

AN ANALYSIS OF THE ENTREPRENEURIAL POTENTIAL IN OLTENIA TOURIST REGION

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Abstract:

Tourism can bring an attractive horizon for Romania: the projects can generate jobs, cooperation between the touristic destinations, the increase of living standards and local people revenues. This paper treats an issue of tourist business administration and seeks to assess the actual potential of tourist resources and determining the differences between the Oltenia's actual touristic exploitation and their growth potential. We develop a model of evaluate the tourist resources, the industry efficiency and also their attractiveness for entrepreneurial initiatives. Their quantification can be statistically correlated leading to a rethinking of models that shape the parameters of regional competitiveness. The synthetic and the graphic tools highlights the most important features of the competitiveness of tourism for the region of Oltenia.

Keywords: tourism competitiveness, potential diagram, driver industry, tourism potential

Starting with the famous Porter's diamond model, the studies on competitiveness attempt to associate the countries / regions with specific driver-domains, industries serving as engines, as locomotives for the development of the entire country or region. A Roland Berger tourism report (2012b) cites such driving-industries: France is associated with the wines, cheeses and tourism; for Swiss are so specific the watches the chocolate and the banking services; Germany has mining, automotive and high-tech fields, and England is distinguished by education and financial services; The Czech Republic is identified with CEZ, Skoda and beer producers, while maritime Greece is famous for tourism. Oltenia and Romania have not any predominant industry: the driving-domain could become the automobile industry, but it is too dependent on the large capital investments, on the international market and the variability of the customer preferences. Another driver-industry could be the agriculture, but the low level of mechanization and the dependence on

climatic conditions raises too much doubts on this industry.

1. Introduction

World Economic Forum publishes every two years the Travel & Tourism Competitiveness Report which aimed to provide an analysis of the travel and tourism hierarchy of the worldwide countries / economies. The rankings are based on the Travel & Tourism Competitiveness Index, which measures different factors likely to determine the improvement of travel and tourism competitiveness in the countries around the world.

The last ranking, published in 2013, finds Romania on the 68th place out of 140, a weaker position than the 2011 ranking (No. 63) and than in 2009 (66th rank).

The aim of our study covers several linked directions as follows:

- to achieve a strategic research of regional tourism potential.
- to highlight the most important factors limiting or boosting tourism potential exploitation.

➤ revealing of the implications of what motivates businesses to steer investment towards Oltenia tourist destination.

➤ the potential's competitiveness will confirm the viability of regional tourism projects.

The study will be developed starting with the following two assertions:

➤ the tourism opportunities base on the natural and anthropogenic heritage can make a considerable contribution to the acquisition of regional competitive advantage;

➤ tourism can become a vector of development for the entire regional economy.

2. The research design

The study is based on information procurement from various sources (popular databases and interviews with experts) and their analytical processing. The methodological algorithm supposes the following sequences covered in a long period over the last few years:

➤ Obtaining the online available materials (these sequences was accomplished by accessing such items like tourism' masterplans, legislation, regional initiatives etc.);

➤ The stage of collecting and analysing of the statistics (Eurostat reports, sector analysis conducted by consulting companies, Statistical Institute's statistical series);

➤ Consultation of experts regarding the research methodology and the domain trends. In this regard we conducted punctual interviews, participation at meetings and roundtables and the identify of tourist research projects.

➤ The sequence of drawing the potential diagram and the formulation of the conclusions - the creative stage entirely realised by the author.

3. Detailed methodology

We use here a diagnosis tool in order to build the *potential diagram* that guarantee:

➤ The unilateral treatment of the diagnosis at all the levels of approaching the entrepreneurship in Tourism;

➤ The quantification of both processes and phenomena that have a quantitative expression but appreciated by adjectives;

➤ The description of tourism activities and potentialities by criteria and characteristics;

➤ The criteria differentiation according to the major sources of impact.

Generally, the steps of this method are the following:

➤ *identifying the area that will be diagnosed in terms of competitiveness.* The first level is the European market influencing the functionality and viability of the Romanian general economy. We will examine the *services industry* and the tourist tendencies. The second level is the regional tourism which is diagnosed from the perspective of its potentialities: natural, anthropogenic, technical and technological, entrepreneurial, commercial, financial, etc. These domain potentialities are found and coexist inside the tourist business model.

➤ *selecting the criteria that described the activity and the potentialities.* No evaluation can be realised without a criteria system well chosen. The criterion is meant to capture what is essential to the existence and functionality of the activity and must be concise and relevant.

➤ *scale-setting* for criteria evaluation. We chose a grid with four states: 1. Unsatisfactory rating (barely corresponds); 2. Satisfactory rating (corresponding to a small extent); 3. Good Rating (largely corresponds); 4. Very good rating (corresponds to a large extent).

➤ *parameterization* of *evaluation grid* with the utility function described in von Neumann and Morgenstern famous model:

$$U(s_i) = a \cdot N_i + b$$

with: $U(s_i)$ – the utility of "s_i" states; a, b – parameters.

Following the parameterization the available utilities are: $U_1=0,00$; $U_2 =0,33$; $U_3=0,66$; $U_4=1,00$.

➤ *including the diagnosing criterion into a particular state.* When the criterion can be indicate by physical, value or efficiency indicators their actual size compared with the optimal considered sizes ensure the proper classification in the state. For example a profit rate of 50% is a state of good assessment, while a profit rate of 1% represents an unsatisfactory state. Intermediate values will cover the remaining two states. When there is no possibility of quantitative estimations and the criterion is defined by qualitative assessment obtained through questionnaires, interviews, personal observations etc., the placing inside the scale states is realised by the author evaluation throughout a critical analysis of obtained information;

➤ *granting importance coefficients for each criterion* (those dimensions which distinguish criteria according to their contribution to determining the "health" of the studied entity). Setting these coefficients is an operation held, usually by consulting the experts with good knowledge of domain. These factors are weighted with values between 0% and 100%. Sum of the coefficients will always be "1", value that we split it for the seven considered criteria.

➤ *average Score determining for the "P" potential for each "i" sub-criterion:*

$$\bar{S}_{P(i)} = \sum_{i=1}^n U_i \cdot K_i ;$$

where: U_i - "i" sub-criterion utility for the P_i potential;

K_i - importance coefficient for the "i" sub-criterion;

$i = 1,2,\dots,n$ - diagnosed sub-criteria.

➤ *calculating the values of "x" criterion according to the "i" sub-criteria score;*

$$T_{P(x)} = \sum_{i=1}^n \bar{S}_{P(i)}$$

➤ *determination of the average potential "P" for each "x" criterion:*

$$\bar{S}_{T_{P(x)}} = T_{P(x)} \cdot H_x ;$$

H_x - importance coefficient for the "x" criterion;

$x = 1,2,\dots, 7$ - diagnosed criteria.

➤ *general diagnosis* (average value for tourism potential):

$$\bar{V} = \sum_{x=1}^8 \bar{S}_{T_{P(x)}} ;$$

Conventionally, for such utilities potential diagram, we can reveal the following conclusions according to the \bar{V} rate:

- if $\bar{V} < 25$, the Oltenia's tourism face a critical situation (unfeasible);

- if $45 > \bar{V} > 25$, the domain correspond to a "problematic" evaluation. The outlook is uncertain, the recovery or total failure are both possible;

- if $70 > \bar{V} > 45$, the industries state is good, there are all prerequisites for a profitable future development;

- if $\bar{V} > 70$, the regional tourism is viable in strong competitive environments;

- For all evaluations analytical approaches are recommended to highlight the differences between the optimal values of each criterion / sub-criterion and factual situation.

The methodology developed for diagnosing the region's tourist potential adapted to above principles has the following sequence of steps:

➤ *selecting the criteria* for the characterization of this industry. We established seven criteria as recommended the institutions that measure competitiveness and the consulted studies.

The seven criteria were chosen taking into account the indicators used by institutions that measures competitiveness of the countries, regions and industries (the International Institute for Management Development, the World Economic Forum⁽³⁾) the consultancy companies in their reports, e.g. Roland Berger Strategy, Ernst & Young). We also consulted the famous model of Crouch

and Ritchie (*Modelling destination competitiveness*, 2007).

Obviously, the most important criteria are related to the basic resources of tourism, without which this phenomenon would not exist and could not be developed. We will consider the natural resources, the human resources and the infrastructure resources of the Oltenia region, by giving to each of them the same weight of 20%. Then, we will consider the economic and regulatory factors, the general environmental suitability and management practices of the tourism coordinators, factors that may predispose to the development of entrepreneurship in tourism.

➤ *assigning the coefficients for each criterion.* Those coefficients, presented in Table 2, were established after thorough assessments, by studying the interviews with the experts and studying a rich bibliography.

➤ *parameterization of evaluation grid* with the von Neumann - Morgenstern utility function (Table no 2).

➤ *determining the average potential of exploiting the Oltenia tourism opportunities.*

4. Research content and results

Further on, we analyse the principles applied to highlight the potential for development of tourism in Oltenia region through a potential diagram which quantify the seven factors of competitiveness (Table no 1).

It is more than obvious that the natural and technical-material resources provides the precondition for the existence of tourist attractions. Hence the largest importance was attributed in our model for the factors: 1. Existing natural resources; 2. Anthropogenic tourist resources and 7. Infrastructure (were assigned a weights of 20% for each of them).

Oltenia region's endowment with *natural resources* raises this region to a good position among the outstanding Romania's tourist objectives thanks primarily to north and west of the region, where the Carpathians plays a decisive importance. It thus justifies the greater weight accorded to the sub-criterion of landscape resources (40%), the only one parameter exploited quite well in terms of tourism. With somewhat greater importance it ranks immediately the spa resources (0,3 importance coefficient) associated with the peri-carpathian hills in northern and western areas of the region, but underused however. In defining the assessment score, we paid a less weight for the subcriteria related with the resources of flora and fauna, and for the aquatic, relief and other resources (0,2 coefficient), also underused in the region. Overall, the index obtained by the factor no. 1 - exploitation of the natural resources - is below average (0.093 / 0.2) which allows some good market opportunities for the entrepreneurs and authorities in order to improve the position of this domain in the region.

Table 1. Parameterization and quantification of the criteria used in order to draw the potential diagram (diagnostic tool of the potential kept by the tourism opportunities)

Criteria	Coef.	Sub-criteria	Coef.	Rating	Utility	Score
1. Existing natural resources	0,20	Landscape resources	0,4	3	0,66	0,264
		Resources of flora and fauna	0,1	2	0,33	0,033
		Spa and climatic resources	0,3	2	0,33	0,1
		Other resources (water, relief..)	0,2	2	0,33	0,066
		<i>Total</i>				
Total		0,093				
2. Anthropogenic tourist resources	0,20	Cultural resources	0,35	3	0,66	0,231
		Historical resources	0,20	3	0,66	0,133
		Leisure services	0,35	1	0,00	0,0
		Awereness, image, branding	0,10	2	0,33	0,033
		<i>Total</i>				
Total		0,080				
3. Economic determinants (of performance)	0,15	Support of the local economy and population	0,30	4	1	0,3
		Tariffs and prices	0,35	3	0,66	0,231
		Integration in the services chain	0,35	2	0,33	0,116
		<i>Total</i>				
Total		0,097				
4. Governmental efficiency	0,10	Investment policy	0,30	2	0,33	0,1
		Fiscal policy to support the entrepreneurship	0,50	2	0,33	0,166
		The institutional framework	0,20	2	0,33	0,066
		<i>Total</i>				
Total		0,033				
5. Effectiveness of tourism businesses	0,10	Added value	0,40	4	1	0,4
		Tourist capacity and productivity	0,40	2	0,33	0,133
		Financial results	0,20	3	0,66	0,133
		<i>Total</i>				
Total		0,067				
6. Management practices	0,05	Managers involvement	0,60	2	0,33	0,2
		Attitudes, values, practices promoted	0,40	2	0,33	0,133
		<i>Total</i>				
Total		0,017				
7. The Infrastructures	0,20	Basic infrastructures (utilities)	0,30	3	0,66	0,1
		ICT and education infrastructures	0,20	1	0,00	0,0
		Accesibility (air & ground transport)	0,25	2	0,33	0,083
		Tourism capabilities and facilities	0,25	3	0,66	0,165
		<i>Total</i>				
Total		0,070				
AVERAGE SCORE						0,46

Just as important as the natural resource is considered also *the anthropogenic tourist resource*, a category which is determined primarily by

the cultural objectives and by the leisure initiatives, as sub-criteria. The Travel & Tourism Competitiveness Index 2013 gives to Romania a vantage ground

regarding the Cultural Resources, the 41st place out of 140. If the unique cultural peculiarities are well represented (through traditions, but also by national and UNESCO heritage, city centres, cultural institutions, churches and monasteries) and are interesting for tourist flows, the leisure service providers missing almost totally. We believe that the weak exploiting of the leisure business opportunities is caused by the lack of cooperation with travel agencies that can influence the development of this offer and even by the lack of a culture of tourism in the region. Lower percentages have the historical resources (determined by the Latin heritage and the medieval castles) and the region's image and brand capital, insufficiently valorised although it may contribute to increased the unfavourable score of exploiting the anthropogenic potential of these resources; the average score is weaker even than natural potential (only 0.08 / 0.2).

Further on, it was analyzed the factor no. 3 - *business determinants (environment influencing the performances)*, the importance of which is consider of having a pretty big impact. Although the criterion is very heterogeneous, it was considered only three measurable sub-criteria, all of them having a high importance; more significant are the parameters supporting directly the businesses: tariffs (characterized by a favourable situation, the market confronts the suppliers who achieve a satisfactory trade margin and the tourists willing to pay some prices above average) and the integration of tourism in the services chain (a sub-criterion weaker sustained in the analyzed region) - in other words, they are not business ecosystems integrating tourism affairs, although at this time, in the region, they occurs initiatives for the development of poles of competitiveness in tourism. The business environment however is solid supported by the economy and the population (the third sub-criterion, slightly smaller than the other two): all the surveys and the statements of economic

decision makers shows a great interest for the touristic phenomenon. The Travel & Tourism Competitiveness Index 2013 placed Romania on a very modest position -122- ranking on the Affinity for travel and tourism, but this pillar is related to the Romanian's practices and not to their opposite perception on tourism. Thanks to the contribution of this sub-criterion it results a reasonable support for tourism opportunities from the part of the economical determinants (0.097 / 0.15).

The *governmental efficiency* was one of the criteria extremely difficult to quantify and therefore we opted to reduce the risks of an eventual incorrect sizing of this parameter, giving it a less importance. The Travel & Tourism Competitiveness Report cited above indicates a rather weak situation regarding the Policy Rules and Regulations, Romania's position in the ranking of that indicator was 87 in 2013 (compared to Hungary - place 43, Czech Republic -59, Macedonia - 66, Albania - 69 but superior to other countries such as Greece -98, Bulgaria-102 , Serbia -103, Ukraine-114). Our subjective estimations aimed to evaluate the three sub-criteria, namely the investment policy, the institutional framework and, most importantly, the fiscal policy to support entrepreneurship (unattractive either for Romanian entrepreneurs or for the foreign investors). Here we considered a lot of indicators, such as the transparency of government policymaking, the days and cost necessary to start a business, the business impact of rules on the FDI and so on. Governmental efficiency is distinguished as one of the most unfavourable criteria, it's bad influence on the tourist potential being blamed on numerous occasions (tourism government expenditure, the effectiveness of marketing to attract foreign tourists - in fact, the resources for tourism promotion are political settlements, allocations for the black economy and the goal of these resources is not achieved). So, Romania is considered as a country where laws and governing bodies are harsh and

unsupportive for the entrepreneurial actions.

In assessing *the effectiveness of tourism businesses* we follow the financial indicators and the indicators related to the tourism services capacities in Oltenia region. The followed sub-criteria could reflect the stage of development and the attractiveness of this industry, but also its real contribution to GDP. Being concerned the tertiary sector, the tourism activity is characterized by a considerable added value: tourists are willing to pay more for the experiences, for the intangible services. Correlated with the high added value, the financial

performances in the region's tourism (have a lower share of importance) are positive and have the potential to be improved. Another very important sub-criterion is represented by the tourist capacity and productivity - on this category, unfortunately, the Oltenia region is placed weaker than Romania: statistically speaking (Figure no. 1), for example, the 18,000 tourist beds in the region represents only 6% of Romania's accommodation capacity (accommodation capacity depict also the quantitative capability of other units to provide tourist services).

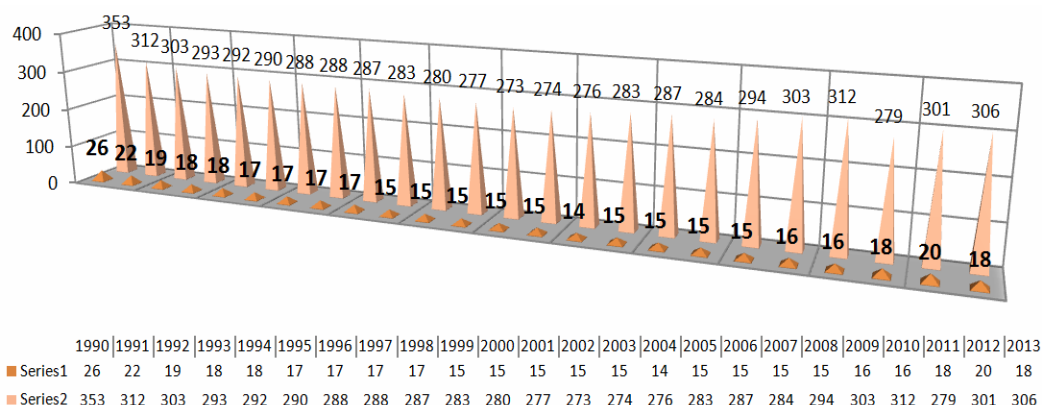


Figure 1. The capacity of tourist accommodation in Oltenia -Series 1- and in Romania -Series 2- (thousand seats) between 1990 to 2013

Source: <https://statistici.insse.ro/shop/index.jsp?page=tempo3&lang=ro&ind=TUR101D>

The accommodation capacity of Oltenia decrease in the last 23 years faster than the capacity reduction for the whole country. We note, however, in the last three years, some increases in the region's capacity higher than the increasing of Romania's all reception capacities. This sub-criterion related with the capacity and productivity is the one that diminishes the overall score of the businesses effectiveness (0.066 out of 0.1).

Although *the management practices* are very carefully researched in the

developed countries thanks to their decisive impact on the business outlook, for Romania, they are an significant factor especially at the start of a business, and for this reason this criterion has been granted with a minimum weight (0.05). The involvement of managers and the attitudes, values and practices that they promote are unfavourably evaluated, so the contribution of this criterion on the potential exploitation of tourism opportunities could always be improved.

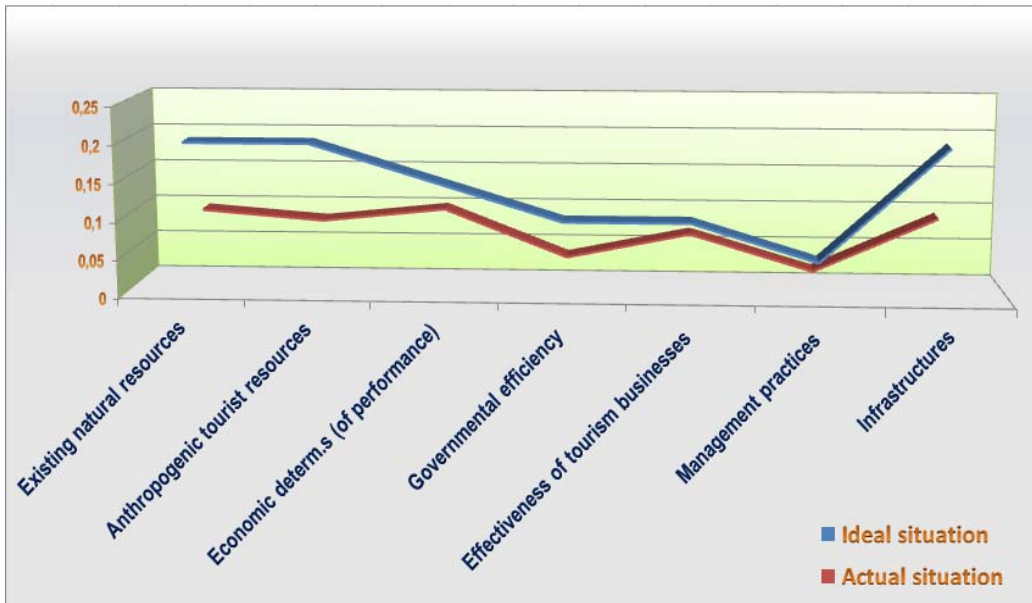


Figure 2. Graphical representation of tourist potential diagram in Oltenia

The *infrastructure* is an item for which Romania had always problems; therefore, as a criterion for determining the potential of tourism, she exerts a considerable influence. This contribution is harmful, the four sub-criteria have not a positive value. The basic infrastructure is quite well developed in the region, namely Oltenia is equipped with major utilities necessary for life. Also, tourism capabilities and facilities (network of tourist areas or resorts known for the tourist traffic or the level of food supply units) are an important sub-criterion, and the Oltenia region has a well enough conformity. The communication routes and the access to the most favourable tourist attractions to be exploited presents enough problems (a weak granted sub-criterion). The air transport infrastructure is presented through a single airport with few airlines operating on fewer routes. Also, the ground transport infrastructure (density and quality) place Romania on the 109th position out of 140 countries (Travel & Tourism Competitiveness Report, 2013, p. 297). The region is not privileged in terms of technological and educational and tourist infrastructure. Unfortunately, the ICTs are quite extensive in the region, but they are not

used for tourism development. There is well-qualified workforce in tourism but she works abroad; also the educational institutions to prepare specialists lacking. By weighting the contribution of the four indicators, it results a lower score accorded to the availability and the quality of infrastructure (0.07 / 0.2).

The average value of 0.46 indicates the exploitation of the potential at a slightly above average quota (of the region's tourist opportunities), but that could be improved to achieve a very favourable competitive position (situation correspondent with a 0.70 average score), followed by the strengthening of this favourable situation.

Based on the graphic representation of the Oltenia tourist opportunities' potential (Figure no. 2), we can propose a series of recommendations for possible improvements. In this direction it must be identified the criteria when are large spreads between the current situation and ideal situation.

In the left side of the diagram stand the two factors whose exploitation has the biggest gaps - which are, at the same time the most significant sources of tourism opportunities in the region - the Oltenia natural tourist resources and the

anthropogenic tourist resources – both with an operating level of the existing utilities of less than 50%. The solution is the investment directed towards this potential and the aggressive promotion of the Oltenia tourist destination.

Like the entire Romania (this ideas are adapted from a guide of The National Tourism Authority, 2013), also Oltenia has lot of tourism products and resources not sufficiently promoted and marketed nationally and internationally. Romania as a tourist destination is almost unknown for the international travelers, or is perceived as rather unattractive or insecure (the main obstacles to visiting Romania). However, the region is perceived as a rather unspoiled and authentic destination, and that there is a significant tendency for tourists to visit.

Policy rules and regulations (government efficiency criterion) are still not sufficiently supportive of the development of the Romanian Tourism; in fact regarding this factor the largest improvements are possible. Also the 7th criterion, the Infrastructures indicates a pretty big difference between the desirable situation and the current situation.

A close to the optimum situation is relevant only regarding the 5th parameter - effectiveness of tourism businesses, the score (0.07 / 0.10) being attributed to the great results of the current tourism operators and to the high value added through this activity.

5. Conclusions

The scenario most often cited for Romania depicts this country as a "champion of the services", which will generate an increase of tourism as priority service (in 2013, the services contribution to GDP is 45%, of which only 1-2% are the tourist services). For 2023, the scenario proposed by Roland Berger consultants (2012b) estimates that the services will represent 52% of GDP and the tourism will reach 4-5%.

The poor and unsustainable regional infrastructure is perhaps the biggest problem of tourism in the region, also compounded by the reduced employment coefficient (below the national average of 25%). Among the key success factors we noted a positive impact on the perception of the local people and the possibility of keeping the competitive prices.

Helping by the potential diagram, a 0.46 composite value indicator was determined - considered to be an above average value with good prospects for the future development. The same tool highlights the sticking points, the imperfections found in exploiting this tourist opportunities: Firstly, the governmental inefficiency and the poor infrastructures and secondly, the inconsistencies in exploiting the natural and human resources and its capitalization from touristic point of view. The number of these criteria that affect the development of region's tourist potential can be always argued, our proposed structure with seven criteria and more than twenty sub-criteria is considered relevant for the current situation and for the most serious measured problems. By deepening our analysis will probably lead us to reconsider this series of factors.

Although the potential for profitability is large, the business initiatives in tourism are modest (in Romania, in 2013, the independent activities employ only 4% of the population, but a scenario for 2030 estimated doubling of this percentage). We must also emphasize the need for a coherent strategy and legislation that could activate the expansion of regional tourism (the shaping of clusters and the focusing of infrastructure investments).

The study should be continued and completed by other analysis. The potential diagnosing phase will be followed by the phase of developing and testing of a model of tourism destination competitiveness and to conduct a perception study to determine the Oltenia competitiveness as a tourist destination.

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