

## **Extent of Influence of Entrepreneurial Ecosystem Elements (E3) on Entrepreneurial and Tourism Activities among Beach Resorts Entrepreneurs in Ilocos Norte**

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**Abstract** - *The study analyzed the entrepreneurial ecosystem elements (E3) and their influences on entrepreneurial activity (EA) and tourism activity (TA) and the relationships of these elements to entrepreneurial activity and tourism activity. Based on the above findings, it could be concluded that the entrepreneurial ecosystem elements were all influential but in varying degree of influence ranging from influential to very influential. There are only two socio-cultural elements namely: population and the status of the entrepreneur that are related to tourism activity but not at all to entrepreneurial activity. Therefore, tourism activity measured by the increase in the revenues or annual sales of beach resorts entrepreneurs can be enhanced by the population and the status of the entrepreneur. It is recommended that the government has to take a proactive role in enhancing the income generating potentials of the population through more training, assistance and sustainable development programs. This will equip them with the skills and expertise for high-income employment as income is empowering. An income-empowered population stimulates spending and consumption and hence promote economic activity. Further, the local government must create incentive programs in the form of tax exemptions and a simplified system of registration and licensing to encourage big, well-known and budding entrepreneurs alike to invest in the beach resorts industry.*

**Keywords** – Entrepreneurial Ecosystem Elements, Entrepreneurial Activity and Tourism Activity

### **INTRODUCTION**

Entrepreneurship is the backbone of the economy and continues to thrive in nearly every corner of the world in both poor and rich countries. Studies from around the world regularly link entrepreneurship to rapid job creation, GDP growth and long-term productivity increases hence the surge in global entrepreneurial activity has become the engine of economic growth and the promotion of equitable development (smeworld.org). With the growth and popularity of tourism as a potential money maker many home-grown entrepreneurs are now engaged in various business endeavors specifically those in tourism-related activities such as trades and crafts, accommodation, beach resorts, shopping centers, restaurants and transportation services.

Alongside with entrepreneurship is the growing importance of tourism in the national and provincial levels. Income from tourism measured by the share of tourism direct gross value added (TDGVA) and total gross domestic product (GDP), has contributed an estimated 5.9 percent in 2011 in which beach resorts, hotels, shopping centers and restaurants are the major sources of this increase. Records obtained from the Philippine Tourism Satellite Account (PTSA), shows that shopping had the biggest share to TDGVA at 22.9 percent, followed by accommodation at 11.2 percent and entertainment and recreation at 6.8 percent.

Tourism has also become an economic revitalization tool and a way to preserve and celebrate cultural and historical resources (Kleine, et al 2014). Entrepreneurs in tourism-related activities started to grow very fast in

tourism destinations particularly in the coastal towns of Ilocos Norte and are mostly engaged in the service industry which includes transient houses or homestays, souvenir and coffee shops, hotels and restaurants and beach resorts. These businesses in tourism-based activities are usually small homegrown and initiated by individual entrepreneurs whose vision is to create household income and increase the public recognition of their communities.

Many entrepreneurs, however, face challenges and problems in their day to day operations. Some are unable to sustain themselves due to unfavorable business conditions brought about by lack of access to financing, inadequate business support and assistance from the government. In rural areas, these trends are magnified as rural economies are more vulnerable to social, political and financial fluctuations.

While entrepreneurship is a skill, it is not entirely dependent on natural ability of entrepreneur. Ensuring an environment that encourages and rewards high impact entrepreneurial leadership is a necessity. Thus, the operating environment or the entrepreneurial ecosystem elements (E3) must be assessed, analyzed and evaluated. The entrepreneurial ecosystem elements (E3) refer to the interdependent set of physical, legal, cultural, financial, human and organizational elements within a community that supports and promotes entrepreneurial activity and tourism activity (Kleine, et al 2014). The E3 are categorized further as economic elements, socio-cultural elements and political elements.

The relationship between entrepreneurship and tourism can be an important indicator of a healthy rural economy. A clear understanding of which aspects a community's entrepreneurial ecosystem have the most influence on tourism development has not yet been determined.

In light of the long-term national and local economic goals of job creation, economic growth and long-term productivity, the researcher, being aware of the potential challenges and opportunities of

entrepreneurship, was motivated to conduct this study to gain a better picture of the entrepreneurial ecosystem and its components and determine which of the different entrepreneurial ecosystem elements (E3) have the most influence to the promotion of entrepreneurial activity and tourism activity among the beach resorts entrepreneurs in the province of Ilocos Norte..

### **OBJECTIVES OF THE STUDY**

Basically, this study analyzed the extent of influence of entrepreneurial ecosystem elements (E3) on entrepreneurial activity (EA) and tourism activity (TA) among the beach resorts entrepreneurs along the Pasuquin-Pagudpud Cluster in Ilocos Norte.

### **MATERIALS AND METHOD**

The descriptive survey method of research was utilized by the study. This method defines the general procedure that describes data and characteristics about the population or phenomenon being studied. This method was used to analyse the influence of entrepreneurial ecosystem elements on entrepreneurial activity and tourism activity among beach resorts entrepreneurs along the Pasuquin-Pagudpud Cluster in Ilocos Norte. The design seeks to provide thorough presentation of current situations, facts concerning conditions or relationships that exist, practices that prevail, processes that are going on, effects that are being felt and trends that are developing.

**RESULTS AND DISCUSSION**

**Entrepreneurial Ecosystem Elements (E3)  
and the Extent of influence on Entrepreneurial and Tourism Activity**

**Table 1. Entrepreneurial Ecosystem Elements (E3)**

ELEMENTS	Weighted Mean	Verbal Interpretation
<b>Economic Elements</b>		
Poverty level	3.29	Influential
Household income	3.10	Influential
Unemployment level	3.24	Influential
Financial resources (loans, lending institutions)	2.98	Influential
<b>Average Weighted Mean</b>	<b>3.15</b>	<b>Influential</b>

components; poverty level, unemployment level, household income, and financial resources.

As shown in Table 1 the economic elements were assessed as *influential* to entrepreneurial activity and tourism activity with an average weighted mean of 3.15. The economic elements include the following sub-

**Table 2. Entrepreneurial Ecosystem Elements (E3)**

ELEMENTS	Weighted Mean	Verbal Interpretation
<b>Socio-Cultural Elements</b>		
Physical resources:		
• road network	3.76	Very Influential
• traffic congestion	3.12	Influential
• broadband internet coverage	3.86	Very Influential
Social programs/Support system or structure:		
• business training and assistance	3.88	Very Influential
• legal assistance	3.52	Very Influential
Population/Human capital	3.36	Influential
Level of education:		
• educational institutions	3.55	Very Influential
Attitude toward business/investment	3.95	Very Influential
Quality of life:		
• crime rate	3.19	Influential
• natural calamities	3.76	Very Influential
Lifestyle		
• leisure/pleasure	3.48	Very Influential
Attitude toward work	4.24	Exceptionally Influential
Tolerance for risk and failure	3.60	Very Influential
Social status of entrepreneurs	3.83	Very Influential

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**Average Weighted Mean** **3.65** **Very Influential**

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Generally, as exhibited in Table 2, the overall assessment of beach resort entrepreneurs on the socio-cultural elements is *very influential* (3.65): Specifically, 11 elements were assessed as *very influential*. These elements and their corresponding weighted means are as follows: attitude toward work (4.24), attitude toward business/investment (3.95); business training assistance (3.88); broadband internet coverage (3.86); social status of entrepreneurs (3.83); natural calamities (3.76); road network (3.76);

tolerance for risks and failure (3.60); level of education/educational institutions (3.55); legal assistance (3.52); and leisure/pleasure (3.48). Three elements are assessed as *influential*. These are population/human capital (3.36); crime rate (3.19); and traffic congestion (3.12).

**Table 3. Entrepreneurial Ecosystem Elements (E3)**

ELEMENTS	Weighted Mean	Verbal Interpretation
<b>Political Elements</b>		
Governance and leadership		
• transparency and delivery of basic social services	3.57	Very Influential
• accountability	3.60	Very Influential
• public participation	3.57	Very Influential
Business support services		
• economic development office	3.62	Very Influential
• number of marketing business/services	3.48	Very Influential
Legislation		
• environmental protection laws	4.19	Very Influential
• waste management	4.21	Exceptionally Influential
Political condition		
• dynasty	3.17	Influential
• power structure	3.19	Influential
<hr/>		
<b>Average Weighted Mean</b>	<b>3.62</b>	<b>Very Influential</b>
<b>Overall Average Weighted Mean</b>	<b>3.47</b>	<b>Very Influential</b>

Legend:

Range of Values	Verbal Interpretation (VI)
4.51 – 5.00	Very High Influential
3.51 – 4.50	Very Influential
2.51 – 3.50	Influential
1.51 – 2.50	Very Slightly Influential
1.00 – 1.50	Slightly Influential

The third set of entrepreneurial ecosystem elements is political elements. This element and its sub-elements was assessed as *very influential* and exhibited an average

weighted mean of 3.62. These include governance and leadership, business support services, legislation and political condition. The results of the assessment are shown on Table 3.

**Table 4. Entrepreneurial Activity (n = 42)**

NUMBER OF YEARS	FREQUENCY	PERCENTAGE
5 years and below	17	<b>40.48</b>
6 - 10 years	13	<b>30.95</b>
11 - 15 years	7	<b>16.67</b>
16 - 20 years	3	<b>7.14</b>
21 years and above	2	<b>4.76</b>

Entrepreneurial activity is determined by the number of years of operation of beach resorts. The number of years of operation of beach resorts is summarized on Table 4. As can be gleaned from the table, the mean years of operation of beach resorts in the Pasuquin-Pagudpud Cluster is 7.29. Around 40% (17) have been operating for five years and below, about 31% (13) for 6-10 years, 17% (7) for 11-15 years, 7% (3) for 16-20 years and about 5%

(2) for 21 years and above. This implies that beach resorts are in the organizational stage of business development. This stage is characterized by an increasing number of workforce, increased number of entrepreneurs, resources and more sales. It also demonstrates that the business is a workable entity. This is supported by the increasing number of beach resorts entrepreneurs and their annual sales volume which is depicted in Table 5.

**Table 5. Tourism Activity**

SALES BRACKET	SALES VOLUME														Ave Sales
	2007		2008		2009		2010		2011		2012		2013		
	f	%	f	%	f	%	f	%	f	%	f	%	f	%	
<b>500,000 and below</b>	16	69.57	17	68.00	16	61.54	20	64.52	22	62.86	26	65.00	29	69.05	65.79
500,001-2,000,000	4	17.39	6	24.00	8	30.77	6	19.35	7	20.00	8	20.00	5	11.90	20.49
2,000,001-3,500,000	2	8.70	0	0.00	0	0.00	3	9.68	2	5.71	1	2.50	3	7.14	4.82
3,500,000-5,000,000	1	4.35	2	8.00	1	3.85	1	3.23	1	2.86	2	5.00	2	4.76	4.58
5,000,001 and above	0	0.00	0	0.00	1	3.85	1	3.23	3	8.57	3	7.50	3	7.14	4.33

Tourism activity is determined by the annual sales volume of beach resorts entrepreneurs covering the period from 2007-2013 is shown on Table 5. Results show that majority (65.79) have an annual sales volume of Php 500,000 and below. About 21% (20.49) received Php 500,001-2M; 5% (4.58) have sales

volume ranging from 2M-3.5M; also around 5% (4.58) have generated Php 3.5-5M and 4% (4.33) have received Php 5M and above. This implies that the beach resorts business is gaining momentum and is now a potential source of income and livelihood for the community.

**Relationship between Entrepreneurial Ecosystem Elements (E3) and Entrepreneurial Activity**

The relationship between the entrepreneurial ecosystem elements and entrepreneurial activity is presented in Table 6a, 6b and 6c.

**Table 6a. Correlation coefficients (r<sub>xy</sub>) on the test of relationships between E3 and EA**

ECON ELEM	PovL	HholdI	UnempL	FinRes
EA	-0.16	0.23	-0.04	-0.10
t-value	1.04	1.41	0.25	0.66
Significance	NS	NS	NS	NS

0.01 Level of Significance

**Legend:** PovL Poverty Level  
HholdI Household Income  
UnempL Unemployment Level  
FinRes Financial Resources

**Table 6b. Correlation coefficients (r<sub>xy</sub>) on the test of relationships between E3 and EA**

SOC-CUL ELEM	RonNtwrk	TrCgst	BrNtCo	BsTrAs	LegAst	PopL	EduIns	AttiBus	CriRa	NatCal	LeiPle	AttWor	ToIRiF	SocSta
EA	0.04	-0.05	-0.010	0.11	0.20	0.14	-0.02	-0.05	0.03	-0.16	0.01	-0.08	0.10	0.10
t-value	0.28	0.34	0.61	0.72	1.28	0.91	0.12	0.32	0.20	1.06	0.09	0.52	0.58	0.65
Significance	NS	NS	NS	NS	NS	NS	NS	NS	NS	NS	NS	NS	NS	NS

0.01 Level of Significance

**Legend:** RoNtwrk Road Network  
TrCgst Traffic Congestion  
BrNtCo Broadband Internet Coverage  
BsTrAs Business Training and Assistance  
LegAst Legal Assistance  
PopL Population  
EduIns Educational Institution  
AttiBus Attitude Toward Business  
CriRa Crime Rate  
NatCal Natural Calamities  
LeiPle Leisure/Pleasure  
AttWor Attitude Toward Work  
ToIRiF Tolerance for Risk and Failure  
SocSta Social Status of Entrepreneur

**Table 6c. Correlation coefficients (r<sub>xy</sub>) on the test of relationships between E3 and EA**

POL ELEM	TrSocS	Accou	PubPa	EcoDO	NumM	EnPla	WstMgt	Dynty	PoStrc
EA	0.02	-0.03	-0.08	-0.13	-0.10	-0.17	0.00	0.03	0.13
t-value	0.11	0.18	0.51	0.83	0.65	1.11	0.00	0.17	0.86
Significance	NS	NS	NS	NS	NS	NS	NS	NS	NS

0.01 Level of Significance

**Legend:** TrSocS Transparency and Delivery of Service  
Accou Accountability  
PubPa Public Participation  
EcoDO Economic Development Office  
NumM Number of Marketing Business  
EnPla Environmental Protection Laws  
WstMgt Waste Management  
Dynty Dynasty  
PoStrc Political Structure

Regression results show that the entrepreneurial ecosystem elements are not significant. This is again supported by the study of Kleine, et al. This implies that entrepreneurial activity measured by the number of businesses in tourism-related ventures is not at all affected

by economic, socio-cultural and political conditions as people will always find time to relax and enjoy leisure activities and going to beach resorts is a popular leisure in the province of Ilocos Norte.

### Relationship between Entrepreneurial Ecosystem Elements (E3) and Tourism Activity

The results of the regression on the entrepreneurial ecosystem elements and tourism activity are presented in Table 7a, 7b and 7c.

**Table 7a. Correlation coefficients (r<sub>xy</sub>) on the test of relationships between E3 and TA**

ECON ELEM	PovL	HholdI	Unempl	FinRes
TA	0.13	0.15	0.07	-0.10
t-value	0.83	0.95	0.44	0.66
Significance	NS	NS	NS	NS

0.01 Level of Significance

**Legend:** PovL Poverty Level  
HholdI Household Income  
Unempl Unemployment Level  
FinRes Financial Resources

**Table 7b. Correlation coefficients (r<sub>xy</sub>) on the test of relationships between E3 and TA**

SOC-CUL ELEM	RonNtwrk	TrCgst	BrNtCo	BsTrAs	LegAst	PopL	EduIns	AttiBus	CriRa	NatCal	LeiPle	AttWor	ToIRiF	SocSta
TA	-0.08	0.02	0.04	0.28	0.18	0.31	0.04	0.06	0.13	0.08	0.25	-0.00	0.09	0.33
t-value	0.49	0.16	0.27	1.85	1.17	2.06	0.24	0.38	0.83	0.49	1.68	0.01	0.57	2.22
Significance	NS	NS	NS	NS	NS	S	NS	NS	NS	NS	NS	NS	NS	S
R <sup>2</sup>						0.78								0.82

0.02 Level of Significance

**Legend:** RoNtwrk Road Network  
TrCgst Traffic Congestion  
BrNtCo Broadband Internet Coverage  
BsTrAs Business Training and Assistance  
LegAst Legal Assistance  
PopL Population  
EduIns Educational Institution  
AttiBus Attitude Toward Business  
CriRa Crime Rate  
NatCal Natural Calamities  
LeiPle Leisure/Pleasure  
AttWor Attitude Toward Work  
ToIRiF Tolerance for Risk and Failure  
SocSta Social Status of Entrepreneur

**Table 7c. Correlation coefficients (r<sub>xy</sub>) on the test of relationships between E3 and TA**

POL ELEM	TrSocS	Accou	PubPa	EcoDO	NumM	EnPla	WstMgt	Dynty	PoStrc
TA	0.24	0.22	0.14	-0.03	0.09	-0.11	-0.16	-0.12	-0.10
t-value	1.55	1.41	0.89	0.20	0.56	0.72	1.07	0.77	0.61
Significance	NS	NS	NS	NS	NS	NS	NS	NS	NS

0.01 Level of Significance

**Legend:** TrSocS Transparency and Delivery of Service  
Accou Accountability  
PubPa Public Participation  
EcoDO Economic Development Office  
NumM Number of Marketing Business  
EnPla Environmental Protection Laws  
WstMgt Waste Management  
Dynty Dynasty  
PoStrc Political Structure

Regression results show that the economic elements are not also significant. This implies that tourism activity measured by the annual sales volume of beach resorts entrepreneurs is not affected by economic conditions.

It is clear from the results of the regression that most of the variables are not significant at 99% level except for population and status of the entrepreneur. The variable

population exhibited positive and significant correlation coefficient of 0.3066 and R<sup>2</sup>=0.78. This implies that 78% of the variation in tourism activity is explained by the regression model. The positive sign on the variable population implies that an increase in population will increase the number of people engage in leisure activities and one of the popular leisure activity is going to beach resorts. This is partly supported by the sudden peak in tourist arrivals

in 2010 and an upsurge in 2012 during the Holy Week season as stated by Mr. Ian Raquel, the Tourism Officer of the province in an interview conducted by the researcher. This increase in the number of tourist arrivals has consequently increased tourist expenditures and this is reflected in the increasing trend in the number of beach resorts entrepreneurs who recorded a sales volume particularly in the Php 500,000 and below sales bracket (refer to Table 5). The increase though is modest.

The variable *social status of the entrepreneur* is also positive and significant with

a correlation coefficient of 0.33 and R<sup>2</sup> of 0.82. This implies that 82% in the variation in tourism activity is explained by the model. The positive sign on the variable *status of the entrepreneur* implies that the higher the position, the degree of honour and prestige of the entrepreneur in the community the higher is tourism activity that is, more tourists and visitors are encourage to come and spend more hence beach resorts entrepreneurs will realize more revenues and receipts.

**Relationship between Entrepreneurial Ecosystem Elements (E3) taken as a whole and Entrepreneurial Activity and Tourism Activity**

**Table 8. Correlation coefficients (r<sub>xy</sub>) on the test of relationships between E3 and EA and EA and TA**

<b>ELEMENTS</b>	<b>t-value</b>	<b>R<sup>2</sup></b>	<b>SIGNIFICANCE</b>
Economic Elements	0.07	0.90	NS
Socio-Cultural Elements	0.29	0.90	S
Political Elements	0.40	0.89	S

0.01 Level of Significance

Results show that the economic elements are not significant. EA and TA are not affected by economic conditions such as poverty level, unemployment rate, household income, and financial resources. This is supported by the findings of Kleine, et al in their study on the “Spatial Analysis of Tourism, Entrepreneurship, and Entrepreneurial Ecosystem “. This implies that people spend and patronize the services and products offered by beach resorts entrepreneurs regardless of their economic circumstances that is, people will always find time in one way or another, to relax and break the monotony of everyday activities, though seasonal or occasional.

The socio-cultural elements on one hand exhibited a positive and significant correlation coefficient of 0.29 and R<sup>2</sup> = 0.90. This implies that the physical resources and social infrastructure are very crucial because these factors provide the necessary conditions for entrepreneurship to survive and investment initiatives to flourish and pay off.

The political elements on the other hand are also positive and significant with a correlation coefficient of 0.40 and R<sup>2</sup> = 0.89. This implies that these elements create the groundwork for a healthy business environment, ensuring a level playing field for all businesses and stakeholders and protection to beach resorts clients.

**CONCLUSION AND RECOMMENDATION**

The entrepreneurial ecosystem elements were all influential on entrepreneurial activity

and tourism activity but in varying degrees of influence ranging from influential to very influential.



The beach resorts in Ilocos Norte along the Pasuquin-Pagudpud Cluster are in the organizational stage of business development. This stage is characterized by an increasing number of workforce, increased number of entrepreneurs, resources and more sales.

The annual sales volume of majority of beach resorts entrepreneurs covering the period from 2007-2013 within the sales bracket of Php 500,000 and below is increasing or the number of beach resorts are growing.

Beach resorts entrepreneurs should always consider the socio-cultural elements particularly the population and status of the entrepreneur when investing in the beach resorts business.

Since the population significantly affects tourism activity the government must enhance their income generating potentials by providing assistance in terms of training and upgrading of their skills to keep pace with the challenges and competition in the labor market. This will consequently provide them the necessary skills and expertise for better chances to be employed in high-income jobs not only in the domestic but the international labor market. Moreover, skills training should not only address the demands of the ever-changing international community but primarily the local job market. With this, the problem of unemployment, under-employment will be reduced and the income derived from employment will boost their spending behaviour and hence revitalizes economic activity.

The government must include the participation of beach resorts entrepreneurs and other stakeholders in the planning, conceptualization and design of sustainable programs that can truly promote self-sufficiency and efficiency instead of programs that are politically inspired hence, temporary and short-term.

The local governments should offer incentives in the form of tax exemptions and a

simplified system of business registration and licensing to encourage entrepreneurs especially well-known and influential businesses to invest in the beach resorts business. Moreover, new ventures should be initiated by the local governments with the general welfare of the community in mind instead of personally driven vested interests or the interest of only a few.

The researcher recommends that a similar study be done to closely examine the political environment and the extent of influence on entrepreneurship on the macro level and the beach resorts industry in particular.

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