

Sanja PEKOVIC\*, Jovana VUKCEVIC\*,  
Djurdjica PEROVIC\*, Tatjana STANOVCIC\*

## THE OBSTACLES OF ENTREPRENEURS IN MONTENEGRIN AGRO-TOURISM

**Abstract:** The previous literature confirmed the essential role of entrepreneurial activities for economic growth especially in developing countries. However, less is known about the relationship between entrepreneurship activities and tourism sector. The subject is of the great importance since the entrepreneurs in tourism sector may face significant challenges. Therefore, the main objective of this paper is to identify the factors that hamper entrepreneurship activity in Montenegrin agro-tourism sector.

**Key words:** *Agro-tourism, entrepreneurship, north of Montenegro*

### INTRODUCTION

The literature has recognized the importance of the entrepreneurial activities since it has positive impact on various aspects related to the economic growth (Schumpeter, 1934; Hjalager, 2010; Soriano and Huarng, 2013; Soriano and Peris-Ortiz, 2011). Furthermore, as indicated by Carlisle et al. (2013) entrepreneurial activities are very important in tourism sector since they can generate improved tourism product.

Previous work highlights that the relationship between entrepreneurship activities and tourism sector is not sufficiently examined (Li, 2006; Hjalager, 2010; Roxas and Chadee, 2013) even that tourism sector requests interaction with entrepreneurial activities (World Tourism Organization, 2002).

Moreover, the tourism analyses indicate an increased demand for tourism entrepreneurship activities in rural areas (Lordkipanidze et al., 2005). George et al. (2008) describe agro-tourism as any income-generating activity performed on a farm for the enjoyment and education of visitors such as the presentation of the natural, cultural, historical, and environmental assets. Furthermore, Clarke (2000) identified several activities associated to agro-tourism such as the supply of

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\* University of Montenegro, Faculty of Tourism and Hotel Management, Kotor

accommodation, catering, information, transport, facilities, and other services for tourism development. In this sense, scholars acknowledged several benefits generated through agro entrepreneurship such as: economic growth, sociocultural development, the provision of essential and non-essential services, and rising standards of living (Nunkoo and Gursoy, 2012) and provision of supplementary sources of income (Hall, 2004). Additionally, agro-tourism has great potential for local community. Actually, Ryan et al. (2012) and Koh and Hatten (2002) suggest that entrepreneurs can improve significantly tourist destination.

Nevertheless, entrepreneurship activities also could be hindered by various factors in this particular sector. Accordingly, the main objective of this article is to identify the factors that hamper entrepreneurship activity in Montenegrin agro-tourism sector.

## ADDRESSING THE ENTREPRENEURS IN AGRO-TOURISM: MOTIVES AND OBSTACLES

### *Identifying Motives*

Lordkipanidze et al. (2005) distinguish several drivers that are decisive for becoming entrepreneur:

- 1) need for achievement;
- 2) desire for independence;
- 3) job satisfaction from work;
- 4) entrepreneurial role;
- 5) risk taking.

Jaafar et al. (2013) propose two categories regarding entrepreneurial motives: push factors and pull factors. As authors explained, push factors include unemployment and job uncertainty, while pull factors includes the desire to be one's own boss, high profits, available business opportunities, and retirement.

### *Identifying Obstacles*

Generally, the factors contributing to this failure to realize entrepreneurial activities in agro-tourism sector are the following:

**Human Capital.** The scholars (Ateljevic and Doorne, 2000; Krannich and Petzelka, 2003) indicate that the main entrepreneurship obstacle is related to human capital constrains. Actually, potential entrepreneurs often lack educational basis to understand the complexities of business management (e. g. insufficient knowledge about the market, marketing tools, customer demand, etc.) that are necessary for business development.

**Financial Capital.** Access to finance is important for developing and organizing rural tourism. Actually, as indicated by Sharpley (2002), it requires a great investment often beyond owner's possibility.

**Lack of infrastructure.** Pissarides et al. (2003) suggest that inadequate infrastructure is one of the main obstacles that hampers development of agro-tourism business.

**Governmental support.** Generally, businesses in rural areas do not receive basic governmental supports such as financial services, education programs, and other incentives related to the local community (Ateljevic, 2009).

**Mismatch with tourist demand.** Sharpley (2002) argue that not all rural areas are attractive to tourists what induces that only accommodation offer does not guarantee demand. Additionally, the author underlines that the quality of products and services must match tourists' demands and expectations what is not always the case.

### ADDRESSING THE MONTENEGRIN CASE

The significance of tourism for Montenegro is evident from decisions and strategies defined on highest level, especially through Masterplan of tourism development till 2020. According to international organizations (e. g. WTTC), tourism in Montenegro generates around 21% of GDP. Apart from that, tourism provides employment for around 30 000 employees. Rapid growth of tourism is expected in the future, and will be based on planned investments, and continuous growth of arrivals of foreign tourists, with significant implications on employment, development of underdeveloped areas, export etc. According to strategic guidance, Montenegro is dedicated to quality of service that could provide higher level of satisfaction compared to competition, with special attention on principle of sustainable development and responsible management of natural resources.

However, the majority of Montenegrin tourism activities is generated only in the south of the country (the costal part) while only 3% of overnights is generated in central and north part of Montenegro. Therefore, the issue concerning the factors that hamper entrepreneurship activity associated with tourism in rural areas of the country is of a great importance in order to further boost agro-tourism. In this sense, we suggest that entrepreneurship can provide benefits to rural development but also can enhance the quality of life of local community.

Noteworthy, communist system did not give possibility for private ownership development (Aidis, 2005), due Montenegro only recently develop environment that is suitable for entrepreneurship.

The case study is oriented on two following locations in Montenegro:

- Kući mountains and
- Durmitor area.

These two areas are characterized by their social aspect (e. g. cultural heritage, local customs in the katuns, architecture, etc.) and, especially Durmitor is characterized by resources available for agricultural production and certain positive trends in development of agriculture (e. g. production of specific dairy products, as well as new sectors of agriculture). In addition, Durmitor represents the

most visited and touristic exploited mountain in Montenegro, being widely recognized as the one of the most popular tourist destinations in the country. The Kuči mountains, due to landscape characteristics, are becoming very popular among the backpackers of all kinds, being situated in the nearest vicinity of Podgorica and its transport, infrastructure and logistic facilities (Lakovic et al., 2016). Having these two the most typical areas taken for case studies, the project covers almost all the dominant aspects of katun's life and livestock rearing anywhere in Montenegro, as well as the major categories of their cultural heritage's protection and preservation.

### ***Methodology***

The paper adopted a case study approach in order to identify obstacles of entrepreneurs in agro-tourism. Actually, the research material was gathered from several fieldwork trips carried out by the researchers between June and October 2015. More precisely, the research material consists of several semi-structured interviews. All interviews were conducted face-to face in Montenegrin language. In addition, in order to provide deeper understanding related to the issue examined other methods were employed such as direct observations and informal discussions with farmers during the fieldworks.

## **DISCUSSION AND CONCLUSION**

Observations and interviews conducted in the framework of the fieldwork conducted in 2015 highlighted number of important obstacles for further development of entrepreneurial activities in agro-tourism in northern Montenegro. While it was evident that this sector has a great growth potential, the analysis revealed significant issues that would need to be addressed in future.

First and foremost, while farmers seemed to be genuinely knowledgeable about agriculture, it was obvious they lack specific entrepreneurial competences and knowledge. Leadership and management capabilities seemed to be weak, and the farmers generally risk averse, which is why they rarely engage in any entrepreneurial activity, regardless of its potential.

General level of specific skills and competences required for engaging in entrepreneurial agro-tourism activities also turned to be at the very low level — farmers generally lack language capacities needed for the interaction with international tourists, as most of them speak only the local language. Furthermore, their IT skills and knowledge of marketing, accounting, legal aspects and finance are extremely limited, making it complicated to start and develop complex entrepreneurial ventures.

Depopulation and aging are also identified as factors preventing stronger development of entrepreneurial activities in Montenegrin rural areas — as young generations leave for schooling and most of the time never come back to live at the village. While these young educated people would certainly be more prone, more knowledgeable and more apt to engage in entrepreneurial activities, it is difficult to expect from aging rural population to start risky ventures which they also will not be able to transfer to the second generation.

The lack of infrastructure also presents important obstacle for developing entrepreneurship, as bad roads make certain areas inaccessible for tourists, and number of areas still struggle with the lack of electricity, water supply, internet connection, etc.

Lack of institutional support also turned to be a major issue for developing agro-tourism in the region. Farmers seemed to be unaware of the available funds, investment opportunities and government support to these activities. Indeed, systematic financial support to these activities still seems to be limited in time and scope, which prevents stronger and more comprehensive development of agro-tourism entrepreneurship in the region.

Level of cooperation and willingness to cooperate and engage in joint entrepreneurial activities also turned to be very low, as each household acts independently. Prevailing mentality patterns prevent them from engaging in more cooperative activities and especially in new joint business.

While these were the main obstacles to developing entrepreneurial activities in rural areas of northern Montenegro identified through the fieldwork, number of additional issues have been observed — such as lack of awareness of the cultural and historic landmarks and tourism potential of the area, lack of comprehension of the expectancies and needs of modern tourists, low levels of hygienic standards and bad financial situation all seem to contribute to the problem.

It is obvious that entrepreneurship in this sector would have a strong potential for improving economic, socio-cultural and environmental map of the region, but it would be necessary to first address identified obstacles in order to develop entrepreneurial activities and a comprehensive strategy for overcoming them.

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Sanja PEKOVIĆ, Jovana VUKČEVIĆ, Đurđica PEROVIĆ, Tatjana STANOVČIĆ

POTEŠKOĆE U RAZVOJU PREDUZETNIŠTVA  
U CRNOGORSKOM AGROTURIZMU

*Sažetak*

Važnost preduzetničkog razvoja za ekonomski rast je već potvrđena u literaturi, pogotovo za zemlje u razvoju. Međutim, malo se zna o donosu između preduzetništva i sektora turizma. Tema je od velikog značaja jer se preduzetnici u ovom sektoru mogu se suočiti sa značajnim izazovima. Stoga, osnovni cilj ovoga rada je da identifikuje faktore koji omeću preduzetničke aktivnosti u kontekstu crnogorskog agro-turizma.

Ključne reči: *agro-turizam, preduzetništvo, sjeverno od Crne Gore*