

### Resumen

Esta investigación tuvo dos objetivos como propósito: primero, examinar el rol de los paradores en el turismo sostenible así como en la economía de Puerto Rico; segundo, determinar el conocimiento de los dueños de paradores en cuanto al término de turismo sostenible. La muestra consistió de veinticinco paradores de Puerto Rico. Los que se consideraron como pequeñas y medianas empresas de turismo. Se desarrolló e implementó un cuestionario (Vega & Romaguera, 1995) como parte del diseño de investigación. Este cuestionario fue enviado a los dueños de paradores; se recibieron 13 cuestionarios debidamente llenados lo que representa un 52% de respuesta.

Se encontró lo siguiente: primero, los paradores desempeñan un papel importante en el turismo sostenible en Puerto Rico porque estos negocios contribuyen al desarrollo económico y social de las comunidades adyacentes, así como también demuestran respeto por los recursos ambientales y promueven la cultura e idiosincrasia del lugar en donde están localizados. En segundo lugar, los dueños de paradores no están familiarizados con la definición de turismo sostenible, sin embargo aportan directamente al desarrollo de esta modalidad de turismo mediante diferentes formas.

**Términos claves:** Paradores, turismo sostenible, pequeñas empresas de turismo, perfil de los dueños de paradores, rol de los paradores

### Abstract

The purpose of this research was twofold. First, to examine the role of the "paradores" in sustainable tourism as well as in Puerto Rico's economy; Second, to determine the owner's knowledge on sustainable tourism. Twenty-five paradores owners from Puerto Rico were sampled. The country inns were used as small and medium tourism businesses in the research. A survey research design was used with the development and implementation of a questionnaire (Vega & Romaguera, 1995). The questionnaire was mailed to the owners of the paradores; 13 questionnaires were returned (a 52% response rate).

Data analysis revealed the following results: First, the paradores play an important role in sustainable tourism in Puerto Rico, because these businesses contribute to the economic and social development of the surrounding communities, and at the same time show respect for the environmental resources and promoting the culture and idiosyncrasy of the place where they are located. Second, the paradores owners are not familiar with the definition of the term; however, they help directly in different ways to the development of this modality of tourism.

**Key Terms:** Paradores, sustainable tourism, small tourism businesses, Owner's Profile, paradores role

*Vanessa Marty Altiery, MBA\**

## The Role of Small Tourism Businesses in Sustainable Tourism: The Case of the "Paradores" of Puerto Rico

### Introduction

Tourism is defined as the practice of traveling for pleasure.<sup>1</sup> Now a day, it is considered one of the most dynamic industries in the world. Statistics shows that visitors' expenditures on a worldwide level are more than US\$400 billion, and projections estimate that the number will increase at least US\$2 trillion by year 2020 (Cateora & Graham, 1999). Although in Puerto Rico the export-led-manufacturing activities constitute the main economic sector, the tourism industry has experienced a significant growth in the past ten years. The tourism industry represents 4% of Puerto Rico's Gross National Product<sup>2</sup> (Planning Board Meeting, 2001), occupying the fourth position within the services sector.

In the Caribbean as well as in other countries, tourism has a great level of importance in the economy. The tourism activity generates direct and indirect jobs for approximately 212 million people that are one out of nine workers. Worldwide tourism is an industry with a volume of US\$3 trillion for businesses, which will continue growing

\*Estudiante de maestría de la Facultad de Administración de Empresas, de la Universidad de Puerto Rico, Recinto de Mayagüez.

Recibido: Marzo 2004; Aceptado: Diciembre 2004

in the future. The projections estimated by the World Council of Travel and Tourism shows that for 2005 this quantity will increase to US\$7 trillion generating about 338 million additional jobs. The participation of tourism in the economy it is evident in the commerce, development of new businesses and products, and also in the promotion of the countries. Meanwhile, the expansion of tourism relies on the establishment of a synergy of the sector with the natural resources and culture (Organization of American States, 1997).

The new modality in the business is sustainable tourism. According to Jonathan B. Tourtellot, Director of Sustainable Tourism from the National Geographic Sustainable Tourism Resource Center:

The travel and tourism business is now perhaps the largest industry on Earth. While tourism can build understanding, tourism managed poorly can ruin a place. Yet if handled well, tourism provides an incentive to preserve the best things a destination has to offer: wildlife habitats, historic districts, and great scenery - even a style of music or a unique local cuisine.<sup>3</sup>

Sustainable tourism is a new modality focused on restoring and improving the environment and, at the same time, promoting and strengthening the culture of each country. It is recommended that communities prepare themselves to take advantage of the tourism increase in favor of their own development. Sustainable tourism could play an important role in customers' retention and loyalty on specific or particular destination.

To be able to promote sustainable tourism, the countries must encourage small and medium enterprises, which will ultimately represent the core for the implementation of this new modality of tourism. Some companies are closely related to tourism and others are not, but all of them participate and take advantage of tourism. According to the Small Business Administration, the main standards of a small business in the United States is to have as much as 500 employees and \$6 million in revenues.<sup>4</sup> In Puerto Rico these standards can vary. There is no better example of a small tourism business than the country inns, therefore, with particular relevancy to the current research, the population used was, the *Paradores* of Puerto Rico.<sup>5</sup> The *paradores* are defined as country inns located in rural

beauty spots, beaches, or places of historical interest, that are environmentally aware, and which represent the culture and history of the country. According to Mr. Rafael Molina, Deputy Executive Director of Internal Tourism from the Puerto Rico Tourism Company, the number of employees fluctuates according to the number of rooms the *parador* has. Each *parador* generates approximately 20 to 30 direct jobs. The *paradores* play an important role in the development of the tourist industry, outside the traditional area (i.e. Metropolitan Area of San Juan). These small country inns help to encourage the economic activity and to develop new tourist attractions as well, such as: museums, entertainment places, and parks among others.<sup>6</sup> During the year 2000, the *paradores* contributed with 957 rooms of the 11,928 hotels rooms in Puerto Rico.<sup>7</sup>

This research examines the owner's knowledge about sustainable tourism, and the meaning of the term within this sector and the local economy. The first part presents the objectives of the research. Next, the author reviews the literature about the field. In this section, the sustainable tourism concept and its contribution to the small tourism businesses is discussed in detail. The third part explains the methodology used. Next, the findings are presented regarding *paradores* owners' profiles and their knowledge on the sustainable tourism term. Finally, conclusions and suggestions are given.

### Research Objectives

The first objective was to identify the role of the *paradores* as a sustainable tourism in the industry and in the economy of the island of Puerto Rico. Data was analyzed in terms of the *paradores* contributions to local employment generation and the Net Annual Income. In other countries such as Costa Rica and Perú, sustainable tourism is a segment of great importance within the tourism sector (Organization of American States, 1997). Nevertheless, in Puerto Rico this term is not frequently used or well known. These small tourism businesses contribute directly to sustainable tourism due to the governmental standards that they have to fulfill under the *Paradores* Program of the Puerto Rico Tourism Company. A second objective was to determine, by

the profile analysis, the *paradores* owners' degree knowledge on sustainable tourism. The identification of relevant variables from the analyzed profiles could persuade the final decisional process to adopt this kind of tourism.

There are few investigations about this subject, allowing this research to be an initial effort for the preparation of an elaborated database in the future. Research about this topic has always been conducted outside of Puerto Rico; for that reason this investigation helps in obtaining more details regarding the characteristics of small tourism business owners and their awareness on the significance of this new tourism modality in Puerto Rico.

#### **The Importance of Sustainable Tourism in Puerto Rico and the Small Tourism Businesses: General Economic Effects**

The World Tourism Organization defined sustainable tourism as: "The development that meets the needs of present tourists and host regions while protecting and enhancing opportunity for the future. It is envisaged as leading to management of all resources in such a way that economic, social, and esthetic needs can be fulfilled while maintaining cultural integrity, essential ecological processes, biological diversity, and life support systems".<sup>8</sup> Sustainable Tourism Development should meet the local host community expectation in terms of improved living standards and life quality; satisfying the demands of tourists and the tourism industry, and continuing to attract them in order to meet their first goal. This should happen in addition to safeguarding the natural resources base for tourism, encompassing natural, man made, and cultural components in order to achieve both the preceding aims.<sup>9</sup>

International tourism presents dramatic changes for all of those who participate in the sector. The tourism consumer looks for superior quality in tourism products. That is the reason why more countries are interested in developing quality tourist products, and are also placing more emphasis on the environment and the culture. That is the focus in the stimulation of sustainable tourism, which is the base for the preservation of resources. In fact, the environment is becoming one of the most

important components in the commercialization strategies of international tourism (Organization of American States, 1997).

The sustainable tourism concept has been developing during the past two decades. This happened as sustainable development becomes a central issue for the micro-economies policies around the world. Many people consider sustainable tourism as ecotourism and those who are not interested in this type of business become prejudice with the concept. Arguably, sustainable tourism is not ecotourism; it preserves the environment and culture, which brings multiple advantages to the businesses (Horbin, 1996).

The conceptual framework of the development of sustainable tourism includes four principles: (a) ecological sustainability, the development will have to be compatible with the maintenance of essential ecological processes and the biological diversity, and resources; (b) cultural sustainability; the development has to be compatible with the culture and values but however maintaining and fortifying the identity of their country; (c) economic sustainability, the development will have to be economically efficient; (d) local sustainability, the development intends to benefit the local communities promoting the growth of local businesses.

It is often questioned if sustainable tourism can be economically feasible for the private sector. This idea is based on factors such as the creation of additional financial strains and the need to educate local communities to be aware of environmental issues. In addition, it has been said that the development of sustainable tourism does not promote economic growth but decelerates it. However, this is far from the reality (Organization of American States, 1997) sustainable tourism does not have to be conceived as a strategy opposite to economic growth. In fact, the development of the modality of tourism has the capability to increase the quality of tourism products and to give more satisfaction to the visitors. As mentioned above, satisfied visitors usually return. That is the contribution of tourism to the economy, because it creates a dynamic circle of customer retention. Thus customer retention allows municipalities to stimulate local economy through the continuous improvements of infrastructure such as: transportation, communication, and the potential to create profitable local small industries: hotels, restaurants, shops, tour services, among

others (Organization of American States, 1997). These small businesses became one of the highest employment generators of the countries (Perez, 2001). It is important to emphasize that in the sustainable tourism development must be participatory and must involve government, the local communities, and the local private sector; including the small businesses.

The small and medium enterprises have found that sustainable tourism increases the opportunities for economic development and self-employment. Today's competitiveness makes people look for new alternatives and constant changes (Puerta, 1999). This is where the *paradores* of Puerto Rico seem to play an important role in the economy and in sustainable tourism. The *paradores* are considered as small businesses because they fulfill the Small Business Association standards. These small tourism businesses are employment generators. An example would be, El Faro Hotel, in Aguadilla, which generated \$1,250,000 in 2003 generating a total of 25 direct jobs.<sup>10</sup> The *parador* as well as other businesses of the same kind, promote the creation of local jobs in their towns, and encourage the development of other small businesses. The establishment of a *parador* in a town where there were no hotels, positively impacts all aspects of the economy in that town, for example: commercial bakeries, stores, shopping centers, tour guides, logistics services, maintenance services and restaurants among others.

In Puerto Rico, the *Paradores* program was created to decentralize tourism which had been developed exclusively in the metropolitan zone.

With the *Paradores* program the tourist activity could be moved to rural areas allowing the flourishing of internal tourism during the 1970's. The challenges for the owners were to be able to survive during a period of development where internal tourism was not known, and being located in areas with poor infrastructure affected its performance too. With time, those *paradores* brought the improvement of their cities with them.<sup>11</sup>

The country inns in Puerto Rico help to sustain tourism directly because they must fulfill the PR Tourism Company standards to operate as part of the *Paradores* program. Some of these standards are: (a) the location must be a town, mountain, beach, and or coast,

outside of the metropolitan zone where it is necessary to protect the environment; and (b) historical destinations will be promoted culture and idiosyncrasy.<sup>12</sup>

### Methodology

The research method was a descriptive and exploratory analysis with the main purpose of acquiring more information from the participants. The main tool used was the analysis of secondary and primary data. These approaches allowed the researcher to obtain qualitative as well as quantitative data.

This research was conducted in two phases. In the first phase secondary data from books, professional Journals, investigations on the subject, and the Internet were gathered. Next, a questionnaire (Appendix A) was prepared using the valid information obtained from the literature review. In the second phase, the compilation of primary data allowed the researcher to design and submit the questionnaire to a selected sample. In order to prepare the questionnaire, the researcher used as reference the questionnaire employed by José Vega and José Romaguera in the research: "The Owners of Small and Medium Companies in Puerto Rico: Characteristics and Needs" (1995). The questionnaire included closed and open ended questions; allowing the *paradores* owners to feel free providing a response according to their judgment. For research purpose, only percentages were used in the analysis.

The questionnaire was submitted to each and every owner of the twenty-five *paradores* population in Puerto Rico, which is enrolled in the Internal Tourism Office of the Tourism Company of Puerto Rico. For surveying purposes, small and medium businesses were defined as business with 500 employees or less. A total of twenty-five questionnaires were distributed via fax. The questionnaire administration procedure was as follows: (a) all the *paradores* owners were contacted by telephone to notify them that a questionnaire would be sent; (b) The questionnaires were distributed with an explanatory letter through fax, advising them on the importance of the research - and it was requested that they were also returned by fax; (c) finally, a follow up through telephone calls.

## Findings

Out of twenty-five submitted questionnaires, only thirteen were returned. This 52% return rate was considered a representative sample. In addition to be a representative percent, the questionnaires answered were wide geographically distributed. In terms of the number of employees in the *paradores*, including the owner, it was observed that 39% had 25 to 50 employees, 23% from 10 to 25, 23% 50 or more, and 15% less than 10 employees (see Table 1).

**Table 1**  
Amount of employees in the *paradores*

Employees	Number	Percentage
Less than 10	2	15%
Between 10 to 25	3	23%
Between 25 to 50	5	39%
More than 50	2	23%

The majority of the *paradores* owners are men (77%). Most of the *paradores* owners are Puerto Ricans (77%). The average age of the *paradores* owners is greater than 56 years old, and the age when they started their businesses was between 36 to 45 years (see Table 2).

**Table 2**  
Actual age of the *paradores* owners' and their age when they started the business

Ages Owner's	Age	Owner's age when started the business
18 - 25	0%	15%
26 - 35	8%	15%
36 - 45	30%	31%
46 - 55	8%	15%
56 and older	54%	23%

*Note.* The percentage in the owner's age when started the business does not sum 100% due to effects of round off.

Most of the *paradores* owners have achieved higher education degrees, including 15% doctorate, 15% masters, 39% bachelor, and 15% with an associate degree (see Table 3).

**Table 3**  
Educational background of the *paradores* owners

Level	Number	Percentage
High School	1	8%
Bachelors degree	5	39%
Masters degree	2	15%
Doctoral degree	2	15%
Associate	3	23%

Although most (62.4%) participants reported to have had pursued academic courses after high school, many were technical courses. The greater percentage (38%) of interviewed owners said their academic mayor field was Business Administration, 18% engineering, and 15% hotel administration. The last 32% specialized in agronomy; English, law, and sciences (see Table 4).

**Table 4**  
Specialization area of the *paradores* owners

Area	Number	Percentage
Agronomy	1	8%
Engineering	2	15%
English	1	8%
Lawyer	1	8%
Science	1	8%
Business Administration	5	38%
Hotels Administration	2	15%

The 70% of the *paradores* owners founded their *paradores*, 15% bought them, and another 15% inherited (see Table 5).

**Table 5**  
**Business acquisition of the *paradores* owners**

Way	Number	Percentage
Bought an established business	2	15%
Inherited	2	15%
Personal drive	9	70%

The main motivations to establish the *paradores* were personal accomplishment (61.5%) and to be their own bosses (38.5%). In other words, personal accomplishment means the satisfaction of having reached their personal objectives and goals (see Table 6). Also, 77% of the *paradores* owners financed their *parador* with commercial loans, followed by 23% with personal savings and 23% with personal loans.

**Table 6**  
**Drive and motivation for the establishment of the *paradores***

Motivation	Number	Percentage
Economic Situation	1	8%
Freedom and Independence	3	23%
To be your own boss	5	38.5%
Personal accomplishment	8	61.5%
Others	2	15%

*Note.* The percentage in this question does come to a total of 100% because the *paradores* owners could choose more than one option.

The average initial investment to acquire the *paradores* was smaller than \$100,000 (31%) and \$100,000 to \$500,000 (31%). These small tourism businesses had an average (31%) of \$1,000,000 or more in annual revenues. Twenty-three percent (23%) of the *paradores* generate less than \$100,000, another 23% from \$100,000 to \$500,000, and the other 23% from \$500,000 to \$1,000,000 (see Table 7).

**Table 7**  
**Income generated annually in the *paradores***

Annual Income	Number	Percentage
Less than \$100,000	3	23
Between \$100,000 to \$500,000	3	23
Between \$500,000 to \$1,000,000	3	23
Over \$1,000,000	4	31

The questionnaire was prepared with a number of open-ended questions allowing the researcher to obtain the most accurate opinions from the *paradores* owners. Some definitions of sustainable tourism mentioned by the owners were: (a) tourism that produces services and products and consumes them, (b) tourism that enjoys constant facilities, (c) commercial control, (d) a tourism that we produced to always depend on, (e) to maintain a constant flow of tourists, and (f) a tourism that does not affect the ecological surroundings and the quality of life of the community. This research shows that there's a lack of awareness and knowledge about sustainable tourism. From all the definitions of sustainable tourism given only one was similar to the concept. In terms of how the *paradores* contribute to sustainable tourism and the economy, they answered the following: employment generators, consummating local products, help in the development of towns in which they are located, and the beginning of recycling programs.

## Discussion and Conclusion

The first objective was to identify the role of the *paradores* as a small tourism business in sustainable tourism and in the economy of Puerto Rico. After completing this research, it was found that the *paradores* in Puerto Rico play an important role in the sustainable tourism due to their contribution to the economic and social development of any surrounding community, as well as showing

respect for the environmental resources and promoting the culture and idiosyncrasy of the place where they are located. The *paradores* provide 10 to 50 direct jobs to the economy of the towns where they are located. In addition, they encouraged the creation of indirect jobs and other businesses such as: construction companies, maintenance services, cleaning product suppliers, food suppliers, laundry services, concessionaires, tour guides, and car rentals, among others. The requirements to be considered as *paradores* imposed by the Puerto Rico Tourism Company contribute with the protection of the environment resources and the development of country's culture integrity.

A second objective of this research was to determine the degree of knowledge on the sustainable tourism concept these *paradores* owners have. Besides their influenced on the economy, the *paradores* owners are not familiar with the term sustainable tourism, perhaps they help directly by multiple ways to the development of this modality of tourism. Some of the ways in which these small tourism businesses join the sustainable tourism are: improving the infrastructure development in the area in which they are located, helping in the creation of tourism awareness on the importance of protecting natural resources, and supporting socio-cultural activities. A possible relationship between the specialization area of the *paradores* owners, and their lack of knowledge in sustainable tourism concept was suggested.

The findings of this research showed that these small tourism business owners do not know the definition of sustainable tourism, but they are involved in sustainable tourism activities. This requires a community education process, especially for those who are working in this type of industry. Also a close relationship within the *paradores* owners' education level and their specialization area was observed. According to the current findings, most of these managers do not have academic degrees in hotel administration and/or tourism fields.

Some suggestions to help local enterprise development, according to the *paradores* owners are the following: (a) more technical training (including customer service); (b) reformulate actual regulations because they are very strict; (c) governmental loans at low interest rates; (d) to affiliate with organizations who may serves as liaison

between the tourism *paradores* and the government agencies for the development of small and medium businesses (e) take part in legislative processes; (f) better relationships with government (g) less bureaucracy; (h) improve license processes; and (i) the partnership between the state and the private sector.

As with any research, this one has its limitations. It was a preliminary research with the answer of thirteen questionnaires from a sample of twenty-five. Future investigations should achieve the completion of questionnaires from the 25 *paradores* owners and the inclusion of additional questions. One of the primary purposes of this research was to collect data from the *paradores* to allow the researcher to determine the capacities to create and develop new enterprise initiatives. Finally, the results obtained could contribute to the establishment of new small businesses in the tourism sector.

In conclusion, to allow the sustainable tourism to be part of the development of the Puerto Rican economy, it seems crucial to encourage education on this subject, and to create tools allowing the endorsement of a more competitive local entrepreneurial class.

## Notes

<sup>1</sup> Information taken from: [www.yourDictionary.com](http://www.yourDictionary.com). American Heritage Dictionary of the English Language. 2000. Fourth Edition. Published by the Houghton Mifflin Company.

<sup>2</sup> This 4% were taken from the division of visitor's expenses between the Gross National Product of the economic statistics from the Puerto Rico's Meeting Planning Board. (2002)

<sup>3</sup> Information was taken from Sustainable Tourism Resource Center of the National Geographic Magazine web page:

<http://www.nationalgeographic.com/travel/sustainable/index.html>.

<sup>4</sup> Information was taken from the U.S. Small Business Administration web page: [www.sba.gov/size/sizetable2002.html](http://www.sba.gov/size/sizetable2002.html).

<sup>5</sup> According to Mr. Rafael Molina (Deputy Executive Director of Internal Tourism of the Puerto Rico Tourism Company) the "parador" terms is the same in Spanish or English; for that reason this term was used through all the research paper.

<sup>6</sup> Information taken from an interview through e-mail to Mr. Rafael Molina Deputy Executive Director of Internal Tourism of the Puerto Rico Tourism Company.

<sup>7</sup> Information taken from Overview of the Tourism Industry in Puerto Rico. Puerto Rico Tourism Company. 1999-2000.

<sup>8</sup> Definition was taken from: [www.DestiNet.ewindows.eu.org](http://www.DestiNet.ewindows.eu.org). World Tourism Organization.

<sup>9</sup> Information taken from: [www.DestiNet.ewindows.eu.org](http://www.DestiNet.ewindows.eu.org).and Brundtland Report, Hunter.

<sup>10</sup> Information taken from a telephone interview to Mr. Fernando Badillo accountant from IHP Hotels, owners of El Faro Hotel in Aguadilla, Puerto Rico.

<sup>11</sup> Information taken from an interview through e-mail to Mr. Rafael Molina, Deputy Executive Director of Internal Tourism of the Puerto Rico Tourism Company.

<sup>12</sup> Information taken from the official regulations guide: "Paradores" of Puerto Rico. Puerto Rico Tourism Company. 1999.

## References

- Cateora, P., & Graham, J.(1999). *International Marketing (10<sup>th</sup> Ed.)*. Boston, MA: Irving/McGraw Hill.
- Horbin, H. (1996). Sustainable tourism: The role of small firm. *Journal of Contemporary Hospitality Management*.
- Planning Board Meeting (2001). Informe al Gobernador 2002. San Juan, Puerto Rico.
- Organization of the American States (1997). Sostenibilidad del turismo mediante la gestión de sus recursos naturales y culturales. Paper submitted to the XVII Inter-American Tourism Congress". San José, Costa Rica. April 7 to 11, 1997
- Pérez, V. (2001). The Role of the Micro Enterprises as Engine of Economic Development: The Peruvian Case. Paper submitted to the IFUP 4th International Conference. Marrakesh, Morocco, October 16-19, 2001
- Puerta, L. (1999). La Calidad de la Micro y Pequeña Empresa Turística: Un Reto a la Entrada del Siglo. Paper submitted to the First Congress "La Micro y Pequeña Empresa Turística, frente al Nuevo Siglo". San José, Costa Rica. October 21 to 23, 1999.
- Vega, J., & Romaguera, J.(1995). The owners of small and medium companies in Puerto Rico: Characteristics and needs. University of Puerto Rico, Mayagüez Campus.