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## Entrepreneurship in the Tourism Sector: A Risky Activity in French Overseas Departments?

Hugues SERAPHIN<sup>1\*</sup>, Manuela PILATO<sup>2</sup>, Claudio BELLIA<sup>3</sup>

### *Abstract*

*Research in the field of tourism in the Caribbean is rather limited despite the fact the industry is capital for the area. This industry is very important for the French Overseas Departments and yet, the local corporate doing business in the sector are limited. Out of the 59 big French Overseas Department corporate, only 14 (24%) have tourism related activities. Tourism is the main activity for only one of them (7%). For all the others (93%), tourism is a fringe activity. Because the tourism sector is especially vulnerable to exogenous factors like political instability, economic crisis, natural disasters and the outbreak of diseases, the tourism industry can be considered as a high risk activity for entrepreneurs in French Overseas Departments. The risk for corporate doing business only in the tourism sector in French Overseas Department is therefore absolute. This risk is only speculative for corporate with tourism as a fringe activity and can become totally speculative for all corporate if the activities developed are non-exclusively tourism businesses. The findings of this research are calling for transformational entrepreneurs and transformational enterprises. The findings of this research are also calling for a better collaboration between stakeholders. Last but not least, it is extremely important for the entrepreneurs in the tourism industry in French Overseas Departments to provide high quality products and services as it is a differentiation tool.*

**Keywords:** Corporate, French Overseas Departments, Tourism, Risk, Entrepreneurship.

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## 1. Introduction

Using the *Association of Business Schools* (ABS) list included in the 17<sup>th</sup> edition of the *Journal Quality List*, edited by Professor Anne-Wil Harzing on 18.04.2016 [1], we have identified a list of 15 journals in tourism. These journals generated 54 research-papers (published between 1974 and 2016) with the word 'Caribbean' in their title. Research in the field of tourism in the Caribbean is rather limited and is mainly published by the leading journals in tourism management (*Tourism Management, Annals of Tourism Research and Journal of Travel Research*). The research-articles published are related to the motivations of tourists to visit the Caribbean (food or cuisine; craft; price; innovative products and services); environmental concerns (climate change; litter; sustainability; certification; legislations); marketing (branding and identity; Caribbean Tourism Organisation and its role); the performance and future of the destination. This conference paper is all about entrepreneurship in the tourism sector in the Caribbean. This paper is all the more important as it is going to contribute to the meta-literature in the field of tourism in the Caribbean. At the moment insufficient attention has been paid to businesses in the Caribbean [2]. The paper is going to address two main questions: (a) What are the hazards and risks related to the tourism industry in French Overseas Departments? (b) Are corporate in the tourism industry in the French Overseas Department facing speculative or absolute risk? To address the research questions, this paper is going to adopt an inductive approach defined by Hammond and Wellington [3] as the 'process by which we draw a general conclusion from individual instances or observations. It is thus a bottom-up approach concerned with identifying patterns within data'. So doing, the paper is going to be based on secondary data analysis, in other words 'analysis of data generated within other studies' [3]. For this study the data are from *Business News*.

## 2. Contextual framework

### 2.1. French Overseas Departments and Regions

There are four French Overseas Departments and Regions: Guadeloupe, French Guiana, Martinique and Reunion Island. The laws applicable in France and in the European Union are also applicable in the Overseas Departments and Regions as they are part of the Union's Outermost Regions (ORs). Those Departments and Regions are dependent of the tourism industry; despite the fact this industry is stagnating or

declining [4]. This poor performance of the French Overseas Departments and Regions, are due to [4]:

- Lost of international appeal and subsequently their advance over their neighbors
- Poor ration price/quality of accommodation, excursions, restaurants
- Poor customer service
- Shopping is limited and expensive
- Nonexistent nightlife
- Limited activities for tourists
- Port and airport taxes are dissuasive
- Lack of motivation of the people working in the industry
- Foreign airlines have abandoned the destinations
- Appalling social climate
- Increase of intraregional competition
- EU standards - limit the competitiveness of the Departments and Regions due to their lack of liberalism.

To this list could be added [5, 6]:

- Identity crisis
- Limited Higher Education level of training/qualification in Tourism Management in the Departments and Regions

As of now, this paper is only going to consider French Overseas Departments (Guadeloupe, Martinique and French Guiana). All three are located in the Caribbean (figure 1):

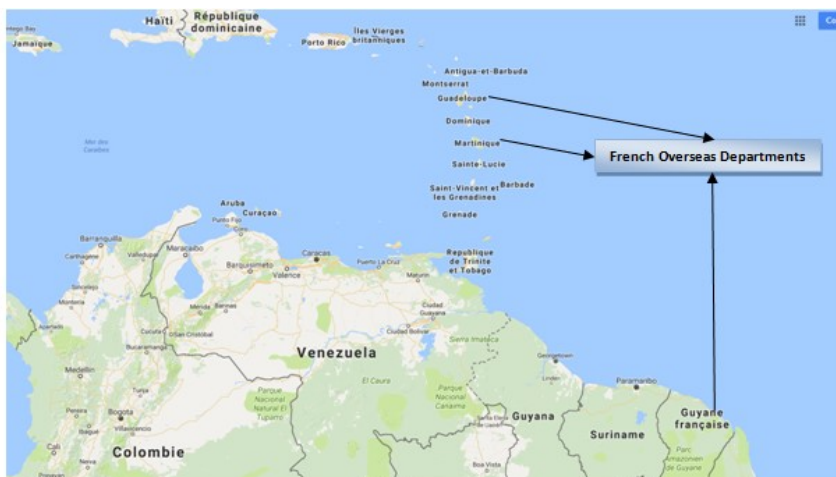
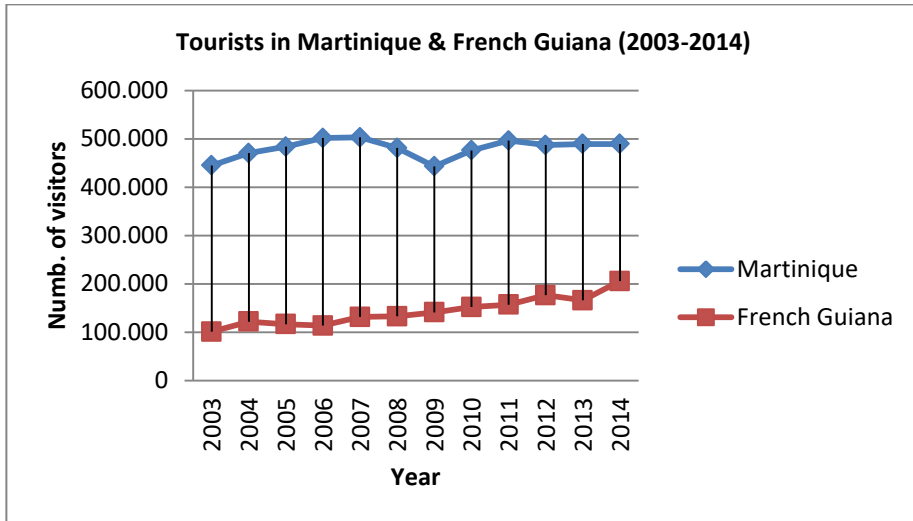


Figure 1. French Overseas Departments

In terms of tourism performance, the French Overseas Departments are not performing at the same level. The difference between them can be quite significant as the case of Martinique and French Guiana shows (figure 2):



**Figure 2.** Tourists in Martinique and French Guiana (2003-2014)

Agriculture (sugar cane, bananas and other crops) is also an important sector of the economy in French Overseas Departments. All together there are nearly 2,500 farms (34,200 employees/124.689 hectares of cultivated land). The sector is worth 1 billion Euros [7]. That said, the biodiversity of French Overseas Departments is endangered by intensive farming, hence the reason why farmers are now moving towards a more sustainable agriculture by reducing the use of pesticides. Biodiversity is a very important resource for both locals and tourists (green tourism/agri-tourism/rural tourism). As a matter of fact, rural tourism is fast growing sector of the tourism industry. This form of tourism date back the mid-19th century, a time when outdoor activities were popularised for its various benefits such as foreign exchange, employment, higher government revenues and the transformation of agriculture into a modern service industry [8].

## 2.2. Corporate in French Overseas Departments

In the French Overseas Department there are 73 major corporates. Under their ‘umbrella’ there are 1850 businesses which generate 17.5 billion euro turnover and employ 60000 people (21% of employment in French

Overseas Departments). Out of these 73 major corporate, 81% (59 corporate) were founded and are run by local families (30 in Martinique; 22 in Guadeloupe; 7 French Guyana). In this paper, from now on, we are exclusively going to consider these 59 corporate. Because the French Overseas Departments are quite small, these 59 corporate branched out in other countries/destinations (USA/France/Belgium/UAE/Reunion Island/Mauritius/Madagascar/Mayotte/New Caledonia/Polynesia/China /Algeria/Morocco/IvoryCoast/Ghana/Cameroun/etc). These corporate are mainly doing business in retail (cosmetics/food/cars/home equipments/construction/gardening/sport equipments and agri-business).

A very limited number of these corporate are in the service industry [9] and even less in the tourism industry. This situation could sound as a non-sense when considering the fact that tourism is a major industry for French Overseas Departments and for the Caribbean [10]. *Groupe Bernard Hayot* (GBH) runs by the Hayot family is by far the biggest corporate originating from French Overseas Department. This corporate is quite diversified in terms of its activities. The involvement of this corporate in the tourism industry is limited. It is merely a fringe activity (as opposed to a major activity and source of income).

### 2.3. Corporate in the tourism industry in French Overseas Departments

Out of the 59 corporate considered in this conference paper, only 14 (24%) have a tourism related activity. That said, tourism is the main activity for only one of them (7%). For all the others (93%), tourism is a fringe activity. Hotel management is the main activity, followed by attractions, car rental, travel agencies and leisure activities (yachting, casino and cinema). Table 1 below provides more specific details.

**Table 1.** Corporate and tourism activities in French Overseas Departments

Corporate	Head office			Type of business	Importance of tourism related activities
	Martinique	Guadeloupe	French Guiana	Details	Main activity (M) Fringe activity (F)
Groupe Vial-Collet		X		Restaurants & hotels	F
Groupe Roger Albert	X			Travel agencies	F
Groupe Montplaisir	X			Travel agency / yatching / Hotels	F
Groupe Marsolle		X		Rum factory	F
Groupe Loret		X		Car rental & yatching	F
Groupe Yves Hayot	X			Rum factories	F
Groupe Bernard Hayot	X			Rum factory & car rental	F
Groupe Gimel-Mizzi			X	Hotel	F
Groupe Fabre Domergue	X			Hotel	M
Groupe Elize	X			Cinema	F
Groupe Cogit	X			Casino	F
Groupe COFEPP	X			Rum factories	F
Groupe Michel Brizard		X		Hotel	F
Groupe Arnoux		X		Hotel	F

*Groupe Fabre Domergue* (table 2) is the only corporate exclusively doing business in the tourism industry (more specifically in hospitality).

**Table 2:** Groupe Fabre Domergue

<b>Name of hotel</b>	<b>Destination</b>
Hotel Amyris	Martinique
Hotel Camelia	Martinique
Hotel Caribia	Martinique
Hotel Corail	Martinique
Hotel La Goelette	Martinique
Hotel Le Galion	Martinique
Hotel Les Amanadiers	Martinique
Hotel Squash Club	Martinique
Hotel Valmeniere	Martinique
Hotel Salako	Guadeloupe
Hotel Prao	Guadeloupe
Hotel Clipper	Guadeloupe

*Groupe Fabre Domergue* could be considered as an ‘unconventional’ corporate. The term ‘unconventional’ is to be understood as ‘convention-breaking’; ‘less traditional’ and as ‘non-conforming’ [11]. This term could also be applied to anything that differs from the norm or standard, as a result, innovation plays a central role in unconventional action and behaviour [12]. At this stage, it is legitimate to wonder why entrepreneurs/CEOs from French Overseas Departments running corporate are not engaging more in the tourism sector. Our hypothesis is that the tourism industry is too risky (compared to retail and other sectors). What are the hazards and risks related to the tourism industry in the French Overseas Departments? How important are they?

### 3. Conceptual framework

#### 3.1. Entrepreneurship in the Caribbean

Entrepreneurship can be a sustainable tool for the economic development of the Caribbean [13] and yet there is a lack of entrepreneurial culture in the Caribbean [14] partly due to: the effect of colonialism and slavery [14]; the difficulty of accessing capital to fund new business start-ups; limited entrepreneurship training; limited tax benefits; highly bureaucratic procedures associated with starting a business; deficiencies in the micro financing sector; weak support from the black community and family [14].

#### 3.2. Risks

‘Risk is the unknown and the positive or negative outcomes that may be associated with the unknown’ [15]. As for risk management, it is the

process of considering and then controlling risks [16]. It is also an examination of what could cause harm [17] and are based on: (1) identifying processes that could potentially cause harm; (2) consider what this harm or damage might be; (3) evaluate the likelihood that such harm (18) and (4) finding protection against the risks [16]. In all industries there are risk factors [18]. The risk can either be speculative, that is to say, the possibility of loss and the possibility of gain; or absolute, in other words, the possibility of loss and no possibility of gain [15].

### **3.3. Entrepreneurship and risk**

Cantillon (1758) [19] has a simplistic view of the entrepreneur as he considers an entrepreneur to be anyone who purchases a good at a certain price, uses that good to produce a product and then sells the product at a certain price. In his definition, Cantillon (1758) [19] introduced the notion of risk and adaptation to the market. Knight (1921) [20], in his definition of 'entrepreneurship', not only emphasised the risk and uncertainty factors, but also added that being an entrepreneur meant being able to take action in the face of unknown future events. For Drucker (1985) [21], the 'risk' factor exists only for the so-called entrepreneurs who have no knowledge about what they are doing.

### **3.4. Tourism**

The tourism sector is especially vulnerable to exogenous factors like political instability, economic crisis, natural disasters and the outbreak of diseases [22, 23]. Those factors can cause destinations to decline and sometimes even totally disappear from the tourism map [22, 24].

## **4. Interim conclusion**

### **4.1. French Overseas Departments**

Because of its nature, the tourism industry can be considered as a high risky activity for entrepreneurs in French Overseas Departments (figure 3), hence the reason not many corporate are investing in the industry. The one investigating in this industry are doing it as part of their diversification strategy. Diversification is a good way to spread the risk [25]. Corporate doing business only in the tourism industry are facing major difficulties. In 2015, *Groupe Fabre Domergue* had to sell some of its hotels to reduce its 50 million euro debts [26]. That said, it is extremely important for a territory to have its local entrepreneurs to invest in the tourism industry otherwise the



industry is going to lose its authenticity and alienate the locals, what could be detrimental in terms of attracting visitors as authenticity is an important factor of appeal [27, 28]. Also, Michel (2000) [29] claims tourism can fully benefit a destination, only if the locals are fully involved in the planning and development of the industry. Haiti (a former French colony) managed to keep its authenticity partly due to the fact that the tourism sector is quasi entirely in the end of local entrepreneurs [28].



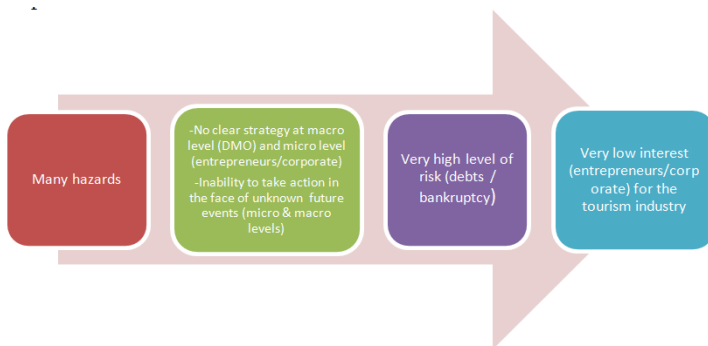
**Figure 3:** Risk assessment of entrepreneurship in the tourism section in French Overseas Departments

#### 4.2. Counter argument: Haiti

Haiti, as a post-colonial, post-conflict and post-disaster destination (PCCD destination) is perceived by the general public as insecure. This

image has been widely spread by the media. Because tourism is vulnerable to this type of exogenous factors it is quite understandable why visitors are reluctant to visit Haiti [30]. The issues faced by the destinations, never managed to put an end to the tourism industry. For instance, the hospitality sector not only remained but managed to thrive. There are now a range of international luxury hotels in Haiti [31, 32].

On that basis and at this stage of our reflection, it is legitimate to wonder if: (a) entrepreneurs in French Overseas Departments doing business in the tourism industry are able to take action in the face of unknown future events [20]; (b) if the risks they are facing are due to the fact they have adopted an unsuitable strategy [21]. Indeed, Dehoorne, Saffache and Augier (2007) [33] explained that the biggest islands of the Caribbean have opted for a mass tourism strategy and the smallest islands for luxury tourism. And yet, the French Overseas Departments (and particularly Martinique and Guadeloupe) are not offering luxury tourism. As a matter of fact, the strategy of the French Overseas Departments is unclear, even blurred [6]. Our hypothesis regarding the current situation of the tourism industry in French Overseas Departments could be summarised as follow (figure 4):



**Figure 4:** Corporate and the tourism industry in French Overseas Departments

## 5. Toward a new paradigm in entrepreneurship in the tourism industry

In this paper we are claiming that non-exclusively tourism businesses deeply rooted in the daily life of the locals are the most sustainable ones for the French Overseas Departments (and other destinations). We are defining ‘non-exclusively conceived tourism activities’ as: any activity which main purpose is deeply rooted into the local livelihood therefore not purposely designed and created for tourism but that can be used/experienced also by

visitors, with an *in fine* objective to enhance the tourist experience while positively impacting on the locals at various levels. Food related businesses are good examples. For instance, the success of street-food vending (tourism and non-tourism activity) is due to the fact that this activity is excellent in terms of social capital development [34]. Social capital is about connectedness among individuals, networks, feelings of trust and safety, sense of belonging, reciprocity, participation and co-production. It also refers to an individual's inclusion in a range of networks, structures or groups that allow them to develop and gain this capital [35, 36, 37, 38]. Street-food vending 'ticks all the boxes'. More importantly, non-exclusively conceived tourism activities are also a good way to reduce and even eliminate the seasonality of the tourism industry, therefore provide a wider and more stable market to entrepreneurs.

## 6. Conclusion

In French Overseas Departments the risk is absolute for entrepreneurs/corporate doing business exclusively in the tourism industry. This risk is only speculative for entrepreneurs/corporate with tourism as fringe activity. For the corporate focusing exclusively on tourism there is an urge to develop non-exclusively tourism businesses. The findings of this research are calling for transformational entrepreneurs and transformational enterprises. The findings of this research are also calling for a better collaboration between stakeholders. Indeed, tourism planning implies the collaboration between different stakeholders. It is essential to compete effectively in the turbulent tourism environment [39]. The triple helix model supports this approach by arguing that innovation is at the intersection of the collaboration between the public sector, the private sector and academics from universities or assimilated organisations [40]. In the same line of thoughts, Poon [41] also argues that the future of the Caribbean tourism will increasingly depend on its innovativeness. Last but not least, it is extremely important for the entrepreneurs in the tourism industry to provide high quality products and services as quality is a differentiation strategy used by entrepreneurs in many industries (like the wine industry) to stand out [42].

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