

# Sustainability and Business Management

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# Principal Factors of Business Practices of Tourism SMEs: A Case Study of Sohra (Cherrapunjee)

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**Abstract**—The tourism sector is one of the fast growing activities in modern era due to industrialisation, increase in income and the fascination to travel. Moreover, this sector involves the participation of many stakeholders; particularly, the tourists and the host community. The host community provide services to the tourists through enterprising. The small and medium enterprises (SMEs) contribute significantly to the growth of tourism of any destination. Sohra (Cherrapunjee) is a destination situated in the East Khasi Hills district of the State Meghalaya (India) and is well-known for its pristine beauty of nature which includes waterfalls, caves and beautiful landscapes. The rationale behind this paper is the lack of documentation regarding the studies on tourism SMEs and their businesses in the North-Eastern states of India. Notably, there is a dearth of studies on the subject matter of 'business practices' of tourism SMEs in India. Hence, the focal point of this paper is to identify and decipher the principal factors of business practices of tourism SMEs using empirical evidences and primary sources collected through in-depth interviews with owners/managers of 17 tourist accommodations (homestays, guest houses and resorts) of Sohra. Business practices in tourism SMEs manifest and reflect upon the functioning of tourism SMEs ranging from financial, planning and organising, human resource management, marketing, sustainability and environmental practices. Using descriptive analytical approach, this paper will try to identify the principal factors of business practices of tourism SMEs.

**Keywords:** Business Practices; Tourism SMEs; Sohra (Cherrapunjee)

## INTRODUCTION

Sohra, also known as Cherrapunjee is a town and destination well-known by tourists across the globe. It is situated in the East Khasi Hills district of the State Meghalaya (India) at an elevation of 1,484 metre above sea level. Besides tourist destination, Sohra is famous for receiving heavy rainfalls throughout the year at an average of 11,777 millimetres. It is also a pioneer for Khasi literature since the day of British ruled of India as Thomas Jones, a Welsh Christian Missionary is widely known as 'the founding father of the Khasi alphabets and literature'. Generally, Sohra is a tourist and visitor destination for both domestic and foreign tourists, well-known for its pristine beauty of nature which includes waterfalls, caves and beautiful landscapes.

The tourism sector is one of the fast growing activities in the 21<sup>st</sup> century due to growth of industrialisation and subsequent increase in income which provides affordability and human resource practices encouraged people to take a break and follow their instinct of touring (Sharma, 2014, p. 18). Tourism as such is an economic activity which entails the movement





of people to countries or places outside their usual environment for many purposes such as personal or business/professional and of course for leisure which involve expenditures by the tourists in which an entrepreneur satisfies the demand of the tourists (customers) to undertake a short or long vacation in a given time period at different prices (International Recommendations for Tourism Statistics [IRTS], 2008; Turner & Witt, 2001).

As in the case of every activity, the tourism sector needs stakeholders and enterprises. Sinclair and Stabler (1997) have defined a tourism enterprise as 'a composition of products involving transport, accommodation, catering, natural resources, entertainment and other facilities and services, such as shops and banks and other tour operators'. As tourism is a service-oriented sector, the small and medium enterprises (SMEs) are potent medium for utilising the potential related specific characteristics of the tourism sector (Solvoll, Alsos & Bulanova, 2015). Similarly, as a destination-oriented enterprise, the size and nature of tourism SMEs depend more on the destination or the location. The attractiveness of the place has a positive relationship with the nature of an enterprise in a tourist destination (Lai, Morrison-Saunders & Grimstad 2016; Hallak *et al.*, 2013; Jan, 2015). These factors cater to the different approaches of business practices for tourism SMEs.

Business practices as a subject matter encompasses different functions of a business organisation with the primary objective of earning profit. According to *businessdictionary.com*, business practice is 'a method, procedure, process or rule employed or followed by a company in the pursuit of its objectives. It may also refer to these collectively'. Specifically, Lee (2005) emphasised business practice as a frequently repeated act, habit or custom performed to a recognized level of skill for a business organisation due to the un-codified 'know-how' resulting from human experience, improvisation and innovation. Business practices as such are practical implications, methods or procedures followed by a business for smooth functioning in day-to-day activities. However, in relatively small places, which have an underdeveloped manufacturing industry and a developed tourism industry on the contrary; the practices of small business industries can affect destination performance (Getz & Karlsen, 2005). Business practices of tourism SMEs strongly differ between developed countries and developing countries due to the lack of support to small enterprises that is independent of government-led programmes (Rogerson, 2007). Additionally, business practices of tourism SMEs slightly differs from other SMEs (service sector) due to many obvious factors such as competitive marketing advantage, innovation, geographical location, entrepreneurial orientation and personal attachment. In pertinent with the subject-matter of the topic, the purpose of this paper is to identify the twin objectives:

1. Empirical evidences of the literature regarding principal factors of business practices of tourism SMEs.
2. Identifying the principal factors of business practices from realistic ground of Sohra accommodations.





## EMPIRICAL EVIDENCES OF THE LITERATURE

In consistent with the subject-matter of business practices of tourism SMEs, the review of literature has been categorised into two perspectives i.e. conceptual framework and empirical studies in recent years.

### CONCEPTUAL FRAMEWORK

Small and medium enterprises (SMEs) are generally defined by the size of an enterprise i.e. employing not more than 250 employees (European Commission, 2003; Organisation for Economic Co-operation and Development [OECD], 2005). However, the proper definition will be the segregation of small enterprises from medium enterprises. A small enterprise is an enterprise which employs 10 to 50 persons and whose annual turnover and/or annual balancesheet total is more than € 2 million but does not exceed € 10 million whereas a medium enterprise is an enterprise which employs 50 to 250 persons and which have an annual turnover more than € 10 million but not exceeding € 50 million, and/or an annual balancesheet total not exceeding € 43 million (European Commission, 2003).

In relation to India, according to the definition of the Micro, Small and Medium Enterprises Development [MSMED] Act (2006) in terms of a service enterprise, a small service enterprise is an enterprise where the investment in equipment (original cost excluding land and building and furniture, fittings and other items not directly related to the service rendered) is more than ₹ 10 lakh but does not exceed ₹ 2 crore. On the other hand, a medium enterprise is an enterprise where the investment in equipment is more than ₹ 2 crore but does not exceed ₹ 5 crore. Universally, there is no proper definition of SMEs as it varies from countries to countries (or regions).

As tourism SMEs fall under service sector, apart from the characteristics of any SME, tourism SMEs include food, accommodation and transport related to tourism products. These enterprises can be generalise as hotels, guest houses, homestays, bed and breakfasts, tour operators, travel agencies, restaurants and so on (Çetinel, Yolal & Emeksiz, 2008; Morrison & Teixeira, 2004; Page, Forer & Lawton, 1999; Peters, 2005; Qashou & Saleh, 2018; Rogerson, 2007; Rusu, 2016; Yüzbaşıoğlu, Çelik & Topsakal, 2014).

On the other hand, Business practices refer to procedures, processes and practical implications of running a business. Business practices manifest and reflects upon the functioning of a small enterprise. Since finance is the lifeblood of an enterprise, financial practices indicators are access to finance, return and turnover and reporting of book of accounts. Further, planning and organising practices involve flow of leadership, planning and control, consistent standards and communications. In terms of human resources, the practices involve recruitment, training and development, involvement of employees, motivations and rewards. On the other hand, marketing practices imply the location, customer orientation, strategies of expansion, price and accessibility of the product or services. Additionally, the determinants of sustainability and environmental practices are the obligations of a business to the society in terms of local employment opportunities, social and cultural involvement (Baker, Kumar & Rao, 2017; Coles, Warren, Boden & Dinan, 2017; Dewhurst & Thomas, 2003; Fayol, 1949; Giaque, Resenterra & Siggen, 2010; Hwang & Lockwood, 2006; Kotane & Kuzmina-Merlino, 2017; Kotey & Folker, 2007; Lee, 2005; McKenzie & Woodruff, 2015).

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## EMPIRICAL STUDIES

Globally, tourism has become a very important and dynamic sector (European Commission, 2004; 2006) with the tourism SMEs playing a major role (Rowson & Lashley, 2012). As in the case of any businesses, there are several determinants of business practices of tourism SMEs. Since finance is the 'lifeblood of an enterprise', financing practices through better infrastructure facilities i.e. easy access to finance and credit worthiness information enhance tourism products as well-being value to strengthen the position of tourism SMEs (Dimoska, Tuntev & Nikolovski, 2014; Pyke, Heartwell, Blake & Hemingway, 2016). On the perspective of management practices, tourist satisfaction, tourist loyalty, managerial efficiency, reducing operational costs and improving productivity provide tourism SMEs a better competitive advantage compared to their peers in handling the area of management (Arsezen-Otamis, Arian-Saltik & Babacan, 2015; Mendonça, Varajão & Oliveira, 2015). Similarly, concerning practices of innovation i.e. through product innovation, process innovation, marketing innovation, organisational innovation and service innovation emphasise the importance of innovation in tourism SMEs (Rusu, 2016; Yüzbaşıoğlu, Çelik & Topsakal, 2014). In terms of marketing practices, tourism SMEs widely use e-marketing and technology to offer value to customers, finding information about potential customers, strategic planning and competitive advantage and engaging in effective supply chain (Levenburg & Klein, 2006; McCamley & Gilmore, 2017; Qashou & Saleh, 2018). On the other hand, the human resource practices in tourism SMEs involve motivation through bonus and prize, skills in language, training, age of employees, educational level and workforce learning/apprenticeship (Cañas & Perez, 2015; Kunjiapu & Yasin, 2010; Popescu, Chivu, Ciocârlan-Chitucea, Popescu & Georgel, 2011).

Moreover, the following empirical studies are highlighted in chronological order so as to better depict on the subject matter of business practices of tourism SMEs.

**Table 1**

Citation	Sample	Study Area	Method	Findings
Dewhurst & Thomas (2003)	145 small or micro tourism firms	Yorkshire (England)	In-depth, semi-structured interviews	61% of the respondents agreed with the practices of sustainability in tourism (but less with environmental issues).
Morrison & Teixeira (2004)	66 small tourist accommodation	Greater Glasgow and Clyde Valley Area Tourist Board's directory	Semi-structured sampling which is qualitative, exploratory and interpretative	Average occupancy rates = 60 to 80 %. Managerial capabilities are the challenges as majority of businesses are family based in nature.
Hwang & Lockwood (2006)	89 award-winning SMEs businesses in the hospitality and tourism industry	United Kingdom	In-depth interviews with owners, managers and staffs	Best practices: customer focused planning and control, cash flow and performance management. Barriers: changing demand, limited resources, and lack of skilled labour.

Table 1 (Contd.)...





...Table 1 (Contd.)

Komppula & Reijonen (2006)	214 small tourism businesses; Response rate was 43% (92 businesses)	Finland	Questionnaires	Key Impacts: Customer orientation, good leadership skills, internal marketing and good reputation.
Lai, Morrison-Saunders & Grimstad (2016)	42 small accommodation properties	Gloucester (Australia)	Social Representation (SR) theory and 18 semi-structured interviews were conducted	Rural qualities and lifestyle in rural areas are the more favourable locations to set up a tourism enterprise than urban areas.
Adiyia, De Rademaeker, Vanneste & Ahebwa (2017)	71 small, medium and micro-enterprises (SMMEs)	Kibale National Park (KNP), western Uganda	Qualitative 'life-history' interviews with different types of local entrepreneurs. Respondents were selected by snowball sampling	Barriers for small, medium and micro-enterprises (SMMEs) to enter the tourism are lack of information, lack of skills, access to finance, credibility and reputation.
Coles, <i>et al.</i> (2017)	20 managers and owners of 16 businesses of SMTE (Small and Medium Tourism Enterprise)	South West England	Mixed methods, multi-phase strategy and research questions	Businesses were perceived by their owners and managers foremost as service providers, not environmental stewards.

## DATA AND DESCRIPTIVE ANALYSIS

### SAMPLE AND DATA

The sampling units taken for the study are 17 units of tourist accommodations situated in and around Sohra through purposive convenience method. These sampling units include guest houses, homestays and resorts. They are all identified as small enterprises on the basis of number of employees i.e. 10 to 50 employees being employed (European Commission, 2003). The data are collected through in-depth interviews with the owner or manager of these enterprises where questions were enquired whether they are either practicing or not in their businesses using variables obtained from the literature.

### VARIABLES

The variables for the subject matter of business practices are: financial practices, planning and organising practices, human resource management (HRM) practices, marketing practices, sustainability and environmental practices.

For financial practices, the variables are: financial supports from financial institutions, allocation of annual budgets, calculation of gross profit per service, acquisition of loan/payment of interest, payment of average tax, financial reports. (Adiyia, De Rademaeker, Vanneste & Ahebwa, 2017; Camisón, Fores & Puig-Denia, 2016; Hwang & Lockwood, 2006). The variables for planning





and organising practices are: knowing the customer base, forecasting demand and managing resources, clear policies and procedures for handling resources, role and involvement of the owner, clear vision/mission of the business regarding intention to the customer, involvement of the staff, ability to predict changes in demand, managing internal processes, word of mouth/semiformal communication, co-operation with businesses in the same branch, personal touch, attractiveness or attachment of a place, knowledge of competitors (Hwang & Lockwood, 2006; Lai, Morrison-Saunders & Grimstad, 2016; Morrison & Teixeira, 2004). The variables for HRM practices are: employee involvement, job enrichment, appropriate training, team building, skills development, generic skills, vocational skills communication skills, technical skills, recruitment process, retention, reward and fair wages, up skilling of workers (Komppula & Reijonen, 2006; Sheehan, Grant & Garavan, 2018). The variables for marketing practices are: ensuring feedback from customers, continuation of communication with customers after their visits, identifying customer wants and requirements, ability to respond flexibly to customers' special needs and requirements, long-term relationships with regular customers, post purchase service for the customer, personal selling and services, customised services and products, pricing techniques and competitor analysis, diversification of services, presence in well-known places, difficulty to imitate product/service, advertising and promotion (Hwang & Lockwood, 2006; Lai *et al.*, 2016; Komppula & Reijonen, 2006). The variables for sustainability and environmental practices are: resource conservation, responsible purchasing, waste and recycling management, the visitor environment (surroundings), transport-related issues, energy and water consumption management, mitigation behaviours regarding environmental performance (Coles *et al.*, 2017; Dewhurst & Thomas, 2003).

## MEASURES AND ANALYSIS

Using descriptive analytical approach, the purpose of this paper is to identify the variables of business practices from literature and being tested by enquiring the owners/managers of 17 tourist accommodations of Sohra whether these variables are being practice or not and to what extent.

From financial practices, out of 17 enterprises, 58.82% get financial supports from financial institutions, 82.35% allocate annual budgets, 100% knows calculation of gross profit per service, 58.82% practice acquisition of loan/payment of interest, 76.47% pay average tax and 64.70% provide financial reports.

From planning and organising practices, out of 17 enterprises, 64.70% know the customer base, 64.70% forecast demand and manage resources, 76.47% have clear policies and procedures for handling resources, 100% role and involvement of the owner, 100% clear vision/mission of the business regarding intention to the customer, 100% involvement of the staff, 76.47% are able to predict changes in demand, 94.11% practice managing internal processes, 100% word of mouth/semiformal communication, 100% co-operate with businesses in the same branch, 82.35% agree on personal touch of the owner, 76.47% agree on attractiveness or attachment of a place, 88.23% have knowledge of competitors.

From HRM practices, out of 17 enterprises, 100% involvement of employees, 94.11% agree on job enrichment, 52.94% conducts appropriate training, 100% on team building, 94.11% agree





on skills development, 100% agree on generic skills, 47.05% have vocational skills, 100% have communication skills, 58.82% have technical skills, 29.41% practice recruitment process, 82.35% practice retention, 100% practice reward and fair wages, 82.35% practice up skilling of workers.

From marketing practices, out of 17 enterprises, 94.11% ensuring feedback from customers, 76.47% continue of communication with customers after their visits, 94.11% identify customer wants and requirements, 100% have the ability to respond flexibly to customers' special needs and requirements, 94.11% have long-term relationships with regular customers, 94.11% practice post purchase service for the customer, 82.35% practice personal selling and services, 100% practice customised services and products, 100% practice pricing techniques and competitor analysis, 94.11% practice diversification of services, 94.11% presence in well-known places, 94.11% believe in difficulty to imitate their product/service, 88.23% practice advertising and promotion.

From sustainability and environmental practices, out of 17 enterprises, 100% practice resource conservation, 100% practice responsible purchasing, 94.11% practice waste and recycling management, 82.35% are concern with the visitor environment (surroundings), 11.76% deal with transport-related issues, 100% practice energy and water consumption management, 94.11% mitigate behaviours regarding environmental performance.

## DISCUSSION AND CONCLUSION

After reviewing of literature regarding principal factors of business practices of tourism SMEs and identifying of the variables regarding the subject matter of business practices, the business practices include financial practices, planning and organising practices, human resource management (HRM) practices, marketing practices, sustainability and environmental practices. Using these variables obtained from literature, it is found that most tourism SMEs through a study of 17 tourist accommodations of Sohra practice in their business activities. However, there are certain business practices in which there are lesser practices. Starting from financial practices, the number of tourism SMEs which get financial supports in terms of loan are above average and their practices in payment of interest and tax is meagre. Similarly, from planning and organising practices, more than 35% of tourism SMEs do not know their customer base and cannot forecast demand or manage their resources. Further, from HRM practices, only a handful of tourism SMEs practice recruitment process, less than average of the employees have vocational skills and more than average of the enterprise conducts appropriate training and have technical skills. Regarding marketing practices, most of the enterprises practice all of the marketing technique as tourism is mostly marketing oriented. In relation to sustainability and environmental practices, the tourism SMEs are more aware as tourism is seasonal in nature. However, very few enterprises engage in transport-related issues though transportation is part of the business as the managers/owners perceive transport as none of their concern.

Business practices are practical implication and procedures in dealing of business activities day in and day out for the purpose of earning profits. The study has some limitations as statistical tools are not being use in a true sense. Through this study, more studies on tourism SMEs should be explore by researchers especially in the north-eastern part of the country.





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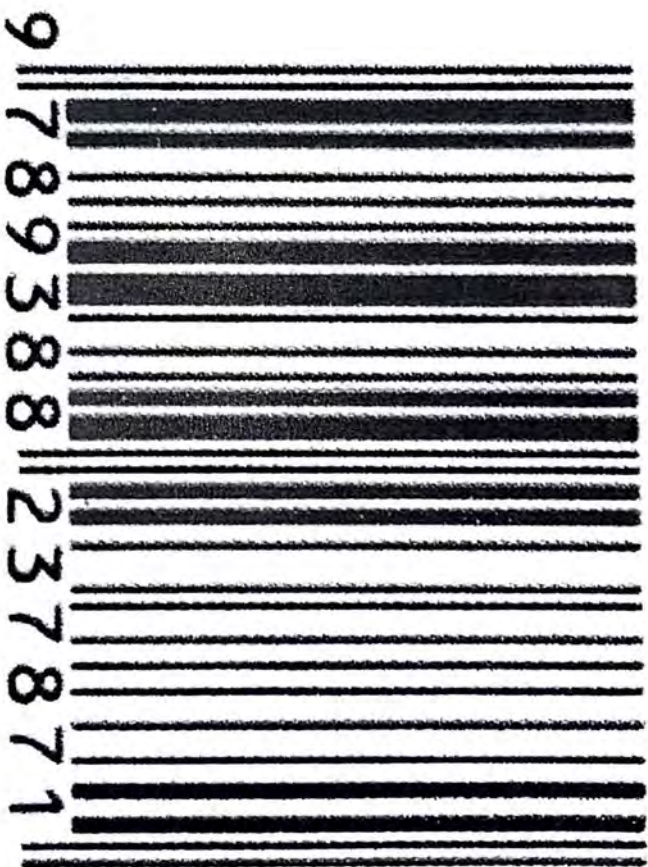
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