Are Tourism Ventures Included in Business Accelerators Fulfilling Their Financial Expectations?

Daniel Badulescu, Ramona Simut, and Alina Badulescu

Abstract Ambitious, growth-oriented start-ups represent an important driver of change and transformation in the global economy, including the "particular" tourism sector. These firms induce the evolution of the tourism industry, by transitioning from offering standard hospitality services to providing unique experiences to visitors. The real advantages brought by entrepreneurial initiative refer to enhancing factors that lead to economic growth, innovation and progress, and separating from factors leading to failure or mere survival of a firm. Supportive measures such as start-up accelerators, incubators and/or business angels are designed to stimulate and encourage development of new ventures, achieving growth targets and, implicitly, ensuring economic growth, general and individual prosperity. In this paper, we took into account a sample of tourism and hospitality associated activities firms and analysed the existence of a correlation between profit margin goals and the potential benefits that are typically associated with entrepreneurial accelerators. To this end, we relied on the database made available by the Entrepreneurship Database Program (EDP). Our results suggest that high-performance goals are related with not only the importance of suitable financing, mentorship, network development or business skills, but also an unconvincing alignment between the perception of entrepreneurial success, the expectations of young entrepreneurs and the requirements of business accelerator programs.

Keywords Small business · Tourism · Financial objectives · Business accelerators' benefits

JEL Classification L26 · L8 · M13 · Z3

D. Badulescu · R. Simut · A. Badulescu (✉)
University of Oradea, Oradea, Romania
e-mail: abadulescu@uoradea.ro

V. Katsoni and A. C. Şerban (eds.), *Transcending Borders in Tourism Through Innovation and Cultural Heritage*, Springer Proceedings in Business and Economics,
https://doi.org/10.1007/978-3-030-92491-1_12

1 Introduction

Tourism is one of the fastest growing industries in the world: in 2019, the touristic sector directly or indirectly accounted for 10.3% of global GDP, 330 million jobs or 10% of total employment (World Travel & Tourism Council (WTTC) 2020). According to UNWTO, tourism is one of the world's major economic sectors, accredited in 2019 for approximately 7% of global trade. For some small countries, tourism represents over 20% of their GDP, generating a large number of jobs and involving many small and medium enterprises (SMEs) (UNWTO, 2021a). However, in 2020, tourism was one of the sectors most affected by the COVID-19 pandemic, this crisis severely affecting economies, living wage, businesses, public services and opportunities on all continents (UNWTO, 2021a, 2021b). Especially, international tourism was hit by an "unprecedented shock, challenges and an existential threat to the tourism sector" (UNWTO, 2021a). Due to the COVID-19 pandemic, international tourist arrivals (overnight visitors) decreased by 74% compared to 2019 leading to a fall in international to levels similar to those registered 30 years ago (UNWTO, 2021b), and even optimistic scenarios do not see a return to the figures for 2018–2019 earlier than 2024.

The negative impact of COVID 19 on SMEs' performance is considerable; some sectors, such as tourism are particularly affected, also contributing to reduced business and consumer confidence. More generally, SMEs in tourism are likely to be more vulnerable to "social distancing" than other companies, being significantly affected by the virus and the measures taken to contain it (OECD, 2020).

Without ignoring the terrible shock suffered by the global tourism industry caused by the COVID-19 pandemic, but at the same time confident that the gradual return of tourism will occur within a reasonable time, we emphasize the importance of understanding the challenges and transformation facing the SMEs from tourism in the current period.

Transformations within the tourism industry are underlined by two major processes: on the one hand, *existing firms* within the industry innovate and develop their offers in order to better exploit new opportunities and to respond to the changing demands of the market. On the other hand, *new firms* begin to exploit new opportunities, competing, complementing and occasionally replacing the offer of existing firms: in other words, an adaptation of Schumpeter's "creative destruction" (Schumpeter, 1975). Subsequently, new start-ups, more innovative and attentive to market opportunities, are required for an industry to adapt to the extended development of demand. Governments and private organizations, by stimulating the founding and function of incubators and accelerators, hybrid systems and business angel networks, encourage the entrepreneurial mindset in the tourism industry, by contributing to increase public and individual revenues, improve the economic status of undeveloped regions and encourage job creation and economic initiatives as a whole.

Nevertheless, we should not ignore that founding and launching a firm in a particular and constantly transforming industry, on a market subject to unpredictable changes (fashion, global challenges, the depletion and degradation of resources),

is typically associated with a high degree of uncertainty (Badulescu & Badulescu, 2012). High-growth ambitions and enthusiasm cannot compensate the lack of experience, models and information on the dimensions and dynamics of markets and demand. Objectives, whether mere survival or targets to achieve, are essential in understanding the difficulties and constraints faced by such firms.

2 Measuring the Performance of Start-Ups

The performance of a business can be measured in terms of financial or non-financial indicators, as well as a combination thereof. Financial indicators are diverse: turnover, profit before taxes, returns on investment (ROI), returns on sales (ROS) or returns on equity (ROE), as well as the number of employees, the evolution of income in seasonal terms, the evolution of market share and income per employee (Orser et al., 2000; Robinson & Sexton, 1994). The most commonly used non-financial (but not subjective) measures are client satisfaction and loyalty, delivery time, waiting time and employees' turnover (Chong, 2008). Focused on achieving goals, most entrepreneurs and managers are interested in quantitative financial indicators and relegate non-financial indicators to the background. The explanation likely stems from (at least apparently) the objective nature of the financial indicators, as well as the ease of calculating and understanding. On the other hand, they are deeply rooted in historical data, are not publicly available, are (partially) confidential and their accuracy and actuality are not always certain (Brush & Vanderwerf, 1992; Covin & Slevin, 1989; Sapienza et al., 1988). Consequently, comparing results between sectors and among firms is rather difficult and easily contested. Non-financial indicators, while subjective, complement financial measures (Covin & Slevin, 1989) and aid entrepreneurs in forming a broader perspective on measuring and comparing firms' performance, particularly the efficient use of resources, preparing for change, and adapting to external pressure (competition, globalization and shifts in clients' preferences).

Acknowledging the above-mentioned limitations, entrepreneurs and SME managers adopt, in practice, a mixed approach, using both types of indicators. Moreover, entrepreneurs also employ a temporal perspective: yields are measured and interpreted on a certain timeframe, with respect to short- and long-term plans of the organization (Chong, 2008). Short-term indicators rely primarily on financial rentabilities, turnover, etc., while long-term measures are mixed, in order to better correspond to entrepreneurs' expectations, i.e., to provide useful information on the long-term survival of the organization (Birley & Westhead, 1994). Both types of information, through accumulation and correlation, can become a useful set of resources for anticipating future developments, planning growth and orienting the firm towards complex objectives (Barney, 1997; Haber & Reichel, 2005) or to a sustainable orientation of young businesses (Badulescu et al., 2015). In the tourism industry, similar to other fields, the increase in turnover and profits, overnight stays and supplementary services consumption are due to previous efforts and performance, the satisfaction, fidelity and recommendations coming from existing and former clients. Knowingly

or unknowingly, most entrepreneurs take a holistic approach to financial and non-financial indicators, relying on both market shares and satisfaction, turnovers, profits or rates of return as measures of firm activity.

3 Business Accelerators in Stimulating the Performance of New Companies

Reshaping the entrepreneurial ecosystem and providing support structures to inexperienced businesses with a high-growth potential rely on a network of incubators, accelerators, business angels, co-working spaces and hybrid systems (Cohen, 2013; European Union/OECD, 2019).

The results of accelerator programs are, at least at first sight, encouraging. Studies show that companies participating in top accelerator programs register a higher rate of achieving specific key objectives, such as obtaining required financing, exit by acquisition and an increase in the number of clients. Accelerators train entrepreneurs and provide experience for future stages, whether opportunities or crises. Being mentored by experienced entrepreneurs is not only a chance to become part of a network which would propel them to higher business spheres. The educational value of accelerators is certain and likely stems from the intensive learning environment promoted therein. Accelerators have a positive impact with respect to stimulating the entrepreneurial environment and creating adequate support and financing structures, encouraging the growth of young companies and generating confidence in investors and creditors.

Several studies (I-DEV International, Aspen Network of Development Entrepreneurs, Agora Partnerships, 2014) suggest that the value of accelerators is better perceived by growth-oriented, small firms in their early stages, compared with businesses already in their growth and consolidation phase. The most appreciated services are business plan or strategy development and peer mentoring, while administrative, legal and office assistance, including pro-bono legal advice, Internet/e-commerce access or website development and accounting assistance have moderate scores. Usually, there is a definite overlap between the interest in services during the entry and exit phases, respectively. This could suggest that firms which join accelerator programs have realistic expectations regarding the advantages and added value of such programs, and that selection systems are well-calibrated. However, there do exist some dissatisfactions regarding certain expected benefits, such as raised capital and investment readiness support, which would suggest the existence of inadequate accelerators and selection programs, which are not quite useful to the growth of the new entries.

4 Research Methodology

Our research is based on data series made available by the Entrepreneurship Database Program (EDP), housed at Emory University, which includes application data collected from programs that opened applications during the 2013–2018 window; at the same time, included information also consists of the first year of follow-up data, from entrepreneurs who applied to a self-selected group of accelerator programs. The Entrepreneurship Database Program at Emory University has a date which is interrelated to a wide range of accelerator programs, in order to systematically collect data from entrepreneurs who apply to and, if selected, participate in these programs. This vast, prospective, data collection program is part of the Global Accelerator Learning Initiative/GALI (Entrepreneurship Database Program & Aspen Networks of Development Entrepreneurs (EDP), 2019, p. 3).

The main data and the synthetic information we have used is contained in the 2018 Report, which includes the analysis of 13,845 responses given by entrepreneurs who have applied for accelerator programs that started in 2013. We have selected 356 for-profit companies from the tourism and artisanal sector who applied for the EDP accelerator programs. This research has tried to find out whether there is a correlation between the profit margin aspirations expressed by entrepreneurs that activate in the tourism and artisanal sector and the potential benefits that are typically associated with entrepreneurial accelerators.

5 Results and Discussion

Table 1 outlines the structure of companies by the potential benefits that are typically associated with entrepreneurial accelerators. The companies have ranked these benefits in terms of "how important they are to the development and success of their venture", by using the Likert scale, where 1 is the most important and 7 is the least important.

According to the results presented in Table 1, we can say that most of the sampled entrepreneurs give very high importance to the potential benefits of network development (mode = 1—the most important) and securing direct venture funding, e.g., grants or investments (mode = 1—the most important). Also, entrepreneurs give relatively high importance to the business skills development, mentoring and connections to potential investors/funders (mode = 2—important). On the other hand, "gaining access to a group of like-minded entrepreneurs" and "awareness and credibility" are the least important of the seven potential benefits.

Figure 1 presents a similar summary across the importance of the potential benefits arising from taking part in accelerator programs that are typically associated with entrepreneurial accelerators. On the boxplot, we have the horizontal lines that represent the minimum value and the maximum value, the red line which represents the median, while the outer boundary of the boxes indicates the first and third quartiles.

Table 1 The importance of the potential benefits that are typically associated with entrepreneurial accelerators

		Network development	Business skills development	Mentorship from business experts	Access and connections to potential investors/funders	Securing direct venture funding	Gaining access to a group of like-minded entrepreneurs	Awareness and credibility
N–sample volume		356	356	356	356	356	356	356
Mean		3.42	3.87	3.32	3.75	3.81	4.94	4.88
Median		3.00	4.00	3.00	4.00	4.00	5.00	5.00
Mode		1	2	2	2	1	6	7
Std. Deviation		1.938	2.027	1.752	1.816	2.084	1.800	1.917
Skewness		0.294	0.061	0.380	0.084	0.138	−0.634	−0.475
Kurtosis		−1.124	−1.286	−0.855	−1.109	−1.285	−0.652	−1.008
Minimum		1	1	1	1	1	1	1
Maximum		7	7	7	7	7	7	7
Percentiles	25	2.00	2.00	2.00	2.00	2.00	4.00	3.00
	50	3.00	4.00	3.00	4.00	4.00	5.00	5.00
	75	5.00	6.00	5.00	5.00	6.00	6.00	7.00

Question "The following are some of the potential benefits that are typically associated with entrepreneurial accelerators. Please rank these benefits in terms of how important they are to your venture's development and success (1—the most important and 7—the least important)."
Source The Entrepreneurship Database Program at Emory University.

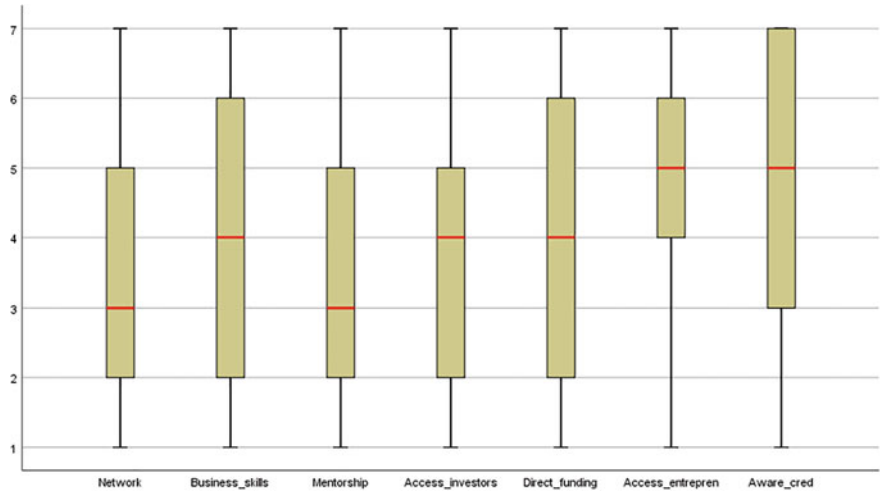

Fig. 1 Boxplot of the importance of the potential benefits (Likert scale analysis) *Source* The Entrepreneurship Database Program at Emory University

The results show that most entrepreneurs consider network development and mentorship as quite an important potential benefit (low median with wide range). According to the boxplot, we can say that only half of the entrepreneurs consider the business skills, the connections to potential investors and securing direct venture funding as important potential benefits (median = 4). The entrepreneurs from the tourism and artisanal sector consider gaining access to a group of like-minded entrepreneurs and the awareness and credibility as less important (high median with wide range). Based on these results, we want to determine how the average rank of the importance of these potential benefits is influenced by the profit expected by the entrepreneurs from the tourism and artisanal sector.

In order to understand the profit margin expected by the entrepreneurs, we considered six different target margins (no specific target, 0–5%, 6–10%, 11–15%, 16–20%, more than 20%) based on the following question: "What annual profit-margins would you be happy with achieving on average?" (Table 2).

Considering only the for-profit ventures from the tourism and artisanal sector, the largest groups are comprised of ventures that seek profit margins in excess of 41% (N = 147). The ventures with the margin objectives between 11 and 15%, on average, consider the networking benefits as one of the most important potential benefits (average rank = 2.81) and gaining access to a group of like-minded entrepreneurs as one of the least important potential benefits (average rank = 5.31). Regarding the ventures with no specific target, those with a profit margins objective between 6-10% and those with the highest margin objectives, we observe that mentorship benefits remains the most important potential advantage followed by the network. Also, in the case of these profit margins, gaining access to a group of

Table 2 The importance of the potential benefits depending on the profit margin—average rank

Profit margin (for-profit ventures)	N	Benefits from accelerator programs						
		Network	Business skills	Mentorship	Investors	Direct funding	Entrepreneurs	Awareness
		Average rank						
No specific target	112	3.38	4.26	3.19	3.63	3.76	4.95	4.84
0–5%	4	4	3.75	3	5	5.5	3.75	3
6–10%	50	3.42	3.52	3.08	4.24	4.46	4.56	4.72
11–15%	16	2.81	4.06	3.13	3.63	4	5.31	5.06
16–20%	27	3.33	4.22	3.56	3.19	4.04	4.44	5.22
More than 20%	147	3.51	3.62	3.48	3.76	3.53	5.15	4.95
Total	356	3.42	3.87	3.32	3.75	3.81	4.94	4.88

Note N_i—absolute frequencies
Source The Entrepreneurship Database Program at Emory University

like-minded entrepreneurs is considered one of the least important potential benefits together with the awareness and credibility (e.g., association with a recognized program, press/media exposure). Entrepreneurs whose profit objective is between 16 and 20% give higher importance to investors (access and connections to potential investors/funders). Thus, network development (e.g., with potential partners and customers) and mentorship are considered as being the most important potential benefit that is typically associated with entrepreneurial accelerators. This network development can be useful to entrepreneurs, given that they can grow the level of credibility and visibility of their company, and because network development can provide resources that would not be available at all in market, such as reputation, contacts with customers and suppliers.

In order to find whether there is a correlation between the profit margin aspirations expressed by entrepreneurs from the tourism and artisanal sector and the potential benefits that are typically associated with entrepreneurial accelerators, we will use two nonparametric tests. One of the most used parametric tests, which determine the association between two variables, is the Pearson correlation. In the case of nonparametric tests, the most known are the Spearman rank correlation coefficient that was first studied by Spearman (1904) and Kendall's Tau coefficient proposed by Kendall (1938). Because in this study we have 6 variables that are measured on a scale that is ordinal, we will use the Spearman Rank Correlation coefficient and Kendall's Tau coefficient (Table 3).

Spearman's rho and Kendall's tau correlations suggest significant relationships between the profit margin objectives and some of the potential benefits that are typically associated with entrepreneurial accelerators in our sample. We found a significant correlation at the 0.01 level (1-tailed) between the profit margin objectives and securing direct venture funding ($p = 0.003$), and a significant correlation at the

Table 3 The relationship between the profit margin and the potential benefits from accelerator programs

Benefits from accelerator programs		Profit margins	
		Kendall's tau_b	Spearman's rho
Network development	Correlation coefficient	−0.047*	−0.056*
	Sig. (1-tailed)	0.1	0.1
Business skills development	Correlation coefficient	−0.047*	−0.059*
	Sig. (1-tailed)	0.1	0.1
Mentorship from business experts	Correlation coefficient	−0.057*	−0.071*
	Sig. (1-tailed)	0.1	0.1
Access and connections to potential investors/funders	Correlation coefficient	-0.006	-0.006
	Sig. (1-tailed)	0.4	0.4
Securing direct venture funding	Correlation coefficient	-0.143^{***}	-0.175^{**}
	Sig. (1-tailed)	0.003	0.003
Gaining access to a group of like-minded entrepreneurs	Correlation coefficient	0.109^{**}	0.128^{*}
	Sig. (1-tailed)	0.02	0.02
Awareness and credibility	Correlation coefficient	0.009	0.011
	Sig. (1-tailed)	0.4	0.4

Note Correlation is significant: ***$p < 0.01$ (1-tailed). **$p < 0.05$ (1-tailed). *$p < 0.10$ (1-tailed)
Source Authors' calculation using the Entrepreneurship Database Program at Emory University

0.05 level (1-tailed) between profit margin objectives and gaining access to a group of like-minded entrepreneurs ($p = 0.02$). In the case of the securing direct venture funding objective, we have a negative correlation. Because the scale of the potential benefits that are typically associated with entrepreneurial accelerators is from 1 = most important to 7 = less important, and in the case of the profit margin, we have 1 = 0-5% and 5 = more than 20%, we can conclude that when the profit margin objective increases, the direct funding importance also increases. Regarding the gaining of access to a group of like-minded entrepreneurs, we have found a positive correlation. Therefore, we can conclude that the higher the profit margin objective is, the smaller the gaining of access to a group of like-minded entrepreneurs becomes. Mentorship from business experts ($p = 0.1$), business skills ($p = 0.1$) and network development ($p = 0.1$) are significant correlations with the profit margin objectives at the 0.01 level (1-tailed). Also, in these three cases we find a negative correlation. So, we can conclude that the higher the profit margin objective is, the higher the importance of mentorship, network development and business skills becomes.

6 Conclusions

Globalization, technology, changes in consumers' preferences and other critical factors contribute to the success or failure of tourism firms, leading to an increased interest of researchers, decision makers and entrepreneurs in understanding the means to develop and exploit the competitive advantages of a business, destination or policy (Ritchie & Crouch, 2003). This concert influences the way we understand the performance of a firm, and how it is measured and managed. Although traditional indicators, measuring the performance of a firm, (i.e., financial indicators), are most often discussed (and their importance, accuracy and ease of comparison should never be ignored), a number of researchers refer to their incompleteness and occasional unsuitability. This is of particular relevance in a field such as tourism, which is equally traditional and innovative, challenging and subject to rapid change (Avci et al., 2011; Badulescu & Badulescu, 2014; Dimanche, 2014; Ilies et al., 2017; Katsoni & Sahinidis, 2015).

In our paper, using the database provided by the Entrepreneurship Database Program (EDP), we took into account a sample of firms active in tourism and hospitality-associated services and analysed the existence of a correlation between profit margin goals and the potential benefits that are typically associated with entrepreneurial accelerators. Our findings suggest that, when the profit margin objective increases, the importance of finding suitable financing, mentorship, network development and business skills increases as well. On the other hand, "gaining access to a group of like-minded entrepreneurs" and "awareness and credibility" are perceived as far less important in obtaining a high profit margin. The results not only confirm, to some extent, previous studies in the field, but also show a lack of congruity between accelerators' objectives and firms' expectations, as well as specific traits of tourism firms compared to the general mean, which we intend to approach in future studies.

Acknowledgements "Data provided by the Entrepreneurship Database Program at Emory University; supported by the Global Accelerator Learning Initiative". Any interpretations or conclusions that are drawn from these data are to be attributed entirely and solely to the article's authors and not to the Entrepreneurship Database Program or to the Global Accelerator Learning Initiative.

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