Chapter 1  
Sustainable Development Through an Embedded Tourism Industry: A Theoretical Exploration

Introduction

Discussions about sustainable tourism development generally focus on policy making. Many studies on sustainable tourism development address issues such as area tourism planning and development, management, and the formulation of tourism development guidelines and regulations. However, in this study, rather than focusing on policy making, I will focus on small-scale tourism entrepreneurs who are affected by prolonged crisis. The study intends to explore the ways the entrepreneurs reacted when the prolonged crisis jeopardized tourism development sustainability.

While considerable scholarly attention has been devoted to the issue of how tourism enterprises react to crises, many focused on coping strategy management. They addressed topics such as how the image of tourist destinations could be improved so that tourists would return or gave suggestions on what firms could do to ensure that their companies would not collapse as a result of a crisis. These kinds of studies are relevant when a crisis is short-term and temporary. When a destination suffers from prolonged and complex crises, it is difficult to adopt the proper tools for crises management in order to improve the destination’s image. However, I am not going to be further involved in the discussion on the improvement of the destination’s image, as it is not the direction of my research. Instead, I will take a different angle by studying the entrepreneurs’ coping strategies by taking into account the entrepreneurs’ embeddedness to their social environment.

For that purpose, the theoretical exploration below will address a number of concepts. The first notion to be explored is that of sustainable tourism development as a broad umbrella concept. In this section, I will discuss the progress of tourism development ranging from the idea of mass tourism to
sustainable development through tourism and the latest debate of what is often labelled ‘sustainable tourism development’.

The concept of sustainable development provides the encompassing framework for the approach to tourism-related entrepreneurship, which is understood in terms of its embeddedness in the wider societal context. It is argued that in order to understand the economic behaviour of entrepreneurs, we need to move away from considering them in isolation and look at the entrepreneurial process (Jack & Anderson, 2002:467) against the background of the societal context within which the tourism-related small-scale enterprises are embedded. Within this broader societal context a number of concepts will be distinguished – such as livelihood strategies, the household economy, social capital, and social networks – in order to address the specific characteristics that have been elaborated by scholars studying local economy. A specific aspect of this local economy and in particular of the small tourism enterprises that constitutes the focus of this study is that they can be positioned at the interface of the formal and the informal sectors of the local economy. Therefore, this chapter will also address the debates on the shifting interfaces of the formal-informal sector in particular in the domain of tourism. The discussion will focus especially on the persistent existence of the informal sector economy.

**Community-based Tourism and Sustainable Economic Development**

Many countries have promoted international tourism as the engine of economic development, and many governments in developing countries consider tourism as an economic development vehicle (Tosun, 1998; Mbaia, 2003). This trend was apparent as early as the 1960s when tourism was embraced as a major component of economic development in strategies towards “modernization”. Achievements, both in the economy and in transportation technology reached by the industrialized European countries and the United States after the Second World War, facilitated people from these countries to make long journeys. They also had more money to spend. Subsequently, as the aircraft technology managed to build wide-bodied fuel saving aircrafts and the airline industries were also becoming more
competitive, long haul transportation became less expensive. Recognizing this trend, multilateral institutions such as the World Bank and OECD advised developing countries to take the opportunity to promote international tourism as a source of their economic income. Hence, mass tourism expanded as a result (Hampton, 2005:735-4).

In fact, the contribution of international tourism to the economic growth of Third World economies is unquestionable (Tosun, 1998:133) but the development also invited criticism. As stated by O’Sullivan & Jackson, this positive trend should be treated with caution as, despite the benefits of tourism as a tool for economic development, wider negative impacts and implications affecting sustainability have to be taken into account (O’Sullivan & Jackson, 2002:326). Mass tourism has been criticised for causing economic leakages. With mass tourism development, which focuses on large-scale foreign investors and corporations, foreign exchange flows out of the host countries and back into the countries of origin, which in many cases are the rich Western countries (Gentry 2007:478). Mass tourism is also blamed for causing negative impacts on local cultures and for the exhaustive exploitation and depletion of natural resources. Furthermore, it is also criticised for the neo-colonial pattern of relationship between the developed and the less developed countries, or the host and the guest countries (Gentry 2007:478). Within the host communities, many studies reveal that the elites acquire a much greater part of the benefits than the common people (Gentry 2007:478).

Calls for more sustainable development started at the beginning of the 20\textsuperscript{th} century (Van der Duim, 2005:154) with the peak being the 1980s publication of the United Nations World Commission on Environment and Development Brundtland Report – \textit{Our Common Future in 1987} (Bartlett, 1994; Van der Duim, 2005). In that report, sustainable development was broadly defined as “development that meets the needs of the present without compromising the ability of future generations to meet their own need” (World Commission on Environment and Development, 1987:42). It addressed the importance of looking at environmental problems from an interdisciplinary perspective (Hens and Nath cited in Van der Duim, 2005:157) and places elements of the sustainable development debate
within the economic and political context of international development (Adams cited in Van der Duim 2005:157). During the Earth Summit in 1992, the participants formulated the international action plan on sustainable development (Neto, 2003:218). In the conference, the focus was on the formulation of an urgent agenda to protect the earth’s natural environment and to promote less destructive strategies of industrialisation and development. Basically, the conference tried to find ways to replace the old emphasis on economic growth with a push for sustainable development (Murphy & Price, 2005:167). Although the agreements reached at the Earth Summit did not have any legal basis, the agreements did serve as the principles for global sustainable development (Berry & Ladkin, 1997:434).

Despite the fact that tourism was only a minor subject of discussion in Rio de Janeiro, travel and tourism is considered one of the industries, which has the potential to positively contribute to improving the health of the earth (Berry & Ladkin, 1997:434). Since then, the Earth Summit has stimulated the debates about the relation between sustainable development and tourism (Bramwell & Lane cited in Van der Duim, 2005:159). In 1997, at its special session to review the five-year implementation of Agenda 21, the UN General Assembly decided that there was a need to consider the importance of tourism in the context of Agenda 21 and to “develop an action-oriented international programme of work on sustainable tourism”. This request was followed up during the seventh annual session of the UN Commission on Sustainable Development, held in New York in April 1999, which considered tourism as an economic sector. A multi-stakeholder dialogue on the topic was held and an international work programme on sustainable tourism development was adopted (UN cited in Neto, 2003:218).

Growing concerns about the implementation of more sustainable development brought a new paradigm to the question how tourism should be developed. In this paradigm, tourism is one of many vehicles that contribute to development, but it is development that is envisioned as sustainable, not the tourism sector per se, which may or may not be an integral part of this sustainable development. It would fit this paradigm to argue that – if the tourism sector does not measure up or even threatens the
objectives of sustainable development – tourism should not be among the economic strategies of a community. The term ‘sustainable tourism’ that has become quite popular since 1992, in fact suggests that the aim of development is to make tourism sustainable – which makes a caricature of the goals defined at the Earth Summit. For tourism to contribute to sustainable development, it must be economically viable, ecologically sensitive, and culturally appropriate (Wall cited in Mbaiwa, 2003:448). It is widely agreed that community-based tourism development is a prerequisite for sustainability as it helps to avoid conflicts of interests that can occur if the development of tourism is not suitable to the community’s interests (Tianyu & Zhou, 2007:1). Diversity of interests in various communities is one of the main issues that need to be explored so as to successfully implement strategies to maintain development (Gezici, 2006:443). The involvement of the community to ensure the implementation of sustainable tourism development encompasses both the involvement in the decision-making process and involvement in the economic activities generated through tourism development.

In order to encourage enhanced community participation in tourism planning, a more equitable distribution of the costs and the benefits of tourism, and more culturally appropriate and environmentally sustainable forms of tourism, alternative tourism strategies might be promoted either by themselves or in concert with mainstream tourism. Alternative tourism development encompasses a number of aspects. First, alternative tourism is thought to consist of smaller-scale, dispersed, and low-density developments. Second, ownership patterns in alternative tourism are weighted in favour of local, often family-owned, relatively small-scale enterprises rather than being foreign-owned, trans-national, and owned by outside capital. By stressing smaller-scale and local ownership, it is anticipated that alternative tourism will multiple increase, spread effects within the host community, and avoid problems of excessive foreign exchange leakages. Third, alternative tourism encourages community participation in local/regional planning concerning tourism and related development. Fourth, alternative tourism emphasises sustainability, both in the environmental and in a cultural sense. Finally, alternative tourism should not denigrate or damage the host culture. Instead, it should try to
encourage sensitivity and respect for cultural traditions by creating opportunities for education and cultural exchange through interpersonal dialogue and organised encounters (Brohman, 1996:63-64). New tourism or alternative tourism is increasingly regarded as a key to sustainable development. The rationale is that, contrary to mass tourism with its usual negative effects on receiving areas, alternative tourism promotes a balanced growth more in tune with local environmental and socio-cultural concerns (Ioannides, 1995:583).

Wide attention has been paid to the concept of sustainable development and as a result, the concept has been widely used in both development studies in general and in tourism research in particular since the 1980s. However only a small number of publications discuss in depth the meaning and the implications of sustainable tourism development (Hunter & Green cited in Liu, 2003:459). Meanwhile many researchers in tourism avoid taking a critical view of sustainable development and how it is applied to tourism, They seem to have accepted fully that sustainable development is good and suitable when it is applied to tourism, and adopting it, will bring solutions to many of the negative problems caused by tourism development. However, a few dissenters critically remind us of the dangers of the full acceptance of sustainable development, as it does not always work out the way people think or is suitable when applied to tourism development (Butler, 1999:8).

With the growing trend of accepting sustainability as a considerably promising vehicle for dealing with the problems caused by negative tourism impacts and preserving its long-term viability, Liu (2003:461) raises some issues concerning the ideas surrounding the concept as proposed in the literature on sustainability. One of the criticisms relevant to the present study on the impact of the prolonged crisis on small-scale tourism development is the fact that in the literature that addresses sustainable tourism development emphasis is put on the supply side. No attention is paid to the demand side especially at the destination level where, although the global trend might show stable flows of tourists, it is not always the case locally. Actually, both the sustainable growth of tourism’s contribution to the economy and to society and the sustainable use of resources and the
environment are necessary to ensure sustainable tourism. However, in the debate on sustainable tourism, scholars generally ignore demand issues despite the fact that tourism development is both supply-led and demand-driven. When changes take place on one side of the demand-supply equation, it is usually followed by alteration in the other in the form of growth, stagnation, decline or some other qualitative transformation. Therefore, concerning each individual resort or country, it is unrealistic and can even be destructive to assume that there is always a demand for tourist products and not to take into consideration changes in the tourist market especially because in the tourist industry, demand usually fluctuates more frequently and abruptly than tourist resources (Liu, 2003:462-63).

International tourism flows are subject to disruption by a range of events that may occur in the destination itself, in competing destinations, in origin markets or they may be remote from either. The consequences can either be mild and relatively short term or have catastrophic impacts on existing tourist industry systems. Major disruptions, also referred to as shocks, felt in both origin and destination areas, affect both the public and private sectors, and disrupt the travel plans of intending travelers (Prideaux et al., 2003:475). Tourists have been described as ‘shy birds’ that may stay away from places associated with any number of real or perceived threats to safety, health, and property or financial well being. Tourism, which can be categorised as a recreational activity, involves voluntary, open behaviour. Tourists have the freedom to make their own decisions on any aspects regarding their trip such as location, timing and duration, mode of travel, activities, and costs (Pigram & Wahab, 1997:20). When tourism fails to provide enjoyable experiences because of actual or perceived risks, having the freedom and the power to do so, tourists will avoid insecure situations or destinations. Negative experiences can have serious consequences to the local tourism industry and to tourist destinations hence, the tourism community or industry will have to find solutions to deal with the effects after a disaster has occurred. This may result in an economic downturn and the tourism sustainability of a destination is threatened (Sonmez et al., 1999:13-14).
In fact, many less developed countries grabbed tourism as a vehicle for development. Promoting tourism is attractive compared to other forms of development. Tourism requires a modest degree of investment to get started and seems to be an easy way to gain foreign exchange (Meethan, 2004:4). However, taking into consideration the dynamic nature of tourism as discussed above, it is clear that over-reliance on tourism can have its dangers. This then leads to a further question – whether it is wise for policy makers to embrace tourism as the main tool for sustainable development. After all, the tourism sector is not some isolated phenomenon that can be used as a moneymaking machine with no consequences for society at large. Quite on the contrary, tourism development – once taking root in a society – affects all aspects of the life of the local people. In the next section, one category of local people will be addressed in particular, namely the people who involve themselves in tourism as small tourism entrepreneurs. In order to understand their position in both the local tourism industry and in society, the concept of the social embeddedness of entrepreneurship will be elaborated below.

**Social Embeddedness, Entrepreneurship and Sustainable Tourism Development**

The study of entrepreneurship has evolved rapidly in the last few decades. The study was, at the beginning, dominated by business schools. Later, social scientists also contributed to the entrepreneurial debates with the idea of the social embeddedness of the economic behaviour of entrepreneurs. As will be discussed below, the phenomenon started to grow rapidly in the 1980s.

In the 1980s, entrepreneurial eagerness was becoming a worldwide movement, regardless of the level of development or even of the basic mentality or value orientation towards entrepreneurial activities (Alvarez cited in Swedberg, 2000:8). Instead of declining, the trend is becoming stronger and Swedberg (2000:8) predicted that this might be related to a number of interacting processes. First among them is the revival of small enterprises for more than a decade in Europe as well as in the US. Second was the influence of the pro-market ideology of the Thatcher and Reagan
governments in 1979-80. Third, unemployment is considered as a crucial problem and the solution to the problem can only be reached through the creation of new enterprises, which can provide jobs on a sufficient scale in a society where the industrial labour force is shrinking. Fourth, there is a growing awareness that to survive, it is necessary for any company to make constant changes and innovations (Swedberg, 2000:8). Obviously, all these factors contribute to a greater or lesser extent to the development of the global entrepreneurial trend, which has drawn the attention of academicians to address the on-going phenomenon more seriously.

Whereas for a long time academic research on entrepreneurship was the domain of business schools and economists, social sciences have the potential to make a very important contribution not only to the theoretical understanding of entrepreneurship but also to entrepreneurship as a practical enterprise (Swedberg, 2000:7). The contribution of social theory to the study of entrepreneurship is concerned with the question how economic action is affected by social relations (Granovetter, 1985:481). As stated by Young (1998), economic activities between actors do not take place in a vacuum but are influenced by ongoing structures of social relations. In short, according to Young, the social context affects economic outcomes for better or worse (cf. Jack & Anderson, 2002:469). Taking the social aspects of the economic behaviour of the entrepreneurs into account will enrich the understanding of entrepreneurship and their interaction within the social environment. It is logical that the social environment has an impact on their behaviour and conduct including on their economic behaviour.

In fact, the idea of the embeddedness of entrepreneurial activities in their political, cultural, and social environment is a revival of the interdisciplinary inquiry after the collaboration between economists and sociologists collapsed by the late 1970s (Hefner, 1998:7-8). The renewal of the dialogue between economic and socio-cultural research is encouraged by a number of changes in the world. One is the outstanding growth of capitalist industry and the markets in East and Southeast Asia. Another is the collapse of communism in Eastern Europe. The two phenomena brought a new perspective on the perception of history. The latest
development suggests that history is not universal but works in harmony in accordance with the development of the local society, politics and culture (Hefner, 1998:8-9). The phenomenon has in fact been beyond the domain of classical economics’ views.

Economists and sociologists, in fact, have different and segregated conceptions about human action. Economists who are dominated by mainstream economic theories – classical and neoclassical – entertain the concept of human action as atomized and under-socialised. Based on this hypothesis, the theoretical arguments negate that social structures and social relations may exert influences on production, distribution, and consumption. Therefore, in their view, social relations between actors are considered frictional drags, which can hamper a competitive market (Granovetter, 1985:483-484). In contrast, modern sociology has the view that people are highly sensitive to others’ opinions and therefore follow the dictates of norms and values systems, which are consensually developed. The system is internalized through socialisation so that people accept obedience voluntarily (Granovetter, 1985:483). Because of these segregated conceptions, sociologists have avoided to seriously explore any subject related to the “market process” since economists argued that the subject is unsuitable for sociological study as social relations only play a frictional and disruptive role instead of being the central aspects in modern societies (Granovetter, 1985:504). The concept of ‘segregation’ prevented researchers from putting human actions in a broader context and as a consequence may have the danger of simplifying phenomena and lead to unanswered questions about the role and the meaning of social networks in economic conduct, the role of households, and the influence of culture in the entrepreneurial behaviour of the entrepreneurs, among others.

The idea of embeddedness was introduced by the great economic historian Karl Polanyi (1944) and the “substantivist” school of economic anthropology identified with him (Granovetter, 1985; Hefner, 1998; Portes & Sensenbrenner, 2001). Their interpretation of embeddedness is that it exists in pre-market or pre-capitalist societies and along with the modernisation of society the economy develops to be increasingly autonomous. Rather than an instrument of the society as a whole, it begins
to set the terms of its own operations and governs other aspects in society. Thus, modernisation results in the “disembedding” of markets and the subordination of society to impersonal economic power (Hefner, 1998: 9). However, Hefner (1998:10) criticises the tendency of the Polanyites as they hinge too much on the neoclassical myth that views the market as a self-regulating mechanism.

Granovetter (1985) reinterpreted the embeddedness in human action, specifically in economic behaviour, as a perspective somewhere between the two extremes of the undersocialised and oversocialised perspectives (Granovetter, 1985:504). He expresses that actors do not behave or decide beyond their social context nor do they accept unquestioningly any script written for them. Instead, their efforts to meet special purposes are actually embedded in specific and ongoing systems of social relations (Granovetter 1985:487). Furthermore, he argues that different from the general claim of the economists, all market processes fit into sociological analyses and that these analyses can bring understanding to important features of these processes (Granovetter 1985:505). Therefore, when studying entrepreneurs, addressing the context as a whole is prominent as the social environment is ‘pre-eminent over its individual parts’ (Cassell cited in Jack & Anderson, 2002:471).

The concept of embeddedness as discussed by Granovetter (1985) is relevant to the study of tourism, not only in terms of exploring the embedded position of the actors or individual entrepreneurs within their social context as discussed above, but also in terms of discussing the tourism sector as a contributor to sustainable development. With the common use of sustainable development as an environmental management concept in the late 1980s, the concept of sustainable tourism development was criticised as the dominant paradigm in which the concept was considered too narrow or too ‘tourism-centric’ and thus preventing it from functioning as ‘a conceptual vehicle for policy formulation’. This shows specifically the link between the sustainability of tourism and sustainable development in general (Hunter, 1997:851). The critique implies that although tourism has been proven to bring benefits to the economy of a country, it should not be taken for granted as the main tool of development. Instead, tourism should
be viewed as one of the tools to reach sustainable development and the integrity of tourism development with other components in society should be maintained.

The idea of embeddedness as offered by Granovetter (1985) is important but broad. As noted by Jack & Anderson (2002:472), researches on the mechanism and nature of embedding are still rare. Therefore, this research also aims to make a contribution to this aspect. In the following sections, the embeddedness of small entrepreneurs in their social environment will be discussed. On one side is their social context and on the other side their entrepreneurial behaviour. Initially, debates on the formal and informal sector theory as a context of the small enterprises will be discussed. This will be continued with a discussion on small entrepreneurial behaviour focusing on the debates of the small entrepreneurs’ embeddedness in the household economy and their social networks.

**Formal and Informal Sector**

The informal sector has been persistent despite many predictions that it would shrink together with the increasing industrialisation in many countries (Portes, 1994; Leonard, 2000; Chen, 2007). Since the concept was first introduced in the early 1970s (by Hart), the informal economy has been subject to interpretation and debates and has been in and out of fashion in international development circles (Chen, 2007:1). The economic crisis that struck Indonesia in 1997 and also hit various other countries in Asia has again redirected attention to micro enterprises, in which the business operation is generally categorised under the informal sector. The economic crisis has accelerated the rapid development of the informal sector in different parts of the affected countries. This phenomenon further confirms the importance of the informal sector for the livelihood of different communities.

Historically, economists used to neglect the informal sectors as an economic phenomenon. Only after the 1950s, they increasingly recognised the importance of the informal dimensions of the organisation of life and the phenomenon was accepted as a common topic for research (Gërxhani,
Sociologists and anthropologists were the first to pay attention to the existence of economic activities outside the formal framework of the economy (Gërxhrani, 2004: 267). Hart, a social anthropologist, was the first to enter a Third World context of the term ‘informal sector’ into academic literature (Bekkers & Stoffers, 1995; Gërxhrani, 2004). He used this concept to describe that part of the urban labour force that worked outside the formal labour market (Gërxhrani, 2004:269). Since then, the term has been used to refer to livelihood outside the formal wage economy, either as an alternative to it, or as a means of supplementing income earned within it (Bromeley & Gerry cited in Gërxhrani, 2004:269). Although Hart (1970) addressed self-employment as an informal sector phenomenon in a limited way, the introduction of the concept enabled the incorporation of activities that were previously ignored both in theoretical models of development and in national economic accounts (Swaminathan cited in Gërxhrani, 2004:269). Apart from Hart’s work (1970), another important early study on the informal sector, is a report of the ILO (International Labour Organisation) on employment in Kenya as being polarized into formal and informal sectors (Timothy & Wall, 1997; Gërxhrani, 2004). In this report, the informal sector is associated with business operations beyond government regulations and taxation (Gërxhrani, 2004:269).

An informal economy is associated with a number of attributes, which are the opposite to those of a formal economy. To differentiate formal from informal sectors, some authors focused on the regulatory framework in defining the informal economy (Wahnschafft, 1982:431). Informal ventures generally have no legal recognition or registration, enumeration, or official taxation (Wahnschafft, 1982; Michaud, 1991). In contrast, the formal sector includes enterprises, which are licensed, taxed, and eligible for state funding. Besides legal status, formal and informal sectors also differ in a number of other distinct features. On one hand, the formal sector is characterised by difficult entry, frequent reliance on imported resources, corporate ownership, large scale operations, capital-intensiveness, and often relies on imported technology, formally-acquired skills (often expatriate), and has protected markets through tariffs, quotas, and licenses (ILO, 1972:6). On the other hand, informal activities generally exhibit ease of entry, reliance on indigenous resources, family ownership, small-scale
operations, and labour intensiveness, skills acquired outside the formal school system, part-time labour, locally-based ventures, as well as unregulated and competitive markets (Henry, 1982; ILO, 1985). Further, regarding business operations, compared to those operated in formal sectors, informal sector participants have more autonomy, flexibility, and freedom in the operation of their own company, are flexible in determining hours or days of operation and in using and developing their creativity (Gërxhani, 2004:274). The informal sector is characterised by easy entry because of small starting capital requirements. The working capital of most informal enterprises consists of the savings of the owners, families, and friends. Because of the poor opportunities to enter the organised money markets, these savings would not normally be used for investment purposes. Thus, the informal sector induces a mobilisation of savings (Hemmer & Mannel, 1989:1545). When they do not borrow the starting capital from friends or relatives, some evidence shows that informal sector entrepreneurs usually refer to non-institutional sources of credit rather than formal financial institutions as a source for their working capital (Briassoulis, 1999; Blunch et al., 2001).

However, it is unnecessary to separate the economic sectors into formal and informal since such a strict segregation may lead to simplification. I would rather regard the formal–informal sectors as a continuum of enterprises as the enterprise characteristics are diverse, subjected to the mode of production, market structures and treatment by government policies (Wahnschafft, 1982; Timothy & Wall, 1997). Within the tourism industry, many jobs include characteristics of both the formal and the informal economy. They pay taxes, though they probably should pay more according to the size and profit of their enterprise; they make arrangements for the required licences, though they may never renew them after the licences have expired. They employ personnel, but the bulk of the work may still be done by unpaid household members or underpaid family members; their owners may have gone through formal training, but not in the appropriate schools and programs; they may keep some records of their costs, income and profit, but may do so irregularly; they may expand their company but only with marginal additions and never change their basic product; and they may still largely rely on personal networks (Dahles, 1997).
Furthermore, in practice, there is also a complex interaction between both the formal and the informal sector (Castells & Portes 1989:31-2). Studies on the informal sector have addressed the interaction with the formal sector particularly in the interrelated supply of goods from either directions – formal to informal sector or the other way round (Peberdy, 2000:367). In the labour market, individual workers may switch between the two sectors, even on the same day. There may be various sources of income in the household since their individual members have jobs in different sectors and often alter their working patterns during their lifetime or on a monthly or even on a daily basis (Dahles, 1999a:8).

Despite the importance of the informal economy for the household economy in many developing countries, governments who deal with regulations generally have negative attitudes towards the existence of informal sectors (Timothy & Wall, 1997:324). In the context of tourism development, prior to the crises, indigenous, grassroots participation was more widely available through the development of small-scale, informal-sector employment (Timothy & Wall, 1997:324-5). Nevertheless, many governments perceive the informal sector as a sign of backwardness that should be replaced by ‘modernity’ in order to gain economic development (Van der Duim, 2005:139). With such a view, in Indonesian tourism planning, the government tends to refuse to acknowledge the existence of the informal sector. The focus of the development and the distribution of facilities and infrastructure are more geared to the needs of the formal sector rather than to the informal one (Wall cited in Timothy & Wall, 1997:335). Even though they receive no support from the government, petty modes of production are not expelled by modernisation, but continue to exist alongside the capitalist economy and often even grow and gain in importance in the process. The same thing happens to tourism in Indonesia where the presence of the informal sector is well established and it continues to increase and diversify as the tourism industry develops (Dahles, 2001:95).

The debates on the shifting interface between the formal and informal sectors and the ways in which this shift affects tourism enterprises in a local economy, basically address the robustness of these enterprises under
‘regular’ conditions. No attention has been paid as of yet to the consequences these enterprises experience in times of crises. Relevant aspects to address are the ways enterprises which are at the formal-informal interface, cope with crises, whether this position offers them opportunities to strategies for survival and if so, what these opportunities are. All these queries still need further exploration. The next section will make a first attempt – at a theoretical level – to address some of these issues and, in particular, to the issue of entrepreneurial behaviour within the context of the household economy and livelihood strategies.

Livelihood, Role of Household & Coping Strategies of Small Enterprise

In studying the tourism small entrepreneurs’ responses to crises, I will follow Philipson, et al. (2004:228) who argue that the responses of the small entrepreneurs to economic downturns are part of the behavioural dynamics of the households to which they belong. The argument is based on the understanding that the operation of a small enterprise is actually embedded in the household and also in its wider economic and social context (Baines, et al., 2002:168). When discussing family enterprises in which the majority of small enterprises are also included, the existing view argues that families and enterprises are believed to be two “naturally separate” institutions or systems and therefore they are studied by scholars in separate faculties (Stafford, et al., 1999:198). However, a number of research findings show that the family and entrepreneurial dynamics are highly interrelated (Aldrich & Cliff, 2003:574). Entrepreneurs rarely operate alone or in a vacuum. As a member of a family, an entrepreneur may manoeuvre in concert or in disharmony with other family members in the household, or even within the non residential, extended family arena due to necessity, attribute driven, or due to the environmental situation (Heck & Trent, 1999:209). It is then assumed that dynamics, resources and critical incidents in one may affect the other and ultimately the stability of the overall livelihood system in which the household is embedded (Philipson, et al. 2004:229).
The study on livelihood strategies was strongly promoted by the work of Robert Chambers and Gordon Conway (1992) on the general exploration of the lives of the rural poor. The concept of livelihood encompasses the strategically employed capabilities and assets consisting of material and social resources and activities to make a living (Carney 1998:2). At household, community, and societal levels, the assets available function as a source of capital to store, accumulate, exchange or deplete, and put to work in order to earn an income or for other benefits (Rakodi, 1999:316). The resource management and the major needs of the family members are taken care of in the household as a family-based co-residential unit (Niehof, 2004:29).

The livelihood approach emerged as a reaction to the earlier development approach, which mainly assesses income and/or consumption and concentrated solely on outcomes (Beall, & Kanji, 1999:5). Mainstream development theory has failed to reveal the poverty processes and its reproduction both in the household and in communities (Beall, & Kanji, 1999:5). In contrast, the livelihood approach uses a more actor-oriented perspective. The emphasis is still on inequalities in the distribution of assets and power, but it also takes into account that people create their own history and it is even against the idea that economic issues are the most important concerns when it comes to poverty. The focus is more on the lived experience - how people make a living and how they survive. Therefore they deal with the studies on the local actors or often households (de Haan, 2005:2). The notions of diversification and the diversity of livelihood strategies are part and parcel of the theory (Niehof, 2004:321).

Although the livelihood approach was initially used to specifically study rural poverty, subsequently it was also used to address urban livelihoods (Beall & Kanji, 1999:6). In fact, the diversification of livelihood strategies is recognized as a crucial approach to poverty reduction in both rural and urban contexts (Ellis, 1998:3). Still focusing on poverty, a number of studies show that it is not only the rural people who employ diversification as a survival strategy but also urban dwellers in developing countries (Ellis, 1998:3). However, one needs to raise the question whether the livelihood approach is only relevant for studying poor people and the way they cope
with changing economic situations that affect their households. As Redclift (1986) argues, strategic responses to economic change are not limited to the poor; many other social groups are involved as well (c.f. Owusu, 2001:388). The current research intends to address this gap in the literature by exploring shifts in livelihood strategies among the small tourism entrepreneurs facing various crises. The livelihood approach is especially relevant for this research because of its actor oriented perspective and the mobilisation of household assets for survival. It is then assumed that individual actors and/or households may employ certain strategies to maintain or improve production and consumption levels under changing livelihood conditions, such as caused by different kinds of crisis. As the focus of the study is on the short-term strategies in reaction to sudden disturbances in the livelihood system of natural disasters or man-made crisis, following Titus (2004: 6), the term coping strategies is used to differentiate from life-long or the so called livelihood strategies.

Coping strategies are characterised and, at the same time, distinguished by a number of attributes, which affect the ability of individual actors and/or households to respond to crisis. First, Pryer (2003:10) remarks that vulnerability and the extent of the ability of an individual or household to recover from crisis are linked to the resources or the assets that households have access to. Dercon (2002:143) adds that the frequency, intensity, and persistence of crisis impacts upon the endurance with which individual actors and/or households can stand up in the face of crisis. It may be assumed therefore, that households in weaker socio-economic positions will have other opportunities for and experience more restrictions in coping with crisis than richer or higher status households and consequently will show different coping responses (Titus, 2004:7). Moreover, if a crisis persists, it also makes the coping more difficult in particular for poorer people (Dercon, 2002:143).

The discussion has shown that individual actors may activate assets for their survival. As has been addressed earlier, household assets encompass both material and social ones. So far, I have mainly addressed economic assets. In addition, the role social assets play in coping strategies needs to be identified. In particular, we need to explore how social resources are
acquired and how the actors or households employ these social assets in their coping strategies. Therefore, I find it crucial to discuss specifically the concepts of social capital and network. Smallbone et al. (cited in Philipson et al., 2004:230) argues: “Since small firms have more limited abilities to shape their external environment than larger firms, their survival and growth depends on their ability to identify and respond to the threats and opportunities presented by their external environment; in other words to adapt or adjust to external environmental conditions.”

**Social Capital and Networks**

It is widely known that the establishment and continuance of an enterprise does not only depend on the availability of financial resources and entrepreneurial skills but also of social capital, which is acquired through networking. As stated earlier, the ability of entrepreneurs to establish relations with other people and maintain and mobilise networks affect the success of their entrepreneurial venture. In recent years, the concept of social capital has become more and more popular in the social sciences, which has resulted in a wide diversity of interpretations and application (Woolcock, 1998:155). Among all theorists of social capital, the works of Pierre Bourdieu, James Coleman, and Robert Putnam are mostly used as the basis for empirical researches (Wetterberg, 2007:586).

Coleman defined social capital by its function as a “variety of entities with two elements in common: They all consist of some aspect of social structures, and they facilitate certain action of actors – whether persons or corporate actors – within the structure.” (Coleman 1988:98). However, Coleman’s functional definition does not clarify whether social capital refers to the social structures that individuals participate in or the benefits that flow through the structures: “Defining social capital functionally makes it impossible to separate what it is from what it does” (Edwards & Foley cited in Wetterberg, 2007:587). Furthermore, there is a tendency to see social capital as a purely positive resource that provide benefits but has no downsides (Wetterberg, 2007:587).
In line with Coleman’s functional definition, Putnam conceptualises social capital as an attribute at the community level (Portes, 2000; Wetterberg, 2007). Putnam (1995:664) defines social capital as “features of social life – networks, norms and trust that enable participants to act together more effectively”. Putnam’s concept of social capital gives room to discuss the ‘stock’ of social capital owned by communities, and even nations, and the structural effects on their development as a consequence (cf. Portes & Landolt, 2000). However, Portes & Landolt (2000) point out several problems with the community-level social capital concept. First, the concept can lead to confusion when the expected results at the individual and community levels are not compatible. Second, causes and effects of social capital as a feature of communities are complicated and will result in much circular reasoning. Third, the possibility to consider other possible causes is limited, in particular, the strong argument that generalised ‘civicness’ brings about better political results makes it difficult to see the possibility of the existence of irrelevant causes form both the population’s altruistic behaviour and the effective character of its government (Portes & Landolt, 2000:535-36).

Different from Coleman and Putnam who consider social capital as a community attribute, Bourdieu argues that social capital is attributed to the individual. His elaborations on social capital are part and parcel of a comprehensive theory of social practice, which identifies a number of different forms of ‘capital’ that serve as both material and symbolic resources in human exchanges. This theory of practice (Bourdieu, 1977) views society as an amalgam of partly overlapping and partly conflicting but constantly changing fields. Each field is constituted of a particular set of practices and interests, institutions, and laws, which define it as unique and delineate it from other fields. Individuals and organizations acting within a specific field develop a particular set of dispositions, which provides access to particular resources or ‘capitals’ which are of more or less value in a given field. Bourdieu (2001) distinguishes economic (wealth in the narrow sense), social (network relations, trust and credentials), and cultural (certified knowledge and expertise acquired through formal education) capital. While social and cultural capital can both be invested in order to accumulate economic capital, they can be derived from economic capital.
only at the cost of a more or less great effort of transformation, which is needed to produce the type of power effective in the field in question” (Bourdieu 2001:105-6). According to Bourdieu (2001:103), in order to establish relationships for short or long-term use, actors have to make investments that give access to certain benefits. However, capital is not equally accessible for all actors. Their “class of origin” largely determines the forms and volume of the capital available. Vice versa, the volume and forms of capital that actors can mobilize at the same time defines their social position (Bourdieu 1984:111).

Bourdieu defines the concept of social capital in terms of durable network relations at the individual level (Bourdieu, 2001: 102-103). Although social capital can be exchanged for other forms of capital such as money, knowledge, jobs, and promotions (Bourdieu, 2001:106), it can be made operational only by securing the cooperation of other actors. Social capital is closely intertwined with the concept of social networks. Individuals benefit from social capital only if they are embedded in social networks that provide the conditions for sustainable social ties. Social capital results from social networks – to possess social capital, a person must be related to others, and it is those others, not himself, who are the actual source of his or her advantage (Portes, 1998:7). Through social networks people form building blocks of social capital through their functioning as members of a society and through participation in a system of exchanges including mutual support (Hüsken & Koning, 2006:14). “By establishing bonds with one another, keeping them going over time and mobilising them when necessary, people may be able to achieve things they could not or only with great difficulty achieve by themselves” (Hüsken & Koning, 2006:14).

Social networks provide access to resources, and this applies for a variety of social arrangements – for individual members of households who rely on social networks for their livelihood as much as for enterprises that employ network relations in order to gain access to resources (Philipson et al., 2004:230). However, the question remains unanswered what kind of social relations play what kinds of roles in a network. Are all social relations beneficial to an actor in the same way? To answer these questions, it is worthwhile to turn to Granovetter (1973) who offers a conceptualization of
different forms of social relations in a network which he defines in terms of strong and weak ties. The strength of the ties can be measured by “a combination of the amount of time, the emotional intensity, the intimacy, and reciprocal services” (Granovetter cited in Peng & Zhou, 2005:322). In other words, the higher the level of emotional intensity, intimacy and reciprocal services the stronger the ties are. Strong ties typically are associated with friendship and familial relationship. In contrast, weak ties entail relationships with less investment of time and intimacy including social acquaintances (Granovetter, 1973).

Various articles on strong and weak ties put different emphasis on the strengths of either tie. Granovetter (1995) and Burt (2000) emphasize the significance of the strength of weak ties for access to employment, social mobility, and entrepreneurial success. On the other hand, Lin (1981) claims exactly the opposite when arguing in favour of dense networks as a resource (cf. Portes, 1998:12-13). Other authors take a more balanced position in this debate. Peng & Zhou (2005) and Stewart (2003), studying organisations and entrepreneurs, claim that both types of ties have advantages for the entrepreneurs and their firms. As stated by Peng & Zhou, (2005:324), a firm is expected to simultaneously possess a combination of strong and weak ties as both function in different ways. At different points in time, it may benefit from one type of ties more than the other and vice versa depending on the conditions surrounding the firm. Furthermore, Stewart (2003:388) also emphasizes that entrepreneurs need extensive weak ties, and strategic strong ones.

Referring to the tourism industry, both strong and weak ties are important as networking, as has been widely known, is the core aspect in the industry. It can even be considered the main part of the business operation. Entrepreneurs operating tourism companies need to mobilise the potentials of all the strong and weak ties available to them. The tourism industry is heterogeneous and consists of different types of enterprises such as accommodation, travel agencies, transportation services, airlines, restaurants, souvenir industries, and many others. These different sections within the industry need to make links in order to survive in the industry. For small tourism industry, networking is even more necessary since it is
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difficult for them to attract individual tourists. As stated by Poon (1990:116), small tourism firms need to have access to networks in order to support their firms in their struggle for survival. Small firms with access to relevant networks benefit in terms of cost advantages, marketing, information access, and ultimately flexibility. Both weak and strong ties play important roles in small tourism enterprises. They establish relevant network relations that provide access to different categories of actors. Weak ties encompass international tour operators from which the small tourism enterprises depend for their supplies of tourists. Meanwhile they also depend on their strong ties for other aspects in their business operations and livelihood such as getting advice for running enterprises or even information about side jobs during the low tourist seasons.

Conclusion

Sustainable development through tourism has attracted the interest of many scholars in the last few decades. It seems to offer a panacea to the problem caused by mass tourism development. However, sustainable tourism development remains a contested concept. According to Sharpley (2000:1), sustainable tourism definitions can be categorised into two main streams. The first is the ‘tourism centric’ definition in which the idea is to sustain tourism as an economic activity. The second one is to put the idea of tourism development in the context of sustainable development policy. For the purpose of this research, the focus will be on tourism as a strategy to accomplish sustainable development. The focus of the study is on the small-scale tourism entrepreneurs and their economic lives, as it is widely believed that small-scale tourism constitutes a sound basis for sustainable development. Through small-scale tourism development, wider community involvement in development at large can be achieved. It is believed that not only economic development will be enhanced, but also social advantages will accrue for the local community. However, in which ways sustainable development can be reached through small-scale tourism remains to be further explored.

The concept of embeddedness, emphasizing the creation of both economic and social value through entrepreneurship offers a relevant analytical tool
in an attempt at this exploration, in particular when this value creation is examined in times of crises. The concept of embedded entrepreneurship emphasizes the intertwining of economic activity with its social environment. This social environment is multi-layered and complex. Small-scale entrepreneurs strategically employ the opportunities offered to them and creatively find solutions for the restrictions and obstacles posed by this complexity. In this research, one level at which this complexity manifests itself is by the shifting interfaces of the formal and informal domains of the local economy. In the local tourism industry there is a mix of both formal and informal aspects that companies have to deal with to differing degrees depending on a myriad of structural and contextual factors. Instead of being a weakness or a threat for the sustainability of tourist enterprises, aspects of informality often form a vehicle for enhancing the resilience of an enterprise. In particular in times of crises when insecurity is tantamount, informal relations and dealings may function as a livelihood strategy applied by the households suffering from the economic consequences of the crisis. Informality often entails a diversity of economic strategies maintained at the same time. Diversification of income generation and flexible business operations are easier in the context of informal business operations. Therefore, this study will address the opportunities and the threats that emanate from the position of small-scale tourism enterprises at the interface of formal and informal arrangements in an embedded local economy. The concept of embeddedness encompasses all levels of the household and is used in order to shed light on the strategies employed by small/scale tourism entrepreneurs to cope with uncertainties and in response to new opportunities. Although the livelihood theory was originally used to study rural poverty, it is also useful to conceptualise the strategies of the small entrepreneurs in urban settings when dealing with entrepreneurial challenges. Similar to the people in the rural areas who constantly have to face different problems such as seasonality and other problems in their livelihood, entrepreneurs who operate the small-scale tourism industry constantly face the insecurities caused by the volatile tourism market. While this position is one of great vulnerability, it does not come with a lack of alternatives. Due to the diversification of livelihood strategies, small entrepreneurs carve out a number of niches in order to survive. In these strategies, access to social capital and networks plays a
major role. The concept of social capital will be employed in this study for analysing how the small tourism entrepreneurs utilize their network relations to cope with a series of crises. In the final analysis then, the concept of embeddedness – operationalised in terms of livelihood strategies and social networks of household-based small-scale entrepreneurs – will be the key to identify the ways in which community-based tourism may contribute to sustainable development.