



Cuba In Transition: Tourism Industry Perceptions Of Entrepreneurial Change

By: Nathan Hingtgen, **Carol Kline**, Luci Fernandes, and Nancy Gard McGehee

Abstract

The Cuban government is working to create a climate conducive to a strong and sustainable private sector. As state employment declines, many residents are exploring the potential of tourism; Cuban entrepreneurs are interested in expanding beyond packaged mass tourism to develop more creative tourism products. However, the success of Cuban entrepreneurs is dependent on a number of conditions external to the entrepreneur known as the entrepreneurial climate (EC). Building on previous entrepreneurship research, this study utilizes interviews of a small group of tourism stakeholders in Cuba to address the research question – what are the perceptions of tourism stakeholders of both barriers to and factors encouraging private enterprise. It concludes with recommendations for planning and policy based on these perceptions that may cultivate entrepreneurial tourism development in Cuba, including improved internet access, development of both wholesaling and financing systems, business education, and legalization of additional tourism professions. Recommendations from the informants also align with recent initiatives in other centrally-governed nations (e.g. China, Singapore, and Bolivia) that have introduced private enterprise to their economies recently. These initiatives could serve as models for Cuba moving forward.

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Cuba in transition: Tourism industry perceptions of entrepreneurial change

Nathan Hingtgen ^a, Carol Kline ^{b,*}, Luci Fernandes ^c, Nancy Gard McGehee ^d

^a Center for Sustainability, East Carolina University, Rivers Building RW 208, Greenville, NC 27858, USA

^b Hospitality and Tourism Management, Appalachian State University, 4078 Peacock Hall, Boone, NC 28608, USA

^c Anthropology, East Carolina University, 285 Flanagan, Greenville, NC 27858, USA

^d Hospitality and Tourism Management, Virginia Tech, 363A Wallace Hall, Blacksburg VA 24060, USA

h i g h l i g h t s

- Tourism stakeholders revealed their perceptions on increasing private enterprise in Cuba.
- Governance barriers included high taxes, arbitrary regulations & limited 'allowed' businesses.
- Other barriers are insufficient infrastructure, lack of financial capital & no wholesale system.
- Positive factors are remittances from Cuban-American family, training, & strong networks.

a b s t r a c t

The Cuban government is working to create a climate conducive to a strong and sustainable private sector. As state employment declines, many residents are exploring the potential of tourism; Cuban entrepreneurs are interested in expanding beyond packaged mass tourism to develop more creative tourism products. However, the success of Cuban entrepreneurs is dependent on a number of conditions external to the entrepreneur known as the entrepreneurial climate (EC). Building on previous entrepreneurship research, this study utilizes interviews of a small group of tourism stakeholders in Cuba to address the research question: what are the perceptions of tourism stakeholders of both barriers to and factors encouraging private enterprise. It concludes with recommendations for planning and policy based on these perceptions that may cultivate entrepreneurial tourism development in Cuba, including improved internet access, development of both wholesaling and financing systems, business education, and legalization of additional tourism professions. Recommendations from the informants also align with recent initiatives in other centrally-governed nations (e.g. China, Singapore, and Bolivia) that have introduced private enterprise to their economies recently. These initiatives could serve as models for Cuba moving forward.

Keywords:

Entrepreneurial climate
Private enterprise
Political climate
Marketing
Tourism entrepreneur

1. Overview

Life in Cuba is changing. At the forefront of these changes are economic reform and the steady growth of international tourist arrivals. However, Cuba has had a complicated, conflicted history in regards to private enterprise (PE). Much activity has occurred in the informal economy since Fidel Castro's Cuban Revolution in 1959 and subsequent planned socialist government. Since its inception

at that time, various reforms allowing the diffusion of PE have taken place over the years, but Raul Castro's 2008 assumption of power and accompanying reform marked "the start of a slow but irreversible dismantling of communism" ("Revolution in retreat," 2012, p. 1).

Increasing the role of international tourism as a way of improving the economy is one focus of these reforms (Babb, 2011; Miller, Henthorne, & George, 2008). The government created the Instituto Nacional de Turismo in 1976, and by the mid-1980s, tourism had become a focal point of economic development (Sharpley & Knight, 2009). In 1982, joint ventures allowing up to 49% ownership by foreign companies were legalized in several

* Corresponding author. Tel.: þ1 919 306 1705.

E-mail address: klinec@me.com (C. Kline).

sectors, including hotel construction, mining, and oil exploration (Díaz-Briquets & Pérez-López, 2005).

Tourism infrastructure, visitor arrivals, and revenue generated by tourism all increased drastically throughout the 1990s and early 2000s (Sharpley & Knight, 2009; Taylor & McGlynn, 2009). The Cuban newspaper *Granma* (2012) reported 2.7 million tourist arrivals in 2011, up from 340,000 in 1990, before international tourism became a key component of Cuba's economy. The legalization of joint ventures proved vital to this process and became "a key source of capital, management expertise, and markets for the international tourism industry" (Díaz-Briquets & Pérez-López, 2005, p. 277). Despite this relative success, issues regarding tourism development continued, including low visitor return rates, a reliance upon low-cost package tours, competition within the Caribbean region, lack of a diverse tourism product, and limited infrastructural investment (Elliott & Neirotti, 2008). According to Ateljevic and Li (2009), the connection between PE, particularly in the form of entrepreneurship, and sustainable tourism has been overlooked in the literature.

Entrepreneurs fulfill an important role in regard to economic expansion, as they quicken the development and proliferation of innovative ideas (Hjalager, 2010). This is especially true in developing countries where innovation is necessary to create a more globally competitive tourism product while reducing travel expenditure leakage (Carlisle, Kunc, Jones, & Tiffin, 2013). An environment that encourages innovation and entrepreneurship is essential to support small business development in developing economies (Carlisle et al., 2013). This has been referred to in the literature as entrepreneurial environment, entrepreneurial infrastructure, entrepreneurial ecosystem, or entrepreneurial climate (EC), and will be discussed within the Cuban context at length in this study.

1.1. Purpose of the study

Ateljevic and Li (2009) examined the state of entrepreneurship research in tourism by analyzing research published from 1986 to 2006 in seven major hospitality and tourism journals and found that only 2% (97 articles) of published articles over the twenty-year time period pertained to entrepreneurship. Hjalager (2010), Roxas and Chadee (2013), and Thomas, Shaw, and Page (2011), also highlight the lack of research targeting the relationship between EC and tourism. This is disheartening as many researchers such as Koh (2002) assert that for destinations seeking to employ tourism as a means of economic development, assessing and improving the destination's EC is critical. In the case of Cuba, because the reforms have been enacted recently (Peters, 2012a), there is little published research about the current state of the EC as it relates to tourism. This study begins to remedy that problem as it examines the perceived barriers and opportunities for engagement in PE through the use of qualitative interviews with Cuban tourism stakeholders. Qualitative methods were deemed viable for this investigation as they are often employed to try and understand the meanings that people assign to phenomena in their social reality (Snape & Spencer, 2003). This study addresses two specific research questions: *What are the perceived barriers for residents attempting to engage in tourism-related private enterprise? What perceived factors are present that most facilitate resident engagement in tourism-related private enterprise?*

2. Approaches to understanding entrepreneurship

An agreed upon definition of entrepreneurship has not emerged (Gartner, 1990; Morrison, 2006). The wide array of definitions pertaining to entrepreneurship, the entrepreneur, and EC contribute to

the fragmented nature of entrepreneurship research, in which a "hodgepodge of research is housed" (Shane & Venkataraman, 2000, p. 217). While it is beyond the scope of this paper to discuss the characteristics, motivations and process of the entrepreneur, it is, as Gartner (1990) stressed, important to be clear when discussing entrepreneurship. He asserted "If many different meanings for entrepreneurship exist, then it behooves us to make sure that others know what we are talking about" (p. 28). In regards to the Cuban context and for the purposes of this research, an entrepreneur can be defined as an individual or group of individuals who create an enterprise to take advantage of market gaps through an innovative product, service, means of production, supply chain, or organization. In Cuba, entrepreneurship and innovation often occur within groups, as is discussed further in the results.

Koppl (2007) found that there is a strong theoretical component present in many entrepreneurship articles, but no real consistency among them. This is largely a result of entrepreneurship having been studied through the frameworks of other disciplines such as economics or management, typically within two primary categories of theory. The first is based upon Schumpeter's work (1934) that establishes innovation and associated economic development as the primary outcomes of entrepreneurship. The second incorporates the environment surrounding the entrepreneur, which can either nurture or limit entrepreneurial efforts. Although this paper is primarily concerned with the environment external to the entrepreneur, elements from both categories are necessary to examine the entrepreneurship process within Cuba. The Cuban government plans to shift 500,000 employees from the public to the private sector (Central de Trabajadores de Cuba [CTC], 2010) to jumpstart its floundering economy, requiring the widespread creation of PE likely stemming from entrepreneurial activity (Harnecker, 2011). Therefore, it is the premise of this study that the role of entrepreneurship in Cuba is to provide innovative ways to take advantage of widespread market gaps in products, services, production, supply chains, or organizations through the formation of an enterprise that creates economic growth.

2.1. Entrepreneurial climate

To understand entrepreneurs, one must take into account the influence that the external environment exerts upon their behavior. Identifying cultural norms should be the initial step in any analysis of EC (Morrison, 2006). Business start-up is more likely if positive societal attitudes toward entrepreneurship and community support for entrepreneurial activities exist (Gnyawali & Fogel, 2004). Researchers have found that entrepreneurs share some traits across cultures but that other traits are culturally specific and are likely to reflect pervasive elements of national culture (Thomas & Mueller, 2000). For example, the American entrepreneur is often seen as highly individualistic (Thomas & Mueller, 2000) whereas family networks are vital to business start-up in Asia (Redding, 1996).

Although arduous to gauge empirically, EC has the potential to play a key role in the overall entrepreneurship process. Generally, deregulated markets with little government intervention and limited entry barriers foster entrepreneurial opportunities. Burdensome bureaucracy and taxation, lack of capital, and governmental price regulation all generally deter the entrepreneurship process (Cuba Study Group, 2011). However, government intervention has positively influenced entrepreneurial climate in countries like China, Vietnam, and Singapore, as they transition from a centrally-planned economy to a more market-based economy (Cuba Study Group, 2011). While government policies and culture represent macro-scale EC elements, others exist at more localized levels. Previous studies have broken the components of EC into many categories (Chatman, Altman, & Johnson, 2008; Gnyawali &

Fogel, 1994; Kline & Milburn, 2010; Koh, 2002). While these and other authors further divide these components into detailed aspects of the environment, they seem to have the common elements of socioeconomics, culture, government policy, physical conditions (built infrastructure as well as natural landscapes), labor conditions, professional services, financing, and business networks.

2.2. Cuban culture, collectivism, and private enterprise

As mentioned above, culture is an important consideration when examining a destination's entrepreneurial climate. Within Cuba, the family provides the foundation of Cuban culture. Skaine (2004) observed three different "families" when discussing Cuba: 1) the family in Cuba, 2) the Cuban family in the United States, and 3) the family with members in both countries. Extended family is very important. Grandparents are engaged in family life as most children are born into homes with several generations present; aunts and uncles play an important role as well (Uriarte, 2002). In the 70's, women were given more rights and became more engaged in the public sphere through the 'Family Code of 1975' and by 1989, women comprised 39% of the workforce (Skaine, 2004). Additionally, the family structure was greatly altered by the 'Special Period in a Time of Peace' of the early 1990s after the collapse of the Soviet Union (Skaine, 2004). According to Uriarte (2002), the severe economic conditions of this period affected families not only through income shortages and other scarcities, but also decreased "family time" as many Cubans had to work more than one job and endure long commutes using the inefficient public transportation system. Teenagers could earn more in one day by showing tourists around than their fathers earned in a month in a professional job (Uriarte, 2002). Additional stresses during this time include increased divorce rates, child begging, petty crime, prostitution, and domestic conflict (Uriarte, 2002).

Research on the Cuban family often includes the neighborhood as a form of extended family, reinforcing social values, providing emotional security, housing, and caring for children (Skaine, 2004). Cubans are outgoing and frequently visit neighbors (Taylor, 2009). The strong collectivist notions held by many Cubans has led to these rich neighborhood networks. During the Special Period, Cubans were forced to assume more responsibility for their survival, quickly realizing that cooperating through gift giving, making loans, and sharing resources aided their efforts (Taylor, 2009). This collectivist mindset, reinforced through socialism, is important to consider as Cubans begin to embrace the principles of PE.

Collectivists see themselves as interdependent components of a united system of people who try to act in their group's best interest. Tiessen (1997) sees individualism and collectivism as operating on a continuum, rather than being polar opposites. In collectivist cultures, "team innovation" arises through intimate ties, shared goals, trust, and commitment as opposed to formal contracts, as is more so the case in individualistic societies (Tiessen, 1997). In their study of 52 nations, Pinillos and Reyes (2011) found relationships between economic development and the individualist-collectivist continuum when examining total entrepreneurial activity within a country. In collectivist societies, concern for others is the catalyst for business development, which improves the group while satisfying individual needs (Hui & Triandis, 1986). Given this combination of cultural and political phenomena, it would be reasonable to conclude that culturally, Cuba is now more ready for PE than during the initial decades after the Revolution.

2.3. Tourism in Cuba: historical trends and systemic issues

In order to understand tourism EC in Cuba, one must examine the context of tourism on the island. Prior to the Cuban Revolution

in 1959, international 'sun, sand, and sea' tourists, especially those from the United States, were vital to the Cuban economy. However, tourism was considered by the new regime as being associated with prostitution, gambling, and drugs (Taylor & McGlynn, 2009), and was seen as a "hedonistic vice" (Sharpley & Knight, 2009, p. 242) that would not fit the socialist ideals of the new government. International tourism in Cuba dwindled throughout the 1960s, 70s, and 80s as Cuba became increasingly dependent upon the USSR (Sanchez & Adams, 2008; Taylor & McGlynn, 2009). After the USSR's collapse and subsequent reduction of economic support, Cuba turned to tourism as one alternative to alleviate this crisis (Sanchez & Adams, 2008).

To expand tourism, both the Cuban government and foreign investors have invested in beach resorts primarily in Varadero and Cayo Santa Maria (Díaz-Briquets & Pérez-López, 2005) further promoting Cuba's historic sun, sand, and sea tourism. The US dollar has been legalized and *casas particulares* (small rooms for rent in private homes) and private restaurants known as *paladares* (Sanchez & Adams, 2008) have been permitted to develop. These reforms seem to have been a success, as tourist arrivals, receipts, and the number of hotel rooms have all increased dramatically over the past twenty years (Becker, 2011). National GDP has increased from \$30.69 billion in 2002 to \$114.1 billion in 2010, 72.9% of which was generated by the services industry (Becker, 2011). Cuba's tourism development has come largely without the influx of tourists from the United States, due to the longstanding trade embargo which restricts Cuba's ability to trade internationally and makes it difficult for Americans to visit Cuba as tourists.

Despite the positive visitation trends, the average expenditure has decreased since 1995, down from \$1310 to \$876. Poor food, poor service, and the idea that visitors think Cuba is expensive contribute to one of the lowest return rates in the travel business (Sharpley & Knight, 2009). Elliott & Neirotti (2008) cite market-dependence on low-cost package tours, prohibitive landing fees, competition from other Caribbean nations, lack of a diverse product offering, and lack of investment as other impediments towards the further growth of Cuban tourism. These issues must be addressed for Cuba's tourism to become economically sustainable in the long-term (Sharpley & Knight, 2009).

Adding to economic sustainability issues in tourism is the dual-currency system, which originated in 1993, when, for the first time, the US Dollar became legal currency and restrictions were loosened on US Dollar remittances from family members in the United States (Peters, 2012a). This helped individuals, but gave those with access to dollars a much higher standard of living than those without. The use of the Cuban convertible peso or CUC did not become widespread until 2004 when the government declared that all US Dollar-based transactions must now be conducted in CUCs (Di Bella & Wolfe, 2008; Peters, 2012a, 2012b); effectively eliminating the US Dollar from the formal Cuban economy. One CUC is now equivalent to ~24 CUPs and this dual currency system has created price distortions as many basic goods are only available for purchase in stores that accept only CUCs, led to black market activities, slowed the development of financial markets, and complicated economic measurement tools, which makes it difficult to implement effective monetary policy (Di Bella & Wolfe, 2008). The government has indicated that improving this system is a priority, but no specific goals have been set or initiatives launched up thus far. Most tourist transactions and gratuities are in the form of CUCs, which have a much higher value than the Cuban peso (CUP), signifying that Cubans working in tourism have the potential to earn much more than the basic government salary (Sanchez & Adams, 2008). As a result, many Cubans have left government or professional jobs in pursuit of the economic bonus of CUCs via tourism jobs (Sanchez & Adams, 2008). See Di Bella and Wolfe (2008) for a detailed

explanation of Cuban currency issues along with analysis from former Soviet states that have dealt with a similar system.

The United States trade embargo also has prominent effects on Cuba's tourism industry as well as Cuban life in general. Although enacted in 1962, the trade embargo had its most consequential impacts after the collapse of the Soviet Union. In 1992, President George Bush strengthened the embargo by restricting travel to Cuba from the US by Cuban-Americans through imposing a limit of \$500 per family per year allowed to be spent on travel expenses to Cuba. Additionally, in 1992, President Bush enacted an executive order which forbade ships engaging in commercial operations with Cuba from entering US ports, resulting in dampening foreign investment, limited and difficult entry for Americans (Padilla & McElroy, 2007), lack of cruise ship traffic (Miller et al., 2008), and difficulty importing supplies (Skaine, 2004).

Cuba's tourism offerings are highly concentrated, with 69% of rooms located along beaches (Wood & Jayawardena, 2003) and 70% of rooms located in either Havana or Varadero (Sharpley & Knight, 2009); a majority (65%) are 4- and 5-star (OneCarribbean, 2011). Havana, the nation's capital and largest city, has undergone much transformation. In 1982, UNESCO declared the neighborhood of Old Havana a World Heritage Site. Significant investment has turned historic buildings into hotels, bars, restaurants, entertainment venues, museums, art galleries, shops and stores (Taylor & McGlynn, 2009). Varadero, located on the northern coast, is the principal resort destination of Cuba. It has experienced steady hotel construction and growing air traffic (Lonely Planet, 2009). While Havana and Varadero form the foundation of tourism in Cuba, the Ministry of Tourism has also established six additional locations as important Cuban tourism poles (Miller et al., 2008).

Of course this is not the first Caribbean island to invest in tourism as an important part of its economy, and the negative impacts of that investment are well-documented (Ramón Rodríguez, 2002; Wilkinson, 1999). Large-scale mass tourism has led to environmental degradation, economic inequality, and cultural erosion; indeed the literature documenting tourism's negative effects span nearly four decades (Anfuso, Williams, Cabrera Hernández, & Pranzini, 2014; De Albuquerque & McElroy, 1999; Hall & Braithwaite, 1990; Hills & Lundgren, 1977; Holder, 1989; Pattullo, 1996). Much is being done in Cuba to minimize the potential negative effects of mass tourism, primarily through close oversight by the government creating a unique public-private enterprise. For example, within the next decade, an additional 10,000 rooms are expected to be added to Varadero's room stock as well as a new marina with 500 births (Becker, 2011). The government is playing an active role in encouraging visitors to engage in tourism activities away from the resorts, which will be essential for small tourism entrepreneurs in the future as one way to battle the potential dangers of mass tourism.

The evidence is strong that Cuba is fully committed to tourism as a long-term development strategy (Babb, 2011). Miller et al., (2008) posit that "the educated human resource base Cuba possesses could provide truly rare capability in the Caribbean region for creating an innovative industry that can adapt to negative shocks and capitalize effectively on new opportunities that emerge" (p. 274e275). People visit Cuba for many reasons. The particularities of the Cuban regime and its political system are also tourist attractions (Babb, 2011; Sanchez & Adams, 2008). Some people want to see Cuba "before it changes." Others idealize the revolution, Castro and Che Guevara. Additionally, tourists can visit attractions such as the Museum of the Revolution, and the restored architecture of Old Havana (Babb, 2011). Babb (2011) argues that "the peculiar amalgamation of tourist attractions is precisely what accounts for Cuba's global appeal and its economic advantage" (p.53). Opportunities for innovation in Cuba's tourism industry lie in ecotourism, health tourism,

adventure tourism, cruise terminal expansion, and water sports such as fishing or scuba diving (Becker, 2011; Elliott & Neirotti, 2008), however the focus of this paper is to explore those opportunities that lie in small enterprises created by the everyday citizen.

2.4. Entrepreneurship in Cuba

The most recent economic reforms regarding PE have been underway since Raul Castro became president of Cuba in 2008. During his initial policy speech in 2007, the younger Castro declared that a worker's salary from the government "is clearly insufficient to satisfy all necessities, and hence has practically stopped fulfilling the role of assuring the socialist principle of each working according to his capacity and receiving according to his work" (Peters, 2012a, p. 5). This marks a significant change in political ideology. PE engagement grew from 157,731 workers in October 2010 to 385,775 workers by July 2012 (Peters, 2012b). Transportation, food service, renting of private rooms, and farm-related entrepreneurship form significant percentages of those involved in PE (Peters, 2012a). The continued growth of the private sector is largely dependent upon the quality of EC conditions within Cuba. Although the new reforms lean towards capitalism, the government very much wants to maintain control and promote socialism. It restricts how much a business can grow and taxes them heavily, gaining a large percentage of the revenue. Newspaper articles have documented initial effects of the move towards PE within Cuba and have reported stories of individual entrepreneurs (Wilkinson, 2011), however, this transition will not be without challenging 'growing pains' as the Cuban government and its citizens learn how to operate within a less centralized economy.

Specifically measuring tourism EC in any destination is difficult. Table 1 organizes research in this area, focusing on how the work may be applied in a Cuban context; the categorization in the table is based on Koh's (2002) categories for quality EC and Kline and Milburn's (2010) ten categories of *Rural Tourism Entrepreneurial Climate*, and is the foundational framework used in this study.

Cuban EC can be seen as the sum of influence of Cuban culture, government policies, infrastructure, and natural resources on the creation of business enterprises undertaking innovative activities that fill a market gap. This qualitative study is intended to add depth to the understanding of EC in Cuba by investigating the factors that most limit and encourage engagement in tourism PE.

3. Methods

This study was approached from the constructivist perspective, which assumes that reality is formed by cultural and linguistic constructs (Patton, 2002). Because it is the perception of EC that creates how people feel about it, the constructivist perspective applies. Data collection took place for a period of twelve days in July 2012. It consisted of semi-structured interviews with Cuban tourism professionals including professors, enterprise owners, and tourism industry employees. Qualitative research is well-suited to the exploration of complex issues, particularly social phenomena such as entrepreneurship (Ateljevic & Li, 2009; Snape & Spencer, 2003). Semi-structured interviews are especially functional when researchers only have one chance to interview an informant, as was the case with this study. Although the interviewers did have some flexibility in terms of interview question ordering and selective probing, informants answered a very similar set of questions, allowing for comparison between interviews during the analysis stage (Bernard & Ryan, 2009). Interviews with tourism professionals occurred primarily in Havana, however three interviews (one from Varadero and two from Viñales Valley) were added for comparison. These three areas were selected because tourism is

Table 1
Applying current research to entrepreneurial climate in Cuba.

E-climate category	E-climate category sub-component	Cuban context	Authors
Governance	Laws support small business	Limited categories of self-employment	A: I
		Difficult to hire and fire workers	A: F
	Tax Structure	New forms of cooperatives expected to be legalized	I
		Taxes are extremely high	D: F: I
	Power structure	Taxes are irrespective of earnings	O
Permitting	Government and state-controlled enterprise have all the leverage	I	
Culture	Decision-making process	Expedited with minimal documentation required, five day average waiting period	I
		Citizens widely consulted on economic policies in 2011	I
	Resident attitude toward tourism	Cubans feel that tourism has had a positive impact; most would support further tourism development	C
		<i>Resolver</i> suggests ingenuity	N: R
General Context	Residents possess problem-solving attitude	Society infused with national pride	N
	Shared identity	Record number of tourists in 2011	E
	Tourism development stage	Citizens engaged in PE almost tripled from 2010 to 2011	M: S
Human Capital, Education, Training	PE development stage	About 50% of arrivals from December-April	L
	Seasonality	Cubans lack 'business school' knowledge	A: I
	Understanding of business	Highly educated citizens	K
	General education	University of Havana does not prepare students for entrepreneurship	A: B
	University curriculum	Limited information available from outside world	A
Networks and Social Capital	Access to information	Widespread and effective tourism technical schools	T
	Tourism education	No wholesale markets	D
	Wholesaling	Plans to introduce wholesale markets	H: I
		Advertising	Advertising is illegal
Financial Infrastructure	Supporting industries	Not well linked with tourism	J
	Family and community networks	Strong and well developed, high social capital	R
	Access to start-up funding	Start-up capital non-existent	A: D: F: I
	Currency	Dual currency system hurts entrepreneurs	R
Physical Infrastructure	Investment	No system exists	O
	Funds for tourism development	Government invested US \$185M in tourism in 2007	O
	Transportation	Poor road signage, bad maps, lack of gas stations, dangerous roads, unreliable bus system	G
		Communications	Internet access severely restricted
	Utilities	Unreliable power and non-potable water	G
	Housing	Poor condition	A
	Safety	Good security	G
	Landscape	Beautiful beaches	G
Quality natural environment	Quality natural environment	U	
Business Support Services	General support	Small business associations and business incubators non-existent	A: I
	Effective DMOs	Ministry of Tourism organized over 300 international events in 2006	J
Quality of Life	Quality tourism product	Lack of diversity among tourism products	O
		No internal competition therefore no need to raise standards or quality	O
	Availability of health care and education	Free for all Cuban citizens	P
	Wages	Most Cubans make very low wages	J

Note: each item has been gleaned from the one of more of the following studies: (A) Becherer and Helms (2011); (B) Becker (2011); (C) Colantonio (2004); (D) Cuba Study Group (2011); (E) "Cuba: 2.7 million tourists" (2012); (F) De Córdoba and Casey (2010); (G) Elliott & Neirotti (2008); (H) Frank (2013); (I) Harnecker (2011); (J) Henthorne, George, & Williams (2010); (K) Miller et al., 2008; (L) OneCarribbean (2011); (M) Peters (2012a); (N) Sanchez and Adams (2008); (O) Sharpley and Knight (2009); (P) Skaine (2004); (Q) Taylor (2009); (R) Taylor and McGlynn (2009); (S) Wilkinson (2011); (T) Wood & Jayawardena (2003); (U) WWF (2006).

prevalent throughout each of them however they represent vastly different tourism images and products. Therefore, the types of entrepreneurial activities might differ from the urban setting of Havana, the natural, ecological and geological vistas of Vinales Valley, or possibly within the more heavily developed beach surroundings of Varadero. The different tourism environments provide for a wide range of opinions from professionals within the tourism industry, all focusing on the operating climate of tourism entrepreneurs.

After a thorough review of the tourism, entrepreneurship, and community development literature, interview questions were formed through a collaborative process among the primary researchers. Questions included lines of inquiry about: Changes that the state has implemented in recent years that may affect PE and the tourism industry; financial outcomes of PE and the difficulties encountered in the PE process; and reasons for not engaging in PE if the informant was not currently doing so. The questions were pilot tested with a group of Sustainable Tourism graduate students in

Spring 2012; modifications were made as a result. Data were collected by a team of 16 interviewers. Interviewers sought out a wide range of tourism industry professionals representing different sectors of the tourism industry, and worked in teams of three or four. The teams were established as a method to overcome the inability to record the interview so as not to call attention to the process, and due to country restrictions.

Cuban informants were selected via purposive sampling. They were identified based upon their employment in the tourism sector. Several tourism professions were identified ahead of time as interview goals. Researchers also had to assess a potential interviewee's understanding of the changes in policies within Cuba, generally through an informal conversation before the interview, to determine whether or not their opinion would be valuable to the study. All informants were approved by the primary researcher to ensure a range of representation from various segments of the industry (e.g. lodging, dining, transportation, visitor information) (Table 2). Due to language limitations of the research team, it was

Table 2
Interview informant attributes.

Profession	Age	Gender	Location	Employment sector
University Faculty	45	M	Havana	State
University Faculty	55	M	Havana	State
Cultural tourism agency employee	25e30	F	Havana	State
Casas particulares broker	40	M	Havana	Private
Tour guide and Casa Particular Owner	45	M	Havana	Both
Taxi driver	50	M	Havana	State
Bartender	35e40	M	Varadero	State
Housekeeper	40	F	Havana	State
Casa particular owner	40e45	F	Havana	Private
Visitor Center staff	23	F	Vinales Valley	State
Hotel receptionist and currency exchange employee	40	M	Havana	State
Horse carriage driver	35	M	Havana	State
Paladar owner	30e35	M	Vinales Valley	Private
Café waiter	35	M	Havana	State

necessary for the Cuban informants to be conversant in English. The researchers recognize that this is a shortcoming to the study in that it limited the pool of informants as well as constraining the ability of informants to speak in great detail. It is important to note, however, that conducting the interviews in English in some ways made the informants feel more comfortable speaking in public places where most people spoke Spanish.

As most tourism professionals are busy with full-time positions, the conversation had to be set up for non-work time, usually over coffee or a meal. Conversations were designed to last roughly 45 min but often lasted over 1 h. The informal yet deliberate nature of the semi-structured interview achieved two purposes. Namely, it 1) put the informant at ease, and 2) kept informants out of “harm’s way” with authorities who might wish to know the nature of the conversation. The sensitivity of the situation within Cuba cannot be understated. Several of the Cubans the researchers approach to interview declined and indicated in many subtle, non-verbal ways that they were concerned about looking suspicious to the Cuban government. After the interview was concluded, interviewers immediately sequestered themselves in a private area and wrote down important ideas, themes, actions, and other noteworthy aspects such as voice or expression changes from the interview. Next, the team discussed the interview, using the pre-determined list of interview questions as a guide. This discussion between team members was recorded and later transcribed; the transcriptions of these recordings comprise the data analyzed for this study. While the inability to record makes the use of direct quotes from informants impossible, in some ways this may have strengthened the study by acquiring a wide range of viewpoints that heretofore have been unavailable.

After the conversation was completed, team members individually recorded their recollection of the interview immediately; team members were not to speak to each other during this process. After all team members had finished, they convened to debrief on each interview question; a team leader was designated to lead the debriefing process and the conversation was recorded. Team members were to arrive at a consensus on what they heard throughout the interview with the Cuban informant. The team leader followed the interview script and only advanced to the next question after consensus had been established on relevant participant responses. This assured triangulation of the data.

Lincoln and Guba (1986) identify four criteria for establishing trustworthiness in qualitative research: credibility, transferability, dependability, and confirmability. Credibility was established by

obtaining a wide range of perspectives from within the Cuban tourism industry, ensuring that many distinct perspectives shed light upon the research questions (Patton, 2002). The training process for both interviewers and coders established dependability by ensuring that data was both collected and coded in a consistent manner (Graneheim & Lundman, 2004). The use of existing tourism EC frameworks enhances confirmability while transferability is facilitated by the detailed descriptions of culture, context, and methodologies contained within this study (Graneheim & Lundman, 2004). Although the Cuban context should provide unique results, these findings should add to the body of knowledge on EC in tourism.

Coding was done through content analysis. Three independent coders, used for analytical triangulation, searched for themes within the transcriptions; two of the three coders participated in the data collection. A “test set” of three transcriptions were initially coded whereby coders met to compare results and confirm a consistent and reliable approach (Cunningham, Sagas, Sartore, Amsden, & Schellhase, 2004). Discrepancies in categorization were resolved and this process ensured a reliable approach moving forward with the remaining transcripts. The upcoming findings and discussion sections elaborate on the themes that emerged from the coding process.

4. Findings

The informants expressed strong perceptions about tourism EC elements within Cuba. As result of analysis of the interviews, Table 3 summarizes these perceptions into: 1) those that constrain PE, and 2) those that encourage PE in order to address this study’s two principle research questions: *What are the perceived barriers for residents attempting to engage in tourism-related private enterprise? What perceived factors are present that most facilitate resident engagement in tourism-related private enterprise?*

Informants generally agreed on the elements that serve as barriers to PE, and mentioned specifically the centralized, non-participatory nature of the decision-making process, high taxes, and concerns that the government can shut down PE through excessive regulation, random but strict inspections, or issuing fewer business permits. Although the number of legal PE categories has expanded, many Cubans are still not legally able to open a business in their area of expertise (e.g. tour guide operation).

In addition to governmental barriers, informants claimed that Cuba’s tourism infrastructure could not handle a significant increase in tourism. Specifically, a dearth of hotel rooms, a poor transportation system, and lack of Internet service are stumbling blocks to tourism development. It is also difficult for Cubans to acquire start-up loans and state salaries do not leave much to save each month. Informants feel that most Cubans do not have training in business or the business skills that successful PE requires. Perhaps another possible barrier to PE is that an entrepreneurial mindset is not compatible with many Cubans’ socialist ideology. The lack of a wholesaler network greatly reduces PE profit margins as small business owners must pay for supplies at retail prices. The seasonal nature of tourism provides another challenge to PE. Finally, informants feel that the United States trade embargo will not end soon and that this limits the number of tourists to Cuba and the supplies available for business owners.

While informants recognized the barriers to tourism PE, they also pointed to many encouraging factors. Perhaps most importantly, the government is moving in the right direction by expanding legal PE categories, making the permit process easier, and continuing to invest in tourism. Also, informants felt Cubans generally have a positive attitude towards tourism due to economic and social benefits gained. Informant responses may have been influenced by the social desirability effect (Babbie, 2001; Bernard, 2006). This occurs

Table 3
Summary of key results.

EC Category	Barriers to private enterprise	Factors encouraging private enterprise
Government	Non-participatory decision-making, high taxes, arbitrary limits to PE, limited legal PE categories	Expanding legal private enterprise categories, investing heavily in tourism, permitting process improving
Culture	PE may not be compatible with strict socialist ideology	Positive attitude toward tourism and PE, problem-solving culture
General Context	Insufficient tourism infrastructure, seasonality, susceptible to global economy	Wide variety of tourism products and markets, PE expanding
Financial Infrastructure	Start-up loans are insufficient, lack of private capital	Government invests in tourism, remittances from Cuban-Americans facilitate business start-up
Human Capital	Lack of business training/skills, business maintenance difficult	Tourism-specific training and tourism "professionals" on the rise
Social Capital/Networks	No wholesaling or buying in bulk	Strong family and community networks
Marketing Tools	Limited marketing opportunities within Cuba	Good international marketing, Internet marketing effective and increasing
Physical Infrastructure	Very limited Internet access, poor transportation system	
US trade embargo	Not expected to end soon, limits tourists and supplies to Cuba	

often in qualitative research, especially in the case of face-to-face interviews, when informants want to be perceived positively by interviewers (Babbie, 2001) or offer responses conducive to what they think the researchers want to know. Roughly half of informants interviewed were either engaged in PE or would like to be someday, and many perceive there to be greater financial gain in PE than working for the government. Overall, informants expressed a sense that Cuba's tourism EC seems to be improving, but there are still ample opportunities to advance it further.

5. Discussion

Cuba's push away from socialistic tendencies and toward developing the private sector is reminiscent of the efforts of China, Bolivia, and Singapore, which have all undertaken similar measures in moving from a centralized market system to one that is open to entrepreneurial ventures. In particular, government regulations, finance reform, and programs to improve infrastructure and human capital are all defining elements of the change in Cuban society.

Government policy has been found to play an important role in enabling entrepreneurship (Pinillos & Reyes, 2011). In the current study, informants felt that the Cuban government is moving in a direction that is more supportive of PE than in the past. This is reminiscent of the Chinese government's promotion of PE that started in 1978. Since that time, China has witnessed the creation of nearly 25 million PEs that currently contribute roughly 70% of China's GDP (Cuba Study Group, 2011). Just as China began by allowing greater flexibility for workers (Cuba Study Group, 2011), the Cuban government mimicked this approach by expanding the number of legal categories for PE, permitting residents to hold business licenses in more than one of these categories, and letting entrepreneurs work outside of their home municipality (Peters, 2012a). Some informants spoke positively about the Cuban government's recent expansion of legal PE categories while others expressed disappointment that they were still barred from opening a business in their areas of expertise. This is in keeping with Becherer and Helms (2011), who suggested the current job categorization system within Cuba limits PE to "lifestyle" jobs that do not create significant economic value and who suggest the system be expanded to create a more entrepreneur-friendly environment.

Expanding legal categories of PE could greatly benefit the tourism industry. For example, one informant expressed dismay that he could not open a private tour company. Allowing tour guides to operate privately might result in innovative tour packages (Babb, 2011) beyond the low-cost packaged tours (Elliott & Neirotti, 2008) offered currently. This would support the notion of Carlisle et al. (2013) who have seen an increase in tourist demand for innovative, creative tourism products that better incorporate local communities.

Informants also mentioned the litany of regulations surrounding PE in Cuba, including random inspections and caps on PE size (e.g. room limits for casa particulares). Such bureaucratic obstacles are a severe hindrance to PE activity (Cuba Study Group, 2011). The Chinese government introduced further reforms only after initial reforms were "tested" and deemed not to threaten the power of the state (Cuba Study Group, 2011). The Cuban government seems to be taking a similar path with the "updating" (Peters, 2012a, p. 4) of the socialist system.

While government support is critical, entrepreneurs must also have access to some level of funding to leverage their innovative ideas. Informants in the current study discussed the difficulty of acquiring start-up capital and finding technical assistance related to funding, two elements of EC often noted in the literature (Becherer & Helms, 2011; Chatman et al., 2008; Kline & Milburn, 2010; Koh, 2002). In Bolivia, the government focused on rebuilding the financial services sector to finance small business after a period of hyperinflation in the mid-1980s (Cuba Study Group, 2011), resulting in the creation of several non-profit micro-finance institutions supplying start-up funding and technical assistance to small enterprises. Once these institutions became profitable, the need for international donors lessened and these non-profit institutions were converted to regulated commercial banks. Bolivia has witnessed the creation of roughly one million small PEs since the financial system was overhauled (Cuba Study Group, 2011).

Physical infrastructure comprises the backbone of many tourist destinations. Informants mentioned the lack of quality physical infrastructure specifically in regards to the transportation system. Quality transportation is especially important in tourism as travel is by definition part of tourism (Kline & Milburn, 2010). Havana and Varadero, are easily reached by airport but many other tourist destinations in Cuba are not. Improving the transportation system and developing regional linkages may encourage tourists to leave these two tourism hubs and venture out into the rest of Cuba, disseminating the economic benefits of tourism throughout. The lack of quality infrastructure not only limits the number of tourists that can visit, but limits entrepreneurial activity as well.

Informants mentioned the lack of business or entrepreneurial education in Cuba and related this to the potential difficulties Cuban entrepreneurs may encounter when trying to maintain their businesses long-term. Singapore may be the country most comparable to Cuba in this process as both countries are islands with relatively small economies. Singapore invested heavily in infrastructure and education while encouraging foreign investment through an attractive taxation system aimed at high-tech businesses. Singapore's reforms were designed to promote employment and competitiveness (Cuba Study Group, 2011), two things the Cuban economy needs as they move thousands of residents into

the private sector (De Córdoba & Casey, 2010) and upgrade the quality of tourism offerings (Elliott & Neirotti, 2008).

Much research has discussed the influence of collectivism upon the proliferation of entrepreneurship (Pinillos & Reyes, 2011; Tiessen, 1997). Pinillos and Reyes (2011) found that entrepreneurial activity flourishes in collectivist societies where low levels of income are found, sometimes referred to as necessity entrepreneurship, which is a result of low economic growth. This seems to be the case in Cuba as informants noted that PE creation is rising, signifying an abundant 'supply of entrepreneurial people' (Koh, 2002). Informants noted the low state wages and felt that many are starting PEs because of the increased earning potential.

The strong family and neighborhood networks discussed in Taylor (2009) and Chatman et al. (2008) mirrored informant responses and reflected how highly valued these networks are in the Cuban PE process. One informant discussed using a local seafood supplier, contracting a tour guide for his nature tours, hiring family members as employees, and how his aunt in Miami created his Facebook page. This entrepreneur is employing his family and community network to support at least three businesses: a casa particular, a paladar, and nature tours. Two other informants discussed a casa particular cooperative, through which residents of an apartment building work together to attract and serve guests. Two informants asserted that tourism creates linkages between businesses such as taxi drivers, restaurants, lodging establishments, and small shops. It seems that relatively low level of economic development within Cuba and the collectivist notions of working together to help each other have laid the foundation for the expansion of PE.

The question remains as to whether Cubans have the capacity and the tools to execute successful PE on a large-scale. Some informants mentioned that Cubans have conducted business operations on the black market for years, signifying some understanding of traditional capitalist concepts such as supply, demand, and scarcity. Black market tourism business operations in Cuba have been chronicled by Babb (2011) and Sanchez and Adams (2008). Relatedly, several informants discussed the problem-solving nature of Cuban residents and their ability to "always find a way." These concepts are best summarized by the idea of *resolver* (to resolve or to deal with), which suggests problem-solving, but also incorporates illegal activity (Sanchez & Adams, 2008). Ritter (1998) asserts that the revolution has actually instilled entrepreneurial values and attitudes in Cubans through the necessity of bartering, networking, and hustling as survival strategies. Transferring this black market activity to the formal private sector seems to be a principle desired outcome of the government's increased support of PE as 68% of new business licenses have gone to those who were previously unemployed (Harnecker, 2011).

Despite the "entrepreneurial spirit" mentioned above, there seems to be a lack of formal education and training in the fields of business and entrepreneurship. Some informants felt that Cubans know how to start a business but questioned Cubans' ability to maintain it, mentioning specifically the lack of business experience and the absence of management training. Becherer and Helms (2011) call for the development of business administration and entrepreneurship programs at the University of Havana. Some informants felt that nothing resembling a business support system exists within Cuba. Becker (2011) proposed a new Ministry of Small Business Enterprise in Cuba to provide training and education for future entrepreneurs. While upper-level managerial programs are lacking, 19 technical hospitality schools for tourism have been established under the control of the Sistema Nacional de Formación Profesional del Turismo (FORMATUR); one informant mentioned that the schools were improving services in tourism. FORMATUR issues close to 20,000 certificates every year

(Wood & Jayawardena, 2003) and also offers a one-year manager conversion program that transitions managers from other fields into tourism.

An efficient supply chain network could lead to cost savings while allowing entrepreneurs to focus on strategy instead of supply acquisitions. Several informants mentioned the lack of a wholesale system and the inability to buy supplies in bulk. One mentioned that there are only two state companies through which entrepreneurs can acquire supplies and that the lack of competition leaves entrepreneurs vulnerable to the companies' price structure. Flora, Sharp, Flora, and Newlon (1997) argue that strong vertical networks to regional or national centers can spur economic development by providing entrepreneurs with access to "resources and markets beyond community limits" (p. 629) while horizontal networks lead to multi-community collaboration. Opening up the supply chain within Cuba would create competition between suppliers, drive down prices, and allow entrepreneurs to generate more profit. Fortunately, the Cuban government recently announced plans to set up a new state holding company to supply both state-run and PE: the "Food, Industrial, and Other Consumer Goods Trading Company" (Frank, 2013). Finally, informants felt that the US trade embargo significantly limited the supply network in terms of available goods. One informant cited air conditioners and air filters as examples of tourism supplies that are hard to obtain due to the embargo.

Because several marketing-related themes emerged from the interviews, an additional EC category of *Marketing Tools* was developed. Informants mentioned both collaborative marketing efforts such as Destination Marketing Office-type services, as well individual-level undertakings such as Internet-based marketing. Several informants mentioned national marketing efforts have improved through the opening of a sales office in Europe and from moving beyond the 'cigars, rum, and women' advertising of yesteryear. One informant felt that this new brand of tourism is more aligned with how Cubans want to portray themselves, as well as signifying a more comprehensive tourist destination.

Several informants noted the crucial role of the Internet marketing in tourism PE at both the collaborative and individual level. While efforts are being made to improve Internet speed and access in Cuba, the effects of this on individual businesses could be limited by the high cost of use and heavy restrictions (Alvarez, 2013). In spite of this, Cubans do seem to be using the Internet to assist business operations; this should only increase as the new cable leads to faster, more widespread Internet access for Cuban entrepreneurs. Another individual marketing issue in Cuba centers around the illegality of physical advertising within Cuba (Becherer & Helms, 2011; De Córdoba & Casey, 2010). One informant pointed this out as he felt that his "English spoken here" sign just outside the front door greatly helped his business, even if were perhaps illegal. Permitting limited advertising within Cuba could strengthen EC and further disseminate the economic benefits of tourism to Cuban citizens. National marketing efforts are bringing the tourists, but individual business owners need more tools to communicate with them upon arrival.

Informants noted that as Cuba's tourism economy is dependent upon visitors from other countries, the economic and political conditions in these countries affect the supply of Cuba's tourist markets. Visitors to Cuba originate largely from Canada (38%) and Europe (32%), illustrating the dependence of Cuba's tourism economy upon these two areas (OneCarribbean, 2011). The financial difficulties of these two regions may jeopardize the supply of potential tourists from Cuba's most important tourist origination zones. Cuba could address this issue by encouraging domestic tourism, as well as target other tourist origination zones to minimize dependence on Canada and Europe. As politics continue to

evolve, Cuba may also increase its focus on the Cuban diaspora market.

6. Conclusion

The Cuban government is partly looking to tourism PE to help its chronic financial woes. Tourism destinations with strong entrepreneurial foundations are attractive, and entrepreneurship in tourism leads to the development of unique and competitive products. Cuba has the tourism resources, both natural and cultural, to develop a significant competitive advantage within the Caribbean tourism industry. The rich neighborhood networks, positive resident attitude toward tourism, and intuitive nature of the Cuban people could lead to a well-linked, efficient, immersive tourism experience.

A number of policy recommendations emerge from this study based directly on the sentiments of informants. The government might consider legalizing more tourism professions for PE; informants cite the allowance for more legal professions has helped but further reforms are needed. The banking system could create a viable financial service sector, suitable to both the entrepreneur and investors. Informants note that creating business and entrepreneurship programs through universities and technical schools could increase the country's human capital and make tourism entrepreneurship more likely to succeed. Improving Internet access and allowing more advertising would provide exponentially increased marketing capacity as all of the informants found a way to 'work around' the current restrictions in order to use it. And refining the country's physical infrastructure could connect entrepreneurs and facilitate the movement of both goods and ideas. The present movement towards PE appears to be a welcomed long-term strategy. Additionally, at least three informants hailed the recent introduction of a wholesaling system as a much-needed step for the success of Cuban entrepreneurs and a signal of the government's commitment to the private sector.

PE in Cuba's tourism industry has the potential to increase wages and quality of life for entrepreneurs and their families, while offering a more unique experience to guests. The government benefits from a more favorable national reputation as well as tax revenue from the expanded private sector. Moving inefficient or unnecessary government employees to the private sector will result in reduced payrolls while easing citizen dependence upon the government. The collectivist nature of Cuban society will result in unique product offerings through "team innovation" as Cubans work together to meet increasing tourism demand. The Cuban government has shown flexibility and responsiveness through recent reforms, and because of its historic control on economic functions within the country, it is largely the government's responsibility to further develop an EC conducive to PE success. At the same time, the government is not the only source of obstacles to tourism entrepreneurship. An all-inclusive hotel, such as are found in sun and beach destinations such as Varadero, may not support development of small private businesses, preferring that tourists concentrate their consumption within the confines of the all-inclusive property.

This exploratory study employed tourism EC categories found in Koh (2002) and Kline and Milburn (2010) to examine their relevance within a collectivist society. The further refinement of these categories will aid EC research in moving forward. Additionally, it lays the groundwork for future studies within Cuba. Asking similar questions to a larger group of representative participants, perhaps with surveys or focus groups, including government officials and non-tourism professionals, could provide a more representative sample of Cuban residents and their perceptions in a quantitative setting. Certainly a longitudinal study of EC within Cuba would be incredibly valuable. This study provides a foundation for large studies that could ultimately affect policy in the future.

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Nathan Hingtgen has been interested in Latin American tourism and sustainability since studying abroad in Ecuador while pursuing his B.A. in Spanish at UNC-Wilmington. Nathan also received a B.S. in Business Administration while attending UNC-Wilmington and has since spent several years working in the tourism industry and a year teaching English in Spain. While pursuing his M.S. Sustainable Tourism degree at East Carolina University, Nathan had the opportunity to help create an annual study abroad and research trip to Cuba. He currently lives on the Outer Banks of North Carolina.



Carol Kline, PhD is an Associate Professor in the Hospitality and Tourism Management program at Appalachian State University and has worked in the area of rural tourism planning, development and marketing for 20 years. Her work focuses on how entrepreneurial climate and community capitals influence rural tourism development, the intersection of the sustainable food system and tourism, and niche forms of tourism in burgeoning destinations, such as the scientific tourism market.



Luci Fernandes is an Assistant Professor in the Department of Anthropology at East Carolina University whose research is on contemporary Cuban history and culture. Since the summer of 2000, she has conducted ethnographic research and has published on various aspects of Cuban society including social medicine, music and dance, resource distribution, social memory, and humor. She presented her most current research on Cuban humor in the summer of 2013 at the Caribbean Studies Association annual meeting in Grand Anse, Grenada and a her book on this research is forthcoming at the University of Mississippi Press.



Professor Nancy Gard McGehee is a sociologist and J. Willard and Alice S. Marriott Junior Faculty Fellow of Hospitality Management in the Hospitality and Tourism Management Department at Virginia Tech. She serves on the editorial board of several top tier journals and has conducted research in the areas of sustainable tourism development and volunteer tourism for nearly two decades. She is a recent recipient of Virginia Tech's Alumni Award for Excellence in International Research.