

**Sustaining Tourism in Cuba: A Qualitative Examination of Perceived Entrepreneurial  
Climate Elements among Tourism Industry Professionals**

by

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As the Cuban government seeks to develop a strong private sector and alleviate stress to provide employment for its citizens, creating a climate conducive to private enterprise formation warrants immediate attention. Because tourism is Cuba's biggest industry, many residents may seek to create businesses within this industry as state employment becomes less of a guarantee. Recent trends in tourism show that travelers are demanding increasingly innovative and immersive experiences that benefit local communities and natural environments. However, Cuba is becoming dependent upon low-cost packaged mass tourism, primarily in the destinations of Havana and Varadero, leading to a recent decrease in average visitor expenditure. Allowing Cuban entrepreneurs to work together to develop and introduce creative tourism products may convince tourists to stay longer, spend more money, and visit again in the future.

The success of entrepreneurs is vulnerable to a number of external conditions in the environment. These conditions, such as physical infrastructure, financial infrastructure, governance, culture, and human capital, are referred to as the "entrepreneurial climate." Cuba has rich natural, cultural, and social capital resources; however, other conditions within Cuba's entrepreneurial climate currently limit residents' ability to create tourism-related enterprises.

Building on previous research, this study examines these *entrepreneurial climate* conditions to determine which factors are currently limiting or, in some cases, encouraging entrepreneurship related to tourism in Cuba.



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Climate Elements among Tourism Industry Professionals**

A Thesis

Presented To the Faculty in Sustainable Tourism, the Graduate School  
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by

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## CHAPTER 1: INTRODUCTION

### *1.1 Overview*

Life in Cuba appears to be changing. At the forefront of these changes are economic reform and the steady growth of international tourism to Cuba. These two concepts are directly linked to one another as the country has looked to each as a key component of recovery from the economic crisis of the early 1990s.

Cuba has had a complicated, conflicted history in regards to private enterprise. As a planned, socialist economy, much private enterprise activity has occurred in the informal economy or black market since Fidel Castro's Cuban Revolution in 1959. Various reforms allowing the diffusion of private enterprise have taken place over the years, but Raul Castro's 2008 assumption of power in the wake of Fidel Castro's health problems marked "the start of a slow but irreversible dismantling of communism" ("Revolution in retreat," 2012, p. 1). Where Fidel Castro had previously blamed the Cuban people for engaging in black market activities, Raul Castro essentially blamed the system (Peters, 2012a). According to Peters (2012a), by 2017, private enterprise is expected to contribute up to 45% of Gross Domestic Product (GDP) and employ up to 1.8 million people, almost 40% of the workforce. A detailed discussion of the reforms regarding private enterprise undertaken during Raul Castro's presidency can be found in Chapter 2.

The Cuban government concedes that the development of international tourism is a way of improving the economy (Babb, 2011; Miller, Henthorne, & George, 2007; Sanchez & Adams, 2007; Sharpley & Knight, 2009). The government created the Instituto Nacional de Turismo in 1976 and by the mid-1980's, tourism had become a focal point of economic development (Sharpley & Knight, 2009). In 1982, joint ventures allowing up to 49% ownership by foreign companies were legalized in several industries, including hotel construction, mining, and oil

exploration (Diaz-Briquets & Perez-Lopez, 2005; Sharpley & Knight, 2009). However, it was the official collapse of the Union of Soviet Socialist Republics (USSR) in 1991 that led Cuba to an aggressive tourism program (Elliott & Neirotti, 2008).

Tourism infrastructure, visitor arrivals, and revenue generated by tourism all increased drastically throughout the 1990s and early 2000s (Diaz-Briquets & Perez-Lopez, 2005; Sharpley & Knight, 2009; Taylor & McGlynn, 2009). The legalization of joint ventures proved vital to this process and became “a key source of capital, management expertise, and markets for the international tourism industry” (Diaz-Briquets & Perez-Lopez, 2005, p. 277). The Cuban newspaper *Granma* (“Cuba: 2.7 million tourists,” 2012) reported a record 2.7 million tourist arrivals in 2011, up from 340,000 in 1990 before international tourism became a key component of Cuba’s economy. Despite this relative success, Cuban issues regarding further growth of tourism continue to include low visitor return rates, a reliance upon low-cost package tours, strong competition within the Caribbean region, the lack of a diverse tourism product, and a lack of infrastructural investment (Elliott & Neirotti, 2008). The negative effects of tourism, such as inequality, increased prostitution, and environmental degradation also comprise key issues and are discussed in more detail in Section 2.6.3.

The effects of increased private enterprise and international tourism development can play key roles in sustainable development, which the World Commission on Environment and Development (WCED) defines as that which “meets the needs of the present without compromising the ability of future generations to meet their own needs” (WCED, 1987, p. 34), and is embraced by the amended 1992 Cuban Constitution (Diaz-Briquets & Perez-Lopez, 2005). The concept of sustainable development has emerged over the last several decades as scholars and governments have begun to move away from the traditional top-down approach (Hasse,

2001) and local authorities have assumed more control over local development (Hirst, 1997). The seeking of alternative approaches to development became the catalyst for the World Commission on Environment and Development to “propose a long-term environmental strategy for achieving sustainable development by the year 2000 and beyond” (WCED, 1987, Chairman’s Forward). Sustainable tourism comprises a part of the sustainable development concept and is defined as “tourism which leads to management of all resources in such a way that economic, social, and aesthetic needs can be filled while maintaining cultural integrity, essential ecological processes, biological diversity and life support systems” (United Nations World Tourism Organization [UNWTO]), cited by Ateljevic & Li, 2009, p. 21). This definition highlights that tourism should not only provide economic benefits to the local community, but sociocultural and environmental benefits as well. The concept and implementation of sustainable tourism development hold great importance as tourism has become one of the largest economic sectors in the world (World Travel and Tourism Council [WTCC]), 2011).

According to Ateljevic & Li (2009), the connection between private enterprise, or entrepreneurship, and sustainable tourism has been overlooked in the tourism literature. Destinations cannot sustain a tourism industry economically without ongoing efforts to attract visitors and keep them coming back and the appealing tourist attractions and supporting businesses that must exist as part of a destination’s tourism system are largely a result of successful tourism entrepreneurs (Koh & Hatten, 2002). Entrepreneurs fulfill an important role in regards to economic expansion, as they quicken the development and proliferation of innovative ideas (McDougall & Oviatt, 1997). This is especially true in developing countries where innovation is necessary to make the tourism product more competitive on a global scale while reducing travel expenditure leakage (Carlisle, Kunc, Jones, & Tiffin, 2013). However, an

environment that encourages innovation and entrepreneurship are essential to support small business development in developing economies (Carlisle, et. al., 2013). Koh & Hatten (2002) state that for destinations seeking to employ tourism as a means for economic growth and diversification, building a strong entrepreneurial foundation can be an important step. This entrepreneurial foundation, also referred to as entrepreneurial climate (Kline, McGehee, Paterson, & Tsao, 2012), entrepreneurial environment (Gnyawali and Fogel, 1994), entrepreneurial infrastructure (Van de Ven, 1993), or entrepreneurial ecosystem (Cohen, 2006), will be discussed within the Cuban context at length in Section 2.7.2.

### *1.2 Purpose of the Study*

Entrepreneurship and tourism have each undergone staggered development in Cuba. The latest wave of reforms by the Cuban government has led to the rapid expansion of private enterprise in Cuba, however despite the growth in the number of entrepreneurs in Cuba, the entrepreneurial climate on the island could be improved with strategic planning and a long-term focus on sustainable tourism development. Tourism and private enterprise permeate the Cuban landscape, therefore an assessment of the entrepreneurial climate within the tourism industry comprises a worthwhile study. Because these reforms have been recently enacted (Peters, 2012a), there is little published research about the current state of the entrepreneurial climate in Cuba as it relates to tourism. Through qualitative interviews with tourism employees and academics, the barriers to engaging in private enterprise are explored. Qualitative methods were deemed viable for this type of investigation as qualitative methods are often employed to study people in their natural settings and to understand the meanings that people assign to phenomena in their social reality (Snape & Spencer, 2003).

The literature review expands upon the entrepreneurial climate's importance to sustainable tourism development while demonstrating that current tourism development in Cuba

is not compatible with the UNWTO's definition of sustainable tourism. Improving the entrepreneurial climate in Cuba could be a way to shift Cuba's current tourism model to a more sustainable path. A methods section outlines the current exploratory qualitative study. The study's findings and discussion of their implications comprise the final portion of this thesis.

### *1.3 Objectives*

This study addresses three specific research questions that will provide insight into the major barriers to entering private enterprise as well as what might encourage engagement in private enterprise.

*Research Question One: What are the barriers for residents attempting to engage in tourism-related private enterprise?*

*Research Question Two: What factors are present that most facilitate resident engagement in tourism-related private enterprise?*

The answers to these questions could be useful to Cuban policy makers should they decide that entrepreneurship be further encouraged in Cuba. Future studies examining entrepreneurial climate in Cuba will be able to use this study as a foundation. This information could also shed light upon the methods that nations use to transition to increasingly market-based economies from centrally-planned economies.

## CHAPTER 2: LITERATURE REVIEW

### *2.1 Sustainable Tourism and Entrepreneurship*

Ateljevic & Li (2009) examined the state of entrepreneurship research in tourism by analyzing research published from 1986-2006 in seven major hospitality and tourism journals (Cornell Hotel and Restaurant Administration Quarterly, International Journal of Hospitality Management, Journal of Hospitality and Tourism Research, International Journal of Contemporary Hospitality Management, Annals of Tourism Research, and Tourism Management). They found that about 2% (97 articles) of published articles over the twenty-year time period pertained to entrepreneurship. These articles could be grouped into seven distinct categories: small business, entrepreneurial behavior and activities, individual or entrepreneur, entrepreneur education and training, family business, new venture, and corporate entrepreneur. The authors categorized roughly 63% of these articles into either the small business or entrepreneurial behavior category, suggesting that there is a gap in the tourism entrepreneurship literature regarding entrepreneurial climate. Ball (2005), Hjalager (2010), Roxas and Chadee (2013), and Thomas, Shaw, and Page (2011), also highlight the lack of research on the relationship between entrepreneurial climate and tourism.

Koh & Hatten (2002) assert that for destinations seeking to employ tourism as a means for “economic growth, development, revitalization, and/or diversification” (p.23), assessing and improving the destination’s entrepreneurial climate is critical. As Cuba seeks all four of these functions from tourism (Achtenberg, 2013; Carter, 2008; Peters, 2002; Sanchez & Adams, 2008), facilitating entrepreneurial activity in the tourism sector seems to provide a worthwhile strategy. Zahra (1999) asserts that entrepreneurial development leads to socioeconomic development through job provision and the expanded offering of goods and services while contributing to national economic growth and competitiveness. Additionally, Bosma,

Wennekers, and Amorós (2011) have found that entrepreneurial activity is correlated with economic prosperity at a national level.

Innovation and competitiveness are key ingredients to the development of a tourism product. Blake, Sinclair, and Soria, (2006) state that “entrepreneurial ability is an important source of competitiveness, as entrepreneurs who start up new businesses introduce innovative practices and new technology that challenge incumbents’ performance” (p. 1104). Innovation, as often occurs with entrepreneurship, has led to tourism destination development in Sub-Saharan Africa (Rosa & Joubert, 2009), Kerala, India (Kokkranikal & Morrison, 2011), Gambia and Tanzania (Carlisle, et. al. 2013), and Norwegian nature-based tourism destinations (Nybakk & Hansen, 2008). Destinations without entrepreneurial influence may develop as only marginally successful, and may offer mainstream tourism products, thus failing to take full advantage of their tourism potential (Ateljevic & Li, 2009). These studies demonstrate that innovation through entrepreneurship is necessary for destination competitiveness and therefore sustainable tourism development. Despite this, the connection between sustainable tourism and entrepreneurship has not been well-explored in the academic tourism literature.

## *2.2 Approaches to Understanding Entrepreneurship*

The concept of entrepreneurship is a complex one, and a truly agreed upon definition of entrepreneurship has not emerged, as a wide range of meanings are assigned to the word (Gartner, 1990; Morrison, 2006). Entrepreneurship and the factors influencing its prevalence have become increasingly studied over the past several decades, however this research is rather fragmented (Thomas & Mueller, 2000). Despite much investigation of the topic, scholars have not arrived at a universally accepted paradigm, and many points of view regarding entrepreneurship theory exist (Ateljevic and Li, 2009; Filion, 1997; Goetz & Freshwater, 2001). In a review of entrepreneurship literature, Koppl (2007) found that there is a strong theoretical

component present in many entrepreneurship articles, but no real consistency among them. This is largely a result of entrepreneurship having been studied through the frameworks of other disciplines such as economics or management (Filion, 1997; Landstrom, 2005; Thomas & Mueller, 2000). A multi-disciplinary approach should be undertaken to form unifying theory pertaining to entrepreneurship (Ateljevic and Li, 2009).

The wide array of definitions pertaining to entrepreneurship, the entrepreneur, and entrepreneurial climate contribute to the fragmented nature of entrepreneurship research, in which a “hodgepodge of research is housed” (Shane and Venkataraman, 2000, p. 217). Shane and Venkataraman (2000, p. 217) define the field of entrepreneurship “as the scholarly examination of how, by whom, and with what effects opportunities to create future goods and services are discovered, evaluated, and exploited.” This definition emphasizes the importance of the entrepreneurial process rather than characteristics of the individual entrepreneur, and mirrors the shift taking place in entrepreneurship research (Ateljevic & Li, 2009; Howorth, Tempest, and Coupland, 2005).

In an attempt to clarify the organization of entrepreneurial theory, Lakshmanan & Chatterjee (2004) found two primary categories of theory pertaining to entrepreneurship. The first is based upon Schumpeter’s work (1934) which establishes innovation and its associated economic development as the primary outcomes of entrepreneurship. Schumpeter stresses the individual entrepreneur’s characteristics and motivation needed to create new goods or services, new production methods, new sources of supplies, new markets or distribution systems, and/ or new organizations (Koh & Hatten, 2002; Lakshmanan & Chatterjee, 2004). Leibenstein (1968), while stressing the importance of innovation, add that entrepreneurship is a means to fill gaps and take advantage of imperfect markets. The second category of entrepreneurship theory

identified by Lakshmanan and Chatterjee (2004) incorporates the “environment” surrounding the entrepreneur; which can either nurture or limit entrepreneurial efforts and forms the “socioeconomic and political infrastructure of innovation” (p. 5). In this sense, the term “environment” is not limited to the natural environment and should be understood as anything external to the individual entrepreneur. Thus, the terms entrepreneurial environment and entrepreneurial climate are used interchangeably in this thesis. This concept is more clearly explained in Section 2.3.

Although this paper is primarily concerned with the environment external to the entrepreneur, elements from both categories of aforementioned theory are necessary to examine the entrepreneurship process within Cuba. The Cuban government plans to shift 500,000 employees from the public to the private sector (Central de Trabajadores de Cuba [CTC], 2010) to jumpstart a floundering economy, requiring the widespread creation of private enterprise likely dependent on entrepreneurial activity (Harnecker, 2011). For this reason, the concept of enterprise creation is included in the Cuban context of entrepreneurship, though not all researchers include enterprise creation in entrepreneurship definitions (Shane & Venkataraman, 2000). Therefore, it is the premise of this study that the role of entrepreneurship in Cuba is to provide innovative ways to take advantage of widespread market gaps in products, services, production, supply chains, or organizations through the formation of an enterprise that creates economic growth.

A review of entrepreneurship would not be complete without some discussion of the entrepreneur, the primary actor in the innovation process. The term ‘entrepreneur’ has been defined and redefined numerous times (Black, 1998; Gartner, 1990; Howorth et al., 2005; Shane & Venkataraman, 2000). This study does not attempt to redefine the general definition of the

entrepreneur, but does posit a definition of the entrepreneur in the Cuban context, as will be presented later. There is no formally accepted definition of the entrepreneur, but common motivations, skills, and traits of entrepreneurs have been identified in the literature. Filion (1997) explains that the behaviorist approach dominated the study of entrepreneurship from the 1960s until the early 1980s and sought to define the entrepreneur and his or her characteristics from a psychological perspective. He found a wide range of often contradictory traits identified in the behaviorist literature:

**Table 1**

Common traits of the entrepreneur from the behaviorist perspective.

Innovative	Energetic	Flexible	Self-confident	Results-oriented
Sensitive	Tenacious	Resourceful	Enjoys learning	Aggressive
Independent	Original	Optimistic	Trusting	Self-aware
Comfortable with risk	Needs to achieve	Assumes leadership	Exhibits initiative	Creative
Committed to long-term involvement	Uses money to measure performance	Tolerant of ambiguity and uncertainty		

Adapted from “From entrepreneurship to entrepreneurship,” by L. J. Filion, 1997, Paper presented at the 42<sup>nd</sup> annual ICSB World Conference in San Francisco, CA, June 21-24.

This wide range of traits highlights the difficulty in composing a psychological profile of the entrepreneur; to convolute the topic further, personal traits are often influenced by the surrounding environment (Filion, 1997; Chell, 2009).

Entrepreneurial motivation has also been widely-researched. In their review of entrepreneurship literature, Shane, Locke, & Collins (2003) identified six key motivations from quantitative literature and three key motivations from qualitative literature that influence the entrepreneurial process depicted in Table 2.

**Table 2**

Entrepreneurial motivations evident in literature.

From quantitative literature:	From qualitative literature:
Need for achievement	Independence
Risk taking	Drive

Tolerance for ambiguity	Egoistic Passion
Locus of control	
Self-efficacy	
Goal setting	

Source: Shane et al. (2003)

The authors argued that these motivations, as well as cognitive factors such as individual skills, abilities, or knowledge, influence would-be entrepreneurs at many different points in the overall entrepreneurship process (Shane et al., 2003). These individual characteristics, along with external factors such as entrepreneurial opportunities and entrepreneurial climate conditions, influence a potential entrepreneur's ability to recognize an opportunity, develop an idea, and execute (Shane et al., 2003). Thus, both internal and external factors influence each step in the entrepreneurial process and understanding these influences results in a holistic understanding of the entrepreneurial process.

Chell (2009) agreed and noted "different personality factors are likely to be influential at these different stages" (p.40). Essentially, entrepreneurship is a process in which individual traits such as personality and motivation interact with environmental conditions, leading entrepreneurs to identify market opportunities and to develop ideas to take advantage of these opportunities through successful execution.

And finally, Gartner (1990) emphasized the need for clarification when discussing entrepreneurship; he asserted "If no existing definition can be agreed upon by most researchers and practitioners, then it is important to say what we mean. If many different meanings for entrepreneurship exist, then it behooves us to make sure that others know what we are talking about" (p. 28). In regards to the Cuban context and for the purposes of this research, an entrepreneur can be defined as *an individual or group of individuals who create an enterprise to take advantage of market gaps through an innovative product, service, means of production,*

*supply chain, or organization.* The inclusion of “group of individuals” in the above definition reflects the collectivist nature of Cuban society. In collectivist societies, entrepreneurship and innovation often occur within teams or groups, as is discussed further in Section 2.5. Now that the meaning behind entrepreneurship and the entrepreneur has been outlined for this paper, a basis for the discussion of entrepreneurial climate has been established.

### 2.3 Entrepreneurial Climate

Researchers have generally not integrated the role of the external *environment* into conceptual models of entrepreneurship but have focused more so upon the individual entrepreneur (Van de Ven, 1993). However, in order to understand entrepreneurs, one must take into account the influence that the external environment exerts upon their behavior (Carson 1995; Chell, 2009; Hall, 2009; Kristensen, 1994; Shane, Locke, & Collins, 2003) with an understanding that entrepreneurs operate within the environment surrounding them. Gnyawali and Fogel (1994) define entrepreneurial environment as:

*A combination of factors that play a role in the development of entrepreneurship.*

*First, it refers to the overall economic, sociocultural, and political factors that influence people’s willingness and ability to undertake entrepreneurial activities.*

*Second, it refers to the availability of assistance and support services that facilitate the start-up process (p. 44).*

Tseng (2012) offers an additional definition that specifically mentions small business development as he states that entrepreneurial infrastructure “represents the facilities and services present within a given geographic area that encourages the birth of new ventures and the growth and development of small business” (p. 118). These definitions provide a

starting point for discussing entrepreneurial climate but further explanation of climate components within the definitions is necessary.

Identifying cultural norms should be the initial step in any analysis of entrepreneurial climate (Morrison, 2006; Peterson, 1988). Business start-up is more likely if positive societal attitudes toward entrepreneurship and community support for entrepreneurial activities exist (Gnyawali & Fogel, 2004). Researchers have found that entrepreneurs share some traits across cultures but that other traits are culturally specific and are likely to reflect pervasive elements of national culture (Thomas & Muller, 2000). For example, the American entrepreneur is often seen as highly individualistic (Thomas & Muller, 2000) whereas family networks are vital to business start-up in Asia (Redding, 1980). Culture is vital to the understanding of entrepreneurial climate in the Cuban context and is discussed further in Section 2.5.

Although arduous to gauge empirically, entrepreneurial climate has the potential to play a key role in the overall entrepreneurship process (Chell, 2009; Goetz & Freshwater, 2001; Hall, 2009; Shane et al., 2003). Generally, deregulated markets with little government intervention and limited entry barriers foster entrepreneurial opportunities (El-Namaki, 1998). Burdensome bureaucracy and taxation, lack of capital, and governmental price regulation all generally deter the entrepreneurship process (Cuba Study Group, 2011). However, government intervention can positively influence entrepreneurial climate, especially in countries like China, Vietnam, and Singapore as they transition from a centrally-planned economy to a more market-based economy (Cuba Study Group, 2011). While government policies and culture represent macro-scale entrepreneurial climate elements, others exist at

more localized levels. Previous studies have broken the components of entrepreneurial climate into many categories:

**Table 3**

Previously studied categories of entrepreneurial climate.

Author	Categories of Entrepreneurial Climate
Van de Ven (1993)	Institutional arrangements Resource endowments Proprietary functions
Gnyawali & Fogel (1994)	Government policies and procedures  Socioeconomic conditions Entrepreneurial and business skills Financial support to businesses Non-financial support to businesses
Koh (1996)	Sociocultural Physical Economic Legal Logistical
Shane, et al. (2003)	Political factors Market forces Resources
Chatman, Altman, & Johnson (2008)	Availability of business services Community quality of life Fair treatment within the community High-speed Internet access Availability of building space Level of local patronage Availability of business networks Local government support Availability of small business training Availability of financial resources
Kline & Milburn (2010)	Physical Infrastructure Financial Infrastructure Business Support Services Human Capital Networking/ Social Capital Governance/ Leadership Education, Training, and Assistance Community Culture Quality of Life General Context

While these and other authors break down these components into detailed aspects of the environment, they seem to have the common elements of socioeconomics, culture, government policy, physical conditions (built infrastructure as well as natural landscapes), labor conditions, professional services, financing, and business networks. Table 4 adapts Lorkidpanidze, Brezet, & Backman’s (2005) simple illustration of entrepreneurial climate elements.

**Table 4**  
Entrepreneurial Climate Elements.

Entrepreneurial Climate Elements		
Private	Shared	Public
Capital	Culture	Macro policies
Professional services	Education	Physical infrastructure
Business support	Quality of life	Business policies
Labor market		Public safety
		Research and development

Adapted from “The entrepreneurship factor in sustainable tourism development,” by Lordkipanidze et al., 2005, *Journal of Cleaner Production* 13, 787-798.

From this discussion, it is evident that a host of factors contribute to the prevalence of entrepreneurial activity and it is imperative to study the overall amalgamation of these factors, not solely the entrepreneur, to holistically understand the entrepreneurship process (Chatman, Altman, & Johnson, 2008; Goetz & Freshwater, 2001; Van de Ven, 1993). As entrepreneurial climate research accumulates, researchers are developing frameworks to examine specific industries. An example of a holistic model within the tourism context is the Community Tourism Entrepreneurism Model.

#### *2.4 Koh’s Community Tourism Entrepreneurism Model*

Koh (2002) has taken entrepreneurship research and applied it to the tourism setting to form a Community Tourism Entrepreneurism model. Building from his previous research (Koh, 1996); he establishes five common traits that tourism entrepreneurs are likely to have:

1. A favorable outlook towards the concept of entrepreneurship;
2. The aspiration to create and run a touristic business;
3. The belief that they have the ability to create and found a business;
4. The ability to identify market gaps or opportunities;
5. A positive attitude towards taking risks.

Koh (2002) asserts that the above traits can be combined to form an individual's "p-factor" (p.33). He posits that as an individual's p-factor increases, so does the likelihood that they will engage in tourism entrepreneurship. If many people with high 'p-factors' are present in a community, the community is said to have a high SEP or "supply of entrepreneurial people" (Koh, 2002, p. 33). The other half of the model incorporates QEC, or the "quality of entrepreneurial climate for tourism" (p. 34), and is comprised of five components listed in Table 5.

**Table 5**

Koh's (2002) categories of quality entrepreneurial climate for tourism (QEC).

Component	Individual factors involved
Socio-cultural	Social attitudes toward tourism Social cohesiveness Norms-mores Power structure
Physical	Community's location Climate Landscape Land/space availability Flora and fauna General aesthetics
Economic	Developmental stage of tourism industry Community's general economic stage Basic industrial composition Availability and cost of capital Quality-quantity of labor
Legal	Individual rights Organizational structures Property laws Land use regulations Tax structure
Logistical	Quality and quantity of: Information

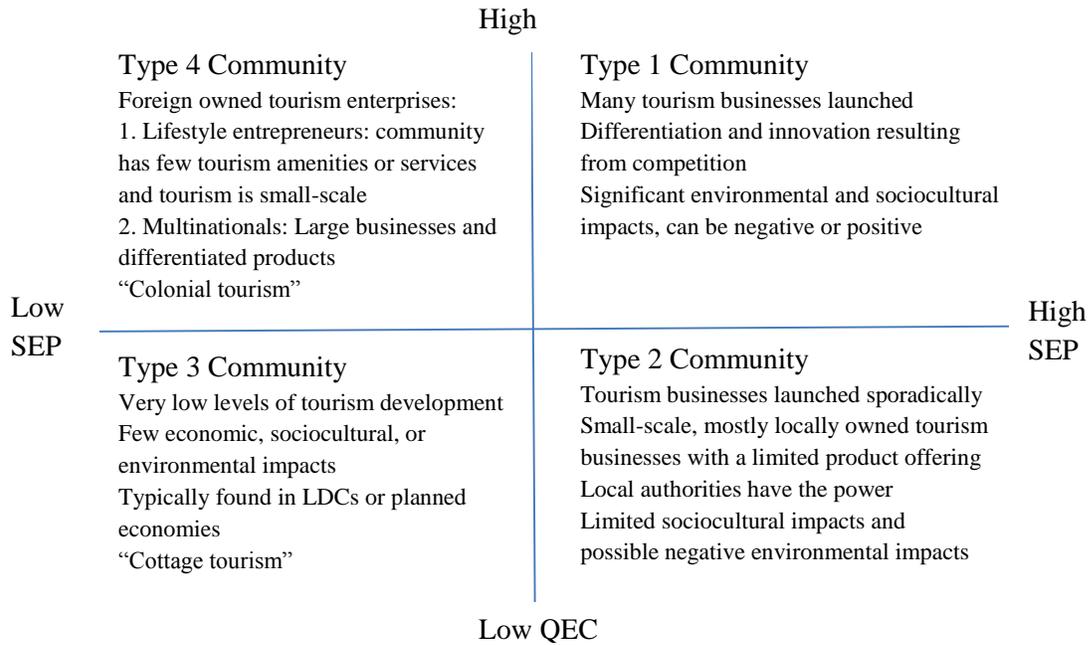
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Transportation  
 Communications  
 Utilities  
 Advisory services  
 Suppliers  
 Housing  
 Educational institutions  
 Sense of safety/ security

---

Source: Koh, 2002

If the two conditions of SEP and QEC can be considered ‘favorable,’ an environment conducive to entrepreneurial development exists. When combining the concepts of SEP and QEC, Koh finds four quadrants of possible outcomes:



**Fig. 1.** A Community Touristscape Framework. Adapted from “Explaining a community touristscape: An entrepreneurship model,” by K. Koh, 2002, *International Journal of Hospitality & Tourism Administration* 3(2), p. 29.

Thus, it could be postulated that communities with high QEC levels would spawn higher levels of touristic enterprises. Dana (1990) found this to be the case in his examination of tourism on the island of St. Martin, which is divided between a heavily regulated, French-

controlled approach, with complex banking and labor laws and a more open, Dutch-controlled approach, with quality infrastructure and unrestrictive taxes. Unsurprisingly, the Dutch side has a healthier business environment and displays higher levels of economic growth while the French side lags behind. Other studies that have demonstrated the relationship between strong entrepreneurial environment elements and tourism growth include Rogerson's (2007) study of South Africa and Carlisle et al.'s (2013) examination of Tanzania and Gambia. The inverse has also been documented where Okech (2007) and Roxas & Chadee (2013) identified weak external support for entrepreneurship as obstacles to entrepreneurship development in Kenya and the Philippines, respectively.

### *2.5 Cuban Culture, Collectivism, and Private Enterprise*

As mentioned above, culture warrants immediate and significant consideration when examining a destination's entrepreneurial climate. Within Cuba, the family provides the foundation of Cuban culture. Skaine (2004) observed three different "families" when discussing Cuba: 1) the family in Cuba, 2) the Cuban family in the United States, and 3) the family with members in both countries.

The Cuban family has constantly had to adjust to changing economic and political conditions. Within Cuba, women were given more rights in 1975 through the 'Family Code of 1975,' while also encouraged women to work and become more engaged in the public sphere (Skaine, 2004). Women, who in 1955 made up 13% of the workforce (Burchardt, 2002), comprised roughly 39% of the workforce by 1989 (Skaine, 2004). Combined with an increase in women's involvement in the economy were improvements in education, health care, and overall income as Cuba performed relatively well economically during this period (Skaine, 2004). According to Bengelsdorf & Stubbs (1992), the Family Code represents "a return to the notion of

the family as a major arena of child socialization, which had dissipated in the first decade of the revolution” (p. 155).

The code emphasized the nuclear family, although many argue that the extended family is the dominant family type in Cuba (Bengelsdorf & Stubbs, 1992). Grandparents are important in family life as most children are born into homes with several generations present (Uriarte, 2002). Aunts and uncles play an important role as well and families seem to stick together, possibly due to lack of mobility (Safa, 1995). The Cuban culture also seems to embrace the role of grandparents in child-rearing more so than the culture found in the United States (Safa, 1995). Having to help each other economically also ties families together (Rosenthal, 1992).

However, the seemingly stable family structure was greatly altered by the ‘Special Period’ of the early 1990s after the collapse of the Soviet Union (Skaine, 2004). According to Uriarte (2002), the economic conditions of this period affected the Cuban family not only through income shortages, but also decreased “family time” as many Cubans had to work more than one job and endure long commutes using the inefficient public transportation system. Additionally, teenagers could earn more in one day by showing tourists around than their fathers could earn in a month in a professional job (Uriarte, 2002). Additional stresses on the Cuban family brought on by this time include increased divorce rates, child begging, petty crime, and prostitution (Uriarte, 2002). The housing shortage of this period led newlyweds to live with relatives, increasing domestic conflict (Cavanaugh, 1998) and leading to high divorce rates and many single parent families (Uriarte, 2002).

Much research on the Cuban family includes the neighborhood as a form of extended family (Skaine, 2004). The community provides support to individual families through reinforcing social values, providing emotional security (Robson, 1996), providing housing, and

caring for children (Skaine, 2004). Cubans are outgoing and there are more frequent visits between neighbors (Safa, 1995). Taylor (2009, p. 79) states:

*The hyper-stability of neighborhoods created an intimate, face-to-face environment that generated a village-like urban atmosphere where trust and solidarity undergirded community life. Because people lived in the same neighborhood for many years, they forged a collective spirit based on bonds of friendship, trust, and reciprocity... This happens because neighbors must work together to solve mutual problems such as water shortages, excessive noise, elevators that do not work, and similar maintenance issues. Likewise, in communities like Habana Vieja, Centro Habana, and Vedado, the maze of interlocking passageways and courtyards, which characterize the internal structure of these areas, literally creates a 'neighborhood within a neighborhood.' Again, within this shared space people regularly interact and work together to make their living environment thrive.*

Additionally, this affection for the extended family is present amongst Cubans living at home as well as those living in the United States (Skaine, 2004).

The strong collectivist notions held by many Cubans has led to these rich neighborhood social networks. Prior to the Special Period, Cubans saw the link between individual and collective benefits, seeing “congruence among the maintenance of the state, the economy, and their own family’s livelihood” (Taylor, 2009, p. 111). People were comfortable with state-provided goods and services such as health care and education (Taylor, 2009). During the Special Period, Cubans were forced to assume more responsibility for their survival and quickly realized that cooperating and working together through gift giving, making loans, and sharing resources under the principle of reciprocity aided their efforts (Taylor, 2009). In times of need, 86% of households reported being able to depend on relatives, 97% of households felt that friends would help, and 89% of households said their neighbors would be there to help (Taylor, 2009), underscoring the strong neighborhood and family networks present in the Cuban culture.

This collectivist mindset, reinforced through strict socialism, brings into question how quickly Cubans will embrace the principles of private enterprise.

Collectivists see themselves as interdependent components of a united system of people who try to act in their group's best interest (Triandis, 1993). Tiessen (1997) sees individualism and collectivism as operating on a continuum, rather than being polar opposites. He posits that the outputs of entrepreneurship, namely growth, flexibility, and innovation, bring benefits to both individuals and the larger groups of which they are a part. In Asia, entrepreneurs found businesses to support their extended families, which Tiessen (1997) attributes to traditional collectivist Confucian principles. In collectivist cultures, "team innovation" arises through intimate ties, shared goals, trust, and commitment as opposed to formal contracts, as is more so the case in individualistic societies (Tiessen, 1997). In their study of 52 nations, Pinillos and Reyes (2011) found relationships between economic development and the individualist-collectivist continuum when examining total entrepreneurial activity within a country. Using Global Entrepreneurship Monitor data, they concluded that "it is the collectivist culture that will have the greatest relationship to entrepreneurial activity when we consider countries with a medium or low level of income" (p. 24). They explain that high individualism or collectivism levels within a country cannot predict entrepreneurial activity, "but rather that the relationship is moderated by the level of economic development" (p. 33). In collectivist societies, concern for others is the catalyst for business development, which improves the group while satisfying individual needs (Hui & Triandis, 1986). With faith in the Cuban Revolution waning by 2002, Skaine (2004) concluded that "energies people previously expended on the system are now given to ensure the survival of the family and household" (p. 45). It would be reasonable to conclude

that culturally, Cuba is now more ready for private enterprise than during the initial decades of the Revolution.

## *2.6 Tourism in Cuba*

### *2.6.1 Historical Trends and Systemic Issues*

A holistic understanding of tourism in Cuba is required to examine tourism entrepreneurial climate. Prior to the Cuban Revolution in 1959, international tourists, especially those from the United States, were vital to the Cuban economy. However, tourism was considered by the new regime as being associated with prostitution, gambling, and drugs (Taylor & McGlynn, 2009), and was seen as a “hedonistic vice” (Sharpley & Knight, 2009, p. 242) that would not fit the socialist ideals of the new government.

International tourism in Cuba dwindled throughout the 1960s, 70s, and 80s as Cuba became increasingly dependent upon the USSR (Sanchez & Adams, 2008; Taylor & McGlynn, 2009) in the form of huge subsidies for oil and sugar (Sharpley & Knight, 2009). After the USSR’s collapse, Cuba’s GDP decreased by 25% in 1991, 14% in 1992, and 20% in 1993 (Pastor and Zimbalist, 1995), and Cuba turned to tourism as one alternative to alleviate this economic crisis (Sanchez & Adams, 2008).

To expand tourism, the Cuban government has invested in beach resorts in Varadero and Cayo Santa Maria in addition to encouraging foreign investment by establishing joint ventures with foreign companies (Diaz-Briquets & Perez-Lopez, 2005; Sharpley & Knight, 2009), legalizing the US dollar, and permitting certain types of private enterprise in the form of *casas particulares* (small rooms for rent in private homes) and private restaurants known as *paladares* (Sanchez & Adams, 2008). These reforms seem to have been a success, as tourist arrivals, tourist receipts, and the number of hotel rooms, have all increased dramatically over the past

twenty years (Table 6). National GDP has increased from \$30.69 billion in 2002 to \$114.1 billion in 2010, 72.9% of which was generated by the services industry (Becker, 2011).

**Table 6**

International tourism in Cuba, 1990-2011.

Year	Arrivals	Receipts (US\$, in millions)	Receipts per tourist (US\$)	Hotel Rooms	Overnight Stays of Int'l Tourists
1990	340,000	243	715	12,900	
1991	424,000	387	913	16,600	
1992	461,000	443	961	18,700	
1993	546,000	636	1,165	22,100	
1994	619,000	763	1,233	23,300	
1995	746,000	977	1,310	24,200	
1996	1,004,000	1,185	1,180	26,900	
1997	1,170,000	1,345	1,150	27,400	
1998	1,416,000	1,571	1,109	30,900	
1999	1,603,000	1,714	1,069	32,300	
2000	1,774,000	1,737	979	35,300	
2001	1,765,000	1,692	959	37,200	
2002	1,686,000	1,633	969	39,500	
2003	1,906,000	1,846	969	40,800	
2004	2,048,000	1,915	935	41,100	
2005	2,315,000	1,920	829	42,600	15,400,987
2006	2,220,567	2,398	1,080	46,811	15,235,204
2007	2,152,221	2,236	1,039	47,370	15,037,897
2008	2,348,340	2,346	999	49,094	16,320,990
2009	2,429,809	2,082	857	52,774	16,503,095
2010	2,531,745	2,218	876	56,782	16,513,548
2011	2,700,000				

Sources: “Cuba: 2.7 million tourists” (2012), Oficina Nacional de Estadísticas (2011), OneCaribbean (2011), Sharpley & Knight (2009)

Perhaps the most impressive aspect of Cuba’s tourism development is that it has come largely without the influx of tourists from the United States, due to the upholding of a longstanding trade embargo which restricts Cuba’s ability to trade internationally and makes it difficult for Americans to visit Cuba as tourists. US policy is slowly changing as citizens are now permitted to visit Cuba via “people-to-people” tours which emphasize education and

cultural exchange, as opposed to leisure-based conventional tourism such as relaxing on the beach (Sowa, 2012). Additional effects of the US trade embargo on Cuba are elaborated upon below. Projections of Cuba's tourism growth that incorporate various embargo scenarios include Kruschev, Henthorne, and LaTour (2007), Padilla and McElroy (2007), and Sanders and Long (2002).

Despite the positive visitation trends, the average visitor expenditure has decreased by about 1/3 since 1995, down from \$1,310 to \$876, suggesting that visitors may be dissatisfied with the tourism product. Fons, Fierro, and Patiño (2011) assert that the economic component of sustainable tourism encompasses "viability of tourism in the destination area, viability of companies" and "demand satisfaction" (p. 552). Poor food, poor service, and the idea that visitors think Cuba is expensive contribute to one of the lowest return rates in the travel business ("Come Again," 2007). Elliott & Neirotti (2008) cite market-dependence on low-cost package tours, prohibitive landing fees, competition from other Caribbean nations, lack of a diverse product offering, and lack of investment as other impediments towards the further growth of Cuban tourism. Wilkinson (2008) argues that growth has slowed recently because the economy is less dependent upon tourism due to aid from Venezuela, nickel exports, and biomedical products, and that "an emphasis on improving quality and earnings from the existing number of tourists has replaced a drive to radically increase tourist numbers in the short-term" (p. 981). These issues must be addressed for Cuba's tourism to become economically sustainable in the long-term; Sharpley and Knight (2009) summarize this sentiment in the following passage:

*A recent decline in tourist arrivals may be largely attributable to a combination of higher prices and poor quality, although, given the dependency of the Cuban economy on tourism as a source of foreign exchange, declining levels of tourism receipts, underpinned by a continuing fall in average tourist receipts, threaten the future health of the tourism sector and the economy as a whole (p. 249-250).*

Adding to economic sustainability issues in tourism is the dual-currency system in place. This system originated in 1993, when, for the first time, the US Dollar became legal currency and restrictions were loosened on US Dollar remittances from family members in the United States (Corrales, 2002). This helped individuals, but gave those with access to dollars a much higher standard of living than those without, as one dollar came to be worth about 22 pesos after some initial fluctuation (Jatar-Hausmann, 1996). This could be seen as a sign of economic liberalization for the Cuban people, but while the government did make US currency legal tender, it also set up its own state-run stores and established a monopoly on dollar transactions, effectively obtaining much of the hard currency that was previously being used in the black market (Corrales, 2002).

The Cuban convertible peso or CUC has been in existence since the mid-1990s primarily for luxury purchases and tourism although its use did not become widespread until 2004 when the government declared that all US Dollar-based transactions must now be conducted in CUCs (Di Bella & Wolfe, 2008); effectively eliminating the US Dollar from the formal Cuban economy. One CUC is now equivalent to 24 CUPs (Cleveland, 2012) and this dual currency system has created price distortions, led to black market activities, slowed the development of financial markets, and complicated economic measurement tools, which makes it difficult to implement effective monetary policy (Di Bella & Wolfe, 2008).

Many basic goods are only available for purchase in stores that accept only CUCs, thus ordinary items such as a toothbrush can cost up to two days' pay for those being paid in CUPs after converting to CUCs. Roughly 40% of the Cuban population does not have access to CUCs, leading to widespread poverty and inequality (Cleveland, 2012). The

government has indicated that improving this system is a priority, but no specific goals have been set or initiatives launched up to this point.

Most tourist transactions and gratuities are in the form of CUCs, which have a much higher value than the Cuban peso or CUP, signifying that Cubans working in tourism have the potential to earn much more than the basic government salary (Sanchez & Adams, 2008), which is paid in CUPs. As a result, many Cubans have left government or professional jobs in pursuit of the economic bonus of CUCs via tourism jobs (Sanchez & Adams, 2008). This shift signifies that the tourism workforce is becoming more educated although this movement could be problematic for the overall health of the Cuban economy in the long-term. Di Bella & Wolfe (2008) offer a detailed explanation of Cuban currency issues along with analysis from former Soviet states that have dealt with a similar system.

The United States trade embargo also has prominent effects on Cuba's tourism industry as well as Cuban life in general. Although enacted in 1962, the trade embargo has had its most consequential impacts on Cuba since the collapse of the Soviet Union. President George Bush, in 1992, strengthened the embargo by restricting travel to Cuba from the US by Cuban-Americans through imposing a limit of \$500 per family per year allowed to be spent on travel expenses to Cuba. A strict weight limit of 44lbs. was placed upon all luggage with no overages allowed, leading to increased scarcity of clothing and other vital consumer goods. To reduce Cuba's engagement with international partners, in 1992, President Bush enacted an executive order which forbade ships engaging in commercial operations with Cuba from entering US ports. In addition to the executive order, this "Cuba Democracy Act" made it illegal for subsidiaries of US

companies doing business in third countries to have any economic involvement with Cuba. Primary industries affected by this latest act were predominantly medical and food related (Perez, 1995). Congressman Robert Toricelli, who introduced the Cuba Democracy Act, states that the bill was formulated to “wreak havoc on the island” (“Timeline: post-revolution Cuba,” 2004).

The embargo has indeed caused difficulties in everyday life for Cubans, including food shortages (McGovern, 2001) and health and nutrition inadequacies (Hamilton 2002). Hamilton (2002) maintains that Cubans would have a higher standard of living without the embargo. Specific effects of the US trade embargo on Cuban tourism include dampening foreign investment, limited and difficult entry for Americans wishing to visit (Padilla & McElroy, 2007), lack of cruise ship traffic (Miller et al., 2008)), and difficulty importing supplies, which can indirectly raise the prices of goods imported (Skaine, 2004).

#### *2.6.2. Cuba’s tourism product*

Cuba’s tourism offerings are highly concentrated, with 69% of total rooms located along beaches (Wood & Jayawardena, 2003) and 70% of rooms located in either Havana or Varadero (Sharpley & Knight, 2009). Sixty-five percent (65%) of these rooms belong to the 4- and 5-star categories (OneCaribbean, 2010).

Havana, the nation’s capital and largest city, has undergone much transformation to make it a more desirable tourist destination. The city now has good transportation infrastructure, access to beaches and structured tours to experience its rich cultural and architectural history. In 1982, the United Nations Educational, Scientific, and Cultural Organization (UNESCO) declared the neighborhood of Old Havana a World Heritage Site and significant investment has turned historic buildings into hotels, bars, restaurants, entertainment venues, museums, art galleries,

shops and stores (Taylor & McGlynn, 2009). In Havana, tourists are exposed to pre-revolution attractions such as The Bodeguita, where Ernest Hemingway drank mojitos, and nightclubs displaying the sexualized culture of the Batista-era 1950s. Additionally, tourists can visit post-revolution attractions such as the Museum of the Revolution, and the restored architecture of aforementioned Old Havana (Babb, 2011). Babb (2011) argues that “the peculiar amalgamation of tourist attractions is precisely what accounts for Cuba’s global appeal and its economic advantage” (p.53).

Varadero is a peninsula located on the northern coast of Cuba about 100 miles east of Havana. It is the epicenter of sun, sea, and sand tourism and the principal resort destination in Cuba and was originally developed in the 1970s. Hotel construction has been rampant and shows no signs of slowing as Varadero receives 50 flights a week from Canada alone (Lonely Planet, 2009). Within the next decade, an additional 10,000 rooms are expected to be added to Varadero’s room stock as well as a new marina with 500 births (Becker, 2011).

In addition to Havana and Varadero, the Ministry of Tourism established six other locations as important Cuban tourism poles, each to have its own identity (Table 7 and Figure 2).

**Table 7**  
Cuba’s tourism poles for development.

Tourism Pole	Strategic Identity
Havana	Distinctive architecture, history, nightlife
Varadero	Traditional sun and sand
Cayo Coco and Jardines del Rey	Laid-back style, similar to Negril, Jamaica
Santa Lucia and Northern Camaguey	Activity and family-oriented beaches
Guardalavaca and Holguin	Pristine coastal environments
Santiago de Cuba	Distinctive history and cultural experience
Cienfuegos	Water sports and cruise ship docking
Cayo Largo	Diving

Source: Miller et al. (2008).



**Fig. 2.** Cuba’s Tourism Poles. Adapted from “The competitiveness of the Cuban tourism industry in the twenty-first century: A strategic re-evaluation,” by Miller et al., 2008, *Journal of Travel Research* 46, 268-278.

The government chose to focus upon these destinations while omitting others with tourism development potential in order to keep a strict strategic focus (Miller, et al., 2008).

### 2.6.3 *Environmental and Socio-cultural Sustainability issues in Cuban tourism*

The previous section alluded to economic sustainability issues of Cuban tourism such as declining visitor expenditure rates, lack of product diversification, and a dependence upon low-cost package tours. In addition to these economic issues, Díaz-Briquets and Pérez-López (2005) detail environmental problems, primarily along Cuba’s coastline, that have emerged in conjunction with tourism. While environmental issues are present in Cuba, the World Wildlife Fund (WWF) identified Cuba as the only country in the world that met their criteria for sustainable development (WWF, 2006). Social issues related to tourism that have been documented include tourism apartheid (Elliot & Neirotti, 2008; Sanchez & Adams, 2008; Taylor & McGlynn, 2009), defined as the separation of “tourism and the leisure and hospitality industry from the daily lives of ordinary *Cubanos*” (Taylor, 2009, p. 115), inequality between Cubans with access to tourism dollars and those without (Elliott & Neirotti, 2008; Sanchez & Adams,

2008), racism (Sanchez & Adams, 2008, Taylor & McGlynn, 2009), corruption (Sanchez & Adams, 2008), prostitution (Babb, 2011; Elliott & Neirotti, 2008; Sanchez & Adams, 2008), drugs, and hustling (Babb, 2011; Elliott & Neirotti, 2008; Sanchez & Adams, 2008; Taylor & McGlynn, 2009).

Despite these issues, Cuba is fully committed to tourism as a long-term development strategy (Babb, 2011). This seems prudent, as tourism has the potential to provide a wide range of jobs where skilled workers are present, due to the links between different components of the tourism product (Koh, 2002) such as transportation, hospitality, tour operators, food and beverage providers, attractions, and even security or police. Cubans receive free education under the socialist system, therefore an abundance of skilled workers are present but underutilized (Harnecker, 2011). Private enterprise in tourism seems a likely source of employment for many Cubans as the state moves thousands of jobs to the private sector. Miller et al., (2008) posit that “the educated human resource base Cuba possesses could provide truly rare capability in the Caribbean region for creating an innovative industry that can adapt to negative shocks and capitalize effectively on new opportunities that emerge” (p. 274-275). Opportunities for innovation in Cuba’s tourism industry lie in ecotourism, health tourism, adventure tourism, cruise terminal expansion, and water sports such as fishing or scuba diving (Becker, 2011; Elliott & Neirotti, 2008; Winson, 2006).

## *2.7 Entrepreneurship in Cuba*

### *2.7.1 A Brief History*

The most recent economic reforms regarding private enterprise have been underway since Raul Castro became president of Cuba in 2008 after his brother Fidel Castro became ill and was no longer able to continue his duties as President. To understand the most recent economic

reforms, it is important to understand initial economic reforms aimed at rehabilitating the dismal Cuban economy of the 1990s as well as the conditions which led to this crisis.

The Cuban government did encourage private enterprise development from 1978-1986, but under severe restrictions. However, Castro became worried that these reforms would erode Cuban citizens' support for socialism (Jatar-Hausmann, 1996) and many of these reforms were overturned in what would become known as the "Rectification Process" (Sharpley & Knight, 2009). Several years later, the Cuban economy was pushed to crisis as the USSR, which had been subsidizing the Cuban economy to a great extent, crumbled politically and economically. The Cuban government turned to private enterprise reform to reduce dependence upon the state, address rising unemployment, and gain control of the black market. As a result, those legally engaged in self-employment increased from 70,000 in 1993 to 200,000 in 1996 (Jatar-Hausmann, 1996). However, Corrales (2002) argues that these reforms, which on the surface appear to have opened up the economy and limit state power, have actually done the opposite and allowed the state to exercise expanded control as the government still had all power over banks, retail trade, currency exchange, and could selectively enforce regulations regarding private enterprise at any time.

Raúl Castro officially assumed leadership as President in 2008 marking "the start of a slow but irreversible dismantling of communism" ("Revolution in retreat," 2012, p. 1). Raúl, during his initial policy speech in 2007, declared that a worker's salary from the government "is clearly insufficient to satisfy all necessities, and hence has practically stopped fulfilling the role of assuring the socialist principle of each working according to his capacity and receiving according to his work" (Peters, 2012a, p. 5). This marks a significant change in political ideology as Raul Castro blames the system for economic difficulties in Cuba whereas his

brother, Fidel Castro, often blamed the Cuban people (Peters, 2012a). It has been since Raúl Castro assumed power that Cuba's most progressive reforms toward private enterprise have taken place. The private sector is to receive upwards of one million new employees or entrepreneurs due to government employee layoffs (Archibald, 2011; Becherer & Helms, 2011; Wilkinson, 2011). In 2010, a 32-page document called the *Lineamientos de la Política Económica y Social* was released outlining economic reforms (Peters, 2012a).

Even before this document was released, there was evidence of movement towards more private enterprise. Private taxis had historically faced harassment from police, however this slowed from 2007-2008. By 2009, the number of licensed private taxis had doubled across the island as government leadership viewed private enterprise as a method of alleviating transportation issues and unemployment at the same time (Peters, 2012a).

Private enterprise engagement grew from 157,731 workers in October 2010 to 385,775 workers by July 2012 (Peters, 2012b). Examples of encouraged forms of private enterprise include agricultural cooperatives (Harnecker, 2011), and further development of *casas particulares* and *paladares*. As private enterprise expands, the government strengthens its fiscal position by having fewer employees to pay and more taxes to collect. The employees that remain working for the state can then be afforded higher wages and rewards for excellent performance (Peters, 2012a). According to Peters (2012a), key policy changes spurring growth in the private sector include:

1. Entrepreneurs can now hire employees;
2. *Paladares* can now have up to 50 seats;
3. Entrepreneurs can rent space to do business;
4. Entrepreneurs can hold business licenses in more than just one of the 178 legal categories of entrepreneurship and can work outside of their home municipality;
5. Entrepreneurs can now sell to state business, foreign controlled companies, and cooperatives;

6. Tax restructuring, the public service tax and tax per employee hired are now deductible from income tax. The tax per employee hired was abolished for businesses with fewer than six employees. Despite these changes, taxes are very restrictive for entrepreneurs (Becker, 2011).

Transportation, food service, renting of private rooms, and farm-related entrepreneurship form significant percentages of those involved in private enterprise (Peters, 2012a). The continued growth of the private sector is largely dependent upon the quality of entrepreneurial climate conditions within Cuba.

### *2.7.2 Tourism Entrepreneurial Climate in Cuba*

Despite the seemingly drastic nature of these changes, the government officially refers to the economic overhaul as “updating” in which “non-state actors” and “co-operatives” will be promoted (Revolution in retreat,” 2012). Although these reforms lean towards capitalism, the government very much wants to maintain control and promote socialism. Reforms will be implemented slowly but as Raúl Castro stated in 2010, “We either rectify things, or we run out of time to carry on skirting the abyss [and] we sink” (“Revolution in retreat,” 2012, p.3). Recent newspaper articles have documented initial effects of the move towards private enterprise within Cuba and have reported stories of individual entrepreneurs (Whitefield, 2012; Ravsberg 2012; Wilkinson 2011), however, this transition will not be without challenging ‘growing pains’ as the Cuban government and its citizens learn how to operate within a less centralized economy.

Research is accumulating on how the recent reforms have affected the entrepreneurial climate in Cuba. Measuring tourism entrepreneurial climate is difficult and no perfect system exists. Although Koh (2002) contributed valuable ideas to the field of tourism entrepreneurial climate research, his five components were too broad. Kline and Milburn (2010) expanded upon Koh’s components and devised a system that utilizes ten categories. Table 8 organizes this research within a combination of Koh’s (2002) categories for quality entrepreneurial climate

(QEC) and Kline and Milburn's (2010) ten categories of *Rural Tourism Entrepreneurial Climate* elements.

**Table 8**

A snapshot of tourism entrepreneurial climate in Cuba.

E-climate Category	E-Climate Category Sub-component	Cuban Context	Authors
Governance	Laws support small business	Limited categories of self-employment	Becherer & Helms (2011); Harnecker (2011)
		Difficult to hire and fire workers	Becherer & Helms (2011); De Cordoba & Casey (2010)
		New forms of cooperatives expected to be legalized	Harnecker (2011)
	Tax Structure	Taxes are extremely high	De Cordoba & Casey (2010); Harnecker (2011); Cuba Study Group (2011)
		Taxes are irrespective of earnings	Sharpley & Knight (2009)
		Power structure	Government and state-controlled enterprise have all the leverage
	Permitting	Expedited with minimal documentation required, five day average waiting period	Harnecker (2011)
	Decision-making process	Citizens widely consulted on economic policies in 2011	Harnecker (2011)
Culture	Resident attitude toward tourism	Cubans feel that tourism has had a positive impact or little impact; most would support further tourism development	Colantonio (2004)
	Residents possess problem-solving attitude	<i>Resolver</i> suggests ingenuity	Sanchez & Adams (2008); Taylor & McGlynn (2009)
	Shared identity	Society infused with national pride	Sanchez & Adams (2008)
General Context	Tourism Development Stage	Record number of tourists in 2011	"Cuba: 2.7 million tourists" (2012)
	Private enterprise development	Citizens engaged in private enterprise almost tripled from	Peters (2012a); Wilkinson (2011)

	stage	2010 to 2011	
	Seasonality	About 50% of arrivals from December-April	OneCaribbean (2011)
Human Capital, Education, Training	Understanding of Business	Cubans lack 'business school' knowledge	Becherer & Helms (2011); Harnecker (2011)
	General Education University curriculum and business	Highly educated citizens University of Havana does not prepare students for entrepreneurship	Miller et al., (2008) Becherer & Helms (2011); Becker (2011)
	Access to information	Limited information available to Cubans from outside world	Becherer & Helms (2011)
	Tourism education	Widespread and effective tourism technical schools	Wood & Jayawardena (2003)
Networks and Social Capital	Wholesaling	No wholesale markets	Cuba Study Group (2011)
		Plans to introduce wholesale markets	Harnecker (2011); Frank (2013)
	Advertising	Advertising is illegal	Becherer & Helms (2011); De Cordoba & Casey (2010)
	Supporting Industries	Not well linked with tourism	Henthorne, George, & Williams (2010)
	Family and Community Networks	Strong and well developed, high social capital	Taylor (2009)
Financial Infra-structure	Access to start-up funding	Start-up capital non-existent	Becherer & Helms (2011); De Cordoba & Casey (2010); Harnecker (2011); Cuba Study Group (2011)
	Currency	Dual currency system hurts entrepreneurs	Alejandro (2012); Taylor & McGlynn (2009)
	Investment	No system through which Cuban citizens can invest	Sharpley & Knight (2009)
	Funds for tourism development	Government invested US \$185 in tourism in 2007	Sharpley & Knight (2009)
Physical	Transportation	Poor road signage, bad maps, lack	Elliott & Neirotti

Infra-structure		of gas stations, dangerous roads, unreliable bus system	(2008)
	Communications	Internet access severely restricted	Becherer & Helms (2011)
	Utilities	Unreliable power and non-potable water	Elliott & Neirotti (2008)
	Housing	Poor condition	Becherer & Helms (2011); Carter (2008)
	Safety	Good security	Elliott & Neirotti (2008)
	Landscape	Beautiful beaches	Elliott & Neirotti (2008)
		Quality natural environment	WWF (2006)
Business Support Services	General support	Small business associations and business incubators non-existent	Becherer & Helms (2011); Harnecker (2011)
	Effective DMOs	Ministry of Tourism organized over 300 international events in 2006	Henthorne et al. (2010)
Quality of Life	Quality Tourism Product	Lack of diversity among tourism products	Sharpley & Knight (2009)
		No internal competition therefore no need to raise standards or quality	Sharpley & Knight (2009)
	Availability of health care and education	Free for all Cuban citizens	Skaine (2004)
	Wages	Majority of Cubans make very low wages	Henthorne et al. (2010)

Integrated into the Cuban context, entrepreneurial climate can be seen as the sum of influence of Cuban culture, government policies, infrastructure, and natural resources on the creation of business enterprises undertaking innovative activities that fill a market gap. As Becker (2011) notes, “The need for small business is essential, but so is the accommodating need for changes to taxation, integration of small business with the government, training, and financing” (p. 151). Becker goes on to advocate the formulation of a Ministry of Small Business Enterprise that will address many of the issues mentioned in Table 7. This qualitative study is intended to add depth to the understanding of entrepreneurial climate in Cuba by investigating

the factors that most limit and those that most encourage resident engagement in tourism private enterprise.

## CHAPTER 3: METHODOLOGY

### *3.1 Introduction*

As the subject of entrepreneurial climate within the Cuban tourism context is relatively new, this study must be considered exploratory (Babbie, 2001). Qualitative research is well-suited to the exploration of complex issues, particularly social phenomena and their contexts (Snape & Spencer, 2003). Ateljevic & Li (2009) argued “with their emphasis on understanding complex, interrelated, and/or changing phenomena, qualitative methods might be particularly relevant to the challenges of conducting entrepreneurship research” (p. 29). Ireland, Reutzal, and Webb (2005) found that entrepreneurship researchers’ use of qualitative methods is on the rise.

Data collection took place for a period of twelve days in July 2012 and consisted of semi-structured interviews with Cuban tourism professionals including professors, enterprise owners, and tourism industry employees. Qualitative interviews are “essentially a conversation in which the interviewer establishes a general direction for the conversation and pursues specific topics raised by the respondent” (Babbie, 2001, p. 292). Qualitative interviewers subtly shape the conversation and have the capability to be flexible through a wide range of probing methods, allowing researchers to uncover deeper meanings behind a participant’s initial response (Bernard, 2006).

Bernard (2006) details four different types of qualitative interviewing: informal, unstructured, semi-structured, and structured. Semi-structured interviews, which are often used in professional surveys, are especially functional when researchers only have one chance to interview someone (Bernard, 2006), as was the case with this study. These interviews involve asking each informant a similar set of questions (Bernard & Ryan, 2010) based upon an interview guide (See Appendix B), which is imperative to ensure accuracy when more than one person is conducting interviews. Although the interviewers did have some flexibility in terms of

interview question ordering and selective probing, participants answered a very similar set of questions, allowing for comparison between interviews during the analysis stage (Bernard & Ryan, 2010).

### *3.2 Setting*

Interviews with tourism professionals occurred in the areas of Havana, Varadero, and the western region of Cuba. These three areas were selected beforehand because tourism is prevalent throughout each of them. Although all three areas are tied to tourism, the types of tourism are vastly different. In Havana, most tourism is based on arts, culture, history, heritage, and entertainment and delivered on a large scale (often through organized tours) whereas tourism in Western Cuba is centered upon nature and comprised of many small scale attractions and operations. Varadero serves as the epicenter of all-inclusive beach resort tourism in Cuba. These three different tourism environments provide for a wide range of opinions from professionals within the tourism industry.

### *3.3 Interview Question Design*

After a thorough review of the tourism, entrepreneurship, and community development literature, interview questions were formed through a collaborative process among the primary researchers. Questions included lines of inquiry about:

- Changes that the state has implemented in recent years that may affect the tourism industry
- Further development of tourism in Cuba
- Changes regarding people's engagement in private enterprise
- Government regulation of private enterprise
- Official support for launching a private enterprise
- Financial outcomes of private enterprise
- Difficulties encountered throughout the private enterprise process (if the informant was currently engaged in private enterprise)

- Reasons for not engaging in private enterprise (if the informant was not currently engaged in private enterprise).

The questions were pilot tested with a group of Master of Science in Sustainable Tourism students in the spring of 2012, and modifications were made. See Appendix B for the full list of interview questions.

### *3.4 Data Collection Procedures*

Data was collected by a team of 16 interviewers. Interviewers sought out a wide range of tourism industry professionals representing different sectors of the tourism industry, and worked in teams of three or four interviewers. The teams were established as a method to overcome the inability to record the interview. So as not to call attention to the process, and due to country restrictions, taking notes and the use of recording devices were prohibited from the interview protocol.

The informal nature of the semi-structured interview, which is appropriate when formal interviewing is not possible (Bernard & Ryan, 2010), achieved two purposes, namely it 1) put the participant at ease, and 2) keep participants out of “harm’s way” with authorities who might wish to know the nature of the conversation. After the interview was concluded, interviewers immediately sequestered themselves in a private area and wrote down important ideas, themes, actions, and other noteworthy aspects such as voice or expression changes from the interview. After each team member wrote down everything they could remember individually, the team discussed the interview, using the pre-determined list of interview questions as a guide. This discussion between team members was recorded and later transcribed; the transcriptions of these recordings comprise the data analyzed for this study.

### 3.5 Sampling

Cuban participants were selected via convenience sampling. They were identified based upon their specific employment in the tourism sector, acceptable level of English in order to be interviewed, and willingness to participate in the study. All participants had to be approved by the primary researcher to ensure that a wide range of tourism jobs were represented (Table 9). All Cuban participants had to have an advanced level of English to ensure data accuracy.

**Table 9**  
Interview Participant Attributes.

Profession	Age	Gender	Location	Employment Sector
University Faculty	45	M	Havana	State
University Faculty	55	M	Havana	State
Cultural tourism agency employee	25-30	F	Havana	State
Casas particulares broker	40	M	Havana	Private
Tour guide and Casa Particular Owner	45	M	Havana	Both
Taxi driver	50	M	Havana	State
Bartender	35-40	M	Varadero	State
Housekeeper	40	F	Havana	State
Casa particular owner	40-45	F	Havana	Private
Visitor Center staff	23	F	Western Cuba	State
Hotel receptionist and currency exchange employee	40	M	Havana	State
Horse carriage driver	35	M	Havana	State
Paladar owner	30-35	M	Western Cuba	Private
Café waiter	35	M	Havana	State

As most tourism professionals were solicited for this study during work hours, the conversation had to be set up for non-work time, usually over coffee or a meal. The conversation would begin with several questions designed to break the ice and build rapport with the interviewee. After this initial dialog, team members would direct the conversation toward the interview questions but would allow the participant to elaborate on anything he or she wanted to

discuss. Therefore it can be said that the conversations were directed but Cuban participants were not led toward any specific answers, which is in line with a principal of qualitative research (Babbie, 2001). Conversations were designed to last roughly 45 minutes but often lasted over one hour.

### *3.6 Data Recording*

After the conversation was completed, team members individually recorded their recollection of the interview; team members were not to speak to each other during this process. After all team members had finished, they convened to debrief on each interview question; a team leader was designated to lead the debriefing process and the conversation was recorded. Team members were to arrive at a consensus on what they heard throughout the interview with the Cuban participant. The team leader followed the interview script (see Appendix B) and only advanced to the next question after consensus had been established on relevant participant responses. Once again, the principle of triangulation had to be established and all three interviewers had to have heard the same response for the data to be deemed accurate.

### *3.7 Validity and Trustworthiness*

This study was approached from the constructivist perspective, which assumes that reality is formed by cultural and linguistic constructs (Patton, 2002). In essence, perception is reality. Since it is the perception of entrepreneurial climate that creates how people feel about it, the constructivist perspective applies. Let us consider, for example, the concept of small business licenses in Cuba. Recent reforms have streamlined the licensing process, which logically should lead towards a better entrepreneurial climate. However, if some Cubans do not perceive the licensing process as improved, they are unlikely to see entrepreneurial climate as improved either. On the contrary, if a Cuban resident sees a family member receiving a business license rather smoothly, he or she is likely to perceive the process to be better and therefore view

entrepreneurial climate as better too. In this example, it is easy to see how two different realities are formed around the same concept of business licensing. The constructivist perspective takes into account all constructed realities and posits that happenings can only be understood within their context (Golafshani, 2003; Guba & Lincoln, 1989).

Lincoln and Guba (1986) identify four criteria for establishing trustworthiness in qualitative research. They suggest “credibility as an analog to internal validity, transferability as an analog to external validity, dependability as an analog to reliability, and confirmability as an analog to objectivity” (p. 76). Credibility was established by obtaining a wide range of perspectives from within the Cuban tourism industry. All participants had differing jobs from one another, some were employed by the state while others were not, and both genders were represented in the sample, ensuring that many distinct perspectives shed light upon the research questions (Patton, 1987). The training process for both interviewers and coders established dependability by ensuring that data was both collected and coded in a consistent manner. Although informants were not asked the exact same questions, the semi-structured nature of the interviews guaranteed that participants were questioned along the same areas of research, enhancing dependability (Graneheim & Lundman, 2003). The use of existing tourism entrepreneurial climate frameworks enhances confirmability while transferability is facilitated by the detailed descriptions of culture, context, and methodologies contained within this thesis (Graneheim & Lundman, 2003). Although the Cuban context should provide unique results, these findings should add to the body of knowledge on entrepreneurial climate in tourism.

### *3.8 Data Coding & Analysis*

Coding was done through content analysis. Three independent coders searched for themes within the transcriptions; two of the three coders also participated in the data collection, while one did not.

The interview team debriefings provided the data necessary to perform a content analysis which “involves the tagging of a set of texts or other artifacts with codes that are derived from theory or from prior knowledge and then analyzing the distribution of the codes, usually statistically” (Bernard & Ryan, 2010). Patton (2002) declares that content analysis “involves identifying, coding, categorizing, classifying, and labeling the primary patterns in the data” (p. 463). The initial step of analysis involves classifying the data through coding (Patton, 2002). This study adopts the tenets of directed content analysis (Hsieh & Shannon, 2005), which uses existing research to pinpoint key concepts as initial coding categories (Potter & Levine-Donnerstein, 1999). Three coders were used in this study to establish analytical triangulation.

Each coder was trained to identify the presence of pre-determined tourism entrepreneurial climate categories and tourism entrepreneurial climate items in the transcriptions. The fourteen transcriptions were coded by both the general categories and the more specific attributes, or items, within these categories. The categories and items are based on a thorough review of entrepreneurial climate and tourism literature and can be found in the ‘component’ category in Table 7, part of Section 2.7.2 above. A “test set” of three transcriptions were coded by the three coders, after which they met to compare results and confirm a consistent and reliable approach (Cunningham, Sagas, Sartore, Amsden, & Schellhase, 2004). Coders discussed the effectiveness of the coding categories and debated about the categorization of several lines of text. Discrepancies in categorization were resolved and this process ensured a reliable approach moving forward with the remaining transcripts.

The coders used the same technique to process the remaining eleven transcriptions, initially coding for the presence of general categories and then coding for the presence of items. After all transcriptions were fully coded, the author and committee chair resolved all

discrepancies (Cunningham et al., 2004). The upcoming findings and discussion sections elaborate on the themes that emerged from the coding process.

## CHAPTER 4: FINDINGS

This section presents aggregated informant perceptions regarding components of Cuba's tourism entrepreneurial climate. Informants offered a wide range of opinions on many of the entrepreneurial climate elements mentioned in the literature review.

### *4.1 Government*

Informants were asked about recent government policy changes and their effects on both tourism and private enterprise. Participant responses were mixed when discussing the government's role in Cuba's entrepreneurial climate. On one hand, eight of fourteen participants (R1, R5, R6, R8, R9, R12, R13, R14) felt that the government is currently supporting private enterprise. For example, the government now issues business permits or licenses more frequently than in the past. Four respondents (R3, R4, R5, R7), two of whom are engaged in private enterprise (R3, R5), suggested that the permitting process is easy or has become easier, although three participants (R4, R6, R7) noted difficulties and/or long delays in the process.

Another improvement to entrepreneurial climate is the expansion of private enterprise jobs in which Cubans are allowed to work, now numbering 178, up from 124 in 2010 (De Córdoba & Casey, 2010). Three respondents (R2, R10, R13) indicated a positive feeling towards the expansion of these categories while two of them (R2, R13) specifically mentioned expanded private enterprise opportunities in tourism. Three respondents highlighted the government's ongoing support for the tourism industry (R3, R6, R11). However, two informants stated dissatisfaction with the inability to open a business in their fields of expertise, tour guiding and language translation (R6, R13). Another positive aspect of government influence on entrepreneurial climate seems to be the protection of the natural environment. Three respondents (R5, R11, R13) mentioned environmental protection as a current government practice, with two

of them (R5, R11) specifically mentioning limiting access to tourists in western Cuba in order to maintain environmental health.

A considerable barrier to private enterprise seems to be the trust in the government. These sentiments relate to high taxes, excessive regulation, ongoing tourism apartheid, and highly centralized decision-making. Five participants (R1, R3, R5, R6, R11) are concerned about the government's power to limit private enterprise, although one participant (R6) feels that private enterprise has come too far for the government to turn back now. Informants listed random inspections (especially if one seems to making considerable profit), limiting the number of private business licenses, and the selective enforcement of strict regulations on individual businesses as ways the government does this. Six respondents (R3, R4, R5, R7, R10, R11) mentioned how difficult it is for private enterprise to meet the stringent tax requirements. Five participants (R3, R5, R7, R10, R11) described the tax considerations in the case of casa particulares and how the owners must pay a flat monthly rate of 150CUC per room, regardless of how many guests they had. Additionally, five respondents (R3, R5, R10, R12, R13) mentioned specific non-tax regulations such as excessive fines, strict government inspections, purchasing restrictions, and capped earning potential via restrictions in business size (limited number of rooms for a casa particular or limited number of seats for a paladar) as difficult aspects of engaging in private enterprise.

Six respondents (R1, R3, R4, R6, R11, R12) referred to the highly-centralized decision making process used by the Cuban government although two respondents (R4, R6) noted instances in which the government made decisions based upon the peoples' will. Two participants (R4, R12) discussed issues of financial transparency and felt that the government can be very secretive when deciding how to allocate funds. And finally, four respondents (R1, R9,

R12, and R14) felt that tourism apartheid still exists although two respondents (R7, R12) felt that this situation was getting better.

## *4.2 Culture*

The Cuban culture represents a significant component of tourism entrepreneurial climate. Of utmost significance in this category are the two broad subcategories of “resident attitudes toward tourism” and “resident attitudes toward business.” Other cultural attributes relating to Cuba’s tourism entrepreneurial climate are discussed in a third, general sub-category.

### *4.2.1 Resident Attitudes toward Tourism*

Tourism is Cuba’s largest industry and provides potential opportunities for entrepreneurs. Because, the government is shifting thousands of state employees to the private sector, resident attitudes toward tourism may play an important role in determining how many of these newly unemployed residents choose to open private enterprises related to tourism. Six participants (R3, R5, R7, R11, R12, R14) offered positive general attitudes toward tourism which can best be summarized as “the positives outweigh the negatives.” All fourteen respondents felt that tourism brings positive economic benefits to Cuba and specifically on three different levels: 1) for Cuba as a whole, for individual communities, and for individuals who have seen increased earnings through working in tourism. Three respondents (R1, R2, R7) portrayed Cuba as having a welcoming culture that embraces people from other countries. However, one respondent (R6) indicated that some Cubans view tourism as a necessary evil, which has been a common sentiment in Cuba since tourism’s revitalization in the 1990s.

While it seems that Cubans generally recognize the economic benefits of tourism, their attitudes toward tourist behaviors and tourism’s effects on Cuban culture are more nuanced. Three participants (R4, R5, R7) mentioned that tourists are respectful of the natural environment

while one (R12) mentioned trash as a negative environmental effect felt from tourists. Tourism's impacts on the cultural environment may be as detrimental as those on the natural environment as two participants specifically stated that they think tourists are here for the wrong reasons (e.g. sex tourism). These two participants would prefer tourists with more of an interest in getting to know Cuba's culture instead of coming to engage in the extractive practices of prostitution and drinking. A total of eight respondents (R3, R4, R9, R10, R12, R13) referred to tourists' engagement in prostitution or sex tourism in some way.

Two respondents foresee potential negative cultural effects brought by a future increase in and specifically that Bay of Havana would lose its character if expanded for cruise ships (R1) and that drugs will become more prevalent with increased tourism (R6). Five respondents (R5, R10, R12, R14) discussed the generally positive social interactions that they have with tourists and three (R5, R6, R14) specifically mentioned learning as an outcome of interactions with tourists.

#### *4.2.2 Resident Attitudes toward Business*

If the Cuban government plans to shift thousands of residents into the private sector (De Cordoba and Casey, 2010), it would be beneficial for Cuban attitudes to be somewhat conducive to the private enterprise paradigm. Two respondents (R1, R12) offered negative opinions toward private enterprise. R1 felt that private enterprise principles lie in direct contrast to Cuban culture and that engaging in private enterprise would compromise his value system. He felt that his work was more important than money and that doing what comes naturally to him does not warrant additional financial compensation. He discussed how he would always pick up hitchhikers and refuse to accept money from them. For him, the value is in his work and helping others, not in the rewards for doing it. Relatedly, R12 is concerned that the potential effects of

private enterprise (namely income inequality and competition) may erode the strong sense of community and neighborhood camaraderie found in Cuba. Six (R2, R3, R5, R6, R10, R12) of the fourteen respondents are either currently engaged in private enterprise or would like to be in the future. Five participants (R5, R10, R11, R12, R13) see increased financial benefits from working in private enterprise compared to state jobs and one participant (R3) explicitly stated that working in a casa particular is better than working for the government. However, one respondent (R12) feels that most financial gains from private enterprise would be absorbed by the government. Five respondents (R2, R3, R5, R6, R13) discussed how Cubans are comfortable doing business in the black market, which is a form of private enterprise. Two respondents (R1, R5) felt that Cubans prefer to buy and sell locally, which could lead to strong private sector linkages within the tourism industry.

Interestingly, five respondents (R5, R6, R10, R11, R12) connected tourism to private enterprise with the attitude that tourism, to a great extent, enables private enterprise in Cuba. R10 feels that many women are involved in renting out casa particulares and that this particular form of business is great for women.

#### *4.2.3 Other Cultural Attributes influencing Cuba's tourism entrepreneurial climate*

Solving problems is an important part of entrepreneurship and the Cuban culture is historically resourceful. Seven respondents (R1, R3, R4, R5, R6, R12, R13) alluded to the problem-solving nature of the Cuban people and provided examples of their survival strategies in underreporting income to the government, operating black market businesses, and asking relatives abroad to make websites for individual businesses. Opinions that Cubans “will always find a way” and that they are quick learners were also discussed. Three respondents (R1, R3, R10) mentioned that Cubans are a proud culture with a shared sense of identity.

As tourism is largely dependent upon the natural environment, resident attitudes toward the natural environment represent an important part of tourism entrepreneurial climate. Two respondents (R3, R11) offered personal pro-environment comments and two others (R4, R13) feel that Cubans have a long way to go when it comes to environmental attitudes.

#### *4.3 General Context*

General contextual factors, such as the level of tourism development, or tourism development stage, directly influences the opportunities present for private enterprise in Cuba's tourism industry. Eight participants (R2, R3, R4, R10, R11, R12, R13, R14) noted that tourism has been expanding within Cuba. Informants listed a number of reasons that tourists visit Cuba, natural beauty, horseback riding, taking pictures, politics, sex, sun, culture, caves, nature trails, ecotourism, art, business, Havana, beaches, backpacking, and architecture, demonstrating a wide range of activities desirable for different segments of the tourist market. Growing tourist markets mentioned by participants include the Chinese (R2), Americans (R3, R10), Canadians (R10), resulting in general growth in business tourism (R12, R13). However, five participants (R2, R3, R5, R11, R12) see Cuba's hotel rooms and associated tourism capacity as being insufficient for a large influx of tourists as would be the case if the US trade embargo were lifted. Relatedly, one informant (R1) thought that Cuba does not have the tourism infrastructure of the Bahamas, especially in regards to the ability to receive cruise ship tourists.

Although there is a wide range of tourist activities in Cuba, the quality can fluctuate. Critical issues are embodied in the forms of poor service (R12, R13) and environmental degradation (R3, R6, R12) while one respondent (R1) felt that the UNESCO World Heritage site of Trinidad was somewhat of a tourist trap. He also felt that tourism related to organic farming should be developed further. While Cuba is considered a safe tourist destination (R12) and the weather is nice (R9), there is also the potential for hurricanes and flooding (R11). Another

caveat related to the success of tourism private enterprise in Cuba is its seasonality (R4, R7, R12).

The level and stage of private enterprise development also directly influences the opportunities available to potential Cuban entrepreneurs in the tourism industry. Koh & Hatten (2002) consider the tourism entrepreneur to be “the catalyst of the tourism development ripple” (p. 44), implying that tourism entrepreneurship leads to more tourism entrepreneurship. Thus, once a few entrepreneurs have success, many others are likely to follow. Seven participants (R1, R3, R6, R8, R10, R11, R12, R13) mentioned that they have noticed more people opening private enterprises lately while two of them (R10, R13) feel that private enterprise improves the overall quality of Cuba’s tourism product. The most common forms of private enterprise mentioned by participants were the *casas particulares* and *paladares*.

One participant (R8) brought up Cuba’s susceptibility to the global economy, noting that while more tourists are coming, they are spending less money and tipping less, which he saw as a result of the recent recession.

#### *4.4 Physical Infrastructure*

The general consensus among participants in this study is that Cuba’s physical infrastructure needs significant improvement, especially in the areas of transportation and the provision of Internet services. Four respondents (R2, R3, R12, R14) mentioned how most Cubans do not have access to the Internet. Cubans must be authorized by the government to have Internet access at home and even then the websites Cubans can visit are restricted. The Internet is extremely slow and costly as it depends on an outdated, yet expensive satellite system. One respondent (R12) felt that technology is improving in Cuba as some people have cell phones, Internet access, and Wi-Fi. One interesting opinion (from R6) was that the access to the Internet and international television stations can influence Cuban culture more than interacting

with visitors and that Cuban hotel employees specifically have more access to this technology than those not employed in tourism. Three respondents (R1, R7, R12) discussed difficulties with ground transportation such as poor road quality, high cost of travel, and the high cost of cars that are often older and wrought with frequent mechanical issues. One respondent (R7) relayed the need for general infrastructure improvements.

#### *4.5 Financial Infrastructure*

As with physical infrastructure, informants felt that the financial programs and services available to them do not adequately support those wishing to start an enterprise. Five respondents (R3, R4, R5, R7, R10) alluded to the difficulties in acquiring start-up funds although one felt it was fairly inexpensive to start a business (R9). On a related note, five respondents (R8, R10, R12, R13, R14) discussed how the state wages are not sufficient for day-to-day life, much less starting a business. Thus, it seems that low state wages paid to individuals leave little chance for saving up to start a business. Two respondents (R2, R4) mentioned that loans may be available to help individuals start a business. However, R4 stated the loans available were not enough to help start an enterprise and that if one doesn't have additional money saved, the loans are not enough to open an enterprise. Contrary to R2 and R4, R3 felt that it was not possible for individuals to receive loans although remittances from Cuban-Americans are often directly used to start businesses in Cuba (R6). One respondent (R12) mentioned that no Cubans have credit cards as the banks do not extend credit to anybody. Cubans have the equivalent of a debit card but no credit is available.

Two participants (R4, R12) noted the difficulty of operating within the aforementioned dual currency system. One positive aspect of the financial infrastructure is the state's willingness to invest significant funds into tourism development, mentioned by three participants (R5, R13, R14)

#### *4.6 Human Capital*

With private enterprise increasing rapidly in Cuba, it is important to assess the skills, competencies, and knowledge of the Cuban people relating to private enterprise in tourism. It seems that Cuba's tourism workforce is improving, as four respondents (R5, R6, R12, R13) mentioned specific tourism-related education or training. This, combined with the idea that professionals such as engineers or professors are leaving their original career for tourism jobs (mentioned by R4, R6, R14) indicates that the human capital of the tourism industry workforce is increasing. Contrary to this, however, two respondents noted (R6, R8) that some students are quitting university studies in other fields to pursue employment in the tourism sector.

The current knowledge about private enterprise could be a severely limiting factor to the overall success of private enterprise in Cuba. Five participants (R1, R11, R12, R13, R14) felt that Cubans don't fully understand the concept of private enterprise while R1 specifically discussed market economics and how this approach is vastly different than what residents are used to. Further, two respondents (R12, R14) indicated that Cubans struggle with private enterprise because it is such a new concept. While four respondents (R1, R3, R11, R13) feel that Cubans know how to start a business, two of these respondents (R11, R13) felt that maintaining the business is the part with which Cubans will struggle. However, two respondents (R5, R10) displayed high levels of entrepreneurial literacy when discussing the private enterprises they were currently operating. For example, R5 operates both a casa particular and a paldar, uses small signs in English to advertise, and has a precise purchasing system for his food inputs. Both R5 and R10 specifically mention the value of social networks to business and are well connected to other entrepreneurs within the community.

#### *4.7 Social Capital*

Strong networks between individuals, their families, and the wider neighborhood or community are a key aspect of life in Cuba. Three respondents (R2, R3, R5) mentioned the importance of family to business in Cuba, and specifically, hiring family members or using a family member's email privileges for marketing. Community networks and their importance to business were mentioned by five respondents (R3, R5, R7, R10, R12). This idea is embodied by *casa particulares* owners referring potential clients to their friends' *casa particulares*, friends helping each other with construction, and connections between sectors such as coordination between taxi drivers and *paladar* owners. One network in need of improvement is the supply chain, as four participants (R4, R5, R10, R12) discussed how expensive supplies were (for example, purchasing food for use in a *paladar*) and how private business owners cannot buy supplies in bulk because the system to do so simply does not exist. The supplies that are available are often inconvenient to acquire and many office supplies, such as printer ink, are scarce.

#### *4.8 Marketing*

After organizing coded data into the original selected framework of entrepreneurial climate categories, it was determined that a separate category was needed to discuss marketing channels and marketing tools. The first branch of marketing discussed is external advertising, in which marketing channels separate from the entrepreneur are employed by an outside agency or business to bring people to a region or destination. Three respondents (R1, R11, R14) positively discussed the government's international tourism marketing program. It seems that the Cuban government has updated their marketing campaign to reflect a more comprehensive tourism destination, replacing the "women, cigars, and rum" marketing strategies of the past (R1). One participant (R11) related that the government had recently declared Viñales Valley an official

tour site while R14 discussed how Cuban tourism companies have opened in Europe and how that has helped increase the flow of tourism.

Other marketing efforts, specific to the individual entrepreneur, seem to be expanding as well. Six respondents (R2, R3, R5, R10, R11, R12) mentioned the effectiveness of Internet marketing; two (R3, R5) have had friends or family members abroad make websites and Facebook pages to assist their businesses. Other Internet marketing techniques mentioned include the use of a website through which individuals can post goods for sale or advertise their services (R2), email (R3), TripAdvisor (R12), and websites specifically designed to advertise aggregates of *casas particulares* and *paladares* (R11).

When it comes to marketing tools available for entrepreneurs within Cuba, the picture becomes less positive. Four respondents (R4, R9, R12, R13) discussed the difficulties of marketing within the system as advertising is either not allowed (R9, R13), or too expensive (R12), and that tourists are not readily aware of businesses operated out of peoples' homes (R4). One respondent (R5) did have a sign outside his business advertising that "English is spoken here" and he felt that had been very effective. One respondent (R11) mentioned the Lonely Planet guidebooks in addition to word-of-mouth marketing when tourists return home.

#### *4.9 Business Support Services*

Four respondents (R3, R6, R7, R9) stated that there are no business support offices for those needing assistance with founding an enterprise although one (R5) mentioned an "information center" where he could find information needed about starting an enterprise.

#### *4.10 Quality of Life*

The nature of the interview questions did not prompt many responses regarding Cuban quality of life as a supportive element for private enterprise. However, one informant (R4) felt that tourism employment increases the quality of life for some residents through extra income

from tips. R12 seems to confirm this as he shared that he can now afford some domestic travel thanks to his employment in the tourism industry. He (R12) also relayed that although life in Cuba is difficult, the people are happy with the basic education and health care they receive.

#### *4.11 The US trade embargo*

The topic of the US trade embargo deserves its own category in this study because it influences the entire economy of Cuba and therefore individual tourism entrepreneurs as well. This category would have no relevance in entrepreneurial climate studies outside of Cuba due to Cuba's unique economic situation but is of great importance here.

Informants were asked to share what impacts the lifting of the embargo might have in Cuba. Four respondents (R2, R7, R8, R9) would like to see the Embargo end while one (R5) remains indifferent. Six respondents (R3, R4, R6, R7, R9, R12) foresee positive outcomes of ending the embargo, including more tourists (R3, R6, R9, R12) more economic development (R3, R7, R9, R12), better prices and access to supplies (R4), a decrease in tourism seasonality (R4), and an increased awareness of problems within Cuba's own government (R12, R13). Interestingly, one participant (R14) anticipated no changes. Despite generally positive attitudes toward the ending of the embargo, seven participants (R1, R2, R6, R7, R8, R13, R14) do not see the embargo ending soon and no participants see it ending in the short-term future.

#### *4.12 Summary of findings*

It is evident that informants have strong perceptions about tourism entrepreneurial climate elements within Cuba. Table 10 summarizes these perceptions into two categories: 1) those that constrain private enterprise, and 2) those that encourage private enterprise.

**Table 10**

Summary of key results.

Barriers to Private Enterprise	Factors Encouraging Private Enterprise
Government: Non-participatory decision-making, high taxes, can selectively limit private enterprise whenever they want, limited legal private enterprise categories	Government: Expanding legal private enterprise categories, permitting process improving, invests heavily in tourism
Culture: Private enterprise may not be compatible with strict socialist ideology	Culture: Positive attitude toward tourism, positive attitude toward private enterprise, problem-solving culture
General Context: Insufficient tourism infrastructure, seasonality, susceptible to global economy	General Context: Wide variety of tourism products and markets, private enterprise expanding
Financial Infrastructure: Start-up loans are insufficient, lack of private capital for start-up	Financial Infrastructure: Government invests heavily in tourism, remittances from Cuban-Americans facilitate business start-up
Human Capital: Lack of business training/skills, business maintenance difficult	Human Capital: Tourism-specific training on the rise, "Professionals" now working in tourism
Social Capital and Networks: No wholesaling or buying in bulk	Social Capital and Networks: Strong family and community networks
Marketing Tools: Limited marketing opportunities within Cuba	Marketing Tools: Good international marketing, Internet marketing effective and increasing
Physical Infrastructure: Most Cubans do not have Internet service, poor transportation system	
US trade embargo: Not expected to end soon, limits tourists and supplies to Cuba	

Table 10 and the summary that follows shed light upon this study's two principle research questions:

*Research Question One: What are the barriers for residents attempting to engage in tourism-related private enterprise?*

*Research Question Two: What factors are present that most facilitate resident engagement in tourism-related private enterprise?*

To a large extent, informants agreed on specific elements that serve as barriers to private enterprise, and mentioned specifically the centralized, non-participatory nature of the decision-making process, high taxes, and concerns that the government can shut down private enterprise through excessive regulation, random but strict inspections, or issuing fewer business permits. Although the number of legal private enterprise categories has expanded, still many Cubans are not legally able to open a business in their area of expertise (e.g. tour guide operation). Additionally, Cuba's tourism infrastructure could not handle a significant increase in tourism due a dearth of hotel rooms and a poor transportation system. The seasonal nature of tourism provides another challenge to private enterprise. Internet service is unavailable for most Cubans, which limits the resources available to would-be entrepreneurs. It is difficult for Cubans to acquire start-up funds as loans are generally insufficient and state salaries do not allow residents to save up from month to month. Informants feel that most Cubans do not have training in business or the business skills that successful private enterprise requires. Also, a possible barrier to private enterprise may be that entrepreneurial mindset is not compatible with many Cubans' socialist ideology. The lack of a wholesaler network greatly reduces private enterprise profit margins as small business owners must pay for supplies at retail prices. Finally, informants feel that the United States trade embargo will not end soon and that this limits the number of tourists to Cuba and the supplies available for business owners.

Despite these barriers to tourism private enterprise, there are many encouraging factors as well. Perhaps most importantly, the government is moving in the right direction by expanding legal private enterprise categories, making the permit process easier, and continuing to invest in tourism. Also, Cubans generally have a positive attitude towards tourism due to economic and social benefits gained through interaction with tourists. Roughly half of informants interviewed

were either engaged in private enterprise or would like to be someday, signifying that many residents have a positive attitude toward private enterprise despite the ideological issue mentioned above. Many informants perceive there to be more money to be made in private enterprise than working for the government.

In general Cubans are a very resourceful people, as they have always had to find ways to work with or around the system to ensure a better quality of life. Cuba has a wide range of tourism products to offer and markets to consume them. Tourist arrivals continue to rise and businesses are being created to meet the demand, indicating that Cuba is still in the expansion stage of Butler's (1980) tourist area cycle of evolution. The government has invested heavily in tourism in order to develop a wide range of products that bring unique tourist markets to the island. While start-up funding for business is often difficult to acquire, some have access to remittance dollars from Cuban-Americans to assist with business costs. Cuba's tourism workforce is educated, and the quality of service in tourism seems to be improving with more effective training programs and the notion that many residents with professional qualifications (professors, doctors, etc.) are transitioning into tourism. The strong family and neighborhood ties in Cuba seem to significantly aid entrepreneurial efforts. Despite the lack of marketing tools available to entrepreneurs within Cuba, the government has an effective international marketing campaign and Cubans are increasingly using the Internet to market their individual businesses to tourists. Cuba's tourism entrepreneurial climate seems to be improving, but there are still ample opportunities to advance it further.

## CHAPTER 5: DISCUSSION

Cuba's push towards developing the private sector is reminiscent of other countries, namely China, Bolivia, and Singapore, which have undertaken similar measures. In particular, government regulations, finance reform, and programs to improve infrastructure and human capital are all defining elements of the change taking place in Cuban society.

### *5.1 Government, Financial, & Physical Tourism Entrepreneurial Climate Elements*

Government policy has been found to play an important role in enabling entrepreneurship (Nybakk & Hansen, 2008). In the current study, informants felt that the Cuban government is more supportive of private enterprise than in the past. However, in previous years the government supported private enterprise very little so these positive statements do not necessarily indicate that the government is fully supportive of private enterprise, but rather they are moving in a more supportive direction. This is reminiscent of the Chinese government's promotion of private enterprise that started in 1978. Since that time, China has witnessed the creation of nearly 25 million private enterprises that currently contribute roughly 70% of China's GDP (Cuba Study Group, 2011). To begin with, China allowed greater flexibility of its human capital (Cuba Study Group, 2011). The Cuban government has done this by expanding the number of legal categories for private enterprise, permitting residents to hold business licenses in more than one of these categories, and letting entrepreneurs work outside of their home municipality (Peters, 2012a). Three Cuban informants spoke positively about the Cuban government's recent expansion of legal private enterprise categories although two expressed disappointment that they are still barred from opening a business in their areas of expertise. Becherer & Helms (2011) suggested the current job categorization system within Cuba limits private enterprise to "lifestyle" jobs that do not create significant economic value and that this

system needs to be expanded or reconsidered to create a more entrepreneur-friendly environment.

Expanding legal categories of private enterprise could greatly benefit the tourism industry. For example, one informant expressed dismay that he could not open a private tour company. Allowing tour guides to open their own businesses might provide a more unique, honest, cultural experience to guests by learning about Cuba through unfiltered interpretation. Babb (2011) discussed at-length the traditional, homogenous “city tour” on offer in Havana. He thought that the tour felt scripted and “packaged communism” (p. 59) into a tourist attraction. Allowing tour guides to share the Cuba that they find interesting could result in innovative tour packages that go beyond the typical Havana often seen by tourists. For a country that is market dependent upon low-cost packaged tours (Elliott & Neirotti, 2008), allowing tour guides to introduce innovative tourism products might help diversify Cuba’s tourism product and attract different and/or higher-paying markets. This supports the notion of Carlisle et al. (2013) who have seen an increase in tourist demand for innovative, creative tourism products that better incorporate local communities.

Informants also bemoaned the non-participatory nature of the decision-making process. According to Kline and Milburn (2010), government should be “democratically accountable” (p. 333) to facilitate resident participation in the decision-making process. Informants also mentioned the litany of regulations surrounding private enterprise in Cuba, including random inspections, and caps on private enterprise size (e.g. room limits for casa particulares). Such bureaucratic obstacles are a severe hindrance to private enterprise activity (Aubert, 2005; Cuba Study Group, 2011). The Chinese government in fact introduced further reforms only after initial reforms were “tested” and deemed not to threaten the power of the state (Cuba Study

Group, 2011). The Cuban government seems to be taking a similar path with their “updating” (Peters, 2012a, p. 4) of the socialist system. Perhaps loosening regulations slowly, like the Chinese did throughout the past several decades, would be wise.

While government support is critical, entrepreneurs must also have access to some level of funding to leverage their innovative ideas. Informants in the current study discussed the difficulty of acquiring start-up capital and finding technical assistance related to funding, two elements of entrepreneurial climate often noted in the literature (Chatman, Altman, & Johnson, 2008; Koh, 2002). Entrepreneurs need start-up capital to test innovative business ideas while investors need a financial system with clear rules and procedures to invest with confidence (Becherer & Helms, 2011). Kline and Milburn (2010) argue that lenders should advise borrowers on loan amounts and repayment schedules in an effort to improve borrower financial literacy. In Bolivia, the government focused on rebuilding the financial services sector to finance small business after a period of hyperinflation in the mid-1980s (Cuba Study Group, 2011). The government allowed private businesses to found micro-financing bodies supported by international donors. This resulted in the creation of several non-profit micro-finance institutions supplying start-up funding and technical assistance to small enterprises. Once these institutions became profitable, the need for international donors lessened and these non-profit institutions were converted to regulated commercial banks. Bolivia has witnessed the creation of roughly one million small private enterprises since the financial system was overhauled (Cuba Study Group, 2011). Koh (2002) asserted that a munificent tourism investment climate leads to a “self-renewing and evolving industry” (p. 37) as financial capital is necessary for new ideas and innovations to become new products or processes (Goetz & Freshwater, 2001).

Physical infrastructure comprises the backbone of many tourist destinations. Informants mentioned the lack of quality physical infrastructure specifically in regards to the transportation system. Quality transportation is especially important in tourism as travel is by definition part of tourism (Kline & Milburn, 2010). If a destination is difficult to reach or the journey is unpleasant, visitor satisfaction will be low and a repeat visit less likely. Havana and Varadero, where 70% of Cuban hotel rooms are located (Sharpley & Knight, 2009), are easily reached by airport but many other tourist destinations in Cuba are not. Improving the transportation system and developing regional linkages may encourage tourists to leave these two tourism hubs and venture out into the rest of Cuba, disseminating the economic benefits of tourism throughout the country. The lack of quality infrastructure not only limits the number of tourists that can visit, but limits entrepreneurial activity as well. Quality infrastructure quickens the flow of ideas and accelerates economic growth (Graham, 2006).

### *5.2 Human Capital, Social Capital & Cultural Tourism Entrepreneurial Climate Elements*

A destination seeking the development of private enterprise needs intelligent, effective, efficient people in addition to the governance and infrastructure qualities mentioned above. Informants mentioned the lack of business or entrepreneurial education in Cuba and related this to the potential difficulties Cuban entrepreneurs may encounter when trying to maintain their businesses in the long-term. Singapore may be the country most comparable to Cuba in this process as both countries are islands with relatively small economies. Singapore invested heavily in infrastructure and education while encouraging foreign investment through an attractive taxation system aimed at high-tech businesses. Singapore's reforms were designed to promote employment and competitiveness (Cuba Study Group, 2011), two things the Cuban economy needs as they move thousands of residents into the private sector (De Cordoba & Casey, 2010) and upgrade the quality of tourism offerings (Elliott & Neirotti, 2008). Although

no two countries or economies are the same, lessons from the countries mentioned above could prove valuable to Cuban decision-makers as they move forward with the encouragement of private enterprise.

Much research has discussed the influence of collectivism upon the proliferation of entrepreneurship (Hui & Triandis, 1986; Pinillos & Reyes, 2011; Tiessen, 1997). Pinillos and Reyes (2011) found that entrepreneurial activity flourishes in collectivist societies where low levels of income are found. Bholá and Verheul (2006) refer to this phenomenon as necessity entrepreneurship, which is a result of low economic growth. This seems to be the case in Cuba as informants noted that private enterprise creation is rising, signifying an abundant ‘supply of entrepreneurial people’ (Koh, 2002). Informants discussed the low wages paid by the state and felt that many Cubans are starting private enterprises because of the increased earning potential. Tiessen (1997) found that collectivist societies often see entrepreneurship as a “team” activity which reflects Hui & Triandis’ (1986) finding that concern for others is the primary driver of business development in collectivist societies. The strong family and neighborhood networks discussed in Taylor (2009) mirrored informant responses which highly valued these networks’ role in the Cuban private enterprise process. Thornburn (2005) highlighted the knowledge transfer that takes place within these networks and found strong linkages between businesses along the tourism value chain in Australia.

Wilson, Fesenmaier, Fesenmaier, & Van Es (2001) also acknowledged that entrepreneurial networks are vital to rural tourism growth. One informant discussed the importance of family and community networks to his businesses. He mentioned using a local seafood supplier, contracting a tour guide for his nature tours, hiring family members as employees, and how his aunt in Miami created his Facebook page. This entrepreneur is

employing his family and community network to support at least three businesses: a casa particular, a paladar, and nature tours. Two other informants discussed a casa particular cooperative, through which residents of an apartment building work together to attract guests and make money. Two informants also stated that tourism creates linkages between businesses such as taxi drivers, restaurants, lodging establishments, and small shops. It seems that relatively low level of economic development within Cuba and the collectivist notions of working together to help each other have laid the foundation for the expansion of private enterprise (Pinillos & Reyes, 2011; Tiessen, 1997).

But, do Cubans have the capacity and the tools to execute successful private enterprise on the large-scale? Five respondents mentioned that Cubans have conducted business operations on the black market for years, signifying some understanding of traditional capitalist concepts such as supply, demand, and scarcity. Black market tourism business operations in Cuba have been chronicled by Babb (2011), Sanchez and Adams (2008), and Simoni (2008). Although black market operations are not equivalent to formal entrepreneurship, the longstanding prevalence of black market activities indicates something resembling entrepreneurial spirit. Relatedly, seven informants discussed the problem-solving nature of Cuban residents and their ability to “always find a way.” These concepts are best summarized by the idea of *resolver* (to resolve or to deal with), which suggests problem-solving, but also incorporates illegal activity (Sanchez & Adams, 2008). Ritter (1998) asserts that the revolution has actually instilled entrepreneurial values and attitudes in Cubans through the necessity of bartering, networking, and hustling as survival strategies. Transferring this black market activity to the formal private sector seems to be a principle desired outcome of the government’s increased support of private enterprise as 68% of new business licenses have gone to those who were previously unemployed (Harnecker, 2011).

Despite the “entrepreneurial spirit” mentioned above, there seems to be a lack of formal education and training in the fields of business and entrepreneurship. Four informants felt that Cubans know how to start a business but five respondents questioned Cubans’ ability to maintain the business, mentioning specifically the lack of business experience from which to learn and the absence of management training. Becherer & Helms (2011) call for the development of business administration and entrepreneurship programs at the University of Havana. Additionally, four informants felt that nothing resembling a business support system exists within Cuba. Becker (2011) proposes a new Ministry of Small Business Enterprise to provide training and education for future entrepreneurs. Although education and training related to private enterprise have yet to be developed, technical schools for tourism have been established. Four informants mentioned tourism-specific training, while one thought that these tourism technical schools are improving services in tourism. Cuba has at least 19 hospitality schools under the control of the Sistema Nacional de Formación Profesional del Turismo (FORMATUR), the national training and education body for the tourism industry, that issue close to 20,000 certificates every year (Wood & Jayawardena, 2003). FORMATUR also offers a one-year manager conversion program that transitions managers from other fields into tourism. Three informants noted that Cubans are leaving their traditional “professional” jobs for opportunities in tourism. Thus, it appears that Cuba has a well-trained and well-educated tourism workforce, but business and entrepreneurial training and education are lacking.

An efficient supply chain network can lead to cost savings and efficiency while allowing entrepreneurs to focus on strategy or marketing instead of acquiring supplies. Several informants mentioned the lack of a wholesale system and the inability to buy supplies in bulk. Bed sheets and printer ink were two examples of supplies difficult for tourism entrepreneurs to procure.

One informant mentioned that there are only one or two state companies through which entrepreneurs can acquire supplies and that the lack of competition leaves entrepreneurs at the mercy of the companies' price structure. Kline and Milburn (2010) advocate regional networks that flow both vertically and horizontally through the supply chain while connecting different economic sectors across public and private institutions. Flora, Sharp, Flora, and Newlon (1997) argue that strong vertical networks to regional or national centers can spur economic development by providing entrepreneurs with access to "resources and markets beyond community limits" (p. 629) while horizontal networks lead to multi-community collaboration. Opening up the supply chain within Cuba would create competition between suppliers; drive down prices and allow entrepreneurs to generate more profit. The Cuban government recently announced plans to do just that. A new state holding company, the "Food, Industrial, and Other Consumer Goods Trading Company" has been set up to supply both state-run and private enterprises whereas previously only state-run businesses had access to wholesale prices (Frank, 2013). The timeframe for this company's implementation is not clear but many see this step as an indication that the Cuban government is truly committed to fostering the private sector (Frank, 2013).

And finally, informants felt that the US trade embargo significantly limited the supply network in terms of available goods. One informant gave air conditioners and air filters as examples of tourism supplies that are hard to obtain due to the embargo. Although many informants want the embargo to end, this is likely to be a long process, if it occurs at all.

### *5.3 Marketing Tourism Entrepreneurial Climate Elements*

Several marketing-related themes emerged from the interviews. Because marketing efforts can originate from both governments and individuals and can take on a variety of manifestations, it was determined that an additional entrepreneurial climate category should

pertain to marketing. Informants mentioned marketing efforts independent of the individual entrepreneur, such as Destination Marketing Office-type services, as well as marketing efforts that the individual entrepreneur can undertake on his/her own, such as Internet marketing or physical advertising within Cuba. This array of marketing efforts was deemed too expansive for any previously-identified entrepreneurial climate category, thus a new category was created.

Six informants noted the important role that the Internet can play in tourism private enterprise, especially in regards to marketing, although four felt that the Internet is inaccessible. According to Buhalis (1999), the Internet has helped even the smallest tourism destinations and those in less-than-ideal geographic locations. As of 2011, the Internet was largely inaccessible in Cuba (Becherer & Helms, 2011). However, a recent news report from the US detailed the activation of a new cable that will increase download speeds to 3,000 times faster than the previous arrangement, which relied on an extremely slow satellite system (Alvarez, 2013). Still, the effects of this new cable on individual businesses could be limited by the high cost to get online and the heavy restrictions placed upon Internet users (Alvarez, 2013). The fact that several participants discussed the effectiveness of Internet marketing indicates that Cubans are already using the Internet to assist business operations; this should only increase if the new cable leads to faster, more widespread Internet access for Cuban entrepreneurs.

Physical advertising within Cuba is illegal (Becherer & Helms, 2011; De Cordoba & Casey, 2011). Two informants agreed with this idea while one discussed how individual entrepreneurs can now advertise in the phone book, although this is extremely expensive. Marketing freedom is vital to bring an innovative product or service to market (Becherer & Helms, 2011). One informant supported this idea as he felt that his “English spoken here” sign

greatly helped his business. It was unclear if this sign were legal, but it benefitted his business nonetheless.

In addition to individual marketing efforts, national efforts, incorporating the use of destination marketing office or convention and visitor bureau-type services, were discussed. Wilson et al. (2001) include *good convention and visitors bureaus* as a necessary factor for tourism development and noted their proclivity to assist tourism entrepreneurs with advertising. Several informants mentioned that large-scale efforts to market Cuba internationally have improved through the opening of a marketing office Europe and moving beyond the ‘cigars, rum, and women’ advertising image of yesteryear. One informant felt that this new brand image of Cuban tourism is more aligned with how Cubans want to portray themselves as well as signifying a more comprehensive tourist destination to potential visitors.

Improving upon and building this new brand image should remain priorities for international tourism marketing. Effective international marketing will assist in the continued growth of international arrivals and provide expanded markets to patronize private enterprises. However, for tourism private enterprise to flourish, entrepreneurs need more freedom to advertise within Cuba as one informant felt that many tourists do not even know about *casas particulares* nor *paladares*. Permitting limited advertising within Cuba strengthens entrepreneurial climate and may lead to the increased patronage of tourism related private enterprise, further disseminating the economic benefits of tourism to Cuban citizens. National marketing efforts are bringing the tourists, but individual business owners need more tools to communicate with them upon arrival.

#### *5.4 General Context Tourism Entrepreneurial Climate Elements*

Any economy with a strong emphasis on attracting international tourists is somewhat susceptible to conditions in tourist origination zones. One informant mentioned the

susceptibility of the Cuban tourism economy to the global economic situation. As Cuba's tourism economy is dependent upon visitors from other countries, the economic and political conditions in these countries affect the supply of Cuba's tourist markets. From 2001-2002, Cuba experienced a decrease in total tourist arrivals and total tourism receipts following the September 11 attacks (see Table 5, above). And although tourist arrivals increased in 2009 and 2010 from 2008 levels, total tourism receipts and average visitor expenditure significantly decreased following the global recession (see Table 5, above). These two incidents, and the ongoing effects of the US trade embargo, demonstrate that Cuba's tourism economy is vulnerable to outside economic and political forces. Visitors to Cuba originate largely from Canada (38%) and Europe (32%), illustrating the dependence of Cuba's tourism economy upon these two areas (OneCaribbean, 2010). Canada's economy is struggling due to household debt and its connection to the United States' wounded economy ("On thinning ice," 2013). Meanwhile, European economies are besieged by unemployment, debt, stagnant GDP growth, and political turmoil ("Taking Europe's pulse," 2013). The financial difficulties of these two regions may limit consumer discretionary spending, jeopardizing the supply of potential tourists from Cuba's most important tourist origination zones. Cuba could encourage domestic tourism or target other tourist origination zones to minimize dependence on Canada and Europe.

### *5.5 Study Limitations*

This study was limited to a small sample size of English-speaking informants. The inability of interviewers to speak Spanish inhibited the range of informants. Although many tourism professionals know English, interviews would be ideally conducted in Spanish so that native Spanish speakers would have the vocabulary and grammar necessary to better convey complex ideas or relationships.

Eleven of the fourteen informants are residents of Havana. Thus, the results have an inherent bias towards tourism entrepreneurial climate from the Havana resident perspective. Only four women were included in the sample, biasing the results somewhat toward male perspectives.

The inability to use recording equipment and the decision to not allow interviewers to take notes or reference the interview questions during the interview also limited this study. Interviewers were instructed not to take notes or look at the questions in order to put the informant at ease and for the safety of the informant. In some ways, this may have strengthened the study by acquiring a wide range of viewpoints, but being able guarantee that each informant answered the exact same questions would increase the comparability of participant responses. The lack of recording equipment and note taking required interviewers to recall participant conversations from memory. This process may have caused important ideas to be left out of the transcriptions. The inability to record makes the use of direct quotes from informants impossible, which detracts from the overall richness generally found in qualitative research.

There are many subcomponents of entrepreneurial climate that informants did not mention. Kline and Milburn (2010) list “existing networks that welcome new members” (p. 331) as a key subcomponent of the social capital category. The results of this study show social networks in Cuba to be strong, but informants were not asked if new residents to a neighborhood could easily “plug in” to the already present social network. If social networks were found to be exclusive of newcomers, these strong family and neighborhood networks could, in some cases, become a barrier to a newcomer’s entrepreneurial activities. Levitte (2004) refers to this concept as ‘bonding social capital’ and found exclusive social networks to restrict entrepreneurial development in aboriginal Canada. Additionally, Becherer & Helms (2011) list immigration as a

vital component of entrepreneurial climate and immigration did not come up one time during interviews. The inability to address all tourism entrepreneurial climate components further restricts the results to the Cuban context.

Informant responses may have been influenced by the social desirability effect (Babbie, 2001; Bernard, 2006). This occurs often in qualitative research, especially in the case of face-to-face interviews, when informants want to be perceived positively by interviewers (Babbie, 2001) or offer responses conducive to what they think the researchers want to know. It is possible that informants offered pro-private enterprise responses because they thought that is what we, as Americans with a long national tradition of private enterprise, would prefer to hear. Informants may have withheld negative comments about tourism or tourists so as not to offend us, as we were academic tourists visiting Cuba. To limit the social desirability effect, interview questions were posed in a neutral manner that would not lead the informant towards a particular response.

#### *5.6 Implications for future research*

This exploratory study employed tourism entrepreneurial climate categories found in Koh (2002) and Kline and Milburn (2010) to examine their relevance within a collectivist society. The further clarification of these categories, within a variety of political, geographical and cultural contexts, will augment entrepreneurial climate research moving forward. In this study, a new category, 'marketing tools,' emerged as there was no category specific enough to encapsulate the range of marketing options and challenges for entrepreneurs. Within the Cuban setting, considerable overlap between categories was found. For example, the Cuban government has such expansive influence that one could argue that cultural attitudes are a result of the government or that financial services are largely government controlled. Is the problem-solving nature of Cuban residents a reflection of culture or the education system, in which case it would be considered part of the human capital category? Or, one could argue that government

policy has necessitated residents to develop this aptitude for problem-solving in order to cope with daily life in Cuba.

Another key overlap can be found between the ‘general context’ elements and ‘quality of life’ categories. Kline and Milburn (2010) assert that a complete tourism package belongs to the quality of life category while listing the tourism development stage as a general context element. However, a destination displaying an advanced tourism development stage is likely to have a complete tourism package and a wide variety of businesses, activities, and experiences to offer. In this sense, the line between a complete tourism product (quality of life) and the tourism development stage (general context) is muddled. In this study, all data regarding the tourism industry, including the development stage, product mix, quality, and seasonality, were considered to part of the general context elements. The issue of overlapping categories within tourism entrepreneurial climate research can only be addressed by further research attempts within a variety of settings and contexts.

Not only does this study advance tourism entrepreneurial climate research in general, it lays the groundwork for similar studies to take place within Cuba. This study, through qualitative interviews with 14 informants, identified key barriers to private enterprise. Asking similar questions to more participants, perhaps with surveys instead of interviewers, would provide a more representative sample of Cuban residents and their perceptions in a quantitative setting. The small sample size in this study does not provide conclusions suitable for policy recommendation, but does provide a foundation for large studies that could ultimately affect policy in the future. Future research efforts to further the state of knowledge on tourism entrepreneurial climate in Cuba include:

- Perform a similar quantitative study using surveys with a larger sample of informants, including government officials and non-tourism professionals

- Analyze focus group discussions with established or successful entrepreneurs regarding the private enterprise process
- Assess different perceptions about private enterprise or the entrepreneurial climate in Cuba between various groups of Cuban residents (i.e. according to gender, age, type of employment)
- Include a more diverse range of informants by interviewing government officials
- Focus upon one specific area within Cuba (e.g. Viñales Valley or Baracoa) to examine regional or local entrepreneurial climate
- Develop a longitudinal study of entrepreneurial climate within Cuba to examine changes over time
- Conduct similar studies in socialist nations that permit some level of entrepreneurship

### *5.7 Conclusion*

The Cuban government has put their future in tourism and most recently entrepreneurship to help rid the country of its chronic financial woes. Tourism destinations with strong entrepreneurial foundations are attractive and competitive, and entrepreneurship in tourism leads to the development of unique innovative products in an increasingly competitive industry. Tourists have infinite possibilities when choosing where to travel therefore a destination must truly stand out and continue to offer innovative experiences to excel in the modern tourism landscape.

To become economically sustainable, Cuba's tourism industry must move beyond its dependence upon the all-inclusive resort and packaged Havana tour. Poor service and poor food at many of these resorts has led to a diminished destination image of Cuba and few repeat visitors. Informants reported that some tourists prefer the *casas particulares* to hotels while others thought that private tourism enterprises could attract tourists more interested in Cuban life as opposed to engaging in drinking and prostitution.

Cuba has the tourism resources, both natural and cultural, to develop a significant competitive advantage within the Caribbean tourism industry. If one accepts that

entrepreneurship leads to innovative, creative experiences, entrepreneurs should be the ones developing these tourism resources. The rich neighborhood networks, positive resident attitude toward tourism, and intuitive nature of the Cuban people could lead to a well-linked, efficient, immersive tourism experience.

However, the government must reduce taxes and regulatory bureaucracy while legalizing many more tourism professions for private enterprise. The banking system must create a viable financial service sector, suitable to both the entrepreneur and investors. Creating business administration and entrepreneurship programs through universities or technical schools would increase the country's human capital and make tourism entrepreneurship more likely to succeed. Improving Internet access and allowing more advertising would give entrepreneurs exponentially increased marketing capacity. And refining the country's physical infrastructure would better connect these entrepreneurs and facilitate the movement of both goods and ideas.

Cubans are worried about the government's potential to squelch private enterprise by severely limiting business permits. The government has twice already introduced private enterprise only to ban it later. However, the present movement towards private enterprise appears to be a long-term strategy rather than a temporary solution. The recent introduction of a wholesaling system is a much-needed step for the success of Cuban entrepreneurs and signifies the government's commitment to the private sector.

Private enterprise in Cuba's tourism industry benefits citizens, tourists, and the Cuban government. It has the potential to increase wages and quality of life for entrepreneurs and their families, while offering a more unique experience to guests. The government benefits from a more favorable national reputation as well as tax revenue from the expanded private sector. Moving inefficient or unnecessary government employees to the private sector will result in

reduced payrolls while easing the people's dependence upon the government. Creating an entrepreneurial climate that encourages the formation of tourism private enterprise would provide Cubans many more employment opportunities and the chance to improve their quality of life. The collectivist nature of Cuban society and associated social networks will result in unique product offerings through "team innovation" as Cubans work together to meet continually increasing tourism demand. The Cuban government has shown flexibility and responsiveness through recent reforms, and because of its historic control on economic functions within the country, it is largely the government's responsibility to further develop an entrepreneurial climate conducive to private enterprise success. Raul Castro seems to understand. When discussing the plan to create a successful private sector, he stated that its "...rate of progress will depend on our ability to create the organizational and legal conditions to ensure its successful implementation, without favoritism or discrimination, and in order to ensure that nobody will be left abandoned to their fate" (translated by Harnecker, 2011 p. 75; original in Martinez & Puig, 2011).

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## APPENDIX A: IRB APPROVAL



**EAST CAROLINA UNIVERSITY**  
**University & Medical Center Institutional Review Board Office**  
4N-70 Brody Medical Sciences Building · Mail Stop 682  
600 Moye Boulevard · Greenville, NC 27834  
Office 252-744-2914☎ · Fax 252-744-2284☎ · [www.ecu.edu/irb](http://www.ecu.edu/irb)

### Notification of Exempt Certification

**From:** Social/Behavioral IRB  
**To:** [Carol Kline](#)  
**CC:**  
**Date:** 6/26/2012  
**Re:** [UMCIRB 12-001049](#)  
Exploring the Cuban tourism market in a time of change

I am pleased to inform you that your research submission has been certified as exempt on 6/26/2012. This study is eligible for Exempt Certification under category #2.

It is your responsibility to ensure that this research is conducted in the manner reported in your application and/or protocol, as well as being consistent with the ethical principles of the Belmont Report and your profession.

This research study does not require any additional interaction with the UMCIRB unless there are proposed changes to this study. Any change, prior to implementing that change, must be submitted to the UMCIRB for review and approval. The UMCIRB will determine if the change impacts the eligibility of the research for exempt status. If more substantive review is required, you will be notified within five business days.

The UMCIRB office will hold your exemption application for a period of five years from the date of this letter. If you wish to continue this protocol beyond this period, you will need to submit an Exemption Certification request at least 30 days before the end of the five year period.

The Chairperson (or designee) does not have a potential for conflict of interest on this study.

## Study Identification Information

This is the first step in your Human Research Application. You will automatically be guided to the appropriate page views needed to complete your submission. If a question is not applicable to your study, you may state this as your response. Please read the help text located on the right side of the page throughout this application.

**1.0 \* Study Name (Short):**

Exploring the Cuban tourism market in a time of change

**2.0 Study Name (Long):**

**3.0 \* Summary of Research in Lay Terms:**

Tourist markets vary in origin, travel behaviors, spending patterns, and the impacts that they make on the destination. The research conducted in Cuba will isolate particular economic, social, cultural, and environmental impact patterns of the various tourist markets that Cuba receives. Particular interest will be given to the "SAVE" market, or the Scientific, Academic, Volunteer, and Educational markets versus business, conference, and sheer leisure markets.

The purpose of this exploratory study is :

1. To explore the impacts of tourists to Cuba, specifically trying to identify distinguishing impacts of various visitor markets.
2. To explore the innovative nature of individuals, and the enabling environment, within the tourism industry in Cuba.

The PI and the co-investigators will conduct interviews with Cubans who work in the tourism industry or who interact with tourists on a regular basis.

Potential participants will be recruited from personal and professional contacts of the PI, personal and professional contact of the tour guide, and through informal contact in Cuba. If the participants agree to the interview, they will receive the interview questions to review prior to the interview commencing. Participants will pick a location that is comfortable and convenient for them.

The interview questions are about their background as tourism industry workers, the types of visitors who come to their particular area, the behavior of the visitors, and the (positive and negative) economic, social, cultural, and environmental impacts of the visitors. The interview questions regarding innovation will ask the respondent to generally discuss any accounts of entrepreneurship within tourism that they know about or have witnessed, while telling the respondent that we do not wish to know specific names of the innovative parties, just a general description of the circumstances surrounding the innovation. In addition, we will ask the respondent what they think of tourism in general, and what they think of the social, economic, and environmental aspects of current tourism activity. The information from the interviews will be examined "across" participants to note any trends or patterns in their experiences.

Participation in the survey will be completely voluntary. Study records will be kept on a password protected server for five years once the project is completed. Analysis will be done with N-Vivo and coded by the P.I. and sub-investigators.

**4.0 \* Principal Investigator:**

Carol Kline

**5.0 Faculty Supervisor** (Serving as the responsible individual in the oversight of the research study when the PI is a student, resident, fellow or visiting faculty.)

**6.0 Study Coordinator or Contact Individual:**

**7.0 Contact Individual(s) (if different from Study Coordinator or Principal Investigator):**

Last Name First Name Organization Profile IRB Certification Renewal Deadline  
There are no items to display

**8.0 Sub-Investigators:**

Last Name	First Name	Organization	Profile	IRB Certification Renewal Deadline
Adams	Laura	Political Science, Department of	Laura Adams's Profile	5/25/2015
Bardashevich	Yana	Harriot College of Arts & Sciences	Yana Bardashevich's Profile	5/23/2015
Bulla	Brian	Other Organization/Institution	Brian Bulla's Profile	11/2/2013
Caspersen	Janna	Institute for Coastal Science & Policy	Janna Caspersen's Profile	4/24/2015
Delconte	John	Recreation & Leisure Studies, Department of	John Delconte's Profile	5/27/2015
Garner	Margaret	Institute for Coastal Science & Policy	Margaret Garner's Profile	1/25/2014
Green	Erin	NC Center For Sustainable Tourism	Erin Green's Profile	1/19/2015
Harris	Erin	NC Center For Sustainable Tourism	Erin Harris's Profile	5/24/2015
Hingtgen	Nathan	NC Center For Sustainable Tourism	Nathan Hingtgen's Profile	1/24/2015
Jones	Charles	NC Center For Sustainable Tourism	Charles Jones's Profile	5/24/2015
Jones	Sierra	Political Science, Department of	Sierra Jones's Profile	5/26/2015
Newton	Shan	NC Center For Sustainable Tourism	Shan Newton's Profile	5/9/2015
Olson	Stacy	Other Organization/Institution	Stacy Olson's Profile	5/22/2015
Plato	Sierra	NC Center For Sustainable Tourism	Sierra Plato's Profile	5/31/2015
Rubright	Heather	NC Center For Sustainable Tourism	Heather Rubright's Profile	5/25/2015

**9.0 Other Study Staff - (Read-Only):**

Last Name First Name Organization Profile IRB Certification Renewal Deadline  
There are no items to display

## APPENDIX B: IRB APPROVED INTERVIEW GUIDE

### Questions to “break the ice”

1. Tell us about what you do on an average day of work.
2. Why did you decide to work in the tourism industry?
3. What is your favorite part about working in the tourism industry?

### Conversation questions

1. What type of tourists do you see/meet? Where are they from? What do they do when they are here? What about Cuba are they interested in? Do you have any interaction with tourists (other than as an employee)?
2. Do you find some tourists more pleasant to be around than others? Please elaborate. What observations (or generalizations) can you make about some of the groups of tourists that you see? *Prompts: Who spends the most \$? What do they buy? Who is polite? Who observes cultural norms? Who is respectful to the environment? Who is more curious? Who asks about life in Cuba? What do you like/dislike about having foreign tourism in your community? Do you see a difference between tourists from Canada, Europe, South America, or the US? Prompt: Tell me a story about a positive or negative encounter with a tourist that has stuck with you.*
3. What types of impacts does tourism have in Cuba? In your community? *Prompts: Have you noticed any positive impacts of tourism? Have you noticed any negative impacts that have come from tourism? [Note to interviewer: think Community Capitals Framework]*
4. Have you noticed any changes in tourists or tourism over the years? Or in people’s attitude toward tourism? How has your own life changed as a result of tourism?
5. How do Cubans feel about tourism as a means for economic growth? What places or types of experiences should be further developed for tourists? What should be protected? What policies or guidelines are currently in place to protect special natural or cultural places? Which Cuban tourism sites have most positively affected the surrounding communities? Do any best practices or examples come to mind?
6. What are some of the changes that the state has implemented in recent years that may affect the tourism industry? *Prompt: Have you noticed changes regarding people’s engagement in private enterprise?*

7. How do you think that this will affect tourism? Will it affect the things that tourists can do or things that will be offered to tourists? Will it affect the money that can be made from tourism? How will these changes affect Cuban citizens? Do you think that people will engage in more private enterprise (related to tourism) than before? Do you see any age difference (younger/ older) in those engaging in private enterprise? Any gender difference? What else is needed to grow or enhance the tourism industry in Cuba? (IF THEY ARE INVOLVED IN PRIVATE ENTERPRISE) Why did you want to operate this business? How do you attract customers? Did you have any training to operate this business? Where do you turn if you have questions about running the business? Has the operation of this business improved your financial situation? How is the business regulated (locally, nationally)? Who are your suppliers? How would you characterize the permitting process, was it easy, somewhat challenging, difficult, etc. How long have you been open? What (three) things would help your business be more successful? (IF THEY ARE NOT INVOLVED IN PRIVATE ENTERPRISE) Have you considered opening your own business? Why or why not? What would make you more likely to open your own business? Do Cubans have a clear understanding of how to start a private enterprise?
8. What do you think would happen if the US Embargo were lifted? Have you noticed changes (in tourism) in recent years since Obama has been the US President? Do you think the Cuban people want American tourists to come to Cuba?