



NATIONAL OPEN UNIVERSITY OF NIGERIA

SCHOOL OF MANAGEMENT SCIENCES

COURSE CODE: TSM 442

COURSE TITLE: TOURISM ENTREPRENEURSHIP

COURSE GUIDE

TSM 442 TOURISM ENTREPRENEURSHIP

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TSM 422 Tourism Entrepreneurship

Course Guide

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Introduction

TSM 422 is a semester course work of 2 credit units. It will be available to all students taking the B.Sc. Program in the School of Management Sciences (SMS).

This course of 15 units consists of tourism entrepreneur. The course guide tells you what the course TSM 422 is all about, the materials you will be using and how to make the best use of the materials to ensure desirable successful outcome.

Other information that contained in the course includes how to make use of your time and the information on the Tutor Marked Assignment (TMA). There will be tutorial classes for students in 100-200 levels. Full details, concerning the tutorial classes will be conveyed to you at the appropriate time.

What you will learn in this course

This course content is composed of the definitions of tourism units, visitors, tourists entrepreneur venture, travelers, various types of visitors, classification of trips and tourism are amongst all that you will learn. It will also explain the meaning and perspectives of related traveling businesses, Scope, visitors and travelers' background, historical perspective of tourism, general international environment of tourism. It also

provides you with skills in managing challenges confronting entrepreneurial tourism ventures and experience.

Sources of Tourism expenditure and demand for services by tourists

Tourism also draws tourists to Attractions, Sites and Hostels of History. It further favors the drive of competition to collaboration in the tourism industry. Dynamism of entrepreneur & uncertainty concept as well as Sustainable tourism development and entrepreneurial team role and the stages of growth cycle in entrepreneurial venture were distinctively elaborated in the units within the module.

It also unravels entrepreneur tourism as vital component of the economy

And the role and types of entrepreneur venture in global environment aligning with Strategic Management & Information Technology in tourism new program.

Apart from major initiative development & motivation leading to choosing entrepreneur in tourism as a career path, it also unraveled the factors responsible for success trail.

The materials also emphasize the importance of Mintzberg model of strategic decision making for entrepreneur ventures and highlighting entrepreneurial characteristics & key to sub-stages of successful business development in hospitality industry.

Some special contributions of entrepreneur tourism venture to the economy were listed along with positive impact created thereafter.

And indicates how to manage entrepreneur tourism challenges and experience that may arise from time to time. Your interest will also be drawn to the importance of the Role of Relationships building of tourists and hosts experience at destination, Tourism and Sustainable developments, addressing in tourism destinations through planning and implementation of strategic management policies application and monitoring program plan effectiveness.

Finally you will read general tourism challenges management and the future of the tourism business and prospect of the tourism entrepreneur

COURSE AIM

The salient purpose of this course *TSM 422 Tourism Entrepreneur*, amongst others, is

to give you total emersion with critical thinking skills you need and knowledge you require, tools, and organizational agility and preemptive penetrative strategic communication skills, core competencies and prowess that are essential in today's entrepreneurial venture tourism business taking place in an increasingly technological-based fast global travel and tourists industry. You will also be acquainted with the nature, structure, role, applying economic and marketing concepts, achieve benefits, face challenges and know how to ameliorate the barriers, effect effective and efficient operation of tourism entrepreneur businesses. At the end, you should be able to swiftly fit in professionally and ethically into busy information technology highway of travel and tourism businesses. You will pursue relentless profitability with key success criteria and achieve competitive advantage in tourism industry, while keeping pace with vision and collaborative zeal for sustainable tourism development.

COURSE OBJECTIVE

The Objective will be achieved by:

- Explaining the scope, definitions, meaning, concept and structure of formation of tourism entrepreneurship ventures and various related tours, travels and visitors classifications, purpose of trips, mode of trips, location , duration and mode of transportation in tourism business in general and Nigeria in particular.
 - Identifying types of inbounds and domestic classification of tourism and liaise with travel and stakeholders organizations in passages planning processes and businesses identification and the composition of aviation and airline passages. Be able evaluate reason for going into tourism entrepreneur ventures and perhaps collaboration and travel business and how to establish them, how to develop sustainable global tourism, marketing strategic alliance and provision of tourists and visitors services and destinations and review problems and prospects for the future.
- Defining and elaborating on meaning of entrepreneur tourism and sustainable development. Addressing other related issues in tourism destinations through

initiative of critical growth management principles and implementation of proactive communication driven - strategic implementation of ideas that act as catalyst that enriches the goals, objectives and strategic intent realization of competitive advantage within entrepreneurial venture tourism industry.

- Stating and presenting unique contribution and economic benefits and social impact of tourism business to the Nigerian economy.
- Demonstrating vivid understanding of significance of imbibing and upholding high professional and ethical standards and conduct across board and in all ramifications. Exhibiting Ethical consideration in sustainable Tourism, in implementation of policies, in planning, organizing, programming and evaluation and monitoring compliance of corporate strategies, human capital, social capitals and social responsibilities of tourism businesses initiatives and change management policies. Toward accomplishment of meaningful entrepreneurial tourism ventures.
- Identifying domestic and suitable entrepreneur venture tourism issues, development of strategic approaches to tourism solution. Understanding classification of travel and passages planning, global category of travel & targeting Segments in the travel industry. Explaining the meaning of incidence of travel, phenomenon of tourism concept.
- Describing what entrepreneur venture tourism is all about to a stranger and novice and how data is gathered and measured in tourism. Differentiate between tourists, various types of travelers and other kinds of visitors. Explain the relevance of tourism in development of a nation. Identify why you should study tourism and state compelling reason why "traveling is generally held as important part of education".
- *Explaining* the meaning of and impact of venturing into entrepreneurial tourism business as it relates to tourism and *discuss* the importance of marketing concept in tourism, *identify* the significance of collaborative strategy in aviation & tourism industry and explain your *understanding* of the concept of collaborative competitive advantage and *explain* the importance of driving force underlining globalization as it relates to tourism. *Discuss* the importance of risk concept in tourism and *identify*

the essence of collaborative synergy in multinational hotels and other recreational institutions in tourism.

- Discussing some social and other related economic policy issues & Good Model Community Participation, analyzing the meaning of relationship building in tourism and be able to explain the importance of building relationship with tourists and hosts and identify some challenges individuals may have establishing relationship with host. Understand why positive and friendly relationship in tourism is everything.
- Understanding and know how to relate the economic influence, *socio-cultural Influence of English and Western Tourism*, Socio-cultural influence, psychological influence, intellectual influence and environmental influence on global tourism and its impact on Alternative Tourism.
- Knowing the salient role and demonstrate your understanding of the relevance of technological motivations and competitive advantage role as catalyst for change and efficiency in tourism market segmentation at destination location. Be able to identify the *market entry and market position-related motives*, gain access to new international markets, circumvents barriers to entering international markets posed by legal, regulatory, or political factors.
- Demonstrate your understanding on how to promote the marketing of cultural tours and values in entrepreneur venture tourism.
- Highlighting factors relevant in promoting tourism entrepreneurship in development of social justice and be able to discuss how activities of tourism create employment (direct and indirect).
- **COURSE MATERIALS**
- The course Guide
- Study Units
- Text books Journals, conference papers and others
- Intellect resources to which you will be referred
- The Assignment file

. Tutor-marked Assignment

STUDY UNITS

There are 15 Units of this course which should be carefully studied and understood in an ascending order.

Unit 1 Definition of tourism units & Scope of Entrepreneurial tourism venture

Unit 2 Sources of Tourism expenditure & demand for services by tourists

Unit 3 Dynamism of entrepreneur & Uncertainty concept

Unit 4 Sustainable Tourism Development

Unit 5 Entrepreneurial Team Role

Unit 6 The stages of growth cycle in entrepreneurial venture

Unit 7 Entrepreneur tourism as vital component of the economy

Unit 8 Role and types of entrepreneur venture in global environment

Unit 9 Strategic Management & Information Technology in tourism

Unit 10 New program major & choosing entrepreneur in tourism as a career path
& Success Trail

Unit 11 Mintzberg model of strategic decision making for entrepreneur ventures

Unit 12 Entrepreneurial characteristics & key to sub-stages of business
development

Unit 13 Special contribution of entrepreneur tourism venture to the economy

Unit 14 Managing entrepreneur tourism challenges and experience

Unit 15 Prospects and the future of entrepreneurial venture in tourism

The first five units (1-5) are designed to give you a total emersion in tourism entrepreneur venture background information and issues. It includes, scope, definitions, meaning, classification and categories of tourism, travel, tours, visitors, sustainable development and structure of tourism instruments and services and strategic tourism

management.

It is also unravel key factors for achieving competitive advantage through entrepreneurial venture tourism collaboration, visiting great attractions, seeking profitability and sustainable development in global tourism.

It acquaints you with the necessary background knowledge required of a would-be-tourism entrepreneur and manager, or international tourism Director or policy and decision makers in travel and tourist business as well as tourism industry.

Units 6 to 10, introduces you to the significance application of stages of business growth. With strategic management model approach in a role model perspective in evaluating economic impact of entrepreneurial venture in tourism and application of Travelers & Strangers. It deals with types of entrepreneur venture, new program major and choosing entrepreneur as a career path and success trail.

Units 11 to 15 focus attention on essence of developing appropriate enabling environment for sustainable development in entrepreneur venture tourism business. It analysis the strategies and polices in tourism entrepreneur venture and sustainable development, tourism development at destinations and ensuring effective implementation of growth management initiatives. These last units also deals with other group of travels and targeting segment in travel industry, as well as explaining the phenomenon of tourism concepts and factors that play vital roles in tourism environment. These units also introduces you to the imperatives of empirical market segmentation at destination, providing employment and income redistribution to local residents and host nations, which in turn creates employment and raise foreign exchange, thereby rejuvenating and stimulating the economy of host nations.

Besides, the significance of Mintzberg model of strategic decision making for entrepreneur ventures were highlighted and entrepreneurial characteristics & key to sub-stages of business development and special contribution of entrepreneur tourism venture to the economy is being elaborated. However, outlined also are

key criteria in managing entrepreneur tourism challenges and experience. Finally, the prospects and the future of entrepreneurial venture in tourism were clearly discussed.

Each study unit will take at least **two to three hours** of serious concentration and reading commitment and it includes the introductions, objectives, main content, exercises, conclusion, summary and references. Others are the **Continuous Assessment (CA) which is also called Tutor Marked Assignments (TMA)**

You are required to study very hard at all times the materials and reflect on them and do the exercises appropriately. Some of the exercises will require that you familiarize yourself with visit to some entrepreneurial tourism ventures, travel and tourist location and tourism firms and some global tourism ventures within your community and observe their operations for yourself. It is extremely important that you initiate a visit to any travel and global tourists' business concern and visitors' attraction centres and multinational hotels & resort within your vicinity. You are also encouraged and strongly advised to study the text books and other recommended references.

ASSIGNMENT FILE /EXERCISES

In each unit, you will find *Self-Assessment Questions and Answers to Self-Assessment Questions*, as well as Continuous Assessment (CA) which you are required to do. The exercise will enable you to understand and demonstrate better what you have learned.

COURSE ASSESSMENT

1. Tutor Market Assignment (TMA)

In doing the *Tutor marked assignments as your Continuous Assessment (CA)* you are expected to apply what you have learnt in the contents of the study unit. The assignments are expected to be turned in to your tutor for grading. They constitute 30% of the total score.

2. Final Written Examination

At the end of the course, you will write final examination. It will attract the

remaining 70%.

This makes the final score to be 100%.

Summary

The course ***TSM 422 Tourism Entrepreneur*** gives you a total emersion on venturing into tourism entrepreneurship and collaborative tourism's nature, scope of management of travel, tourists and operational concept of tourism and hospitality industry. This course also introduces and exposes you to the understanding and knowledge of various salient tools and critical analytical skills, managerial prowess, procedures and strategic intent drives of *change- management skills* that will aid you, in the managing and ameliorating tourism entrepreneurship ventures issues and challenges. The preparation you need in planning, organizing and implementation of tourism administrative and management initiatives and policies you need in reaching realizable objective and goals of effective strategically planned program implementation for tourists business activities.

It will also avail you opportunity to understand the parameters for formation, establishment, operations, management and running the tourist entrepreneur venture business profitably and efficiently. By the time you complete this course, you would have armed yourself with the necessary managerial skills, result-driven initiatives, tact, political acuity, proactive communication-driven strategy and continuous improvement-driven skills with organizational agility to manage entrepreneur tourism business successfully, even at turbulent economic times anywhere in the world.

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UNIT 1 **The definition** of tourism units & Scope of Entrepreneurial tourism venture

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UNIT 1 The definition of tourism units & Scope of Entrepreneurial tourism venture

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1.0 Introduction

One of the major issues in gauging tourism's total economic impact is the diversity and fragmentation of the industry itself. Besides foregoing, William *Theobald* opined that this problem is compounded by the lack of comparable tourism data since there has been no valid or reliable means of gathering comparable statistics. He proposes that the varying definitions of tourism terms internationally, and the complex and amorphous nature of tourism itself have led to difficulty in developing a valid, reliable, and credible information system or database about tourism and its contribution to local, regional, national and global economies.

The author William Theobald provides an introduction to the context, meaning and scope of tourism beginning not simply with basic definitions, but also a discussion on the derivation of those definitions. This leads to sections on how tourism data is gathered, measures of tourism, basic tourism units, and classification of both tourism supply and demand. Finally, he chronicles the major international developments that have occurred between 1936 and 1994 whose objectives were to reduce or eliminate the incomparability of gathering and utilizing tourism statistics.

2.0 Objectives

At the end of this unit, you should be able to:

Describe what tourist & tourism is all about and how tourism data is gathered and measured

Define tourism, a traveler and a Visitor

Explain the relevance of tourism in development of a nation

Identify why study tourism and importance of travel as part of education

Understand the meaning of purpose of trip, distance travelled, and duration of trip and mode of transportation.

Discuss and differentiate between Domestic and Inbound tourism

3.0 Main Content

3.1 Historical Perspectives of entrepreneurial Tourism

Fyall and **Garrod** opined that Travel has existed since the beginning of time when primitive man set out, often traversing great distances, in search of game that provided the food and clothing necessary for his survival. Throughout the course of history, people have travelled for purposes of trade, religious conviction, economic gain, war, migration, and other equally compelling motivations. In the Roman era, wealthy aristocrats

and high government officials also travelled for pleasure. Seaside resorts located at Pompeii and Herculaneum afforded citizens the opportunity to escape to their vacation villas in order to avoid the summer heat of Rome. Travel, except during the Dark Ages, has continued to grow, and throughout recorded history has played a vital role in the development of civilizations.

Tourism as we know it today is distinctly a twentieth-century phenomena. Historians suggest that the advent of mass tourism began in England during the industrial revolution with the rise of the middle class and relatively inexpensive transportation. The creation of the commercial airline industry following World War II and the subsequent development of the jet aircraft in the 1950s signaled the rapid growth and expansion of international travel.

3.1.1 Scope and Definitions of Entrepreneurial Tourist and Tourism

It is extremely difficult to define precisely the words *tourist* and *tourism* because these terms have different meanings to different people, and no universal definition has yet been adopted.

For example, *Webster's New University Dictionary* defines **tourism** as 'traveling for pleasure; the business of providing tours and services for tourists,' and **a tourist** as 'one who travels for pleasure.'

These terms are inadequate synonyms for travel, and their use as such adds further confusion when the field of travel is variously referred to as the *travel industry*, the *tourism industry*, the *hospitality industry*, and most recently, the *visitor industry*. Why is so much attention given to these definitions?

According to Gee, Makens, and Choy (1997), the concern is from both an academic and a practical perspective.

'First, travel research requires a standard definition in order to establish parameters for research content, and second, without standard definitions, there can be no agreement on the measurement of tourism as an economic activity or its impact on the local, state, national or world economy.'

Therefore, comparable data are necessary requisites, *Global Tourism* and identical criteria must be used in order to obtain such data. For example, in North America, the U.S. Census Bureau and the U.S. Travel Data Center's annual travel statistics consider only those trips taken that are 100 miles or more (one-way) away from home.

However, Waters (1987) argued that this criteria is unreasonably high, and proposed instead in his annual compendium on travel that similar to the U.S. National Tourism Resources Review Commission's guidelines (1973), distances of 50 miles or more are a more realistic criteria.

On the other hand, the *Canadian government specifies that a tourist is one who travels at least 25 miles outside his community*. Therefore, each of these four annual data sets is quite different, and which (if any) contains the most accurate measurement of tourism activity?

The United Nations (UN) was so concerned about the impossible task of compiling comparative data on international tourism that they convened a Conference on Trade and Development, which issued guidelines for tourism statistics (UNCTAD Secretariat, 1971).

The ensuing report suggested that the functions of a comprehensive system of national tourism statistics could serve:

(a) To measure from the demand side the volume and pattern of foreign (and domestic) tourism in the country (as well as outgoing tourism),

(b) To provide information about the supply of accommodation and other facilities used by tourists, and

© To permit an assessment to be made of the impact of tourism on the balance of payments and on the economy in general. Therefore, accurate statistical measurement of travel and tourism is important in order to assess its direct, indirect, and induced economic impacts; to assist in the planning and development of new tourist facilities and resources; to determine current visitor patterns and help formulate marketing and promotional strategies, and to identify changes in tourist flows, patterns, and preferences.

3.1.2 Visitors , Tourists and Entrepreneurial Tourism Definitions

Fyall and Garrod supported the definitional view that (i) *Visitor (V)*: Any person travelling to a place *other than that of his/her usual environment for up to 12 months* and whose main *purpose of trip* is leisure, business, pilgrimage, health, etc., other than the exercise of an activity remunerated from within the place visited or migration. Transport Crew and Commercial Travelers (even those travelling to different destinations over the year) may be regarded as travelling in their usual environment and excluded from visitors (Transport Crew are usually excluded from Frontier Control), also those travelling year round (or most the year) between two places of residence (e.g., weekend homes, residential study).

(ii) *Tourist (T, stay-over/overnight)*: A visitor staying at least one night in the place visited (not necessarily in paid accommodation).

(iii) *Same-day visitor (SDV, Excursionist, Day-visitor)*: A visitor who does not stay overnight in the place visited, e.g.:

(a) *Cruise Visitor* (CV), who may tour for one or more days, staying overnight on the ship (includes foreign naval personnel off duty).

(b) *Border Shopper* (BS), who may have high expenditures on purchases of food, drink, tobacco, petrol, etc.; excluding border workers.

(iv) *Travelers*: Visitors and (a) *Direct Transit Travelers* (DT, e.g., at an airport, between two nearby ports);

(b) *Commuters*, routine travel for work, study, shopping, etc.; (c) *Other Non-commuting Travel* (ONT), e.g., occasional local travel, transport crew or commercial traveler (to various destinations), migrants (including temporary work), diplomats (to/from their duty station).

(v) *Passengers* (PAX, Revenue): Travelers excluding crew, nonrevenue (or low revenue) travelers e.g., infants, free or travelling on a discount of up to 25%.

(vi) *Tourism*: The activities of visitors, persons travelling to and staying in places outside their usual environment for up to 12 months for leisure, business, pilgrimage, etc. (a) *International*: (i) Inbound, (ii) Outbound: may include overnight stay(s) in country of residence, (b) *Domestic* (in country of residence).

(vii) *Tourism Industry*: Establishments providing services and goods to visitors, including: (a) *Hospitality* (hotels, restaurants, etc.), (b) *Transport*, (c) *Tour Operators* and *Travel Agents, Attractions*, (d) Other branches of the economy supplying visitors (some of these may also provide a significant volume of services and goods to non-visitors, and the proportion of revenue etc. due to visitors is important in estimating receipts from tourism).

(viii) *The Travel and Tourism Industry* (TTI): The tourism industry (and receipts from tourism, etc.) together with the provision of goods and services by establishments to other non-commuting travelers occasional local travelers, etc.

3.1.3 The Structure and Dimensions of Travel

Although technical definitions such as suggested previously should be applicable to both international and domestic tourism, such definitions are not necessarily used by all countries with respect to domestic tourism. However, most have adopted the three elements of the international definition, as expressed by Dunn:

(i) purpose of trip,

(ii) distance travelled, and

(iii) duration of trip. In addition, two other dimensions or elements are sometimes used to define travelers. One that is often used is

(iv) residence of traveler, and one that is used less often is

(v) mode of transportation.

(i)*Purpose of trip*: The notion behind this tourism dimension was to include the major components of most travel today. However, there are a number of destination areas that only include non-obligated or discretionary travel in defining tourists. They view only leisure travelers as tourists, and purposely excluded travel *solely* for business purposes.

However, one might well argue that business travel is often combined with some amount of pleasure travel. In addition, business travel to attend meetings or conferences should be included because *The meaning, scope, and measurement of travel and tourism* it is considered to be discretionary travel rather than part of the normal, daily business routine.

(ii) *Distance travelled*: For statistical purposes, when measuring travel away from home (nonlocal travel), a number of national, regional, and local agencies use total round-trip distance between place of residence and destination as the distinguishing statistical measurement factor. As indicated earlier, these distances can and do vary from zero to 100 miles (0 to 160 kilometers). Therefore, attractions that are less than the minimum prescribed distance(s) travelled are not counted in official estimates of tourism, thereby creating both artificial and arbitrary standards.

(iii) *Duration of trip*: In order to meet the written criteria for defining travellers, most definitions of tourists and/or visitors include at least one overnight stay at the destination area. However, this overnight restriction then excludes many leisure-related one-day trips that often generate substantial business for attractions, restaurants, and other recreation resources.

(iv)*Residence of traveler*: When businesses attempt to identify markets and associated marketing strategies, it is often more important for their business to identify where people live than to determine other demographic factors such as their nationality or citizenship.

(v) *Mode of transportation*: Used primarily for planning purposes, a number of destination areas collect information on visitor travel patterns by collecting information on their mode of transportation, such as air, train, ship, coach, auto, or other means. Finally, according to Williams and Shaw (1991): Each national tourist organization may record different types of information. For example, duration of stay, mode of travel, expenditure, age, socioeconomic group, and number of accompanying persons are all important aspects of tourism but these are not recorded in all tourist enumerations.

3.1.4 Major Developments of Travel and Entrepreneur Tourism

The growth of world receipts from international tourism that occurred between the two world wars led to the need for a more precise statistical definition of tourism. An international forum held in 1936, The Committee of Statistical Experts of the League of Nations, first proposed that a 'foreign tourist' is one who 'visits a country other than that in which he habitually lives for a period of at least twenty-four hours.' In 1945, the UN (which had replaced the League of Nations) endorsed this definition, but added to it a maximum duration of stay of less than six months. Other international bodies have chosen to extend this to one year or less.

A UN Conference on International Travel and Tourism held in Rome in 1963 and sponsored by the International Union of Official Travel Organizations (IUOTO) (now the WTO) recommended that a new word, **'visitor' be adopted, which would define tourists as 'any person visiting a country other than that in which he has his usual place of residence, for any reason other than following an occupation remunerated from within the country visited.'** Visitors included two distinct categories of travelers:

(1) tourists: temporary visitors staying at least 24 hours in the country visited, and whose purpose was for leisure, business, family, mission, or meeting; and

(2) excursionists: temporary visitors staying *less* than 24 hours in the destination visited and not staying overnight (including cruise ship travelers). Since 1963, most world nations have accepted the definitions of *visitor*, *tourist*, and *excursionist* that were proposed by the UN Conference and many of the revisions made subsequently.

At their 1967 meeting in Geneva, the UN Statistical Commission recommended that a separate class of visitor be established.

Tourists stay at least 24 hours, but because some visitors take excursions then return back to their place of residence the same day, they were to be called, 'excursionists.' This group included daily visitors with purposes other than employment, cruise passengers, and visitors in transit.

Excursionists could be easily distinguished from other visitors because there was no overnight stay involved.

The definition of the term visitor, refined in 1963, refers to only international tourism. However, although it is more difficult to measure, it is quite obvious that it is also applicable to national (domestic) tourism as well. For example, in 1980, the WTO's Manila Declaration implicitly extended the definition to all tourism. According to Bar On (1989), the Working Party on Tourism Statistics of the WTO Commission for Europe agreed that recommendations on domestic tourism, although narrower than international tourism, were nevertheless compatible. These definitions have undergone subsequent refinements, and it would appear that the WTO/UN definition of tourism should have created a uniform basis for collection of standardized tourism data. Although the majority of countries use these definitions, unfortunately, not all adhere to them.

3.2 Classification of Travelers Segments of Tourism

An extended classification system of tourism demand delineating the main purpose(s) of visits or trips by major groups was developed based on that first proposed by the UN (1979) (Figure 1.3). This system was designed to help measure the major segments of tourism demand for planning and marketing purposes.

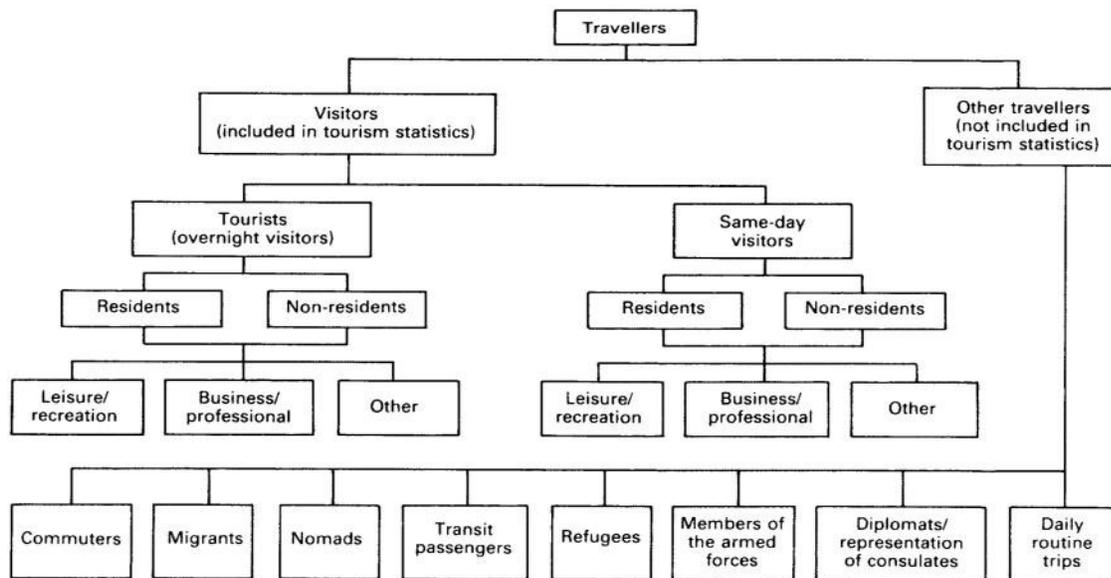


Figure 1.3: Classification of travelers.

Source: World Tourism Organization and the Travel and Tourism Research Organization.

3.2.1 The major groups purposes for tourists and travelers visitation and travel

The major groups are inclusive of the following:

1. Leisure, recreation, and holidays;
2. Visiting friends and relatives;
3. Business and professional;
4. Health treatment;
5. Religion/pilgrimages; and
6. Other (crews on public carriers, transit, and other or unknown activities).

3.2.2 Other measures of tourism demand enumerated.

The demand enumerated were;

1. Duration of stay or trip,
2. Origin and destination of trip,
3. Area of residence or destination within countries,
4. Means of transportation, and
5. Tourism accommodation.

Each of these demand measures was first defined, then where possible, specific examples of each were indicated. Paci (1992) argued however, that not only tourism demand should be considered,

but more importantly, tourism ‘must seek to more clearly delineate a supply-based conceptual structure for its activities because that is the source of most national economic statistics.’ When incorporated into supply-based statistics, the relationship and relative importance of tourism to other economic sectors can be more easily recognised. In addition, Paci pointed out that because such a system would not only foster and provide for greater comparability among national tourism statistics, but would also ‘provide statistical linkage between the supply side of tourism and the demand side.’

Self Assessment Questions

From your understanding of this unit, explain the following:

Who is a Tourist (T, stay-over/overnight)?

Who is Same-day visitor (SDV, Excursionist, Day-visitor)?

Explain the meaning of Cruise Visiting (CV) ?

4.0 Summary

Third World countries living for generations in one village could not comprehend the concept of nostalgia. On the other hand, today’s dislocated Western tourist often travels in order to experience nostalgia. Tourism collateral literature and publicity which is based upon nostalgic images of the past promote glamour and happiness, provide something to be envied, and return love of self to the reader. Nostalgia is big business, and when it is associated with the world’s leading industry, tourism, it offers unlimited financial possibilities. Although collaboration is now commonplace in most industrial sectors, **Fyall** and **Garrod** suggest that for years, the tourism industry was (and remains in some instances) highly fragmented and independent. With the accelerating pace of technological innovation and the continuing trend toward globalization, traditional competitive and adversarial relationships between competing business organizations is giving way to collaborative arrangements between them.

5.0 Conclusion

Tourism Industry, Largest Employer of labour whose growth led to the development of a major new industry major tourism in turn, international tourism became the concern of a number of world governments because it not only provided new employment opportunities, but *it also produced a means of earning foreign exchange.*

Today tourism has grown significantly in both economic and social importance. The fastest growing economic sector of most industrialized countries over the past several years has been in the area of services.

One of the largest segments of the service industry, although largely unrecognized as an entity in some of these countries, is travel and tourism.

According to the World Travel & Tourism Council (2003) (WTTC), travel and tourism is the biggest industry in the world on virtually any economic measure, including gross output, value added, capital investment, employment, and tax contributions.

In 2003, the industry's gross output was estimated to be in excess of US\$4.5 billion of economic activity (total demand), more than 10 percent of the total gross national product spending. The travel and tourism industry is one of the world's largest employers, with nearly 195 million jobs, or 7.6 percent of all employees. This industry is the world's leading industrial contributor, producing 10.2 percent of the world gross domestic product, and accounting for capital investment in excess of US\$685 billion in new facilities and equipment. In addition, it ***contributes more than US\$650 billion in direct, indirect, and personal taxes each year***. As indicated by Table 1.1, research conducted by the World Tourism Organization (WTO) show the almost ***uninterrupted growth of tourism since 1950***.

6.0 Tutor Marked Assignment

- (i) From your study of this unit and according to UNCTAD Secretariat, 1971, discuss the guidelines that the ensuing report suggested that the functions of a comprehensive system of national tourism statistics could serve?
- (ii) Besides providing great employment opportunities for the industry, mention and Explain another major benefit that has attracted world governments into the industry?

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Answer to Self Assessment Questions

Tourist (T, stay-over/overnight): A visitor staying at least one night in the place visited (not necessarily in paid accommodation).

(iii) *Same-day visitor* (SDV, Excursionist, Day-visitor): A visitor who does not stay overnight in the place visited.

(a) *Cruise Visitor* (CV), A visitor who may tour for one or more days, staying overnight on the ship (includes foreign naval personnel off duty).

Unit 2 Sources of Tourism Expenditure and Demand for Services by Tourists

Content

1.0 Introduction

2.0 Main Content

3.1 Sources of tourism expenditure and Demand of services by tourists

3.1.1 Sources of Tourism Consumption Expenditure

3.1.2 Basic Tourism Units Definitions

3.1.3 International Tourism

3.1.4 Nostalgia and Tourism

3.1.5 TSA Assessment of Economy of the Demand of Goods and Services by Visitors

3.0 Conclusion

5.0 Summary

6.0 Tutor Marked Assignment

7.0 References / Further Readings

Unit 2 Sources of Tourism Expenditure and Demand for Services by Tourists

Content

4 Introduction

Tourism for many tourist organizations, performance is dependent on establishing collaborative relationships in order to better serve the customer. The message that this unit conveys is that due to economic, social and political pressures, the primary concern of tourism organizations must shift from an individual and competitive focus to an inter-organizational, collaborative domain. The authors provide examples of tourism collaboration and suggest that it is becoming increasingly more difficult for organizations to survive in competitive isolation in tourism.

5 Objectives

At the end of this unit, you should be able to:

Identify various units of tourism and its locations

Explain what tourism expenditure meant & its importance to entrepreneur

Define the three broad categories of tourist expenditures

Describe sources tourism consumptions expenditure

Identify the demand of good and services generated by visitors & tourists

6 Main Content

3.1 Sources of tourism expenditure and Demand of services by tourists

Tourism expenditure data are one of the most significant indicators used to monitor and evaluate the impact of entrepreneurial impact and tourism on an economy and on the various representative tourism industry segments.

The Conference Board of Canada has defined *tourism expenditure* as ‘the total consumption expenditure made by a visitor or on behalf of a visitor for and during his/her trip and stay at destination.’ It has been proposed that tourist expenditures be divided into three broad categories, depending on the specific periods the visitor makes those expenditures.

Trip Purpose

The first advanced spending that is necessary to prepare for the trip (trip purpose);

Trip Location

Second, expenses while travelling to, and those at the travel destination (trip location) and;

Trip Conclusion

Third, travel-related spending made at home after returning from the trip (trip conclusion).

3.1.1 Sources of Tourism Consumption Expenditure

It has also been recommended that tourism consumption expenditures should be identified by a system of main categories, and should include:

- (i) Packaged travel (holidays and prepaid tour arrangements);
- (ii). Accommodations (hotels, motels, resorts, campgrounds, etc.);
- (iii) Food and drinking establishments (restaurants, cafes, taverns, etc.);
- (iv) Transport (airplane, rail, ship, bus, auto, taxi, etc.);
- (v) Recreation, culture, and sporting activities;
- (vi) Shopping; and
- (vii) Other.

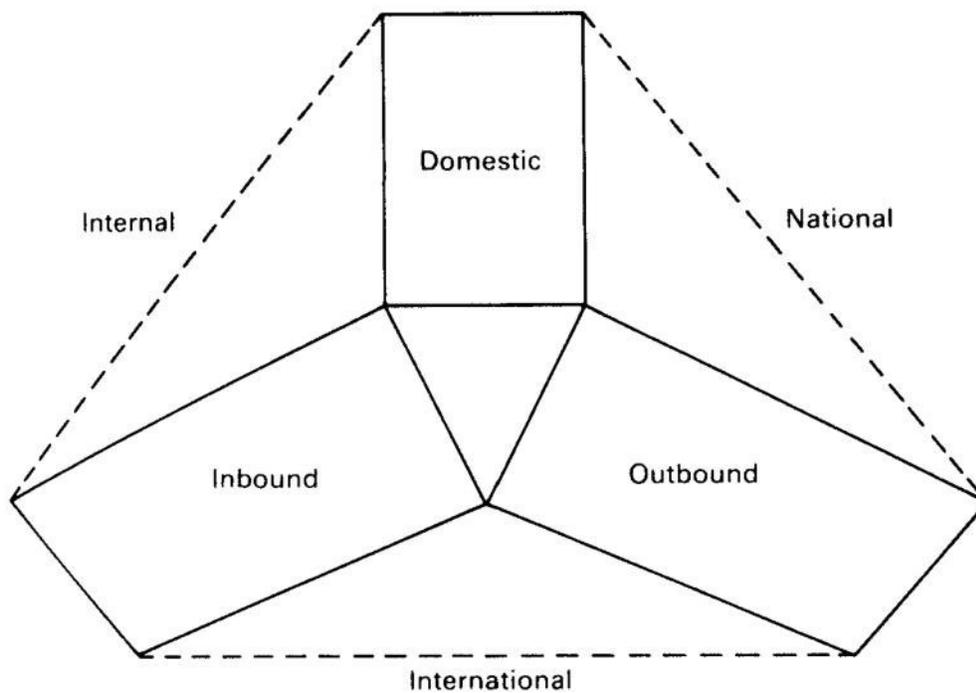


Figure 1.1: Forms of tourism supply clasification
Source: World Tourism Organization.

3.1.2 Basic Tourism Units Definitions

As indicated by Figure 1.1, for a given country, three basic forms of tourism were first identified, then defined as:

- (i) *Domestic tourism*: residents visiting their own country,
- (ii) *Inbound tourism*: nonresidents travelling in a given country, and
- (iii). *Outbound tourism*: residents travelling in another country. These forms can be combined in a number of ways in order to derive the following categories of tourism:
 - (iv) *Internal tourism*: involves both domestic and inbound tourism,
 - (v) *National tourism*: involves both domestic and outbound tourism, and

3.1.3 International Tourism

International tourism involves both inbound and outbound tourism. It should be noted that although this figure refers to a country, it could be applied to any other geographic area(s). Basic tourism units refer to individuals/households that are the subject of tourism activities and therefore can be considered as statistical units in surveys.

‘**Travelers**’ refers to all individuals making a trip between two countries or different destinations.

3.1.4 Nostalgia and Tourism

A strong connection between nostalgia and tourism is explored, especially as related to historical figures, accommodations, attractions and cultural institutions. In addition, it is pointed out that tourists often have a strange fascination for tragic, macabre or other equally unappealing historical sites. Nostalgia is grounded in dissatisfaction with social arrangements, both currently and likely continuing into the future. Nostalgia tourism that provides an alternative to the present does so by recourse to an imagined past that people often believe is fact.

3.1.5 TSA Assessment of Economy of the Demand of Goods and Services by Visitors

The fundamental structure of the TSA relies on the existing balance within the economy of the demand for goods and services generated by visitors and other consumers, and the overall supply of these goods and services. Therefore, TSA will be able to measure the following:

- Tourism’s contribution to gross domestic product,
- Tourism’s ranking compared with other economic sectors,
- The number of jobs created by tourism in an economy,
- The amount of tourism investment,
- Tax revenues generated by tourism industries,

- Tourism consumption,
- Tourism's impact on a nation's balance of payments, and
- Characteristics of tourism human resources.

The WTO will be largely responsible for reviewing and revising the definitions, classifications, methodologies, data collection, and analysis of international tourism proposed by the Ottawa Conference. However, the ultimate success or failure of gathering and using comparable tourism statistical data lies with their acceptance and implementation by the entire world community.

Self Assessment Questions

From your study of tourism in this unit, explain the following:

- Who is a visitor and indicate also on what concept is tourism statistics based?
- What do you understand by tourism expenditure?

4 Conclusion

Thus, we define a tourist as *a person travelling outside of his or her normal routine, either normal living or normal working routine, who spends money*. This definition of visitor/tourist includes:

- People who stay in hotels, motels, resorts, or campgrounds;
- People who visit friends or relatives;
- People who visit while just passing through going somewhere else;
- People who are on a day trip (do not stay overnight); and
- An 'all other' category of people on boats, who sleep in a vehicle of some sort, or who otherwise do not fit the above. For purposes of this definition a resident (or someone who is not a tourist) is defined as a person staying longer than 30 days. Note that visitors/tourists can:
 - Be attending a meeting or convention;
 - Be business travelers outside of their home office area; be on a group tour;
 - Be on an individual leisure or vacation trip, including recreational shopping; or
 - Be travelling for personal or family-related reasons. In today's world there are three problems with this definition:

(i). Some people travel considerable distances to shop, especially at factory outlets. They may do so many times a year. They are difficult to measure. Technically they are not tourists; their shopping has become routine.

(ii) Some people maintain two residences—a winter home and a summer home. Their stay in either one usually exceeds one month and these people are *not* classified as tourists. Again, their travel is routine. However, short stay visitors to their homes whether renting or not *are* tourists.

(iii) When people live in an area just outside of a destination and have friends or relatives visit them, how are these visitors classified when they visit the destination? Actually, the problem here is not whether they are tourists; those visiting friends or relatives clearly are. Rather, the question is which area gets the credit? Or, how should the people they are visiting be classified? Again, although measurement is difficult, the destination area should be credited for money spent therein. Tourism, then can be viewed as:

- A social phenomenon, *not* a production activity;
- The sum of the expenditures of all travelers or visitors for all purposes, *not* the receipt of a select group of similar establishments; and
- An experience or process, *not* a product—an extremely varied experience at that.

To underscore this view of tourism, let us focus on the economic impact of tourism on the economic health of a community.

5. Summary

Now that such an international definition/classification system for the tourism sector does exist, there is finally a universal basis for the collection of standardized data on tourism activity. The implementation of the TSA system has now been placed with the National Statistical Offices throughout the world.

The credibility and legitimacy of this statistical system will be based on the joint cooperation of both the National Statistical Offices and the National Tourism Administrations in each world country. However, although there has been significant progress in reaching consensus on what constitutes *international* tourism, there is no such consensus in *domestic* tourism

terminology. Therefore, caution must be exercised because a clear distinction must be made between basic definitions of tourism and those elements that describe tourists themselves, and their demographic and behavioural characteristics.

Because the tourist is the principal component of tourism, it is therefore unrealistic to develop uniform tourism data without first deciding the types of variables and the range of phenomena that should be included in data collection efforts.

6.0 Tutor Marked Assignment

- (i) State and explain your understanding of the WTO definition of entrepreneurial Tourism?
- (ii) Can tourism maximize economic contribution to national benefits, why or why not, explain ?

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Answer to Self Assessment Questions

- (i) All travelers who are engaged in the activity of business of tourism are considered to be 'visitors.' The term 'visitor' then becomes the core concept around which the entire system of tourism statistics is based.
- (ii) Tourism expenditure is the total consumption expenditure made by a visitor or on behalf of a visitor for and during his/her trip and stay at destination.' It has been proposed that tourist expenditures be divided into three broad categories, depending on the specific periods the visitor makes those expenditures.

Unit 3 Dynamics of entrepreneur & Uncertainty concept

1.0 Introduction

2.0 Objectives

3.0 Main Content

3.1 Dynamism of entrepreneur & Uncertainty

3.1.1 Innovations in tourism with incremental improvement

3.1.2 Risk Bearer

3.1.3 Knight classified three types of uncertainty.

3.1.4 Intra-Preneurship

4.0 Summary

5.0 Conclusion

6.0 Tutor Marked Assignment

7.0 REFERENCES / FURTHER READINGS

Unit 3 Dynamism of entrepreneur & Uncertainty concept

Content

1.0 Introduction

20th century, the understanding of entrepreneurship owes much to the work of economist Joseph Schumpeter in the 1930s and other Austrian economists such as Carl Menger, Ludwig von Mises and Friedrich von Hayek. In Schumpeter, an entrepreneur is a person who is willing and able to convert a new idea or invention into a successful innovation.

2.0 Objectives

At the end of this unit, you should be able to:

Explain what is meant by dynamism in entrepreneur tourism

Identify various kinds of risk associated with entrepreneurial tourism

Describe what is meant by risk-bearer in entrepreneurial venture

Describe what is meant by the gale of creative destruction in entrepreneurial venture

Explain your understanding of innovation in tourism

3.0 Main Content

3.1 Dynamism of entrepreneur & Uncertainty

Entrepreneurship employs what Schumpeter called "the gale of creative destruction" to replace in whole or in part inferior innovations across markets and industries, simultaneously creating new products including new business models.

In this way, creative destruction is largely responsible for the dynamism of industries and long-run economic growth. The supposition that entrepreneurship leads to economic growth is an interpretation of the residual in endogenous growth theory and as such is hotly debated in academic economics.

3.1.1 Innovations in tourism with incremental improvement

An alternate description posited by Israel Kirzner suggests that the majority of innovations may be much more incremental improvements such as the replacement of travel agency to tourism centre and recreational facilities to hotel and resort organization and some others may be like paper with plastic in the construction of a drinking straw.

For Schumpeter, entrepreneurship resulted in new industries but also in new combinations of currently existing inputs. Schumpeter's initial example of this was the combination of a steam engine and then current wagon making technologies to produce the horseless carriage.

In this case the innovation, the car, was transformational but did not require the development of a new technology, merely the application of existing technologies in a novel manner. It did not immediately replace the horse-drawn carriage, but in time, incremental improvements which reduced the cost and improved the technology led to the complete practical replacement of beast drawn vehicles in modern transportation.

Despite Schumpeter's early 20th-century contributions, traditional microeconomic theory did not formally consider the entrepreneur in its theoretical frameworks (instead assuming that resources would find each other through a price system).

In this treatment the entrepreneur was an implied but unspecified actor, but it is consistent with the concept of the entrepreneur being the agent of x-efficiency.

3.1.2 Risk Bearer

Different scholars have described entrepreneurs as, among other things, bearing risk. For Schumpeter, the entrepreneur did not bear risk: the capitalist did.

Some notable persons and their works in entrepreneurship history, for Frank H. Knight (1921) and Peter Drucker (1970) entrepreneurship is about taking risk.

The behaviour of the entrepreneur reflects a kind of person willing to put his or her career and financial security on the line and take risks in the name of an idea, spending much time as well as capital on an uncertain venture.

- Risk, which is measurable statistically (such as the probability of drawing a red color ball from a jar containing 5 red balls and 5 white balls).
- Ambiguity, which is hard to measure statistically (such as the probability of drawing a red ball from a jar containing 5 red balls but with an unknown number of white balls).
- True Uncertainty or Knightian Uncertainty, which is impossible to estimate or predict statistically (such as the probability of drawing a red ball from a jar whose number of red balls is unknown as well as the number of other coloured balls).

The acts of entrepreneurship are often associated with true uncertainty, particularly when it involves bringing something really novel to the world, whose market never exists. However, even if a market already exists, there is no guarantee that a market exists for a particular new player in the cola category.

The place of the disharmony-creating and idiosyncratic entrepreneur in traditional economic theory (which describes many efficiency-based ratios assuming uniform outputs) presents theoretic quandaries. William Baumol has added greatly to this area of economic theory and was recently honored for it at the 2006 annual meeting of the American Economic Association.^[6]

The entrepreneur is widely regarded as an integral player in the business culture of American life, and particularly as an engine for job creation and economic growth. Robert Sobel published *The Entrepreneurs: Explorations Within the American Business Tradition* in 1974. Zoltan Acs and David Audretsch have produced an edited volume surveying Entrepreneurship as an academic field of research,^[7] and more than a hundred scholars around the world track entrepreneurial activity, policy and social influences as part of the Global Entrepreneurship Monitor (GEM)^[8] and its associated reports.

Though Entrepreneurs are thought to have many of the same character traits as leaders,^[clarification needed], involve particular psychological dispositions, or operate in purely business spheres of life, recent European theorising on the subject has suggested that, come the era of neo-liberalism and 'big society' politics that promote conceptualising humans as economic agents per se, normal, everyday people usually marginalised from the term 'entrepreneur' are too involved in the very same kind of processes that 'big business', proper entrepreneurs are involved with. Entrepreneurs, and entrepreneurship, as such, might be enacted by anybody, encountering as they do economic uncertainty on an everyday basis.

3.1.3 Knight classified three types of uncertainty.

1. Concept of Entrepreneurship

It has assumed super importance for accelerating economic growth both in developed and developing countries. It promotes capital formation and creates wealth in country. It is hope and dreams of millions of individuals around the world. It reduces unemployment and poverty and its a pathway to prosper. Entrepreneurship is the process of searching out opportunities in the market place and arranging resources required to exploit these opportunities for long term gains. It is the process of planning, organising, opportunities and assuming. Thus it is a risk of business enterprise. It may be distinguished as ability to take risk independently to make utmost earnings in the market. It is a creative and innovative skill and adapting response to environment.

2. Promotion of entrepreneurship

Given entrepreneurship's potential to support economic growth, it is the policy goal of many governments to develop a culture

of entrepreneurial thinking. This can be done in a number of ways: by integrating entrepreneurship into education systems, legislating to encourage risk-taking, and national campaigns. An example of the latter is the United Kingdom's Enterprise Week, which launched in 2004. Outside of the political world, research has been conducted on the presence of entrepreneurial theories in doctoral economics programs. Dan Johansson, fellow at the Ratio Institute in Sweden, finds such content to be sparse. He fears this will dilute doctoral programs and fail to train young economists to analyze problems in a relevant way. Many of these initiatives have been brought together under the umbrella of Global Entrepreneurship Week, a worldwide celebration and promotion of youth entrepreneurship, which started in 2008. The charity The Aldridge Foundation sponsors Academies specialising in entrepreneurship, teaching core entrepreneurial attributes to young people with the aim of improving their life skills.

3. The concept of Entrepreneurial Ventures

Entrepreneurship is defined as the act of being an entrepreneur, which can be defined as "one who undertake innovations, finance and business acumen in an effort to transform innovations into economic goods". This may result in new organizations or may be part of revitalizing mature organizations in response to a perceived opportunity.

The most obvious form of entrepreneurship is that of starting new business (referred as start-up company); however, in recent years, the term has been extended to include social and political forms of entrepreneurial activity.

3.1.4 Intra-Preneurship

When entrepreneurship is describing activities within a firm or large organization it is referred to as intra-preneurship and may include corporate venturing, when large entities spin-off organizations.

Reynolds, entrepreneurship scholar and creator of the Global Entrepreneurship Monitor, opined that "by the time they reach their retirement years, half of all working men in the United States probably have a period of self-employment of one or more years; one in four may have engaged in self-employment for six or more years. Participating in a

new business creation is a common activity among U.S. workers over the course of their careers."

The concept of **entrepreneurship** has a wide range of meanings.

On the one extreme an **entrepreneur** is a person of very high aptitude. Who pioneers change, possessing characteristics found in only a very Small fraction of the population.

On the other extreme of definitions, anyone who wants to work for himself or herself is considered to be an entrepreneur.

The word *entrepreneur* originates from the French word *entrepreneurs*, which means "to undertake." In a business context, it means to start a business. The Merriam-Webster Dictionary presents the definition of an entrepreneur as one who organizes, manages, and assumes the risks of a business or enterprise.

Self-Assessment Question

(i) Why is an entrepreneur a rare breed and what specific skills differentiate them?

4.0 Summary

Reynolds, entrepreneurship scholar and creator of the Global Entrepreneurship Monitor, opined that "by the time they reach their retirement years, half of all working men in the United States probably have a period of self-employment of one or more years; one in four may have engaged in self-employment for six or more years. Participating in a new business creation is a common activity among U.S. workers over the course of their careers."

5.0 Conclusion

Many of these initiatives have been brought together under the umbrella of Global Entrepreneurship Week, a worldwide celebration and promotion of youth entrepreneurship, which started in 2008.

The charity The Aldridge Foundation sponsors Academies specialising in entrepreneurship, teaching core entrepreneurial attributes to young people with the aim of improving their life skills.

6. Tutor Marked Assignment

- (i) Explain why and list some risks on your discuss on some notable authors *and persons and their works in entrepreneurship history, for Frank H. Knight and Peter Drucker emphasis that entrepreneurship is about taking risk?*

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Answer to Self Assessment Question

- (i) On the one extreme an **entrepreneur** is a person of very high aptitude. Who pioneers change, possessing characteristics found in only a very Small fraction of the population.
- (ii) It has assumed super importance for accelerating economic growth both in developed and developing countries. It promotes capital formation and
- (iii) creates wealth in country.

UNIT 4 SUSTAINABLE TOURISM DEVELOPMENT

CONTENT

1.0 Introduction

2.0 Objectives

3.0 Main Content

3.1 SUSTAINABLE TOURISM DEVELOPMENT & ENTREPRENEURIAL TOURISM

3.1.1 Sustainable Tourism

3.1.2 Beneficiary of Sustainable Development

4.0 Conclusion

5.0 Summary

6.0 Tutor Marked Assignment

7.0 References/Further Reading

UNIT 4 SUSTAINABLE TOURISM DEVELOPMENT

CONTENT

1.0 Introduction

Although the tourism industry is regarded as being kinder to the environment in general than most other industries, its very size and widespread presence has created negative environmental impacts, both of a physical and social nature, in certain locations that have led to demands for a more sustainable approach to tourism. An examination of this approach is appropriate.

This first unit of this course gives you initial emersion as it lays foundation for the entire course discussing the concept of tourism entrepreneurship and scope of small Business firm and entrepreneurial ventures operation and functionalities and their unquestionable role and contribution to our nation's s economic welfare. Like millions of people, you would probably love to start and run your own company. In fact, on any given day in Nigeria, Ghana , Canada and the United States, more people are trying to start new businesses than are getting married or having children. However, before entering the world of contemporary business, an entrepreneur needs to understand its framework.

Ritthaler opined that every business owner must choose the form of legal ownership that best meets the company's needs. Several variables affect the choice of the best way to organize your business: How easily can you set up this type of organization? How much financial liability can you afford to accept? What financial resources do you have? What strengths and weaknesses do you see in other businesses in the industry? What are your own strengths and weaknesses?

2.0 Objectives

At the end of this unit, you should be able to:

Define tourism entrepreneur, business of tourist and host business in Nigeria

Explain how to establish tourist business and business plan

Identify the risk involved in tourist and hospitality business

Understand the challenges tourism entrepreneur faces in Nigeria

Discuss the benefits of establishing and operating tourism enterprise

3.0 *Main Content*

3.1 **SUSTAINABLE TOURISM DEVELOPMENT & ENTREPRENEURIAL TOURISM**

The entrepreneurial venture is any business whose primary goals are profitability and growth and that can be characterized by innovative strategic practices.

According to Paul Reynolds, *Entrepreneurship venture in tourism*, recreational activities, hotel and resorts activity is the act of being an entrepreneur in food, beverage, hotel, travel, tourism and in institutional management, which can be classified and identified as "one who undertakes innovations, finance and business acumen in an effort to transform innovations into economic goods" in hospitality industry.

Entrepreneurial activities are substantially different depending on the type of organization and creativity involved. Entrepreneurship ranges in scale from solo projects (even involving the entrepreneur only part-time) to major undertakings creating many job opportunities.

Over the past 20 years or so tourism has become a major part of the discourse of sustainable development, which is not surprising given the magnitude and rate of expansion of the industry; the ecological, economic, social, and cultural impacts of tourism; and, as identified by the 1992 Rio Earth Summit, the potential for tourism to help the transition to sustainable development. It can be argued that the concept of sustainable

tourism emerged from the recognition of the negative impacts of mass tourism and the subsequent birth of 'green tourism' (Swarbrooke, 1999).

According to Wight (1997),

3.1.1 SUSTAINABLE TOURISM

Tourism, as it relates to sustainable development, is tourism which is developed so that the nature, scale, location, and manner of development is [sic] appropriate and sustainable over time, and where the environment's ability to support other activities and processes is not impaired, since tourism cannot be isolated from other resource activities. . . . At the heart of sustainable tourism is a set of implicit values related to striving to integrate *economic, social and cultural* goals.

This integration is illustrated diagrammatically in Figure 9.3, where Wight's three goals are seen to start to coalesce around community-based economics, conservation with equity, and integration of the environment with the economy. These, in turn, come together in the central goal of sustainable tourism.

3.1.2 Beneficiary of Sustainable Development

Within any discussion of sustainable tourism development, consideration should be given to the beneficiaries of sustainable development because of the diversity of interests involved (Cater, 1994). Platteau and Gaspart (2003) continued this theme, asserting that 'communities need to evolve and be institutionally strengthened if they are to achieve the objectives of the participatory approach [to sustainable development]: economic growth, democratic governance, sustainability, equity and

protection of the poor. . . . [A]s long as the grassroots are not sufficiently empowered through suitable training programs and processes aimed at making them aware of their rights and confident enough to assert them, benefits are likely to be largely pre-empted by local elites.'

Identification of the various perspectives of sustainable development also needs to be included in the discourse of sustainable tourism development. Although the tourism industry is regarded as being kinder to the environment in general than most other industries, its very size and widespread presence has created negative environmental impacts, both of a physical and social nature, in certain locations that have led to demands for a more sustainable approach to tourism. An examination of this approach is appropriate.



**Conservation
with Equity** **Integration
of Environment
with Economy**



Figure 9.3: A Model of entrepreneurial sustainable tourism values and principles.

Source: Hall, Jenkins, and Kearsley, 1997.

Self Assessment Exercise

- (i) If you were to choose an entrepreneur as a career path, using your immediate environment as a guide, what is the major challenge that you may face and what skills do you think are critical to your success?
- (ii) Do you possess them, if not how do you acquire them?

4.0 Conclusion

Entrepreneurship places an emphasis on innovation, such as: new products, new production methods, new markets, new forms of organization. Wealth is created when such innovation results in new demand. From this viewpoint, one can define the function of the entrepreneur and small business as one of combining various input factors in an innovative manner to generate value to the customer with the hope that this value will exceed the cost of the input factors, thus generating superior returns that result in the creation of wealth.

5.0. Summary

It has assumed super importance for accelerating economic growth both in developed and developing countries like Nigeria and Ghana. It promotes capital formation and creates wealth in country. It is the hope and dreams of millions of individuals around the world. It reduces unemployment and poverty and it is a pathway to prosper. Entrepreneurship is the process of searching out opportunities in the market place and arranging resources required to exploit these opportunities for long term gains. It is the process of planning, organizing, opportunities and assuming. Thus it is a risk of business enterprise. It may be distinguished as ability to take risk independently to make utmost earnings in the market. It is a creative and innovative skill and adapting response to environment.

6.0 TUTOR MARKED ASSIGNMENTS

What is meant by the term entrepreneur? How do you differentiate an entrepreneurship from small business?

7.0 REFERENCES / FURTHER READINGS

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Answer to Self Assessment Questions.

Entrepreneurs play a significant role in the economy by expanding opportunities for the weak and the strong.

UNIT 5 ENTREPRENEURIAL TEAM ROLES

CONTENT

1.0 INTRODUCTION

2.0 Objective

3.0 Main Content

3.1 Entrepreneurial Team Roles in tourism

3.1.1 Kinds of entrepreneurial breakthrough

3.1.2 Team seeking strategic team input that aided success

3.1.3 Exceptional technology breakthrough

4.0 Conclusion

5.0 Summary

6.0 Tutor Marked Assignment

7.0 References/Further Reading

UNIT 5 ENTREPRENEURIAL TEAM ROLES

CONTENT

1.0. INTRODUCTION

In this study and discussion thus far, we have assumed that entrepreneurs are individuals. And, of course, this is usually the case. However, the entrepreneurial team is another possibility that is becoming popular, particularly in ventures of substantial size. An entrepreneurial team is formed by bringing together two or more individuals to function are the capacity of entrepreneurs.

2.0 OBJECTIVE

At the end of this unit, you should be able to:

Define entrepreneurial team and its role in tourism development

Explain the relevance and importance of the team in career development in hospitality & Tourism

Describe the potential barriers to formation and development of the entrepreneurial team in tourism business

Discuss the advantages and disadvantages of entrepreneurial team in tourism

3.0 MAIN CONTENT

3.1 ENTREPRENEURIAL TEAM ROLES IN TOURISM

One of the fabulous team success stories in recent years involved the development and marketing of the Apple computer. Steve Jobs and Stephen G. Wozniak, the inventors of this computer model, were both in their twenties, graduates of the same high school, and college dropouts. Described as "self-taught computer whizzes," they designed their first machine in Job's bedroom, built it in his parents' garage, and showed it to a local computer store owner, who ordered 25 units.

3.1.1 Kinds of entrepreneurial breakthrough

One specific type of entrepreneurial venture is the family firm, in which family considerations affect management in various ways. Another distinctive type of entrepreneurship is the entrepreneurial team, in contrast to the individual entrepreneur, which provides leadership for the firm.

3.1.2 Team seeking strategic team input that aided success

The young inventors sought help and found it in A.C. (Mike Markkula, who had been marketing manager at Intel, and Michael Scott, who left a job as director of manufacturing at National Semiconductor. Markkula became chairman of Apple in May, 1977, and Scott became president a month later. When the firm's stock was made available to the public in 1980, each of the 4 participants owned shares ranging between \$62 million and \$165 million in market value!. This entrepreneurial team successfully combined the inventive and business talents necessary for developing, producing, marketing, and financing the venture.

3.1.3 Exceptional technology breakthrough

The Apple story is clearly unique. Rarely can an inventor take a garage prototype and become a multimillionaire in less, than five years! However, the entrepreneurial team principle is also applicable on a more modest scale. In many less spectacular cases, entrepreneurial teams are now being formed to bring together the necessary diverse talents for launching a new venture. Although the entrepreneur is still typically an individual, entrepreneurial teams are rapidly gaining in popularity and offer great potential for further development.

4.0 Conclusion

Entrepreneurial opportunities are unlimited, as evidenced by various dramatic success stories of successful entrepreneurs.

Entrepreneurial rewards include profits, independence, and a satisfying way of life.

Individuals who become entrepreneurs have a high need for achievement, a willingness to take moderate risks, and a high degree of self-confidence.

5.0 Summary

The period between a person's mid-twenties and mid-thirties is described as the "free-choice period" in which entry into entrepreneurial careers tends to be easiest. The specific step into many entrepreneurs' businesses is often triggered by a "precipitating event" such as losing a job. Entrepreneurship includes a variety of entrepreneurial roles (founding versus managing, for example); types of ventures (marginal firms versus high potential ventures, for example); and management style (craftsman versus opportunistic entrepreneur, for example).

One specific type of entrepreneurial venture is the family firm, in which family considerations affect management in various ways. Another distinctive type of entrepreneurship is the entrepreneurial team, in contrast to the individual entrepreneur, which provides leadership for the firm.

6.0. Tutor-Marked Assignment

Describe your understanding of entrepreneurial team and explain the factors responsible for its salient success?

7.0 Reference/Further Readings

Alan, M.S., Haccoun, R.R., & Belcourt, M.(2008). Managing Performance through Training and Development (4th ed.).Toronto, Canada:

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UNIT 6 THE STAGES OF GROWTH CYCLE IN ENTREPRENEURIAL VENTURE

CONTENT

1.0 Introduction

2.0 Objective

3.0 Main content

3.1 The Stages of growth cycle in entrepreneurial and family Firm Issues

3.1.1 Management Functions and Stages of Growth

3.1.2 Stage 1

3.1.3 Stage 11

3.1.4 Stage 111

3.1.5 Stage 1v

3.2 Special management problems of small entrepreneurial and family firms.

3.2.1 Small business vulnerable to weakness.

3.2.2 Founders as Managers

3.2.3 Managers of Family Firms

3.2.4 Managers and Decision Making

3.2.5 Time Management

3.2.6 Problem of time pressure

3.2.7 Time Savers for busy Managers

3.2.8 Business Conference with Subordinates

4 Conclusion

5 Summary

6 Tutor-Marked Assignment

7 Reference/Further Reading

UNIT 6 THE STAGES OF GROWTH CYCLE IN ENTREPRENEURIAL VENTURE

CONTENT

1.0 Introduction

The functions of a manager are performed differently in different situations and growth stages cycle provides a guide to the managers. This is particularly true for very small firms. In this unit we will study the relevance and importance of the stages in small business development.

2.0 Objective

At the end of this unit, you should be able to:

Explain the meaning of stages of growth cycle in entrepreneurial venture

Identify each stages of growth cycle

Discuss the relationship each stage has to one another

Describe the importance each stage plays in entrepreneurial & small business venture.

3.0 Main content

3.1 *The Stages of growth cycle in entrepreneurial and family Firm Issues*

3.1.1 *Management Functions and Stages of Growth*

In considering management functions, therefore, we should think about their relationship to stages of business growth.

Figure 2.5 identifies four stages of small-business growth.

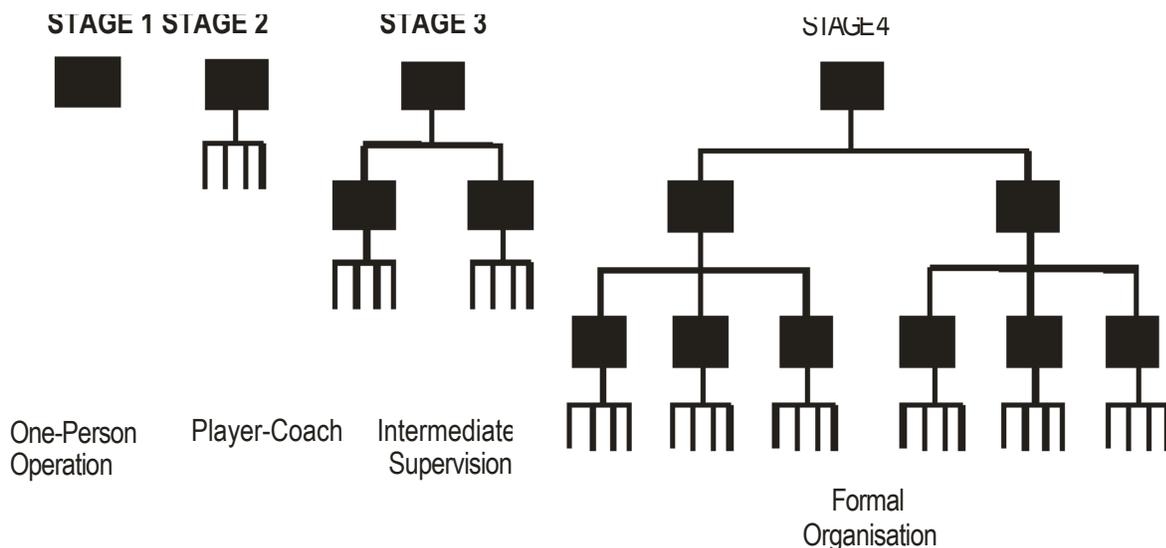


FIGURE 1.2 STAGES OF GROWTH IN ENTREPRENEURIAL VENTURE

Source: Conference Board of Canada, 2006, page 67.

- 3.1.2 In Stage 1** the firm is simply a one-person operation. Of course, not all firms begin at this level, but this situation is by no means rare.
- 3.1.3 {In Stage 2** the entrepreneur becomes a player-coach, which implies extensive participation in the operations of the business. In addition to performing the basic work—whether it be production, sales, writing checks, or record keeping—the entrepreneur must also coordinate the efforts of others.
- 3.1.4 In Stage 3** a major milestone is reached when an intermediate level of supervision is reached. In many ways this is a difficult, dangerous point for the small firm because the entrepreneur must rise above direct, hands-on management and work through an intermediate level of management.
- 3.1.5 Stage 4,** the stage of formal organization, involves more than increased size and multi-layered organization. The formalization of management involves the adoption of written policies, preparation of plans and budgets, standardization of personnel practices, computerization of records, preparation of organization charts and job descriptions, scheduling of training conferences, institution of control procedures, and so on. Some formal management practices may be adopted prior to Stage 4

of the firm's growth. Nevertheless, the stages of management growth describe a typical pattern of development for successful firms. The early flexibility and informality may be functional at the beginning, but growth necessitates greater formality in planning and control. A tension often develops as the traditional easy-going patterns of management become dysfunctional. Great managerial skill is required to preserve the "family" atmosphere while introducing professional management. As shown in Figure 12-3, the entrepreneur's activities change drastically as the business grows from Stage 1 to Stage 4. In the very small firm, the entrepreneur is basically a "doer." As a firm grows, the entrepreneur must of necessity become less a doer and more a manager.

3.2 Special management problems of small entrepreneurial and family firms.

3.2.1 Small business vulnerable to weakness.

Although some large corporations experience poor management, small business seems particularly vulnerable to this weakness. Managerial inefficiency prevails in tens, or even hundreds, of thousands of small firms. Many small firms are marginal or unprofitable businesses, struggling to survive from day to day and month to month.

At best, they earn only a pittance for their owners. The reason for their condition is at once apparent to one who examines their operations. They "run," but it is an exaggeration to say that they are "managed."

Poor management appears up in the service observed and received by customers. For example, consider the following comments made about hotel

service: course; architecture, interior decoration, location, the nature of the clientele-all these doubtless figure into the equation. At bottom, I suspect, the difference between a poor hotel/motel and a good one lies in the experience, the attitude, and the personal attention of the man or woman who runs the place. If a manager does a good job of training the maids, and pays them tolerable wages, and treats them with dignity, and praises them for doing well, that manager's rooms will be comfortable rooms- for the maids will have checked the light bulbs and tried the TV before they leave. If a manager insists upon friendly courtesy' on the part of his desk clerks, he can get it - or he can get some new desk clerks.

Even though management weakness is prevalent in small business, it is not universal. More important, poor management is by no means inevitable just because a firm is small.

3.2.2 Founders as Managers

The initial direction of a business by the founding entrepreneur is uniquely related to that entrepreneur and his or her interests. The entrepreneur's strengths may lie in production (in some cases the entrepreneur is basically a tradesman) or in sales. The new business is often launched and carried forward on the basis of these functional strengths. The founder's inclination toward production or sales is typically influential in shaping business operations. At the beginning, the entrepreneur may be the only employee in the business, and management may be largely self-management.

Moreover, those who create new firms - the pure entrepreneurs - are not always good organization members. They are creative, innovative, risk-taking individuals who have the courage to strike out on their own. Indeed, they are often propelled into entrepreneurship by precipitating events, some of which involve a difficulty in fitting into conventional organizational roles. As a

consequence, management and organizational precepts and practices are often secondary concerns of entrepreneurs who are caught up in the excitement of creating a new business.

Although business firms of all sizes require management, the need for effective management becomes more acute as a firm grows. Very small firms may survive in spite of weakness in management. To some extent, the quality of their products or services may offset deficiencies in their management. In the early days of business life, therefore, the firm may survive and grow even though its management is less than professional. Even in very small businesses, however, defects in management place strains on the business and retard its development.

3.2.3 **Managers of Family Firms**

Family relationships introduce special complications into the management process of the family firm. Some business decisions are also family decisions, and nonfamily managers may be surprised at the way in which family interests influence business operations. Rene Plessner, whose executive search firm specializes in finding executives for family-owned companies, explains how family decisions dominate the business:

In a family company, you may have the title and the responsibility, and one day you walk into the office and you don't know that two cousins, a brother-in-law, sister, and the Papa had dinner over the weekend and made a decision upsetting what you expected to do. Nobody was out to get you; it's simply, to be trite about it, blood is thicker than water. The family members talk among themselves. You have to be flexible enough to handle that. 2 If In some family businesses, key positions are reserved for family members. This, in turn,

reduces the attractiveness of the firm for nonfamily members who have ambition for advancement. Family members may also be retained in key positions because of their family relationship, even though they are professionally weak. One family entrepreneur's attempt to correct a lack of management skills is described below:

In one case the founder's son, who was in command, diagnosed the business' problem as a lack of specialized talent. His solution was to become the firm's all-purpose expert-lawyer, accountant, and personnel specialist all wrapped into one. And to implement his solution, he went to night school. Little did he know that hiring someone outside the family who already had the necessary knowledge would have been better. His choice had several negative consequences, including his own physical exhaustion. The lesson here is that when the money is available or the need is critical there is no substitute for genuine expertise.³

Thus, decisions which sacrifice efficiency in the interest of preserving family interests can easily destroy the vitality of the family firm's management.

3.2.4 Managers and Decision Making

A manager constantly faces the necessity of making decisions. Proper guidance of the enterprise requires decisions on business objectives, scale of operation, marketing policies, products and product cost, product quality, work assignments, pay rates, and employee grievances, among many others. Virtually every managerial activity involves a choice among alternatives, thereby requiring a decision by the manager.

In making decisions, the business manager is often tempted to rely upon intuition. Indeed, one may be forced to do so because of the intangibles involved or the absence of necessary information. The intuitive decision may be criticized, however, if it disregards factual information that is already avail-

able or that is easy to obtain.' Another basis for decisions is past experience, which has both strength and weakness. There is an important element of practicality that comes from experience; but at the same time, past experience is no sure guide to the future. In making decisions, therefore, the manager should have a healthy respect for factual data and should utilize them as extensively as possible.

6.1.1. Time Management

Much of the manager's time during the working day may be spent on the firing line - meeting customers, solving problems, listening to employee complaints, seeing outsiders interested in getting contributions for charity, and the like. The manager of the small firm faces the problems of management with the assistance of only a small staff. All of this means that the manager's energies and activities are diffused more than those of managers in large firms.

3.2.6 Problem of Time Pressure

Many managers work from 60 to 80 hours per week. One frequent and unfortunate result of overwork is the inefficient performance of those tasks for which the managers are responsible. They may be too busy to see traveling salespeople who can supply market information on new products and processes. They may be too busy to read the technical or trade literature in order to discover what others are doing and the improvements being created that might be adapted to their own use. Because managers are too busy, they fail to listen carefully to employee opinions and grievances or to reach an understanding with employees. Because managers are too busy to give instructions in a proper manner, employees may not know what to do or how to do it correctly.

3.2.7 Time–Savers for Busy Managers

One important answer to the problem of lack of time is a good organization of the work. This permits delegation of duties to subordinates, who are then permitted to discharge those duties without close supervision. Of course, this requires the selection and training of individuals to assume responsibility for the delegated functions.

Sometimes a manager must see visitors who may overstay the necessary time. Various devices have been tried by managers who have faced this problem/ including the use of secretarial interruptions with reminders of other appointments. A more direct approach is simply to tell the visitor in advance that the manager is busy and can allot at most ten minutes, and then stick to this time limit. 'Another means of conserving time is to provide dictating equipment which permits dictation at convenient times and transcription by the secretary without frequent interruptions. In addition, the secretary can sort out unimportant mail, screen incoming phone calls, and keep a schedule of appointments.

3.2.8 Another major time consumer is the **business conference with subordinates**. Often these meetings just happen and drag on without any serious attempt to control them. The manager should prepare an agenda for such meetings, set starting and ending times, hold the conferences to the subjects to be discussed, and assign the necessary follow-through to specific subordinates. In this way the contribution of business conferences may be maximized and the manager's own time conserved, along with that of subordinates.

Perhaps the greatest time-saver of all is the effective use of time. If an individual flits from one task to another and back again, it is likely that little

will be accomplished. Effective, sustained effort requires some planning to prevent the haphazard use of time that occurs if there is no planning. The first step in planning one's use of time should be a survey of time normally spent on various activities. Relying on general impressions is unscientific and is likely to involve considerable error. For a period of several days, or preferably several weeks, the manager should record the time spent on various types of activities during the day. Analysis of these figures will reveal the pattern of activities, those projects and tasks involving the greatest time expenditure, and factors responsible for waste of time.

Self Assessment Question.

In considering business growth stages, in which stage does the entrepreneur reach a major mile stone and how can he/she overcome it all?

4.0. Conclusion

The stages of management growth describe a typical pattern of development for successful firms. The early flexibility and informality may be functional at the beginning, but growth necessitates greater formality in planning and control. Weak management shows up in the service observed and received by customers

5.0. Summary

Great managerial skill is required to preserve the "family" atmosphere while introducing professional management. A tension often develops as the traditional easy-going patterns of management become dysfunctional. Great managerial skill is required to preserve the "family" atmosphere while introducing professional management. The entrepreneur's activities change drastically as the business grows from Stage 1 to Stage 4.

4.0 Tutor-Marked Assignment

Describe the four stages of growth, explain their relationship with one another and their significance to the development of small business?

7.0 Reference/Further Readings

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Answer to Self Assessment Question.

In Stage 3 a major milestone is reached when an intermediate level of supervision is reached. In many ways this is a difficult, dangerous point for the small firm because the entrepreneur must rise above direct, hands-on management and work through an intermediate level of management.

UNIT 7 Development and Marketing of Tourism Entrepreneur Services

CONTENTS

1.0 Introduction

2.0 Objectives

3.0 Main Content

3.1 .1 Development and Marketing of tourism

3.1.2 Measure of Economic Impact and Typology

3.1.3 Classification of Tourism Demand for Planning and Marketing

purposes

3.1.4 Advantages of tourism

3.1.5 Disadvantages of Tourism

3.2 Classification System of Tourism

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4.0 Conclusion

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6.0 Tutor – Mark Assignment

7.0 References / Further Readings

UNIT 7 DEVELOPMENT AND MARKETING OF TOURISM ENTREPRENEUR SERVICES

CONTENT

1.0 Introduction

In this unit, we shall study the development of tourism and marketing of tourism entrepreneurial tangible and intangible services. We shall also look into the argument of tourism being an industry or not. The intent of this unit is not to suggest that this designation may not be correct. In fact, Dunn contends that tourism is not an industry at all, it is people. At best, it is a collection of industries. Furthermore, Dunn suggest that referring to tourism as an industry may be a major contributor to the misunderstanding, resistance, and even hostility that often plague proponents of travel and tourism as worthy economic forces in a modern economy.

2.0 Objectives

At the end of this unit, you should be able to:

Explain why travel and tourism is called an industry

Identify key marketing variables of tourism

Discuss best measure of economic impact of tourism

Describe advantages of tourism

Enumerate the disadvantages of tourism

3.0 MAIN CONTENT

3.1 Development and Marketing of Tourism

Under this 'industry' view, the tourism industry is made up of a clearly defined grouping of firms that are perceived to be primarily in the business of selling to or serving tourists. Hotels, restaurants, transportation, and amusements are examples of the types of firms that comprise the tourism industry.

The United Nations identifies 7 industrial areas, whereas the U.S. Travel Data Center includes some 14 types of businesses as defined by the Standard Industrial Classification (SIC) system.

Common practice, at least among those who are involved in the development and marketing of tourism, is to refer to (travel and) tourism as an industry. In fact, considerable effort has been devoted to creating the impression that tourism is a legitimate industry, worthy of being compared with other industries such as health services, energy, or agriculture.

The importance of tourism is underscored by referring to it as ‘one of the top three industries in most states,’ ‘largest or next to largest retail industry,’ or ‘largest employer (industry) in the world.’(i). **Economist** defines *an industry as being a group of independent firms all turning out the same product. Whether or not two products are ‘the same’ is defined in terms of their substitutability expressed as the cross-elasticity of demand.* In lay terms, the more that the purchase of Product A replaces (can be substituted for) the purchase of Product B, the more A and B are the same and hence in the same industry.

- (iii) The second source for definitions are the SIC manuals. Such publications suggest that the SIC system was developed to classify establishments by the type of activity in which they are engaged. To be recognized as an industry, a group of establishments must share a common primary activity and be statistically significant in size.

It is clear that the focus of ‘industry’ is:

- Individual business establishments grouped together,
- The revenue received by these economic units, and
- Producing and selling a common product, i.e., the product of one firm is a substitute for the product of any other firm in the same industry. And it is equally clear that the ‘manufacturing’ sector provides the framework for this focus. Thus, to the extent that tourism is an industry, economists and others will position tourism in terms of these factors— individual businesses, revenues of those businesses, and a common product.

But what is travel and tourism? Do they fit this industry mould? To answer these questions we need to define a tourist and tourism and then relate this phenomenon to an industry as defined above.

Clearly, there is confusion and controversy surrounding the definitions of travel and tourism. Are they the same or are tourists only seeking pleasure whereas travelers may also be on business? How far must one travel from home to be a tourist/traveler? Does paying for a room make one a tourist? . . . And so forth. From the viewpoint of economic development and/or economic impact, a visitor, nominally called a tourist, is someone who comes to an area, spends money, and leaves.

We employ an economic framework to be comparable with the concept of ‘industry,’ which is an economic term. The reasons for the visit, length of stay, length of trip, or distances from home are immaterial.

Thus, **we define a tourist** as *a person travelling outside of his or her normal routine, either normal living or normal working routine, who spends money*. This definition of visitor/tourist includes:

- People who stay in hotels, motels, resorts, or campgrounds;
- People who visit friends or relatives;
- People who visit while just passing through going somewhere else;
- People who are on a day trip (do not stay overnight); and
- An ‘all other’ category of people on boats, who sleep in a vehicle of some sort, or who otherwise do not fit the above. For purposes of this definition a resident (or someone who is not a tourist) is defined as a person staying longer than 30 days. Note that visitors/tourists can:
 - Be attending a meeting or convention;
 - Be business travelers outside of their home office area; be on a group tour;
 - Be on an individual leisure or vacation trip, including recreational shopping; or
 - Be travelling for personal or family-related reasons. In today’s world there are three problems with this definition:
 - (i). Some people travel considerable distances to shop, especially at factory outlets. They may do so many times a year. They are difficult to measure. Technically they are not tourists; their shopping has become routine.
 - (ii) Some people maintain two residences—a winter home and a summer home. Their stay in either one usually exceeds one month and these people are *not* classified as tourists. Again, their travel is routine. However, short stay visitors to their homes whether renting or not *are* tourists.
 - (iii) When people live in an area just outside of a destination and have friends or relatives visit them, how are these visitors classified when they visit the destination? Actually, the problem here is not whether they are tourists; those visiting friends or relatives clearly are. Rather, the question is which area gets the credit? Or, how should the people they are visiting be classified? Again, although measurement is difficult, the destination area should be credited for money spent therein. Tourism, then can be viewed as:
 - A social phenomenon, *not* a production activity;

- The sum of the expenditures of all travelers or visitors for all purposes, *not* the receipt of a select group of similar establishments; and
- An experience or process, *not* a product—an extremely varied experience at that.

To underscore this view of tourism, let us focus on the economic impact of tourism on the economic health of a community.

3.1.1 Measure of Economic Impact and Typology

The best measure of this economic impact is not the receipts of a few types of business. Rather, the economic impact of tourism begins with the *sum total of all expenditures by all tourists*. This impact includes some of the receipts of accommodations, restaurants, attractions, petrol (gas) stations—the traditional tourism-orientated businesses. (We might note that these are vastly dissimilar businesses.)

However, it also includes retail purchases that often amount to more than the money spent for lodging. These include services (haircuts, car repairs), highway tolls in some countries, church contributions, and so forth. In fact, visitors spend money on just about everything that residents do. Thus, any and every ‘industry’ that sells to consumers is in receipt of cash from tourism. Clearly, the criteria of similar activity or common product or production process are *not* met in tourism! Further, the requirement of substitution is not met either.

More often than not, most of these expenditures go together as complementary or supplementary purchases. Thus, food is not competitive with lodging. A visitor buys both. Seen this way, travel and tourism—the movement of people outside their normal routine for business, pleasure, or personal reasons—is much, much more than an ‘industry’ in the traditional sense.

As an economic force, it is the impact of everything the visitor or tourist spends. Thus, we really have an expenditure-driven phenomenon, not a receipts driven one.

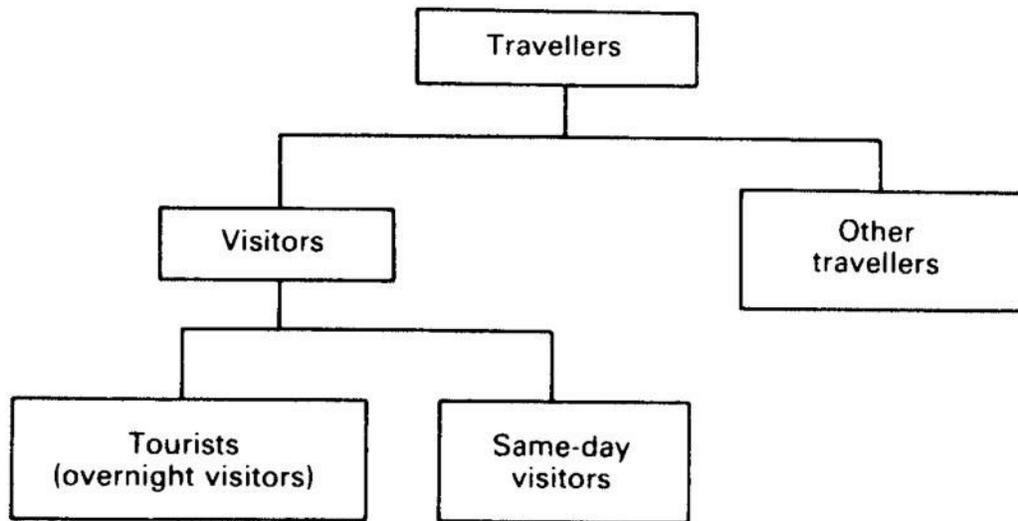


Figure 1.2: Traveler typology.

Source: Travel and Tourism Research Association p.55 2006.

or more geographic locations, either in their country of residence (domestic travelers) or between countries (international travelers). However, as can be seen in Figure 1.2, there is a distinction made between two types of travelers, *visitors* and *other travelers*.

All travelers who are engaged in the activity of tourism are considered to be ‘visitors.’ The term ‘visitor’ then becomes the core concept around which the entire system of tourism statistics is based.

A secondary division of the term ‘visitor’ is made into two categories:

1. Tourists (overnight visitors) and
2. Same-day visitors (formerly called ‘excursionists’). Therefore, the term ‘visitor’ can be described for statistical purposes as ‘any person travelling to a place other than that of his/her usual environment for less than twelve months and whose main purpose of trip is other than the exercise of an activity remunerated from within the place visited.’

3.1.2 **Tourism Demand for Planning & Marketing Purposes**

An extended classification system of tourism demand delineating the main purpose(s) of visits or trips by major groups was developed based on that first proposed by the UN (1979). This system was designed to help measure the major segments of tourism demand for planning and marketing purposes.

With so much effort to sell tourism as an industry, specifically an ‘export industry,’ what is the purpose of questioning this designation? Are not many of these people just going to fight for their viewpoint? These are legitimate questions. However, theobald opined that he believe that there are several important, and negative, ramifications in attempting to make tourism an

industry when, in fact, it is not an industry in the traditional sense. Let me comment on three such negative ramifications.

The first negative ramification comes from the disbelief that is created. Somehow, whether it is conscious or subconscious, people know that tourism does not fit the traditional definition of an industry. This disbelief tends to discredit the arguments supporting the importance of tourism and the level of support that tourism and tourism growth deserve.

How often do we hear economic development proponents say that tourism is not an industry and, therefore, not economic development? In essence, this ramification says that when people recognize—correctly—that tourism does not fit the classic definition of an industry, then they discredit the argument that tourism deserves the benefits that accrue to a *legitimate industry*.

The second negative ramification is subtler. It says that the attempt to define tourism as an industry has led to attempts to employ traditional methods of measurement and analysis to the study of tourism. But traditional methods just do not work well. One result has been inaccurate results that often understate the size, impact, or benefits to a community of the tourism phenomenon. Let me offer two examples:

(a) The issue of business receipts versus total tourism expenditures. Receipts of specific businesses are the traditional method for measuring an industry. Usually, the total receipts of all of the relevant business units are summed. Yet few businesses receive all of their receipts from tourists and few consumer businesses receive no money at all from tourists. Thus, tourist expenditure is the better measure of the size, scope, and impact of tourism.

(b) The issue of substitute or competitive goods versus supplementary or complementary goods. Traditionally, members of an industry compete on some level for the same money.

If a visitor stays tonight in Hotel A, he or she does not spend tonight in Hotel B, and hotels are an industry. However, many expenditures of tourists are complementary. When spending the night in Hotel A, the tourist travels, eats, pays for entertainment, and may buy a gift to take home. Taking one action does not necessarily exclude taking another action. It is more probable that all are done during the course of the stay.

The third negative ramification relates directly to the disadvantage tourism faces for public funding. When tourism—an industry made up of individual business firms seeking their own benefit—comes up against education, public health, crime prevention, infrastructure repair or development, etc. (all seen as serving society as a whole), the problem before the appropriations committee is clear. Why should government use limited funds to support one industry—and a ‘frivolous’ one at that—when there are so many social ills that demand attention? As an industry, tourism is often seen as self-serving when, in fact, it is a key ingredient in the economic health of the community. Thriving tourism can be key to attending to these other issues. Thus, the question raised by this issue is, ‘Does the “industry” designation make it harder to argue, and win, the broader implication?’ Frankly, as one who has been intimately involved in these confrontations, Daun contends, I believe that it does. The net of this argument is that to truly

understand, measure, analyze, and sell tourism we need to go beyond traditional thinking. *We need to ‘think outside of the box.’*

- If we are to study tourism to expand it or to control it, is it not better to have an accurate understanding and definition?
- If we are to communicate the value of tourism, is it not more effective to reflect the totality of tourism and not just champion a few industries?

In sum, Daun asserted, that *defining tourism as an industry is incorrect*; and further, *this definition demeans what tourism really is. Tourism is a social/economic phenomenon that acts both as an engine of economic progress and as a social force. Tourism is much more than an industry. Tourism is more like a ‘sector’ that impacts a wide range of industries. Tourism is not just businesses or governments—it is people.*

Supporting rational tourism growth and development needs to be viewed in this broader context. Given today’s economic conditions, environmental concerns, evil, turmoil, and strife, positioning tourism properly takes on added importance. Maybe now is the time to rethink the ‘industry’ classification and find a way to communicate more clearly just how important tourism’s health is to our economy.

3.1.3 Advantages of tourism

- (i) The first advantage is the need to gain respect, respect based on understanding the contribution that tourism makes to economic health.
- (ii) Tourism has an image problem. It is not really perceived as a legitimate part of economic development. For some, tourism is not even a legitimate part of government and in today’s budget crises, not worthy of funding. If tourism can argue that it really is an industry worthy of being considered on the same terms as other recognized industries, then the image of and the support for tourism will improve.
- (iii) The next advantage is the need for a sound framework to tabulate, analyze, and publish data about tourism—data that are accurate, meaningful, and believable.
- (iv) Historically, economists have used the ‘industry’ as the basis for measurement and study. If tourism wants to be measured and studied seriously, it follows then that tourism must be an industry. Only by treating tourism as an industry can tourism be compared with other industries in the world economy.
- (v) There is a need among some in ‘tourism’ for a format for self-identity. Being part of an industry is a clear and easy way to achieve identity and the self-esteem that goes with identity.

- (vi) Tourism is *beset by many outside pressures: world events; budget problems* and mounting deficits; recession; the staggering need for funds to support education, health care, social needs, and crime prevention; and the maturing, competitive tourism marketplace. In this environment, a great effort has been devoted to legitimizing tourism as a key industry in today's service economy.
- (vii) In great measure, these efforts have been successful. But, is this 'success' really positive? Or has the 'industry' label actually hurt the cause that this designation is supposed to champion. To answer this question we need to define what an industry is, use this definition as a framework to look at tourism, and then consider the ramifications of the difference.

3.1.4 Disadvantages of Tourism

One of the major problems of the travel and tourism industry that has hidden or obscured its economic impact is the diversity and fragmentation of the industry itself.

The travel industry includes hotels, motels, and other types of accommodation; restaurants and other food services; transportation services and facilities; amusements, attractions, and other leisure facilities; gift shops; and a large number of other enterprises. Because many of these businesses also serve local residents, the impact of spending by visitors can easily be overlooked or underestimated.

A review of any of the statistics published by the WTO/UN points out the innumerable footnotes to the data indicating national variations, differences in data collection methodology, and significant diversity in terminology standards. Indeed, one of the important tasks of the WTO is to work systematically to improve and help develop definitions and classifications of tourism that are of worldwide application and that emphasize both clarity and simplicity in their application.

Throughout Europe, Wöber (2000) suggests that 'unfortunately, city tourism office managers have very little influence on the local authorities who are usually responsible for conducting national and regional tourism research studies.' Although in 1995 the Federation of European Cities Tourist Offices (FECTO) attempted to establish a common database of primary city tourism statistics among their members, nonetheless it has proved unworkable because of the lack of uniform reporting and definitional difference.

In addition, Meis (1992) points out that the tourism industry involves concepts that have remained amorphous to both analysts and decision makers. Moreover, in all nations, this problem has made it difficult for the industry to develop any type of reliable or credible tourism information base in order to estimate the contribution it makes to regional, national, and global economies.

3.2 System of Tourism

In June 1991, 25 individuals representing 90 countries participated in a landmark meeting held at Ottawa, Canada, and cosponsored by the WTO and Tourism Canada. This meeting, The International Conference on Travel and Tourism Statistics (1991) had three primary aims:

1. Development of a uniform and integrated definition and classification system of tourism statistics,
2. Implementation of a strict methodology for determining the economic impact of tourism and the performance of various sectors of the industry, and
3. Establishment of both a means of dialogue between governments and the tourism industry and a coherent work program for collecting tourism statistics and information.

The Conference was successful in agreeing on approaches to standardize tourism terminology and industrial classifications, as well as indicators of market growth, economic impact, and overall industry development.

3.2.1 Tourism in Export Marketing

All delegates to the Conference endorsed the concepts, measures, and definitions that were proposed in the resolutions that came out of the meetings. In 1993, the UN accepted the report of the WTO and adopted the recommendations of the UN Secretariat's Statistical Division pertaining to tourism statistics.

One of the principal findings that came out of the conference resolutions (*WTO, 1991*) recommended that tourism be defined as: *the activities of a person travelling to a place outside his or her usual environment for less than a specified period of time and whose main purpose of travel is other than the exercise of an activity remunerated from within the place visited.* In addition, *tourism was further defined as the activities of people travelling for leisure, business, and other purposes to places outside their usual environment and staying for no more than one consecutive year.* BarOn (1996) has compiled a helpful list of those WTO/UN-adopted definitions as shown in

However, the nature of this very diversity makes travel and tourism an ideal vehicle for economic development in a wide variety of countries, regions, or communities. Once the exclusive province of the wealthy, travel and tourism have become an institutionalized way of life for most of the world's middleclass population.

Self Assessment Questions

- (i) When does the economic impact of tourism begins and
- (ii) What are the impacts?

4.0 Conclusion

For too long, the tourism industry, both international and domestic, has had great difficulty making statistical comparisons with other sectors of the economy. In all nations, this has led to difficulty in developing valid, reliable, and credible information or databases about tourism and its contribution to local, regional, national, and global economies.

5.0 Summary

In addition, Meis (1992) points out that the tourism industry involves concepts that have remained amorphous to both analysts and decision makers. Moreover, in all nations, this problem has made it difficult for the industry to develop any type of reliable or credible tourism information base in order to estimate the contribution it makes to regional, national, and global economies.

6.0 Tutor Marked Assignment

- (i) What is tourism and how was it further adopted and defined by WTO/UN?
- (ii) Explain two major advantages of tourism that could impact a developing nation like Nigeria?

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Answer to Self Assessment Questions

- (i) The economic impact of tourism begins with the *sum total of all expenditures by all tourists*.
- (ii) The impact includes some of the receipts of accommodations, restaurants, attractions, petrol (gas) stations—the traditional tourism-orientated businesses. (We might note that these are vastly dissimilar businesses.)

UNITS 8 ROLE AND TYPES OF ENTREPRENEURIAL VENTURES

CONTENT

1.0 Introduction

2.0 Objectives

3.0 Main content

3.1 Entrepreneurial Roles, Venture and Styles

3.1.1 Founding Entrepreneurs

3.1.2 General Managers

3.1.3 Franchisee

3.2 Types of entrepreneurial ventures

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3.2.4 The opportunistic entrepreneur

3.2.5 Types of Entrepreneur Roles

3.2.6 Types of Entrepreneur Ventures

3.2.7 Strategy Formulation

3.2.8 Strategy implementation Entrepreneur

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7.0 References/ Further readings

UNITS 8 ROLES AND TYPES OF ENTREPRENEURIAL VENTURES IN TOURISM ENVIRONMENT

CONTENT

1.0 Introduction

The field of small business encompasses a great variety of entrepreneurship roles, ventures, and styles. Entrepreneurial roles refer to the type of activity in which entrepreneurs are involved. Entrepreneurial ventures refer to types of businesses in terms of their potential for growth and profits. Different entrepreneurial styles usually result from the varied personal back-grounds of entrepreneurs.

2.0 Objectives

At the end of this unit, you will be able to:

Describe different types of entrepreneurial roles

Define with example, founding entrepreneur

Explain what entrepreneurial venture is all about

Identify the significance of entrepreneurial styles and ventures

3.0 Main content

ENTREPRENEURIAL ROLES, VENTURES, AND STYLES

3.1 Types of entrepreneurial Roles

Although categories tend to overlap, entrepreneurial roles may be classified into three types: founders, general managers, and franchisees.

3.1.1. *Founding entrepreneurs* - generally considered to be the “pure” entrepreneurs. Founders may be inventors who initiate businesses on the basis of new or improved products or services. They may also be craftsmen who develop skills and then start their own firms. Or they may be enterprising individuals, often with marketing backgrounds, who draw upon the ideas of others in starting new firms. Whether acting as individuals or in groups, these people bring firms into existence by surveying the market, raising funds, and arranging for the necessary facilities. After the firm is launched, the founding entrepreneur may preside over the subsequent growth of the business.

1.1.1 *General Managers.*

As new firms become well-established, founders become less innovators and more administrators. Thus, we recognize another class of entrepreneurs called **general managers**. General managers preside over the operation of successful ongoing business firms. They manage the week-to-week and month-to-month production, marketing, and financial functions of small firms. The distinction between founders and general managers is often hazy. In some cases, small firms grow rapidly, and their orientation is more akin to the founding than to the management process. Nevertheless, it is helpful to distinguish those entrepreneurs who found and substantially change firms (the “movers” and “shakers”) from those who direct the continuing operations of established firms.

1.1.2 *Franchisees.*

It is also helpful to recognize a third category of entrepreneurial role – that of the franchisee. Franchisees differ from general managers in the degree of their independence. Because of the constraints and guidance provided by contractual relationships with franchising organizations, franchisees function as limited entrepreneurs.

1.2 *Types of Entrepreneurial Venture*

1.2.1 Importance of entrepreneurial business venture.

Entrepreneurial business ventures differ greatly in terms of their potential for growth and profits. To account for such variation, Patrick R. Lileas has suggested the following categories: *marginal firms, attractive small companies, and high-potential ventures*. In thinking about small business, however, one can easily fall into the trap of considering only one end of the spectrum. Some writers treat only the tiny, marginal firms whose owners barely survive, while others focus entirely on high-growth, high-technology firms. A balanced view must recognize the entire range of ventures with the varied problems and rewards presented by each point on the spectrum.

1.2.2 *Marginal Firms.*

The very small dry cleaners, independent garages, beauty shops, service stations, appliance repair shops, and other small firms which provide a very modest return to their owners are the Marginal firms. we do not call them “marginal” because they are

in danger of bankruptcy. Some marginal firms, it is true, are on “thin ice” financially, but their distinguishing feature is their limited ability to generate significant profits. Entrepreneurs devote personal effort to such ventures and receive a profit return that does little more than compensate them for their time. Part-time businesses typically fall into this category of marginal firms.

1.2.3 The Craftsman entrepreneur.

According to Smith, the education of the **craftsman entrepreneur** is limited to technical training. Such entrepreneurs have technical job experience, but they lack good communications skills. Their approach to business decision making is characterized by the following features:

(1) They are paternalistic. (This means they direct their businesses much as they might direct their own families.)

(2) They are reluctant to delegate authority

(3) They use few (one or two capital sources to create their firms.

(4) They define marketing strategy in terms of the traditional price, quality, and company reputation.

(5) Their sales efforts are primarily personal.

(6) Their time orientation is short, with little planning for future growth or change.

3.2.4 The Opportunistic Entrepreneur.

Smith’s definition of the opportunistic entrepreneur is one

who has supplemented technical education by studying such nontechnical subjects as economics, law, or English. Opportunistic entrepreneurs avoid paternalism, delegate authority as necessary for growth, employ various marketing strategies and types of sales efforts, obtain original capitalization from more than two sources, and plan for future growth. An example of the opportunistic entrepreneur is the small building contractor and developer who uses a relatively sophisticated approach to management. Because of the complexity of the industry, successful contractors use careful record keeping, proper budgeting, precise bidding, and systematic marketing research.

In Smith's model of entrepreneurial styles, we see two extremes of managerial approach. At the end, we find a craftsman in an entrepreneurial.

Self Assessment Question.

How does entrepreneurial business differ from other business within your community?

4.0 Conclusion

The field of small business encompasses a great variety of entrepreneurship roles, ventures, and styles. Entrepreneurial roles refer to the type of activity in which entrepreneurs are involved. Entrepreneurial ventures refer to types of businesses in terms of their potential for growth and profits. Different entrepreneurial styles usually result from the varied personal back-grounds of entrepreneurs.

5.0 Summary

In thinking about entrepreneur business venture, however, one can easily fall into the trap of considering only one end of the spectrum. Some writers treat only the tiny, marginal firms whose owners barely survive, while others focus entirely on high-growth, high-technology firms. A balanced view must recognize the entire range of ventures with the varied problems and rewards presented by each point on the spectrum.

6.0 Tutor-Marked Assignment

Identify and describe the role of an entrepreneur in the economy?

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Answer to Self Assessment Question.

Small-business ventures differ greatly in terms of their potential for growth and profits.

UNITS 9 STRATEGIC MANAGEMENT & INFORMATION TECHNOLOGY IN TOURISM

CONTENT

1.0 Introduction

2.0 Objectives

3.0 Main content

3.1 Use of strategic planning in strategic management in entrepreneurial venture

3.1.1 What is strategy?

3.1.2 Structure and kinds of strategies

3.1.3 Corporate strategy

3.1.4 Business strategy

3.1.5 Functional strategy

3.2 Information Technology (IT) in tourism

3.3 Basic model of strategic management

3.3.1 Elements of strategies

3.3.2 Environmental scanning

3.3.3 SWOT

3.3.4 Evaluation and Control

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7.0 References/ Further readings.

UNITS 9 STRATEGIC MANAGEMENT & INFORMATION TECHNOLOGY IN TOURISM

1.0 Introduction

Strategic management as a field of study typically deals with large, established business corporations. However, small business cannot be ignored. There are 22 million small businesses-over 95% of all businesses in the United States. According to Dun & Bradstreet, 170,475 entrepreneurial ventures created 846,973 new jobs in the United States during 1996. Research reveals that not only do small firms spend almost twice as much of their R&D money on fundamental research as do large firms, but also that small companies are responsible for a high proportion of innovations in products and services. For example, new small firms produce 24 times more innovation per research dollar than do the much larger Fortune 500 firms. The National Science Foundation estimates that 98% of "radical" product developments result from the research done in the labs of small companies.

Despite the overall success of entrepreneurial venture businesses, however, every year tens of thousands of small companies fail. According to the U.S. Small Business Administration, 24% of all new businesses fail within two years and 63% fail within six years. Similar failure rates occur in the United Kingdom, The Netherlands, Japan, Taiwan, and Hong Kong. Although some studies are more positive regarding the survival rate of new entrepreneurial ventures, new businesses are definitely considered risky.

The causes of small business failure (depending on the study cited) range

from inadequate accounting systems to inability to cope with growth.

The underlying problem appears to be an overall lack of strategic management-beginning with an inability to plan a strategy to reach the customer, and ending with a failure to develop a system of controls to keep track of performance.

2.0 Objectives

At the end of this unit, you should be able to:

Explain what is strategy, mission, vision & their importance to entrepreneur in managing tourism venture

Identify kinds of strategies and their functions in entrepreneur venture

Differentiate between Corporate, business and functional strategies

Understand how to apply strategic tools to entrepreneurial tourism business scenario.

3.0 Main content

3.1 *Use of strategic planning in strategic management in entrepreneurial venture Business.*

3.1.1 **What is Strategy? Definition of strategy**

Strategy is the formulation of organizational missions, goals and objective, as well as action plan for achievement that explicitly recognize the competition and impact of outside environmental forces. It maximizes competitive advantage and minimizes competitive disadvantage.

3.1.2 **Structure and kinds of strategy**

A look at a case study of Rockwell Corp. After Rockwell International

Corporation disclosed that it could no longer achieve its objectives by continuing with its strategy of diversification into multiple lines of businesses, it sold its aerospace and defense to Boeing. Rockwell instead chose to concentrate on commercial electronics, an areas that management felt had greater opportunities for growth. The typical business firm usually considers three types of strategy: ***corporate, business, and functional.***

3.1.3 Corporate strategy describes a company's overall direction in terms of its general attitude toward growth and the management of its various business and product lines. Corporation strategies by acquiring other appliance companies in order to have a full line or major home appliances.

3.1.4 Business strategies usually occurs at the business unit or product level, and it emphasizes improvement of the competitive position of a corporation's products or services in the specific industry or market served by that business unit. Business strategies may fit within the two overall categories of competitive or cooperative strategies. For example Maytag Corporation uses a differentiation competitive strategy that emphasizes quality for its Maytag brand appliances but uses a low cost competitive strategies for its Magic chef bran appliances so that it can sell these appliance to cost-conscious home builders.

3.1.5 Functional strategy is the approach taken by a functional area to achieve corporate and business unit objectives and strategies by maximizing resources productivity. It is

concerned with developing and nurturing a distinctive competence to provide a company or business unit with a competitive advantage. Example of functional strategies within an R&D department are technological followership (imitate the products of other companies) and technological leadership (pioneer an innovation). To become more efficient throughout the corporation, Maytag Corporation is converting from a manufacturing strategy of making different types of home appliances under the same brand name in one plant to a more cost-effective strategy of making only one type of appliance (for example, dishwashers) for many brands in a very large plant. Another example of a functional strategy is America Online's marketing strategy of saturating the entire market with a low-priced product (as contrasted with selling a higher priced product to a particular market segment).

Business firms use all three types of strategy simultaneously. A hierarchy of strategy is a nesting of one strategy within another so that they complement and support one another. Functional strategies support business strategies, which, in turn, support the corporate strategy (ies).

3.2 Information Technology (IT)

Computerizing the Entrepreneurial venture & small business is an important capital project that needs the following guidelines and

initiatives;

- Take a study of components of a business computer system
- Type of component based on sophistication and size and types of computer systems
- First stage and second stage applications of the computer
- Options for the small business that decides to computerize its operations
- Ten steps to take when obtaining a computer for the first time.

A computer is a high-speed electronic machine that manipulates data by following sequential programmed instructions.

A computer system consists of a computer and related interactive components.

Components of a computer System

The five main components of a computer system are: hardware, software (programs), data, personnel and procedures. These five components each of which is essential to the total system.

The three basic types of computers based on sophistication and size are mainframe and minicomputers and microcomputers or (personal computers). The turnkey computer system consist of hardware, software, and procedure that are produced and sold as a package by the vendor.

Computer application for entrepreneurial ventures and small business

There are three basic reasons for the increasing use of computer system in small businesses. First, a properly designed computer

system can reduce the cost of operating business. Second, the computer can assist in providing more timely, accurate information for managerial decisions. Third, the computer can improve customer service and other functional activities with user-friendliness with speed and efficiency and thus pave the way for increased revenue.

Buying a Computer

The advantages of buying a computer are obvious. The owner has total control and ownership of computer.

Edward Goldfinger lists ten steps for a company to take when considering the purpose of a computer. Besides, Frank Greenwood also identifies ten rules of a entrepreneur and small business computerization.

The ten steps are described below and involve a blending of these two persons ideas.

Step 1 . Learn about computer

Step 2. Analyze the present manual system.

Step 3. Clearly define your expectation from the computer system

Step 4. Compare cost and benefits

Step 5. Establish a time table for installing the system

Step 6. Write a tight contract

Step 7. Obtain program first. Then obtain a computer. There are several options for obtaining computer programs.

- (i) Obtain program s that are already working at other similar entrepreneur and small businesses
- (ii) Hire a programmer to write programs
- (iii) Hire a consultant who has programs which can serve most business functions.

Step 8. Prepare your employees for conversion

Step 9. Make the conversion and conduct appropriate training

Step 10. Reap the benefits

3.2 BASIC MODEL OF STRATEGIC MANAGEMENT

3.2.1 Elements of Strategic Management

Strategic management consists of four basic elements

- Environmental scanning
- Strategy formulation
- Strategy implementation
- Evaluation and control

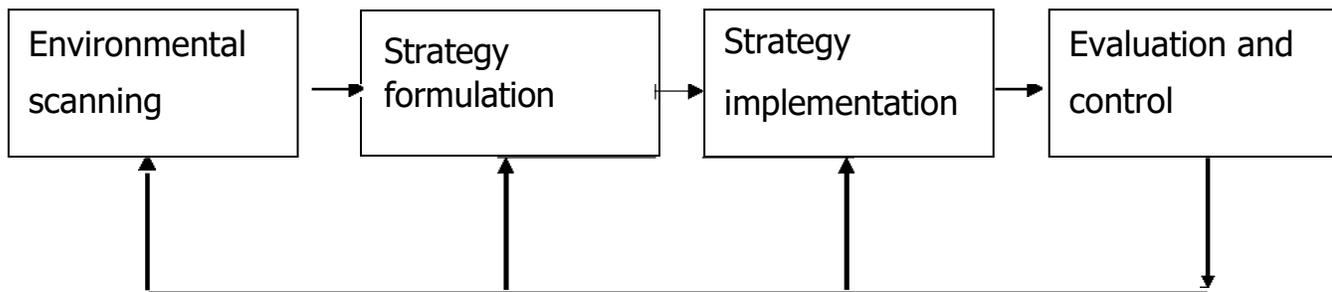


Figure 3.5 Basic strategic management model
Source: GE Strategic model, CBC 2005 p.113

3.2.2 Environment scanning is the monitoring, evaluating and disseminating of information from the external and internal environments to key people within the cooperation. Its purpose is to identify strategic factors those external and internal elements that will determine the future of the cooperation. The simplest way to conduct environmental scanning is through SWOT Analysis.

3.2.3 SWOT is an acronym used to describe those particular strengths,

Weaknesses, opportunities, and threats that are strategic factors for a specific company. The external environment consists of variables (opportunities and Threats) that are outside the organization and not typically within the short-run control of top management. These variables form the context within which the corporation exists. Figure 1.3 depicts key environmental variables. They may be general forces and trends within the overall societal environment or specific factors that operate within an organization's specific task environment or specific factors that operate within an organization's specific task environment often called its industry.

The internal environment of a corporation consist of variables (Strengths and weaknesses) that are within the organization itself and are not usually within the shorts run control of top management. These variables form the context in which work is done. They include the corporation's structure, culture, and resources. Key strengths form a set of core competencies which corporation can use to gain competitive advantages. These internal variables and core competencies are defined and discussed more defined in the earlier unit.

3.2.4 Strategy formulation

Strategy formation is the development of long-range plans for the effective management of environmental opportunities and threats in light of cooperate strengths and development strategies, and setting policy guidelines.

3.2.5 MISSION

An organization mission is the purpose or reason for the organizations existence. It tells what the company is providing to society ether a service like housecleaning or a product like automobiles. A well-conceived mission statement defined the fundamental, unique purpose that sets a company apart from other

firms of its types and identified the scope of the company's operations in terms of products (including services) offered and markets served. It may also include the firm's philosophy about how it does business and treats its employees. It puts into words not only what the company is now, but what it wants to become—management's strategic vision of the firm's future. (Some people like to consider vision and mission as two different concepts: a mission statement describes what the organization is now; a vision statement describes what the organization would like to become. We prefer to combine these ideas into a single mission statement). The mission statement promotes sense of shared expectations in employees and communicates public image to important stakeholder groups in the company's task environment. It tells who we are and what we do as well as what we'd like to become.

One example of mission statement is that of Maytag Cooperation: To improve the quality of home life by designing, building, marketing and servicing the best appliances in the world.

Another classic example is that etched in bronze at Newport News Shipbuilding, unchanged since its founding in 1886. We shall build good ships here at a profit if we can at a loss if we must but always good ships.

A mission may be defined narrowly or broadly in scope. An example of a broad mission statement is that used by many corporations: serve the best interests of shareholders, customers, and employees. A broadly defined mission statement such as this keeps the company from restricting itself to one field or product line, but it fails to clearly identify either what it makes or which product/markets it plans to emphasize. Because this broad statement is so general, a narrow mission statement, such as the preceding one by Maytag emphasizing

appliances, is more useful. A narrow mission very clearly states the organization's primary business, but it may limit the scope of the firm's activities in terms of product or service offered, the technology used, and the market served.

3.2.6 OBJECTIVES

Objectives are the end result of planned activity. They state what is to be accomplished by who, when and should be quantified if possible. The achievement of corporate objective should result in the fulfillment of a corporation's mission. For example , a case study of Minnesota mining & Manufacturing (3M), has set very specific financial objectives for itself:

- To achieve 10% annual growth in earnings per share.
- To achieve 20% - 25% return on equity.
- To achieve 27% return on capital employed

The term "goal" is often used interchangeably with the term "objective". In this book, we prefer to differentiate the two terms. In contrast to an objectives, we consider a goal as a open-ended statement of what one what to accomplish with no quantification of what is to be achieved and no time criteria for completion. For example, a simple statement of "increased profitability" is thus a goal, not an objective, because it does not state hoe much profit the firm the firm wants to make the next year.

Some of the areas in which an organization might establish its goals and objectives are:

- Profitability (net profits)
- Efficiency (low costs, etc)

- Growth (increase in total assts, sales, etc)
- Shareholder wealth (dividedness plus stock price appreciate).
- Utilization of resources (REO or ROI)
- Reputation (being considered a "top "firm)
- Contribution to employees (employment security, wages, diversity)
- Contributions to society (taxes paid, participation in charities, providing a needed product or service).
- Market leadership (market share)
- Technological leadership (innovations, creativity).
- Survival (avoiding bankruptcy)
- Personal needs of top management (using the firm for personal purpose, such as providing jobs for relatives).

Self Assessment Questions.

What are the two key implementation issues in small business in transferring ownership of business?

4.0 Conclusion

Strategic management as a field of study typically deals with large, established business corporations. However, small business cannot be ignored. Research reveals that not only do small firms spend almost twice as much of their R&D money on fundamental research as do large firms, but also that small companies are responsible for a high proportion of innovations in products and services.

5.0 Summary

Despite the overall success of small businesses, however, every year tens of thousands of small companies fail. Although some studies are more

positive regarding the survival rate of new entrepreneurial ventures, new businesses are definitely considered risky. The causes of small business failure range from inadequate accounting systems to inability to cope with growth. The underlying problem appears to be an overall lack of strategic management-beginning with an inability to plan a strategy to reach the customer, and ending with a failure to develop a system of controls to keep track of performance.

6.0 Tutor-Marked Assignment

What do you understand by business failure?

What are the major causes of business failure and how can they be avoided, especially in entrepreneurial tourism?

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Answer to Self Assessment Question.

Two key implementation issues in small companies are *organizing and staffing* the owing company and the transferring ownership of the company to the next generation.

UNIT 10 New program major & choosing entrepreneur in tourism as a career path and success trail

2.0 Introduction

3.0 Objective

4.0 Main Content

3.1 Category of Entrepreneur

4.1.1 Classic Entrepreneur.

4.1.2 Intrapreneur

4.1.3 Change Agent

4.2 *Choosing Entrepreneur as a career path*

4.2.1 *Four Reasons for becoming an entrepreneur*

4.2.2 Self-management

4.3 *Characteristics of Entrepreneur and success trail*

4.3.1 *Vision*

4.3.2 *High Energy Level*

4.3.3 *Need to Achieve*

4.3.4 *Self-Confidence and Optimism*

4.3.5 *Tolerance for failure*

4.3.6 *Tolerance for Ambiguity*

4.3.7 *Creativity*

4.3.8 *Internal Locus of control*

4.0 Conclusion

5.0 Summary

6.0 Tutor-Marked Assignment

7.0 Reference/Further Reading

UNIT 10 New program major & choosing entrepreneur in tourism as a career path and success trail

1.0 Introduction

Corporate giants often devise special programme aimed at solving small-business problems. In doing so, they are not acting out of humanitarian interests. Instead, they recognize the size of the small-business market, its growth rate and buying power, and the financial rewards for firms that support small businesses. UPS has broadened its package delivery service to help small businesses with the details of filling orders and processing returns. Figure 4.6 describes how UPS might help a small-business founder who has good idea for a product and Web site but lacks experience in other aspects of running business.

Small-Business Opportunities for women and Young People

The thousands of new business start-ups each year include growing numbers of women-owned firms as well as new businesses launched by Africa Americans, Hispanics, and members of other minority groups. The numbers of women-owned and minority-owned businesses are growing much faster than the overall growth in U.S. businesses.

2.0 Objective

At the end of this unit, you should be able to:

Describe the role of an entrepreneur in a tourism firm

Identify the category of entrepreneur in your community

Discuss the characteristics of an entrepreneur you observe in your locality

Explain why people choose entrepreneur as a career path

3.0 Main Content

3.1 Category of Entrepreneur

Entrepreneurs apply their talents in different situations. These differences give rise to a set of distinct categories of entrepreneurs. As figure 4.8 shows, *three basic categories exist: classic entrepreneurs, intrapreneurs and change agents.*

3.1.1 *Classic Entrepreneurs*

Classic entrepreneurs identify business opportunities and allocate available resources to tap those markets. The story of Ari B. Horowitz exemplifies the actions of a classic entrepreneur. Horowitz declares that he is “in the business of building businesses”. In the first decade after earning his college degree, he started or led the growth of five companies, most of them serving high-tech industries. Horowitz looks for market that have large potential, then seeks an advantage through speed, relying on his drive and sales ability to quickly assemble the money and people needed to serve those markets. For example, Horowitz started Gray Peak, a consulting firm specializing in high-tech businesses. While he was still managing that company, he realized that the demands of hiring and managing skilled employees presented another business opportunity: providing that service to her companies. So Horowitz launched an online service called FreeAgent.com, which matches independent consultants with clients and lets businesses track employees’ work on individual projects. With a track record of success, he has been able to attract major investors who want to back start-ups.

3.1.2 *Intrapreneurs*

Intrapreneurs are entrepreneurially oriented people who seek to develop new product, ideas, and commercial ventures within large organizations. One leader in this area, 3M Co., has established companywide policies and procedures that give employees personal freedom to explore new products and technologies. Researchers are allowed to spend 15 percent of their time working on their own ideas without approval from management. Some of the company’s most successful products began as

inspirations of intrapreneurs. One such product, Post-It notes, was invented by 3M employee Art Frey.

3.1.3 Change Agents

Change agents, also called turnaround entrepreneurs, are managers who seek to revitalize established firms to keep them competitive in today's marketplace. Elisabeth Robert played this role at Vermont Teddy Bear Co. In the early 1990s, the maker of furry bears in fancy costumes was enjoying fast growth, fuelled by its Bear_Gram service, which delivers teddy bears nationwide. With millions of dollars pouring in, the company launched ambitious marketing plans including three stores, a variety of bear-branded goods from knapsacks to books, and sponsorship of a NASCAR driver.

3.2 *Choosing Entrepreneur as a career path*

If you want to start your own firm someday, you have plenty of company. As Figure 4.9 illustrates, roughly one in ten U.S. adults under the age 45 years is involved in starting a business with the expectation of owning at least part of it. A recent survey revealed that about half of Americans expressed interest in starting a business. This interest is especially strong among young adults. Three out of every ten people between the ages of 18 and 29 years want to run their own business. Since the early 1980s, a heightened interest in entrepreneurial careers has been observed, spurred in part by publicity celebrating the successes of entrepreneurs like Steve Case of America online, Martha Stewart of the company bearing her name, and Bill Gates of Microsoft.

The popularity of entrepreneurship is evident on America's college campuses. Today, hundreds of U.S. colleges and universities offer classes in starting and managing a business, and many of them offer entrepreneurship curricula. Some of these schools, including Alfred University, Babson College, University of St. Thomas, and Miami University of Ohio, are adding entrepreneurship courses to programs

outside the usual business curriculum. On the assumption that people in other disciplines might eventually start a business. Alfred University offers a course called Entrepreneurship and the Arts to help artists make their work a viable means of support. A student in a rock band applied what he learned by writing a business plan that enabled the band to become profitable.

3.2.1 Four Reasons for becoming an entrepreneur

As figure 4.10 states, people become entrepreneurs for one or more of four major reasons, also generally known as **4 Ds of Entrepreneurship**:

- Desire to be one's own boss
- Desire to succeed financially
- Desire to attain job security
- Desire to improve their quality of life

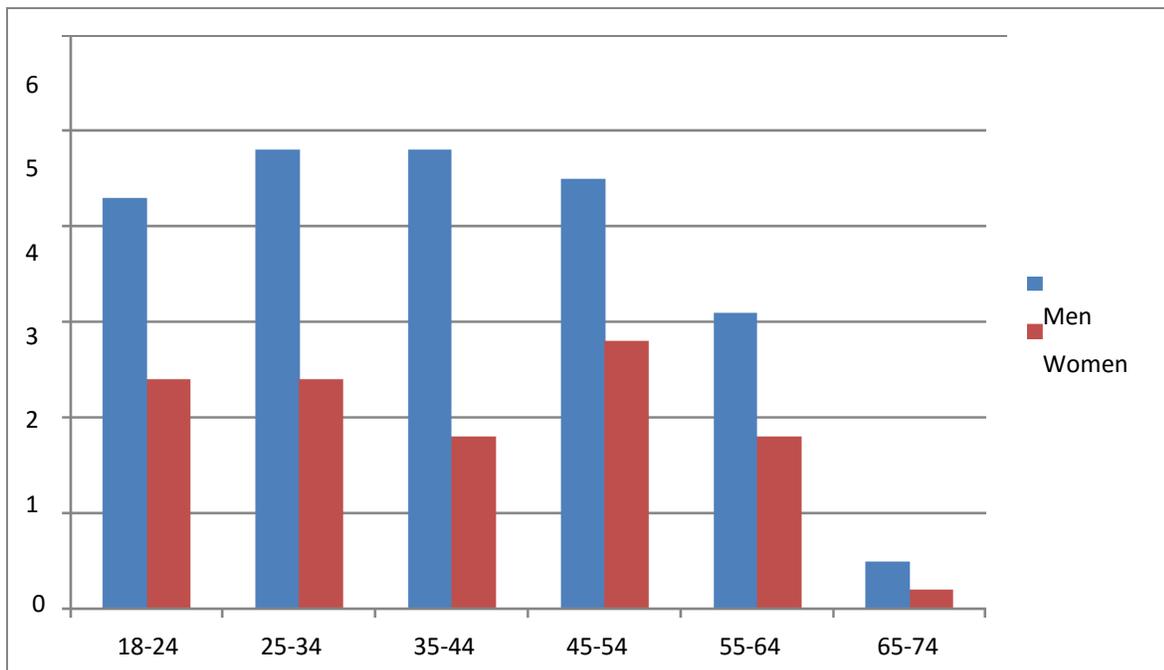


Figure 4.9 U.S. Adults Currently Engaged in Starting a Business

Source: US business statistics, chamber of commerce bureau 2008, p101

website. Diners go to the web site to look for available tables, searching neighbourhood or cuisine, or looking up restaurants by [name](#). [OpenTable.com](#) indicates the times at which tables are available, and the hungry consumer clicks to select a preferred restaurant, table, and desired time.

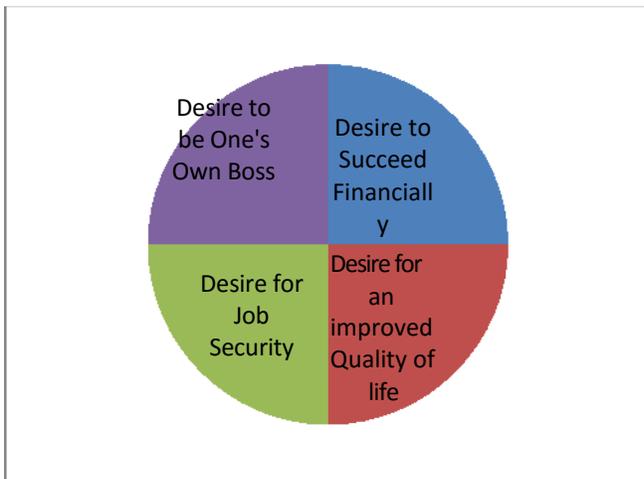


Fig. 4.10 Why People Become Entrepreneur

Source: US business statistics, chamber of commerce bureau, 2006, p.211

Other entrepreneurs identify better way to serve business customers. Mini-Tanker was founded in Australia to provide superior service in the sale of diesel fuel. Construction firms and highway contractors often improve and diversify service.

3.2.3 Self-management – the desire to be one’s own boss – is the motivation that drives many entrepreneurs.

Others seek financial success.

They launch their ventures with the specific goal of creating a profitable business and reaping its financial

rewards.

Some entrepreneurs, concerned about downsizing practices of the past few years by major employers.

Starting a business gives the founder some choice over when, where, and how to work.

Although entrepreneurs often mention financial rewards as a motive for starting their businesses, the path to riches can be long and uncertain. Among the Inc. 500 CEOs, almost one-fourth took no compensation at all from their business during its first five years of operation. Eric J. Ruff is an example of an entrepreneur who struggled financially during the first years following the launch of his software business, Poower Quest. One of Ruff's first goals appeared to be a modest one: to be able to afford to "supersize" his order of French fries when he took his family to McDonald's without worrying whether he could afford the price. He was surprised to discover that reaching this goal took four years.

3.3 *Characteristics of Entrepreneur and success trail*

The examples of entrepreneurship you've read so far may give the impression that people who strike out on their own are a different breed. In addition to having similar innovations,

successful entrepreneurs are more likely than other people to have parents who were entrepreneurs. They also tend to have personality traits in common.

Researchers have associated many personality traits with successful entrepreneurship. They report that entrepreneurs are more likely to be inquisitive, passionate, self-motivated, honest, courageous, flexible, intelligent, and reliable people. The traits are especially important for people who want to succeed as entrepreneurs.

3.3.1 Vision

Entrepreneurs begin with a vision, an overall idea for how to make their business idea a success, and then they passionately pursue it. Bill Gates and Paul Allen launched Microsoft with the vision of a computer on every desk and in every home, all running Microsoft software. Their vision helped Microsoft to become the world's largest marketer of computer software. It guided the company and provided clear direction for employees as Microsoft grew, adapted, and prospered in an industry characterised by tremendous technological change.

3.3.2 High Energy Level

Entrepreneurs willingly work hard to realize their visions. Starting and building company requires an enormous amount of hard work and long hours. Some entrepreneurs work full-time at their regular day jobs and spend weeknights and weekends launching their start-ups. Many devote 14-hour days seven days a week to their new ventures.

A major reason why entrepreneurship demands hard work is that start-up companies typically have small staffs and struggle to raise enough capital. Under these resource constraints, the entrepreneur has to make up the difference. When two engineers started Gilat Satellite Networks to build satellite

systems, they had to work extremely hard to compete with giant corporations like EchoStar and Hughes Network Systems. They offered to do whatever was necessary to tailor a system to the clients's needs. Gilat's first customer was Rite Aid, the drugstore chain. The company won the contract by agreeing to adapt its satellite system in significant ways. The two founders and four other members of the project's development team put in many nights and weekends to achieve their commitment. Cofounder Amiran Levinberg says simply, "In a high-tech start-up such as Gilat it's a given that there will be some 12-hour days."

3.3.3 Need to Achieve

Entrepreneurs work hard because they want to excel. Their strong competitive drive helps them to enjoy the challenge of reaching difficult goals and promotes dedication to personal success. Entrepreneurship expert Amar Bhide says successful entrepreneurs have "an almost maniacal level of ambition. Not just ambition to make a comfortable living, to make a few million dollars, but someone who wants to leave a significant mark on the world.

Maria de Lourdes Sobrino's dream was to find success in the U.S. A Mexican immigrant, Sobrino moved with her family to Los Angeles, where she opened a travel business concentrating on the U.S. to – Mexico market. But economic woes in Mexico ended demand for her services, and Sobrino needed a new way to support herself. Then an idea came to her : selling a new product she called Lulu's desserts. These small cups of flavoured gelatine, a common treat in Mexico, had not yet found their way to U.S. stores. Identifying retailers willing to make a chance on the new product required persistence. Sobrino first identified Latino communities and then visited

independent stores in these communities. Finally, one allowed her to leave the gelatine cups, with payment contingent on sales. When Sobrino returned to her Spartan office, a message was waiting for her: "please come back, Senora. Your gelatins are sold." That was the turning point for LuLu's . When her product became popular in local stores, a food broker began to carry it, and Sobrino borrowed money to expand her facilities. Paying off the loans was difficult and took years, but today LuLu's is a \$12 million company with 45 products offered in West Coast stores. Through hard work and determination, Sobrino is achieving her goals.

3.3.4 Self-Confidence and Optimism

Entrepreneurs believe in their ability to succeed, and they instill their optimism in others. Often, their optimism resembles fearlessness in the face of difficult odds. Sean Rones, founder of San Diego media firm called World Footprint, needed plenty of self-confidence to land the contract to sell all the outdoor advertising for dot.com businesses during the 200 Sydney Olympics. How did a small U.S. firm get such exclusive rights? First, Rones and his partner Eric Davis determined that the Olympics would be a great setting to advertise an Internet business. Rather than assuming that all advertising rights surely must have been sold, Rones flew to Sydney in 1999. There, he pursued negotiations, undaunted by local media firms and other business people hoping to scare him into giving up a share of World Footprint. Within a year, Rones had a contract for his company to sell ad space on billboards and on signs placed on buildings and in buses and taxis.

3.3.5 Tolerance for failure

Entrepreneurs view setbacks and failures as learning experiences. They are not easily discouraged or disappointed

when things do not go as planned. For Robert Luster, a major setback involved making a transition from his role as Army officer to civilian entrepreneur. His first construction management firm, Athena Management Engineers, failed after two years, as Luster got used to the subtleties of communication in the private sector. He then formed Luster Construction Management and won his first client by promising he could have someone on site the next day. While he was waiting for a reply, Luster began screening candidates, so when the client called and asked Luster to start the next morning, he was ready. Today Luster's business is generating \$10 million in sales and has over 100 employees.

3.3.6 Creativity

Entrepreneurs typically conceive new ideas for goods and services, and they devise innovative ways to overcome difficult problems and situations. Al Gross may have helped Allied Forces gain strategic advantage during World War II by developing the walkie-talkie. Gross recognized that his product actually presaged the wireless revolution, and he later produced early – model cell phones and pagers. Another product of his creative mind was a solution to one of suburbia's problems- the garage –door opener.

Entrepreneurs often achieve success by making creative improvements, rather than single-handedly revolutionizing an industry. Entrepreneurship researcher Amar Bhadi has identified a substantial amount of creativity among entrepreneurs "at the tactical level" – in other words, in the ways entrepreneurs built their businesses, more so than in the product itself. Steve Madden, of Steve Madden Ltd. Shoe farm, built a fashion empire by bringing back platform shoes, as described in the "Clicks and Mortar" box.

3.3.7 *Tolerance for Ambiguity*

Entrepreneurs take in stride the uncertainties associated with launching a venture. Dealing with unexpected events is the norm for most entrepreneurs. With limited funding, the typical entrepreneur cannot afford to stockpile resources to prepare for the future but must act quickly as orders come in. That was Seth Goldman's experience when he founded a company to market Honest Tea. Goldman experimented with a variety of ingredients until he created a flavour he thought would taste good either hot or cold, then lined up an appointment with buyers at the Fresh Fields/Whole Foods Chain of Natural-Foods Grocers. He brewed his original flavour of Honest Tea in his home kitchen and took a thermos full of the tea to his appointment. The buyers were delighted and ordered 15,000 bottles. Now Goldman had a problem: he still needed a way to produce all that tea. Undaunted, he found help from an expert in the bottling industry. He arranged to have the tea produced at a factory in Buffalo. As demand for the tea grew and the company diversified into eight varieties of bottled teas plus tea bags, Goldman's company purchased part ownership of a bottling facility in New Kensington, Pennsylvania.

Tolerance for ambiguity is different from the love of risk taking that many people associate with entrepreneurship. Successful entrepreneurship is a far cry from gambling, because entrepreneurs look for business strategies that they believe have a good chance of success, and they quickly make adjustments when a strategy isn't working.

3.3.8 Internal Locus of Control

Entrepreneurs believe that they control their own fates, which means they have an internal locus of control. You won't find entrepreneurs gazing into a crystal ball or looking for a four-leaf

clover – they take personal responsibility for the success or failure of their actions rather than believing in luck or fate. They neither make excuses for their shortcomings nor blame others for their setbacks and failures. Figure 4.14 appeals to this self-sufficiency by offering businesspeople a Web site at area. Subway Sandwiches recently generated considerable ill will among its franchised outlets when it began setting up operations in retail gas stations.

Self Assessment Question

- (1) As a potential entrepreneur in tourism, how would you view setbacks and failure in business operation?

4.0 Conclusion

Entrepreneurial opportunities are unlimited, as evidenced by various dramatic success stories of successful entrepreneurs.

Entrepreneurial rewards include profits, independence, and a satisfying way of life.

Individuals who become entrepreneurs have a high need for achievement, a willingness to take moderate risks, and a high degree of self-confidence.

5.0 Summary

The period between a person's mid-twenties and mid-thirties is described as the "free-choice period" in which entry into entrepreneurial careers tends to be easiest. The specific step into many entrepreneurs' businesses is often triggered by a "precipitating event" such as losing a job.

Entrepreneurship includes a variety of entrepreneurial roles (founding versus managing, for example); types of ventures (marginal firms versus high potential ventures, for example); and management style (craftsman versus opportunistic entrepreneur, for example).

One specific type of entrepreneurial venture is the family firm, in which family considerations affect management in various ways. Another

distinctive type of entrepreneurship is the entrepreneurial team, in contrast to the individual entrepreneur, which provides leadership for the firm.

6.0 Tutor-Marked Assignment

Itemize major characteristics of an Entrepreneur and explain the importance and the role they play in their drive for financial success?

7.0 Reference/Further Readings

Alan, M.S., Haccoun, R.R., & Belcourt, M.(2008). *Managing Performance through Training and Development* (4th ed.).Toronto, Canada: Nelson Education Ltd.

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Answer to Self Assessment Question.

Tolerance for failure. Entrepreneurs view setbacks and failures as learning experiences. They are not easily discouraged or disappointed when things do not go as planned.

UNITS 11 Mintzberg's Models of strategic Decision making For entrepreneurial ventures

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3.1.1 What is a triggering event, 3.1.2

New CEO.

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3.1.4 Threat of a change in ownership.

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UNITS 11: Mintzberg's Modes of strategic Decision making For entrepreneurial ventures

1.0 Introduction

Some strategic decisions are made in a flash by one person (often an entrepreneur or a powerful chief executive officer) who has a brilliant insight and is quickly able to convince others to adopt his or her idea. Other strategic decisions seem to develop out of a series of small incremental choices that over time push the organization more in one direction than another.

2.0 Objectives

At the end of this unit, you should be able to:

Understand the strategic decision making process in entrepreneur ventures

Know how to initiate a strategy for an entrepreneurial venture

Identify eight steps strategies for improving strategic decision making

Discuss modes of strategic decision making in entrepreneurial business

3.0 Main content

3.1 *Initiation of Strategy- Triggering Events*

Most large organizations tend to follow a particular strategic orientation for about 15 to 20 years before making a significant change in direction. After this rather long period of fine-tuning an existing strategy, some sort of shock to the system is needed to motivate management to seriously reassess the corporation's situation.

3.1.1 What is a triggering event?

A triggering event is something that acts as a stimulus for a change in strategy.

Some possible triggering events are:

3.1.2 New CEO. By asking a series of embarrassing questions the new CEO cuts through the veil of complacency and forces people to question the very reason for the corporation's existence.

3.1.3 External intervention

The firm's bank suddenly refuses to approve a new loan or suddenly demands payment in full on an old one.

3.1.4 Threat of a change in ownership. Another firm may initiate a takeover by buying the company's common stock.

3.1.5 Performance gap. A performance gap exists when performance does not meet expectations. Sales and profits either are no longer increasing or may even be falling.

Omega Corporation is an example of one company in

which a triggering event forced its management radically rethink what it was doing, See the Strategy in a Changing World feature to show how one simple question from the new CEO stimulated a change in strategy at Omega.

3.2 Strategic Decision Making entrepreneur tourism venture

3.2.1 What Makes a Decision Strategic to aid strategic tourism

Unlike many other decisions, Strategic decisions deal with long-

Run future of the entire organization and have three characteristics:

i. Rare: Strategic decisions are unusual and typically have no procedure to follow:

3.2.3 Consequential: Strategic decisions commit substantial resources and demand a great deal of commitment from people at all levels.

3.2.5 Directive: Strategic decisions set precedents for lesser decisions and future action throughout the organization.

3.2.6 Mintzberg's Modes of strategic Decision making.

Some strategic decisions are made in a flash by one person (often an entrepreneur or a powerful chief executive officer) who has a brilliant insight and is quickly able to convince others to adopt his or her idea. Other strategic decisions seem to develop out of a series of small incremental choices that over time push the organization more in one direction than another. According to Henry Mintzberg, the most typical approaches, or modes, of strategic decision making are:

3.2.7 **Entrepreneurial Mode:** Strategy is made by one powerful individual. The focus is on opportunities; problems are secondary. Strategy is guided by the founder's own vision of direction and is exemplified by large, bold decisions. The dominant goal is growth of the corporation. America Online, founded by Steve Case is an example of this mode

o strategic decision making. The company reflects his vision of the Internet provide industry AOL's clear growth strategy is certainly an advantage of the entrepreneurial mode, its tendency to market its products before the company is able to support them is a significant disadvantage.

3.2.8 **Adaptive Mode.** Sometimes referred to as "muddling through," this decision making mode is characterized in reactive solutions to existing problems, rather than a proactive search for new opportunities. Much bargaining goes on concerning priorities of objective. Strategy is fragmented and is developed to move the corporation forward incrementally. This mode is typical of most universities, many large hospitals, a large number of governmental agencies, and a surprising number of large corporations. Encyclopedia Britannica, Inc., operated successfully for many years in this mode, but continued to rely on the door-to-door selling of its prestigious books long after dual career couples made this marketing approach obsolete. Only after it was acquired in 1996 did the company change its marketing strategy to television advertising, and internal marketing. It now offers CD-ROMs in addition to the printed volumes.

3.2.9 **Planning Mode:** This decision-making mode involves the systematic gathering of appropriate information for situation analysis, the generation of feasible alternative

strategies, and the rational selection of the most appropriate strategy, it includes both the proactive search for new opportunities and the reactive solution of existing problems. The J. C Penney Company is an example of the planning mode. After a careful study of shopping trends in the 1980s, the retailing company discontinued its sales of pain, hardware, major appliances, automotive items and electronics to concentrate on apparel and home furnishings. Declining personal incomes and greater uncertainty in the 1990s led Penney's to emphasize private brands. This new merchandising strategy allowed the company to offer the high quality of goods often found in better department stores at a competitively lower price.

Logical incrementalism- In some instances a corporation might follow a fourth approach called *logical incrementalism*, which is a synthesis of the planning, adaptive, and, to a lesser extent, the entrepreneurial modes of strategies decision making. As described by Quinn, top management might have a reasonably clear idea of the corporation's mission and objectives, but in its development of strategies, it chooses to use" an interactive process in which the organization probes the future, experiments and learns from a series of partial (incremental) commitments rather than through global formations of total strategies. This approach appears to be useful when the environment is changing rapidly and when it is important to build consensus and develop needed

resources before committing the entire corporation to a specific strategy.

3.3. Strategic Decision-making process:

3.3.1 *Eight-step strategies for improving strategic decisions* Aid to better decision, good arguments can be made for using either the entrepreneurial or adaptive modes (or logical incrementalism) in certain situations. H. Mintzberg proposes, however, that in most situations the planning mode, which includes the basic elements of the strategic management process, is a more rational and thus better way of making strategic decisions. The planning mode is not only more analytical and less political than are the other modes, but it is also more appropriate for dealing with complex, changing environments. **Mintzberg's** therefore propose the following eight-step strategies decision-making process to improve the making of strategic decisions of entrepreneur;

- 3.3.2 Evaluate current performance results in terms of (a) return on investment, profitability, and so forth, and (b) the current mission, objectives, strategies, and policies
- 3.3.3 Review corporation governance, that is the performance of the firm's board of directors and top management.
- 3.3.4 Scan and assess the external environment to determine the strategic factors that pose opportunities and Threats.
- 3.3.5 Scan and assess the internal corporate environment to determine the strategic factors that are strengths (especially core competencies) and Weaknesses.
- 3.3.6 Analyze strategic (SWOT) factors to (a) pinpoint problems areas, and (b) review and revise the corporate mission and objective as necessary.

- 3.3.7 Generate, evaluate, and select the best alternative strategy in light of the analysis conducted in step 5.
- 3.3.8 Implement selected strategies via programs, budgets, and procedures
- 3.3.9 Evaluate implemented strategies via feedback systems, and the control of activities to ensure their minimum deviation from plans.

The rational approach to strategic making has been used successfully by corporations like Warner-Lambert; Dayton Hudson; Avon Products; Bechtel Group, Inc.; and Tasei Corporation.

Self Assessment Question

Assuming you are an entrepreneur of a newly established business, how would you explain entrepreneurial mode to a friend?

4 Conclusion

After much research, Henry Mintzberg discovered that strategy formulation is typically not a regular, continuous process: "It is most often an irregular, discontinuous process, proceeding in fits and starts. There are periods of stability in strategy development, but also there are periods of flux, of groping, of piecemeal change, and of global change." This view of strategy formulation as an irregular process can be explained by the very human tendency to continue on a particular course of action until something goes wrong or a person is forced to question his or her actions. This period of "strategic drift" may simply result from inertia on the part of the organization or may simply reflect management's belief that the current strategy is still appropriate and needs only some "fine-tuning."

5 Summary

The distinguishing characteristic of strategic management is its emphasis on strategic decision making. As organizations grow larger and more complex with more uncertain environments, decisions become increasingly complicated and difficult to make. This unit proposes a strategic decision-making framework that can help people make these decisions regardless of their level and function in the corporation.

6 Tutor-Marked Assignment

List and evaluate the importance of 8 steps strategies decision-making process to improve the making of strategic decisions in any small business you may have visited?

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Answer to Self Assessment Question.

An entrepreneur mode is a given business scenario, where strategic decision is made by one powerful individual. The focus is on opportunities; problems are secondary. Strategy is guided by the founder's own vision of direction and is exemplified by large, bold decisions.

UNITS 12 ENTREPRENEUR CHARACTERISTICS & KEY TO SUB-STAGES OF ENTREPRENEUR BUSINESS DEVELOPMENT CONTENT

1.0 Introduction

2.0 Objectives

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3.1 Entrepreneurial Characteristics

3.1.1 The ability to identify potential venture opportunities

3.1.2 A sense of urgency that makes them action oriented.

3.1.3 A detailed knowledge of the keys to success

3.1.4 Access to outside help to supplement their skills,

3.1.5 In summarizing their conclusions regarding factors

3.2 Sub-stages of Entrepreneur Business Development

3.2.1 Five Sub-stages of small business development:

3.2.1 Stage A: Existence

3.2.2 Stage B: Survival

3.2.3 Stage C: Success

3.2.4 (C1) Disengagement.

3.2.5 Stage D: Take-On

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UNITS 12 ENTREPRENEUR CHARACTERISTICS & KEY TO SUB-STAGES OF ENTREPRENEUR BUSINESS DEVELOPMENT

1.0 Introduction

The implementation problems of a small business change as the company grows and develops over time. Just as the decision-making process for entrepreneurial ventures is different from that of established businesses, the managerial systems in small companies often vary from those of large corporations. Those variations are based on their stage of development.

2.0. Objectives

At the end of this unit, you should be able to:

Identify good entrepreneurial characteristics

Discuss potential venture opportunities for entrepreneur

Describe Sub-stages of small business development

Understand the difference between corporate goal and corporate development

3.0. Main content

3.1. Entrepreneurial Characteristics:

Four **entrepreneurial characteristics** are keys to a new venture's success. Successful entrepreneurs have:

3.1.1. The ability to identify potential venture opportunities better than most people. They focus on opportunities-not on problems-and try to learn from failure. Entrepreneurs are goal oriented and have a strong impact on the emerging culture of an organization. They are able to envision where

the company is going and are thus able to provide a strong overall sense of strategic direction. See the Strategy in a Changing World feature for Cherrill Farnsworth's ability to spot new entrepreneurial opportunities.

3.1.2. A sense of urgency that makes them action oriented. They have a high need for achievement, which motivates them to put their ideas into action. They tend to have an internal locus of control that leads them to believe that they can determine their own fate through their own behavior. They also have a significantly greater capacity to tolerate ambiguity and stress than do many in established organizations.²⁵ They also have a strong need for control and may even be viewed as "misfits who need to create their own environment. They tend to distrust others and often have a need "to show others that they amount to something, that they cannot be ignored."

3.1.3. A detailed knowledge of the keys to success in the industry and the physical stamina to make their work their lives. They have better than average education and significant work experience in the industry in which they start their business. They often work with partners to form a new venture. (70% of new high-tech ventures are started by more than one founder.)²⁷ More than half of all entrepreneurs work at least 60 hours a week in the startup year, according to a National Federation of Independent Business study

3.1.4. Access to outside help to supplement their skills,

knowledge, and abilities. Over time, they develop a network of people having key skills and knowledge whom the entrepreneurs can call upon for support. Through their enthusiasm, these entrepreneurs are able to attract key investors, partners, creditors, and employees. For example, Mitch Kapor, founder of Lotus Development Corporation, did not hesitate to bring in Jim Manzi as President because Manzi had the managerial skills that Kapor lacked.

3.1.5. In summarizing their conclusions regarding factors affecting the success of entrepreneurial ventures, Hofer and Sandberg propose the guidelines presented in Table 12.3.

3.2. Sub-stages of Small Business Development

3.2.1. Five Sub-stages of small business development:

The stages of corporate growth and development discussed in earlier unit suggest that all small businesses are either in Stage I or trying to move into Stage **II**. These models imply that all successful new ventures eventually become Stage II, functionally organized companies. This is not always true, however. In attempting to show clearly how small businesses develop, Churchill and Lewis propose;

3.2.2. (A)existence, (b) survival, (c) success, (d) take-off, and

(e) resource maturity. A review of these small-business sub-stages shows in more detail how a company can move through the entrepreneurial Stage I into a functionally oriented, professionally managed Stage II.

3.2.3. Stage A: Existence At this point, the entrepreneurial venture faces the problems of obtaining customers and delivering the promised product or service. The organizational structure is simple. The entrepreneur does everything and directly supervises subordinates. Systems are minimal. The owner is the business.

3.2.4. Stage B: Survival Those ventures able to satisfy a sufficient number of customers enter this stage; the rest close when their owners run out of start-up capital. Those reaching the survival stage are concerned about generating the cash flow needed to repair and replace capital assets as they wear out and to finance the growth to continue satisfying the market segment they have found. At this stage, the organizational structure is still simple, but it probably has a sales manager or general supervisor to carry out the owner's well-defined orders. A major problem of many small businesses at this stage is finding a person who is qualified to supervise the business when the owner can't be present, but who is still willing to work for a very modest salary. Entrepreneurs usually try to use family members rather than hiring an outsider who lacks the entrepreneur's dedication to the business and (in the words of one owner-manager) "steals them blind." A

company that remains in this stage for a long time is often called a "mom and pop" firm. It earns marginal returns on invested time and capital (with lots of psychic income!) and eventually goes out of business when "mom and pop" give up or retire. This type of small business is viewed more as a lifestyle company in which the firm is purely an extension of the owner's lifestyle. Over 94% of small private companies are in this category.

3.2.5. Stage C: Success By this point, the company's sales have reached a level where the firm is not only profitable, but has sufficient cash flow to reinvest in itself. The key issue at this stage is whether the company should be used as a platform for growth or as a means of support for the owners as they completely or partially disengage from the company. The company is transforming into a functionally structured organization, but it still relies on the entrepreneur for all key decisions. The two options are disengagement and growth.

3.2.6. (C1) Disengagement. The company can now successfully follow a stability strategy and remain at this stage almost indefinitely-provided that environmental change does not destroy its niche or poor management reduce its competitive abilities. By now functional managers have taken over some of the entrepreneur's duties. The company at this stage may be incorporated, but it is still primarily owned by the founder or founder's family. Consequently the board of directors is either a

rubber stamp for the entrepreneur or a forum for family squabbles. Growth strategies are not pursued because either the market niche will not allow growth or the owner is content with the company at a size he or she can still manage comfortably.

3.2.7. C(2) Growth. The entrepreneur risks all available cash and the established borrowing power of the company in financing further growth. Strategic as well as operational planning is extensive and deeply involves the owner. Managers with an eye to the company's future rather than for its current situation are hired. This is an entrepreneurial high-growth firm aiming to be included in the *Inc. 500*. The emphasis now is on teamwork rather than on the entrepreneur's personal actions and energy. As noted in the **Company Spotlight on Maytag Corporation** feature, a corporate culture based on the personal values and philosophy of the founder begins to form as the founder hires and trains a dedicated team of successors.

3.2.8. Stage D: Take-On The key problems in this stage are how to grow rapidly and how to finance that growth. By now the firm is incorporated and has sold or is planning to sell stock in its company via an initial public offering (IPO) or via a direct public offering (DPO). The entrepreneur must learn to delegate to specialized professional managers or to a team of managers who now form the top management of the company. A functional structure of the organization should now be solidly in place. Operational

and strategic planning greatly involve the hired managers, but the company is still dominated by the entrepreneur's presence and stock control. Vertical and horizontal growth strategies are being seriously considered as the firm's management debates when and how to grow. The company is now included in the *Inc.* 500 select group of firms.

3.2.9. At this point, the entrepreneur either is able to manage the transition from a small to a large company or recognizes personal limitations, sells his or her stock for a profit, and leaves the firm. The composition of the board of directors changes from dominance by friends and relatives of the owner to a large percentage of outsiders with managerial experience who can help the owner during the transition to a professionally managed company. The biggest danger facing the firm in this stage is the owner's desire to remain in total control (not willing to delegate) as if it were still a small entrepreneurial venture, even though he or she lacks the managerial skills necessary to run an established corporation.

3.3.0 Stage E: Resource Maturity. It is at this point that the small company has adopted most of the characteristics of an established, large company. It may still be a small-to-medium-sized company, but it is recognized as an important force in the industry and a possible candidate for the *Fortune* 500 someday. The greatest concerns of a company at this stage are controlling the financial gains brought on by rapid growth and retaining its flexibility and entrepreneurial spirit. In terms of the stages of organizational growth and

development discussed in Chapter 8, the company has become a full-fledged Stage II functional corporation.

Self Assessment Question

Initiate a visit to any small business within your community.

If the business is on "Stage D: Take-On" of small business development?

What do you think are the key problems at the **Stage D: Take-On** of sub-stages?

4.0 Conclusion

The implementation problems of a small business change as the company grows and develops over time. Just as the decision-making process for entrepreneurial ventures is different from that of established businesses, the managerial systems in small companies often vary from those of large corporations. Those variations are based on their stage of development.

5.0 Summary

In summarizing their conclusions regarding factors affecting the success of entrepreneurial ventures, Hofer and Sandberg propose the guidelines. The stages of corporate growth and development discussed in earlier unit suggest that all small businesses are either in Stage I or trying to move into Stage **II**. These models imply that all successful new ventures eventually become Stage II, functionally organized companies. This is not always true, however. In attempting to show clearly how small businesses develop.

6.0 Tutor-Marked Assignment

Describe the five Sub-stages of small business development and growth and their relevance to economic development of our nation?

7.0 References/ Further readings

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Answer to Self-Assessment Question.

The key problems in this stage are how to grow rapidly and how to finance that growth. By now the firm is incorporated and has sold or is planning to sell stock in its company via an initial public offering (IPO) or via a direct public offering (DPO).

UNITS 13: SPECIAL CONTRIBUTIONS OF ENTREPRENEUR TOURISM VENTURE TO THE ECONOMY

1.0 Introduction

2.0 Objectives

3.0 Main content

3.1 *SPECIAL CONTRIBUTIONS OF ENTREPRENEUR TOURISM
VENTURE BUSINESS*

3.1.1 *Providing New Jobs*

3.1.2 *Introducing Innovation*

3.1.3 Increase Productivity.

3.1.4 Stimulating Economic Competition

3.1.5 *Aiding Big Business*

3.1.6 Distribution Function

3.1.7 Supply Function

3.1.8 *Producing Goods and Services Efficiently*

4.0 Conclusion

5.0 Summary

6.0 Tutor-market Assignment

7.0 References/ Further readings

UNITS 13: SPECIAL CONTRIBUTIONS OF ENTREPRENEUR TOURISM

VENTURE TO THE ECONOMY

1.0 Introduction

As part of the business community, entrepreneurial firms unquestionably contribute to our nation's economic welfare. They produce a substantial portion of our total goods and services. Thus, their general economic contribution is similar to that of big business. Entrepreneurs play a significant role in the economy, and expanding opportunities for the weak and the strong. From Thomas Edison's development of the electric light bulb to the birth of Apple Computer in Steve Jobs's garage, American entrepreneurs have the world goods and services that have changed the way people live, work, and play. The list includes ballpoint pens, Netscape, Navigator software, fibreglass skis, Velcro fasteners, the Yahoo!, Internet directory, FedEx delivery service, and Big Mac hamburgers.

2.0 Objectives

At the end of this unit, you should be able to:

Explain how entrepreneur ventures create new jobs

Discuss entrepreneur introduce innovations with examples

Identify goods and services entrepreneur produce efficiently

Enumerate how entrepreneur ventures & small business aid big business

Know how entrepreneur venture with other businesses to stimulate competition

Explain how entrepreneur innovate great ideas

Enumerate on ability of entrepreneur invent ideas.

Identify the role of job creation by entrepreneur.

Discuss importance of small business in the economy

3.0 Main Content

3.1 *Special contribution of entrepreneurial ventures and Small firms, however, possess some qualities which make them more than miniature versions of big business corporations. They provide new jobs, introduce innovations, stimulate competition, aid big business, and produce goods and services efficiently.*

3.1.1 Providing New Jobs

As the population and the economy grow, small businesses must provide many of the new job opportunities. Some persons feel, indeed, that small business must produce the "lion's share" of the new jobs. For example, in hearings before the U.S. House Subcommittee on Antitrust, Consumers, and Employment, Carter Henderson, co-director of the Princeton Center for Alternate Futures, testified as follows on the role of small business in providing jobs:

1.1.1 Creating New Jobs

Some innovations are born of personal experiences. Chuck templeton watched his wife make last-minute dinner reservations over the phone and thought there

must be an easier way to find a table at a good restaurant. He drew an analogy to online reservations for airline tickets and came up with the idea for OpenTable.com. The service signs up restaurants and provides the hardware and software to link them to its website.

3.1.2 *Introducing Innovation*

New products which originate in the research laboratories of big business made a valuable contribution to our standard of living.

1.1.2 *Creating Major inventions and Innovation-*

Entrepreneurs create new products, build new industries, and bring new life to old industries. By one count, entrepreneurs are the force behind two-thirds of the inventions and 95 percent of major innovations made since World War II. As Amar V. Bhide points out in his widely acclaimed book *The Origin and Evolution of New Businesses*, innovation rarely takes place in major leaps but moves in small steps, as entrepreneurs try out small modifications of the status quo and abandon any ideas the market rejects. For example, Netscape Navigator was not the first Web browser, but it was the first to be relatively easy to use. This ease of the use translated into market acceptance, and the World Wide Web went from an obscure government-sponsored technology to a major link among individuals and businesses. As figure 4.11 describes. There is a question, however, as to the relative importance of big business in achieving the truly significantly innovations. The record shows that many scientific break-through originated with independent

inventors and small organizations. Below are some twentieth-century examples of new products created by Entrepreneurial ventures and firms:

- Xerography
- Insulin
- Vacuum tube
- Penicillin
- Cotton-picker
- Zipper
- Automatic transmission
- Jet engine
- Helicopter
- Power steering
- Kodachrome
- Ball-point pen.

3.1.3 Increase Productivity.

Innovation contributes to productivity by providing better products and better methods of production. A slowing of innovation has been blamed for our nation's recent sluggish rate of growth in productivity." The millions of small firms that provide the centers of initiative and sources of innovation are thus in a position to help improve American productivity.

3.1.4 *Stimulating Economic Competition*

Many economists, beginning with Adam Smith, have expounded the values inherent in economic

competition. In a competitive situation, the individual businessperson driven by self-interest is motivated to act in a socially desirable manner. It is competition that acts as the regulator to transform selfishness into service. However, there is no guarantee of competition in numbers alone. Many tiny firms may be no match for one large firm or even for several firms that dominate an industry. Nevertheless, the existence of many healthy small business in an industry may be viewed as a desirable bulwark of the American capitalistic system.

3.1.5 *Aiding Big Business*

The fact that some functions are more expertly performed by small business enables small firms to contribute to the success of larger ones. If small businesses were suddenly removed from the contemporary scene, big businesses would find themselves saddled with a myriad of activities that they could only inefficiently perform. Two functions which small business can perform more efficiently than big business are the distribution function and the supply function.

3.1.6 *Distribution Function.*

Few large manufacturers of inexpensive consumer products find it desirable to own wholesale and retail outlets. Take, for example, the successful small-business operation of Genesco retail cast-offs.

Genesco, Inc. a \$1 billion manufacturer of footwear and clothing, sold off a number of its lackluster retail divisions to entrepreneurs who changed them into thriving businesses. One of its retail divisions – Gidding Jenny, a fashionable women’s store in Cincinnati, OH – was sold in July, 1978, to Barry Miller, a former executive with Federated Department Stores. Genesco’s main problem, according to Miller, was that “they couldn’t adjust to stores that were atypical, that served a select trade.” It looks as if he will double the sales volume in only three years after taking over from Genesco.

3.1.7 Supply Function.

Small businesses act as suppliers and subcontractors for large firms. General Motors, for example, purchases goods and services from more than 37,000 small businesses. Over three fourths of these small firms employ fewer than 100 persons.

3.1.8 *Producing Goods and Services Efficiently*

In considering the contributions of small business, we are concerned with an underlying question of small-business efficiency. Common sense tells us that the efficient size of business varies with the industry. We can easily recognize, for example, that

big business is better in manufacturing automobiles
but that small business is better in repairing them.

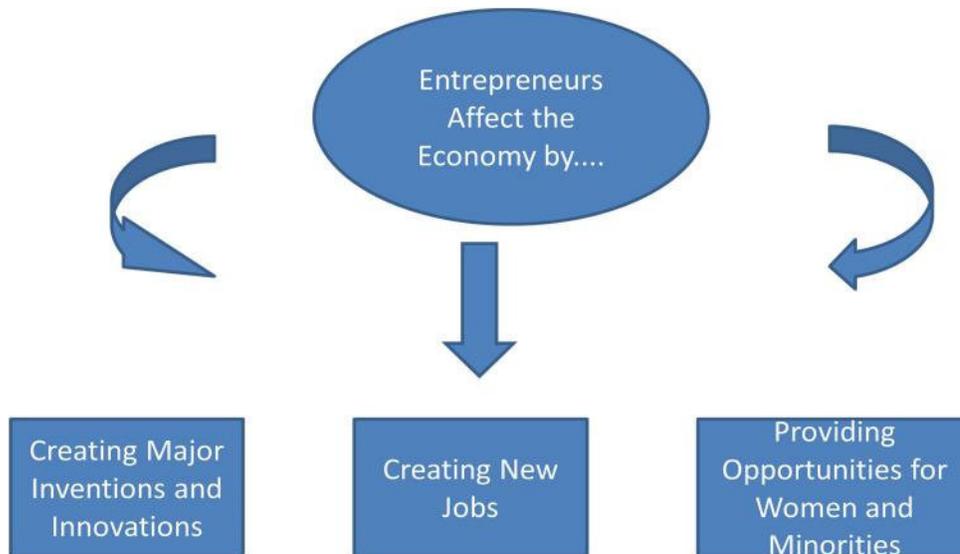


Figure 4.11 Influence of Entrepreneurs on the Economy . Source: Canada C.I.C Reel Region BMC, 2006, p 39

1.1.3 Providing Opportunities for Diversity

Entrepreneurship offers excellent economic opportunities for women and minorities. The number of women – and minority owned startups has grown tremendously in recent years. Also, women are the entrepreneurs behind almost half of the millions of business start-ups in the U.S.

The variety of businesses they operate defeats the usual stereotypes. Female entrepreneurs are engaged in service and manufacturing businesses ranging from Sheila Thompson’s 70-employee manufacturer of wooden..

Realizing the value of both women-and minority-owned start-ups in creating jobs and promoting diversity, many large companies have

developed diversity programs that help these entrepreneurs get start-up capital, subcontracts, and other assistance. Eastman Kodak, General Motors, JCPenney, Toyota, United Airlines, and Pacific Gas & Electricity are all large firms that offer supplier diversity programs. Large companies frequently advertise in magazines like Black Enterprises, Hispanic, and Working Mother, encouraging readers to contact their directors of supplier diversity for information about their diversity programs.

Self Assessment Question:

What are the two functions which entrepreneur venture businesses in your community can perform more efficiently than big business?

4.0 Conclusion

The continued existence of small business in a competitive economic system is in itself evidence of efficient small-business operation. If small firms were hopelessly inefficient and making no useful contribution, they would be forced out of business quickly by stronger competitors. Additional evidence for the operating efficiency of small business is found in some studies of profitability. These studies compare small firms and large firms according to profits earned per dollar of assets.

5.0 Summary

We expect highly efficient companies to earn higher profits than less efficient companies from dollars invested in plant, equipment, and inventory. And according to Table 2-2, small firms have significantly better

earnings than larger firms. In manufacturing, for example, the smallest firms earned 49 cents per dollars of assets, whereas the largest firm earned only 10 cents per dollar of assets. In fact, smaller companies have higher earnings in every industry group. Contrary to a common misconception, therefore, earnings per dollar of assets are inversely related to size of firm. This supports the conclusion that small business contributes in a special way to the economic welfare of our society.

6.0 Tutor-Marked Assignment

Identify and explain with examples, the contributions the entrepreneur tourism venture business can make to our nation's welfare?

7.0 References/ Further readings

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Answer to Self Assessment Question

The functions are distribution and supply functions

UNITS 14 MANAGING ENTREPRENEUR TOURISM CHALLENGES & EXPERIENCE

CONTENT

1.0 Introduction

2.0 Objectives

3.0 Main content

3.1 ***Root Cause failure- Inadequate Management.***

3.1.1 Surface causes of Business Failure

3.1.2 **Lack of capital also contributes to business failures.**

3.1.3 **Some Businesses expand prematurely**

3.2 Failure Symptoms

3.2.1 *Deterioration of Working-Capital Position*

3.2.2 *Declining Sales*

3.2.3 *Declining Profit*

3.2.4 *Increasing Debt*

3.2.5 *Insolvency and Bankruptcy*

4.0 Conclusion

5.0 Summary

6.0 Tutor-market Assignment

7.0 References/ Further readings

UNITS 14 MANAGING ENTREPRENEUR TOURISM CHALLENGES & EXPERIENCE

CONTENT

1.0 Introduction

Apart from incidences of few cases of fraud, neglect, and disaster, the root cause of business failure is found in managerial incapacity. The weaknesses of management manifest themselves in various ways, however. These manifestations might be thought of as the apparent, or surface, causes of failure.

2.0 Objectives

At the end of this unit, you will be able to:

Identify the root causes of entrepreneurial ventures failures

Discuss the surface cause of entrepreneurial business failure

Describe the red signal and symptoms of potential business calamity

Explain the factors responsible for entrepreneurial ventures failure

Understand the serious consequences of and how to avert entrepreneurial business failure

3.0 Main content

3.1 *Root Cause- Inadequate Management.*

In small business especially, management seems to be the number-one problem of the enterprise. The able manager utilizes his or her time wisely and gives proper attention to the various managerial functions. This includes careful attention to customer and public relations, financial planning, employee relations, production control, selling,

and other key factors of a business.

3.1.1 Surface Causes.

Even though we recognize that management is basically at fault, it is nevertheless profitable to note those areas in which management most frequently finds itself in trouble. For example, a frequently alleged cause of failure is the intensity of competition. Independent grocery stores may be run out of business by the advent of efficient chain or supermarket competition. Manufacturers might also encounter new, efficient, well financed competition for the first time. An efficiently managed existent business, however, is a tough foe for any competitor. Perhaps too much stress has been placed on competition as a cause of failure, although it must be given proper consideration.

3.1.2 Lack of capital also contributes to business failures.

Starting a business on the proverbial shoestring is generally unwise and often leads to failure. Even when initial capital is adequate, the entrepreneur may misuse it. The result is the same - a lack of capital. Sometimes the lack of capital may be only temporary, but the results of over borrowing may still cause failure.

3.1.3 Poor location also causes problems for small firms.

The choice of a successful location is partly a science and partly an art. Too many locations are chosen without serious study, careful planning, or adequate investigation. For example, in a particular shopping center three eating establishments were opened in succession. Each one failed, partly because of its choice of location.

3.1.4 Some businesses expand prematurely.

In periods of prosperity, with reasonable certainty of continued demand, a manufacturer might successfully expand physical facilities through mortgage loans. In any case, expansion calls for careful advance planning. An expanding business should never be top-heavy with debt.

3.1.5 Failure Symptoms.

The symptoms of impending business failure are the red flags that alert the entrepreneur. Anyone of them may point to trouble. If any of these symptoms are detected, the firm's financial position may be assessed by computing some ratios and comparing them with industry standards.

3.2 *Deterioration of Working-Capital Position*

3.2.1 When a firm's working capital position is deteriorating, its working capital is becoming inadequate and illiquid. The factors that contribute to declining adequacy and liquidity of working capital include the following:

3.2.2 Continuing operating losses.

3.2.3 Unusual, nonrecurring losses such as those due to theft, flood, tornado, and adverse court judgments.

3.2.4 Payment of excessive managerial bonuses and unearned dividends.

3.2.5 Frozen loans to officers, subsidiaries, and affiliates.

3.2.6 Overinvestment in fixed assets from working-capital funds.

3.2.7 Long-term loan payments in excess of a proper share of annual profits.

3.2.8 ***Declining Sales.***

Sales decline represents a serious situation for any business, large or small. This is true because operating expenses - particularly fixed overhead expenses-do not decline in proportion to sales. Hence, prolonged sales declines result in reduced profits or actual losses. Controllable factors that may contribute to sales decline include:

- Inadequate market research to measure sales potentials by sales areas or customer groups.
- Poorly planned advertising and promotional activities.
- Obsolescent products and product packaging.

3.2.9 ***Declining Profits.***

Profits that go downward from month to month or

year to year may be attributed to many factors, the most important of which are:

- Declining sales.
- Increasing costs of merchandise or raw materials.
- Higher labor costs.
- **Higher taxes.**

3.3.0 *Increasing Debts.*

If current liabilities get out of hand and bills or payrolls due for payment cannot be paid, the firm's situation might deteriorate into involuntary bankruptcy. Nor should a company's fixed, long-term liabilities be allowed to become excessive.

3.3.1 *Insolvency and Bankruptcy.*

A business becomes insolvent when the aggregate value of its assets is not sufficient to pay its debts. There are two major courses of action to take. When insolvency exists: to salvage the Business through voluntary creditor agreements or creditor arrangements under the Bankruptcy Act of 1978, or to liquidate the business by declaring bankruptcy.

3.3.2 *Voluntary Creditor Agreements.*

If the creditors of an insolvent firm believe that the business can be profitable again, an arrangement permitting continuance of the firm can be made. Such an arrangement may be initiated by either the debtor or a group of its major creditors. The arrangement may take either the form of an extension agreement, a composition settlement, or a combination of both.

Under an extension agreement the creditors of the insolvent business agree to postpone the debtor's payment of obligations for some stipulated period of time. The agreement becomes legally binding upon each of the parties to it.

Creditors who do not participate in the extension agreement are not bound by its terms. Therefore, most of the firm's major creditors must become parties to such an agreement if it is to succeed.

In a composition settlement the creditors agree to accept reduced amounts due them, on a pro rata basis. The settlement may be either made in cash immediately or postponed to a later date.

Creditor Arrangements Under the Bankruptcy Act. The Bankruptcy Act of 1978 (which replaced a bankruptcy law enacted in 1898) provides for the restructuring of the financial affairs of a business. It provides a more flexible approach to reorganizing and continuing the business than was possible under the earlier bankruptcy law. For example, the management of the debtor company is now, in most cases, allowed to retain control, rather than to be automatically replaced. The debtor firm has an exclusive right to propose a reorganization plan within 120 days of filing for bankruptcy. If such a plan is not presented, however, creditors may submit one. All creditors must accept a court-approved plan if it is approved by a majority of each class of creditors—for example, by secured creditors, unsecured creditors, and so on.

The reorganization plan is intended to help those firms which experience temporary financial stress but which are thought to have the underlying strength necessary for long-run success. If a reorganization plan cannot be formulated, the business is liquidated under Chapter 7 of the act. After the debtor's property has been liquidated and the proceeds distributed, the debtor is legally discharged from further payments on the amounts owed.

Self Assessment Question

(1) What do you understand by deterioration of

working capital, explain with examples?

- (iii) What is the first factor and indication that contributes to the deterioration?

4.0 Conclusion

Aside from the relatively few cases of fraud, neglect, and disaster, the root cause of business failure is found in managerial incapacity. The weaknesses of management manifest themselves in various ways, however. These manifestations might be thought of as the apparent, or surface, causes of failure.

5.0 Summary

Ordinarily business expansion should be financed from retained earnings or capital contributions of the owners.

The symptoms of impending business failure are the red flags that alert the entrepreneur. Anyone of them may point to trouble. If any of these symptoms are detected, the firm's financial position may be assessed by computing some ratios and comparing them with industry standards.

6.0 Tutor-Marked Assignment

What do you understand by small business insolvency? What are the Symptom of Small business failure and how can potential business failure be avoided?

7.0 References/ Further readings

Alan, M.S., Haccoun, R.R., & Belcourt, M.(2008). Managing Performance through Training and Development (4th ed.).Toronto, Canada: Nelson Education Ltd.

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- Nelson, G. O. (1994). *Strategic Management: Principles and practice* (2nd ed.). Raleigh, North Carolina: Ashland Academic Resource.

Answer to Self Assessment Question.

Working capital deterioration means that working capital is becoming inadequate and illiquid. The first factor that contribute to declining adequacy and liquidity of working capital include- Continuing operating losses, which is the first signal of illiquidity.

UNITS 15 PROSPECTS AND THE FUTURE OF ENTREPRENEURIAL VENTURE IN TOURISM

CONTENT

1.0 Introduction

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UNITS 15 PROSPECTS AND THE FUTURE OF ENTREPRENEURIAL VENTURE IN TOURISM

CONTENT

1.0 Introduction

In this final unit, we turn to the brighter prospects for small business. This involves a review of some of the factors contributing to the survival and continued growth of small firms.

2.0 Objectives

At the end of this unit, you should be able to:

Understand the meaning of entrepreneur venture future prospect

Discuss factors and skills responsible for better management of entrepreneur ventures in tourism

Identify the significant contributions of prosperous entrepreneurial ventures

Describe sources of vital information to aid better business practice

Explain the areas of business that entrepreneurs ventures has been strong.

3.0 Main content

3.1 Shift to a Service Economy

3.1.1 Emphasis on entrepreneur tourism Business Courses and Programs.

Colleges and universities have greatly expanded their educational emphasis on small business. The teaching of small-business management courses has grown in popularity during the past few years. This emphasis has been encouraged by the Chamber of Commerce and industry, Micro Finance

Banks, CBN Small Business Entrepreneurial Support Program, SBA-sponsored students consulting programs. The academic field of entrepreneurship and new-venture management has also emerged in recent years. During the 1970s, the colleges offering courses in this field grew from about a dozen to more than 130. Many of the nation's leading schools now offer entrepreneurship courses and programs.

3.1.2 Growth of entrepreneur & business Periodicals.

Many periodicals devote special attention to the needs of small business. *Nation's Business*, for example, is published by the Chamber of Commerce and industry, and places great emphasis on small-business news and programs. Evidence of a growing interest in small business is found in the **launching of new publications**. Three new monthly periodicals, *Inc.*, *Venture*, and *In Business*, started publication in the late 1970s, bringing news and stories of new ventures and entrepreneurship. The fact that three such publications could be launched successfully suggests a widespread interest in entrepreneurship and small business.

3.1.3 Continued Support of Governmental Programs.

In the preceding unit we described many programs of government aid for small business. These aid programs, along with the steps taken by Congress

to modify regulatory and tax policies to adapt them to the needs of small firms, represent public policy in support of small business. They reflect an awareness on the part of the public of the vital role played by small firms.

3.1.4 Emergence of Private-Sector Programs and Initiatives.

One of the most encouraging factors in thinking of the future prospects of small business is the various initiatives undertaken by private business institutions. Such efforts are diverse, and we can do no more than provide two examples. The National Minority Purchasing Council provides an example of cooperative effort among private business concerns. When large corporations become members of this organization, they join a group which attempts to purchase an equitable percentage of services and supplies from minority enterprises. They recognize that minority-owned businesses deserve a chance to compete, and the group strives to make sure they have that opportunity. (The address is: National Minority Purchasing Council, 6 North Michigan Avenue, Room 1104, Chicago, IL 60602.).

3.1.5 The Unflinching Entrepreneurial Spirit.

Perhaps the strongest force in achieving a bright future for small business is the unflinching spirit of the entrepreneur. We recognized the crucial role

played by the entrepreneur-the one who brings new firms into existence and provides leadership for them. Entrepreneurs are creative, talented individuals who provide the backbone for the small-business system. They are also tough individuals who face business problems but who look beyond those problems to find solutions and success in economic endeavor.

Self Assessment Question.

How did educational institutions assist in molding the prospect and success of small businesses?

4.0. Conclusion

One major structural change that favors small business is the shift from a manufacturing to a service economy. The manufacturing segment, in which big business predominates, is currently declining in relative importance. On the other hand, services, retailing, and wholesaling are growing in relative importance. These areas are fields in which small business has traditionally been strong.

5.0. Summary

Perhaps the strongest force in achieving a bright future for small business is the unflinching spirit of the entrepreneur. One major structural change that favors small business is the shift from a manufacturing to a service economy. The manufacturing segment, in which big business predominates, is currently declining in relative importance. On the other hand, services, retailing, and wholesaling are

growing in relative importance. These areas are fields in which small business has traditionally been strong.

6.0. Tutor-market Assignment

Enumerate the factors that are responsible for growth and progress of entrepreneurial venture businesses in the recent time?

7.0. References/ Further readings

Alan, M.S., Haccoun, R.R., & Belcourt, M.(2008). *Managing Performance through Training and Development* (4th ed.).Toronto, Canada: Nelson Education Ltd.

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(2nded.). Raleigh, North Carolina: Ashland Academic Resource.

Answer to Self Assessment Question

Colleges and universities have greatly expanded their educational emphasis on small business. The teaching of small-business management courses has grown in popularity during the past few years. This emphasis has been encouraged by the Chamber of Commerce and industry, Micro Finance Banks, CBN Small Business Entrepreneurial Support Program, SBA-sponsored students consulting programs. The academic field of entrepreneurship and new-venture management has also emerged in recent years.

