Case Study

The role of individual entrepreneurs in the development of competitiveness for a rural tourism destination – A case study

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HIGHLIGHTS

- The role entrepreneurs is underestimated in models of destination competitiveness.
- DMO’s roles in the models are overemphasized.
- Especially in rural regions, even destinations without any kind of DMO do exist.
- Municipalities have a crucial role as facilitators of entrepreneurial environment.
- Without innovative, committed and risk-taking entrepreneurs no destination is to flourish.

ARTICLE INFO

Article history:
Received 4 December 2012
Accepted 11 July 2013

Keywords:
Destination competitiveness
Tourism entrepreneur
Rural tourism
Entrepreneurship
DMO
Cooperation

ABSTRACT

The aim of this case study is to increase our understanding of the role of entrepreneurs in enhancing the competitiveness of a rural tourism destination. A literature review of the research on destination competitiveness with a focus on the roles of different stakeholders is first presented, followed by a narrative about rural tourism development, the competitiveness of rural destinations and the role of entrepreneurs in establishing successful destinations. The data consists of six case studies and nine semi-structured interviews among tourism entrepreneurs and managers at a rural tourism destination in Finland. The findings challenge the prevailing DMO dominated approach to destination competitiveness development, and call for the acknowledgment of collaboration between small tourism enterprises in the enhancement of rural destinations. Municipalities have a crucial role as facilitators of the entrepreneurial environment, but without innovative, committed, and risk-taking entrepreneurs no destination will flourish.

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1. Introduction

Tourism destination competitiveness (TDC) has been a topical subject in destination marketing and management research in recent years. The seminal model of TDC by Crouch and Ritchie (1999) and Ritchie and Crouch (2003) has encouraged research and applications of the model (e.g. Enright & Newton 2004) as well as further development and discussion (e.g. Dwyer & Kim 2003; Kim & Wicks 2010). TDC researchers rely on the work of Porter (1990), whose framework has been used in several studies of different industries and economies (Enright & Newton, 2004). Definitions of destination competitiveness refer to the ability of the destination to attract and satisfy tourists (Enright & Newton, 2004; Tsai, Song, & Wong, 2009) and to deliver goods and services that perform better than those offered at other destinations (Dwyer & Kim, 2003). Destination competitiveness is also associated with the long-term economic prosperity of the residents of an area (Ritchie & Crouch, 2003), the ultimate goal of competitiveness being to maintain and increase the real income of the inhabitants (Dwyer & Kim, 2003). According to Dwyer and Kim (2003), destination competitiveness is both a relative and multi-dimensional concept. Relativity refers to relevant competing locations, which means that it is important to establish which destinations comprise the competitive set (Crouch & Ritchie, 2005; Enright & Newton, 2004; Uysal, Chen, & Williams, 2000). The quality of the competitor determines the chances of being successful in the competition, which indicates that competition has to be specified along with the competitiveness (Tsai et al., 2009). Multidimensionality refers to the salient attributes or qualities of competitiveness.

In the research on destination competitiveness the key role of DMOs (destination marketing and/or management organizations) is emphasized, and the role of the firms that supply the services in
the destination has received scant explicit attention (Enright & Newton, 2004) although several authors have emphasized the importance of suppliers and the multiplicity of the products contributing to the overall destination product (see e.g. Buhalís, 2000). Ryan, Mottiar, and Quin (2012) also note that entrepreneurs as contributors to tourism destination development is a neglected field of research, and refer, for example, to Butler’s (1980) much cited tourism area life cycle (TALC), which identifies the role of local entrepreneurs only at the involvement and development stages of tourism development, but sees their role decreasing in the later stages. In the oft cited book by Ritchie and Crouch (2003) entrepreneurs as stakeholders contributing to the destination competitiveness have deserved only two subheadings, one under the chapter on the competitive micro-environment and the other under the chapter on supporting factors and resources. According to Ritchie and Crouch (2003) entrepreneurship, referring to new venture development and small businesses, contributes to destination development by creating competition, cooperation, specialization, innovation, investment, growth, risk-taking, productivity and so forth. They also state that ‘despite these numerous contributions, several problems and challenges are also evident. The existence of so many small businesses in tourism means that many owner-managers lack the skills, expertise or resources to function efficiently and effectively’ (Ritchie & Crouch, 2003, 141) and that ‘small tourism enterprises may not recognize or care about the wider and long term consequences of some of their actions’. Instead, they argue that ‘the DMO plays a particularly critical and vital role in efforts to ensure that the expectations of stakeholders are satisfied to the greatest extent possible’ (Ritchie & Crouch, 2003, 142, 145). They continue that without the effective leadership and coordination of a committed tourism organization a destination is ‘ill-equipped to be either competitive or sustainable’ (Ritchie & Crouch, 2003, 174).

Nevertheless, small and medium sized enterprises are numerically dominant and a key distinguishing feature of the tourism industry (Morrison, Carlson, & Weber, 2010). In Finland, for example, 90% of tourism businesses can be classified as micro enterprises (Peltonen, Komppula, & Ryhänen, 2004). The neglect of individual enterprises and especially SMes in the research on destination competitiveness may be due to the tendency to understand a destination mainly as a country, state, province, or other established tourism destination, such as e.g. presented by Buhalís (2000), namely seaside, alpine, authentic Third World and unique-exotic-exclusive destinations. In several European countries the fifth type, rural tourism, is a relatively important sector in the tourism industry (Pesonen, Komppula, Kronenberg, & Peters, 2011), but has attracted scant interest among researchers of destination competitiveness. Several authors have found it challenging to define what is meant by rural tourism or how it could be measured (e.g. Barke, 2004; Huang, 2006; Pesonen & Komppula, 2010). In some countries, the term farm tourism (agritourism, agrotourism) is seen as synonymous with rural tourism. Similarly, there seems to be no consensus about the definition of the concept of tourism destination. Following Saraniemi and Kylänen (2011) rural tourism destination is defined as a set of institutions and actors in a sparsely populated geographical and/or administrative area, ‘where marketing-related transactions and activities take place challenging the traditional production–consumption dichotomy’ (Saraniemi & Kylänen, 2011). The area may include towns, which in terms of population might be considered as urban, but which are surrounded by countryside and are essentially rural in their functions and characteristics (Barke, 2004).

Inspired by the aforementioned arguments an interest on the role of individual entrepreneurs in developing destination competitiveness especially in a rural tourism context arose, given that depending on how rural is defined, the major part of the Finnish tourism offering except the metropolitan area and ski resorts can be considered to be rural tourism. The final impulse to conduct this study was a discussion at a tourism development seminar, where the author was a member of the audience. A panel discussion among several DMO managers concluded with a statement that small business owners claim all the credit for a successful season, but blame the ineffective operations of the DMO if the season is a failure. As Morrison et al. (2010, p. 746) encourage small business researchers in tourism to ‘pursue research dimensions that reflect the reality as defined by small tourism businesses themselves’, the viewpoint of individual entrepreneurs on destination competitiveness was taken.

The purpose of this study is to investigate private entrepreneurs’ perceptions of their own role in the development of the competitiveness of a tourism destination. A case study method was adapted, as the aim is to increase our understanding of the phenomenon of competitiveness in a specific context, namely at a certain rural destination, rather than to present any generalizations to be applied in destination competitiveness models. Nevertheless, the paper seeks to challenge the prevailing DMO dominated approach to destination competitiveness especially in rural contexts, and calls for the acknowledgment of informal affiliation, coordination and small scale cooperation (Wang & Krakover, 2008) between small tourism enterprises in the enhancement of rural destinations. First, a literature review of the roles of different stakeholders in the research of destination competitiveness is presented, followed by a review of the literature on rural tourism destination development. Then the context and method of the empirical case study are presented, followed by findings and conclusions.

2. Roles of different stakeholders in destination competitiveness

In their integrated model for measuring the competitiveness of a tourism destination Dwyer and Kim (2003) bring together the main elements of national and firm competitiveness as well as destination competitiveness as proposed in the much quoted work of Crouch and Ritchie (1999) and Ritchie and Crouch (2003) in particular, and additionally explicitly recognize demand conditions as an important determinant of destination competitiveness. According to Dwyer and Kim (2003), destination competitiveness is not an end in policymaking, but an intermediate goal in the quest for regional or national economic prosperity. In their model four main elements of destination competitiveness are distinguished, namely resources, destination management, demand conditions and situational conditions. Empirical evidence presented by Cracolici and Nijkamp (2009) shows that the natural and cultural resources of a destination constitute only a comparative advantage of a tourist area: they are a necessary but not a sufficient condition for being competitive. Accordingly, Gomezelj and Mihalic (2008) state that a competitive advantage can only be created by improving responsiveness to demand side challenges, which, according to them, calls for a significant role of destination management.

According to Ritchie and Crouch (2003) tourism destination policy is regarded to be under the responsibility of public sector actors whose aim would be to ‘create an environment that provides maximum benefit to the stakeholders of the region while minimizing negative impacts’ (p.146). DMOs have been established in order to provide leadership for the management of tourism at the destination (Bornhorst, Ritchie, & Sheehan, 2010) and several researchers and practitioners emphasize the role of DMOs in developing destination competitiveness (e.g. Dwyer, Mellor, Livais,
According to Pike (2008), the primary role of a DMO should be the coordination of interests and activities of the many public and private sector stakeholders in tourism. Organizational structures of DMOs range from public organizations with authority to control resources and policies, to private organizations with only a cooperative marketing function (Ritchie & Crouch, 2003). In practice, cooperative marketing is seen as a key function of the DMOs (Bornhorst et al., 2010; Pike, 2008).

Dwyer et al. (2004) tested the destination competitiveness model by Dwyer and Kim (2003) with Korean and Australian tourism industry stakeholders. Their results indicate that the respondents did not distinguish between destination management activities that are primarily the responsibility of the public sector (e.g. overall destination image, international awareness of the destination) and those which are the responsibility of the private sector (e.g. entrepreneurial quality of tourism businesses, cooperative behavior of the firms) and they linked public—private sector collaboration as part of destination management activities. Nevertheless, government commitment was distinguished as a separate factor including government leadership in tourism development and public sector commitment to tourism training, referring to a need for an active government role in facilitating destination development.

The role of enterprises is seen in the model by Dwyer and Kim (2003) in their recognition of three sets of distinctions in the operating competitive environment of the destination: 1) the competitive environment of firms and organizations, 2) the strategies of a destination’s firms and organizations, including cooperation and 3) the capabilities of destination firms and organizations. Koh and Hatten (2002) as well as Golembski and Olzewsii (2010) suggest that public sector actors should develop a supply of indigenous tourism entrepreneurs by looking for opportunities in the market, creating a favorable entrepreneurial climate and attracting investors to the region. The case study of Levi Resort in Finnish Lapland (Rusko, Kylänen, & Saari, 2009) also shows that municipalities have an essential role in destination development, as the strategic-level decisions of e.g. land use and zoning policies, and investments in infrastructure create opportunities for enterprises to develop their businesses. Nevertheless, at a destination covering several administrative regions, municipal borders may be obstacles to development (Lovelock & Boyd, 2006), as tourism policy may be subject to competitive and parochial politics and characterized by a lack of expertise and vision (Dredge, 2006; Dredge & Jenkins, 2003). In order to be able to focus on the competitive advantage of the destination, a macro business perspective is required for the entire tourism industry, meaning that all stakeholders should work with each other by focusing on the common benefits of the destination rather than on opportunistic objectives (Wang & Krakover, 2008; Zach & Racherla, 2011).

According to Dwyer and Kim (2003) the strategies of the destination and the firms refer to the health and vitality of the firms, and the entrepreneurial culture facilitating new venture development at the destination. Nevertheless, Zach (2012) for one posits that it is particularly the DMOs, not the individual businesses that drive the innovative development of the destination. He sees the DMOs as collaborating with destination businesses and assisting them in the development of new services in marketing the destination. Zach (2012) argues that especially in small American DMOs the leaders themselves need to be innovators in new service development and thus in destination development as well.

Several authors have emphasized the importance of the cooperative capabilities of various stakeholders at the tourism destination (e.g. Hassan, 2000; Komppula, 2004a; Preble, Reichel, & Hoffman, 2000). Bornhorst et al. (2010) suggest that stakeholders can either provide the coordination, which increases success, or cause fragmentation, which inhibits success. They continue that this choice is upon every single stakeholder, but like several other authors (e.g. Wang, 2008; Wang & Krakover, 2008) they again emphasize the role of DMOs when stating that the decision is heavily influenced by the leadership style of the DMO and the degree to which it is stakeholder-orientated.

Tourism businesses are often engaged in relationships where both competitive and cooperative relationships co-exist (von Friedichs Grängsjö, 2003; Wang & Krakover, 2008). Wang and Krakover (2008) distinguish four types of cooperative relationships, which they present in a continuum based on the level of formality, integration and structural complexity. Affiliation refers to loose and informal connections between two or more actors, who have similar interests, in a form like supporting one another through exchange of information, endorsements, or making referrals. In coordination otherwise autonomous actors align activities to support events or services by implementing common tasks. By collaboration Wang and Krakover (2008) mean joint efforts to promote common strategies, and strategic networks refer to shared vision and a system orientation to achieve common objectives, which requires trust and commitment among stakeholders as well as recognition of their respective contributions (see e.g. Wang, 2008; Wang & Krakover, 2012). Wang (2008) challenges the marketing thinking focusing on competitive advantage as an organization’s individual efforts and suggests a move to collaboration, at least in strategic marketing thinking. Additionally, as Beritelli (2011) and also Dwyer, Edwards, Mistilis, Roman, and Scott (2009) state, cooperative behavior among different stakeholders at a tourist destination seems to be an interpersonal business, going beyond individual enterprises and meaning thinking and acting in terms of value chains. Beritelli (2011) suggests that when creating management structures for e.g. DMOs, an effective approach would be first to consider the people and second the institutions they represent.

Enright and Newton (2005) present empirical evidence that supports the inclusion of business-related factors and destination attributes in destination competitiveness models and research. They state that a competitive firm is able to design, produce and market its products more effectively than its competitors, and the firm level competitiveness generally refers to the ability of the firm to grow, involving elements of productivity, efficiency and profitability as a means of achieving rising standards of living and social welfare. This has also been noted in the models of destination competitiveness, as Dwyer and Kim (2003) and also Ritchie and Crouch (2003) state that an individual firm can enhance both destination competitiveness and its own competitiveness through specialization, innovation, investment, risk taking and productivity improvements, while also adopting ethical and cooperative business practices. Keller (2010) highlights the role of entrepreneurial and innovation as a core determinant of tourism growth by stating that entrepreneurship is needed for managing all the other variables of the tourism system (Keller, 2010, 17).

While the models of destination competitiveness have almost ignored the role of enterprises, the literature on tourism entrepreneurship and innovation has moved in the opposite direction. A significant number of studies shows how small tourism firms and entrepreneurs can make a crucial impact on the development and operation of a destination (Mottiar & Tucker, 2007). Tsai et al. (2009) state that the competitiveness of a destination is heavily dependent on the firms and their operating environment at the destination. Weiermair (2010) states that the innovative entrepreneur more or less determines the rise and fall of a destination in its life-cycle. Koh and Hatten (2002), claim that the role of the tourism entrepreneur is pivotal in creating new tourist attractions and/or modifying extant offerings to combat the effect of...
novelty decay and competition from other destinations. Additionally, in a book on international perspectives on small firms in tourism edited by Rhodri Thomas (2004) most of the seventeen international case studies suggest that small firms in tourism contribute to regional competitiveness, regeneration and sustainability. Several contributions in a book edited by Thomas and Augustyn (2007) presenting perspectives on SME policies and practices in tourism in Europe highlight the importance of collaborative entrepreneurship in the development of tourism destinations.

However, in their extensive review of small business research in tourism Thomas, Shaw, and Page (2011) point out the contradictory evidence of the impact of small firms on destination development referring to a ‘dichotomy of negative and positive discourse’. Although Keller (2010) acknowledges the importance of small firms in the destination context, he also states that the tendency of SMEs to favor non-growth strategies is a barrier to innovation and destination development (Keller, 2006). Several authors have pointed out that a major part of small tourism enterprises do not pursue growth: the low entry barriers in the tourism sector encourage the proliferation of micro and small firms, which may fail to appreciate the importance of all kinds of development of the firm, and many fail to recognize their dependence on the competitiveness of the destination as a whole (see e.g. Dwyer & Kim, 2003; Ritchie & Crouch, 2003; Seppälä-Esser, Airey, & Szivas, 2009).

3. Competitiveness of rural tourism destinations

Rural tourism development often starts as an initiative of a local government, being often derived from one of two different forces. First, the decline of traditional rural activities (i.e. agriculture) and the consequent demographic changes have encouraged the local authorities to develop initiatives in rural tourism development (e.g. Barke, 2004; Cai, 2002; Hall, 2004; Huang, 2006; Iorio & Corsale, 2010; Sharpley, 2002) and second, a need to diversify the tourist product away from traditional mass beach tourism, as in Spain (Barke, 2004) and Cyprus (Sharpley, 2002). In the research on rural tourism destinations, the concept of competitiveness is not included in either the titles or key words of articles, but instead, several articles can be found under the topic of rural destination development. Sharpley (2002) conducted a case study on a project aiming to develop ‘agrotourism’ in Cyprus, Saxena and Ilbery (2008) studied networks in rural tourism in an English-Welsh border region, composed of three large counties. Cai’s (2002) study on the branding of four counties under the brand name of Old West Country is an example of rural communities which have benefited from cooperative efforts in the field of destination marketing. Hall (2004) evaluated current issues surrounding the role and development of rural tourism in southeastern Europe, and Barke (2004) the rapid growth in rural tourism facilities in Spain. Garrod, Wornell, and Youell (2006) touched on rural tourism development in their case study, which introduced the concept of countryside capital providing a holistic and integrated understanding of the rural tourism production system.

The most comprehensive study on the progress of rural tourism development is the work by Wilson, Fesenmaier, Fesenmaier, and Van Es (2001), which examined factors that have helped rural communities to successfully develop tourism and its entrepreneurship opportunities. Their findings clearly indicate the importance of a community approach and the role of entrepreneurs in the development and marketing of rural tourism destinations. They propose ten factors or conditions for successful rural tourism destination development: a complete tourism package, good community leadership, support and participation of local government, sufficient funds for tourism development, strategic planning, coordination and cooperation between business people and local leadership, coordination and cooperation between rural tourism entrepreneurs, information and technical assistance for tourism development and promotion, good convention and visitor bureaus and widespread community support for tourism. Most of these factors are tied to each other, such as a complete tourism package and cooperation. A complete tourism package is emphasized e.g. by Cai (2002), who calls for cooperative destination branding, referring to redefining the size of a destination by bringing together communities of similar natural and cultural compositions of attractions. He notes that communities are often too small and have too few attractions to create a critical mass that would be strong enough for a tourist to associate with the brand name.

The importance of the involvement of several kinds of actors in rural tourism development is also recognized by several authors. In their study Saxena and Ilbery (2008) concentrate on networks of businesses and resource controllers, by which they mean actors who operate mainly in the non-profit sector, playing an important role in e.g. social, cultural, political and environmental issues, being some kind of indirect stakeholders exerting some kind of influence on or control over tourism resources. Saxena and Ilbery (2008) present a concept of integrated rural tourism (IRT) as a tool for rural tourism development, and define it as ‘tourism that is mainly sustained by social networks that explicitly link local actors for the purpose of jointly promoting and maintaining the economic, social, cultural, natural and human resources of the locations in which they occur’ (p.234). Garrod et al. (2006) for their part posit that as ‘the fabric of the countryside is very much the lifeblood of rural tourism’, the aforementioned rural resources should be called countryside capital, the various elements of which are an essential base for rural tourism businesses. Hence the authors call for a holistic, collaborative approach to managing these assets. This is also supported by Sharpley (2002), who argues that rural tourism development should be considered within the broader context of the destination’s tourism and business systems. Within this community approach Wilson et al. (2001) see the contribution of rural tourism entrepreneurs as crucial. All the aforementioned authors also emphasize the importance of strategic planning, which requires involvement of key stakeholders and actors at the destination.

Wilson et al. (2001) also see rural tourism development as a local activity, with participation from local government and small businesses, not necessarily being dependent on outside firms and companies. Saxena and Ilbery (2008) use the term ‘local embeddedness’ when emphasizing that rural tourism destination networks of actors are embedded in particular localities; not only resources and activities are linked to the place but relationships are also formed within the particular socio-cultural contexts. According to them, this may, nevertheless, lead to an inward-looking attitude, inhibiting creativity, innovation and participation, meaning that in a larger geographical region active participation in cooperation may be limited to networks at local levels. Developing rural tourism requires investments from private businesses but also necessitates government subsidies (Sharpley, 2002). Sharpley’s (2002) findings show that not all rural areas are attractive to tourists and that simply investing in accommodation facilities does not create any demand. He calls for central guidance and control in ensuring the total tourism experience as well as public sector support for training and education the entrepreneurs, which is in accordance with Wang and Krakover (2008) as well as Wang (2008).

Just as several authors emphasize the importance of public support, Hall (2004) posits in his review on the development of rural tourism in southeastern post communist Europe that ‘where rural tourism flourishes, however, it may actually be despite rather
than because of government action’ (p.6), meaning that most of these countries have been unable or unwilling to invest in the tourism industry. By contrast, small-scale community-based projects, especially with marketing objectives, have emerged based on European Union funding, but without purposeful guidance and coordination, these tend to be fragmented and may only lead to short-term results (Hall, 2004). Interestingly, opposite opinions regarding the resources needed in rural tourism emerge: Wilson et al. (2001) state that rural tourism can be developed with relatively little capital and training, while according to Sharples (2002) the development costs compared to returns are high in rural tourism.

In rural areas, small businesses and entrepreneurs are the foundation of the tourism product (e.g. Hall, 2005; Komppula, 2005; Konu, Tuohino, & Komppula, 2010), by delivering the tourism reality and making the region attractive, hence influencing the development beyond their own individual contribution (Ryan, Mottiar, & Quinn, 2012). The significance of collaboration and networks among small enterprises is emphasized in several studies conducted in rural regions (Camarero Izquierdo, Hernández Carrión, & San Martín Gutiérrez, 2008; von Friedrichs Grangsjö, 2003; Komppula, 2004b; Komppula & Reijonen, 2006; Morrison & Lynch, 2010; Polo-Peña, Frías-Jamilena, & Rodríguez-Molina, 2012; Reijonen & Komppula, 2007; Tinsley & Lynch, 2001, 2008; Wang & Fesenmaier, 2007). The findings of Saxena and Ilbery (2008) indicate that the main type of cooperation among tourism businesses was informal, e.g. enabling accommodation providers to pass customers on through recommendations, embeddedness being indicated by friendship and trust. This is also supported by Komppula (2004a), who notes that in emerging rural destinations especially, informal cooperation among entrepreneurs may be the only form of networking, if no organized DMO structures exist.

According to Thomas et al. (2011) the earlier mentioned negative discourses about the impact of small firms on destination development centre around the managerial and entrepreneurial skills of the owners of small businesses, emphasizing that the lifestyle goals of such tourism business owners are often not in line with the development needs of destinations and local economies. However, Komppula (2007) argues that the life-style type of entrepreneurship is in accordance with the needs and expectations of rural and nature-based tourism customers, who appreciate traditional rural scenery, a living countryside, opportunities for activities, a peaceful and clean environment and personal service. Hence for these kinds of destinations small-scale entrepreneurship is a competitive advantage rather than a barrier to competitiveness.

The literature review shows that the three topics in the operating competitive environment of the destination presented by Dwyer and Kim (2003) are also present in studies of the development of rural destinations. First, the competitive environment of firms and organizations (Dwyer & Kim, 2003) may refer to such success factors and conditions presented by Wilson et al. (2001) as good community leadership, support and participation of local government, sufficient funds for tourism development, good convention and visitor bureaus and widespread community support for tourism. Second, the strategies of firms and organizations at destinations, including cooperation (Dwyer & Kim, 2003) may refer to the strategic planning of a complete tourism package, coordination and cooperation between business people and local leadership, coordination and cooperation between rural tourism entrepreneurs (Wilson et al., 2001). The third topic proposed by Dwyer and Kim (2003), the capabilities of destination firms and organizations, seems to be key to the other topics. Capabilities seem to be more or less implicit in most of the success factors presented by Wilson et al. (2001), who emphasize the role of entrepreneurs in destination development, and state that the role of DMOs and local authorities would be in providing information and technical assistance for tourism development and promotion. Capabilities also may refer to DMOs, as Wang (2008) as well as Wang and Krakover (2008) state that several decisions concerning cooperation in a destination are influenced by the leadership style of the DMO.

4. Data and methodology

Several authors (e.g. Pernecky & Jamal, 2010; Riley & Love, 2000; Ryan, 2010) have encouraged tourism researchers to employ qualitative methodologies. As the purpose of this study is to increase our understanding of individual small enterprises as contributors to destination competitiveness, and the focus is on their own perspective, a qualitative approach was chosen as a research methodology. As tourism spaces are socially constructed (Goodson & Phillimore, 2004), a constructivist paradigm is applied, assuming a relativistic ontology and a subjectivist epistemology (Denzin & Lincoln, 2005), acknowledging that no single interpretive truth exists but that there are multiple realities.

An intrinsic case study in a Finnish rural tourism destination was conducted. In an intrinsic case study the researcher seeks for an in-depth understanding of the particular case, meaning that the case is interesting in itself, not only as a representative of similar cases (Stake, 2005). The boundaries of the case destination are defined according to an administrative structure, which has a common tourism development policy. Finland has no uniform structure of organizations involved in the tourism industry, but regional and local level DMO structures differ between regions. Tourism development at regional level is to a large extent tied to projects funded by the European Union and the various ministries, which makes the coordination of tourism policies challenging. At regional level, the geographical scope of tourism organizations varies from province-wide to networks of municipalities, the latter being the scope in this case. Organizational structures also vary from public sector agencies to private sector driven organizations, the most common being a mixture of ownership by a municipality and private companies. In the region of this specific case study the destination marketing organization has been in the form of a municipality managed association for almost four decades (Boxberg, Komppula, Korhonen, & Mutka, 2001), but during the last two years before the interviews, the federation of municipalities has made changes and significantly cut the resources of the DMO. The geographical scope of the DMO was not congruent with the federation of municipalities, which was one of the reasons why it faced major problems in its funding and operating environment.

The case study region is composed of a small cultural ‘summer city’ and the four surrounding municipalities. The destination is located in the Finnish Lakeland area, where the lakes, rural scenery and nature-based activities are the main attractions. In the small city, July is the major tourist season due to an annual four-week cultural festival. About half of the accommodation service providers are so small that they do not even have their own web pages or any kind of contact information available in the Internet. According to a study on the economic impact of tourism in the region, around 1.3 million touristic overnights were spent at the destination in 2010, but most of them were spent at a visitor’s own second home (approx. 525,000) or visiting friends and relatives (approx. 445,000) (Tahvanainen, Vatanen, & Komppula, 2010).

The first set of data consists of six narrative, theme-based, face-to-face interviews with the owner-managers of privately owned full-time enterprises in the region. In narrative interviewing attention is paid to the little stories spontaneously told in the interview situations as well as to the role of the interviewer as an activator in the production of narratives, which distinguishes narrative interviews from other types of interview (Eriksson & Kovalainen, 2008).
Narrative can be seen as ‘the textual actualization of a story at a specific time and context’ (Eriksson & Kovalainen, 2008, p. 212), which is targeted at a particular audience. A story is ‘a piece of fiction that narrates a chain of related events or happenings that involve certain characters’ (Eriksson & Kovalainen, 2008, p. 211). Narratives are rich in expressing emotions, thoughts and interpretations (Chase, 2005), and being either fictional or factual (Eriksson & Kovalainen, 2008), they allow researchers to develop meaning out of them letting the narrators’ voices speak (Chase, 2005).

This study was inspired by an interpretive paradigm, where the main aim is to understand the subjective world of human experience (Jordan & Gibson, 2004). The interview themes were based on the literature review. First, the interviewees were asked to explain how they understood the concept of destination competitiveness and then to describe from their point of view the competitive environment of the destination area, focusing especially on the roles and responsibilities of different stakeholders. Then evaluations of the strategies and cooperation at the destination were elicited and finally the capabilities of different stakeholders in terms of the development of competitiveness. In the analysis, following the guidelines of constant comparison given by Boeije (2002), the variety that exists within the subject under study was described and conceptualized by investigating commonalities and differences in opinions, attitudes and perspectives. The analysis consisted of fragmenting and connecting, the former emphasizing the separate themes emerging in the interviews. In the latter, the individual interviews are interpreted as a whole, which accentuates the context and richness of the data.

The six interviewees for the first data set were chosen to represent the key private stakeholders in the region, representing different types of accommodation and activity services: two hotel owners from different municipalities, one young rural tourism entrepreneur, an entrepreneur offering nature based activity services, a holiday village owner, and an investor from outside the region who had acquired a holiday village and a small amusement park, which need a great deal of investment in renovations. The interviewees were active participants in local and regional cooperative activities and networks, and were draw from all the municipalities in the region. The size of the enterprises interviewed varied from two to some 20 employees, which aptly illustrates the size of the enterprises in the region in general.

The second set of data consists of nine semi-structured interviews conducted as telephone interviews with five part-time rural tourism accommodation providers, which are typical of the majority of enterprises in the area, two small hotels, one campsite and one holiday village. These actors had participated in some kind of cooperative actions, but were not as active networkers as the representatives in the first set of data. The interview themes were generated by ongoing analysis of the first set of interview data, following the guidelines of constant comparison (Boeije, 2002; Jordan & Gibson, 2004). Questions about the roles of the entrepreneur, DMO and the municipality in the development and marketing of the tourist destination were asked, likewise about the business competences of the tourism enterprises in the region. No further interviews were needed as after the fifth additional interview data saturation was reached. The second data set was analyzed using quantitative content analysis, following the categories of themes developed after the analysis of first data set. The findings of all the fifteen interviews were then combined.

5. Findings

The findings will be presented according to the themes arising and emphasized in the analysis of the narrative data, because it was these themes which drove the question formulation in the semi-structured interviews. The description of each theme includes interview data, of which numbers 1–6 refer to the narrative interviews and numbers 7–15 to the semi-structured interviews. The themes as such do not adhere to the themes presented as a summary of the literature review underlying the narrative interviews, but they serve to emphasize the new groupings emerging from the data.

5.1. Overall understanding of the determinants of destination competitiveness

The interviewees took the endowed and created resources of the destination more or less for granted and no complaints on any lacking resources occurred in the interviews. All the 15 interviewees stated that the development of destination competitiveness was the responsibility of tourism enterprises, which should be able to exploit the benefits of location, natural resources and other destination specific endowed resources.

They therefore perceived the role of individual enterprises as crucial, and the role of municipalities as facilitators of destination competitiveness. The role of a DMO is seen in this case study as binary: in the past, the DMO had been municipally financed and managed, the entrepreneurs only having representation on the board of directors. The role of the enterprises had been advisory rather than supervisory. In the situation prevailing at the time of the interviews, when the solely privately owned new DMO was established, expectations of this collaborative arrangement were high, but no experience was yet available. Hence, in the interviews no specific role for the DMO emerged, but when talking about the competitiveness of a destination, the entrepreneurs distinguished between the roles of enterprises and municipalities.

5.2. How do the enterprises contribute to destination competitiveness?

Three main categories emerged in the interviews as means for individual enterprises to enhance the competitiveness of the destination: 1) the offering of each enterprise had to be in proper condition, 2) cooperation and 3) commitment to the tourism business through investments.

The most often mentioned (10 interviewees) way in which an individual enterprise contributes to destination competitiveness is that the offering of the enterprise should be consistent with the destination offering in terms of quality, compatibility and price level.

‘So that you do the job so well that the people are satisfied when they go, so they retain a positive image of the whole area. — The product itself, you have to change that according to their times so in a way to try to offer whatever is required at the time’ (15)

Especially the small rural tourism entrepreneurs did emphasize hospitable customer care and tailored services for well defined and segmented target groups.

‘Treat each client personally, take care of them not as a group but as individuals and what they want’ (12).

Three respondents to the narrative interviews saw innovative new niche products to be a key to differentiate the region from competitors.

‘Yes and if you want clients who pay well and that you offer, well, a bit more expensive services, well, then they need to be somewhere special’ (14)

It was also pointed out that the supply of services should match the demand, which calls for capabilities for market intelligence. Quality, accessibility and pricing problems occur in the region, especially in organized activity services, which suffer from very
The second key means of enterprises to contribute to destination competitiveness was the willingness and ability of enterprises to cooperate on several levels and contexts. Some of the respondents contemplated the field of tourism narrowly from the perspective of the concentration located in the immediate vicinity of their own enterprises while others perceived co-operation as something which even concerned the whole of Eastern Finland. Taken roughly one might say that in this data the smaller enterprises perceive regional co-operation from a decidedly narrower angle than did the bigger enterprises, which clearly corresponds to the findings from earlier tourism research.

In the narrative interviews it emerged clearly that entrepreneurs who had been longer in the business and who operated on international markets considered it important that clients should have choices. Thus local competition is not feared; it is even deemed desirable.

‘One should consider the vitality of the area — nobody is going to come if we are the only ones operating here. There should be good restaurants and activities involving Nature and culture, there should be a wide range. It does us no harm if they spend their nights in town, if only their money stays here. The more there is on offer the more clients will come to the area and they bring vitality’. (I15)

Most often (I13) discussed cooperative relation was the one between accommodation providers and activity operators. Availability of professionally provided high quality organized activities was seen as a key to development of all year round demand.

‘We want here to purchase services from others and so operate together with regional entrepreneurs, it’s daft if everybody tries to offer the same additional services’. (I13)

In co-operation relationships individuals’ relations and their ability to co-operate come in centre stage.

‘It (co-operation) is so obvious to us. Maybe it’s due in part to individuals. Right from the start it’s been a gang that functions together’. (I13)

The best results are achieved in informal co-operation where the convener is some neutral party, such as a university.

‘These informal ones are good, like we’ve had a couple of, that the entrepreneurs meet together in this informal gathering. The talk was open, which is good for both and what sort of operations’. (I11)

The third way in which the entrepreneurs can contribute to the competitiveness of a tourist destination is according to all the narrative and one semi-structured interview the entrepreneurs’ commitment to develop their own businesses through investments. Strong, innovative and committed entrepreneurs attract other businesses, which rely on the opportunities of the destination, if they see someone to invest one’s own money in new projects.

‘I think it helps a whole lot, that if you invest your own money in property, other goods, whatever operations, you’ve got to make it pay. Then you look at the thing differently from if you’re only halfheartedly involved, doing it over and above your own job. So really it goes hand in hand with the investments you make, so that the more you invest the better you have to keep hold of the enterprise so that you can continue to own it for some time.’ (I15)

Investments in the facilities and willingness to expand the businesses show commitment to the industry, which also enhances the willingness of others to cooperate with the committed enterprises. A big problem in the region is lack of successors for the aging entrepreneurs, which prevents the development of the business. As a major part of enterprises are rural tourism businesses, where the enterprise is also the home and birthplace of the entrepreneur, the property is rarely sold to an outsider.

‘So really many (rural tourism enterprises) have packed up and they have nobody to follow on. And those that really operated year round, you can count them on the fingers of one hand.’ (I11)

Nevertheless, a few young successors have invested a lot in their businesses recently, which have given a boost to the whole region.

‘The key to development is with when the thing goes to the next generation. Young people should be encouraged to take entrepreneurial education’ (I16)

5.3. The role of municipalities and the DMO in developing the destination competitiveness

In the narrative interviews several examples were given to prove that the role of an individual entrepreneur may be crucial in development of a destination. Finnish ski destinations, such as Ruka, Tahko and Olos, had started their growth under certain courageous entrepreneurs.

‘There used to be the Ruka Centre company at Ruka, running a ski lift business which was close to bankruptcy in the early 1990s and in its time started really small, whenever it was — at the end of the 1960s. It’s developed from being small and there on the shoulders of Jussi Aho they lobbied for big PR cabins for companies around Ruka, and little by little the construction of cabins took off, slowly, but its grew and grew and created a demand for restaurants, activity services and of course the ski-lift business.’ (I1)

Interestingly, it was also recognized in the narrative interviews that most of the fastest growing and all year round functioning tourism enterprises in the region were run and often also owned by non-locals by birth.

‘There are those who have come from elsewhere and have other experience, but apart from them there are very few with sound experience.’ (I13)

Thus, the interviewees stated that the municipalities should have a strong role in promoting the business opportunities in the region and in facilitating and supporting the favorable business environment in order to attract investors to the region.

Public–private cooperation was also seen as crucial in terms of destination development. The interviewees in this study were agreed that the responsibility of regional image building should lie on the recently established new destination marketing organization, owned by private tourism enterprises. The decision-making of the marketing strategies of the DMO and destination should be in the hands of enterprises.

‘The SM company came into being where the companies had the power and to that was added the resources. And now it’s largely dependent on the people, the manager, how it will develop.’ (I16)

According to the interviewees the municipalities should not play a role in operative marketing or any kind of tourism businesses in the destination but to facilitate it by giving financial support for marketing activities to the DMO.

“It’s the task of the municipality to facilitate tourist entrepreneurship and create an environment conducive to that and to support marketing, for instance.” (I14)
Municipalities should take a cooperative regional destination approach instead of emphasizing municipal borders in tourism policy and planning.

‘Absolutely crazy decisions were made and in a way destroyed many years the good marketing time. We were running on the spot for years and wasted money in the craziest reservation systems that you can’t get to work.’ (15)

The interviewees regarded the current cooperation between municipalities in terms of tourism policy and planning as poor; the key municipalities had competing ongoing projects, and no destination wide tourism policy was even in view, although the municipalities have formed a federation with a mutual overall development strategy.

‘Municipality X is a good brand and it’s an old tourism name and it gives people a certain image. But if it’s to be used to stress the identity and produce it and emphasize the limits of the municipal area and take a stand on it, that’s contrary to development… it’s a burden here.’ (13)

Lack of municipality level cooperation and a common tourism strategy was seen to inhibit tourism destination development.

“If there were a clear strategy for the area drawn up by the municipality and the tourism enterprises it might lead to bigger joint marketing and sales efforts which might achieve growth in the regions’ tourism which would then create investments” (16)

Additionally, to create a true tourist destination perceived by the customers, one more municipality should be added to the existing administrative region. In the newly established DMO this is already the case, as tourism enterprises have acknowledged the fact that tourists do not care about the municipality boundaries but the attraction of a certain region.

5.4. Barriers to cooperation

Barriers to cooperation were mentioned in the in-depth interviews and acknowledged in the semi-structured interviews. The dominant roles of the cultural festival and the city-municipality were criticized.

‘At least to us it felt as if this was so centred on the town. That one always thinks that everything should happen in the city centre.’ (14)

The attempts of these two actors to persuade private enterprises to certain intermediary sales arrangements were deemed unfair, which, on the other hand motivated private enterprises to cooperate with each other. Thus, expectations regarding the newly established privately owned DMO were high.

The very small size of the enterprises as well as the part-time entrepreneurship of most service providers was also seen as a major barrier to effective cooperation in the region.

‘...when the talk of cooperation resources (with enterprises) is about hundreds of Euros or at most thousands of Euros, but we should get hundreds of thousands of Euros into the common pot.’ (16)

As long as tourism is not the major source of income for an entrepreneur, the development of tourism services is not indispensable.

‘Well if you’re doing a bit with one hand behind your back there’s no such concentration if your bread comes from somewhere else. I think it would be important to have full-time tourism entrepreneurs who give this thing all they’ve got.’ (12)

In the region there are also three bigger actors offering tourist services, the demand for which mainly consists of social tourism and rehabilitation clients, who get significant support in the form of subsidies for their stay at these establishments. This more or less stable demand reduces the interest of these organizations to commit to collaborative development projects.

‘One problem is the ownership structures of these bigger so-called tourism enterprises and their business ideas… If a business idea is leaning on supported holidays, rehabilitation or something, they are partly involved in tourism co-operation but in practice real tourism is only e.g. five percent of their turnover. What’s left is such a dissimilar gang that they have not yet found a common course.’ (16)

One barrier for cooperation is geographical fragmentation of services into four sub-regions, between which there is no public transport, or the connections are poor.

‘In a way the problem there is that the distances (between service providers) may be tens of kilometers, and then a client coming to such a place doesn’t want to go tens of kilometers by car just in order to go fishing.’ (110)

To sum up, how in the opinion of the entrepreneurs interviewed the companies could exert influence on the competitiveness of the tourism in the area and what the role of the municipalities might be, and how successful this has been can be condensed as follows:

‘The entrepreneur’s most important means of exerting influence is of course developing his own enterprise. Co-operation with various parties can be the next level. First there should be co-operation and thereafter there can be growth in marketing, sales and investments. Of course there will be no major growth without investments. The main co-operating partner is the town because the town has such a significant role in zoning among other things, then in tourism cooperation and marketing. The town focuses now on attracting new enterprises and has now tried to leap over co-operation straight to investments.’ (115)

6. Conclusions

The findings of this case study concur with Ryan et al. (2012) and with Koh and Hatten (2002) in showing that entrepreneurs seem to take the responsibility for the development of tourist destination competitiveness, which is contradictory to the mainstream destination competitiveness approach focusing on the pivotal role of DMOs. The respondents in this study refer to certain Finnish tourist destinations (e.g. ski resorts Tahko and Ruka) that support this notion, but documented research on the topic is still lacking. Nevertheless, the entrepreneurs seem to acknowledge the crucial role of DMOs as conveners in facilitating the cooperation between private and public sectors in the region. This corroborates several earlier studies on cooperation in tourism, suggesting that successful collaboration requires trust, recognizing interdependence, generating a collective vision and objectives and commitment among stakeholders (see e.g. Waayers et al. 2012). Enterprises in this case study were optimistic in their expectations towards the new DMO, especially in terms of marketing strategies and operations. What will be critical for the success of this organization will be how the new director of the DMO succeeds in motivating the many strong personalities representing different stakeholders in collaborative processes. As Beritelli (2011) states, cooperative behavior among stakeholders at a tourist destination is an interpersonal business. The importance of a dedicated coordinator and the significance of a relational approach has also been pointed out
by Waayers et al. (2012), Camarero Izquierdo et al. (2008), as well as Morrison and Lynch (2010).

The findings support those of Koh and Hatten (2002) and Golembski and Olszewski (2010) in suggesting that the public sector actors should cultivate a favorable entrepreneurial climate and entice investors to the region. The findings of Rusko et al. (2009) likewise emphasize the role of municipalities in destination development. However, as Lovelock and Boyd (2006) and Dredge (2006) note, the municipal borders may be an obstacle to efficient tourism destination development. This is especially true in a country like Finland, where there is no hierarchical tourism administration system, and tourist destination policymaking is in the hands of local governments. Lack of a destination vision, policy and strategy leads to competing development projects, fragmented marketing implemented by municipalities instead of the destination marketing organization, whose resources thus remain scarce. Similar problems in developing regional destination competitiveness have been reported in a study by Dredge and Jenkins (2003).

The findings of this study support the notion of Gomezelj and Mihalic (2008) who stated that destination competitiveness necessitates improving responsiveness to demand side challenges, but contrary to them, instead of the role of destination management, the capabilities of entrepreneurs to adapt to new demand conditions were emphasized. The amount of Russian tourists has increased in the region rapidly and this has challenged the entrepreneurs to adapt to new kinds of customer expectations. The findings also support notions of Saxena and Ilbery (2008), von Friedrichs-Grängsjö (2003) and, Koh and Hatten (2002) about the personal attachment of the entrepreneurs to the area, as being important to commitment to destination development. The feeling of a ‘village community’ emphasized especially by the rural tourism entrepreneurs was also seen an important ingredient of the tourist product and for entrepreneurs’ co-operation as well, as in a study of von Friedrichs-Grängsjö (2003). But, as was noted by Saxena and Ilbery (2008), this village community feeling also did cause inward-looking attitudes, which were seen as barriers of cooperation between different sub-regions.

The role of individual enterprises and entrepreneurs is largely underestimated in the literature and models of destination competitiveness. The role of DMOs in the models has been overemphasized, as in several regions DMOs do not in practice have any control or influence over the resources facilitating the tourism business. Especially in rural regions, some destinations exist without any kind of DMO, and in practice, the management of resources is in most cases tied to public sector authorities, which operate according to policies created in political decision making processes in the region. Municipalities have a crucial role as facilitators of entrepreneurial environment, but without innovative, committed, and risk-taking entrepreneurs no destination will flourish. If the entrepreneurs are not willing or able to collaborate, the DMO is unable to operate efficiently. The tendencies in DMOs to move from public sector driven organization structures (Ritchie & Crouch, 2003, 175) may be evidence of the growing acknowledgment and importance of private enterprises in the destination structure.

Lack of innovative entrepreneurship has been mentioned as a barrier to destination development in several studies, but studies on destinations with long-term perspectives and an entrepreneurial approach are rare. In academic research the role of individual entrepreneurs in destination development has been highlighted only by Ryan et al. (2012) and Koh and Hatten (2002). More in-depth historical approach research on destinations with a focus on entrepreneurial activities over time would be needed in order to enhance our understanding of the role of entrepreneurship in destination competitiveness. As Ryan et al. (2012) note, individual entrepreneurs’ influence is long lasting and dynamic, and in many cases spans generations. The findings of this study as well as those of Ryan et al. (2012) indicate that the influence of entrepreneurs results in the creation of an entrepreneurial environment where the focus for development is on the area in general and not just individual businesses.

The advantages of regional level tourism marketing cooperation have been reported in several studies (e.g. Beritelli, 2011; Cox & Wray, 2011; Go & Govers, 2000; Naipaul, Wang, & Okumus, 2009; Zach & Racherla, 2011), as well as collaboration between public and private stakeholders (e.g. in a special issue of the Journal of Sustainable Tourism 1999, Vol. 7, no. 3–4). Research on collaboration that transcends administrative borders has focused on national borders (e.g. Prokksela, 2007), but studies on local level cross-border collaboration in tourism policymaking are rare (Lovelock & Boyd, 2006). Hence more research and development efforts should be invested in local level cross-border policy collaboration to facilitate the efforts of entrepreneurship in tourism destination development.

Acknowledgments

This study was part of the Development of Leisure and Tourism Research Competence —project at the Centre for Tourism Studies in University of Eastern Finland Savonlinna Campus. The author wants to thank M. Sc. (Econ.) Noora Tahvanainen, who made part of the interviews for this study, and helped also by transcribing the data.

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