

CHALLENGES OF SMALL ENTREPRENEURSHIP IN THE SUSTAINABLE DEVELOPMENT OF TOURISM IN THE REPUBLIC OF CROATIA

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Abstract

Purpose – The paper deals with the challenges faced by small and medium-sized enterprises and small tourism enterprises in the Republic of Croatia during the transformation of business towards sustainability. The answer to these challenges can be seen in the positive effects on the local community through participation in community welfare, preservation of natural and cultural heritage, environmental protection, etc., i.e., through contribution to the sustainable development of tourism.

Methodology – The paper presents the results of research obtained by surveying small entrepreneurs in tourism about the characteristics of small businesses and the challenges faced by small businesses in tourism in the Republic of Croatia. The basic hypothesis that small businesses in tourism contribute to the sustainable development of tourism in the Republic of Croatia is proven.

Findings – Empirical research has shown the negative impact of business risks, i.e., the challenges faced by small tourism entrepreneurs in their operations, on the sustainable development of tourism (economic sustainability, ecological sustainability, cultural sustainability, sustainability of the local community).

Contribution – The conducted research can be the basis for further research on small entrepreneurship in tourism and sustainable development of tourism in the Republic of Croatia. It contributes to the enrichment of knowledge about the profile of small entrepreneurs in Croatian entrepreneurship and to the understanding of the challenges that small entrepreneurs face in business.

Keywords: small business characteristics, small business challenges, sustainability of tourism.

INTRODUCTION

Small business is the backbone of Croatian tourism. They account for more than 90% of the total number of companies and more than 70% of the total turnover of companies in the accommodation and food and beverage sector (2019) (Eurostat 2023). With a wide range of entrepreneurial activities, which include accommodation services, food, mediation services, excursion organization services, tourist event organization services, animation, boat and mooring rentals, sports offer, etc., they significantly contribute to the diversification of the tourist offer and the development of destination tourism (Čapeta 2019, 257). The social and economic importance of small businesses is unquestionable; they are a source of innovation and change (Rusu and Lucian 2015; Marom, Lussier, and Sonfield 2019), which ensures their position as leaders in the transition of tourism

towards sustainable development. The implementation of sustainability in all business segments of the company is becoming a common practice of most providers of tourism services. In fact, 89% of SMEs in EU are taking at least one of the actions to become more resource-efficient, for example by using predominantly renewable energy, recycling or minimising waste (Eurobarometar 2021).

Growing awareness of responsible coexistence with the environment affects changes in personal priorities of travellers, reconsidering what is important to them and encourages changes in decision-making about tourist travel and the behaviour of tourists on a tourist trip. Tourists prefer destinations that promote sustainability, they want to experience nature in its original form, taste the fruits of nature and the work of the local population, participate in the challenges brought by sustainability and experience diversity. Tourism businesses are faced with challenges brought about by changes on the tourism demand side in terms of sustainability. The answer to these challenges can be seen in the positive effects on the local community through participation in community welfare, preservation of natural and cultural heritage, environmental protection, etc., i.e., through contribution to the sustainable development of tourism. However, business risks can diminish the contribution of small enterprises to the sustainable development of destinations. Climate change and/or a lack of quality workforce in tourism, for example, can jeopardize the operation of businesses and reduce their ability to operate sustainably.

The Tourism Development Strategy of the Republic of Croatia until 2020 (Government of the Republic of Croatia 2013) emphasized the importance of using the value system of sustainable development in the field of tourism, and sustainability is included in the very title of the new tourism development strategy applicable until 2030 (Government of the Republic of Croatia 2023). However, the goals cannot be achieved without the green transition of small and medium-sized enterprises. Therefore, the paper investigates the characteristics of small and medium-sized enterprises in tourism in the Republic of Croatia, the challenges and risks they face in the implementation of business sustainability and the contribution of small and medium-sized enterprises to economic, ecological, cultural and community sustainability, are the four pillars of sustainable tourism (McKercher 2003).

1. LITERATURE REVIEW

The tourism industry is dependent on the movement of people, on preserved natural resources, weather conditions, social and economic changes that can lead to its flourishing in a period of favourable circumstances or to its weakening in times of disasters. In recent years, the professional and scientific public has been increasingly interested in the tourism industry's dependence on the movement of people and its increased sensitivity to different factors travel and destination security threats (Fourie, Rossello-Nadal, and Santana-Gallego 2020; Agarwal, Page, and Mawby 2021; Bogdan, Šikić, and Bareša 2021), natural disasters (Rosselió, Becken, and Santaga-Gallego 2020), climate change (Glowka and Zehrer 2019), economic and political instability and crisis (World Tourism Organization and International Labour Organization 2013; Türkcan and Erus-Öztürk 2019) and others.

Furthermore, research is directed towards the sustainable development of tourism as an inevitable goal (Sharpley 2020) and a response to ubiquitous disruptions in the tourism market. It is being questioned whether the sustainable development of tourism as a set goal is sustainable (Hall 2019; Sharpley 2020). Sustainable development is becoming the main focus of all stakeholders in the destination, tourism policy makers (UNWTO), destination marketing organizations and scientists, but research (Hall 2019) indicates that tourism on a global level is less sustainable than ever.

Small and medium-sized enterprises in tourism are increasingly becoming the focus of scientific research due to their position within the tourism sector and tourist destination (Buffa, Franch, and Rizio 2018). Studies show the dominant participation of small and medium-sized enterprises in the tourism sector (Ploh 2017; Eurostat 2023), and importance is also given to the characteristics of small tourist enterprises (Bujan 2020). Drawing on stakeholder theory (Byrd 2007), small businesses are seen as key contributors to the sustainable development of a destination due to their role in the development of tourism in the area (Pike and Page 2014). The greater contribution of small business owners to sustainable tourism development reflects their ability to address multiple risks identified.

The Covid-19 pandemic brought to the fore the question of the dependence of small businesses on tourism trends and the negative effects of disruptions in tourism trends (domestic and foreign) on the operations of small businesses (Badoc-Gonzales, Mandigma, and Tan 2022), as well as the issue of the sensitivity of tourism to health crises and consequently economic crisis (Lončarić, Popović, and Kapeš 2022). Badoc-Gonzales, Mandigma, and Tan (2022), investigating the resilience of small businesses, come to the conclusion that the application of a series of responses to environmental challenges are not sufficient in relation to sustainability. Companies can develop a system of resilience, but the company's responses will only have short-term effects. Resilience is necessary but not sufficient to achieve sustainability. They conclude that by accepting the principles of sustainability, small and medium-sized enterprises increase their resilience and competitiveness. Camilleri and Valeri (2022) view small businesses, especially family businesses, as resilient entities and proactive forces in terms of innovation, employment and productivity.

Glowka and Zehrer (2019) point out that managing the risks and challenges faced by tourist destinations requires taking into account the specifics and environment in which they operate and the need for all stakeholders in the destination to perceive risks and adequately respond to them. Considering the position of small business in the destination, they identify externalization of risks, such as labor shortages, and neglect of responsibility to attract employees by improving working conditions. They put special emphasis on climate change, considering that the Austrian destinations where the research is conducted depend on the amount of snow during the winter. They emphasize that externalizing risks onto other stakeholders in the destination prevents a proactive approach to entrepreneurship in sustainable destination development.

The Sustainable Tourism Development Strategy until 2030 (Government of the Republic of Croatia 2023: 4), based on the analysis of the state of Croatian tourism, identifies ten key challenges of Croatian tourism: temporal and spatial unevenness, the impact of

tourism on the environment and nature, the relationship between tourism and climate change, adaptation to accelerated technological changes in tourism, quality of life and well-being of local populations, insufficient human resources in terms of quantity and quality, inadequate structure and quality of accommodation capacities, unfavorable business and investment environment, inadequate legislative and managerial framework, the impact of crises on tourism, and changes in tourist behavior and needs. However, there is a lack of research in the literature on the challenges of small entrepreneurship in sustainable tourism development in Croatian destinations, as well as research on the connection between risks of sustainable development and the contribution of small entrepreneurship to sustainable tourism development.

Research on the contribution of small businesses to the sustainable development of tourism through economic, ecological, cultural and community sustainability is present in the literature (McKercher 2003), but not as a link to the risks of the sustainable development that small businesses face in business and their transition to sustainable business.

2. SMALL BUSINESS

Based on stakeholder theory and the contribution of all stakeholders to sustainable tourism development, as well as the challenges that arise from such relationships, it is necessary to consider the position of small businesses in the tourism sector of the Republic of Croatia. Research (Ploh 2017; Čapeta 2019) shows the dominant position of small businesses in the tourism sector. In the period from 2011 to 2020, small businesses (small and medium-sized enterprises) participated in the total number of companies in the activities of providing accommodation and preparing and serving food in the Republic of Croatia with about 99.9% (Eurostat 2023) (Table 1). There have been no significant changes in the structure of the company in the past 10 years. Compared to the EU-27 average, slightly higher rates can be observed in some years, but in most of the observed period (2011-2020), the participation of small and medium-sized enterprises was at the level of the EU-27 (99.9 %).

Table 1: Number of companies in the activity of providing accommodation and preparing and serving food in the Republic of Croatia and EU-27, 2011-2020

Year	Republic of Croatia		EU-27	
	Absolute number	Share in %	Absolute number	Share in %
2011.	18.300	99,9	1.695.666	99,9
2012.	17.523	99,9	1.698.838	99,9
2013.	17.839	99,9	1.698.558	99,9
2014.	19.510	99,9	1.708.206	96,6
2015.	19.768	99,9	1.719.423	96,3
2016.	19.889	99,9	1.847.632	99,9
2017.	19.882	99,9	1.849.284	99,9
2018.	20.564	99,9	1.861.136	99,9
2019.	21.864	99,9	1.888.050	99,9
2020.	20.756	99,9	1.836.109	99,7

Source: Author's calculation according to: Eurostat, 2023.

The period from 2011 to 2020 was marked by an increase in the number of small and medium-sized enterprises, while large enterprises recorded a decrease. Small companies (3,9%) had the highest growth rate, and micro-enterprises (0-9 employees) had the lowest (1.2%). In the structure of companies, the dominant place is occupied by micro companies with a rate of decrease from 93.7% in 2011 to 92.8% in 2020 (Table 2). In 2020, a decrease in the number of companies in all categories can be observed compared to 2019, as a result of the measures to limit the movement of the population at the global level taken to reduce the spread of the coronavirus. The pandemic caused by the coronavirus in 2020 resulted in a drastic reduction in the number of tourist arrivals and overnight stays on a global level, including in the Republic of Croatia. Foreign tourists achieved 5.5 million tourist arrivals and 35.4 million tourist overnight stays, which was only 32% of realized tourist arrivals and 42% of tourist overnight stays in 2019 (State Statistical Office, 2020). In 2020, security proved to be one of the key factors in undertaking tourist trips.

Table 2: Structure of companies in the activity of providing accommodation and preparing and serving food in the Republic of Croatia by company size, 2011-2020

Year	Total	0-9		10-20		21-49		50-249		250 and more	
		Num.	Share in %	Num.	Share in %	Num.	Share in %	Num.	Share in %	Num.	Share in %
2011.	18.324	17.175	93,7	728	4,0	268	1,5	129	0,7	24	0,1
2012.	17.545	16.386	93,4	762	4,3	258	1,5	117	0,7	22	0,1
2013.	17.862	16.617	93,0	832	4,7	268	1,5	122	0,7	23	0,1
2014.	19.532	18.244	93,4	865	4,4	283	1,4	118	0,6	22	0,1
2015.	19.790	18.436	93,2	895	4,5	322	1,6	115	0,6	22	0,1
2016.	19.913	18.437	92,6	1.028	5,2	305	1,5	119	0,6	24	0,1
2017.	19.911	18.300	91,9	1.110	5,6	346	1,7	126	0,6	29	0,1
2018.	20.592	18.917	91,9	1.137	5,5	380	1,8	130	0,6	28	0,1
2019.	21.888	20.107	91,9	1.239	5,7	389	1,8	129	0,6	24	0,1
2020.	20.772	19.279	92,8	1.040	5,0	343	1,7	94	0,6	16	0,1

Source: Author's calculation according to: Eurostat, 2023.

Accommodation in households was given priority over hotel accommodation due to a higher level of security. Guests preferred accommodation outside of large hotel facilities and felt safer in small family hotels and households. Also, destinations with a lower level of coronavirus patients and with more liberal movement restriction measures had an advantage in making tourists' decisions about a tourist trip.

Although small entrepreneurship has a dominant place in the total number of companies in the tourism sector, its participation in the total realized income (the sum of all sales of goods and services in the reference period) is significantly smaller, with around 70% in 2019. However, it should be noted that in 2020, the year of the start of the Covid-19 pandemic, small businesses showed flexibility, and the decline in income in small businesses was significantly lower than in large companies (Table 3). In 2020, micro-enterprises accounted for 41.9% of total revenues and increased their share by 10% compared to 2019. At the same time, large companies participate in the total turnover with 21.7% and reduce their share compared to 2019 by about 8.7%.

Table 3: Structure of realized turnover in the activities of providing accommodation and preparing and serving food in the Republic of Croatia by company size, 2011-2020

Year	Total	0-9		10-20		21-49		50-249		250 and more	
		mil. EUR	Share in %	mil. EUR	Share in %	mil. EUR	Share in %	mil. EUR	Share in %	mil. EUR	Share in %
2011.	2.386,0	772	32,4	238	10,0	241	10,1	498	20,9	636	26,7
2012.	2.387,8	771	30,2	235	9,9	266,4	11,2	505	21,2	660	27,6
2013.	3.020,3	1.092,6	36,2	349	11,6	314,5	10,4	521	17,2	743	24,6
2014.	3.083,6	1.125,3	36,5	358	11,6	309,6	10,0	513	16,6	778	25,2
2015.	3.356,5	1.207,2	36,0	380	11,3	359,2	10,7	551	16,4	859	25,6
2016.	3.728,5	1.305,5	35,0	471	12,6	385,8	10,3	578	15,5	989	26,5
2017.	4.004,6	1.295,0	32,3	494	12,3	415,6	10,4	599	15,0	1.201	30,0
2018.	4.405,7	1.419,1	32,2	538	12,2	485,2	11,0	671	15,2	1.293	29,3
2019.	4.702,1	1.487,2	31,6	571	12,1	507,0	10,8	713	15,2	1.429	30,4
2020.	2.373,6	994,3	41,9	324	13,6	272,2	11,5	268	11,3	516	21,7

Source: Author's calculation according to: Eurostat, 2023.

Small and medium-sized enterprises employ about 85% of the total number of employees in the tourism sector (Table 4).

Table 4: Structure of employees in the activities of providing accommodation and preparing and serving food in the Republic of Croatia by company size, 2011-2020

Year	Total	0-9	10-20	21-49	50-249	250 and more
2011.	100,0	52,1	10,4	8,5	14,8	14,2
2012.	100,0	52,8	11,1	8,5	13,5	14,1
2013.	100,0	51,8	11,7	8,5	13,0	14,5
2014.	100,0	53,7	11,5	8,4	12,7	14,3
2015.	100,0	50,6	12,2	9,7	12,2	15,2
2016.	100,0	49,7	13,4	9,0	11,9	16,0
2017.	100,0	47,4	13,6	9,5	11,6	17,9
2018.	100,0	43,9	14,3	10,5	12,1	19,2
2019.	100,0	46,4	13,9	9,6	11,4	18,7
2020.	100,0	50,8	13,6	10,1	10,0	15,4

Source: Author's calculation according to: Eurostat, 2023.

The largest number of employees is in micro-enterprises, which account for more than 50% of the total number of employees. Minor changes can be observed in the structure of employees by company size in the period from 2011 to 2020. The share of employees in micro-enterprises decreased from 52.1% to 50.8%, while at the same time the number of employees in small companies increased from 18.9 to 23.7%. Medium-sized companies and large companies decreased their share in the total number of employees in the tourism sector.

From this brief overview of small businesses in the Republic of Croatia, it can be seen that they form an important segment of the tourism sector with more than 99% of the total number of companies, generate around 70% of revenue and employ around 85% of the total number of employees in the tourism sector of the Republic of Croatia.

3. METODOLOGY

It is a well-known fact that entrepreneurs risk their time, money, and effort to start and run a business (Rusu and Lucian 2015). However, in the context of this work, the focus is not on the risk that small entrepreneurs in tourism face in their daily business and which they were aware of when starting a business venture, but on the challenges that follow the sustainable development of tourism and the transition of small business to green business as key factors of development tourist destinations. Business risks for small entrepreneurs are seen as barriers to overcoming the challenges of sustainable tourism development, while their contribution to sustainable development reflects their ability to identify and overcome risks.

The research includes determining the connection between the perception of business risk of small enterprises and their contribution to the sustainable development of tourism. Forty-two companies from tourist destinations throughout the Republic of Croatia were included in the research. The research is based on the views of the owners or managers of small businesses in tourism and was conducted through a Google form questionnaire that was sent to small businesses according to FINA data.

The questionnaire consists of three parts. In the first part, there are sociodemographic features of the owner/manager of the company and features of the company. The second part includes questions or claims about the level of risk faced by small businesses in business and their contribution to the sustainable development of tourism in the destination. The third part of the questionnaire refers to questions or claims about the contribution of a small business to sustainable development.

Based on the research by Glowka and Zehrer (2019), the authors designed survey questions that focus on the risks faced by entrepreneurs in the Austrian region of Tyrol, which include climate change, a lack of qualified workforce, price dumping, and destination development and marketing. The survey questions adopted two variables: climate change and a lack of qualified workforce. Another study by Šverko Grdić and Špoljarić (2018) confirmed that climate change, indicated by increasing air temperatures, has a positive effect on Croatian tourism. However, the study also highlighted that there are limitations in terms of the optimal temperature, and if the temperature exceeds that threshold, the number of tourists will begin to decrease unless the tourism sector takes certain adaptation measures. The interplay between climate change and a lack of human resources in quantity and quality is identified as one of the key challenges of Croatian tourism in the Strategy for Sustainable Tourism Development until 2030 (Government of the Republic of Croatia 2023).

The variable of security follows research on the impact of perceived security on destination choice (Bagarić, Barišić and Martić Kuran 2019; Fourie, Rossello-Nadal, and Santana-Gallego 2020). The Covid-19 crisis is the best example of the impact of security on tourism business (Bogdan, Šikić, and Bareša 2021; Lončarić, Popović, and Kapeš 2022). In addition to these security threats, political and economic security (Türkcan and Erus-Öztürk 2019), financial, demographic, energy, ecological, social, innovation, and other uncertainties represent a business risk. Therefore, security is perceived as a variable of high-risk intensity.

Added to this is another variable that is indispensable in the business of small businesses in the Republic of Croatia, and it relates to the risk of financing, i.e., insufficient financial resources for the green transition. The variable follows the European Commission's report (2022) which reveals insufficient access to financing as a limiting factor in the ability of small and medium-sized enterprises to invest in environmental sustainability, as well as Eurobarometer surveys (2021; 2022) that identify non-repayable financial support as one of the measures to increase resource efficiency and green transition in the Republic of Croatia. Numerous studies (Ploh 2017; Knežević and Has 2018) point to limitations in accessing financing for small and medium-sized enterprises in the Republic of Croatia. Considering the problems faced by small businesses on the financial market, especially during the recovery from the measures taken to combat the Covid-19 pandemic, which included, among other things, the complete stoppage of tourist flows, it is quite evident that investments for green transition is one of the business risks of small businesses.

The contribution of small entrepreneurship to sustainable tourism development in the Republic of Croatia is observed within the framework of the established global sustainable tourism goals that relate to the environmental, economic, and socio-cultural aspects of tourism development and which should (UNWTO n.d.): optimally use environmental resources, respect the socio-cultural authenticity of the local community, preserve cultural and traditional values, and ensure sustainable, long-term economic growth that will provide all stakeholders with socio-economic benefits. The authors shaped the questions in the survey based on the established theoretical framework of sustainable tourism development (McKercher 2003), the OECD study (2017), the European Commission report (2022), and the research by Lopez, Pires, and Costa (2020).

The measurement instrument is a Likert scale from one to five applicable in similar studies (Lopez, Pires, and Costa 2020). Using the correlation method, the authors demonstrate the interrelationship between the risks or challenges of small entrepreneurship in the Republic of Croatia and their contribution to the sustainable tourism development of the Republic of Croatia.

4. RESULTS

The research for the purposes of the work included 42 small companies in the tourism sector, i.e., 42 respondents - directors/managers of small companies in the Republic of Croatia, who evaluated the identified risks on a Likert scale from one to five (one - I completely disagree, five - I completely agree. The profile of the respondents and the size of the companies included in the research are shown in Table 5. The majority of respondents were men with a share of 64.3%. In terms of age, the largest group of participants in the survey were aged 31-40 years (33.3%), who together with respondents aged 41-50 years accounted for over 57%. With respect to the size of the company, directors/managers of micro-enterprises participated in the survey with a dominant share of 61.9%.

Table 5: Descriptive analysis of respondents

	Variable	Frequency	Share in %
Sex	Male	27	64,3
	Female	15	35,7
Age	18-30	8	19,0
	31-40	14	33,3
	41-50	10	23,8
	51-60	7	16,7
	61 and more	3	7,1
Company size	0-9 employees	26	61,9
	10-49 employees	16	38,1
	50-249 employees	-	-
Total		42	100,0

Source: Author's research results.

The respondents rated business risk based on four statements (Table 6). Respondents showed agreement for all the statements offered, with an average score of 3.52 for the statement “Business of the company is dependent on climate change” to 4.24 for the statement “Financial resources for the green transition are unavailable to the company”.

Table 6: Descriptive analysis of the construct "Risk"

	Risk			
	Business operations are dependent on climate change.	Security has a high degree of risk to the company's operations.	The lack of quality personnel has a negative effect on the company's operations.	Financial resources for the green transition are unavailable to the company.
N	42	42	42	42
Mean	3,52	3,98	4,14	4,24
Std. Deviat.	0,917	0,715	0,647	0,726
Variance	0,841	0,512	0,418	0,527
Minimum	1	2	3	3
Maximum	5	5	5	5

Source: Author's research results.

Based on previous research (Šverko Grdić and Špoljarić 2018; Glowka and Zehrer 2019), and bearing in mind the fact that tourism in the Republic of Croatia contributes significantly to the development of tourism and that the economy is dependent on summer tourism, climate change has been identified as one of the challenges faced by all stakeholders in tourism. According to Šverko Grdić and Špoljarić (2018), climate change is a unique challenge for the entire human civilization, and therefore it also affects tourism. A summer rich in precipitation is a risk that calls into question the summer season. The increase in air temperature in the 20th century at the global level was also recorded at measuring stations in the Republic of Croatia, 0.02 °C and 0.07 °C per ten years (Gajić-Čapka, Zaninović, and Cindrić 2010). Rising temperatures lead to a decrease in snow cover and ice melting, and heat waves during the summer have negative effects on the health of the elderly population. The conducted research showed

agreement among respondents with the statement “Business operations are dependent on climate change” (average score 3.52). Šverko Grdić and Špoljarić (2018) demonstrated a positive impact of rising air temperature on the number of tourist nights. However, the authors emphasize that above the “optimal temperature” limit, the correlation will not be positive and will have negative effects on destination and travel time choices. In the Glowka and Zehrer (2019) study, entrepreneurs recognized climate change as a major business risk. The challenge for small business owners is to develop offers that reduce the dependence of tourist flows on weather conditions and extend the tourist season.

The dependence of businesses on climate conditions creates uncertainty and the inability to plan employment, unsustainability of a large portion of business models and investment plans (Government of the Republic of Croatia, 2023), which leads to the second variable identified as a business risk, security (Bagarić, Barišić and Martić Kuran, 2019; Fourie, Rossello-Nadal, and Santana-Gallego 2020). Security (Bagarić, Barišić and Martić Kuran, 2019; Fourie, Rossello-Nadal, and Santana-Gallego 2020) is also one of the variables that has a significant impact on tourism results and small business operations. The health crisis caused by the Covid-19 pandemic has clearly shown all the sensitivity of tourism, but also the resilience of small businesses, flexibility, and adaptation to new business challenges. Most of the participants in the research agree with the statement “Security has a high degree of risk to the company's operations” (average rating 3.98), which was expected given the presence of a large number of studies that identify security as one of the key factors in destination selection (Bagarić, Barišić and Martić Kuran, 2019; Bogdan, Šikić, and Bareša 2021; Lončarić, Popović, and Kapeš 2022). Croatia is perceived as a safe tourist destination (Government of the Republic of Croatia 2023). However, business operations in the tourism sector are influenced by seasonality and various threats, such as the Covid-19 crisis, shaping an uncertain environment that can be a limiting factor for investments in green transition.

One of the challenges that the Republic of Croatia has been facing in recent years is the lack of workforce in tourism, and tourist companies are forced to hire staff of various profiles, which results in a low level of quality of work. According to estimates, around 30,000 workers are missing in tourism. The respondents agree with the statement “The lack of quality personnel has a negative effect on the company's operations” (average rating of 4.14). Glowka and Zehrer (2019) identify the lack of quality personnel as one of the risks of small business operations and point out the need for strategic thinking in retaining personnel in tourism. Mitigating the seasonality of tourist activities is seen as a solution to improving employment and job security in tourism (Government of the Republic of Croatia 2023), which would reduce the need for seasonal workers and decrease the risks of small business operations.

The respondents agree with the statement “Financial resources for the green transition are unavailable to the company” (average rating 4.24). Ploh (2017) points out that small businesses in the Republic of Croatia have very limited access to sources of financing. They are most often faced with expensive and relatively complicated access to bank loans, and the most important limitation is excessive insurance and high costs of documentation and financing. Therefore, the financing of the green transition is very limited. An alternative way of financing the transition of small and medium-sized

enterprises to green practices is the financial resources of the European Union through the InvestEU program (Eurobarometer 2022).

With the help of the t-test, it was proved whether there is a difference in risk for micro and small companies. The t-test in Table 7 shows that such a difference does not exist, that is, that the mentioned risk exists in both companies.

Table 7: **t-test of company size and the construct “Risk“**

	Leven test		t-test					
	F	Sig.	t	df	Significance		Mean Difference	Std. Error Difference
					One-tailed	Two-tailed		
Risk	1,735	0,195	-0,624	40	0,268	0,536	-0,073	0,11752

Source: Author's research results.

Many studies (Getz, Carlsen and Morrison 2004; McDonald and Marshall, 2018) highlight the importance of small entrepreneurship in the economic sustainability of the destination, affecting the improvement of the quality of the local population. They are proactive forces in terms of innovation, employment, and productivity. They can offer products and services in an authentic and sustainable way and as such contribute to the sustainable development of the destination.

The attitudes of small business owners about the sustainable development of tourism are examined through four variables, i.e., the statements that the interviewees rated from one to five (one - completely disagree, five - completely agree. The respondents rated the statements in a range of 3,21 for the statement “In business, the company promotes local and indigenous culture” to 4.33 for the statement “In your business, you use at least one action to become more efficient in terms of preserving natural resources: reducing energy consumption, recycling, reducing waste, using renewable energy sources, you are more energy efficient, etc.” Respondents were neutral on two statements that reflected: economic sustainability (“The company generates added value”) and cultural sustainability (“The company promotes local and indigenous culture in business”), while the other two statements that reflected ecological sustainability and local sustainability communities showed agreement (Table 8).

Table 8: **Descriptive analysis of the construct “Sustainable development of tourism“**

	Sustainable development of tourism			
	The company generates added value.	Use at least one action in your business to become more efficient in conserving natural resources.	In business, the company promotes local and autochthonous culture.	The company employs local people.
N	42	42	42	42
Mean	3,26	4,33	3,21	3,50
Std. Deviat.	0,734	0,650	0,976	0,862
Variance	0,539	0,423	0,953	0,744
Min.	2	3	1	2
Max.	4	5	5	5

Source: Author's research results.

The economic sustainability was assessed through the statement “The company generates added value”. Although the respondents showed neutrality towards this statement (average rating 3,26), it can be observed that they are closer to agreement than disagreement. An OECD study (2017) highlights the crucial role of small and medium-sized enterprises in national economies around the world, generating employment and added value. Small and medium-sized enterprises accounted for 71.7% of the generated value added in the tourism sector in 2020 (Croatian Bureau of Statistics 2022), confirming their contribution to the economic sustainability of the destination.

The research shows a developed awareness among small business owners about the importance of preserving natural resources. The highly rated statement “Use at least one action in your business to become more efficient in conserving natural resources” (average rating 4,33) confirms the contribution of small business owners to environmental sustainability. This is supported by the European Commission report (2022), which shows that 89% of small and medium-sized businesses that participated in the survey use at least one action to reduce negative impacts on resources (reducing energy consumption, recycling, reducing waste, using renewable energy sources, being more energy-efficient, etc.).

The cultural sustainability was observed through the statement “In business, the company promotes local and autochthonous culture”. The neutrality of the respondents towards this statement (average rating 3,21) indicates that companies still do not place greater importance on promoting the local and authentic culture of the destination in which they operate, and they contribute less to cultural sustainability compared to ecological sustainability.

The contribution of small businesses to community sustainability was observed through the statement “The company employs local people” (average rating 3,50). Creating new jobs contributes to the economic sustainability of the destination (Lopez, Pires, and Costa 2020), but at the same time, it also affects the retention of the local population and the sustainability of the community by reducing unemployment rates and improving the quality of life in the destination.

Table 9 shows the results of the correlation analysis of the two constructs “Risk” and “Sustainable tourism development”.

Table 9: Correlation of the variables “Risk“ and “Sustainable development of tourism“

Variable	Variable 2	Correlation	Count	Statistic Lower C.I.	Upper C.I.
Risk	Sustainable development of tourism	0.136	42	-1.76	0.422

Source: Author's research results.

The correlation coefficient of 0.136 shows the mutual connection between the two constructs “Risk” and “Sustainable Development”, although the connection is weak. By

increasing the risk of small businesses, their contribution to the sustainable development of tourism decreases.

CONCLUSION

Understanding sustainability as a development process, it is quite clear that with the growing awareness of the sustainability of all stakeholders in the destination, the opportunities for effective sustainable development of the destination increase. In doing so, it is extremely important to include all stakeholders in the adoption decision on the direction of development of the destination, so that all stakeholders have potential benefits. The integration of all stakeholders in the destination is a key factor in the sustainable development of tourism. By practicing sustainability in their business model, small businesses lay the foundations for long-term sustainability.

The results of the research indicate the importance of small and medium-sized enterprises in sustainable tourism development, their perception of business risks associated with sustainable tourism, and their contribution to the sustainable development of Croatian tourist destinations. Empirical research has shown the negative impact of business risks, i.e., the challenges faced by small tourism entrepreneurs in their operations, on the sustainable development of tourism (economic sustainability, ecological sustainability, cultural sustainability, sustainability of the local community). By recognizing the risks and challenges of sustainable development and contributing to the sustainable development of tourism destinations, small businesses create conditions for long-term business and competitiveness.

The conducted research can be the basis for further research on small entrepreneurship in tourism and sustainable development of tourism in the Republic of Croatia. It contributes to the enrichment of knowledge about the risk of small entrepreneurs in Croatian entrepreneurship in green transition and to the understanding of the challenges that small entrepreneurs face in business and their contribution to the sustainable development of Croatian tourism. However, the limitation of the study is the small sample size of respondents, which may affect the relevance of the research findings.

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