-private network structure, etc.

The process of new venture creation is process of entrepreneurship. As such, an individual brings changes to the economic structure through innovative res-

ponses to tourism market needs. The motivated entrepreneur, sizes the market opportunity by establishing the company, gathers resources, starts servicing market needs, but is worth to mention that in the process bears risk of the venture failure and reward opportunities if venture succeeds. Developing local entrepreneurship process will be the main challenge for the public policy makers.

RECOMMENDATIONS FOR FUTURE RESEARCH

Tourism, as a global phenomenon, has been researched and studied across disciplines that try to understand rationale behind the tourist movement and activities associated with technological advancement and accelerated liberalization in global trade in services (Knowles, Diamantis, El-Mourhabi 2004). In this context, free flow of capital and people has significantly contributed to the growth of travel, creating numerous business opportunities for small ventures in tourism industry. In general, tourism is social phenomenon, per se. Travel, in its essence, is main characteristic of tourism. The travel of humans is for various reasons, such as business pursuits, leisure, education, religion, pleasure, security, politics, etc. Activities done before, during and after the travel, are providing a plethora of opportunities for social change, political intervention, educational diversification and policy regulation. Complexity of motivation and purpose of travel is determining the number of tourism forms defined by the tourist needs (Tureac, Turtureanu, 2008).

If we want to understand entrepreneurship contribution to destination development and the impact of STEs on destination competitiveness, the goal can be achieved through addressing and illuminating some important issues in tourism, such as:

- Types of tourism ancillary businesses and their place in destination development
- Revealing enterprise networks and their interdependencies though the destination level system
- Acknowledging of specifics in management at various levels in tourism , focusing particularly at the STEs
- The need for information at operational level and the ways of public and industry support to thenew ventures creation

- Research and study of the public policies that stimulate desired behavior of tourism entrepreneurs

The structure and nature of work is fundamentally shifting towards the creation of diffusive and “growth” pole networks consisting mainly of small businesses. Thus, tourism destinations can be viewed in a form of “virtual entities”, which provide base for indefinite number of tourism led economic opportunities.

CONCLUSION

In order to enhance destination competitiveness, we must understand how entrepreneur shapes and remodel destination-based innovation systems by mobilizing tourism networks and focusing system dynamics towards commercialization of products and services. Cross-sectoral nature of the tourist industry requires building an innovative culture among tourism stakeholders as a long-term initiative, not as a quick fix by policy-makers. STEs in general tend to be imitators, not innovators. Thus, public sector intervention fosters change in the innovation culture. Looking at the destination level, innovation can still occur without state intervention, based on individual entrepreneur venture decisions to size the business opportunities. But collaborative and cooperative innovation behavior between competitors at a destination level, will lead to flourishing clusters of products and experiences that raises destination competitiveness significantly.

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