

Entrepreneurship and Small Business Management in the Hospitality Industry

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Preface

Entrepreneurship is a fascinating practical and academic area of study. As a phenomenon it has been around in one form or another since the earliest civilizations including the Mayans, Ancient Greeks and Romans up to relatively more recent times of the Renaissance (15th and 17th centuries), Industrial Revolution (18th and 19th centuries) throughout the 20th century up to the present day.

Interestingly, the number of entrepreneurs and establishment of small firms has dramatically and uniformly increased globally over the most recent 10 years. Reasons for this include globalization, liberalization of labour markets and enactment of entrepreneur-friendly government policies such as removal of barriers to competition and other trade restrictions. The prospect of starting one's own business is not as daunting as it used to be. Free advice and start-up grants are now available from a variety of sources including government agencies and non-profit organizations. These initiatives have helped a booming small to medium-sized sector create more wealth than firms at any other time. This phenomenon can also be said of new and emerging economies, ethnic groups within larger host nation states and indigenous entrepreneurship. The latter developments are particularly pertinent to the tourism and hospitality industry as many nascent nations are recognising the role entrepreneurship plays in economic development and the alleviation of poverty and dependence on public subsidy for citizens.

However, environmental enablers of entrepreneurship are only one side of the story and this is where the more academically oriented perspective of the phenomenon begins. Essentially, it is argued that entrepreneurs have certain characteristics and which predispose them to behave in a particular way. 'Risk-taking' and a 'desire for achievement' are often quoted as being key necessary traits. In reality, the picture is rather more complicated, for example, some individuals may have been 'pushed' into self-employment by virtue of redundancy. Many of them could hardly be described as being risk-takers yet there are many examples of resounding business success. Equally, there are those spectacular failures who not only possess the appropriate internal characteristics of entrepreneurs but have been 'pulled' into the field because of its perceived intrinsic benefits.

Beyond this question is the fundamental role entrepreneurs play in the economy in terms of employment and wealth generation. Indeed, small businesses are the backbone of the tourism and hospitality industry and, depending on which statistics one uses, represent somewhere between 75 to 95 percent of all firms globally in this sector. It would be reasonable to assert that the incumbent entrepreneurs are industrious, multi-talented,

creative and innovative. They work hard, weather significant hardships during business start-up and bear all of the risks involved in making such a personal sacrifice.

The aims of this book are:

- To explore both the complexity of entrepreneurial theory and practice applied to the tourism and hospitality industry. It does this by exploring some key theoretical concepts and grounds them in a number of practical real-life scenarios;
- To move back and forth between strategy and operations in order to illustrate the linkage between the two areas and explain how both perspectives are necessary for entrepreneurial success;
- To engender a sense of enthusiasm about the field by not only discussing some of the major challenges and opportunities but by providing the knowledge and skills required to start a small business and drastically improve the chances of sustaining it successfully.

The chapters of this book invite readers to ponder their reading through a series of reflective activities. This allows them to both think actively about themes, concepts and issues and then apply them to a number of suggested scenarios. Authors have deliberately designed the book to actively engage readers as *reflective practitioners*. Reflective practitioners are required by modern hospitality and tourism organizations. The term describes managers who are able to complete physical tasks as well as reflect and think about their actions. Reading this book, therefore is intended to be an active process whereby readers think about the practical implications of what is being communicated. The authors are informed by the work of Kolb who suggests learning needs to engage actions as well as theorising and thinking.

Kolb (1983) states the most effective learning as involving all aspects of the learning styles. They must reflect on actions undertaken – see how these reflections fit with theories – consider how they might need to alter future actions, and then act.

For the purposes of this book, and for future activities, we suggest that the process of learning needs to move through the stages outline on Kolb's model. Active experience needs to be followed by reflection including the critical evaluation of the experience; and consideration of how these experiences inform or adapt theoretical understanding; and how this might inform future actions. Traditionally this is shown as a cycle, however, it is more accurately a series of spirals where the process of acting, reflecting, theorising and deciding of future actions leads to new learning situations leading on from the past.

Chapter 1 discusses issues of historical and contemporary context of entrepreneurship concluding that the global field is vast and continuing.

Some definitions are explored concluding that entrepreneurs are difficult to classify given their diverse backgrounds. Some key attributes of entrepreneurs are explored including the ability to spot the opportunity and develop it into a sound business proposal. Issues of personality and environment are discussed. The quaint notion of running small hospitality firms 'risk-free' is also introduced.

Chapter 2 scrutinizes entrepreneurship through a cultural lens discussing and defining indigenous and ethnic dimensions and how they impact upon small firms. The key developmental role of entrepreneurship amongst indigenous societies is discussed together with an outline of the main differences between indigenous and ethnic entrepreneurship.

Chapter 3 evaluates the meanings of the term entrepreneur, comparing and contrasting 'growth' and lifestyle entrepreneurs in terms of their origins and motives. The overriding pattern of small business ownership and its impact on hospitality and tourism provision is then considered.

Chapter 4 considers the notion of creativity in an entrepreneurial context and its relationship with innovation and how it impacts on the entrepreneurial process. Emphasis is placed on the lifelong commitment to idea generation in small hospitality firms along with some important techniques to develop and enhance creativity within the individual. Ultimately, the relationship between creativity and 'mystery' is debunked and the ability is advanced as one that can be learned.

Chapter 5 defines innovation as a systematic logical exercise designed to harness creative ideas and bring them to a successful entrepreneurial conclusion in the marketplace. The chapter then discusses its role in the entrepreneurial process and identifies its relationship with creativity. Opportunity spotting and the subsequent development of business ideas is then introduced and the importance of a methodical systematic process of environmental scanning and strategic and tactical planning is emphasized in this context.

Chapter 6 explores the term 'feasibility analysis' and how it applies in maximizing the chance of entrepreneurial success. Porter's Five Forces is identified and applied as a suitable model. The prevalence of intuition and gut reaction are discussed and their weaknesses identified when planning to launch new hospitality ventures. The chapter proceeds by outlining the role and importance of research in entrepreneurial success.

Chapter 7 identifies the inherent advantages family firms have over non-family firms whilst recognising the roles of key individuals in the family firm. Some of these include commitment, resilience and long-term stability. The impact of conflict on small family businesses in the hospitality industry is outlined. The process of business transferral is discussed along with the many accompanying challenges faced by entrepreneurs and second-generation successors.

Chapter 8 discusses hospitality and hospitableness in the context of small firms. It also introduces the notion of attractiveness of commercial

hospitality to owners/managers. The linkages between commercial homes and hospitality businesses are evaluated. Tensions and dilemmas inherent in commercial homes are also outlined.

Chapter 9 addresses the need for producing and working to a business plan described as a working document designed to assist planning with sense and realism, and through which to monitor performance against desired objectives. The key activity of writing and presenting an effective business plan is discussed together with the role of feedback and iteration during the process.

Chapter 10 deals with the entrepreneur as leader and identifies the behavioural attributes of entrepreneurial leadership style. The changing role of the leader/entrepreneur as hospitality firms developer is explored. The assumption that successful entrepreneurs and sound leadership naturally go together is discussed and challenged. Major theories of leadership are explored as a basis for effective leadership. The chapter then introduces some major intrinsic entrepreneurial characteristics said to detract from effective leadership. An entrepreneur's understanding of organizational culture is then identified as key for effective performance in small hospitality firms.

Chapter 11 outlines the major issues involved in the discourse of small entrepreneurial and lifestyle hospitality firm growth. The strengths and weaknesses of growth models are outlined together with a discussion of the major components of expansion strategies for small hospitality firms. 'Good fortune' is explored and the role plays in entrepreneurial success. The chapter then discusses the major challenges or barriers faced during growth stages of firms.