

**ORGANIZATION
OF THE BLACK SEA
ECONOMIC
COOPERATION (BSEC)**

**KONRAD
ADENAUER
STIFTUNG
(KAS)**

**WORKSHOP ON
“SMES IN THE TOURISM SECTOR”**

Athens, 25 - 27 April 2007

Summary Proceedings

1. The Workshop entitled “SMEs in the Tourism Sector” was held in Athens, the Hellenic Republic, on 25-27 April 2007. It was jointly organized by the Permanent International Secretariat of the Organization of the Black Sea Economic Cooperation (BSEC PERMIS) and the Representation of the Konrad-Adenauer-Stiftung (Foundation) (KAS) for Turkey, in cooperation with the Hellenic Organization for Small and Medium Sized Enterprises and Handicraft (EOMMEX).

2. Welcoming statements were delivered by Ambassador Murat SUNGAR, First Deputy Secretary General of BSEC PERMIS; and Mr. Jan SENKYR, Resident Representative of KAS for Turkey.

2.1. Ambassador M. SUNGAR welcomed the participants to the Workshop and emphasized that tourism has been proved as one of the teaching industries in the world. Tourism sector has a vast potential in the BSEC region. The necessary preconditions for tourism are security and stability based on norms and principles of international law.

The Ministers responsible for Tourism from the BSEC Member States agreed on the importance of stimulating and strengthening tourism by:

- promoting neglected national cultural heritage in the BSEC Member States;
- promoting quality in tourism premises and services;
- investing in the sector;
- finding way for SMEs to financing tourism-oriented operations.

He commended the Konrad-Adenauer-Stiftung and its Representation for Turkey for their active engagement in and financial support for the realization of the series of Workshops as well as their devotion to the development of SMEs in the Black Sea Region. The text of the statement of Ambassador SUNGAR is attached as Annex I.

2.2. Mr. J. SENKYR welcomed the Participants of the Workshop on behalf of KAS and highlighted that during the last 11 years, KAS and BSEC PERMIS have organized 35 workshops, aimed at supporting SME development in the BSEC region. During these events political and professional dialogues were developed among policy makers, representatives of the Governments, academicians, NGOs and entrepreneurs.

3. The welcoming statements were followed by the key-note addresses delivered by H.E. Ms. Fani PALLI-PETRALIA, Minister of Tourism Development of the Hellenic Republic; and H.E. Mr. Dimitrios SIOUFAS, Minister of Development of the Hellenic Republic.

3.1. H.E. F. PALLI-PETRALIA, in her key-note speech, mentioned that in Greece the majority of the tourism industry constrains from SMEs. They provide job, strengthen local economies and contribute to social cohesion. The Ministry of Tourism, in close cooperation with the Ministry of Development, elaborated a program and plan for new tourism development strategy. Tourism has very high priority in the national economy. Quality is the major pillar in increasing the competitiveness of the sector.

3.2. H.E. D. SIOUFAS explained that tourism is the synonym for trade, industry and transport in Greece. The tourism industry employs about 800,000 people which constitute 19.1% of the total working people. Close cooperation exists between the Ministries of Development and of Tourism in the field of infrastructure, capacity building, investment promotion and development of new forms of tourism. The Ministry manages 30 measures that are used to promote tourism-oriented SMEs.

4. The Workshop was co-chaired in rotation by Mr. J. SENKYR; Ambassador M. SUNGAR; and Dr. Antal SZABO, UN ret. Regional Adviser on Entrepreneurship and SMEs, Scientific Director of ERENET.

5. The Workshop was attended by the representatives of the following BSEC Member States:

Republic of Albania
Republic of Armenia
Republic of Azerbaijan
Republic of Bulgaria
Georgia
Hellenic Republic
Romania
Russian Federation
Republic of Serbia
Republic of Turkey
Ukraine

The list of participants is attached as Annex II and the Program of the Workshop is attached as Annex III.

6. On the second day of the Workshop, Mr. Spiros PAPADOPOULOS, General Secretary for Industry, Ministry of Development of the Hellenic Republic; Mr. Norbert PFEFFERLEIN, Member of the Board of the German “asr” (Federal Association of Independent Travel Companies I.S.); Mr. Elmar PIEROTH, Private Entrepreneur and Senator a.D.; and Dr. Antal SZABO, UN ret. Regional Adviser, Scientific Director of ERENET addressed the Workshop as lead speakers.

6.1. Mr. S. PAPADOPOULOS welcomed the participants of the Workshop, explaining tourism as a major activity which covers several groups of enterprises and relates to food industry, handicrafts, software, transport and infrastructure. Tourism involves a wide range of stakeholders. SMEs in tourism faced special problems such as:

- access to finance;
- coping with a complex regulatory environment;
- managerial capacity and skills;
- adaptation of new information technology.

Greece elaborated a series of measures to:

- ensure a favorable environment;
- modernize SMEs by adaptation of new technologies;
- easy access to bank financing through guarantee funds like “TEMPE”;
- provide appropriate infrastructure through business centers;
- assist in simplification of establishment of start-ups.

6.2. Mr. N. PFEFFERLEIN introduced the national tourism policies and orientation of new tourism structure in Germany. Due to new technology changes, the number of travel agencies is declining. Today there are 12,000 travel agencies. The three big giants TUI, Thomas Cook and REWE cover 65% of the tourism revenue. 20% of the tourism intensity is covered by 900 small and medium-sized tourism operators. Today, the circulation of information becomes much faster and relationship between acting parts in tourism trade getting more difficult due to abolishing of commission charges and fees. However, customers get closer to service providers. He also mentioned that international crises and natural disasters are impediment to tourism development. On the other hand, the German population is getting older and people are keen to travel.

6.3. Mr. E. PIEROTH talked on the incentives for development of innovative tourism-dependent SMEs. Most entrepreneurs in the tourism sector are starting their first business as family business. To develop tourism, one has to take into account the people as well as the real possibilities in the region. If there are good conditions, it is advisable to develop first the internal marketing of SMEs based on hospitality. The big hotels seldom provide touristic opportunities. Mr. PIEROTH has established an Association for Tourism and described its role in motivating people. He suggested offering assistance to tour operators from the BSEC Member States in selecting new hotel facilities with around 50 beds for marketing and improving their operations.

6.4. Dr. A. SZABO focused on the relationship between the tourism industry and SMEs. He emphasized that tourism and SMEs are Siamese twins- they are interlinked and there is a

need to provide support measures in both fields. 99% of the tourism enterprises are SMEs. The tourism industry has a multi-sectoral character. However, tourism income is lower than the average in other service sectors, especially due to low labor productivity, lack of entrepreneurial drive and spirit, limited business skills and poor quality consciousness. He indicated the role of Governments as well as the private SME sector in updating and strengthening the tourism-oriented SMEs operation.

7. An exchange of experiences on the SMEs in the Tourism Sector took place. Issues addressed included: i) Relation of the National Tourism and Entrepreneurship Policies; ii) Relation of the National Tourism Infrastructure and the Business Support Infrastructure; iii) ICT-based Tools and Facilities used in the Tourism Industry (home-pages, internet business, etc.); iv) Implementation of the Global Code of Ethics for Tourism adopted in 1997 in Istanbul; v) National Program and Practice for Improving the Skills of Managers and Staff Working in Tourism; and vi) Plan for Sustainable Tourism Growth (with regard to protection of culture and environment).

Question and answer session was held after each presentation.

8. On the third day of the Workshop, presentations were made by Prof. Harry COCCOSIS, Special Secretary for Strategic Planning, Ministry of Tourism of the Hellenic Republic, on “Tourism Policies and SMEs”; and by Mr. Yiannis EVANGELOU, President of the Hellenic Association of Tourism and Travel Agency; and Ms. Michaela BALIS, Head of Department of Economics of the Greek-German Chamber of Commerce and Industry, on “SMEs in the Tourism Sector”.

8.1. Prof. H. COCCOSIS presented the new tendencies in tourism industry in the Hellenic Republic. He pointed out the increasing demand for new diversified products in tourism which, in turn, leads to market segmentation.

8.2. Ms. M. BALIS informed the participants of the Workshop on the activities of the Greek-German Chamber of Commerce and Industry, including the fair in tourism sector held annually in Greece.

8.3. Mr. Y. EVANGELOU described the range of services provided by the tour operators in Greece as well as the efforts of the Association aimed at assisting the travel agencies in increasing the quality of their services. He urged the Governments of the BSEC Member States to facilitate the travel arrangement for tour operators aimed at easing the procedures for agencies operating in the territories of the BSEC Member States.

Final Discussions and Conclusions

9. The following points were made in conclusion:

9.1. Tourism is one of the world’s largest industries and one of the fastest growing sectors of economy.

9.2. Tourism relates to the service economy with significant impact on social, economic, labor, environment and cultural life of the society.

9.3. Tourism is a special kind of foreign trade, where a country can sell products and services without quotas and trade barrier limitation at home.

9.4. The driving factors of tourism are:

- longer and healthier life expectancy;
- growth of personal income;
- stability and peace in Europe and worldwide;
- cheaper transport infrastructure.

9.5. The prerequisites for tourism development are stability and peace. The European Integration process, the EU enlargement, the social and economic development in the BSEC region contribute to healthy growth of tourism.

9.6. Tourism and SME sectors are Siamese twins. European tourism is largely an SME-dominated sector with over 99% of enterprises, each comprising less than 250 employees.

9.7. Many tourism SMEs have been started as family business and for internal marketing.

9.8. Weaknesses occurring in tourism SMEs include:

- supply dominated by family business with vulnerable market stability, weak management skills and low level at capital investment;
- lack of entrepreneurial drive and spirit;
- limited business skills;
- poor quality consciousness both in services as well as premises and infrastructure;
- shortage in financing.

9.9. The information and telecommunication industry has totally changed the structure of the tourism business and provided opportunities for tourism SMEs to make them more competitive. However this creates threats for less flexible, rigid tourism entities.

9.10. In some BSEC countries, like Greece and Turkey, tourism becomes an integral part of the overall economic development. In transitional economies, national tourism and entrepreneurship development strategies belong to different governmental authorities that are not directly cooperating with each other.

9.11. Tourism becomes also a part of the large environmental policy and this dimension has been gained significance over time, especially in consequence of the UN Convention on Climate Changes, the Kyoto Protocol and other international agreements.

9.12. Tourism is seen as an important opportunity for job creation over the coming years, in particular in less developed remote and rural regions. Therefore, tourism contributes to poverty alleviation.

Recommendations

10. The following recommendations were made:

10.1. Governments should be responsible for the elaboration of national tourism strategies and determination of development priorities within the framework of national economic policies.

10.2. Government authorities responsible for development of SME and tourism policies have to work together in order to reach synergy and multiplicatory effect.

10.3. The BSEC Member States should take into account the fact that the development of human resources and support training programs are of paramount importance to reach sustainable tourism-oriented SMEs.

10.4. Governments should elaborate and provide financial support to develop tourism infrastructure including transport, hotels, restaurants, tourism information centers, use of new ITC technologies and competitive tourism packages.

10.5. Special attention should be devoted to access to credit for tourism start-ups and other tourism business.

10.6. Wide participation of the local communities in all phases of tourism development should be assured.

10.7. Governments should launch quality awareness campaigns in the field of tourism, support and provide technical and financial assistance in implementation of quality and environment management systems as well as to fulfill the HACCP requirements at tourism premises.

10.8. BSEC countries using licensing and certification of their tour operators and travel agencies are encouraged to apply the methodology developed by the European Tourism Institute (ETI) issuing a European proved certificate.

10.9. Tourism SMEs should keep in sight the cultural, economic, environmental and social phases as integral parts of all initiatives from management, human resources, marketing and investment.

Any other business

11.1. The German “asr” (Federal Association of Independent Travel Companies) will organize its annual conference in October 2007, with 50-70 middle-sized tour operators and 100 travel agencies as well as tour operator fair. The “asr” invites interested BSEC tourism SMEs to take part in this fair and meet these tour operators. The “asr” will provide more detailed information about this event (contact: info@asr-berlin.de and norbert.pfefferlein@tcme.com).

11.2. The “asr” invites all interested tourism organizations to cooperate with it and its members to take advantage from the network and know-how of the Association and its members.

11.3. “ERENET Entrepreneurship Network Secretariat” is ready to publish papers in English language concerning the SMEs in tourism at the “ERENET Profile”, quarterly internet-base periodical (contact: antal.szabo@gmail.com).

