ENTREPRENEURIAL ELEMENTS IN RURAL TOURISM - FINDINGS FROM PLS-SEM

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ARTICLE INFO
Original Article
Received: 22 May 2023
Accepted: 15 June 2023
doi:10.59267/ekopolj2302521S
UDC 338.246.4:338.48-44(1-22)

ABSTRACT
The aim of this paper is to determine the interrelationship between innovation, proactivity and risk-taking, as a dimension of entrepreneurial orientation and their connection with relational capital, in order to indicate the entrepreneurial behavior that gives the best results for the development of sustainable rural tourism. The research was conducted on the basis of questionnaires collected on the territory of the Republic of Serbia during the year 2022. The data were analyzed using the PLS-SEM method. The results show a positive relationship between proactivity and innovation, between relational capital and innovation, and proactivity and relational capital, while a positive relationship between risk-taking and innovation and risk-taking and relational capital was not confirmed. Results provide important elements for making decisions about innovation and competitiveness of rural tourism destinations.

Keywords: rural tourism areas, innovations, proactivity, risk-taking, entrepreneurship

JEL: O18, O31

Introduction
Considering the cultural and natural attractiveness in rural areas, rural tourism can play an important role in revitalizing rural areas. Also, development of rural tourism can create new employment and more income opportunities for local populations (Gao, Wu, 2017). Rural tourism is one of the types of tourism whose sustainable form in various economic, social and ecological dimensions paves the way for achieving sustainable development of local communities (Farahani et al., 2021; Melović, 2022; Dimitrijević et al., 2022).

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The tourism potential of rural areas is underdeveloped, and it can be a potential for entrepreneurship that can improve regional development (Dašić et al., 2020, Lordkipanidze et al., 2005). Especially important is a sustainable agricultural practice that combines three types of balance: economic, social and ecological (Sobczyk, 2014). Rural tourism is considered a potentially good product in promoting the country, as well as involving the community in the tourism industry (Amir et al., 2015; Milošević et al., 2021). Sustainable development in the Republic of Serbia has great perspectives and challenges for the development of entrepreneurship based on cultural and natural attractiveness in rural tourism (Kallmuenzer, Peters, 2017, Aslanova, 2019). The motivations of entrepreneurs in this industry are related to lifestyle, are social or sustainable, family-driven and influenced by the regional environment (Dias, Silva, 2021).

Family companies are dominated in the rural tourism industry. This is very important because the family interests guide entrepreneurial behavior (Kallmuenzer, Peters, 2018). In the case of family firms in rural tourism, in particular, it remains unclear what type of entrepreneurial behavior is desirable for the firm to perform well and what factors explain this behavior (Andersson et al., 2002). Family firms generally need to be willing to be innovative, proactive, and thoughtfully take risks in response to market opportunities in order to maintain competitive advantages and perform well (Lumpkin, Dess, 2008). The subject of this study is the connection between the dimensions of entrepreneurial orientation, innovation, proactivity, risk taking, as well as relational capital as a dimension of entrepreneurial behavior on the example of rural tourism. The aim of the paper is to investigate which type of entrepreneurial behavior is important and acts synergistically in order for family firms of rural tourism to do well. For the purpose of researching the subject, the following hypotheses were tested:

H1: There is a positive correlation between risk-taking and innovation
H2: There is a positive correlation between risk-taking and Relational Capital
H3: There is a positive correlation between Proactivity and Innovation
H4: There is a positive correlation between Proactivity and Relational Capital
H5: There is a positive correlation between Relational Capital and Innovation

**Literature review**

*Tourists as drivers of innovation*

Tourists are characterized by their willingness to acquire and/or buy a certain amount of tourist goods (Edensor, 2001). Willingness depends not only on the “quantity” of their tourist needs, but also on a whole series of other factors, such as income, prices, exchange rate, quality, method of promotion and a number of other factors (Stefanović, 2017). Tourism today brings innovations in various fields, from destination to attractions and creators of tourist services. The main task of innovation in tourism services is tourist satisfaction (Liat et al., 2020). The tourist is the main driver of the development
of tourism, and the expressed satisfaction is the end point, forming a complete circle of the tourist service (Opute et al., 2020).

In the early works of tourism theory, tourists were depicted as homogeneous portraits in the sense of a general type and the conceptualization did not deal with different meanings and motivations (Čavlek et al., 2010). States of feeling or motivational forces among tourists recognized to be changed in postmodern times: preferences, interests, values and experiences of tourists (Dujmović, 2015). At the macro level, tourist expectations are at least partly created by marketing strategies and advertising brochures (Song et al., 2010). People expect more from vacation and travel has become part of lifestyle and human culture. Experience has become the core of tourist travel (de Freitas Coelho and others, 2018). How to spend an unforgettable vacation has become more important to tourists than where to spend it (Čavlek et al., 2010). Tourists are looking for a more substantial and high-quality product, regardless of the location of the tourist destination (Huete-Alcocer, 2019).

**Rural tourism and entrepreneurial behavior**

A wide range of literature on corporate entrepreneurship suggests that entrepreneurial attitudes and behavior are key antecedents for the short- and long-term success of an enterprise (Omerzel, Čivre, 2015). Despite the fact, that the COVID-19 pandemic has negatively affected entrepreneurship, it is one of the recognized development opportunities for rural tourism (Ivanović-Dukić et al., 2022). The most common topic among those interested in entrepreneurial orientation concerns the positive implications that entrepreneurial processes have on the development of rural tourism (Milojević, Pavlović, 2017). Differentiated services and a good image of tourist companies in the environment can only be achieved by having and managing human, structural and relational capital (Ognjanović, 2016). Relational capital is a very important component of entrepreneurial behavior aimed at market success (Paoloni et al., 2021).

Empirically, the positive impact of the dimensions of entrepreneurial orientation and entrepreneurial behavior on the development of rural tourism is supported by several studies (Lee, Chu, 2017). In order to investigate the entrepreneurial behavior of rural tourism firms, this paper relies on the corporate entrepreneurship literature that views entrepreneurial orientation and behavior as the basis for business success (Rauch et al., 2009).

Tourism literature shows that research on the relationship and impact of innovation, proactivity and risk-taking is very limited, but many scholars agree that innovative and proactive behavior is necessary for long-term survival in ever-changing environments such as tourism (Hjalager, 2015). Lumpkin & Dess (2008) suggest that the implications of entrepreneurial orientations on the development of rural tourism enterprises are specific and may vary independently of each other in a given organizational context. Dias & Silva (2021) analyzed the relationship between tourist destination and innovation. The results showed that place knowledge and relational capital have a positive effect on innovation.
Innovation and development of rural tourism

Despite the general opinion that services are non-innovative or that innovations in services occur less often, innovations in tourism are numerous and more complex than in some other sectors or industries (Čavlek et al., 2010). The tourism industry is in a process of continuous changes, so innovation is not only a factor of competitiveness (Vujko et al., 2016), but also a factor of survival, growth and development in an extremely turbulent tourism market (Jiang, 2019). Innovation means doing things differently, and applying this concept in tourism will help create a new experience for tourists every time (Weiermair, 2003). Good management and committed entrepreneurship are integral pillars of innovation in rural tourism and the key to success (Polukhina et al., 2021). Innovations in tourism lead to easier navigation and research of the destination and the possibility for the tourist to create the perfect service himself (Zellweger & Sieger, 2012). Innovation refers to the introduction of any new concept, whether it is new to customers, a sector or an organization (Hjalager, 2015). As one of the main drivers of competitiveness, innovation should be subject to review and strengthening of stakeholders in tourist destinations (Pikeemaat et al. 2018). Increasing competitiveness through innovation ensures differentiation in the dynamic tourism market (Ribarić, 2015).

Tourism requires continuous innovation of the tourist offer, because tourists today increasingly strive for new and better quality products, new destinations, new experiences, activities and experiences (Song et al., 2010). New experiences become the main motive for the decision on a tourist trip. Many tourist companies have begun to complement their service more and more using innovative technology to meet the demands of modern tourists (Pencarelli, 2020). The purpose of innovation is to make the tourism product unique and authentic, and therefore different, that is, different from competing products (Weiermair, 2003).

Proactivity and development of rural tourism

By exploiting asymmetry in the market, the first mover can realize unusually high profits and gain an advantage in establishing brand recognition (Lumpkin & Dess, 2008). Thus, taking initiative by anticipating and following new opportunities and participating in emerging markets are associated with entrepreneurship (Corrêa et al., 2021). This characteristic of entrepreneurship is often called proactivity. Proactivity is a forward-looking perspective characterized by monitoring and anticipating future market wants and needs (Kallmuenzer, Peters, 2018). Proactivity also actively shapes the external environment and anticipates future market demands. This is an important characteristic of the entrepreneurial behavior of family firms and a key source of sustainable growth and performance for many family firms (DeMassis et al., 2014). Since proactivity suggests an emphasis on initiating activities, it is closely related to innovation, as in the case of new product introductions (Hjalager, 2010). When proactive, companies capitalize on new opportunities and shape the evolving competitive environment (Zellweger & Sieger, 2012).
Risk taking and development of rural tourism

Risk taking refers to the degree to which managers are ready to undertake large and risky commitments (Zellweger & Sieger, 2012). Thus, risk taking generally refers to bold actions taken under conditions of uncertainty (Short et al., 2009). Risk-taking is related to the trade-off between risk and return that is common in financial analysis. Baird and Thomas (1985) argued that risk taking consists of venturing into the unknown, engagement of a relatively large part of assets and large borrowing. Risk-taking firms show a tendency to “take bold actions such as entering unknown new markets” without certain knowledge of likely outcomes (Habbershon et al., 2010). In today’s rapidly changing and highly uncertain markets, rural tourism businesses must be prepared to take risks, because without taking risks, the prospects for business development are slim (Cirill et al., 2021).

Entrepreneurial activities in family businesses involve taking risks, and to a lesser extent than in non-family businesses (Braga, 2017). On the other hand, risk-taking in family businesses probably means that these companies make decisions that are less based on carefully calculated risks; less based on a systematic, unbiased way; and with less inclusion of outsider perspectives and expert opinions (Nordqvist et al., 2007).

Relational capital and the development of rural tourism

Relational capital also plays an important role in innovation. It is defined as close interaction on a personal level between partners (Kale et. al., 2000). Relational capital as part of the lifestyle of entrepreneurs engaged in rural tourism can increase the small volume of business, because it allows greater proximity to different stakeholders (Cunha, 2020). They may offer more individualized experiences created through co-creation processes and have a greater understanding of the needs of travellers. Additionally, they exhibit more participation in neighborhood affairs.

Doing business in today’s market conditions requires the ability to articulate with a network of partners that contribute to the overall tourist experience, where innovation is increasingly linked to the inseparability between demand and supply (Dias & Silva, 2021). The ability to innovate is strongly related to personal competencies and life and market experience, especially the development of one’s network through relational capital (Bredvold & Skalen, 2016). The existence of a common environment is essential for the exchange of knowledge and innovations of entrepreneurs. However, having good relational capital may not be sufficient to generate innovation in small businesses (Cooper, 2015). It will depend on the entrepreneur’s ability to absorb the knowledge and opportunities that arise from these connections with local partners.

Materials and methods

The target group for this research is entrepreneurs who operate in tourism activities in rural areas of the Republic of Serbia. The target group was selected on the basis of 2 new research criteria (Dias & Silva, 2021): 1) they perform work related to tourism
activity (hotels, restaurants or visitor attractions); and 2) the primary activity is situated in a rural area.

The PLS-SEM method (Partial Least Squares Structural Equation Modeling) will be used in the work to test the defined research hypotheses. The PLS-SEM approach is a methodology of structural equation modeling that extensively features in research endeavors pertaining to the examination of the attitudes and performances of service consumers. The main advantage of this approach is a significant benefit as it effectively elucidates the variance, thereby predicting the underlying associations between the latent variables and maximizes the explained variance. A lot of research has been done using this way of studying in this area (Gim, 2018; Lakićević et al, 2021). That’s why we chose to use it for our research. In addition to the mentioned method, qualitative methodology will be used to draw conclusions, as well as the following methods: content analysis, induction, deduction, descriptive method and system analysis.

To examine the identified variables within this particular field of inquiry, a suitable questionnaire was created for the investigated geographical area. The questions distributed through the questionnaire were adapted based on the outcomes of previous study by the authors Kallmuenzer & Peters (2018) and Dias & Silva (2021). This study analyzed the relationship between four factors, the action of which is still significant for the development of rural tourism, and which are measured by the appropriate number of questions from the questionnaire: innovation (5 questions), proactivity (6 questions), risk taking (4 questions) and relational capital (3 questions). All attitudes were measured using a five-point Likert scale, where 1 means “strongly disagree” and 5 means “strongly agree”. In addition to these questions, the questionnaire contains seven questions related to the general and demographic characteristics of the respondents in terms of company name, headquarters, gender, age, company generation, size and completed education of the owner/manager.

The questionnaire was distributed through the e-mail addresses of tourism companies in the Republic of Serbia, through tourism organizations that forwarded the questionnaires to tourism service providers in their territory, or through a face-to-face survey. In order to gather as many respondents as possible, the Questionnaire was also distributed through social networks - Instagram and Facebook. A total of 112 valid and correctly completed questionnaires were collected in period April – August 2022.

**Results and Discussions**

The first table shows the results of the demographic characteristics of the respondents’ profiles.

**Table 1. Demographic characteristic of respondents**

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender structure of respondents</td>
<td>male</td>
</tr>
<tr>
<td></td>
<td>female</td>
</tr>
</tbody>
</table>
Table 1 shows an overview of the respondents’ gender and ownership structure. Only two companies belong to the small category (between 10 and 49 employees), all others are in the micro category. The age and educational structure are also given in Table 1.

In order to examine hypotheses and research the relationship between variables, a theoretical model was created. Based on the review of the literature, the relationships between the observed variables can be concluded, for research purposes they are shown in the model in Figure 1.

**Figure 1. Initial theoretical model**

In order to evaluate the validity of the model, the value of Cronbach’s Alphas was calculated, and the results are shown in Table 2.
Table 2. Validation of the model

<table>
<thead>
<tr>
<th></th>
<th>Cronbach’s Alpha</th>
<th>rho_A</th>
<th>Composite Reliability</th>
<th>Average Variance Extracted (AVE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Innovativeness</td>
<td>0,65</td>
<td>0,87</td>
<td>0,76</td>
<td>0,52</td>
</tr>
<tr>
<td>Risk taking</td>
<td>0,61</td>
<td>0,57</td>
<td>0,74</td>
<td>0,50</td>
</tr>
<tr>
<td>Proactiveness</td>
<td>0,71</td>
<td>0,80</td>
<td>0,77</td>
<td>0,50</td>
</tr>
<tr>
<td>Relational Capital</td>
<td>0,73</td>
<td>0,74</td>
<td>0,85</td>
<td>0,65</td>
</tr>
</tbody>
</table>

*Source: Authors’ Calculation*

Based on the data in Table 2, it can be seen that the model is valid, for proactiveness and relational capital, the results can be interpreted with greater reliability, because are Cronbach’s Alpha values greater than 0.7, while for innovation and risk-taking Cronbach’s Alpha values are “poor”, which is why the results should be interpreted with caution. As an additional measure of validity, the value of Average variance extracted (AVE) was calculated and according to this indicator the model is also valid, given that in all AVE values greater than 0.5 (Bagozzi & Yi, 1988).

The values of the regression coefficients were determined after the model’s validity was verified, and the preliminary PLS-SEM model results are displayed in Figure 2. In Figure 2, it can be clearly seen that all the obtained regression coefficients are positive.

*Source: Author’s Calculation*

Calculating the associated p-values for each regression coefficient is important in order to test the set of hypotheses since they show the statistical significance of the calculated coefficients (Table 3).
Table 3. Regression coefficients and statistical significance test

|                        | Original Sample (O) | Sample Mean (M) | Standard Deviation (STDEV) | T Statistics (|O/STDEV|) | P Values |
|------------------------|---------------------|-----------------|-----------------------------|-----------------------------|----------|
| Risk taking Innovativeness | 0.12                | 0.15            | 0.13                        | 0.95                        | 0.34     |
| Risk taking Relational Capital | 0.15               | 0.17            | 0.15                        | 0.97                        | 0.33     |
| Proactivity Innovativeness | 0.53               | 0.53            | 0.11                        | 4.89                        | 0.00     |
| Proactivity Relational Capital | 0.64              | 0.64            | 0.13                        | 4.99                        | 0.00     |
| Relational Capital Innovativeness | 0.83             | 0.84            | 0.03                        | 28.19                       | 0.00     |

Source: Authors’ Calculation

After checking the statistical significance of the regression coefficients at the level of p<0.05, it is observed that regardless of the positivity of the coefficient, the results obtained for determining the relationship between risk-taking and Innovativeness and risk taking and relational capital are not statistically significant and should not be considered. This means that hypotheses 1 and 2 are not supported. Despite the high positive ratios of the regression coefficients in this case, we cannot confirm the hypothesis with certainty.

The examination of the relationship between proactiveness and innovativeness is defined by hypothesis H3. A positive regression coefficient (0.53) was obtained for this relationship, and this hypothesis is confirmed. This result is consistent with the findings obtained in the study by Kallmuenzer & Peters (2018). This means that owners and managers should focus on the synergistic effect of innovation and proactivity as decisive behaviors of small tourism businesses. The results for innovativeness confirm assumptions from previous literature, that in family businesses in rural tourism, innovations in the form of problem-solving ideas are key to improving financial performance (Hjalager, 2015).

Based on the analysis of the regression coefficient of the relationship between proactiveness and relational capital (0.64), hypothesis 4 was also confirmed. The strongest positive relationship (regression coefficient 0.83) was established between relational capital and innovation, and hypothesis 5 was also confirmed. This result is similar with the research conducted by Dias & Silva (2021). This connection means that the degree of integration into the community and the degree of local knowledge provide the basis for both the creation of new products and for tourist experiences based on the peculiarities of the area in which they develop their activity. It is necessary to use the knowledge of this capital and turn it into innovative solutions that strengthen rural tourism. This ability is linked to the ability of these entrepreneurs to be close to customers and to develop personalized experiences to increase the volume of business.
The potential for the development of rural tourism for regional communities in the Republic of Serbia reflects the significance of this study. Specifically, the growth of rural tourism entails the creation of a short- and medium-term product that is socially, economically, and environmentally sustainable and benefits local communities in rural areas. By facilitating the flow of resources and liquidity into communities through visitor consumption and the creation of new small businesses and employment, rural tourism development can operate as an agent for the change of rural areas. Without an entrepreneurial orientation, there is no success in rural tourism. Cultivating the entrepreneurial and cooperative abilities of local family firms and creating regional cooperative initiatives would lead to the creation of profits for the local community.

One of the more significant limitations of this work is reflected in the low response of tourist companies to fill out the questionnaire. Turning to tourist organizations for help also did not give the expected results in terms of the number of completed questionnaires. An additional paradox is the fact that a certain number of tourist organizations submitted an answer that they do not have the data, because the scope of work related to tourist companies that deal with rural tourism has been transferred to local government.

**Conclusion**

Rural tourism benefits the local economy, particularly through raising economic revenue and raising people’s quality of living. In rural tourism, entrepreneurship is essential to the survival and growth of travel businesses. The goal of this paper was to find out how family businesses in rural tourism can improve their future business, and through observing the relationship between the dimensions of entrepreneurial orientation and relational capital in order to find sustainable development solutions. The paper highlighted the connection between innovation, proactivity, risk-taking and relational capital. This is indicated by the results of the conducted analysis. A positive relationship was established between proactivity and innovation, proactivity and relational capital and between relational capital and innovation, and hypotheses 3, 4 and 5 were confirmed, while hypotheses 1 and 2 were not after testing, i.e. the positive impact of risk-taking on innovation and risk-taking on relational capital was not confirmed.

This paper did not cover all dimensions of entrepreneurial orientation (for example, competitive aggressiveness and autonomy), so future research can be directed to an extended analysis. Also, it is possible to include other types of intellectual capital and see the connection with certain dimensions of entrepreneurship. It would be interesting to investigate the relationship between certain dimensions and the trend of financial performance of tourist companies.

**Acknowledgements**

This paper was published as part of the research program of the Faculty of Hotel
Management and Tourism in Vrnjačka Banja, University of Kragujevac which is funded by the Ministry of Science, Technological Development and Innovation, Republic of Serbia.

Conflict of interest

The authors declare no conflict of interest.

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