



Entrepreneurs and Small Firm Ownership

After working through the chapter you should be able to:

- Critically evaluate the meanings of the term entrepreneur;
- Identify the characteristics of growth style entrepreneurs;
- Identify the origins and motives of lifestyle entrepreneurs;
- Analyse the implications of patterns of entrepreneurship in small firm ownership in hospitality and tourism

INTRODUCTION

The Collins dictionary describes ‘entrepreneur’ as the ‘owner of manager of a business enterprise who, by risk and initiative, attempt to make profits.’ (1992: 507). In fact the word entrepreneur covers a range of different meanings and usages in everyday language. The boss of Microsoft, Bill Gates, is described as an entrepreneur, as is the person owning a small hotel, restaurant or bar. Similarly, as the Collins definition highlights, entrepreneur may be used to describe both those who own businesses and also those who manage them. Yet owners benefit directly from making profits, where managers are more likely to be paid a salary and benefit only through bonuses or profit sharing schemes. Furthermore, it is possible to identify ‘entrepreneurial’ activities even in organizations which are non-profit making, say university lecturers or health services managers may be ‘entrepreneurial’ in contexts where there are no profits, only services.

This chapter will discuss the notion of entrepreneurs and entrepreneurialism from a range of perspective. Life style entrepreneurs, in particular will be a major focus of the chapter, because small firms represent a major source of supply of hospitality and tourism services across the world. A high percentage of businesses in the tourism and hospitality sector (95 per cent) are small firms, often family operated businesses, this is a common feature to be found

across the globe. In the UK, for example, 95 per cent of firms in the sector employ fewer than 50 employees (the generic definition of a small firm) and 75 per cent employ 10 or fewer employees (by definition they are micro-firms) (Lashley and Rowson 2006). Indeed many small hotels, guest houses, cafes, and pubs are not employers, and are run by owner-managers with family and friends helping out. Getz, Carlsen, and Marrison (2004) describe these as predominantly ‘family businesses’. Many held a lifelong ambition to own a hotel, or some business that gives them greater control of their lives, or because they think they will enjoy the life of hotel ownership. Few have any hotel management or business experience and had not worked in a hotel or the hospitality sector before. Research quoted later confirms that in effect many of these businesses are ‘commercial homes’ (Lynch, 2005), where the division between home and the commercial become blurred.

Whilst the largest number of firms are small firm, micro businesses or merely commercial homes, a small number of large firms dominate large proportions of the total market. In the UK for example, six firms control almost 27 000 (45.8 per cent) of the countries 59 000 pubs, multiple hotel chains control large parts of the total accommodation market. Entrepreneurship is also a concern to these firms. Business growth and sales building require managers, in charge of individual hotels, to behave in an entrepreneurial manner but within the framework of the hotel brand. They have to be entrepreneurial within limits set by the organization. Some might call these *intrapreneurs* (Getz *et al.*, 2004).

Key point 3.1

Entrepreneur is a word that is used to describe a range of different types of individual covering quite different motives and drives in business organizations.

ENTREPRENEURS

There are several different perceptions of entrepreneurs and the role in business growth and development. At the more high profile level, key industry leaders such as Tim Martin at J D Wetherspoon, or Conrad Hilton, are individuals who build a business empire from humble beginnings. In other words, they start with one pub, hotel or restaurant and build up a chain of pubs, hotels or restaurants. They are substantial shareholders in the enterprise and continue to personally lead the business. On another level, managers running a corporate business which owns hundreds, or in some cases thousands of units, are entrepreneurial because they generate growth and profitable businesses as

salaried managers with bonuses, though some describe these as *intrapreneurs*, because of their somewhat tangential relationship with the ownership of the business.

The classical view of entrepreneurs assumes that personal reward, through profits and capital growth are what drive these individuals and ultimately successful economic activity. In fact classical economic theory and some neo-conservative commentators set the entrepreneur at the heart of regenerative economic activity. If only restrictions and disincentives were removed entrepreneurs would be free to generate more economic activity, jobs and national wealth, they say. The problem with this view is that people who meet the classic descriptions of entrepreneurs are limited in number. As we shall see later, many of the people who operate small firms as bars, hotels or restaurants are in the main ‘lifestyle’ entrepreneurs. The numbers of business operators in the hospitality sector who are chiefly economically driven, who have ambitions to make a lot of money, and grow the business to become a multi-sited empire, are few and far between. A survey of around 1300 operators of micro businesses in hospitality and tourism (Thomas, Lashley, Rowson, Xie, Jameson, Eaglen, and Parsons, 2000) put this at somewhere in the region of 10–15 per cent of micro-business operators being strongly motivated by economic incentives.

Getz *et al.* (2004) describe entrepreneurs as individuals who work to increase personal benefits in the form of economic gains or in social standing but who create benefits in the wider social and economic setting through increased economic activity, job creation and wealth generation. ‘Walt Disney, Conrad Hilton and Thomas Cook have radically innovated in their respective sectors, significantly redefining the nature of products, services and markets that have contributed to the growth of hospitality and tourism industry over the decades’ (Getz *et al.*, 2004: 24).

There are some debates as to whether entrepreneurs are people with particular personality profiles or are merely reacting to the circumstances in which they find themselves. Kuratko and Hodgetts (1998) suggest that all individuals have the potential be entrepreneurs, but this fails to acknowledge that many individuals are not motivated to this economic growth model. Indeed there may even be a more creatively linked set of motives. That these growth orientated entrepreneurs enjoy the act of creation and building the business as much as the economic benefit. Getz *et al.* suggest that entrepreneurial behaviour is embedded in the individual, society and the economy in contemporary settings. Table 3.1 provides a list of behavioural cues for entrepreneurs.

Collins (2002) and O’Mahony (2007) both cite examples of the pressure of being recent migrants into Australia and being excluded from many economic

TABLE 3.1 Entrepreneurial behaviour cues

	Positive	Negative
Social	<ul style="list-style-type: none"> ■ Role of family and intergenerational role models ■ Conducive culture ■ Supportive networks 	<ul style="list-style-type: none"> ■ Political/religious displacement ■ Political unrest ■ Discrimination ■ Unhappy with position in society ■ Dissatisfied with blocked employment opportunities
Economic	<ul style="list-style-type: none"> ■ Move towards services ■ Reversal of highly vertically integrated company structures ■ Phenomenon of ‘dot.com’ businesses 	<ul style="list-style-type: none"> ■ Discriminatory legislation ■ No other way to make money
Psychological	Entrepreneurial aspirations of independence, wealth, need to achieve, social mobility.	

Source: Getz *et al.* (2004: 25).

and business contexts by the discriminatory legislation and practices. O’Mahony shows that many Irish migrants ended up owning bars and breweries because little else was open to them. Collins (2002) suggests that many Italian, Greek, and Lebanese opened restaurants as a response to being in effect, shut out from main stream business activity. Similarly Chinese cafes opened in many towns and cities brought a cultural diversity to the food and drink scene in Australia. In contemporary societies, these processes are still at work. Often migrants use entrepreneurship to break through negative impacts of social class and ethnic barriers in the wider economic world. Morrison (2001: 78) suggests the following model as a way of considering entrepreneurial cues (Figure 3.1).

The advantage of this model is that it does recognise that the entrepreneur is likely to have to work through a multiplicity of influences. The classic growth orientated entrepreneur is likely to display certain personality traits, and characteristics, and be supported by a personal environment and personal goals which enable and drive entrepreneurship. At the same time the business idea needs to be robust and sustainable in a social and economic environment which is both ready for the idea, and which will encourage **entrepreneurship** (Getz *et al.*, 2004).

Key point 3.2

Most growth-orientated entrepreneurs are likely to be influenced through a number internal, such as personality type, and external factors, such as culture and immediate opportunities.

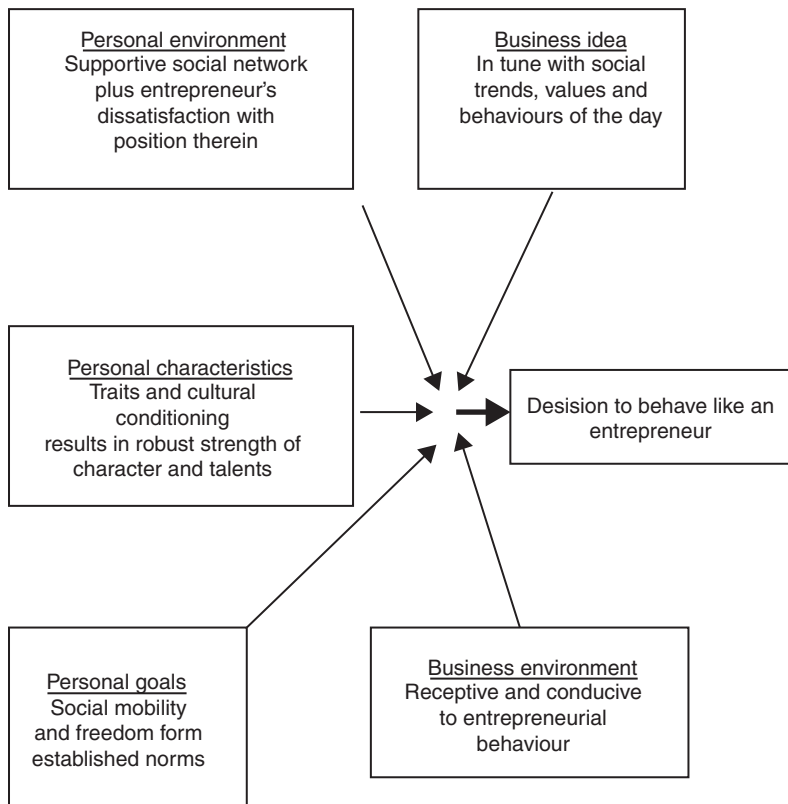


FIGURE 3.1 *Model of entrepreneurial cues.*

LIFE STYLE ENTREPRENEURS

In the UK pub sector, recent changes in the management and operation of pubs and bars reveals much about the perceptions of small firm entrepreneurs. The majority of pubs in Britain are owned by big corporate pub companies, such as the Punch Pub company and Enterprise Inns. In fact these two companies alone own around 19 000 of the nation's 59 000 pubs. Although they physically own the pub properties, individually pubs are operated by small firms in a loose form of franchising (Lashley and Rowson, 2005) through tenancy or leasehold agreements. Tenancies tend to be looser, more short-term arrangements, whilst leaseholds are more formal and give more economic benefits to the leaseholder than the tenant enjoys. The leaseholder can, for example, sell on the lease to another person and the terms of the agreement tend to be over a longer period than for a tenant. The assumption at the root of the recent decision of many licensed retail operators to change from tenanted to leased

arrangement is that the short-run relationship implicit in the typical tenancy acted as a barrier to more entrepreneurial drives by the pub tenant. Many firms hoped that a longer-term relationship, more economic rents, and more entrepreneurial motivations would provide the licensees with growth inspired incentives for licensees.

Whilst these factors might be important barriers to the entrepreneurial motives of some, the assumption that all small firms are driven by growth and profit maximization objectives is questionable. The Leeds Metropolitan University (Thomas *et al.*, 2000) survey of 1396 small tourism and hospitality firms showed that only 9 per cent of respondents listed ‘to make a lot of money’ as a key motivation for owning a small business. Sixty-six per cent identified to ‘make a reasonable living’, 58 per cent said they ‘wanted to be my own boss’, and 41 per cent stated that a major reason for owning a small business was ‘I enjoy this life style’. These findings are consistent with earlier work on the motives of small firm owners (Beaver and Lashley, 1998). Owners of these ‘micro firms’ with 10 or fewer employees, are mostly concerned with a cluster of ‘lifestyle’ motives for their entrepreneurial activities Lockyer and Morrison (1999). Table 3.2 reproduces the responses from the Leeds study. The question asked respondents to identify one or more reasons why they were running their own business.

The values expressed in Table 3.2 lists the total number of respondents who indicated that the statement reflected one of their top three objectives for owning the business. These responses give an interesting insight into the motives of people running small firms. In many ways, those operating tenanted, leasehold and the occasional franchised business are in a similar position. Price *et al.* (2000) have argued that often these businesses are being run at sub-optimal levels partly because the resources used are not charged at a fully economic rate due to family members working in the unit at less than

TABLE 3.2 Motivations for owning a small business

Motivation	Value (per cent of respondents)
To make a reasonable living	926 (66)
To make a lot of money	125 (9)
To be my own boss	813 (58)
I enjoy this lifestyle	576 (41)
To avoid unemployment	197 (14)
To live in this location	287 (21)
It is a form of semi-retirement	125 (9)
I spotted a market opportunity	246 (18)

Source: Thomas *et al.* (2000).

market rates. Often the pub represents a ‘free house’ to the family. Hence business costs and motives are meliorated by these more domestic considerations. In effect, pub tenancy or lease provides both a commercial and a domestic setting for the tenant/lessee and there is a need to understand ‘life style economics’ (Andrews *et al.*, 2000) so as to better match potential tenants with properties.

The definitions and categories used by Morrison, Rimmington, and Williams (1999) are helpful because they suggest a number of categories that might apply to the core objectives of those engaged in tenanted or leasehold relationships. In essence they suggest that lifestyle proprietor defines an individual who has a multiple set of goals associated with the business. Profitability in the business will only be one of these goals. In addition to the entrepreneurial venture, Beaver, Lashley, and Stewart (1998) suggest that there a number of other categories of small firm that may well differ in the nature of their business motives. They suggest that the lifestyle enterprise, the family enterprise, the female enterprise, the ethnic minority enterprise and enterprises where the dominant motives are for self employment and control are likely to give different priorities to both profitability and their own developmental needs. They say,

‘Whilst that this is not an exhaustive list of entrepreneurial types, it is sufficient to show that the motives of those setting up and maintaining small hospitality firms are not always compatible with ‘rationale economic’ considerations. Motives associated with personal preferences or which relate to self-image do not automatically lead to levels of self-analysis which suggest that a lack of business skills presents a major threat to their business goals’ (Beaver et al., 1998: 166).

Reflective practice 3.1

Interview the owner of a small hotel in your area and establish his/her origins and motives for setting up the hotel.

Sweeney (2008) suggests that a number of push and pull factors are at work in the decision to start a business in this micro-business manner. Push factors create a situation where individual feel compelled to start the business, where the pull factors suggest benefits to the individual(s) (Figure 3.2).

Beaver and Lashley (1998) suggest that lifestyle business objectives represent barriers to the perception of the need for personal development and

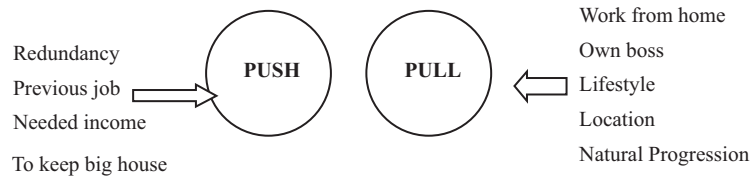


FIGURE 3.2 *Push and Pull factors motivating business start up.*
 Source: Sweeney (2008).

growth. Often these firms are economically satisficing. So long as the owner is able to meet the requirements of a reasonable standard of living they will not recognise the need to undertake courses that develop their managerial or entrepreneurial skills (Morrison, 2000). That said, those running small firms do learn from their actions (Kolb, 1984) and Morrison suggests that personal networks perform a valuable if informal source of education and training (2000b).

Key point 3.3

Many micro business in hospitality and tourism are run by individuals who are primarily motivated by a cluster of factors which tend be more important than the desire for business growth and profit maximization. They may be referred to as 'lifestyle' firms because their key reasons for running the business are to improve their lifestyle in some way or other.

The relationship between the pub operating company and the tenants/lessees has many similarities with relationships found between franchisors and franchisees. The larger organization is attempting to gain benefits of scale by using the financial and managerial resources provided by the smaller firm. At the same time they aim to gain from the entrepreneurial drives of the tenant/lessee under the assumption that entrepreneurship and personal gain will stimulate extra effort when compared to the performance of salaried managers. From the small firm's perspective, the relationship with the larger firm allows access to the resources and expertise of the larger organization that might be denied a truly independent enterprise. That said, research into the motives of those running small firms in the sector shows that frequently classically entrepreneurial motives are secondary to other more 'lifestyle' motives for operating the business. As a consequence many tenants and lessees are not likely to give the highest priority to business growth and profit maximization. When compared with the formal business format franchising

arrangements the support given to tenants and leaseholds by the operating companies is minimal and may prove to be another factor preventing growth in the small firm.

Using a different metaphor to describe many small hospitality and tourism firms Getz *et al.* (2004) describe them as ‘family firms’, whilst Lynch and MacWhannell (2000) refers to them as ‘commercial homes’. This latter term has particular resonance in the accommodation sector internationally and pub sector, in the UK. Typically the domestic accommodation is part of the same premises as the commercial activity. In fact, both Lynch (2005) and Sweeney (2008) in different ways explore the relationship between the private and commercial domains of the same property. The same term can be closely used to describe the restaurant sector, when, the restaurant and kitchens etc., share the same premises as the owners’ private domestic living quarters. All these terms used to describe the vast majority of small firms in the sector have merit, and tend to reflect different facets of many small firms operating in hospitality and tourism.

Key point 3.4

Individuals running tenanted and leased pubs and franchisees, as well as, independent firms, frequently reflect lifestyle firm characteristics. That is, motives which are not always primarily concerned with profit maximization and growth.

Clearly, micro-firm reflects a concern with the relative size of the firm when compared with other firms in the sector. Research quoted later (Lashley and Rowson, 2007) shows that many hotels, for example, are run by individuals supported by family and friends, Large numbers of hotels in Blackpool are operated by an owner manager with few, if any employees. Most, though not all, are run by families, or at least by individuals who call on children and other relatives to work in the business as demand and the ‘season’ require. They are as Getz *et al.* (2004) suggest family businesses with varying degrees of engagement with family. In larger firms, family members have formal jobs and roles which contribute to the services being offered by the firm, and in smaller ones they may help out as and when needed. In many cases, they are ‘commercial’ homes where customers and family members live under the same roof, though with variations in the degree they share the same rooms. In some cases, ‘Private’ notices keep commercial guest away from rooms being used by family members. In other cases, commercial guests and family members share common sitting

rooms, dining facilities and bathrooms. To varying degrees they will not be economically entrepreneurial firms.

In many cases, economic motives for business ownership are secondary to motives based primarily in a desire to live in a particular location, or to enjoy more personal control over work, or to avoid labour market problems. In this latter case, gender based, ethnic based or age based prejudices practiced by some employers can be avoided through self employment through the lifestyle firm. A point being developed later, is that hospitality services in the form of accommodation, pub restaurant settings provide business opportunities which appear to enjoy low barriers to entry and which appear to require skill sets shared by all those who have offered hospitality to family and friends. These links between private domains of hospitality and decisions to start up businesses in commercial hospitality can be further understood through research into owners of small hotels in Blackpool (Lashley and Rowson, 2007).

Blackpool's hotel sector is dominated by micro-firms usually managed by owner managers operating just one hotel and employing few staff, typically family members often for a few hours per week. Sometimes the owner/manager and partner employ no one and they undertake all the operational tasks themselves. As suggested earlier many of these micro-firms are, to varying degrees, 'lifestyle' business in which personal and lifestyle reasons dominate motives for operating the hotel. In circumstances where motives are clearly not classically entrepreneurial, hotel operators often do not recognise the business skills needed for effective performance (Morrison, 2002). Hence, service quality management; investment, financial and cost management; marketing, people management, and general business strategy, for example, are at best reliant on informal processes, and frequently non-existent (Lashley and Rowson, 2006). As a consequence, there can be a high 'failure' rate of these micro-business hotel operators and an earlier study by Lashley and Rowson (2005) estimates that 20–30 per cent of the hotel stock in Blackpool changes hands each year. Furthermore, the low skill base of hotel owners also limits the quality experiences of services provided to visitors.

Following on an earlier pilot study (Lashley and Rowson, 2005) a survey based on responses from 120 small hotel operators (Lashley and Rowson, 2007) found that just 12 hotels had 20 or more rooms and only 43 (35.8 per cent) employed any staff. Most of these hotel owners undertook the cleaning, cooking and other accommodation service task themselves, or with occasional help of children, parents or other relatives, 'Who live with us'. Most had bought the property after selling a domestic property (99/120–82 per cent). Just 13 (13.8 per cent) had moved to the hotel from the ownership of another hotel and 8 from another business (6.7 per cent). BP 050 reported "*I was a truck driver and lived in Somerset we had a 3 bed roomed house, I was fed up*

TABLE 3.3 Funding the purchase of the hotel

Element	Number (per cent)
Sale of house	39 (32.5)
Sale of business	16 (13.4)
Sale of house and mortgage	38 (31.7)
Sale of house and unsecured loan	11 (9.1)
Mortgage	8 (6.6)
Loan	5 (4.2)
Other	3 (2.5)
Total	120 (100.0)

with my job because of being away from my wife and family most of the week, my wife's had this thing about owning a hotel for years now, and we looked into it and got this hotel in Blackpool. We actually got more money for our house than the hotel cost, but we had a big mortgage on the house, and so when we bought the hotel we had to take a small mortgage but we pay a lot less for this hotel with eight letting rooms than we did for our three bed roomed house'' (p 5). Table 3.3 below shows the sources of finances for those buying small hotels in Blackpool. The high proportion involving the sales of a house confirms that for many, the sale represents move into 'entrepreneurship' rather than a change in entrepreneurial activity.

The Blackpool study showed over 30 per cent of the respondents said that they wanted to work for themselves, with 23.4 per cent saying that they were fed up with their job and wanted to be their own boss. For many respondents, starting in the hotel business as been a life long dream with 25.8 per cent saying that they had wanted to do this for years (see Table 3.4).

Key point 3.5

Many owners of small hotels sell a domestic home prior to buying a hotel. Few have experience of the hotel sector or even small business management.

The following quotations from respondents in the study provide some insights into the motives involved. BP 001 *“My husband was getting fed up with his job and there seemed little future in it, I was working in a dead end, part-time job, and we had talked about having a seaside hotel for years. Anyway we went to see some friends who lived in Blackpool, and we had a look around the place, and noticed how reasonably priced the hotels were, and really it all went from there”*. BP 004 *“Redundancy really, my husband was*

TABLE 3.4 Reasons for buying hotels in the Blackpool study

Element	Number (per cent)
Wanted to work for ourselves	36 (30.0)
Fed up with job decided to be our own boss	28 (23.4)
Wanted to do this for years	31 (25.8)
To avoid unemployment or redundancy	15 (12.5)
Semi retirement	4 (3.3)
Working from home/home with income	6 (5.0)
Total	120 (100.0)

made redundant and we used his redundancy money and the sale of our house to buy the hotel. We had talked about this many times before, but it was redundancy that finally pushed us this way". BP 020 "This was the only way we could find of running a business were we could work together and basically work from home. Before we worked really hard but barely had enough time together or for our children".

The levels of experience of the respondents varied greatly, of those who claimed to have any previous hotel or business experience, this often amounted to little more than working in a retail business, a pub, or a hotel, very few respondents had actually operated a hotel before, of the 49 (40.8) of respondents who claimed some form of prior experience only 13 (10.8) had any 'real experience' of hotel ownership. Fifty-nine percent of respondents had no business or hotel experience at all when they started in their hotels (see Table 3.5).

There was a common perception amongst the respondents that few skills were required to operate a hotel and that most of it was just 'common sense', as the following quotes illustrate, BP 118 *"I've no experience myself but my wife's worked in bars and as waitress for years and she's very good at dealing with people"*. BP 114 *"No experience at all, but my son works in catering he's a chef (when asked if he worked in the hotel). No, he doesn't he works in*

TABLE 3.5 Prior experience of hotel owner respondents

Element	Number (per cent)
Prior hotel or business experience	49 (40.8)
No hotel or business experience	71 (59.2)
Total	120 (100.0)

TABLE 3.6 Reasons for entering the hotel business in Blackpool

Five elements	Number (per cent)
We had wanted to do this for some time/dream of ours	38 (31.7)
This was business where we could work together	16 (13.3)
This is an easy to start business, with no skills needed	33 (27.5)
This is a home with a income	33 (27.5)
Total	120 (100.0)

London but he has given us a lot of tips about commercial cooking that have been useful”. BP 109 *“We had business experience, but no catering or hotel experience, it came as a bit of shock for a week or too when we started in the hotel. In the end our business experience did come through, but the first few weeks were a tough time”*.

The significant majority of respondents’ explained their decision to buy a Blackpool hotel around *lifestyle* issues such as, a ‘our dream for years’, wanting to work together, to have an home with an income, and the majority felt that it was easy to start business which required no particular skills (see Table 3.6).

Many of the respondents thought that having a house with a income was a good idea the following illustrates this point, BP 050 *“Because this business is a ‘house, home and job rolled into one’ that was our motivation, plus I was fed up with driving trucks for a living and being away from home all the time. My wife hated her job, and so this was a way out for us, and meant that we could be our own boss and have a less stressful life. BP 073 “I liked the idea that we would have a home that would pay for itself and provide us with jobs”*.

A significant majority of respondents said that Blackpool was their favourite place and often the decision to buy a hotel in Blackpool was driven by good holiday memories from the past, in many cases this was the hoteliers’ childhood visits to the seaside. Thirty-five per cent of respondents said that they had chosen Blackpool because of the long season and 24 per cent cited the cheap hotel prices. There was some overlap between the choices with many citing the long season, cheap hotel prices and the busiest seaside resort as reasons. Respondents’ first choices are recorded (see Table 3.7).

Eighty-eight percent of the hoteliers said that both they, and their partner, worked in the hotel business and that this was there sole business. Twenty-six per cent did work or have business interests outside of the hotel. This was typically some form of full-time paid employment Table 3.8.

Twenty-nine of 120 respondent hoteliers (24.1 per cent) in this study were considering or planning to sell their hotels, some with mixed feelings. Those

TABLE 3.7 Reasons for selecting Blackpool

Element	Number (per cent)
Long season	42 (35.0)
Cheap hotel prices	29 (24.2)
Busiest UK seaside resort	15 (12.5)
We like Blackpool	34 (28.3)
Total	120 (100.0)

TABLE 3.8 Work and business interests outside the hotel

Element	Number (per cent)
We both work in the hotel	88 (73.4)
Working or business outside the hotel	32 (26.6)
Total	120 (100.0)

planning to sell up and move out of the current hotel often expressed mixed motives for selling their current. Whilst 5/29 declared they were selling their current hotel so as to buy a bigger hotel, and some declared that they planned to retire 8/29 the majority were disposing of the hotel for negative reasons. Table 3.9 shows that 13 respondents mention poor trade as a reason to sell, seven declared the hotel business had not met their expectations and a further six felt that customers were the problem. Responses are shown as percentages of the 29 respondents planning to sell the hotel at the end of the 2006 season. This represents 24.2 per cent of the 120 respondents in the survey.

BP 006 ‘*We are planning to sell up. The customers are getting worse. We used to have really decent people booking but now it is all ‘bell ringers’ and you*

TABLE 3.9 Declared reasons for selling the hotel

Declare reason	Number (per cent) (n=29)
Poor trade	13 (44.8)
Not meeting expectations	7 (24.1)
Customers	6 (20.1)
Retirement	8 (27.6)
Buying a bigger hotel	5 (17.2)
Other	2 (6.7)

*never know what you'll get. Recently we had a family group come to the door they looked really respectable, and 'conned me' by saying that they usually booked but couldn't get in at the hotel where they normally stayed, they were excellent guests, compliments about the food and the room, but when they left they took everything that wasn't nailed down with them, sheets, towels, table lamps, pictures off the wall, I called the police but it appears that they give false details when they booked, they even 'nicked some of my ornaments from the lounge. We were thinking about selling up and this really has made up our minds''. **BP 051** "We both really wanted this so badly when we started it was our dreams come true, but over the last two seasons it has turned into a nightmare, this place is a 'money pit' we always seem to be spending on it. Really we haven't made any money since we moved in and now I have lost interest and we want to sell up, trade is dropping for family hotels in this area because of the 'stags and hens', the centre is almost a 'no go area' at weekends now with the single groups all over the place drunk at lunchtime, peeing in the street, a few weeks back I drove through the centre of Blackpool at 3 pm in the afternoon and it was packed with single sex groups most of them drunk, and I couldn't believe my eyes I saw a group of girls exposing themselves across the road to a gang of lads, and there were families about at the time I couldn't believe what I had just seen''.*

Key point 3.6

There is a significant churn in small business ownership each year in the hospitality and tourism sector as the realities of pub, hotel or restaurant ownership become realized.

The level of churn in hotel ownership identified here appears to be consistent with observations by professionals in Blackpool's Tourism sector (Lashley and Rowson, 2006) who suggested that the level of turnover in ownership ranged between 20 and 30 per cent. In the original study 10 case study hotels were in their first year of trading in 2005. By 2006 seven of these were in the same hotel. One had sold the hotel and moved to another hotel in North Wales, the other two had sold the hotel and decided that the hotel business was not for them. Again this indicates around 30 per cent churn. Given the estimated number of hotels in Blackpool it is possible that something like 160–230 hotels are changing hands in Blackpool each year. Assuming that the average hotel is valued at £250,000 the value of this churn in ownership is in the region of £40–£60 million per annum. This represents a conservative estimate of the property transactions, it takes no account of the commissions paid to estate agents, solicitors and banks or of the losses

incurred by some hotel operators who find trade less buoyant than anticipated or that they have bought a ‘money pit’. Nor do these figures take account of the potential lost custom generated by the merry go round of hotel ownership with some hotels having a new owner every year (Lashley and Rowson, 2005).

Reflective practice 3.2

Consider the difficulties faced by a destination management team faced with large numbers of the hotel estate in the destination owned by lifestyle entrepreneurs.

Why do hospitality sector businesses hold such appeal for lifestyle entrepreneurs?

A key aspect of research into small firms in the hospitality sector is the link between the small firm, the domestic domain and hospitality as a business activity. The fact that commercial hospitality involves the sale of accommodation, food and drink which are provided in the home and have been supplied to guests in the home suggests to many of these entrepreneurs that the skills sets are low and it is ‘just common sense’. This point was confirmed one of the interviewees in the Blackpool study he said, (BP 056) ‘*We wanted to start in business and this seemed like a way that we could, we had the money to buy the hotel from the sale of our house and you don’t need any special skills, really it’s just being level headed and using your common sense*’ (Lashley and Rowson, 2007). The fact that a large number of operators churn ownership, perhaps suggests that these estimates of their skill base and the skills required to successfully operate a hotel are woefully out of step. Certainly these links between having been guests and hosts in private life do suggest to many individuals that they have the skills for successful commercial operation. This seems to create a constant stream of people keen to run a bar, a hotel or a restaurant as form of retirement or perhaps disengagement with the world of paid employment. The notion that operators can work at home is an attractive one for many of these individuals.

The opportunity to offer hospitality to fellow human beings is also an attraction for some individuals. Sweeney’s interviews with small hotel operators in Scotland confirmed the attractiveness of the hospitality business for many would be entrepreneurs. Her study shows that there are a range of degrees of interest in hospitableness. Figure 3.3 presents the continuum of

Economic Eco-social Socio-economic Social

FIGURE 3.3 *Typologies of Commercial Home Ownership.*

Source: Adapted from Sweeney (2008).

motives for the hoteliers in her study. On one extreme individuals are running hotels for chiefly economic reasons. These are people who have no particular attachment to the hotel business other than as a source of income. At the other end there are people who run hotels because they offer the opportunity to be hospitable, and the economics issues deemed to be less important. There are then two other positions where the motives are primarily economic but hospitableness is important to the operators; and others for whom the hospitableness is primarily important though they have concerns about economic dimensions of the operations [Figure 3.3](#).

These links between the entrepreneur, the home and social opportunities is one of key attractions for many who enter the accommodation, bar or restaurant business. Many interviewees in the Blackpool hotel study (Lashley and Rowson, 2007) refer to customers as friends or wishing to attract ‘nice people’ as customers. In some cases, entrepreneurs complained about the nature and character of the customers. There were examples of customers who were the ‘wrong sort’ being turned away the business failing as a result.

Key point 3.7

Given the close proximity of the commercial activity and the home, many hospitality small firm owners evaluate the customers from the perspective of friendship. Are they people like us is a frequently asked question?

SUMMARY

This chapter has suggested the enterprise and entrepreneurship is more complex than might be initially thought. Whilst many commentators often imply that entrepreneurs are the key to business development, employment growth and economic success, there are clearly many running hospitality and tourism whose motives are not so focused on economic outcomes. The industry has its examples of classic entrepreneurs creating and managing multi-site bar, hotel and restaurant empires, Ray Croc of McDonald’s; Conrad Hilton of the Hilton group; and Richard Branson of Virgin Air and Virgin trains, amongst other things. The scale and magnitude of these corporate enterprises means, that in most national and international markets, a small number of firms dominate large sections of the market.

However, the majority of firms running bars, hotels and restaurants are owned and managed by individual firms operating just one bar, hotel or restaurant. In some cases, these small firm operators, like their corporate counterparts, are primarily driven by economic outcomes and the potential

for business growth. That said, many of these bar, hotel and restaurant operators are not primarily concerned with economic outcomes, they are more concerned with a cluster of personal outcomes from entrepreneurship. Personal circumstances which push, or pull, them into entrepreneurial (Sweeney, 2008) activity are more important. In effect these are lifestyle entrepreneurs who become the owners and operators of a bar, hotel or restaurant business because it primarily allows them to meet personal, social goals or escape disadvantageous economic circumstance.

The chapter also suggested that the hospitality sector is attractive to many of the lifestyle entrepreneurs because the linkage between domestic hospitality and commercial hospitality persuades many that they have the skills needed to succeed. In some cases, the physical proximity of the commercial and the home suggests that the business will enable closer relationships because they do not need to 'go out to work'. In other cases, say in migrant communities, the sharing of the traditional skills of home cuisine is seen as easy entry into the commercial world. In other cases, the seeming common sense of the hospitality offer convinces that they know what to do. Often this fails to recognise the commercial and business skills required for successful small firm management, and as a consequence many of those who enter the sector as first time lifestyle entrepreneurs do not survive in the long-run.