

TOURISM ENTREPRENEURSHIP IN THE FUNCTION OF PROMOTING INNOVATIVE DEVELOPMENT OF TOURIST ENTERPRISES

Jasmina Ognjanović¹¹⁹, Nemanja Pantić¹²⁰

University of Kragujevac, Faculty of Hotel Management and Tourism, Vrnjačka Banja, Serbia
e-mail: jasmina.lukic@kg.ac.rs



ABSTRACT

Tourism is the fastest-growing industry with an increasingly active participation in people's economic and social life. The tourism industry offers numerous opportunities for development in which entrepreneurs recognize the potential chances of developing new ideas and creating innovative products. In such a business environment a new concept of tourism companies appears, known as tourism entrepreneurship. It means a proactive orientation towards monitoring and recognizing new market trends and tourist expectations, to develop innovative tourist products and services. Tourism entrepreneurship provides numerous benefits in the form of developing tourism businesses and creating new jobs. The literature points to the potential of tourism entrepreneurship development, noting that this area is still not sufficiently researched. The paper aims to point out the importance of entrepreneurship development in the tourism industry through the benefits offered by entrepreneurial ventures - the growth of innovation and competitiveness of tourism enterprises. Based on the review of the literature, it can be concluded that the tourism industry offers numerous opportunities to entrepreneurs, due to its dynamic nature and the heterogeneous demands of tourists, which leaves space for the development of innovations. The development of innovations in tourism strengthens the competitive position of tourist companies in the international market.

Keywords: *tourism entrepreneurship, tourism development, innovative tourism product, competitiveness.*

¹¹⁹ <https://0000-0002-6036-5269>

¹²⁰ <https://0000-0003-0030-6950>

INTRODUCTION

Driven by increasing wealth and economic development, tourism is one of the fastest growing industries worldwide (Kavya, 2021). It is an activity with increasingly active participation in economic and social life, an activity that pushes the economy forward and promotes international relations (Ciochină et al., 2016). Tourism is also a major source of income for many emerging countries (Ciochină et al., 2016). However, despite the excellent results achieved decades ago, the tourism industry was particularly affected by the pandemic crisis in 2020. This crisis had a major impact on the global economy and significantly slowed down travel, which harmed tourism (Hallak and Lee, 2024). In 2020, the tourism industry experienced a loss of income that was 10 times greater than the loss in 2009 due to the economic crisis (Jiménez et al., 2022). In that situation, small and medium-sized enterprises (SMEs) bore the greatest burden and paid the greatest price (Hallak and Lee, 2024).

Tourism activity requires a high level of engagement of entrepreneurs due to their widespread local, national, and global activities, as well as the rapid growth of the international market (Crnogaj et al., 2014). Tourism entrepreneurship provides numerous benefits to the tourist destination through the development of new businesses and the creation of new jobs (Crnogaj et al., 2014). The essence of entrepreneurial activity is the use of changes as a source of new ideas and the creation of innovations. In changes, entrepreneurs see a chance for development and define ways to use them as good business opportunities (Škrbić et al., 2019). Although it has left many consequences for tourism businesses, the COVID-19 pandemic has also provided new opportunities for these businesses to apply transformative skills so that innovative entrepreneurs can take advantage of these opportunities and prosper in a turbulent environment (Hallak and Lee, 2024). Accepted papers shall be published in the Conference Proceedings (containing only papers presented at the conference).

Certain shortcomings can be observed in the literature regarding research into tourism entrepreneurship, which was the basis for defining the aim of the paper. First, according to the structure of enterprises in the tourism industry, SMEs and entrepreneurs dominate, which indicates the need for detailed analysis and consideration of the entrepreneurial approach in tourism (Costa et al., 2016). Kavya (2021) adds that entrepreneurship has attracted greater attention in most countries, especially through SMEs in the tourism sector, and the topic of tourism entrepreneurship has become relevant, both in academic circles and among business people. Second, entrepreneurship has received more attention from tourism researchers, however, the topic of tourism entrepreneurship remains insufficiently researched and clarified (Jiménez et al., 2022; Power et al., 2017). Kavya (2021) adds that only a small number of researchers have managed to understand how tourism affects entrepreneurship. Tourist enterprises are directed toward developing a business strategy, but entrepreneurial orientation has been studied for many years only as a possible strategy for tourism enterprises (Hallak and Lee, 2024). Accordingly, the paper aims to point out the importance of entrepreneurship development in the tourism industry through the benefits offered by entrepreneurial ventures - the growth of innovation and competitiveness of tourism enterprises.

In addition to the introduction and conclusion, the paper consists of four parts. In the first part, the key characteristics of tourist enterprises are listed, while in the second part

of the paper, the state and importance of the development of entrepreneurship in these enterprises are pointed out. In the third part of the paper, the model of tourism entrepreneurship is explained, and in the fourth part, the importance of innovation development through entrepreneurial ventures in the tourism industry is pointed out.

FEATURES OF TOURISM ENTERPRISES

Tourism represents a potentially sustainable and fastest growing industry that plays a significant role in the development of society and the economic transformation of emerging countries (Kavya, 2021). In support of this, Koch (1996) adds that tourism businesses contribute significantly to the economic and social well-being of society. The development of tourist companies especially contributes to the growth and development of the destination, so they are often seen as "economic engines" of tourist destinations (Hallak and Lee, 2024). The development of the tourism industry in the local area will create new jobs, which will benefit both the local authorities and the local population (Kavya, 2021). The tourism industry is also characterized by the fact that the companies within this industry are heterogeneous (Nešić et al., 2019), and they are also labor-oriented, which means that they use human capital more intensively than other industries (Nešić et al., 2019). The opening of these enterprises requires relatively low capital investments (Koh, 1996). Research shows that the growth of tourist activity and its positioning in the world economy are influenced by ICT, communication, quality of hotel service, the increase in life expectancy, and the population's standard of living (Devkota et al., 2020).

Tourism has long been seen as an activity that contributes to social and economic prosperity (Ciochină et al., 2016) because it generates a significant source of income and creates new jobs (Koh, 1996; Kavya, 2021). From a sociological point of view, the opening of tourist enterprises in the destination would increase the quality of life of the resident population as well as their standard of living (Koh, 1996).

Tourism enterprises have the following characteristics (Hallak & Lee, 2024):

- They are usually registered as small and micro enterprises;
- They are usually independently owned and independently financed;
- They operate in an industry characterized by high competition, low entry barriers and low initial investment;
- They are often opened and run by individuals with lifestyle objectives;
- Tourism offers opportunities for business expansion towards different, related activities;
- They are flexible and quickly adapt to changes;
- They operate in the local and international markets, so they face a dynamic and competitive environment.

The tourism industry consists of a large number of small and medium-sized enterprises (Power et al., 2017) and according to some estimates (Hallak and Lee, 2024), SMEs and entrepreneurs make up 80% of all enterprises operating in this industry. The reason for this is that tourism offers multiple opportunities for the development of capital-intensive and highly competitive small businesses (Ciochină et al., 2016). This especially refers to the conditions for the smooth development of the entrepreneurial process, the combined use of tools and resources to take advantage of perceived entrepreneurial opportunities (Kavya, 2021).

The development of SMEs in tourism also involves facing numerous challenges such as access to finance, human resource management, employee training, and digital

marketing (Hallak and Lee, 2024). Additional challenges are in the area of marketing since tourism businesses in a destination cannot be promoted in isolation from their competitors (Kavya, 2021).

TOURISM ENTREPRENEURSHIP

Entrepreneurship can be seen as a way of thinking, creating, and developing activities based on risk, creativity, and innovation (Nešić et al., 2019). New opportunities drive entrepreneurial ventures (Ciochină et al., 2016) and stimulate the creativity of entrepreneurs (Škrbić et al., 2019), which leads to the opening of new businesses, new jobs, innovation and growth in per capita income (Jiménez et al., 2022). Key carriers of entrepreneurship are individuals – entrepreneurs (Škrbić et al., 2019). They represent a special category of people who are curious, and motivated and who thoroughly analyze events in their environment to spot business opportunities (Ciochină et al., 2016). The characteristics of entrepreneurs that distinguish them from other people are creativity, innovation, willingness to take risks, and developed managerial skills (Škrbić et al., 2019). In addition to the micro aspect, entrepreneurship can also be viewed from the macro aspect, i.e. at the state level (Škrbić et al., 2019).

Tourism has a high concentration of entrepreneurs (Costa et al., 2016) as this industry provides favorable conditions for the development of new ideas and entrepreneurial ventures. In this way, entrepreneurs, along with the ventures they develop, become key to tourism innovation and co-creation of value (Guo et al., 2023). Tourism entrepreneurship implies a high degree of proactivity in monitoring and recognizing new market trends and tourist expectations, to develop innovative products and services (Škrbić et al., 2019). The development of innovations is based on a flexible approach to changes by tourism entrepreneurs to the integration of business activities according to customer requirements, which stimulates employment, technological progress, and the growth of economic activities (Devkota et al., 2020). The development of tourism entrepreneurship is based on the following aspects of the business (Nešić et al., 2019): a) optimal use of natural resources; b) preservation of authentic, socio-cultural characteristics of local communities and c) long-term sustainable business. Entrepreneurship can play an active role in each of the three segments mentioned (Nešić et al., 2019). Accordingly, entrepreneurs provide the following contributions to the tourism sector (Crnogaj et al., 2014):

- increase in total employment due to the opening of new tourist companies;
- improving the efficiency of resource use, responsible conversion of local resources into tourist products and services, preservation of cultural/natural heritage, and promotion of sustainable development of tourist products;
- improving the quality of life of the resident population, strengthening local culture, and protecting its identity and heritage.

The activities of entrepreneurs in tourism are aimed at developing innovative products and services, developing accommodation and tourism infrastructure, investing in marketing and human resources, and improving the process of managing business development (Gregoric et al., 2016). Previous research has reached the following conclusions when it comes to the conditions for the development of tourism entrepreneurship. First, tourism entrepreneurs focus on the best possible use of natural resources based on the principles of responsible and sustainable development (Gregoric et al., 2016).

A particularly significant role in this process is played by human and physical capital (Guo et al., 2023) with new combinations of resources and raw materials that contribute

to the creation of innovations. Second, tourism entrepreneurship relies heavily on the labor market due to part-time and seasonal employment (Power et al., 2017). In such circumstances, entrepreneurial growth can often be inhibited due to a lack of qualified personnel (Power et al., 2017).

On the other side, employment in tourism is characterized by low qualification requirements for accepting candidates (Costa et al., 2016), so hiring operational employees should not be a big problem. Third, small tourism businesses tend to contribute to greater promotion of the place and authenticity of the tourism region (Power et al., 2017). However, small tourism businesses can have a limiting effect on regional development because they are often managed suboptimally and inefficiently.

As barriers to the successful development of entrepreneurial tourism, the literature highlights the following: unfavorable social environment, high tax levies, legislative regulations, institutional support, insufficient initial capital, and insufficiently regulated economic environment (Nešić et al., 2019). Networking also represents a significant entrepreneurial barrier in the tourism industry (Costa et al., 2016) as well as the missing business skills and abilities of entrepreneurs for innovative activities (Crnogaj et al., 2014). To see the contribution of entrepreneurial activities to the development of tourism, it is necessary to understand the model of tourism entrepreneurship and its stages.

TOURISM ENTREPRENEURSHIP PROCESS

Accelerated development and dynamic changes in the tourism industry require a new, entrepreneurial approach (Ciochină et al., 2016). The place and role of small and medium-sized enterprises in tourism and hospitality and their contribution to socio-economic development lead to the promotion of the development of tourism entrepreneurship (Ciochină et al., 2016). Since these are small businesses that are owned by individuals, the entrepreneur leads and directs the tourism enterprise according to his motives, goals, experience and abilities, which leads to the conclusion that the success of these enterprises is determined by the individual abilities of the entrepreneur (Hallak and Lee, 2024). Research shows that the entrepreneurial orientation of tourism enterprises was fragmented, while a growing number of studies identified "innovation" as the element that contributes most to tourism development (Hallak & Lee, 2024). Through the innovative activities of tourism entrepreneurs, everyone benefits: entrepreneurs, guests of the tourist destination, suppliers, employees, business partners, government, and resident population (Koh, 1996).

Conceptualizing tourism entrepreneurship into an appropriate model is necessary for the following reasons (Koh, 1996). First, it is essentially an individual process, except for most high-tech ventures that are mostly initiated by teams (Koh, 1996). Second, entrepreneurs are personally involved in the establishment and management of the business, while employees have no involvement in these activities (Koh, 1996). Third, the tourism entrepreneurship model is a personalized process that can be implemented more effectively than group processes (Koh, 1996). The model of tourism entrepreneurship is shown in Figure 1.



Figure 1: Tourism Entrepreneurship Process

Taken from and adapted from: Koh, K.Y. (1996). The tourism entrepreneurial process: A conceptualization and implications for research and development. *The Tourist Review*, 51(4), 24-41. https://doi.org/10.1108/eb058234_p.31

When the process of tourism entrepreneurship is understood, entrepreneurs insist on innovative design and direction of entrepreneurial ventures (Koh, 1996). The model of tourism entrepreneurship begins with the recognition of opportunities in a tourist destination among the unsatisfied needs of tourists. Ideas are born from chances that should be transformed into a concrete, innovative product or service that will bring value to tourists (consideration phase). The observed ideas are evaluated from different points of view and implementation conditions, and then they are ranked. After the evaluation, the idea that is believed to have the best chance of being accepted in the market is selected. When the entrepreneur has carefully considered the idea, transformed it into a concrete product or service, and defined the plan for production and product launch, he decides to establish an entrepreneurial company (birth phase). It then engages resources and undertakes specific business activities to produce an innovative product/service and evaluates its market acceptance (operation and evaluation phase). The entry of existing products into the stage of maturity requires the entrepreneur to reconsider new opportunities in the market and create innovations (opportunities search).

ENTREPRENEURIAL ORIENTATION AND INNOVATION IN THE TOURISM INDUSTRY

The tourism industry, due to its flexibility, is a very dynamic area for using entrepreneurial opportunities (Power et al., 2017; Crnogaj et al., 2014) through the development of innovative and competitive products. The tourism industry needs a high degree of innovation (Škrbić et al., 2019), which can be achieved by greater involvement of entrepreneurs in tourism activities (Crnogaj et al., 2014). Changing demographics, lifestyles of tourists, promotion of holidays, and work patterns support the need for the development of innovations in tourism as well as opportunities for tourism businesses to respond to increased tourism demand (Crnogaj et al., 2014). Consequently, tourism is a fertile area for the realization of good entrepreneurial ideas through the determination of new demand trends that need to be responded to innovatively (Škrbić et al., 2019).

Therefore, entrepreneurship implies acting creatively and innovatively, "breaking existing structures" (Jiménez et al., 2022) to meet the growing needs of tourists.

Numerous studies show that innovation is the main source of economic development (Ciochină et al., 2016). The entrepreneur's goal is to introduce innovations by solving the problems of consumers and society (Nešić et al., 2019) as well as by spotting opportunities in changes related to the dynamic nature of tourism (Škrbić et al., 2019). Therefore, innovations in tourism are necessary to cope with the increased demand for new types of tourist needs (Crnogaj et al., 2014). Innovations, supported by entrepreneurial ventures, are becoming fundamental for the competitiveness of tourism (Guo et al., 2023). The development of innovation and competitiveness of tourist destinations, according to the resource-based approach, takes place through the use of resources and capital (Guo et al., 2023). This means that perceived entrepreneurial opportunities can be exploited through different combinations of resources - tangible and intangible capital, assets, capabilities, organizational processes, knowledge, and information (Guo et al., 2023). Networking of different people and actors in travel agencies, hotels, and tourist organizations can also contribute to the creation of innovations (Devkota et al., 2020).

The development of innovations to increase the competitiveness of tourist destinations faces numerous limitations. First of all, the seasonality of business can limit the chances for the development of innovations. An additional limitation to the development of innovations is the intangible nature of innovative tourism products and the inability to test them before consumption (Power et al., 2017). Tourism entrepreneurs are therefore exposed to much higher risk than entrepreneurs in manufacturing industries (Power et al., 2017). Third, numerous studies have shown that entrepreneurship as a central force for sustainable development depends largely on the characteristics and personality of the individual (Crnogaj et al., 2014). This leads to the conclusion that the development of innovations will depend on the motives and goals of the entrepreneur, but also on his ability to recognize and perceive market opportunities at the right time and in the right place.

CONCLUSIONS

As a growing industry, both in terms of the number of tourists and in terms of revenue, tourism requires new products and services to meet the new needs and demands of tourists. New needs represent a significant "source" of new chances and opportunities that can be transformed into innovative tourism products. The best creators of innovation are entrepreneurs, so in the literature, the involvement of entrepreneurs in the creation of innovative tourism products to meet the growing demands of tourists is known as tourism entrepreneurship. The development of innovations in the field of tourism strengthens the competitiveness of the tourism industry, but also of the tourist destination that is promoted through innovation.

Practical implications. The paper indicates the importance of the development of entrepreneurship in tourism. It is a message to government policyholders to direct their efforts towards encouraging and supporting the development of entrepreneurship in this industry. Education about the importance of entrepreneurship is necessary not only for tourism workers but also for other environmental stakeholders. Namely, the development of entrepreneurship expands the offer of innovative tourist products, which affects the competitiveness of the destination. The general public should be informed about this, but entrepreneurs should be supported through education on how to open and manage a business.

Future research on this topic can be focused on conducting empirical research on the contribution of tourism entrepreneurship to the competitiveness of tourist destinations.

It is possible to analyze the factors of the entrepreneurial process that contribute the most to the competitiveness of the destination and the innovation of tourist products.

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