Fostering SMEs and entrepreneurship development in support of alternative tourism in Bulgaria

by Rhodri Thomas

Introduction

There can be little doubt that small and medium-sized enterprises (SMEs) play an important part in destination competitiveness. Although large firms have a significant influence on the nature of what is supplied to particular markets, for example tour operators in relation to mass tourism, the most significant units of supply in most locations are SMEs and, often, micro enterprises. It is inconceivable that a visitor to Bulgaria will not encounter such enterprises regularly, probably in the form of a taxi, a shop, a restaurant, a tour or accommodation. The quality of the tourist experience is, therefore, influenced heavily by the quality of the encounter with such businesses. This creates an inter-dependence between tourism SMEs. If this is recognised (and often it is not), it can be harnessed to encourage a degree of co-operative behaviour which reflects the shared interest in successful destination development.

Tourism SMEs are also significant for their economic development potential. This may apply in several ways. First, a flourishing visitor economy – or circumstances where entrepreneurs sense that visitors will be attracted to an area - creates opportunities for new enterprise creation. In the context of alternative tourism, this is important because in some, perhaps notably rural, localities there is little prospect of alternative forms of investment. Though individually such businesses employ few people, collectively the employment generated by businesses reliant on visitor spend can be highly significant. Further, the development of independent businesses can mean that much of the revenue generated by visitors stays in the locality.

Tourism SMEs can also be a source of innovation and help shape destination development. There are celebrated cases internationally where small businesses have created an identity for a destination that has subsequently been harnessed by local municipalities. For example, the Hay-on-Wye book festival in the UK (Johns and Mattsson, 2005) and the ‘UFO town’ in New Mexico (Paradis, 2002). In these and other instances, the distinctive approach or form of the local tourism product was initiated by tourism SMEs. Subsequent development was supported by partnership working between the private and public sector. As Thomas (2007) has recently argued, however, these positive instances of collaboration are not inevitable and engaging SMEs in policy development of this kind can be problematic. Some of the key issues to be addressed are discussed later in this chapter.

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8 Micro enterprises employ fewer than ten people, small enterprises between 10 and 49, medium enterprises employ more than 50 but fewer than 250.
General impression: strengths and weaknesses of current policy and business approaches in Bulgaria

Strengths

The fact that so many actors with an interest in tourism and the visitor economy made themselves available during the five-day OECD study visit suggests a concern to work together to achieve effective tourism policy co-ordination. Indeed, among some stakeholders - though certainly not all - there is an eagerness to develop a coherent approach and an enthusiasm to learn from practice elsewhere. Such attitudes need to be more commonly held if Bulgaria is to develop its ‘alternative tourism’ offer effectively and sustainably.

There is an emerging sense of ‘entrepreneurship’ in the widest sense of the word. This is evident in some parts of the private sector but also among several NGOs and state agencies. A recognition of the need to be creative, innovative, respond positively to opportunities and to work together exists in some quarters. However, it needs to become common practice.

If the serious challenges identified by this study can be addressed, Bulgaria has significant potential for alternative tourism development. Membership of the European Union, a rich variety of cultural offerings, landscapes and urban settings offers the prospect of a variety of tourist offers that could shift the emphasis away from the mass tourism of the Black Sea coast.

Expertise in (aspects of) how to foster entrepreneurship and SME development in support of alternative tourism exists in pockets but is not sufficiently widespread or harnessed effectively at the moment. The prospects for effective intervention will be improved significantly if knowledge from those with expertise can be channelled to a wider audience.

Weaknesses

Bulgaria has not been able to invest significantly in programmes that support entrepreneurship and SME development and may not be in a position to do so for some time. The EU is now an obvious source of funding. That EU ‘regions’ do not seem to feature as important administrative boundaries in the areas visited as part of this study will, however, limit the possibilities of receiving such support. This issue will need to be addressed if the potential revenue from the EU to support regional development (including SME support relating to tourism) is to be maximised.

An area of potentially greater concern for this study is that current governance arrangements in Bulgaria relating to tourism and those relating to entrepreneurship and SME development do not seem to be connected at any level, even though at state level the agencies even share the same building. In the light of what has been outlined in the opening paragraphs of this report, such a situation is unsatisfactory for two reasons. First, it means that SMEs are not considered by the State Tourist Authority (STA) beyond fairly meaningless and mechanistic ‘consultation’ exercises. As a consequence, the STA is not, on the one hand, able to ‘tap into’ the creativity and innovation of tourism SMEs or, on the other, to identify through dialogue what the business development needs of a range of sub-sectors in contrasting locations (notably rural and urban) might be. This represents a significant constraint on effective tourism SME development.

Finding effective means of addressing the skills needs of the sector do not feature as an important aspect of the work of agencies developing tourism. Indeed, there is little (or mixed) evidence that they see this as a problem, or at least a problem that they can tackle. Yet, there are in some cases severe skill shortages that range from the basic customer care type to more advanced technical skills, as well
as skills and knowledge relating specifically to business support. Such lack of skills could constrain a range of entrepreneurial initiatives that may emerge in the tourism sector.

General infrastructure weaknesses in some parts of Bulgaria will hinder the development of alternative tourism. At an SME level, however, perhaps one of the most critical is the lack of access to broadband internet and the use of the internet for marketing and booking purposes. Independent travellers from Western Europe (and increasingly elsewhere in Eastern Europe) will expect to be able to gather information about the tourist offer and the availability of accommodation (often at relatively short notice and for a short stay) quickly and easily from the internet. When enterprises can offer such provision, they are at a significant competitive advantage.

Although there is the suggestion that access to finance limits entrepreneurial activity in the tourism sector, this study found insufficient evidence on this matter to be conclusive. This should not be taken to imply that access to finance is not a problem, but merely that further investigation than was possible during this project is required.

The incidence of corruption as a factor that hinders business development was frequently reported and the research team also identified that informal economic activity is endemic. These factors distort the impact of public policy and will, ultimately, hinder the development of a flourishing, internationally competitive and sustainable alternative tourism sector.

Examples of good practices in Bulgaria

As is indicated below, there are two instances of good practice relating to SME development that have come to light during this study: ‘Authentic Bulgaria’, and the ‘Bulgarian Association of Regional Development Agencies and Business Centres’.

Authentic Bulgaria

‘Authentic Bulgaria’ provides an example of a development project that has the potential to build entrepreneurial skills and, simultaneously, provide a suitable market response to the (latent) demand for alternative tourism products. Authentic Bulgaria is a network of quality certified independent hotels, guest houses and bed and breakfasts throughout Bulgaria. The initiative is funded by USAID (United States Agency for International Development) and currently has some eighty fully assessed members. Assessment for the allocation of a quality mark (bronze, silver or gold, with the possibility of also being awarded a rose for distinction) is based on seven criteria that include amenities, customer service, cultural aspects and business skills. Though there is scope for development, the network also offers a degree of business support/ skills development for owner-managers.

In addition to having a booklet that lists all the accommodation sites with outline details, there is also a well organised web site (www.authenticbulgaria.org) that lists all members and provides links to their web sites. Booking is not available on-line but email addresses are provided for enquiry and booking purposes. The organisation of this network, the quality of provision and the web presence make this an excellent vehicle for addressing demand side (generating visitors) and supply side developments (such as skills and matter relating to business competitiveness).

Bulgarian Association of Regional Development Agency (BARDA)

The Bulgarian Association of Regional Development Agencies and Business Centres (BARDA) provides an example of a programme that is not centrally concerned with developing tourism SMEs (though they are not excluded) but illustrates an approach that might be transferred effectively to the
sector. In effect BARDA is an attempt to deal with the lack of tradition of business support for SMEs. Its mission is to improve ‘the economic environment in Bulgaria through improved entrepreneurial initiative and employment at the regional level’ (BARDA, 2007). In pursuance of this, it has secured funding from the European Union for a variety of projects to strengthen entrepreneurship in Bulgaria. These include the following:

- EU Phare projects: ‘Regional Development Agencies (RDAs) as a tool for enhancing small and medium sized enterprises (SMEs) development within the enlarged internal market’, ‘Capacity building for the accelerated growth of the SME sector in Bulgaria’ and ‘Investing in business incubators in declined industrial areas’; and

- Interreg III: ‘Improving access of SMEs from rural regions to the knowledge and information society’.

To some extent, the actual projects supported are less important than the ‘way of thinking’ that BARDA encapsulates. When engaged in discussion and throughout their documentation, it is evident that BARDA appreciate the need for partnership working, regional and sub-regional (municipality) economic development strategies and they have a wider understanding and engagement with other European Union priorities such as those relating to social inclusion, gender, technology and the environment.

Policy recommendations

In the light of the above and a review of tourism SME research, policy recommendations will be divided into six broad areas as follows:

- The business environment;

- Responding to a diverse sector;

- Strengthening business practices;

- Promoting partnership;

- Reviewing the curriculum; and

- Learning from the EU experience elsewhere.

The business environment

The business environment clearly sets the context within which tourism SMEs are able to flourish or are prevented from doing so. The term ‘business environment’ used in this context is wide-ranging and incorporates the fiscal and regulatory framework that businesses face (including opportunities for and restrictions upon informal economic activity), incidences of corruption, the availability of capital for investment, the availability of skilled labour, and particular kinds of infrastructure issues such as internet access. Clearly, a very detailed consideration of most of these issues went beyond the scope of this study. However, it must be noted that they represent a fundamental consideration for those seeking to foster entrepreneurship and SME development in Bulgaria.
Policy recommendation:

**On-going review and dialogue with key stakeholders about creating a business environment that is transparent, understandable to enterprises and enabling of entrepreneurship.**

**Responding to a diverse sector**

If SMEs are to be supported effectively, it is important to recognise their diversity and, critically, the implications of this variety. SMEs vary in many ways, notably the resources they have at their disposal, their motivations and the extent they are tied to particular places. ‘Resources’ should be conceptualised broadly to include factors such as financial resources, knowledge resources, relational resources (or networks). Each of these will influence the ability of the owner of an enterprise not only to react effectively to particular market opportunities but to be able to identify them in the first place and, as will be discussed below, help influence tourism development locally. The motivations of enterprises will vary from those who are driven by the possibility of growth and expansion to those that are keen to create financial security but little beyond that. It is important for local policy-makers to recognise this diversity; by understanding and responding to motivations, it is more probable that measures to support and encourage entrepreneurship will be targeted appropriately. The entrepreneur’s sense of place is also potentially relevant here. If entrepreneurs are ‘tied’ to particular locations (i.e. if they see their future bound up with the prosperity – or otherwise – of an area) they are more likely to wish to participate in initiatives (or even help shape initiatives) that they feel will deliver such success.

Policy recommendation:

**Recognise the diversity of SMEs and seek to understand more about the characteristics of local businesses. Use such knowledge to encourage participation in local business initiatives. A particular feature should be to encourage various businesses to see themselves as part of a local ‘tourism sector’. Supporting the creation of tourism business networks would be useful in this context.**

**Strengthening business practices**

Small businesses may enhance business performance by adopting particular business practices but in many cases they will need to have opportunities to learn. Developing a policy to enable such learning opportunities is complex and certainly requires an understanding of how owners and managers of SMEs learn. The research literature shows that: learning takes place informally as well formally; participation in formal tourism training schemes is low in Europe; learning is often based on experience and problem solving; the personal skills deficiencies of owner-managers are not necessarily recognised by themselves; social and professional networks represent an important source of learning; knowledge of and engagement with economic development agencies is limited. This appeared to be as true in Bulgaria as elsewhere in the European Union. Policy measures that recognise these factors are required if SMEs are to participate.

Policy recommendation:

**Devises flexible support mechanisms that relate to the world of the entrepreneur rather than mass produced training courses which will not be seen as relevant to their world and development needs.**

**Promoting partnership**

Partnership working is vital if there is to be effective co-ordination between the various actors with an interest in the development of alternative tourism in Bulgaria. In other international contexts,
partnerships have come to represent an important dimension of tourism policy in the fields of marketing and place promotion, training and competitiveness, and sustainability. The principles of effective partnership working have been established by detailed research over the past decade. Some of these principles are as follows: recognition of inter-dependence; a convenor is required that is seen to have legitimacy, expertise, and authority; a shared vision is developed where there is a sense of individual and collective benefits; a shared perception that decisions arrived at will be implemented. It is well documented that SMEs in tourism – and particularly very small enterprises – face obstacles to participation that include lack of time and understanding of the policy-making processes and their relevance to them (Thomas, 2007).

Policy recommendation:

*Develop municipal partnership working that incorporates SMEs. A pre-requisite to effective implementation will be capability and capacity building for the various actors that will be involved.*

Training, the curriculum and the skills agenda

The availability of skills is potentially an important constraint on development. A clear assessment of the strategic skills needs in tourism is required. At a municipal or regional level this should involve attempting to map supply of skills with demand and fill gaps accordingly. The curriculum could also be extended to include entrepreneurship and start-up training at a variety of levels. There is a sense that some of the curriculum followed at specialist colleges is rather dated by European standards.

Policy recommendation:

*Review the curriculum of specialist colleges to make sure that it meets the needs of contemporary tourism businesses. In addition, undertake a skills mapping exercise and develop means for delivering relevant skills to the labour market.*

Learning from the EU experience elsewhere

Other EU member states now have considerable experience of fostering entrepreneurship and supporting SME development. Moreover, many municipalities in socially or economically deprived areas of most established member states have also developed expertise in accessing European Union resources to support tourism SME programmes (usually as part of a wider social/regional development agenda). Some organisations in Bulgaria have also secured such EU finding (BARDA, 2007) but far more could be achieved.

Policy recommendation:

a. Review current practice of business support options available by finding out more about practice elsewhere.

b. Identify municipalities in other countries with experience of how to secure EU finance for support projects, and learn from them.
International learning models in OECD countries

The Institute for Enterprise, Leeds Metropolitan University, United Kingdom

Description of the approach

The Institute for Enterprise at Leeds Metropolitan University, United Kingdom, is a national centre for excellence in enterprise teaching and learning (CETL). The Institute works with a range of regional partners and across all university departments to pioneer cultural change, whereby enterprise is seen as relevant to all university students. ‘Enterprise’ is defined broadly as an ‘employability skill’ (i.e. one that will be relevant to anyone in the workplace) as well as those seeking to start-up or work in SMEs.

To achieve its goals, the Institute brings together the following stakeholders regionally: local SMEs, policy-makers, professions that relate to business (notably law, accounting, and banking), the National Council for Graduate Entrepreneurship, Small Business Service, the regional development agency, regional colleges and universities, and NGOs with an interest in its work.

Though working across all sectors, the Institute provides support for sector specific activities. Two contrasting examples that relate to tourism entrepreneurship and SME development are as follows:

- A regional symposium that will bring together key actors with a view to enhancing the regional benefits to SMEs of hosting major and minor events and festivals in the region: [http://www.leedsmet.ac.uk/lsif/events/beyond/index.htm](http://www.leedsmet.ac.uk/lsif/events/beyond/index.htm)

- A project to support start-up and business development for tourism events businesses. Funded as part of an EU project, the activities include a business ideas competition (prize of approximately €10 000 to develop the idea), business incubators and business support for local tourism and events businesses: [http://www.leedsmet.ac.uk/international/the/E98B5C0DA17143BFAA68B3D95B23E56B.htm](http://www.leedsmet.ac.uk/international/the/E98B5C0DA17143BFAA68B3D95B23E56B.htm)

Rationale for the policy intervention

The rationale for the Institute is that the student population, especially at a higher level, offers significant entrepreneurial potential. In many instances, however, such potential remains latent. The creation of opportunities to encourage development of ideas, making connections with those who are able to nurture new entrepreneurs and to help create supportive networks is intended to convert the latent potential into new business formation and subsequent growth.

Why the approach is relevant to Bulgaria

One of the challenges facing Bulgaria is its lack of tradition of entrepreneurship. The education sector at all levels can play a part in changing attitudes by enabling greater understanding of the key dimensions of entrepreneurship and empowering people to start businesses. This is most appropriately undertaken at a higher level initially because students will be nearer to entering the labour market and are more likely to have the intellectual maturity required. This model could work effectively even in rural contexts but would require the creation of a carefully considered outreach strategy.
Reasons for the success or failure of the approach

The approach is successful because it utilises the skills of highly capable, creative and adaptable staff, the Institute values strong regional networks that are embedded in its approach, and has access to sufficient financial resources to develop and promote various projects. If one of these were not present, the Institute would have far less of an impact than at present.

The obstacles faced in implementation and the quality of the response taken

The Institute faced numerous challenges when attempting to develop this idea. Perhaps surprisingly, these were not from agencies that were invited to join the network (probably because they could see a role for their organisation in the Institute’s mission and felt they would benefit from participation). The main challenge was to overcome the potentially negative attitudes of those that were ‘gatekeepers’ to students and their curriculum i.e. those members of staff that were reluctant to incorporate an element of fostering entrepreneurship into the experience of the students that they were responsible for. This was overcome by a mixture of providing events that were additional to the curriculum and funding ‘pioneers’ in various departments that sought to show how entrepreneurship might be included in the work of departments.

Considerations for successful adoption in Bulgaria

There are several key success factors that would need to be addressed if this idea were developed in some regions of Bulgaria. These include appropriate training for the personnel who would be leading the initiative (probably drawing on international experience), the development of strong networks that would bring the potential entrepreneurs together with professionals (banks and other agencies that will influence the success of the new businesses), and the creation of an on-going dialogue between new start-up businesses and the Institute. The approach will not work without sufficient financial as well human resources.

Contact details and website for further information

Contact: Alison Price, Director
Web-site: http://www.lmu.ac.uk/enterprise/html/about.htm
E-mail: enterprise@leedsmet.ac.uk

European Tourism Learning Areas

Description of the approach

Tourism learning areas aim to strengthen the performance of various tourism stakeholders – especially but not exclusively SMEs - via the creation of networks of learning. Tourism learning areas should be seen as local co-operation platforms for learning and qualification of tourism professionals where informal (networked) learning opportunities are seen as important as more formal approaches.

The core idea is that by encouraging innovative practices via continuous learning among employers, tourism learning areas will upgrade the skills of those working in the tourism industry, create a sectoral identity which reflects common interests, and ultimately boost competitiveness.
An essential feature of learning areas is the participation of all local stakeholders. This involves dialogue between business support agencies, training institutions, tourism industry representatives and public authorities. It is widely recognised that regional public policy-makers play a key leadership role, particularly by encouraging learning centres to foster innovative and entrepreneurial potential.

There are various ways of structuring tourism learning areas depending upon the preferences of local stakeholders. The development of a web-based system for creating a learning presence would be recommended. Such a web site would be interactive (e.g. message boards, discussion forums), contain details of events (e.g. training programmes) and specific initiatives (e.g. schemes to encourage networking or mentoring) and the contact details of members.

**Rationale for the policy intervention**

Traditionally, tourism SMEs do not engage in formal learning, offer few training opportunities to their staff and do not engage easily with public agencies. The rationale for setting up a learning area is that issues such as quality, ICT, skills, marketing and customer focus, and other business practices are placed firmly on the agenda of SMEs by encouraging reflection on good practice. One of the key aspects of learning areas is that they make training (learning) more accessible to SMEs by seeking to build provision in partnership with them and around their ‘world’ rather than in the ‘world of the trainers’. One of the key benefits is that this is more likely to yield a higher rate of participation than traditional approaches to developing skills and encouraging learning.

**Why the approach is relevant to Bulgaria**

The approach is relevant to Bulgaria because it provides a framework for developing co-operative, market-responsive skills and learning provision that does not exist at present. It is sufficiently adaptable to accommodate local differences yet has a coherence that will be replicable in the Bulgarian context.

**Reasons for the success or failure of the approach**

The approach requires strong partnership arrangements, a sense of moving forward for all key partners, and resources to develop key features of the learning area. A ‘champion’ will also probably be a prerequisite to success. This implies a degree of capability building with potential champions prior to trying to establish a learning area.

**The obstacles faced in implementation and the quality of the response taken**

There are numerous potential obstacles, ranging from lack of resources to a lack of commitment. In practice, existing resources can be used in different ways if there is sufficient buy-in to the idea of establishing a learning area. Since a fundamental aspect of the concept is one which is comprehensive (incorporating stakeholders that do not always engage comfortably with each other), the biggest obstacle is that of gaining widespread (genuine) support for the project.

**Considerations for successful adoption in Bulgaria**

Experience suggests that the idea of a learning area will not be readily understood by all potential participants immediately. It is recommended, therefore, that a small core group is established at the beginning and that a champion (probably from the public sector) takes a lead in developing the initiative. A significant challenge will be to explain and justify (‘sell’) the concept and illustrate by use
of good practice from elsewhere in Europe. The ‘knowledge network’ can then be developed incrementally alongside a web presence.

Contact details and website for further information

A European Union handbook which contains details of how to set up a learning area and provides some case studies can be found by following the link:

Web-site:  http://ec.europa.eu/enterprise/services/tourism/studies_and_publications.htm

Hawke’s Bay Wine Country Tourism Association, New Zealand

Description of the approach

In response to a proliferation of small ineffective brands, Hawke’s Bay Wine Country Tourism Association was established as a membership association to create a strong market presence for the region. Emerging from Hawke’s Bay Food and Wine Tourism Group, as it grew it merged with the Hawke’s Bay Tourism Association. Though apparently built around wine tourism, the brand now encompasses art deco, food, wine and relaxing lifestyles. The membership is drawn from any business that sees itself part of the tourism sector or sees the importance of tourism to the regional economy.

The association is primarily concerned with marketing, and enables SMEs to benefit from being part of a larger brand presence. It undertakes a range of promotional activities that range from exposure on television to events that attract visitors, with more mundane activities such as promotional leaflets in between. A significant proportion of its work involves participating in trade fairs where, depending on the particular event, the destination is promoted directly to potential consumers or to tour operators.

In addition to the marketing, the association is keen to enhance the competitiveness of tourism businesses within its area. Consequently, it organises business development programmes to help professionalize smaller operations. There are courses, workshops and one-to-one coaching opportunities that deal with effective business planning and management of resources – including human resources – with the intention of generating growth. It is emphasised that provision is designed and delivered in accessible ways that suit the local SME community. These activities are generally free to association members.

The association also seeks to lobby on behalf of the tourism sector. It is actively involved, therefore, in commenting directly to policy-makers about the consequences of measures that might be introduced and what they consider to be appropriate means of supporting tourism development.

Rationale for the policy intervention

The rationale for the approach rests in the perceived fragmentation of the brand and the need to enhance the competitiveness of SMEs within the region. Public sector support ensures that the association of entrepreneurs is able to develop its capability and capacity in a manner that might otherwise have taken longer to occur or, indeed, may not have developed as effectively.
Why the approach is relevant to Bulgaria

This approach is considered particularly relevant to Bulgaria because if alternative tourism is to flourish, it must be developed and presented in ways that can be readily understood by consumers. In this case, it is wine (obviously because it is a wine growing area) but the theme will reflect local resources/ attractions. This might be the wildlife, walking, sport, wine, crafts or any manner of things that can be determined locally. The approach is also valuable because it will provide opportunities for business learning which, given the relative novelty of the free market in Bulgaria, will help compensate for a lack of entrepreneurial tradition.

Reasons for the success or failure of the approach

The approach requires foresight and local leadership. In Hawke’s Bay this emerged from one or two key individuals. If local business leader do not emerge, the approach is unlikely to succeed. In reality, it is likely that they will emerge in some places and not in others. Public policy to support the establishment of such associations would enhance the chances of successful development. Another factor that will influence success or failure is the coherence of the unifying brand. Although Hawke’s Bay has become much more than a wine region, the centrality of wine to the brand proposition was very clear. If messages are ambiguous or unrealistic, consumers will probably be confused or not persuaded, and membership will not flourish.

The obstacles faced in implementation and the quality of the response taken

Hawke’s Bay Wine Growers Tourism Association grew out of dissatisfaction with how the area was branded and promoted. Yet, there was a tradition of public and private sector organisation and collaboration to address the challenges of managing the various dimensions of tourism effectively. This served them well and enabled the development of current arrangements.

Considerations for successful adoption in Bulgaria

Such a tradition does not exist in Bulgaria. Indeed, there is often suspicion concerning the motives of different (potential) partners. This will need to be overcome at the appropriate level (probably regional or, at least, municipal) if initiatives such as this are to succeed. Funding to start the process of association formation will be essential and joint funding (and working) with the public sector thereafter. Encouraging private sector leadership – a key feature of this approach – will probably also require something of a cultural shift amongst local or regional policy-makers.

Contact details and website for further information

Further details of the activities of Hawke’s Bay Wine Country Tourism Association can be found at:

Bibliography


Bulgarian Association of Regional Development Agencies and Business Centres (BARDA) (2007), untitled review of activities.

