

International Journal of Applied Entrepreneurship

Volume 1 Issue 2

A light gray world map is centered in the background of the page. The title of the article is overlaid on the map, specifically positioned over the African continent.

The Competitiveness of SMEs in the Libyan Tourism Industry

Mokhtar A. Jwaili and Dr. Said Al-Hasan

Welsh Enterprise Institute, University of Glamorgan Business School

ISSN 1742-5824

Abstract

Tourism is undoubtedly a key factor of economic development, particularly from the standpoint of investment, job creation, competitiveness and quality in the Libyan economy. It also paves the way for exchanges between Libya and other nations, contributing to the creation of a climate of mutual tolerance and respect. Despite the UN sanctions from April 1992 to 1998, which prohibited air traffic to and from Libya forcing tourists to travel by land and sea, tourism is the country's highest growth sector. In fact, tourism is the only source of hard currency outside oil exports and consequently many small and medium-sized tourist enterprises (SMTEs) have been established to develop this sector.

Following the suspension of sanctions the situation is now more stable, and Libya's future strategy is to receive at least 3 million tourists by the year 2003. Europeans account for the largest number of foreign visitors particularly from Germany, France, Italy, Spain and Switzerland. An increase in the number of tourists has been primarily due to Libya having some of the best preserved Roman ruins in the World, and also because it is considered an exotic vacation by adventurous Europeans.

The objectives of the paper are: to determine the factors involved with the competitiveness and quality of marketing of SMTEs in the Libyan economy; to assess the perceived relevance of the factors assisting SMTEs in their development; and to develop a model that illustrates the importance of the factors to enhance the competitiveness and quality of marketing of SMTEs in the Libyan tourism industry. The research question ties back directly to the above aims and asks if the factors (which are identified) are properly integrated in the operation of SMTEs will this be conducive to the efficient marketing of Libya as a tourism SME economy? The research reported involved the use of methods to assess the environment, which exists in terms of competitiveness and marketing quality in the tourism industry in Libya. The paper draws primarily on existing research, secondary data sources and a short questionnaire to key policy makers. Secondary data sources include literature in the area, which consists of both published and "grey" literature (including reports from national and international bodies, universities and consultants). In addition, data has been obtained from key policy makers in the Libyan tourism SME economy. Indeed, the role of marketing in such an economy has required careful analysis and a great deal of thought, particularly in relation to an industry that appears to be an ad hoc combination of small private enterprises and large state institutions. The paper seeks to identify how SMTEs organise and manage their competitiveness and marketing quality and what impact this has on performance. The research question has been distilled in relation to the national economic context.

The paper concludes by reporting on "best practice" regarding competitiveness and marketing quality in the Libyan tourism SME economy, since this approach is important to Libyan SMTEs, as emulation amongst these firms enables them to compare themselves with the leading firms in their field and is an effective way of propagating "good practice".

Introduction

Tourism is clearly a remarkable economic and social phenomenon of the present day and it has become a fully-fledged international industry contributing significantly to the economic and social development of many countries in the World. In fact, many developing countries, including Libya, have focused their attention on developing the competitiveness of their tourism-related industries as well as strengthening their co-operation in this important sector. Every year a larger proportion of the World's population takes part in tourism activity and for the majority of countries tourism has developed as one of the most dynamic and fastest growing sectors of the economy.

Over the past century tourism has been marked foremost by its tremendous expansion. Indeed, between 1959 and 2000 the number of international arrivals has shown an evolution from a mere 25 million to 699 million in 2000, corresponding to an average annual growth rate of 7 percent. The development of modern day tourism is also characterised by its ongoing geographical spread. Numerous countries have been successful, not only in attracting significant numbers of tourists, but also in turning tourism into a source of wealth. A notable diversification in tourism has taken place with Asia, North Africa, Latin America and the Caribbean becoming emerging destinations. In fact, Libya's tourism industry is one of these and it is the country's fastest growing sector becoming the only other source of hard currency other than oil exports.

Libya is the World's newest and most exciting tourist destination with a coastline of more than 1,700 km of virgin beaches, which makes it a productive area for sea sports, diving and all kinds of beach activities. There are ancient archaeological sites from the Roman, Phoenician, Greek and Islam civilisations. There are also historical mosques and churches, as well as museums with their splendid and fine antiquarian possessions. Along the northern coastline lie the ancient cities originating from the Phoenician and Roman eras. These include:

- Sabrata (Sabratha): located 70 km west of Tripoli, was found to be the earliest Phoenician settlement from around the 6th Century BC buried under the ruins of the Roman town built later between 139-180 AD and under the sea.
- Lebda (Leptis Magna): located 90 km east of Tripoli, is also argued to be one of the oldest Phoenician towns in North Africa. It is the most outstanding archaeological settlement in Libya and was an important trading centre during Roman rule on account of its location and as the birthplace of the Emperor Septimus Severus.
- Shahat (Cyrene): 200 km east of Benghazi, was founded around the middle of the 7th Century by Greek immigrants. It was built over the city of "Kurena", 621 metres above sea level. Cyrene gradually developed into a kingdom which reached its peak around 400 BC, becoming second in importance only to Athens and was later revitalised under Roman rule, thus having a mixture of ruins reflecting both periods.

- Sousa (Apollonia): 10 miles to the north of Cyrene along the coast, was a port built around the same time as Cyrene and it was wholly dependent on it. It became the principal city in the province flourishing under Byzantine rule and again under Turkish rule and taking on a new name in 1897.
- Germa, Ghirza and Fezzan: are ancient Libyan towns which housed the early Libyan tribes – the Garamants (who originated from the south) and others who resisted Roman influence and later co-existed with them and prospered through trade from Africa with the Romans.
- Ghadames (Cydamae): located 683 km south west of Tripoli in the middle of the desert. A water spring has helped the survival of the town in the harsh dessert conditions to become one of the most important commercial stations in the region. The Greek, Roman, Garamants and Muslim civilisations have all left their print on the city's rocks, in its caves, ruins and dunes.

Due to the significance of these ancient sites Libya has the potential to become an important destination if the competitiveness of its tourism SMEs is developed commensurate with other leading tourist destinations.

SMES and the Libyan Tourism Industry

The tourism industry in Libya consists of many enterprises and institutions ranging from educational institutions to cafés and restaurants. The majority of these businesses are small to medium sized enterprises (SMEs) which operate independently (not belonging to a chain of companies). From a short questionnaire survey carried out with key tourism policy makers in Libya, at the end of 2001 and early 2002, it was found that there are 290 companies in the tourism industry. The type and number of enterprises that form the tourism industry were obtained from the survey and these are shown in Table 1.

Table 1
Type and number of enterprises that form the Libyan Tourism Industry

Type	No	Private/Public	SMTE based	%
Local Tourist Authority	4	Public	No	0.1
Museums	18	Public	No	0.45
Historical sites and buildings	19	Public	No	0.475
Nature reserve services	6	Public	Yes	0.15
Tourism Education & Training Institutions	6	Public	No	0.15
Sub total	53			
Hotels & Guest Houses	195	Public/Private	Yes	4.875
Sports and sport recreation services	12	Public/Private	Yes	0.30
Tour Operators	15	Public/Private	Yes	0.375
Sub total	222			
Travel Agents	225	Private	Yes	5.625
Restaurants	500	Private	Yes	12.5
Take aways & Cafés	3,000	Private	Yes	75
Sub total	3725			
Total	4000			100

Table 1 shows that six out of the eleven types of enterprise in the Libyan tourism industry are SMTE based with 3,947 (99%) of the types. The largest category are cafés with 3,000 (75%) of the enterprises, followed by restaurants with 500 (12.5%), travel agents with 225 (5.625%), hotels and guesthouses with 195 (4.875%), and tour operators with 15 (0.375%). All of these enterprises fall under either direct or indirect control of the Libyan General Board of Tourism (LGBT). The total income for the tourism industry in Libya was also obtained from the survey for the years 1996 to 2000, and this is shown in Figure 1.

Figure 1
The total income for the tourism industry in Libya for 1996 to 2000

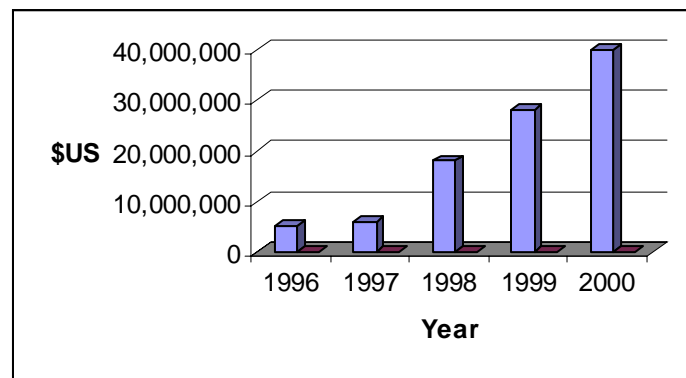


Figure 1 shows that the total income for the industry rose from \$US 5 million in 1996 to \$US 40 million in 2000. It was reported in the survey that the tourism industry for 2001 was expected to be \$US 30 million with 6,800 employees. The facilities that were provided by the LGBT for its companies were reported as:

- Supervision of all tourist affairs, promotion of tourism, development of tourism activities, ease of tourists coming into the country and all procedures to do with tourist services.
- Collection and analysis of data, information and statistics related to the tourism sector, and the publishing of newsletters as well as providing all local tourism authorities with information about places of interest and services available.
- Marketing and promotion of tourism, both national and international.
- Surveys and set programmes necessary for the development of tourism and consultation on investment programmes to improve the infrastructure for the tourism industry.
- Organising and licensing the tourism guide personnel.
- Licensing, supervision and control of all travel and tourism companies.
- Licensing, classification and inspection of all accommodation outlets.
- Supervision of all tourist education institutions in the country.
- Granting of customs and excise tax exemptions for materials and machinery used for tourist projects.
- Allocating the budget requirements for the tourism industry.

These activities contribute to the competitiveness and quality of marketing for the Libyan tourism industry. The overarching responsibility for the competitiveness of the industry falls under the LGBT, which is the main body holding the highest authority for all tourism-related activities. The organisational frame of the Libyan tourism industry was initially developed in the late 1960s. In 1968 there was legislation by the Libyan Government for the Ministry of Tourism with the following remit:

- Welcoming and facilitating tourist visits to the country.
- Tourism security and safety for tourism locations.
- Setting out licensing laws for all tourist activities.
- Recommendation for tax exemption for foreign investors in the tourism industry.
- Control the employment procedures within the tourism industry.
- Approval of price lists in tourism establishments.

In 1989 the LGBT was established, and its objectives were set out as follows:

- Development and promotion of internal and external tourism.
- Development and investment of tourism resources to achieve participation of citizens in the process of economic development.

The LGBT was established to replace the Libyan General Board for Fairs and Tourism, and it was given comprehensive authority within the tourism industry. It also has responsibilities for promoting the tourism industry both within the country and World wide, to carry out statistical surveys, issue trade licences, classification of all tourism establishments and supervising tourism training institutions.

In relation to the general theme of the paper, concerning the evaluation of the competitiveness of SMTEs in the Libyan tourism industry, the aims are to:

- determine the factors involved with the competitiveness and quality of marketing of SMTEs in the Libyan economy;
- assess the perceived relevance of the factors assisting SMTEs in their development;
- develop a model that illustrates the importance of the factors to enhance the competitiveness and quality of marketing of SMTEs in the Libyan tourism industry.

In relation to this the research question, which ties back directly to the above aims asks that if the factors (which are identified) are properly integrated in the operation of SMTEs will this be conducive to the efficient marketing of Libya as a tourism SME economy? The paper concludes by reporting on 'best practice' regarding competitiveness and marketing quality in the Libyan SME economy.

Competitiveness of SMEs in the Libyan Tourism Industry

Tourism is a key factor of economic development, particularly from the standpoint of investment, job creation and competitiveness, and it paves the way for exchanges between economies. The growth of the tourism industry promises to be spectacular. According to the World Tourist Organisation (WTO) forecasting studies, the number of tourists will increase from 698 million to 1.6 billion by 2020, expenditure will more than triple in volume to \$US 2 trillion and the leisure market will see substantial growth.

With the globalisation of tourism SME economies and the increased inter-dependence of local tourist enterprises this has led to an ever-competitive marketplace. According to Drihlon and Estime (1993) SMEs are not exempt from this pressure and they argue that the improvement of competitiveness is imperative for small firms.

In order to survive in the new millennium SMTEs in the Libyan economy need to make a concerted effort to improve all aspects of their operations. Indeed, empirical evidence (Peters and Austin, 1995) confirms that if an enterprise focuses on quality it can considerably improve its competitiveness. In particular, by emphasising quality an enterprise will be able to recognise what customers value.

Empirical data has shown that by concentrating on quality an enterprise can become more competitive. In fact, Phillips et al (1983) have shown that there is a positive correlation between quality and profitability. Accordingly, in the long run the quality of an enterprise's products and services in relation to its competitors is the major factor affecting competitiveness. Improved quality affects competitiveness in two ways. Better quality creates increased profitability in the short run. Whereas, in the long run it will result in an increased market.

There is a significant link between quality and competitiveness. In a study of 131 SMEs, Murray and O'Gorman (1994) found that in relation to competitiveness high-growth enterprises tended to sell higher quality products and services than low-growth enterprises. In fact, Tom Peters, when referring to the PIMS database as "the most sophisticated database in the world", clearly shows that relative quality is a strong driver of return on investment (ROI) (Buzzell and Gale, 1987). PIMS suggested that the relationship between relative quality and margins achieved by enterprises grew stronger in the 1980s and 1990s when compared to business data prior to 1983 (Clayton and Carroll, 1995). It is therefore evident that there are key linkages between quality and competitiveness (Buzzell and Gale, 1987) for SMTEs.

It is important to note that perceived relative quality is an "external" consideration. This reflects customer perception of the quality of an enterprise's products or services in relation to competitiveness. This description of quality illustrates its significance to the competitiveness of an enterprise. Enterprises, particularly SMTEs, may be confused regarding how to internalise competitiveness. These enterprises may not have a formal

marketing process and will need clear guidelines for action. Hutchinson and Chaston (1994) have evidenced this in a survey of the strategic planning process of SMEs.

Factors Assisting Tourism SMEs and a Model of the Evaluation of Competitiveness

A starting point for an SMTE to move towards total quality is to comprehend quality attributes recognised by customers. If they perceive factors affecting competitiveness as important then these need to be included in the marketing evaluation process. It will be the customer who determines the relative quality of an SMTE's products and services and they will determine which factors are significant. For an enterprise to improve its relative quality it is important for customers' views to be understood with regard to three critical aspects:

- Which factors determine choice of SMTE?
- How important is each factor in the consumption of the tourism product or service?
- How does the enterprise perform in relation to each factor compared to its competitors?

Information on this can be determined through a quality profiling exercise for SMTEs. Moreover, quality profiling can involve three stages in the evaluation of competitiveness. These three stages are:

Stage 1. Which factors are important in the choice of the tourism provider?

Stage 2. How important is each factor in the purchasing of tourism products and services?

Stage 3. How well does each SMTE perform with regard to each factor relative to the enterprise's main competitors?

Table 2 illustrates the types of factors that can assist SMTEs in their development, based upon the findings of the authors, which can be developed and drawn up into a quality profile to compare customers' views on performance (Greenan et al, 1997) for an enterprise with its main competitors.

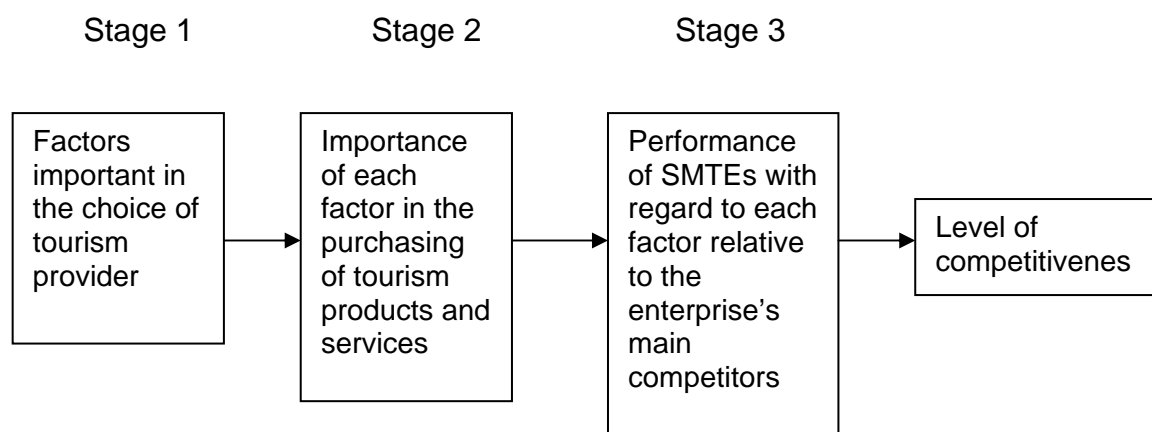
Table 2: Factors assisting SMTEs in their development

Factors	Weighting	Percentage
Accessibility/Signage	X 2	10
After-sales-support	X 1	5
Currency exchange	X 1	5
Electronic facilities	X 2	10
Friendliness of staff	X 2	10
Information provided	X 2	10
Multi-lingual	X 3	15
Opening hours	X 2	10
Quality of service	X 2	10
Security	X 3	15
Index	20	100

Although it may be argued that an SMTE's individual influence on a tourism economy may be small; when grouped together they will have considerable influence for emerging economies such as Libya. A way forward concerns networking and this can involve creating linkages between SMTEs and institutions. Useful links may be between SMTEs and local universities and between SMTEs and public bodies. From past evidence Humphreys and Garvin (1995) have shown that only a small number of enterprises (14 %) consider using universities to help them develop and implement effective practices.

By taking the above stages and linking them together as a process it is possible to develop a linear model as illustrated in Figure 2.

Figure 2
Model of the evaluation of factors enhancing market competitiveness for SMTEs



Through the application of the above model for the evaluation of factors for SMTEs it will be possible to improve the competitiveness of enterprises in the Libyan tourism industry.

“Best practice” for Competitiveness in the Libyan Tourism SME Economy

Like industries in many other countries the Libyan tourism industry will benefit from the transfer of knowledge through “best practice”. The typical areas where the benefits of “best practice” can be found are in the transfer of skills (determining an SMTE's needs by auditing and drawing-up agreements and contracts), expertise and know-how (including standards and regulatory issues), service provision (assembling the provision of services), and management and organisation (public relations). “Best practice” procedures for SMTEs will include minimum standards, external funding apportionment,

expected performance, and confidentiality. Procedures will usually become less formal over time due to ideal size attainment and growth realisation.

Success in the diffusion of “best practice” usually involves performance management. This is not easy to attain since the process of transferring “best practice” can be long, the results may be difficult to define and there may be discrepancies between SMTEs. “Low” activity may arise due to conflicts between SMTEs. When these are efficiently managed and resolved they provide opportunities for the SMTEs to broaden their experience and widen their understanding of other SMTEs’ views. When they are not conflict may lead to “low” activity. Conflict management and identification will form part of the successful diffusion of “best practice”. Typical examples of “low” activity are misunderstanding between SMTEs, different objectives and motives and under-performance of an SMTE. When these are resolved this will lead to the successful transfer of “good practice” between SMTEs with inherent benefits for the tourist industry.

The problems facing the tourism sector in Libya, which need to be attended to through “good practice”, include:

- Lack of knowledge and awareness. There is a lack of awareness of the economic importance of tourism as an industry. This is true for both its positive impact as a potential source of foreign exchange and employment and its negative impact as a leakage of the country’s own resources.
- Lack of tourism-related infrastructures. The country lacks the sufficient infrastructures necessary for the development of a successful tourism sector. Most important amongst these are hotels and lodging services, transportation and communication and tourism information services.
- Lack of technical know-how and weak promotional activity.
- Lack of tourism investments. Investment in services-oriented projects is considered a high risk, and foreign investors especially private companies are still demanding more assurances from the government for their investments in the country.

If these problems are addressed, and the role of SMTEs in the problem-solving process recognised, this will have positive benefits for Libyan tourism development.

Conclusions

SMEs play an important role in Libyan tourism development as evidenced by the fact that they represent 99% of the enterprises involved in the industry. There are a number of strategies that the Libyan Government can pursue in order to strengthen the competitiveness of SMEs in the Libyan tourism industry. This in turn will assist in the development of the tourism-related infrastructure and raise the standard of tourism services to provide a wide range of tourism products that satisfies a large proportion of potential tourists World-wide. This can be achieved by:

- Promoting and developing the tourism industry.
- Raising the public awareness of the opportunities and challenges facing the country's tourism industry.
- Improving the quality and efficiency of the basic tourism-related infrastructures and services such as hotels, public amenities, transportation and communication to provide World class services to visitors and tourists. These include also tourism information, immigration and visa, and police services.
- Tourism related laws and regulations to control the quality of the services provided by all sectors in the industry.
- Encouraging and promoting private sector and joint ventures' involvement in tourism development.
- Raising the standards of personnel in the sector through improving education and training institutions involved in tourism related qualifications and education programmes.
- Improving banking and financial services, particularly those facilitating the transfer of money.
- Enhancing co-operation and benefiting from the opportunities available to neighbours like Tunisia and Egypt.

Further to this by referencing to the UNECE (2001) recommendations on "best practice" for enhancing competitiveness of SMEs the following is applicable to the Libyan tourism industry:

1. Quality represents a new strategic philosophy of enterprise management in the increasingly globalized world based on the overall commitment of management and employees towards customer satisfaction and the continuous improvement of products, production, services and management.
2. Quality is an integral part of international competitiveness worldwide.
3. The participation in national and international quality awards and competitions can increase the quality of products of SMEs and the quality of the country's economy.
4. It is important to emphasise that SMEs have to meet the challenges of globalization and the new knowledge-driven economy.
5. Governments can promote quality awareness and help SMEs in safeguarding the required quality

6. The creation of common approaches contributes to the acceleration of the breaking down of international trade barriers and assists SMEs to enter into the world markets.”

UNECE recommendations that are applicable to the Libyan Government in relation to the tourism industry include:

“7. Raising awareness about quality in all aspects of economic and social activities to meet the challenge of increasing globalization.

8. Focus more on the adoption of international standards in order to increase competitiveness of the indigenous (tourism) companies in the world markets.

9. (The Libyan Government) should create national supporting schemes for (tourism) SMEs implementing quality management systems in order to help (tourism) SMEs to meet challenges of the market economy and to become internationally competitive.

10. Increase the quality of the products and services of (tourism) SMEs through training and education.”

Through undertaking the above recommendations it will be possible to enhance the competitiveness of SMEs in the Libyan tourism industry to overcome their disadvantages. By doing this it will enable SMTEs to become more efficient and to deliver a better quality of service to the tourism industry which will be of major value to the Libyan economy.

The paper has determined the types of factors involved with the competitiveness and quality of the marketing of SMTEs in the Libyan economy. It has also assessed the perceived relevance of the factors assisting SMTEs in their development. To support this a model has been developed that illustrates the importance of the factors to enhance the competitiveness and quality of the marketing of SMTEs in the Libyan tourism industry. In relation to this and in answer to the research question it appears that if the factors (which are identified) are properly integrated in the operation of SMTEs this will be conducive to the efficient marketing of Libya as a tourism SME economy.

References

Buzzell, R. and Gale, B. (1987) *The PIMS Principles – Linking Strategy to Performance*, Free Press, New York, NY.

Clayton, T. and Carroll, C. (1995) *Building Business; Evidence from Europe and North America on Growth, Competitiveness and Jobs*, special feature, PIMS Associates, London.

Drihlon, G. and Estime, E. (1993) Technology watch and the small firm, *OECD Observations*, Vol. 182, June/July, pp. 31-4.

Greenan, K., Humphreys, P. and McIvor, R. (1997) The green initiative: improving the quality and competitiveness for European SMEs, *European Business Review*, Vol. 97, No. 5, pp. 208-214.

Hutchinson, A. and Chaston, I. (1994) Environmental management in Devon and Cornwall's small and medium-sized enterprise sector, *Business Strategy and the Environment*, Vol. 3, No. 2, pp. 15-22.

Murray, J. and O'Gorman, C. (1994) Growth strategies for the smaller business, *Journal of Strategic Change*, Vol. 3, pp. 175-83.

Peters, T. and Austin, N. (1995) *A Passion for Excellence*, Collins, Oxford.

Philips, L., Chang, D. and Buzzell, R. (1983) Product quality, cost position and business performance, *Journal of Marketing*, Spring, pp. 26-43.

UNECE (2001) *Conclusions and Recommendations of the Expert Meeting on Best Practice in the Creation of Quality Systems for Enhancing Competitiveness of SMEs*, 25-26 October, Geneva.