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# Tourism Entrepreneurship and Social Capital

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## Introduction

Given that the tourism sector is dominated by small firms, tourism development is increasingly linked to the entrepreneurial behaviour of tourism businesses. Tourism entrepreneurship has made significant contributions to tourism destinations through the range of products and services offered in the accommodation, transportation, visitor attraction, travel organising and entertainment sectors. The potential of tourism as an engine for economic and social development underscores the importance of access to various forms of capital for small tourism enterprises, particularly in developing countries (UNWTO, 2011). One type of capital that is important is social capital – one that enables the acquisition of other capital assets to achieve economic development and good governance (Putnam, 1993; Larsen *et al.*, 2004). Tourism entrepreneurship presents opportunities for bottom-up approaches to tourism development since tourism relies on local conditions, e.g. the physical infrastructure and the labour market (Ateljevic, 2009). However, social capital accumulation is fundamental to achieving socio-economic goals.

This chapter examines the relationship between tourism entrepreneurship and social capital in recognition of ‘new’ forms of tourism and entrepreneurship. By the end of the chapter you should be able to:

- Understand key trends in tourism entrepreneurship;
- Appreciate the contribution of social capital to tourism entrepreneurship;

- Consider investment in social capital and adaptation to local contexts as logical processes of tourism entrepreneurship in developing/remote destinations.

The chapter begins with a review of tourism entrepreneurship and the role of social capital before the nexus between the two concepts is discussed. The chapter then describes a case study of tourism entrepreneurship in Kenya, East Africa before drawing conclusions.

## Tourism entrepreneurship: key trends

Entrepreneurship symbolises value creation with a potential change to the status quo in the market – an innovative process which Schumpeter (1934) referred to as creative destruction (Smilor, 1997). Early tourism entrepreneurship is evidenced in initiatives such as Thomas Cook, the UK international travel company founded in 1841, and Southwest Airlines, the US low-cost airline set up in 1949, in their attempts to circumvent social and market failures. At the destination level, entrepreneurship underpins policy objectives for tourism development in many regions of the world (Ateljevic and Page, 2009). Previously, the lack of responsibility for tourism developments and the absence of national policies resulted in adhoc strategies (Page and Thorn, 1997). Tourism development then transformed from *boosterism* (promoting tourism growth) to *sustainable*, with priorities changing from growth targets to strategic planning (Hall, 2000). These days, value creation can focus on social value creation, economic value creation or a combination of both (Meyskens *et al.*, 2010). Likewise, the primary market impact can be for-profit or purely focussed on social impact depending on the mission (Neck *et al.*, 2009). The difference lies in the relative priority given to social or economic goals.

There is a move towards social entrepreneurship in tourism, e.g. by using ecotourism as a tool for poverty alleviation in developing countries such as Malaysia (UNWTO Knowledge Network, 2015). Social entrepreneurship draws its identity from both the social and entrepreneurship sectors and social enterprises are hybrid organisations that possess characteristics of both commercial and non-profit ventures (Certo and Miller, 2008; Miller and Wesley, 2010). The mission of social enterprises is to create social value for the public good, unlike commercial enterprises which aim to gain private profit (Austin *et al.*, 2006). However, a number of constraints have been identified with tourism entrepreneurship including limited access to finance, low skills and high operational costs such that private-public sector cooperation is necessary (Ateljevic, 2009) especially in developing countries where the private sector is inexperienced and government support is deficient. As such, social enterprises tend to address unmet social needs due to market and government failures (Dufays and Huybrechts, 2014). Furthermore, entrepreneur-

ship is socially situated and the result of social interactions between the initiators and other stakeholders (Jack and Anderson, 2002). Therefore, tourism entrepreneurship can be influenced by the characteristics of the communities where it occurs (Tucker, 2010) and can generate different social impacts (Hall *et al.*, 2012).

## The role of social capital

The capacity to exploit entrepreneurial opportunity in tourism depends on a range of capital resources (e.g. see Bennet *et al.*, 2012) and there is controversy over which type is most important. However, social capital increases the likelihood of achieving socio-economic goals (Lin, 1999). Historically rooted in the fields of economics and sociology, the concept of capital represents a market asset (Casson, and Della Giusta, 2007). Hanifan (1916:130), defined social capital as:

“those tangible substances [that] count for most in the daily lives of people: namely goodwill, fellowship, sympathy, and social intercourse among the individuals and families that make up a social unit . . . the community as a whole will benefit by the cooperation of all its parts, while the individual will find in his associations the advantages of the help, the sympathy, and the fellowship of his neighbors” (McGehee *et al.*, 2010:487).

Social capital is a specific type of resource that is embedded in the relations between an individual and other entities and with the capacity to facilitate productive activity (Coleman, 1988). Social capital comprises physical, human and knowledge assets necessary for economic growth (Audretsch and Keilbach, 2004) but also encompasses cooperation, norms, trust and networks (Park *et al.*, 2012). Although controversy exists in the conceptualisation of social capital (e.g. Granovetter, 1985; Burt, 1992), social capital concerns the different network structures that facilitate or hinder access to social resources and the nature of the social resources embedded in the network (Seibert *et al.*, 2001). The impact of different networks on entrepreneurial initiatives is varied and dependent on the actors' objectives and effectiveness of the networks (Westlund and Bolton, 2003).

Entrepreneurship is perceived as a social process involving social networks with the capacity to identify and/or support business opportunities. For example during the process of firm creation, nascent entrepreneurs interact with key stakeholders in order to gain legitimacy (Williams Middleton, 2013) since social capital is embedded within a particular setting (Zhao *et al.*, 2011). In the context of tourism, the relationships or ties that constitute social capital are so important that if stakeholders are consulted and involved, developmental initiatives are more likely to succeed (Waligo *et al.*, 2013) and conflict management improved