

## ENTREPRENEURIAL MANAGEMENT OF PRIVATE ACCOMMODATION IN TIMES OF CRISIS: A COMPARATIVE APPROACH

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### **Abstract**

**Purpose** – The purpose of this paper is to assess competitiveness of private accommodation, and to offer the necessary measures which would improve the quality of this segment of tourism that would later provide additional opportunities for the creation of a new market position as well as increasing quality of life and standard of local population.

**Design and methodology** – A study of attitudes and opinions of private accommodation providers was conducted, in conjunction with assessing the current state and possibilities of further development of this sector. The study was carried out from January to June 2012 in Primorsko-goranska County. A questionnaire survey was used for gathering data and a specially structured questionnaire consisting of three parts was formed. For the purposes of this paper, the first two parts of the questionnaire were analysed in detail. A total of 432 questionnaires were found usable for the study. The collected data analysis included descriptive statistics.

**Approach** – The special focus is given to obtaining relevant results by using comparative analysis with the findings of previously conducted researches of private accommodation in Primorsko-goranska County.

**Findings** – The research results indicate the changes in the demographic structure of the private accommodation providers, their motives for the provision of accommodation in the households as well as total revenues from the provision of accommodation services in the households. Qualitative shifts in the structure of accommodation capacity are also identified. Specifically, socio-demographic changes include: increasing the share of younger and highly-educated private accommodation providers. Significant increase is noticeable in the number of private accommodation providers whose basic motive of providing services is connected with increasing the basic household income. The increase in total revenue from the provision of accommodation services in the household is also evident. Research results which are related to changes in the type and form of accommodation, suggest a qualitative shift in terms of reducing the number of rooms and suites, and increasing number of holiday homes as a form of quality accommodation in the households.

**Originality of research** – Since there has not been any systematic research conducted on private accommodation, this research opens enough space for further theoretical and applicative improvement. Special emphasis is put on the importance of raising the level of quality and restructuring of private accommodation.

**Keywords** private accommodation, quality, competitiveness, comparative analysis

## INTRODUCTION

As a part of the project “Kvarner Family” (2013), the goal of this paper is to study changes in private accommodation and it was formed in order to assess competitiveness of private accommodation, and to offer the necessary measures which would improve the quality of this segment of tourism that would later provide additional opportunities for the creation of a new market position of this important market segment as well as increasing quality of life and standard of local population.

The paper studies theoretical propositions of entrepreneurial management of private accommodation, with special emphasis on its specificities, as well as the assessment of the current state of business activities in times of crisis. It presents detailed methodology of the research itself, as well as the results of benchmark analysis.

For the purpose of this paper, a research of attitudes and opinions of private accommodation providers was conducted, in conjunction with assessing the current state and possibilities of further development of this sector. The main goals of the paper are comprised within analysis and assessment of:

1. Socio-demographic profile of private accommodation providers,
2. Quality of private accommodation according to types of hospitality facilities in which the services of accommodation in the households are provided, and
3. Correlation between the length of provision of accommodation services and the amount of generated revenues.

The study focuses on obtaining relevant results by using comparative analysis with the findings of previously conducted researches of private accommodation in Primorsko-goranska County:

1. "Analysis of the current state of private accommodation in Primorsko-goranska County – household accommodation" (2008), and
2. "Kvarner Family" (2009), on the basis of which conclusions and key issues are identified.

The research results should provide answers to the core goals of this paper in favour of both private accommodation providers and destination management in terms of contribution to increase the competitiveness of the overall tourist destination.

## 1. ENTREPRENEURIAL MANAGEMENT OF PRIVATE ACCOMMODATION

### 1.1. Specificities of the accommodation service in households

The services of accommodation in households (private accommodation) are the oldest accommodation services. They are being provided in specially equipped and furnished accommodation facilities categorized according to the Croatian laws in force (Hospitality and Catering Industry Act and Regulations on the classification and categorization of facilities for the provision of accommodation services in households),

and in the following types of accommodation facilities: rooms, apartments, studio-type suites, summer homes, and camps.

In terms of the Act, accommodation services in households comprise the following services (Hospitality and Catering Industry Act; Official Gazette of the Republic of Croatia No. 138/2006., 50/2012):

1. accommodation services in a room, apartment or summer house, which the accommodation provider owns, up to a maximum of 10 rooms, that is, 20 beds,
2. accommodation services in a camp, organised on land which the accommodation provider owns, with the maximum of 8 accommodation units, that is 30 guests,
3. breakfast, half board or full board services to guests to whom the accommodation provider provides accommodation services in a room, apartment or summer house.

There are different opinions on whether a householder is an entrepreneur or not. On one side, it is argued that householder cannot be considered to be an entrepreneur since he provides accommodation services in his household (family household) which makes it secondary activity (Cerović, Milohnić and Smolčić Jurdana 2009,74). On the other side, accommodation providers invest capital to build and equip facilities, take on risk of return of invested capital, and present their product on the market.

The owner of capital is usually both an entrepreneur and a manager which means that business success depends on his competence and knowledge (Jaafar et al, 2011, 827). Elements of entrepreneurship and management overlap in the provision of accommodation service in households, which then creates a more complex term – entrepreneurial management (Stevenson and Jarillo 1990, 25). As a driver of creativity and business innovations (Austin, Stevenson and Wei-Skillern 2006, 4), entrepreneurial management provides greater importance on the market in terms of greater efficiency, productivity, profitability and competitive advantage (Carland and Carland 2009, 181).

Tourism, hospitality management and leisure industries are primarily based upon entrepreneurship and innovation which is crucial for success in business (Peters, Wong and Kraus, 2010, 28). Furthermore, entrepreneurship of small businesses contributes to destination development by creating competition, cooperation, specialization, innovation, investment, growth, risk-taking and productivity (Kommula 2014, 362).

With regard to the above said, it can be concluded that small businesses and private accommodation providers create the most important and the most common form of entrepreneurship in tourism (Getz and Nilsson 2004, 17) whose flexibility enables them to respond to changing tourist demand as an important factor of the development of tourism.

## **1.2. The analysis of private accommodation in Croatia**

Accommodation in households or, as it is often referred to, private accommodation presents an important segment of the Croatian tourism since it makes up almost 50 % of total accommodation capacity and 34 % of overnight stays in tourism.

Upon reviewing the trends of number of beds, as well as realized tourist overnight stays, the greatest increase was noted in the segment of private accommodation. During the observed period of the past 15 years, number of beds in private accommodation has increased by 3,5 % and number of overnight stays by 2.7 % (MINT 2012).

The weak spot of private accommodation definitely lies in the occupancy rate which is very low, on average 46 days annually unlike occupancy rates in hotels, villas and all-suite hotels, which totals to 126 days throughout the year (MINT 2012). The reason for that lies in the seasonality of tourist demand and poor equipment of objects that is insufficient for doing business the entire year (Tourist Board Istria, 2012).

Nevertheless, a positive shift has been noted when it comes to the increase in the annual occupancy rate with regard to the previous period. In 2008 occupancy rate was 41 day, and it has increased to 46 days in 2010. Occupancy rate has grown by 2.7 %, which is still insufficient when observed on annual level (MINT 2012).

Private accommodation includes almost half of the rooms and beds in Croatia, and it has more than a third of the total overnight stays. Private accommodation offers multiple advantages (affordability, personality, hospitality, comfort etc.) The major issue with regard to accommodation in households is its seasonality, i.e. low occupancy rates.

Furthermore, a lack of additional activities for guests, such as pools, bicycles and programs organized by the host (walking tours, picking fruits and vegetables etc.) is noticeable. Although the existing capacities exclusively rely on the summer season, development of tourism in rural areas is one of the possible manners to extend tourist season.

Accommodation service in households is in the focus of interest as a significant holder of the tourist destination offer. Therefore, significance and importance are placed on the use of comparative approach with the purpose of improving competitive abilities, i.e. adjusting to market needs of a modern guest. Improvement in the quality of the offer of accommodation services and household services will directly affect better quality of tourist destination itself.

## **2. GLOBAL ECONOMIC CRISIS AND PRIVATE ACCOMMODATION**

Global economic crisis is undoubtedly one of the factors influencing the tourism demand today (Balalia and Petrescu 2011, 220). Accordingly, the crisis has been a subject of numerous studies in the tourism sector (Prideaux and McNamara 2013, Spencer 2013, Boukas and Ziakas 2013, Alonso and Bremsera 2013).

As an extremely important part of Croatian economy, tourism participates in Croatia's total GDP with the share of 14.4 % (HNB, 2012). During recent economic crises that inevitably hit economies worldwide (Hausman and Johnston 2014), Croatia has seen a rise in turnover of tourists, which is contrary to the results presented in the literature. Trends of physical indicators in tourism for the period from January to September 2012 show a rise in recorded tourist nights by 3.9 % with regard to the same period the year

before. When considering the most important tourist generating markets, the most significant contribution to the increase of the number of nights gave visitors from Germany, Netherlands and Poland. On the other side, adverse economic circumstances in Italy and Slovenia resulted in decrease in the number of tourist nights from these countries (HNB, 2012).

With regard to types of accommodation facilities, the highest increase in the number of tourist nights was achieved by camps (7 %), private accommodation (3 %), and hotels (2.5 %) (DZS 2012).

It should be noted that the highest percentage in the overall tourist nights in the first nine months was realized by private accommodation facilities with almost 36 % of share. Camps come in second with 26 % of share, and hotels third with 24 % of share in overall tourist nights. It could be concluded that global economic crisis hasn't influenced private accommodation.

However, although private accommodation realizes the highest number of tourist nights and currently comprises almost half of the overall accommodation facilities in Croatia, occupancy rate of such type of accommodation is extremely low, and it makes only 13.5 % (for comparison, hotels make 13 % of capacities with occupancy rate of 37.7 %). It is thus necessary to implement measures for restructuring and raising the quality level with the goal to increase the competitiveness of this segment of tourism. Following this line of reasoning, the plans of the Ministry of Tourism of the Republic of Croatia for the following period predict slower increase in the number of new beds in private accommodation, in favour of hotels as a type of accommodation that offers higher quality and richer contents.

Table 1: **Private accommodation capacity, turnover and quality indicators: 2011-2020**

<b>2011-2015</b>	<b>2015-2020</b>
Nights: +4,4%	Nights: +5,4%
Beds: +2,3%	Beds: 0,0%
Occupancy rate: +2,1%	Occupancy rate: +3,8%

Source: Strategy for the development of Croatia's tourism, MINT 2012

Furthermore, investments in the amount of 1.5 billion EUR are planned for the period from 2011 to 2020 with the purpose to raise standard of private accommodation.

It can therefore be concluded that global economic crisis hasn't influenced Croatian tourism. However, changes are evident in the choice of accommodation type. In other words, tourists do not give up travelling even in difficult economic times (UNWTO 2012), but they do choose more affordable types of accommodation, such as camps and private accommodation.

### 3. METHODOLOGY

#### 3.1. Sampling procedure

The research was carried out from January to June 2012 in different tourist destinations in Primorsko-goranska County. The core set was defined by collecting data from database of the State Administration Office in Primorsko-goranska County, Economy Service, Department of Tourism. The applied database, which comprises the core set, lists all *categorized accommodation facilities* in which household accommodation services in Primorsko-goranska County are provided.

Table 2: **Sampling structure according to strata (destination)**

	Mali Lošinj	Cres	Gorski kotar	Opatija	Krk	Crikvenica	Rijeka	Rab	
NO.	37	41	41	79	83	47	34	70	<b>432</b>
%	8,6	9,5	9,5	18,3	19,2	10,9	7,9	16,2	<b>100</b>

Source: Authors' research

A total of 500 questionnaires were distributed at educational workshops for private renters, organized in eight mentioned destinations across Primorsko-goranska county. A total of 432 questionnaires were found usable for the study, representing response rate of 86.4 %.

#### 3.2. Questionnaire design

A questionnaire survey was used for gathering data and a specially structured questionnaire consisting of three parts was formed. The first part relates to socio-demographic characteristics of respondents such as age, gender and educational level, while the second part examines business conditions and characteristics of different types and forms of accommodation. In the third section, respondents were asked to indicate their level of satisfaction with the overall tourism destination, individual elements of tourism offer, as well as the cooperation with local tourist-boards, where the 5-point Likert-type scale was used, ranging from 1 = "extremely dissatisfied" to 5 = "extremely satisfied". For the purpose of this paper, the first two parts of the questionnaire were analysed in detail.

#### 3.3. Data analysis

The collected data were analyzed using statistical package SPSS for Windows 20.0.

The statistical analysis of data includes descriptive statistics, Pearson correlation coefficient and chi-square test (the level of statistical significance was set at 5 percent).

Descriptive statistics is used to examine socio-demographic characteristics of respondents, and in comparative analysis of private accommodation in Primorsko-goranska County.

Chi-square test and Pearson's correlation coefficient were performed in order to determine the degree of correlation between the length of provision of accommodation services and the amount of generated revenues from provision of accommodation services in household.

Collected and analysed questionnaires form the basis for comparative analysis, as well as the further development of standards with an emphasis on increasing the quality of private accommodation. The analysis of the attitudes of the private renters in Primorsko-goranska County, gathered through questionnaires and conducted educational workshops is a baseline for development of possible models and programmes for upgrading current standard – Kvarner Family, with the aim to expand the offered content, increase motivation of potential tourists and consumption of those tourists that choose private accommodation in household for their vacation.

#### 4. RESEARCH RESULTS

Below are listed the results of the conducted research, divided into the following parts: 1) profile of respondents, 2) comparative analysis of private accommodation and correlation between the length of provision of accommodation services and the amount of generated revenues.

##### 4.1. Profile of respondents

The purpose of examining socio-demographic characteristics, the results of which are presented below, was to consolidate data on the sex and age structure of private accommodation providers, as well as their level of education and the length of doing business, i.e. provision of accommodation services in households

Table 3: Socio-demographic profile of private accommodation providers

SOCIO-DEMOGRAPHIC PROFILE		PERCENT (%)
GENDER	Male	28,0
	Female	72,0
AGE	18-35	5,6
	36-55	39,1
	56-65	38,9
	66 and more	16,4
LEVEL OF EDUCATION	Primary school	6,7
	High school	55,6
	College	37,7
LENGTH OF PROVISION OF ACCOMMODATION SERVICES	Less than 10 years	30,8
	More than 10 years	69,2

Source: Authors' research

The sex structure of the private accommodation providers shows that as much as 72 % of women and only 28 % of men providing accommodation services in households participated in the research. By analysing the age structure it was established that the majority of respondents belonged to the age group 36–55 (39.1 %) and 56–65 (38.9 %).

Educational qualifications of respondents shows that the majority of renters has secondary education (55.6 %), followed by renters with vocational specialist's training or university degree (37.7 %), and finally renters with elementary education (6.7 %). Almost 70 % of respondents offers their accommodation services in household for more than 10 years.

## 4.2. Comparative analysis of private accommodation

This part of the paper examines business conditions and basic characteristics of private accommodation in Primorsko-goranska County. The obtained results are used for comparison with the results of researches conducted in 2009 and 2008. Special emphasis in this part is given to comparative analysis of socio-demographic characteristics of private accommodation providers (age, education), motives for the provision of accommodation in the households, features of the facilities for accommodation, as well as total revenues from the provision of accommodation services.

### 4.2.1. Socio-demographic characteristics of private accommodation providers

Certain changes have been noticed by comparing age structure and the level of education of private accommodation providers with the previous results ("Analysis of the current state of private accommodation in Primorsko-goranska County – households", 2008, p. 24). Changes in demographic structure of private accommodation providers refer to the increase in the share of younger providers and providers with university degree.

Table 4: **Age structure and the level of education of private accommodation providers**

SOCIO-DEMOGRAPHIC VARIABLES		2008 (%)	2012 (%)
AGE	18-35	1,00	5,60
	36-55	18,28	39,10
	56-65	43,89	38,90
	66 and more	36,83	16,40
LEVEL OF EDUCATION	Primary school	11,20	6,70
	High school	67,00	55,60
	College	21,80	37,70

Source: Authors' research

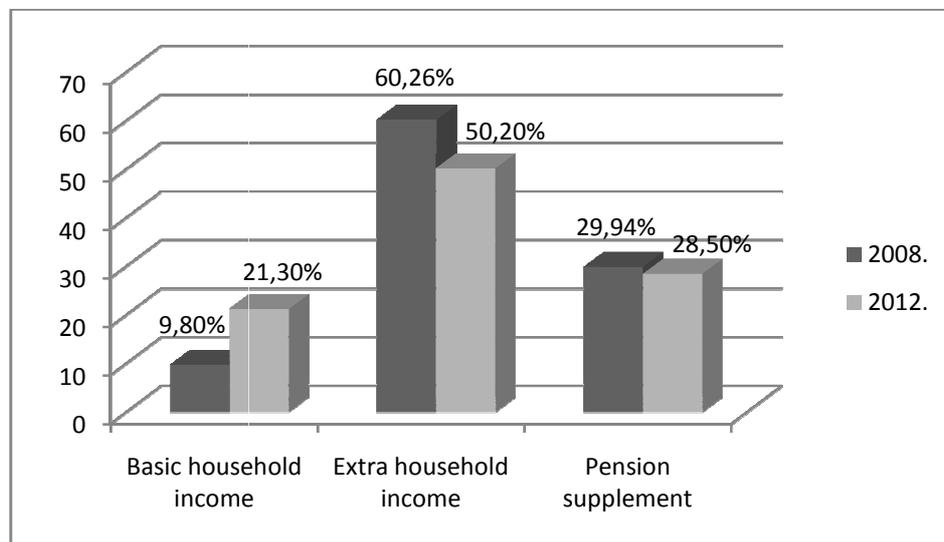
In this sense, number of private accommodation providers has increased significantly among younger age groups, especially in the age group of 36–55. Furthermore, the research data show the increase in the share of private accommodation providers with university degree. The share of private accommodation providers with university degree has increased from 21.80 % in 2008 to 37.70 % in 2012.

#### 4.2.2. Motives for the provision of accommodation in the households

Extra household income from provision of accommodation services in household is most definitely sorted out as primary motive (50.20 %), followed by pension supplement (28.5 %) and basic household income (21.3 %).

Comparison with previous results ("Analysis of the current state of private accommodation in Primorsko-goranska County – households", 2008, p. 24) outlines change in the structure of motives for the provision of accommodation in the households.

Graph 1: Analysis of the motives for the provision of accommodation in the households



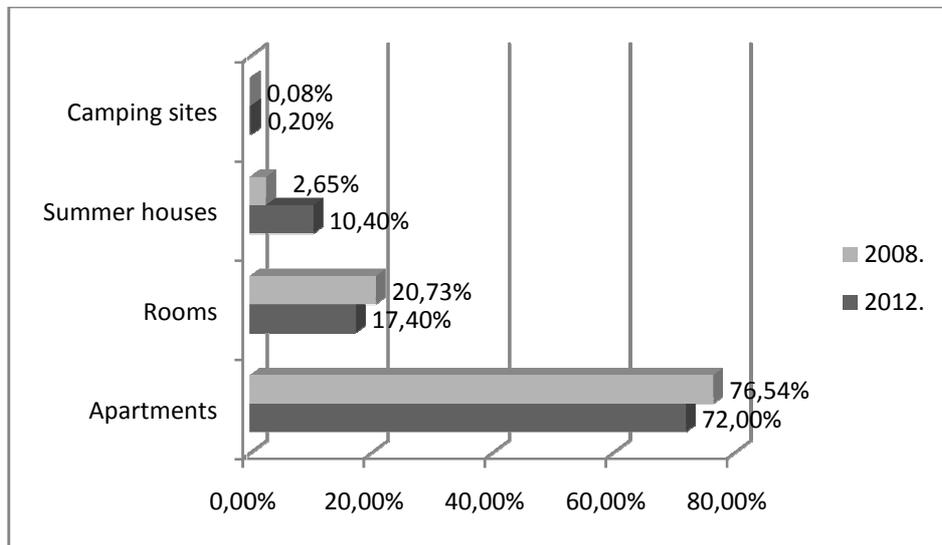
Source: Authors' research

Previously conducted comparison shows significant increase in the number of private accommodation providers whose basic motive of providing services is to increase the basic household income (increase of 11.5 %), and decrease in the number of those to whom income from providing services renders extra household income (decrease of 10.06 %), although more than half of the providers still realizes this income as extra household income (pension or salary supplement).

#### 4.2.3. Features of the facilities for accommodation in the households

The structure of accommodation facilities, created in line with the types of facilities in which accommodation services in households are being provided, shows that apartments are the most frequent type (72.0 %), followed by rooms (17.4 %), summer houses (10.4 %) and household camps (0.2 %).

Graph 2: **Structure of private accommodation according to the types of accommodation facilities**



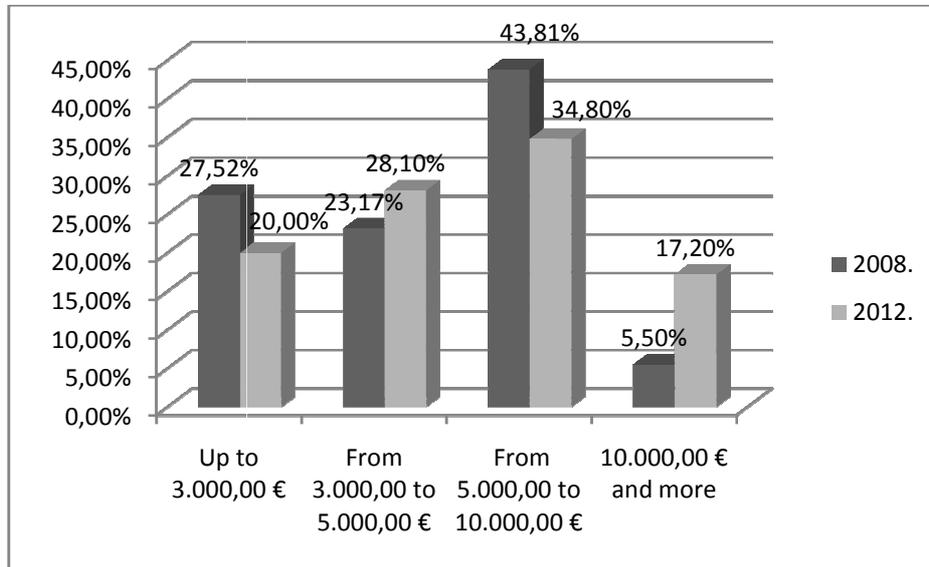
Source: Authors' research

Comparative analysis with the previously conducted researches ("Analysis of the current state of private accommodation in Primorsko-goranska County – households", 2008, p. 24) shows decrease in the share of apartments, as well as the rooms in the structure of private accommodation, unlike increase in the number of summer houses as a type of accommodation offering better quality.

#### **4.2.4. Total revenues from the provision of accommodation services**

Analysis of the structure of total revenues from provision of accommodation in the households shows that the majority of providers earns EUR 5.000,00 – 10.000,00 during tourist season (34.8 %), while only 17.2 % of providers earn more than EUR 10.000,00.

Graph 3: Structure of revenues during the season



Source: Authors' research

Comparative analysis with the previously conducted researches ("Analysis of the current state of private accommodation in Primorsko-goranska County – households", 2008, p. 24) shows decrease in the revenues to the amount of 3.000,00 €, and significant increase in the number of providers earning more than 10.000,00 €.

**4.2.5. Correlation between the length of provision of accommodation services and the amount of generated revenues from provision of accommodation services in household (chi-square test and Pearson's correlation coefficient)**

The research further saw an attempt to determine whether there is a probable correlation between the length of the provision of accommodation services and the amount of generated revenues so chi-square test has been conducted.

Table 5: **Analysis of the probability of correlation between the length of provision of accommodation services and the amount of generated revenues**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	15,369 <sup>a</sup>	3	,002
Likelihood Ratio	15,460	3	,001
Linear-by-Linear Association	9,744	1	,002
N of Valid Cases	425		

Source: Authors' research

The conclusion is that there is probable correlation between the length of the provision of accommodation services and the amount of generated revenues at a significance level of 5 % ( $\chi^2 = 0.002$ ;  $p = 0.002$ ).

Chi-square test has shown that there is probable correlation between the length of the provision of accommodation services and the amount of generated revenues, but in order to determine the direction of correlation of these two variables, Pearson's correlation coefficient has been calculated.

Table 6: **Analysis of correlation between the length of provision of accommodation services and the amount of generated revenues**

		Value	Asymp. Std. Error <sup>a</sup>	Approx. T <sup>b</sup>	Approx. Sig.
Interval by Interval	Pearson's R	,152	,049	3,154	,002 <sup>c</sup>
Ordinal by Ordinal	Spearman Correlation	,154	,049	3,202	,001 <sup>c</sup>
N of Valid Cases		425			

Source: Authors' research

Calculated correlation coefficient shows that there is positive correlation (Horvat and Mijoč 2012, 479) between the length of the provision of accommodation services and the amount of generated revenues at a significance level of 5 % ( $r = 0.152$ ;  $p < 0.005$ ).

## DISCUSSION

The research in this paper focuses on the study of changes in private accommodation and assessment of the current state and possibilities of further development and increase of competitiveness of the overall tourist destination.

The paper studies theoretical propositions of entrepreneurial management in times of global economic crisis and proves its influence on competitiveness of private accommodation. Theoretical correlation between entrepreneurial management and success and competitiveness of private accommodation has been established. Furthermore, specificities of the accommodation service in households has been accounted for in terms of confirmation of complexity and significance on tourist market.

Research results indicate changes with regard to the increase of private accommodation quality. Analysis of socio-demographic structure proves increase in the share of younger private accommodation providers with university degree whose basic motive is to increase the basic household income. Similarly, the share of apartments and rooms decreases while the share of summer houses increases as a higher-quality accommodation type. On average, higher revenues of accommodation providers are noted.

Such research results indicate increase in quality in the segment of provision of accommodation services in households in the observed period and they overlap with trends on tourist market which single out quality as a competitiveness factor. Although research results confirm positive correlation between the length of the provision of accommodation services and the amount of generated revenues thus sending a message to private accommodation providers, as well as destination management, that quality and entrepreneurial management must play the most important role in increasing the competitiveness of the overall tourist destination.

In this sense, it is necessary to make a turn towards new quality, ensure higher standards, maintain ecological balance and monitor market trends, as well as guests' needs and motives with the goal to ensure competitiveness of both the private accommodation sector and tourist destination.

Theoretical conclusions deduced from the reviewed literature indicate the need for further development of scientific thought in the field of entrepreneurship and management of private accommodation. Applicative conclusion deduced from the reviewed literature and conducted research indicates the need for drawing the results of such and similar researches closer together on all levels of destination management. The greatest benefits of this research results are associated with private accommodation providers (entrepreneurs–managers) to ensure the satisfaction of the guests and revisiting of tourist destination. Based on the research results, it is recommended to continue with future researches, especially in the fields of monitoring changes in socio-demographic profile and motives of accommodation providers, and, with regard to that, quality of private accommodation with the purpose of private accommodation competitiveness. Finally, there is a need to expand the above mentioned researches to other tourist destinations, as well as to conduct comparative analysis of private accommodation in Mediterranean tourist countries by using standardized methodology, which is at the same time singled out as a research limitation. Limitations of the conducted research can also be found in the sample size, as well as in the fact that research didn't take into consideration attitudes of guests choosing private accommodation. It is necessary to study that segment in the future researches by continuous examination of attitudes of guests, accommodation providers, as well as destination management, keeping in mind all partners in tourist destination.

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