

# Canadian Tourism SMEs: Understanding the Motivations, Valuations of Success and Experiences of Business Owners in Southern Ontario

by

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## AUTHOR'S DECLARATION

I hereby declare that I am the sole author of this thesis. This is a true copy of the thesis, including any required final revisions, as accepted by my examiners.

I understand that my thesis may be made electronically available to the public.

## Abstract

This research explores aspects of small tourism businesses in a Canadian context. A number of authors (e.g., Getz and Nilsson, 2004; Hall and Rusher, 2004; Lynch and Tucker, 2004; Morrison and Teixeira, 2004a/b) have noted that while small and medium sized enterprises (SMEs) are acknowledged as an important parts of the tourism industry, they are underrepresented in the academic literature. Of the small business research that has been conducted, a sizeable portion has focused on industries other than tourism; the tourism-specific research on SMEs has predominately been conducted in Western Europe, Australia and New Zealand and has frequently focused on a single segment of the industry, often the small accommodation sector. Little research of this nature has been done in a Canadian context.

The study was set in Stratford and Goderich, Ontario, and compares and contrasts two parts of the tourism industry: the accommodation and food and beverage sectors. The study focused on small business owners and examined three main aspects: their motivations for starting/purchasing the business, how they evaluated the success of the business and the experiences they had while running the business. The research also set out to examine the demography of Canadian tourism SME owners and how they defined small business.

A mixed methods approach was adopted. Data were collected through mailed questionnaires which were followed up with semi-structured interviews. Findings showed that despite motivations being similar between study sites and industries, the paths that lead owners to their business varied greatly. Though 'lifestyle' motivations were predominately cited, financial considerations were also noted. Owners frequently used financial calculations to measure the achievement of their lifestyle motivations. The experiences owners had with their business were overwhelmingly positive and were grouped into six themes: changes in the industry, relationship building, staffing, the importance of customer service, financial costs of running a small business and time management. The results of this study confirmed that Canadian tourism SME owners in Stratford and Goderich, Ontario, possess similar motivations, measurements of success and experiences as their national and international counterparts.

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## Dedication

To my family: thank you for believing in me.

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## Chapter One: Introduction

### 1.1 Problem Statement

Small and medium-sized enterprises (SMEs) are widely acknowledged to be one of the most important, yet among the least researched aspects of the tourism industry (Getz and Nilsson, 2004; Hall and Rusher, 2004; Lynch and Tucker, 2004; Morrison and Teixeira, 2004a/b). As a result of the broad definitions given to SMEs, which will be discussed later in this chapter, the majority of tourism industry businesses are classified as such. Previous studies on tourism SMEs have discussed the motivations for starting small tourism businesses in countries such as Australia, New Zealand or England (Flogenfeldt, 2001; Getz and Nilsson, 2004; Hall and Rusher, 2004; Keen, 2004), however little research of this nature has been done in a Canadian context. Of the research that has been done to date, a large proportion has focused on a single component of the tourism industry, namely small scale accommodation.

### 1.2 Definitions

Pinpointing what a 'small business' is is no easy task; the primary cause for this difficulty is the fact that 'small business' is often loosely defined and liberally used (Thomas, 2000). While there is no singular, widely accepted definition of what constitutes tourism SMEs, there is also a lack of consistency between definitions (Getz, Carlsen and Morrison, 2004; Miller, McLeod and Oh, 2001; Thomas, 2000). Some of the major stumbling blocks for defining small and medium businesses revolve around the size, the owner's perception of size and the type of enterprise (Peacock, 1993).

In terms of size there are two distinct categories discussed in the SME literature: micro and small-medium businesses. The smallest, termed 'micro' enterprises, range in size from 0 – 10 employees depending on the country in which they are located (Morrison and Thomas, 2004), while the dividing line between small and medium business is usually just as vague. Differences in size classifications vary not only between countries, but also between types of tourism business and between individuals. See Appendix A for an example of various classifications. This problem is highlighted in the research conducted by Peacock (1993). His study of restaurants and hotels in the greater London area revealed that the two most important factors in determining business size were annual company turnover and employee numbers, however in

hotels the number of rooms was also a leading determinant. Peacock (1993) also found that differences between the two sectors existed in what each found to be considered a ‘small’ business. Restaurant owners who believed they had a small business typically had an annual turnover ranging from £40,000 – £650,000 and staff ranging from 1 – 35. On the other hand, hoteliers believing they had a small establishment had annual turnovers between £120,000 – £950,000, between 2 – 100 employees and anywhere from 9 – 147 bedrooms (Peacock, 1993).

While family businesses span to both ends of the spectrum, their size often falls within the parameters of a SME. A significant amount of research has been conducted focusing specifically on aspects relating to family businesses. For example, Getz et al. (2004) identified 34 definitions for ‘family business’ in the tourism literature alone. Definitional scope can vary depending upon the researcher’s intent. Family businesses can be discussed at a broad level, such as Hollander and Heck’s (cited in Miller et al., 2001) definition that a family business is one which “is owned and managed by one or more family members” (p. 74), or at a more complex level by taking into consideration various study-specific attributes or elements (Miller et al., 2001). To further complicate matters, not all family businesses identify themselves as such out of fear of being considered just a ‘mom and pop’ operation. Such fear may stem from an underlying feeling that family businesses are not as important or valuable as styles of business. In addition to this, complications may arise in defining family businesses when non-family members become part of the system or if a company goes public (Getz et al., 2004). While much of the family business literature overlaps with that of small businesses, there are three differentiating characteristics between the two: family dynamics, the impact of goals on performance and inter-generational ownership (Getz and Carlsen, 2000).

In a Canadian context, Statistics Canada (2008) defines a SME as a business which has no more than 500 employees and which generates between \$30,000 and \$5,000,000 in annual revenues. The Canadian Tourism Commission (CTC) reported that all provinces had a majority of their tourism businesses classified as SMEs. Figures ranged from 75 percent of the businesses in Ontario to 95 percent of the tourism industry in smaller provinces, such as those in the Maritimes (CTC, 2006). Unfortunately the CTC has also noted that there are discrepancies between national and provincial calculations of small-medium tourism businesses. Despite SMEs representing a large percentage of the industry, as in other countries, there is no formal definition for these types of businesses in Canada (CTC, 2006).

Given that the majority of tourism businesses, especially within the two case studies selected, fall within Statistics Canada's definition of a SME the researcher felt a more specific definition of what constituted a SME was in order. For the purpose of this study only establishments with 50 or fewer employees were targeted.

### 1.3 Purpose

The purpose of this study was first and foremost to contribute to the academic literature on small tourism businesses in Canada and to compare and contrast two parts of the tourism industry; the accommodation and food and beverage sectors in Stratford and Goderich, Ontario. Comparisons were made between different locations and types of enterprise for it should not be assumed that the experiences of SME owner-operators are consistent across all locations and types of tourism business. In this pursuit, the researcher chose three areas to focus her research on: the motivations of Canadian tourism SME owners for opening their business, how these owners evaluated the success of the business and to learn about the experiences they had while running their business. For this research 'motivations' is defined as the underlying, personal reasons why an individual has decided to open a small tourism business.

### 1.4 Research Questions

This study addressed two main research questions, supported by several sub-questions. To begin, the researcher was interested in who are running the small accommodation and food and beverage operations in Stratford and Goderich. This question not only examined the operational structure of these businesses (e.g., sole proprietor, partnership, family business etc) but also any additional staff hired. The sub-question related to this asked owners their perspective on what constituted a SME and if they considered their business 'small'.

Secondly, the researcher looked to identify why Canadian tourism SME owner-operators decided to start/run their business. 'Start' and 'run' have been differentiated due to the fact not all business owners created their business from the ground up; some businesses were purchased from other owners. It was necessary to make this distinction early on in the event that different responses emerged as a result of the type of start up. The first sub-question looked at what motivated owners to get involved in the industry. The second sub-question aimed to identify how the business owner-operators define their success. This was an important consideration as it may

indicate what motivates an owner and the lengths that they will go to achieve their objectives. The third sub-question explored the experiences of the owner-operators in running their business. Both the positive and negative aspects of running a business were addressed.

### 1.5 Objectives

This research has five main objectives:

1. To determine the composition and operational structure of tourism SMEs in Stratford and Goderich
2. To learn how owners perceive the size of their business and how they define SMEs
3. To gain a better understanding of what motivates Canadians to own/operate tourism SMEs
4. To discover how business owners measure success and to make note of where differences in these calculations occur
5. To learn about the experiences that Canadian SME owners have had while running their business.

### 1.6 Thesis Outline

The remainder of the thesis is divided into five chapters: literature review, research approach, findings, discussion and conclusions. This introductory chapter is followed by Chapter Two which reviewed the relevant literature. The purpose of this chapter was to set the context for the research, to provide fundamental information on the topic at hand and to highlight gaps in the literature which need to be addressed. Topics covered include background information on SMEs, owner motivations, the importance of SMEs, and the problems facing SMEs.

Chapter Three discussed the research methods employed. The strengths, weaknesses and limitations of each method were discussed. The quantitative and qualitative techniques employed for this study were evaluated. In addition to this, information for both of the case study locations has been highlighted.

The findings from the research are presented in Chapter Four. Data gathered from questionnaires and interviews have been analysed and the outcomes will be provided in this chapter.

The outcomes and implications of the research are discussed in Chapter Five. It was broken down into five sections referring back to the study's objectives, namely

composition/structure of SMEs, perceptions of size, motivations, valuations of success as well as the economic impact of SMEs. The findings are linked to the literature discussed in Chapter Two in order to identify any similarities, differences or new occurrences found within the information gathered.

Following this, concluding remarks have been presented in Chapter Six. This final chapter provided a summary of both the research methods and objectives. Recommendations for future research are also presented here.

## Chapter Two: Literature Review

### 2.1 Introduction

The main goal for this review is to provide some context about SMEs in general and, where available, tourism SMEs specifically. The chapter begins with background information on SMEs. This section will examine the setting in which tourism SMEs operate and will explore their business structure and also the history of the development of accommodation businesses and restaurants. Several themes recur throughout the literature and will be examined in turn, beginning with motivations for starting a small business. Lifestyle and profit/growth motives, as well as performance/success issues will be covered. The second theme will discuss the importance of SMEs to the community they are located in. It will focus on networking, host-guest relationships, leadership and ties to the land. This will be followed by a consideration of problems faced by these types of establishments; namely financial issues, business planning, education and training, inheritance, seasonality and information technology. Missing links in the literature will be covered in the concluding section of this chapter.

### 2.2 Background

Small and medium businesses are widely acknowledged to be one of the most important, yet severely under researched, aspects of the tourism industry (Hall and Rusher, 2004; Lynch and Tucker, 2004; Morrison and Thomas, 2004). Among the reasons cited for this lack of attention are the size of the enterprises (Getz and Nilsson, 2004), their informality of operations (Hall and Rusher, 2004), the 'hobbyist' attitude of people outside of the industry (Morrison and Thomas, 2004) and that they are secretive about releasing business information (Davis, 1983). While SME business data may not be easily accessible, the secrecy that Davis espoused may not be intentional. Reid (2007) suggested that public disclosure legislation may be at play. This legislation is applicable to the larger firms which results in a significant amount of information being released to the public. Such legislation is not applicable to SMEs as they are generally unregistered and operate well below official thresholds (Morrison and Thomas, 2004). The following sections will introduce some basic concepts pertaining to SMEs; namely the structure and the history and development of SMEs in the accommodation and food and beverage sectors.

### 2.2.1 Structure of SMEs

The structure and purpose of SMEs vary significantly based on lifecycle, type of business and size. Many researchers (e.g., Getz et al., 2004; Morrison and Teixeira, 2004 a/b) have found that tourism SMEs are predominately partnerships. These partnerships are typically husband and wife teams. Getz et al. (2004) referred to these as co-preneurs. However, there are a high proportion of sole proprietors and immediate/extended family members who are also strongly involved in the running of small businesses (Andersson, Carlsen, and Getz, 2002; Getz and Carlsen, 2000; Getz and Nilsson, 2004).

In terms of family businesses Davis (1983) stated that such operations create a system whereby family and business needs are adapted to generate the rules which govern the organization. Family businesses can also be seen as a cohesive unit, where the whole is greater than the sum of the individual parts (Winter, Danes, Koh, Fredericks and Paul, 2004). These types of tourism companies typically employ a top-down organizational approach, where the owner-operator controls the business exclusively (Getz et al., 2004). Goffee (1996) raised an important issue in regards to the previous statement. He suggested that it is dangerous to assume that all families are homogenous in their actions. Differences between families may arise from factors such as social class, ethnicity, age or nationality. It has also been pointed out that even within a family unit, business culture may vary (Goffee, 1996).

### 2.2.2 History and Development

It is a requirement for humans to both sleep and eat in order to live and have a productive life. It is therefore no wonder that businesses catering to these two needs have existed throughout history. In the past, as well as present times, the growth of such businesses has been greatly influenced by the strength of trade, industry and the pervasiveness of travel. In addition to this, growth rates of food and beverage and accommodation establishments hinged on the convenience and cost of travel, as well as the levels of disposable income among travelers (Ludberg, 1989).

Ludberg (1989) explained that inns and taverns have long played an important role as safety valves for society. They provided shelter from the elements, nourishment for the weary, meeting places for minds and refuge for the scandalous (Sprang, 2001). References to tavern-keeping date back to as early as 1,800 BC in Ancient Greece and are mentioned as early as the 6<sup>th</sup> century in England (Ludberg, 1989). Taverns in Ancient Egypt and Greece were used

primarily as places for eating but drinks were also served and, on occasion, the tavern keeper had rooms to lend. Typically these types of taverns were located near a temple. The reason for this was that after animal sacrifices were made at the temple, the tavern owner could have quick access to the meat, which was scarce for some at the time (Ludberg, 1989). Other variations of taverns included: *tabernas* of the Roman Empire, offering prostitution and gambling in addition to food and shelter; *thermopoliums*, also of the Roman Empire and the precursors to the snack bar, offering quick food such as pickled and dried vegetables, olives and wine; and *caravansaries*, essentially pit stops for travellers in caravans located in present day Iran, northern India, Turkey and Afghanistan (Lundberg, 1989). Advances in methods of and access to transportation (ship, rail, automobiles and commercial jets) as well as societal changes (higher importance placed on leisure time, general decrease in family size, increased discretionary income) have granted a greater number of individuals access to the industry (Page, Brunt, Busby and Connell, 2002). Appendix B provides a brief timeline outlining the historical context for modern day restaurants and accommodations as well as key events from around the globe which helped propel the evolution of both sectors.

Stronger world economies, a relatively stable political environment, the introduction of commercial jets and television programming focusing on exotic destinations in the late 1950s and early 1960s came together to create the modern tourism industry (Howell, Bateman Ellison, Ellison and Wright, 2003). There have been several trends in the marketplace which have resulted in individuals seeing small business operations as an attractive alternative to working in large corporate firms. By examining the changing family dynamic we see that more women are entering the marketplace and also, somewhat related to this, more families are feeling the need to have two incomes to support themselves. Operating a business from home allows the owners not only to earn additional income, but to do so with the convenience of being home for children or any other familial demands (Berman, 1997).

Economic changes also have lead to the rising popularity of small businesses. The combination of companies thinning their work force and high unemployment rates has also led individuals to consider starting their own businesses. In addition to this, the relatively low cost for current technology hardware, such as personal computers, cell phones and other business essentials has also made starting one's own business more accessible. Finally, large businesses requiring the services of smaller companies, for any number of activities, has also driven this

demand (Berman, 1997). Though small in size, these businesses are often far from simplistic. Such enterprises balance complex social factors in addition to the usual strategic and operational issues facing any business (Birley, Ng, and Godfrey, 1999).

More recently, and closer to home, Tjepkema and Brunet's (2000) research found that in 1997 there were 888,315 small businesses employing fewer than 20 individuals in Canada. The vast majority (80%) of these employed between one and four people. Smith (2005) found somewhat different numbers in 1999. His provincial and national small business figures can be found in Appendix C.

## 2.3 Motivations

In general, motivations can be defined as the reasons someone has for behaving or acting a certain way. As mentioned in Chapter One this thesis defines motivations as the underlying, personal reasons why an individual has decided to pursue a tourism SME as a career option. While lifestyle and economic motives can be viewed as separate identities, there are complex relationships between the two and lifestyle ambitions are often embedded within a more subtle economic agenda (Shaw and Williams, 2004).

### 2.3.1 Lifestyle

Lifestyle entrepreneurs, as the name suggests, allow lifestyle choices to influence their business venture (Getz and Nilsson, 2004; Koh and Hatten, 2002; Shaw and Williams, 2004). A number of researchers has suggested the most important factors for lifestyle entrepreneurs are living in a good environment, obtaining a desired lifestyle – whatever that may be for them, and autonomy – being their own boss (Birley et al., 1999; Getz and Carlsen, 2000; Getz and Nilsson, 2004; Koh and Hatten, 2002). Multiple studies (Birley et al., 1999; Carlsen, Getz and Ali-Knight, 2001; Getz and Carlsen, 2000, 2005; Getz and Nilsson, 2004) have determined that many SMEs in the tourism sector, as well as the majority of family businesses, fit into this lifestyle category.

Prestige and growth of the business for the sake of profit are usually of lower consequence to lifestyle entrepreneurs (Getz and Carlsen, 2000; Getz and Nilsson, 2004; Koh and Hatten, 2002). Dunn (cited in Getz and Carlsen, 2000) found that most small businesses operators were willing to accept a lower rate of return on their investment in order to sustain the lifestyle their business provided them. This sentiment was also found amongst local business owners in Ferryland, Newfoundland. As Sullivan (2010) discovered, these owners were

motivated by pleasure and lacked an overall profit driven vision. They were neither interested in expanding their personal businesses nor in creating a large tourism industry in their community. A similar result was present in the work of Getz and Nilsson (2004). These authors found that in Bornholm, Denmark, an established tourist destination, seasonal fluctuations in consumer demand were seen as less threatening to family business owners who were classified as lifestyle entrepreneurs. In several of these Danish cases, low demand resulted in some businesses closing for the slow months. During this time, the owner-operators were able to pursue their own leisure activities or simply take a break from the tourism season. A contrasting example comes from Arctic Nature Tours in Tuktoyaktuk, Northwest Territories. The married couple who owned this tourist outfitter business stated that, because of the provision of a diverse range of activities, they were able to bring tourists out on the land ten months out of the year. While the couple did have an extended operating season, it was revealed to the researcher that they did this as it was their passion (Notzke, 1999).

Within the lifestyle framework is a subset of individuals who migrate to an area to pursue business opportunities. Typically, these business owners move to the area for two reasons: prior visitation (Shaw and Williams, 2004) or to return to their home (Paniagua, 2002). Shaw and Williams (2004) found that in Cornwall, England, the majority of tourism SME owner-operators were non-native residents. Many were previous tourists who had decided they wanted to participate in the surf industry in the area or simply because they enjoyed the town. Paniagua's (2002) study was conducted in Spain and found that migration back home to open a business was primarily spurred on by inheritance of land or as a result of a family background in the industry. It has been stated that for both migrant and foreign SME owner-operators, the family unit becomes increasingly more important as an unfamiliar or changed location can prove to be a hostile environment (Getz et al., 2004; Shaw and Williams, 2004).

While lifestyle entrepreneurship may satisfy the owner's needs emotionally, the business side of the equation may be lagging. Evidence for this has been provided by multiple authors and will be discussed in detail in the problems section of this review. The alternative to a lifestyle orientation is profit entrepreneurship, which will be discussed next.

### 2.3.2 Profit and Growth

Findings from previous research have suggested that the goals and visions for profit-oriented entrepreneurs are diametrically opposed to those of lifestyle entrepreneurs. As the name

suggests, profit-oriented owners look for ways to maximize their profits as well as grow the business and the success of the enterprise is evaluated in those terms (Andersson et al., 2002; Getz and Petersen, 2005; Katz, 1995). In a study of family owned resorts in Canmore, Alberta and Bornholm, Denmark, the majority of owners agreed that keeping the business profitable was of primary importance. It was also believed by owners that a hands-on approach to management was integral to reaching this goal (Getz and Petersen, 2005). Despite the overwhelming support to the contrary in their study, profit-oriented entrepreneurs typically constitute only a minority of SME owners and operators, especially in the tourism industry (Getz and Petersen, 2005; Katz, 1995). Owners who have purchased the business, as opposed to starting it themselves, most frequently reflect the goals of the profit-driven group (Getz and Nilsson, 2004; Getz and Petersen, 2005).

When looking at profit-oriented entrepreneurs' business goals it has been shown that in Canada, Australia and Sweden, business expansion plays a major role in defining business targets (Andersson et. al, 2002). However, Getz and Petersen (2005) explained that expansionist goals are not always appropriate. Successfully expanding a business depends on the business itself, the market and other external factors which can either facilitate or hinder growth. In such circumstances, Andersson et al. (2002) found that small family businesses in the tourism industry and potential lenders generally regard growth initiatives with some scepticism.

In addition to the factors listed above, profit-oriented entrepreneurs exhibit several features which are not present in lifestyle-oriented businesses. When looking at the same Canadian, Australian and Swedish case studies previously mentioned, profit-oriented SME owners were more likely to consider selling their business for financial gain (Andersson et al., 2002). A similar result was found in a comparison of Canadian and Danish family-owned businesses. In Canmore, Alberta, profit-oriented owner-operators strongly agreed with the idea of earning significant amounts of money for current and/or retirement purposes. In Bornholm, Denmark, interest was expressed in extending tourism seasons with the hope of more profitable returns (Getz and Nilsson, 2004; Getz and Petersen, 2005).

#### 2.4 Measuring Performance and Success

Performance measurement, as defined by Neely, Gregory and Platts (1995) is “the process of quantifying the efficiency and effectiveness of action” (p. 80). Traditionally business

performance was measured strictly through financial calculations; Hall and Fulshaw (1993) have suggested that “the most obvious measure of successes are profitability and growth” (p. 229). However, measuring a business’s success in this way makes the assumption that all owners want or need to grow their business and discounts areas of business that cannot be measured economically, such as customer service or product quality (Bergin-Seers and Jago, 2007; Phillips and Louvieris, 2005; Walker and Brown, 2004). Through their research Phillips and Louvieris (2005) found that a “reliance on accounting-based performance indicators has been highlighted as inadequate in the service sector” (p. 201) and that more qualitative measures of performance and success have slowly been gaining favour in large and small businesses alike for the past three decades. While some business owners evaluate success in terms of return on investment, return on sales, sales per employee, number of employees or comparing economic gain to lifestyle benefits attained, such as job satisfaction, working hours, control and flexibility (Bergin-Seers and Jago, 2007; Greenbank, 2001; Morrison and Teixeira, 2004b) other owners consider sense of achievement, recognition, satisfaction of owning a business and doing the job well important markers for success (Greenbank, 2001). Table 1.1 presents some of the differences between the traditional, financially based measures of performance and the non-traditional, qualitative based measures.

A number of factors, both external and internal, impact the performance and success of a business. External measures of success can include market trends, good/service price compared to competitors, product range and percentage of market share, while internal measures encompass organisational development, manager’s abilities and personality, past experience, staff attitudes, turnover rates and number of existing clients versus new clients (Bergin-Seers and Jago, 2007; Parsa, Self, Njite and King, 2005; Simpson, Tuck and Bellamy, 2004). The push to include more qualitative measures of performance for larger businesses can be seen in Kaplan and Norton’s (1996) creation of the balanced score card (BSC). The BSC was designed to measure and analyze performance across multiple perspectives, only one of which was financial. The four perspectives utilized were 1) financial concerns, 2) customer concerns: what customers identify as a successful business, 3) the internal business processes: the necessary steps to take in order to meet or exceed client expectations and 4) learning and growth concerns: the future steps necessary to retain customers (Phillips and Louveiris, 2005). Appendix D provides a visual representation of these four perspectives.

**Table 1.1 Comparisons between Traditional/Non-Traditional Performance Measures**

<i>Traditional Performance Measures</i>	<i>Non-Traditional Performance Measures</i>
Based on outdated traditional accounting systems	Based on company strategy
Mainly financial measures	Mainly non-financial measures
Intended for middle and high managers	Intended for all employees
Lagging metrics (weekly or monthly)	On-time metrics (hourly or daily)
Difficult, confusing and misleading	Simple, accurate and easy to use
Lead to employee frustration	Lead to employee satisfaction
Neglected at the shop floor	Frequently used at the shop floor
Have a fixed format	Have no fixed format (depends on needs)
Do not vary between locations	Vary between locations
Do not change over time	Change over time as the need changes
Intended mainly for monitoring performance	Intended to improve performance
Hinders continuous improvement	Help in achieving continuous improvement

Source: Bergin-Seers and Jago (2007) p. 146

Business failure is also an important consideration as current owners can gain some understanding of the pitfalls of ownership from such cases. There are three types of failure to consider; 1) economic – e.g., decreased or depressed profits, 2) marketing – e.g., repositioning of the operation or realignment of products offered and 3) managerial – e.g., loss of interest or incompetence (Parsa et al., 2005). In their research into why restaurants fail, Parsa et al. (2005) found that the failure rate for independent restaurant owners was significantly lower than commonly believed; the failure rate in the first year was only slightly over 26 percent, as opposed to the popular perception stating that 9 out of 10 restaurants result in failure (Miller, 2007). Over three years the cumulative rate of failure was just above 61 percent, which was in line with other industries. The ability to manage business and family demands is highly influential in SME success. Many of the failed restaurant owners interviewed stated that they were unable or unwilling to give their business the attention it deserved to prosper. Other key issues were relationship management, food quality, as well as staff and financial management (Parsa et al., 2005). From the 1996 Dun and Bradstreet Bankruptcy Reports the researchers observed that restaurants ranked first in terms of total number of business failures, third in the total amount of industry liability, but fell to 11<sup>th</sup> out of 12 in liability per failed unit (Parsa et al.,

2005). Many restaurant closures are a result of a change in ownership, as opposed to bankruptcy. One particular example of this is the recent closure of an iconic London, Ontario bakery and delicatessen, Angelos. The business had been in the community for over 50 years and run by the original owner until his death in 1999. From then it was run by his wife and son who failed to reinvent the business in the face of increasing competition. When asked about the Angelos case David Simpson, the director of the family business centre at the Richard Ivey School of Business at the University of Western Ontario, commented that “founders are more entrepreneurial, the next generation inherits a successful business...but they should not try to save something that is not competitive” (De Bono, 2011) and that “it is critical after a founder dies or retires, that the business get outside advisers, such as board of directors” (De Bono, 2011). Eight months after the company closed the doors on all four of its locations, two stores were reopened, one under the supervision of an original family owner and the other by a prior employee (Daniszewski, 2011). Despite the arguments made above, Winter et al. (2004) suggest that owner participation in the business should not be a determinant of the business’s success. They found that second generation business owners were capable of managing the business, provided the new owners were prepared for the tasks involved.

Research has shown that exclusive use of traditional financial measures is no longer satisfactory to gauge business success. Qualitative measures such as quality and flexibility are important considerations in remaining a competitive business. Internal factors, particularly owners’ abilities, personality and past experience in the business environment, are among the most critical aspects in determining the success or failure of a business. Owners require a clear focus for what the business intends to accomplish and must manage their time effectively between home life and business needs for the operation to be successful.

## 2.5 Importance of Tourism SMEs

Tourism SMEs often play a pivotal role within a small community (Getz et al., 2004). The support they provide is evident through both social and economic processes. This portion of the literature review will examine how tourism SMEs are beneficial to the community at large.

### 2.5.1 Networking

The Oxford English Dictionary (2003) defines a network as “[a]n interconnected group of people; an organization; spec[ifically] a group of people having certain connections... which

may be exploited to gain preferment, information, etc., esp[ecially] for professional advantage”. Therefore, networking is the process of accessing the information available within a specific network. In a tourism context, networking can be tied to the development of a destination. Networking within destinations can be examined on three different scales; broadly at the destination level, at a community level or more closely at an individual level. No matter the scale, networking has the ability to bring people together (Tinsley and Lynch, 2001). For the purpose of this review only the community and individual levels will be discussed.

Tourism SMEs in small communities tend to be highly dependent on the community they are located in. The owner-operators’ understanding of how the community works and their understanding of the opportunities available are important for the success of the business (Keen, 2004). Networking in a community context can be accomplished either through formal or informal means (Getz, et. al, 2004). There are two central ways a business can interact within the community; by using the area as part of the tourism experience and by acting in a way to better the community socially, for example by advancing current tourism offerings (Keen, 2004).

Small communities are often isolated from larger city centres and are, at times, required to be self-sufficient. In some circumstances, isolation may foster networking opportunities between SMEs in the area. By supporting local businesses, income multipliers increase as money stays within the community (Dees, 1998; Getz, and Carlsen, 2005). An extreme example of this comes from Svalbard Villmarkssenter, a tourism SME run by a husband and wife team in Oslo, Norway, which has been awarded the World Wildlife Foundation Arctic Award for Linking Tourism and Conservation. The peripheral location of the business has made collaborations in the community a necessity. The company purchases much of their required gear and food from other local businesses (WWF, 2003). Social networking between individuals is also extremely important for destination development. SME’s social networks are primarily comprised of family, friends, employees and close customers (Tinsley and Lynch, 2001). It has been suggested that these networks are critically important as they help to shape the values and behaviours of the SME owner-operator (Davis, 1983; Tinsley and Lynch, 2001). This was found to hold true especially with regard to provision of quality experiences. Tinsley and Lynch (2001) observed that SME operators with larger social networks were at times influential enough to affect the quality of services due to their connections within the community and their ability to disseminate

information. The role of quality experiences will be discussed in the following section by examining host-guest relationships in tourism SMEs

### 2.5.2 Host-Guest Relationships

In small businesses, the owner-operator/family aspect of the business aids in creating local character, is an important part of service provision, and can help to increase customer satisfaction (Getz et. al, 2004; Morrison and Teixeira, 2004a). Customer satisfaction may revolve around the value of the product/service provided (Davis, 1983), interaction with locals (Keen, 2004; Notzke, 1999; Stringer, 1981) or personalized service (Getz et al., 2004). A specific example from New Zealand illustrates this point. Bed and breakfast operators in the country felt they were providing more than just accommodation. In addition to a room, owners also felt that they provided guests with the opportunity to interact with residents. As a result of this interaction, the owners considered themselves to be ambassadors of New Zealand. Therefore, providing quality service experiences to their guests was of utmost importance to these owners (Keen, 2004). A similar case was observed in England with bed-and-breakfast landladies. By interviewing both owners and guests of English B&Bs, Stringer (1981) discovered that much of the conversation between the host and guest revolved around the location in which they were situated. Through his research, this interaction was found to have three basic outcomes: 1) greater interaction with guests and ability to promote the community (similar to the New Zealand case), 2) the host feeling a greater appreciation for their community after seeing it through the guests' eyes, and 3) increased willingness to travel to other destinations as a result of being exposed to visitors from abroad.

While many of the examples given in the literature highlight the benefits resulting from host-guest relationships, it is important to realise that not all interactions are positive. Getz et al., (2004) discussed distinctions between work and family time. It was found that a high degree of contact with guests can blur the line between where work ends and family time begins. This may be problematic for businesses as it can place undue stress on the family over time and cause tensions within the business (Shaw and Williams, 2004). Their findings provide the same caution to readers as those in the Parsa et al. (2005) study. Stringer (1981) also touched upon the strains that not only the owners, but also guests, may encounter within bed-and-breakfast accommodation. From the owners' perspective, a significant amount of anxiety resulted from food preparations and the cultural differences that came with their guests, specifically adherence

to serving times and the various eating habits of guests. On the other hand, some travellers in the study were acutely aware that they were in another's home, either by familial remnants in guest rooms, such as pictures, or doubts as to whether they were genuinely being welcomed into the home. One guest stated that,

the owners of these places should be aware of their power. I think everybody is a bit circumspect when they go into somebody's home. The owners have the power to make it easy for a person or not, depending on their personality and how they interact. (Stringer, 1981, p. 364/5)

This section has highlighted several examples where hosts felt it their duty to showcase the community and what it could offer guests. It has also illustrated the complications that can arise while interacting with guests. Being cognisant of the differences between parties can minimise such complications and result in a positive exchange for all involved.

### 2.5.3 Leadership

SMEs in a small community can provide a significant amount of stability and leadership for the area (Getz et al., 2004; Getz and Petersen, 2004). Johannisson and Nilsson's (1989) notion of 'community entrepreneurs' links the section on networking to the concept of leadership. They suggested that community entrepreneurs are people who work within a community to foster an environment which is conducive for the creation of additional entrepreneurial pursuits. A community entrepreneur's role within the community is to show how the area is capable of turning opportunities into businesses, and to help successfully launch these businesses. The main priority of the community entrepreneur is the community where they are working. They keep an eye out for projects which are in the best interest for the location. The networks that these entrepreneurs build between themselves and the people they are helping typically are not as social as one would find between other businesses. Koh and Hatten (2002) discussed a very similar type of individual; however they use the label 'tourism entrepreneurs'. The authors echoed the need for these entrepreneurs to nurture other community members to become business owners and to foster an environment that is conducive for business. They did, however, go beyond this by suggesting ways to create such an environment. This is primarily done through education, public acknowledgement of successful enterprises and providing mentoring opportunities between fledgling and successful operators. The researchers also acknowledged that having tourism entrepreneurs in an area is crucial since these individuals help to build novel

experiences, competition, efficiency and innovation within the destination (Koh and Hatten, 2002).

An example of this type of entrepreneurship comes from Keen's (2004) research in New Zealand. In the Maniototo region of Otago, one individual was responsible for developing the majority of tourism opportunities in the area. Her main motivation was community interests and her aim was to build the community up through the use of tourism. One tour operator commented that,

anyone that is getting a dollar out of tourism must appreciate that it is her doggedness that had put them on the map. The little town that was dying, she made a hell of a difference. I think even the people who mocked her begrudgedly know that she has made a difference. (p. 148)

A similar pattern was witnessed in Janecka's (2009) study of tourism development in Venkov, a rural village in the Czech Republic. There, a family run ceramic school was the impetus for tourism development in the area. One interview participant mentioned,

the [ceramic] school was what started tourism here. It all started with the school. Before, everything was run down. Nobody cared about the village. It was a boring place to live. Tourism is now needed here. (p. 53)

The examples above are an excellent illustration of McKercher's (cited in Koh and Hatten, 2002) idea that tourism entrepreneurs are "rogues who can single handedly transform an organization, destination, region or country" (p. 23).

#### 2.5.4 Ties to the Land

While the facts are somewhat contested, there is evidence to support the notion that SMEs and locally run businesses can be a positive influence in pro-environmental efforts and have stronger connections to the land than larger companies. Several reasons have been cited to explain this. In Davis' (1983) case, it was suggested that an owner-operator is concerned for the long run of their business and will therefore seek means to ensure its longevity. Due to the fact that tourism SMEs are generally dependent on the land, either for natural or historical reasons, it is in the owner-operator's best interest to support conservation of the area. This will help to ensure long life for the resources at least and, at best, support ongoing sustainability of the area (Getz et. al, 2004). Education of guests on conservation efforts or ways of the land can also play a role (Carlsen et al., 2001; Notzke, 1999). In addition, Donnelly (cited in Carlsen et. al, 2001) believed that family

businesses would inherently feel a greater sense of social responsibility. However, such hypotheses have not been tested. Tinsley and Lynch (2001) suggested that this relationship to the land could also be based on a shared identity of residents and a feeling of belonging. Huang and Stewart (cited in Tinsley and Lynch, 2001) summed up this sentiment effectively when they stated, “the more people invest in their community, the more they share with one another, and the more emotionally committed they become, the stronger the identification and attachment to the community” (p. 373).

But are tourism SMEs effective stewards of the environment? Getz and Carlsen (2005) provided examples from around the world touting the preservation efforts taken by various segments of the industry; however other examples were evident in their study which undermined this perspective. One specific case was found in Australia where owners were willing to exceed carrying capacities and accept fines in order to bring more people through parks. The reason some owners were willing to accept fines was that the monetary returns gained were sufficient to foster such behaviour (Carlsen et al., 2001).

A community can reap a number of benefits from SMEs; the four concentrated on in this review revolved around networking, host-guest relationships, leadership and ties to the land. These factors not only affect the social aspects in a community but also the location’s economic welfare. In spite of this, there are some serious concerns facing SMEs that need to be addressed which will be done in the following section.

## 2.6 Problems

While tourism SMEs are poised to provide small communities with a multitude of benefits, there are also a series of constraints that are inherent within their structure and typical operating procedures. The goal of this section is to highlight the areas which are problematic for SMEs.

### 2.6.1 Financing and Economic Impact

Many authors (e.g., Getz et al., 2004; King, Solomon and Fernald, 2001; Morrison and Teixeira, 2004b) have acknowledged that financing can be a large hurdle in the way of owner-operators realising their dream of opening a tourism business. While the belief that tourism businesses require little capital in some instances is true, it is not always the case. Morrison and Teixeira (2004b) found that the only apparent barrier to tourism business creation was financing. The authors did state however that SME owner-operators who overcame this financial obstacle

usually did so through inheritance of cash or property and income from a previous job. The CTC (2006) also published a guide that was specifically geared to tourism SMEs and dealt with financing issues. They, too, acknowledged that financing was a significant barrier for potential business owners and aimed to identify what options were available for Canadians looking to pursue such opportunities. Limited funds can lead to a series of serious problems for SMEs. Wanhill (2004) stated that SMEs are financially vulnerable as they typically have little in the way of collateral for debt financing. Other issues surrounding financial vulnerability are related to the inherent risks of starting one's own business. Unpredictable circumstances such as theft or fire can cause potentially fatal strain on the business (Getz and Carlsen, 2005).

While the previous and upcoming discussions in this section have focused on the problems facing SMEs, this paragraph discusses the limitations of SMEs as generators of economic growth. Though the economic benefits of SMEs were discussed in the previous section, they are not always a great economic provider for local communities. Sole proprietors or couples may not require any outside assistance and, as a result, their existence does not create any additional job opportunities for the community (Getz and Petersen, 2005). Mendonsa (cited in Getz and Carlsen, 2000) found that only those in the community with initial capital received the benefits of SMEs, as opposed to a series of community-wide benefits. Also, SME owner-operators who are not local residents may not provide much economic benefit to the area. These 'alien' entrepreneurs may not support other local businesses, have the potential to repatriate their profits, and can be less committed to the sustainable use of resources as the area is not 'their' town (Koh and Hatten, 2002).

### 2.6.2 Business Planning

The lack of formal business planning was seen as one of the leading factors contributing to business closure (Carlsen et al., 2001; Getz and Carlsen, 2000; King et al., 2001). Koh and Hatten (2002) felt that entrepreneurs who did not believe there was desire for the product they wanted to sell were unlikely to start the business. However, planning for the business after the creation phase was frequently non-existent. Business plans are of particular importance if the owner-operator intends to grow their company (Carland, Carland and Aby, 1989; King et al., 2001). The lack of importance placed on business planning seems surprising; however after examining a Government of Ontario publication on how to start a small business, a reason for this lack of attention by businesses owners becomes somewhat apparent. In the entire manual,

only a single section vaguely mentions what a business plan is in no more than 300 words. The majority of the book focuses on legal aspects such as taxation, regulations and patents, which of course are also important to understand (Ministry of Enterprise, Opportunity and Innovation, 2003).

Financing issues aside, the relative ease of entry into and exit out of the tourism market exacerbates the problem. Tourism businesses are sometimes seen as a quick and simple way to earn extra money, and frequently inadequate planning occurs while setting up a business (Getz and Carlsen, 2000). Little investment in the company may occur if it is seen just as a source of supplementary income for a family (Getz et al., 2004). As a result, few family tourism businesses remain open for more than ten years (Getz and Carlsen, 2000). There is some support suggesting that owners of previous businesses, whether they were a success or not, were more successful in subsequent business ventures (Miller et al., 2001). This may be as a result of learning from past experiences, education or training.

Management skills and human resource planning are also of importance when looking at business planning. In their study of tourism SMEs in Cornwall, England, Shaw and Williams (2004) found that the vast majority of SMEs exhibited weak management skills and poor marketing of their businesses. Weak businesses may not be able to provide effective support to the local community financially or socially. Naivety, over-optimism and resistance to accepting advice from others were additional management weaknesses commonly found in SMEs (Calder, 1961; Getz et al., 2004; Nilsson, Petersen and Wanhill, 2005). These characteristics may result in false hopes for future growth, problems with debt and financial management issues (Andersson et al., 2002; Getz et al., 2004). Human resource planning has also been a serious problem for tourism SMEs. Three authors provided some insight into the difficulties in human resource management in SMEs. Calder (1961) looked specifically at family businesses and discussed the challenges with keeping one's family in line at the workplace. He stated that management of family members as employees is typically based on emotion as opposed to logic. There was also the potential that family members working in the business would be awarded special privileges causing resentment in non-family employees. King et al.'s (2001) research focused on SME management, specifically dealing with personnel who were promoted beyond their capabilities. A variety of solutions, such as hiring another manager or providing early retirement packages, were suggested. The authors also found that a lack of human resource planning increased a

company's chance of failure. Morrison and Teixeira (2004a) agreed that this aspect of management was often lacking in SMEs, however they had an interesting perspective, comparing challenges in developed and developing area contexts. They found that in a developed area, in this case Scotland, human resource issues focused on balancing staff numbers to control costs; while in developing areas, in this case Brazil, personal hygiene, communication barriers and interpersonal skills were of particular importance.

### 2.6.3 Education and Training

Tourism education and training programmes have the potential to be constructive tools for owner-operators in advancing their businesses; unfortunately the industry has the reputation as being a poor trainer (Dewhurst, Dewhurst and Livesey, 2007) and as a result the industry has among the highest levels of skill shortages (Becton and Graetz 2001; Jameson, 2000). Training and educating new members of the company is important for a multitude of reasons, such as familiarising employees with the company's vision, values and future direction or goals (Birley et al., 1999). In some cases training and education may be used as a platform to adopt environmentally sustainable business practices, for example energy conservation or waste reduction (Carlsen et.al, 2001). Such programmes may also raise awareness and level of customer service provided (Getz and Nilsson, 2004).

Education and training should focus on skills that owner-operators or employees may find necessary or useful in the business setting. But what are these skills? Dewhurst et al. (2007) stated that there are a variety of broad skill types which could be targeted through training, namely job specific skills, vocational and generic transferable skills. Through their research it was determined the most highly valued skills are generic transferable, for instance being able to follow directions or working under little supervision, as well as 'soft' skills, such as being able to talk to customers. The researchers also noted that more modern skills linked with information technology and computing are not as highly regarded as other skills (Dewhurst et. al, 2007), a topic which will be raised in a subsequent section of the literature review. Becton and Graetz's (2001) research in Victoria, Australia indentified five broad skills tourism owner-managers felt they most needed to improve: business skills (finance, business planning, marketing), hospitality concerns (general food and beverage skills, kitchen and housekeeping), management (human resources, management/supervisory roles), cultural concerns (learning a language other than English and cultural awareness) and sales and service (customer service and sales). Similarly, in

their review of the literature Nolan, Conway, Farrell and Monks (2010) identified a number of essential areas of competency for tourism and hospitality workers. These areas covered customer and guest relations, professionalism, communication, employee relations, leadership, self management, legal aspects, technical and operational knowledge as well as financial/revenue management.

Unfortunately, training in small firms is traditionally minimal and there are several reasons for this. The first is that it is generally easier to persuade businesses with higher staff numbers to commit to training programmes. They often have a critical mass and so on-site training is feasible, there are adequate staffing levels to cover the absences of those at training and these businesses are more likely to have a formal development plan (Becton and Graetz, 2001). Secondly, many owner-operators are unaware of the potential training benefits as they largely have had no formal training themselves (Wilson, Murray, Black and McDowell, 1998). Thirdly, a certain level of scepticism towards the effectiveness and value of training and education programmes has also been witnessed (Becton and Graetz, 2000; Smith, Boocock, Loan-Clarke and Whittaker, 2002). In addition to those three hurdles the literature has shown numerous perceived barriers owner-operators feel stand in their way to training opportunities. In their study Dewhurst et al. (2007) found five barriers to training: cost of releasing employees for training, cost of available programmes, time required for training, lack of suitable programmes and awareness of training opportunities. Similar results have been found by a number of other researchers as well (e.g., Becton and Graetz, 2000; Boella and Gross-Turner, 2005; Lange, Ottens and Taylor, 2000). To overcome some of these barriers owners may look to train from within. Typically small owner-managers are much more receptive towards internal training schemes where staff and the owner learn on the job or through mentoring (Becton and Graetz, 2000; Jameson, 2000). However training from within may also be problematic. While Kitching and Blackburn (cited by Dewhurst et. al, 2007) stated in-house training may be viewed by the owners as relevant, cost efficient and convenient, Calder (1961) warned that owners, potential experts in their field, may not be the most effective teachers. He also stated that in-house training may also overlook new or innovative measures that could be implemented in training practices.

#### 2.6.4 Inheritance

Inheritance has been discussed in the literature extensively in terms of business continuity and community impacts. Goffee (1996) summarised one of the persistent problems with inheritance

when he wrote, "... succession may be regarded as the ultimate delegation. But business proprietors are not always good delegators – even within their own family; indeed, it is their failure with this management skill which contributes to the demise of many enterprises" (p. 42). Birley et al. (1999) echoed this sentiment and stated that the failure of businesses during or after succession was a result of disputes on when succession should take place and who the successor should be. Managing these transitions was seen as problematic since succession typically only occurred once a generation. As a result, those who had been through a previous transition were unlikely to still be with the company. The authors also stated that successful ownership transfer required the incoming candidate to be well prepared, educated and experienced in the industry. At the time of transition worker morale should also be high and employees must be accepting of the change to ensure the highest chance for success (Birley et al., 1999). In addition, Calder (1961) mentioned businesses that fail to plan for succession are ill-equipped to handle transitions. Looking specifically at tourism SMEs, only one-third of the companies studied by Andersson et al. (2002) had an inheritance plan. Five of the nine businesses studied were unsure about how the business would come to an end; that is whether the business was to be sold or inherited. However, the authors stated that this may be as a result of relatively youthful families in the study.

Getz and Petersen (2004) identified generic and also tourism-specific barriers for inheriting a small business. The impacts of barriers are dependent upon the specific company and also the industry. Table 1.2 outlines the two types of barriers discussed by these researchers. The barriers listed are extremely significant given that the rate of inheritance is so low. Getz and Petersen (2004) provided several examples of how many small businesses, in general, continue into a second generation in Germany (37%), the United States (30%), the United Kingdom (24%) and Sweden (15%). Looking at tourism specifically, comparisons between Denmark and Canada showed that 2.5 percent of family businesses in Bornholm, Denmark and none of family businesses in Canmore, Canada were inherited (Getz and Petersen, 2004). The levels of inheritance in Denmark may be explained by the small number of children who are involved in the businesses and also the general sentiment that the business will not be passed on to the next generation (Getz and Nilsson, 2004). In Carlsen et al.'s (2001) study of rural tourism businesses, only 4.2 percent had been inherited from the previous generation, mirroring the results for the

Bornholm case study. These low levels of inheritance are problematic as inter-generational operations can help to provide stability in communities, as mentioned in the previous section.

**Table 1.2 Generic and Industry-Specific Barriers to Inheritance**

<i>Generic</i>	<i>Industry-Specific (Tourism and Hospitality)</i>
1. There are no (viable) heirs.	1. In remote and rural areas children are likely to leave for education or careers, so inheritance is nonissue for many parents.
2. Life-stage incompatibilities (e.g., parents too old, children too young) (Davis, 1968; Ward, 1987).	2. Many owners invest later in life (for retirement or as a second career), and their children are already gone.
3. The “dream” is not shared (Lansberg, 1999); children prefer to find their own way, follow other preferences, desire autonomy (Blotnick, 1984; Patrick, 1985; Stavrou and Winslow, 1996)	3. Location and lifestyle are not preferred by children (e.g., small towns, peripheral areas offer limited choices).
4. Founders unwilling to let go, or do not plan for succession (P. Davis and Harveston, 1998).	4. Rather than not letting go, many founders do not have viable succession options.
5. Children hold negative impressions of the business (Alcorn, 1982).	5. Working conditions perceived to be undesirable (long hours; messy and hands-on work; high level of contact with customers).
6. Gender (prejudicial treatment of daughters) (Dumas, 1989; Iannarelli, 1992).	6. This industry attracts many female owners, but their businesses tend to be small and often secondary
7. The business is not viable or inheritance taxes/legal issues make it impractical (Bjuggren and Sund, 2001; Handler and Kram, 1988).	7. Profitability is often low; seasonality of demand prevents growth; lack of business assets or inseparability of business and family assets (especially in home or farm-based accommodation).

Getz and Petersen (2004) p. 261

### 2.6.5 Seasonality

Seasonality, with respect to tourism, is a “fluctuation in tourism volume over the calendar year, and must be differentiated from longer-term business cycles and short-term changes related to weekly and daily travel” (Getz and Nilsson, 2004, p. 18). Seasonality causes changes in tourism demand and may be a result of either industrial or natural occurrences (Getz and Nilsson, 2004). Extreme seasonality is said to be when a destination receives 50 percent or more of its total tourist arrivals within the high season (Getz and Nilsson, 2004).

Seasonality can drastically limit the type of business an owner can viably run, the growth of that business and also its profitability (Getz and Nilsson, 2004). How the business and owner responds to seasonality and the resulting fluctuations in demand not only impacts their livelihood

but also destination development, market place competitiveness and community viability (Getz and Nilsson, 2004). Several challenges exist for SMEs and the community when it comes to seasonality. Seasonal unemployment, closed facilities and inactive communities can all be negative consequences of tourism-related seasonality. Limited cash flow in times of low demand can place serious strains on SMEs and may ultimately force some out of business (Getz and Nilsson, 2004). Owner-operators can try to reduce seasonality; however, many attempts fail. Flogenfeldt (2001) stated one way for tourism businesses to deal with seasonality is just to accept its occurrence and live with it.

#### 2.6.6 Information Technology

There are two different stances in the literature on the use of information technology (IT) in the tourism industry. The first is that tourism is an information-intensive industry and, as such, has a tendency to be at the forefront of IT innovations (Raymond, 2001). These innovations can be influential for the industry by shaping how sectors organise their businesses, how they educate and train their workforce and what their business values will be (Buhalis, 1998). This line of thinking is supported by the early application of high technology by airlines for inventory purposes and to track operation costs. Later developments resulted in computer reservation systems and global distribution systems (GDS), now widely used by various sectors of the industry (Bentley, 1996). The second view is that travel and tourism in general is slow to embrace technologies (Main, 1998). This has been found to be especially true in tourism SMEs (Braun, 2005) and, as mentioned previously, SMEs make up a significant portion of the tourism industry as a whole. No matter which view is subscribed to the effect of IT in tourism businesses was perhaps most simply, yet effectively, explained by Buhalis (1998) when he stated that “information is the life blood for tourism businesses and IT provides both opportunities and challenges for the industry” (p. 409).

Early IT innovations were wrought with problems throughout the industry; such as lack of overall standards, security of transactions (Bentley, 1996), high cost of purchasing and running the systems, fear of retribution from suppliers for adopting new programmes (Reinders and Baker, 1998) lack of properly trained specialists (Buhalis, 1998) and a general sentiment of if the current mode of operation ‘ain’t broke, don’t fix it’ (Poon and Swatman, 1999). In addition to these issues which plagued the industry at large, SMEs struggled and, in many cases, still contend with a whole other set of complications. SMEs often use inappropriate technology in

their businesses (Morrison and Thomas, 1999). O’Conner, in a study in Ireland, revealed that this problem was in part caused by IT being purchased haphazardly with little regard to current or future usage and/or had been bought by ‘technophilic’ owners (cited in Buhalis and Main, 1998). In addition, Braun (2005) found that in one instance a larger IT application, GDS, was not applicable to SMEs in Australia since local owners perceived little value being in the system and they felt no sense of belonging in the virtual business space. A multitude of other reasons have been stated as to why SMEs are generally slower to embrace IT, such as a lack of training (Bentley, 1996; Buhalis and Main, 1998; Lituchy and Rail, 2000), age of owner (Buhalis and Main, 1998), fear of depersonalised service (Lituchy and Rail, 2000; Poon and Swatman, 1999), concern over failure to deliver high levels of quality service, lack of ability to test performance of systems (Lituchy and Rail, 2000), and that the volume of business does not justify purchasing IT (Poon and Swatman, 1999).

Despite the challenges faced by SMEs in regards to IT, it is still important that owners attempt to incorporate some level of IT into their business. The travel sector is a strong performer in e-commerce; in 1997 it was among the top three products/services purchased online (Heung, 2003). The following year, the Travel Industry Association of America found that 92 percent of Internet users had gone on vacation at least 100 miles from their home in that year, and that 45 percent of that group had taken five or more trips in that same time frame. Also, the study found that 6.7 million Americans had used the Internet to make their travel arrangements that year (Lituchy and Rail, 2000). Given this quick access to a surplus of information, the “contemporary/connected consumer [is] ‘far less willing to wait or put up with delays to the point where patience is a disappearing virtue’” (Buhalis, 1998, p. 411). SMEs may lose out on an ever-widening customer base if they fail to change with the times. While Main (1998) made this statement over a decade ago, the sentiment still holds true and is sound advice for SME owners, we live in turbulent times and the process of change will continue. With the speed of technology turnover it is important, particularly for the survival of SMEs, to maximise the advantages offered by current technology and establish a presence on the electronic marketplace. (p. 93)

Many of the problems facing SMEs revolve around preparedness; Are the owners financially prepared to open or purchase a business? Does the owner have plan to steer their business in the future? How well versed is the owner in the industry they are entering? How will

slower months affect the operation of the business? The tourism industry is forever evolving and it rests on an owner's shoulders to be prepared for this eventuality.

## 2.7 Chapter Summary

Small and medium businesses are beginning to generate more research interest, in a variety of industries, including tourism, and progress is being made on numerous fronts. In the tourism literature concepts surrounding motivations, especially lifestyle focused, are well represented. However, there are aspects within these types of businesses which are not as strongly researched. Topics such as SME calculations of success and issues surrounding education and training of owners and staff are lacking in coverage. Similarly, the small accommodation sector receives far more attention concerning the aforementioned issues in comparison to other sectors in the industry. Much of the tourism SME research is based in Australia, New Zealand and the United Kingdom; very little of the research has highlighted the Canadian industry. While progress is being made to better understand small and medium businesses around the globe it is important that not only are other nations represented in the literature but so too are other sectors of the industry.

## Chapter Three: Research Approach

### 3.1 Introduction

The purpose of this chapter is to inform the reader of the process by which the research for this thesis was undertaken. The chapter begins with a brief discussion of the researcher's epistemological stance. This is followed by an introduction to the two case studies, providing information on reasons for site selection, settings and attributes. The remainder of the chapter is dedicated to the description of the ethics approval process and data collection methods; a sequential mixed methods approach. Both quantitative and qualitative instruments were used and are discussed. The rationale for using each approach is provided and information is given regarding format, sampling procedures, anonymity/confidentiality, strengths and weaknesses, and data analysis. This chapter concludes by examining the limitations of the study.

### 3.2 Research Framework

Every individual has assumptions about the world around them and of the knowledge to be gained from it. The role of this portion of the chapter is to outline the researcher's perspective on the nature of knowledge through a discussion of her epistemological outlook and paradigm. When examining epistemological concerns, researchers ask questions about "what is knowable, how we can come to have knowledge and what relationship we have (as researchers) with that which we are trying to grasp" (Daly, 2007, p. 21). There are two main epistemological positions, an objectivist stance and a subjectivist stance. Though there are multiple ways of examining the relationship between them, the one that speaks loudest to the researcher is viewing these two positions on a continuum, allowing for variations on their themes between the end points (Daly, 2007). This is most relevant to the researcher as she views herself as a social constructionist which shares both stances. Social constructionists hold the belief that while there are shared meanings to be understood, these meanings are also a form of objective reality (Daly, 2007).

Paradigms flow from epistemological perspectives. According to Daly (2007), "paradigms refer to the collective beliefs within a community of scientists about how science should proceed" (p. 28). Five major paradigms have emerged spanning the spectrum between objectivism and subjectivism. Positivism is the most objectivist in nature and is based on the belief that the outside world can be known and explained. Postpositivism, also known as Critical

Realism, espouses that an objective reality exists but that it is imprecisely and incompletely understood. Social Constructionism, also referred to as Interpretivism, proposes that all reality is constructed and the meanings of experiences are developed by each person subjectively. Proponents of the Critical paradigm argue that the outside world is comprised of competing interested and unequal relationships that need to be understood. Postmodernism, the most subjective of the paradigms, suggests that there are numerous perspectives on any single issue and that these perspectives are fluid and changeable (Daly, 2007). Similar to her epistemological stance, the researcher feels most aligned with the social constructionist paradigm. (Creswell, 2003). For a social constructionist, there are a multitude of interpretive possibilities which can be highlighted to help understand a reality and talking is the primary means to get at the meaning of experiences (Daly, 2007).

### 3.3 Case Study Research

#### 3.3.1 Rationale for using Case Studies

Schramm stated, “the essence of a case study, the central tendency among all types of case study, is that it tries to illuminate a decision or set of decisions; why they were taken, how they were implemented, and with what result” (as cited in Yin, 2003, p. 12). Given the content of the research, namely an individual’s motivations and experiences with a business, the researcher felt a case study was a suitable approach in which to frame her study.

The original two locations chosen for this project were Stratford, Ontario and St. Jacobs, Ontario. These two sites were initially selected for their proximity to the University of Waterloo, their size compared to one another, the fact they were well established tourism locations and their variety of businesses. After handing out questionnaire packages (this process will be discussed later in the chapter) at both locations, it became apparent to the researcher that the response rate from St. Jacobs was not adequate to generate sufficient data for analysis. While responses from Stratford were still arriving, a new study site was chosen to replace St. Jacobs; Goderich, Ontario was selected as it fulfilled the same criteria as St. Jacobs. Goderich is within a two hour drive of Waterloo, is significantly smaller than Stratford, has an established cottage industry and a number of businesses that met the conditions to be considered for this study. Within each location, the small accommodation and food and beverage sectors were highlighted.

This design allowed for comparisons of industries within one location and also between sites. The following two sections examine each site in more detail.

### 3.3.2 Study Site (1): Stratford, Ontario

The city of Stratford is located in southern Ontario, approximately 50 kilometres from the city of Waterloo. In 2011, the population was recorded at 30,886, making it the larger of the two case studies (Statistics Canada, 2011a). The population of the town was roughly evenly divided between males and females and the bulk of the population fell between 40 and 54 years old, with a median age of 41.1 years (Statistics Canada, 2006a).

Tourism is one of the city's leading economic providers and Stratford is marketed as 'Canada's premier arts town' (Stratford Tourism Alliance, n.d.). The largest draw for the area undoubtedly is the Stratford Shakespeare Festival, running annually between April and November. Tom Patterson, a Stratford-born journalist, addressed Stratford's City Council in 1952 and proposed the creation of a Shakespeare festival for the city. The following year, ground was broken for the Festival's tent theatre; three months later on July 13<sup>th</sup> 1953 the first performance, *Richard III*, took place. Construction of a permanent Festival site began in 1956 and the Festival Theatre was officially dedicated on June 30<sup>th</sup> 1957, opening the following day (see Figure 3.1). Today the Festival has four venues, employs over 1,000 individuals and has an annual operating budget close to \$60 million (Stratford Shakespeare Festival, n.d.). The Festival is the largest classical repertory theatre in North America and, over the 2010 season, it was estimated that 515,000 people went to the theatre (Stratford Shakespeare Festival, 2010). A recent addition to this 'premier arts town' was Docfest Stratford, which started in 2007. Docfest Stratford is a four-day documentary and digital festival that screens Canadian and international documentaries and short films. There are also workshops and a digital media showcase. Several major funders of this programme include the Ontario Ministry of Culture, Ontario Ministry of Tourism, the Ontario Tourism Marketing Partnership Corporation and the Stratford Shakespeare Festival. (Docfest Stratford, n.d.).

In addition to the artistic angle, marketing efforts are focused on heritage (museums and building tours, see Figure 3.2), outdoor pursuits (gardens, golfing and parks, see Figure 3.3) and shopping (antiques, art galleries, book stores and chocolates, see Figure 3.4) (Visit Stratford, 2009). The following four photos (all taken by the researcher) capture some of the well-known sites in the city as well as some scenic views:



**Figure 3.1 Festival Theatre**



**Figure 3.2 Stratford City Hall**



**Figure 3.3 Avon River**



**Figure 3.4 Downtown Stratford**

### 3.3.3 Study Site (2): Goderich, Ontario

The town of Goderich is located an hour-and-a-half north-west of Waterloo on the shores of Lake Huron. Goderich is roughly one quarter of Stratford's size, with a 2011 population of 7,521; a slight decrease from 2006 (Statistics Canada, 2011b). Like Stratford, the population is nearly divided evenly between males (47%) and females (53%); however they were slightly older with proportionately more people were between the ages of 45 and 59 resulting in a median age of 45.6 years (Statistics Canada, 2006b).

Goderich has a strong industrial business base encompassing a wide assortment of products, from tool and die manufacturing to airplane maintenance. Salt is the town's largest

industry and Sifto Salt Mine (see Figure 3.5) located on the shore of Lake Huron is the town's largest employer (Goderich, n.d.). Volvo Construction Equipment (Volvo CE) was another large employer; however in 2008 the company announced it would close the Goderich plant in phases, relocating the entire operation to Shippensburg, Pennsylvania by 2010. Volvo CE stated the closure would improve competitiveness and profitability as well as reduce the impact of fluctuations in exchange rate. The closure of the plant was estimated to affect 500 employees (Volvo CE, 2008). In 2011, a powerful tornado touched down in the town claiming one life and caused significant damage to homes and businesses across town. The downtown core, where many of the town's businesses are located, was particularly hard hit (Miner, 2011). It has been estimated that the tornado caused upwards of \$75 million dollars in damage (IBC, 2011).

Though visitors and cottage owners have come to 'the prettiest town in Canada' (Goderich, n.d.) for some time, lately tourism has become more important in the community. Given its location, water is a focal point for many tourism offerings. The town has three beaches: Main Beach, St. Christopher's Beach and Rotary Cove Beach (see Figure 3.6). Rotary Cove has been recognised as a Blue Flag Beach Candidate. The Blue Flag programme's mission is to improve coastal ecosystems worldwide. The organisation is found in 37 countries and Blue Flags fly on 3,200 beaches, 11 of which are in Canada (Blue Flag Canada, n.d.). In order to have a Blue Flag certification, a beach must continually meet strict targets, laid out over 27 guidelines for water quality, environmental management and education, as well as safety and amenities (Blue Flag Canada, n.d.). The town actively promotes its heritage (marine and other museums, see Figure 3.7, galleries and the county jail), as well as shopping and festivals that run year-round (e.g., Winterfest, Summerfest, Celtic Roots Festival, West Coast Bluesfest) (Goderich, n.d.). 'Canada's prettiest town' also participates annually in the Communities in Bloom programme and has multiple gardens throughout the town (see Figure 3.8). The following four pictures (all taken by the researcher) highlight some of the sites around Goderich.



**Figure 3.5 View of Lake Huron and Sifto Salt Mine**



**Figure 3.6 Rotary Cove Beach**



**Figure 3.7 Goderich Main Light**



**Figure 3.8 Flowerbed in Goderich**

### 3.3.4 Comparison of Case Studies

Much of the demographic information (percentage of male and female residents, median age) between the two locations is comparable, but where they differ is in terms of size and scale. Despite this, the types of attractions each location promotes have common themes. Though

Stratford's biggest contributor to the tourism industry is undoubtedly the Shakespeare Festival, both locations focus on their heritage, shopping and outdoor recreation to draw in visitors.

There is, however, a difference to be noted in terms of accommodations. Both locations rely on small operators, such as bed and breakfasts and non chain motels/hotels, to accommodate guests; however, Goderich has a number of private cottages that are in use as well. These cottages are utilised in one of two ways: either used exclusively as a seasonal home for one individual/family or are rented out to various tourists over the summer.

### 3.4 Ethical Considerations

According to Creswell (2003), a number of ethical issues occur in the research process, from the selection and definition the research problem to the writing and dissemination of research findings. However, the present research was expected to pose minimal ethical risks to participants. Nevertheless, application was made and full ethics clearance was granted by the University of Waterloo, Office of Research Ethics.

Participation in all aspects of this research was voluntary, enabling both survey and interview participants to decline participation outright, decline to answer any question asked of them or to withdraw from the research after participation. Only individuals 19 years and older were targeted for participation. All data collected from interviews and survey questionnaires were considered confidential. Further details on ethical considerations relating to this study are provided in sections 3.5.1 Rationale for using Questionnaires, 3.5.4 Anonymity, 3.6.3 Sampling, 3.6.4 Confidentiality and 3.6.6 Data Analysis.

### 3.5 Quantitative Methods: Questionnaire Survey

#### 3.5.1 Rationale for using Questionnaires

Babbie (as cited by Creswell, 2003) stated that a survey's purpose is to "generalize from a sample to a population so that inferences can be made about some characteristic, attitude, or behaviour of this population" (p. 154). In addition to this, Creswell (2003) stated that questionnaires are appropriate when the researcher is looking for broad perspectives and demographic information.

Given the fact that tourism SMEs have been somewhat neglected in Canadian studies, it was important to look at as many small accommodation and food and beverage businesses as

possible to try and gain an overview of these components of the tourism sector. To do this, the researcher distributed questionnaires packages to relevant establishments in Stratford and Goderich. Each package included an information letter, a questionnaire and an interview participation permission form. The sampling procedure for this will be discussed in more detail later in the chapter. The information letter was used to introduce the researcher, background information on tourism SMEs, the structure of the study, as well as relevant information on ethics clearance and contact information. A copy of the information letter can be found in Appendix E. The questionnaire was comprised of four main categories. The first two sections involved demographic information on the owner and information on the business. The remaining two sections dealt with the owner's motivations and how they defined success. A copy of the questionnaire may be found in Appendix F.

### 3.5.2 Questionnaire Format and Pilot-Testing

The majority of the questions were written in a closed ended/forced choice style. In addition to asking a question, closed ended questions also provide the participant with a set number of responses. These types of questions are useful on a survey as they are answered quickly, require a small investment of time and are straightforward to analyse. However, due to the somewhat superficial nature of the answers gathered by such questions, there is the potential for oversimplification and incomplete responses (Neuman, 2003). In-depth interviews were also used for the study to overcome this deficiency and will be discussed at a later point. A secondary concern with closed ended inquiry is the issue of 'leading' questions; that is, influencing the responses of participants based on the structure of the question (Neuman, 2003). While most questions were closed ended, in some instances an 'other' category was utilised. This style of question offers the participant more control in describing the factors best suited to their situation. These categories were used throughout the questionnaire, but were primarily included to determine whether there were any additional factors leading an owner to want to open their business or how they evaluated success, which had not yet discussed in the literature and, therefore, were not specifically included in the questionnaire.

Neuman (2003) stated that, prior to entering the field, a researcher should conduct a pilot test on any materials to be used in the process of data collection. A collection of ten colleagues, friends and family were approached to participate in the questionnaire pilot test. Participants were asked to provide an assessment of the content as well as a time required to complete the

survey. To the researcher's knowledge, none of the individuals who participated in the pilot test were small business owners at the time of their involvement.

### 3.5.3 Sampling

While Creswell (2003) suggested randomly selecting participants from the target population, this research aimed to be as comprehensive as possible and questionnaires were distributed to all relevant parties. The population from both locations was small enough for this goal to be manageable. In an effort to gather all possible accommodation and food and beverage SMEs, the researcher drew upon several sources. The first was the internet; online search engines, bed and breakfast associations, chambers of commerce websites and tourist/area websites were accessed to identify relevant businesses. Paper documents, such as visitor guides, newspapers, brochures and phonebooks were also utilised. When distributing the questionnaire packages door to door, other relevant businesses missed by the first two methods were also given a package.

Distribution occurred at two separate times of the year due to the changing of a case study location. Questionnaires were distributed in February 2009 for Stratford and September 2009 for Goderich. The researcher walked door to door and delivered the questionnaire packages to each location. Participants were provided with postage paid envelopes to mail back their questionnaire and also, if applicable, the interview participation permission form (Appendix G) to help keep the information collected anonymous; see the following section for more information on anonymity.

A total of 205 questionnaire packages were distributed; 143 in Stratford and 62 in Goderich. Sixty-five usable questionnaires were returned (44 from Stratford, 21 from Goderich), for a response rate of 31.7 percent overall. While there is no agreed upon standard for response rates, Baruch (1999) suggested that an acceptable rate for questionnaires directed to individuals in top management of a business should be 36 percent +/- 13. For questionnaires created for representatives of a company, employees or the general population a more adequate response rate is 60 percent +/- 20 (Baruch, 1999). As the questionnaire for this research was directed to owners of businesses, the 31.7 percent response rate for this study is within the guideline suggested by Baruch.

There are, however, several ways in which the researcher could have improved her response rate. Follow up calls could have been conducted to see if owners who took questionnaire packages had any questions or needed clarification and to see whether or not the

survey had been completed. In an effort to be efficient in distribution, if a business owner was not available at the time of delivery, the questionnaire package was left with an employee, family member or in their mailbox. Follow up calls to ensure these owners actually received the questionnaire package and knew its contents could potentially have increased the response rate for both questionnaire and potential interview participants.

#### 3.5.4 Anonymity

During the data collection process, the researcher took care to ensure the information collected from the questionnaires was as anonymous as possible. Anonymity aims to protect the identity of participants so that responses given cannot be linked back to a specific individual (Neuman, 2003). In order to keep the data collected through questionnaires anonymous, the information letter informed participants not to write their names on the questionnaires. Several issues with anonymity needed to be dealt with during the collection of questionnaires. Despite being provided with two envelopes, some participants returned questionnaires and interview participation forms together and/or included a business card in with questionnaires. When this occurred, the papers were separated and filed with other questionnaires and participation forms, while the businesses cards were discarded. In addition to this, several owners placed return address stickers indicating the owner's name and/or business name on the envelopes. This was easily remedied as the information was simply taken from the envelopes which were then discarded.

#### 3.5.5 Strengths and Weakness of Questionnaires

As mentioned earlier, questionnaires are very useful when attempting to describe characteristics of large populations. They are useful for measuring attitudes and can help the researcher understand participants' ways of thinking. Questionnaires, especially mailed, are inexpensive and typically have a quick turnaround. Mailed questionnaires also offer a high level of anonymity and reduce interviewer bias (Neuman, 2003; DCS, n.d.). This form of data collection is useful for both confirmation of prior research results and exploratory purposes. Also, suitably structured questionnaires may provide a moderately high measurement of validity (DCS, n.d.).

Questionnaire surveys have several weaknesses. Most often they must be kept brief, limiting the information that can be covered. Though mailed questionnaires are inexpensive, the response rate for this type of distribution may be low (DCS, n.d.). Open-ended questions may be difficult to code and responses can reflect varying ability in comprehension. Also, participants

must be literate in the language of the survey, or have access to someone who can help them through the process (Neuman, 2003). Researchers have no control over the conditions in which the questionnaire is completed and are not on hand to clarify the questions that a participant may have (Neuman, 2003). Reactive effects, non-response to particular items and incomplete questionnaires are also problematic (DCS, n.d.; Neuman, 2003).

### 3.5.6 Data Analysis

As questionnaires were returned to the researcher, a spreadsheet using Statistical Package for the Social Sciences (SPSS) Version 16.0 was created. While the data analysis for this research was more heavily weighted towards qualitative methods, the questionnaire was analysed in three ways.

First, descriptive statistics were used to describe the basic demographic information collected by the questionnaire. The researcher used frequency distributions to calculate the percentage of participants for each question in sections A and B of the questionnaire.

Second, the questionnaire was analysed by utilising the multi-response variable feature. This feature provides a way to analyse questions which may have more than one response, and both sections C and D of the questionnaire ask the participant for multiple responses. The researcher used the frequency option of this feature to see which reasons were most prevalent and, conversely, which were not selected, in determining why owners started their business and how they viewed their success.

Finally, both regular and multi-response variable cross-tabulations were conducted. Regular cross-tabulations were used to examine which type of ownership was most prevalent in each location and within each type of business. The multi-response variable cross-tabulations were utilised to compare motivating factors and definitions of success with business type, location, past ownership experience and education.

## 3.6 Qualitative Methods: Interviews

### 3.6.1 Rationale for using Interviews

Glesne (1999) advised people to “think of interviewing as the process of getting words to fly” (p. 67). Conducting one-on-one interviews aided the researcher in exploring the personal reasons why owners open tourism SMEs, their experiences and how they defined success for their businesses. As mentioned earlier, questionnaires are not particularly well suited to capture details

of cultural or social life and so conducting follow-up interviews was a way to gather such information.

### 3.6.2 Interview Format and Pilot Testing

Semi-structured interviews were used as they allow for expanding the information given in questions. This type of interview affords researchers the opportunity to probe participants in an effort to gather more detail or to clarify something an individual has said (Glesne, 1999). The interview questions used were predominantly open ended. Open ended questions are the most useful for interviews as they are broadly based and solicit a larger amount of information, detail, creativity and self expression from the respondent (Neuman, 2003). Such questions help to fill in the gaps left by the shorter, closed ended variety. The researcher created an interview schedule which listed a number of core questions participants were asked to contemplate and answer. For this study, the interview schedule was broken down into four different sections; getting to know the owner and the business, their perceptions of success, motivations and experience running the business (Appendix H). Probe questions, which arose from listening to the participants, were used to gather more detailed information. The final question for all participants asked if there was anything not covered in the interview that they would like to discuss.

In terms of pilot testing, Glesne (1999) stated that pre-pilot testing is a four-way relationship between the topic, the potential interview questions, the researcher and facilitators, and those participating in the pilot test. Facilitators are not as invested in the research as the researcher and can typically bring an objective perspective to the pilot test. Glesne (1999) went on to say that the most effective facilitators are individuals who are in some way connected to those you want to research. As the researcher was not acquainted with any small business owners, she decided to ask colleagues from the University of Waterloo to examine the interview schedule. The researcher felt that while her peers were not the target population, they would have some understanding of the topic and may be able to spot potentially sensitive issues that had been overlooked or questions that may be difficult to answer.

### 3.6.3 Sampling

The sample population was collected from the returned interview participation permission forms. A total of 11 interviews were conducted; six from Stratford, and five from Goderich. In Stratford, four B&B operators were interviewed along with two food and beverage establishments, while in Goderich two small accommodations and three food and beverage

establishment operators were interviewed. Prior to interviews being conducted, each participant was given a consent form (Appendix I) which outlined their rights as a participant. Each participant was asked for their consent to continue with the interview, to have the proceedings audio recorded and to potentially have their words quoted anonymously in research reports. Given that questionnaires were given out at different times, interviews were also conducted at two separate times.

#### 3.6.4 Confidentiality

Confidentiality differs from anonymity as the information gathered has a higher probability of participant identities being discovered. Ensuring confidentiality means that while the researcher knows the identity of the participant, they hold this information in confidence (Neuman, 2003). To guarantee confidentiality while conducting interviews, the researcher provided each interview participant with a pseudonym. Any material providing a strong link between the participant and their identity was omitted from the transcript, for example, the business name or exact location. All but one of the interviews was audio recorded and the researcher did her own transcribing. While typing up the transcripts, participants real names were never used, just their assigned pseudonym.

#### 3.6.5 Strengths and Weakness of Interviews

Creswell (2003) stated that the strength of interviews comes from the ability of participants to provide the researcher with historical data and that the researcher is able to ‘control’ the line of questioning. Face-to-face interviews allow researchers to gauge how the participant is feeling by making note of tone of voice, facial expressions, body language or sarcasm which would not come through in a questionnaire. Glesne (1999) mentioned that the exceptional strength of this method lies in allowing the researcher to “learn about what [they] cannot see and to explore alternative explanations of what [they] do see” (p. 69). Interviews provide the researcher with the opportunity to probe participants to gain a better understanding of their point of view. Reasonably high response rates are another advantage of interviews (DCS, n.d.).

One of the challenges inherent with interviews is that the researcher’s presence may cause a bias in responses (Creswell, 2003). Participants may feel that in order to answer a researcher’s questions ‘correctly’ they need to evade the whole truth or provide false information. Interviewing can be costly and time consuming for researchers. This is especially true if the researcher needs to travel or train interviewers (Neuman, 2003). Another challenge

mentioned by Creswell (2003) is that not all interviewees are equally perceptive or articulate with their responses, which may lead to information that is not necessarily useful for the research or responses that do not answer the question. In a similar vein, some participants may lack self-awareness and not recall important information as readily as others (DCS, n.d.) Additionally, some people are simply more difficult to interview, requiring a more concerted effort on the part of the researcher.

### 3.6.6 Data Analysis

In reference to qualitative data analysis Creswell (2003) stated, “the process of data analysis involves making sense out of text and image data” (p. 190). To ‘make sense’ of any data collected, a researcher must first prepare that data for analysis, conduct analytical procedures, continually dig deeper to understand the meaning of the data, represent what is being said and make interpretations of what the data mean to the larger picture (Creswell, 2003). The researcher mirrored these steps to ‘make sense’ of her own qualitative data.

Preparation of the data for this research involved assigning pseudonyms and transcribing interviews. Notes were taken in the majority of interviews but were most heavily used for the individual who declined to have their interview taped. Responses from that interview were typed immediately after leaving the property in an effort to retain as much information as possible. Notes taken during other interviews were read afterwards and placed together with the corresponding transcribed interview. After each interview, the researcher informed participants that a copy of their transcript would be made available to them if they wished to look through and clarify or verify the correctness of information. This also gave participants a chance to have any statements taken off the record if they desired. After making several changes to transcripts at the request of participants, each was printed. At this stage, transcripts were read through with the purpose of understanding what the overall meaning of each interview was and the general ideas each participant was trying to convey. These ideas were written down and then grouped together by likeness as an initial starting point in the process of data analysis.

The analytical procedures implemented were based on Lincoln and Guba’s (1985) unitising and categorising methods, also referred to as the cutting and sorting method (Ryan and Bernard, 2003). Unitising is the “dealing with units of information that will, sooner or later, serve as the basis for defining categories” (Lincoln and Guba, 1985, p. 344). Units of information can be described as bits of collected data which can be interpreted on their own or

with little explanation and are heuristic in nature (Lincoln and Guba, 1985). Each interview transcript was read carefully looking for quotations and expressions that could be classified as a unit of information. These sentences and paragraphs were cut from transcripts and pasted onto index cards. The cards were labelled by type of respondent (the pseudonym, study site and type of business) as well as by source (location within the transcript).

After all transcripts had been broken down onto cards, the categorising phase began. Index cards were gone through one by one. In the early stages, cards' contents were noted and placed with others that looked or felt similar in content. As the number of cards placed in these provisional categories grew, the researcher revisited each card within the individual categories and created a 'rule card'. These rule cards took the place of the rudimentary look-alike comparison and listed the properties that future quotations and expressions had to meet to be included in the category. Remaining index cards were processed in this manner. Cards that seemed not to fit within a specific category were placed in a miscellaneous pile. After all index cards were categorised, the miscellaneous pile was rechecked against rule cards to see if they did indeed fit within one of the established categories. Following this, each category was again examined to determine whether any subdivision of content was necessary, whether there were overlaps between categories and for any possible relationships between categories. The categories created through this process became the themes that will be discussed in Chapter Four.

### 3.7 Limitations

Every study has limitations and this study is no exception. Firstly, due to the way the researcher wrote her questionnaire combined with the number of survey participants, in-depth statistical analysis was not possible.

Secondly, questionnaires were distributed only to small businesses that were operational at the time the research was being conducted. As a result, these were the only operators who had the opportunity to participate in both the questionnaire and, subsequently, the in-depth interviews. By taking such an approach, the sentiments of business owners who had retired from the industry or had to leave due to other circumstances were neglected. The interview with Bob<sup>SA</sup> was the closest the researcher had to a person in this situation as he was retiring from the business at the end of that summer season. Past owners could have potentially provided a

different outlook on the topics addressed in this project, particularly regarding measuring success and their general experiences with running their business.

Thirdly, this thesis provides a snap shot of tourism businesses and their owners in Stratford and Goderich for one point in time. As businesses and their owners mature, there is a likelihood that their core goals will evolve; they may have achieved their initial targets, unexpected circumstances may have arisen or what was once important to them may change. While valuable information was gathered for businesses at the time of inquiry, there are an infinite number of ways these motivations, calculations of success and experience may change over the years. Due to the time constraints of undertaking a Master's thesis, it was not a feasible to conduct follow-up questionnaires or interviews for this project.

### 3.8 Chapter Summary

The purpose of this chapter was to outline how the research for this project was conducted. Both quantitative and qualitative procedures were examined including the rationale for using each approach, the format utilised and any pilot testing, sampling procedures, anonymity and confidentiality concerns, the strengths and weaknesses of each approach as well as data analysis techniques. The outcome from the data analysis procedures discussed are presented in the following chapter.

## Chapter Four: Findings

### 4.1 Introduction

This chapter outlines the findings from the research. It is broken down into six sections. Following this introduction, Section 4.2 provides information from both questionnaires and interviews highlighting background information. Section 4.3 examines how owners defined small business and their perceptions of their own business size. Owners' motivations are dealt with in section 4.4, where both questionnaire and interview findings are examined. Section 4.5 deals with questionnaire and interview findings relating to measuring success. Numerous experiences associated with running tourism SME are highlighted in section 4.6. Section 4.7 concludes the chapter with a summary of the material presented.

### 4.2 SME Background

#### 4.2.1 Questionnaire Findings

One of the roles for the questionnaire used in this thesis was to gathering demographic information for tourism SME owners in Stratford and Goderich, Ontario. The results revealed some similarities and differences between study sites and industries. Though gender was fairly equally balanced between men and women overall, two-thirds of the questionnaires completed in Goderich were filled out by females. Please refer to Table 4.1 for a representation of gender across the study sites.

**Table 4.1 Questionnaire Participation by Gender**

<i>Gender</i>	<i>Both Study Sites (%) (N=65)</i>	<i>Stratford (%) (N=44)</i>	<i>Goderich (%) (N=21)</i>
Male	40	43	33
Female	60	57	67

The majority (69%) of participants in both study sites were born in Canada. Goderich had a slightly higher rate of participants who were born in Canada (76%) compared to Stratford (66%). English and American born participants accounted for 12 percent and 11 percent of respondents in Stratford and Goderich respectively. Other nations represented were Germany, Ireland, the Netherlands and Switzerland. Overwhelmingly the respondents were from the baby

boomer generation, those born between 1946 and 1964. Those in the 60 – 69 age category were most prominent in the case studies overall (29%), followed closely by those between 40 – 49 (28%) and 50 – 59 (26%). The age of participants closely mirrors the Statistics Canada information which indicates the majority of residents in both study locations fall between 40 – 59 years of age. Neither Stratford nor Goderich had any respondents from the 19 – 29 age group, while Goderich also had no participants from the 30 – 39 age group.

Small accommodation owners completed the majority of the questionnaires in both study sites. Stratford was the only site to have mixed accommodation and food and beverage establishments. Partnerships with a spouse, also known as ‘co-preneurs’ in the literature, were the most commonly cited ownership structure for this study, followed by sole proprietors and ‘other’ partnerships; that is partnerships with friends or colleagues for example. Only two businesses stated they were family-run however, it was not unusual for family members to be involved in the operation of the business. Thus, it is important to note that there may be differences in business ownership and operation. Table 4.2 provides figures on questionnaire participation by business type, Table 4.3 provides figures for the breakdown of ownership type and Table 4.4 provides figures for who is involved in the daily operations.

**Table 4.2 Questionnaire Participation by Business Type**

<i>Business Type</i>	<i>Both Study Sites (%) (N=65)</i>	<i>Stratford (%) (N=44)</i>	<i>Goderich (%) (N=21)</i>
Small Accommodation	72	71	76
Food and Beverage	25	25	24
Mixed	3	4	0

**Table 4.3 SME Ownership Type**

<i>Ownership Type</i>	<i>Both Study Sites (%) (N=65)</i>	<i>Stratford (%) (N=44)</i>	<i>Goderich (%) (N=21)</i>
‘Co-preneurs’	59	61	52
Sole Proprietor	29	30	28
Other Partnerships	9	9	10
Family Business	3	0	10

**Table 4.4 Who is Involved with the Daily Operations**

<i>Who is Involved</i>	<i>Both Study Sites (%)</i> <i>(N=65)</i>	<i>Stratford (%)</i> <i>(N=44)</i>	<i>Goderich (%)</i> <i>(N=21)</i>
Hired staff	43	45	38
Only those in the partnership	35	36	33
Only the Sole Proprietor	14	11	19
Family Members	6	5	10
Other	2	2	0

Although only two respondents in Goderich indicated that their businesses were family-run, four businesses, two from each study site, indicated that they only employed family members. Similarly, one individual from Stratford selected the ‘other’ category as she primarily ran the business as a sole proprietor but occasionally her spouse lent a hand. Most (82%) businesses employed less than 10 people. Almost half (43%) employed only two people and 17 percent had just one employee. The largest business from Stratford that participated in the study was a restaurant with 50 employees and for Goderich it was also a restaurant with 25 employees. Respondents were almost evenly divided between first-time business owners and those who had previously run their own business. Overall, for 51 percent it was their first business. In Stratford, 52 percent of respondents had never previously owned their own business while the comparable figure for Goderich was 48 percent.

While several demographic differences were noted in this questionnaire’s findings they were relatively subtle in nature, making the respondents of both case studies easily comparable. The questionnaire results provide similar findings to other research on the ownership of SMEs (see Getz et al., 2004; Morrison and Teixeira, 2004 a/b; Andersson, Carlsen, and Getz, 2002; Getz and Carlsen, 2000; Getz and Nilsson, 2004). The next section introduces the reader to the owners who participated in follow-up interviews.

#### 4.2.2 Introducing Interview Participants

In addition to conducting a questionnaire survey, a number of respondents consented to be interviewed and provided additional information about their operation. This information is presented along with the survey results and is used to provide examples and more detailed

information concerning particular situations. The interview participants are now described as they constitute an important source of information that complements the survey data. Their names have been changed to protect their identity.

Greg is a B&B owner from Stratford and has owned his property since 2002. In his youth he moved frequently, however, in the early 1980s he settled in the town. Though married, his wife is not involved in running the business. Instead, Greg employs a friend, Sasha, to help with the daily operations. In addition to the B&B, Greg works outside the home, in information technology, and said *“my bed and breakfast is as dependant on my day job as my wife and children. So you know it’s a labour of love, it’s a hobby.”*

Bob moved to Stratford from Toronto in 2005 and bought his B&B from a woman looking to retire from the industry. Like Greg, Bob also hires an employee, Lauren, to help run the B&B. He also has a second career as a management consultant, which is operated from his home. In early 2009, Bob decided it was time to close his B&B and so the summer of 2009 was his last in operation.

Bev came to Stratford with her husband Dwayne in 2006 from Ancaster, Ontario. Prior to running the B&B, Bev worked in a variety of service-oriented careers. The couple searched through six different Ontario communities over two years looking for the right place to purchase a B&B. Though Stratford had initially been ruled out, they returned to the community and bought an existing B&B from an owner looking to retire due to health concerns.

Lorraine and her husband Jim hail from Cambridge, but moved to Stratford in 1999. She purchased the house and B&B operation from a man who was ready to leave the industry. Lorraine runs the business alone and the B&B earnings are the household’s main source of income as Jim recently retired. Before owning the B&B, Lorraine had previously worked in health care.

Judy moved to Stratford from Toronto in 2006 and started her restaurant several months after moving to town. Her passion has always been the food and beverage industry and she has owned and operated six other restaurants. Though Judy hires several employees to help with the front of the house, she can be found working in every role from administration to cook to cashier.

Stacey and her husband Chris purchased their restaurant slightly in 2005, just prior to moving their family back to Stratford. The restaurant the couple purchased had been in operation

for 20 years but was put up for sale by the previous owner because he had *“had enough”* of the business according to Stacey. Employees are hired for both the front of the house and kitchen, leaving the couple with the administrative work, cleaning and general upkeep of the establishment.

Joy and her husband Gerry live on a farm just outside of Goderich, which has been in the family for generations. Joy started the bed and breakfast operation in 1982 and ran the business by herself for many years. Recently, she has been getting more help with the B&B because *“Gerry is retired, we’re retired from the farm. We have our farm rented out, so he is able to give me a great deal more time now.”*

Janet moved to Goderich in 1979 from St. John’s, New Brunswick with her husband Doug, who had accepted a job transfer to the town. She said, *“I was very glad to move out of there. That was my husband’s home town, but it was foggy and cold, and that was summer time”!* After a number of years living in Goderich, Janet decided that she wanted to put the extra rooms in her house to good use and opened her home as a B&B in 1997. Janet primarily does the B&B work but *“occasionally Doug’s around and he’ll help out with beds, if it hits the time he’s here.”*

Mary and her husband Dave both grew up in Goderich, but had moved around the province after they married. In 2006, the couple moved back to the town with their family. That summer the pair purchased a property with a long past. Mary said, *“it was once a hotel, and between being a hotel, being a store and being a restaurant which it is now I’m going to guess it’s had round about 10 owners.”* The following summer the couple purchased their second restaurant which is much more seasonal than the first.

Tanya, like Mary, grew up in the area, moved and later returned to Goderich. In 2003, she purchased a well-established café that had been in operation for 25 years. Tanya said the previous owner decided to move on because *“her children no longer worked for her. That kinda changes things. Like, it seems to work really well if you have kids that work in the store as well. Hers were older and so it was time for her to change.”* While Tanya assumes many roles in the café, she also hires staff, including her daughters, throughout the year.

Colin is originally from Stratford but moved to Goderich in 2000. In 2004 he purchased a seasonal café in Goderich, a business which had been in operation in the community for 15

years. He is responsible for “*the payroll and accounting, and the students sell ice cream and food. They really operate it.*”

Thirteen SMEs have been introduced briefly. For the majority of owners this was their sole career or a way to fill in time during their retirement, however several had other jobs. Many had bought existing businesses. Some had migrated to Ontario from other provinces but others had returned to their place of birth after working elsewhere. In the remaining sections of this paper each owner’s name will be followed by two superscript letters to help identify where they are from and what type of business they own. SA and SF represent participants from Stratford who own accommodations or food and beverage operations respectively, while GA and GF indicate owners from Goderich.

#### 4.2.3 Education and Training of Interviewees

The level of education and training owners had greatly varied. Five of the eleven interview participants (Greg<sup>SA</sup>, Bob<sup>SA</sup>, Bev<sup>SA</sup>, Judy<sup>SF</sup> and Mary<sup>GF</sup>) had owned a business prior to their current endeavour; including interior design, business consulting and IT. While only two (Judy<sup>SF</sup> and Mary<sup>GF</sup>) had owned businesses in a related field, two additional owners (Tanya<sup>GF</sup> and Stacey<sup>SF</sup>) had prior experience in the industry. Judy<sup>SF</sup>, Stacey<sup>SF</sup>, Mary<sup>GF</sup> and Bev<sup>SA</sup> all had university or professional training in the food/beverage and hospitality sector. The remaining owners (Lorraine<sup>SA</sup>, Joy<sup>GA</sup>, Janet<sup>GA</sup> and Colin<sup>GF</sup>) had never owned a business nor had they ever worked in tourism and hospitality. The majority of owners who had purchased their businesses from another owner stated that they had “*picked the previous owner’s brain*” to learn what they could before opening. While seven owners had some exposure to business operations and/or the tourism industry directly, four had no experience whatsoever.

Only one owner mentioned outside training; however he spoke about the opportunities available to small business owners at length. Greg<sup>SA</sup> felt that to a certain extent pride influenced decisions on training and mentioned, “*a lot of us are arrogant enough to think we’re good at what we’re doing and maybe wouldn’t take courses.*” However the primary factor needing consideration was the monetary costs of training. He stated,

*the issue that we’re dealing with is the big boys can afford to send their staff on the courses. The little guys [pause and sigh] if there was a way to offer those types of courses and seminars, if there was a way to get some government help or assistance to go to them. To some degree we’re arrogant enough to say we don’t*

*need the help, but often really it comes down to dollars and cents. Like for my other business I'm going on a three day training course. It's \$2,500 for the course. That doesn't include travel or hotel, all that kind of stuff! Maybe I could come up with the money for the hotel and I could, you know, eat a muffin in the morning for breakfast and go to McDonald's for dinner [makes a sound of disgust]. But if the education was subsidised that would be really helpful.*

While this is just one opinion from the interview participants it highlights several of the perceived barriers to training found in the literature.

#### 4.2.4 Business Planning

Three levels of business planning were utilised by owners; having a full business plan, having a partial plan and having no plan whatsoever. Both Bob<sup>SA</sup> and Greg<sup>SA</sup> expressed their need to have a plan before starting any endeavour. Stacey<sup>SF</sup> created a full plan in order to secure investors but she rarely looked back at it. Her reasoning for this was because

*once you get into your business, it often changes once you realise what's needed. When we moved to town, um, we had an idea of what we were going to do but over the years we've sort of tweaked it and changed it and that really didn't have anything to do with our original business plan.*

Judy<sup>SF</sup> wrote up business plans for herself just to see what should happen business-wise and, like Stacey<sup>SF</sup>, sometimes she looked back at her plans but not consistently. Tanya<sup>GF</sup>, Colin<sup>GF</sup>, Mary<sup>GF</sup> and Bev<sup>SA</sup> all had parts of business plans developed but nothing they considered a 'full' or 'formal' business plan. Tanya<sup>GF</sup> stated that even though she had tried her hand at parts of a plan and had a background in accounting and book-keeping, she was not completely certain what was supposed to be included in an actual business plan. Three female B&B owners, Lorraine<sup>SA</sup>, Janet<sup>GA</sup> and Joy<sup>GA</sup> had no business plan. Lorraine<sup>SA</sup> preferred to "fly by the seat of [her] pants" while Janet<sup>GA</sup> "hadn't the faintest idea of what a business plan looks like." Joy explained that at the time she was creating the business there was little talk of business plans, though she knew in her mind the direction she wanted the business to go. Thus one can conclude that the extent of formal planning varied greatly among operators.

### 4.3 Defining Small Business

The difficulties of defining small business were discussed in the introductory chapter. One of the major stumbling blocks identified by Peacock (1993) was an owner's perception of the size of their business. When asked if they classified their business as a small business, 7 of the 11 interviewees immediately responded with "yes." Bev<sup>SA</sup> classified her B&B as a small business based on monetary terms. She stated, "*it certainly would be from an economic perspective. You know even though we are very busy and we're sort of up at the middle end per night we still haven't broken \$40,000 gross. So it is a small business.*" Mary<sup>GF</sup> was careful to assess the size of her business in comparison to others. She figured, "*compared to a city [we are small], but the restaurant is questionable.... If you look at the number of people we hire, space we take and even our capital, I think we would be classified as a small business.*" When looking at the town as a whole she mentioned,

*in the past few years we've had two or three big businesses...the salt mine which is a huge business and Volvo was a huge business. So comparatively then to others we have small businesses, but if you compare our business to other small businesses we are bigger because of staffing.*

Two participants were reluctant to classify their operation as a business, small or otherwise. Both were B&B owners, one from each study site. Until he received the questionnaire, Greg<sup>SA</sup> never really thought of his B&B as a business. He said, "*I've always classified it as a hobby. Technically it's a business, I of course have to keep books, file tax returns, tax issues, the hassles, the business requirements and licensing requirements but functionally I don't see it as [a business].*" He was also quick to point out that

*I know that it is a business. And it is insulting to some people, I've found, when I say, "Oh no, no, it's not work, it's a hobby" because there are other B&Bers where it is their job. So I don't say it to be disrespectful.*

When asked if she would classify her B&B as a small business, Janet<sup>GA</sup> replied, "*we're being forced to accept the fact that we are a business. I've never really thought of ourselves as that, but the government is legally pushing us in that direction.*" The researcher inquired as to what terminology would better define her B&B and "*a home-based business*" was the reply. Despite being reluctant to define themselves as small businesses both in the end acknowledged that their operations were businesses to some extent.

To gain a better understanding of how owners' perceived the business, each participant was asked to describe how they defined a small business. The amount of money made, staff size and working a lot of hours/giving the owner something to do in spare time were all mentioned.

Bob<sup>SA</sup> discussed the divide between various definitions of small business and mentioned that, *when I work corporately, small is anything less than 500 employees or under \$10 million in sales. In the context of Stratford, a small business is, oh I don't know [pause] anything that does less than \$100,000 in revenue and employs less than 5 people. The Canadian Federation of Independent Business and these other organizations all coined the term SMEs, but even that varies.*

This sentiment largely echoes the problems surrounding comparable definitions discussed in the literature.

Numerous factors, many of which are found throughout the literature, were mentioned while owners defined SMEs. The participants who took the time to analyze the size of their business illustrate the difficulties in determining what constitutes a small business. One of the primary difficulties shown here was the role owner's perception played in determining the size of the business.

#### 4.4a Motivations - Questionnaire Findings

The questionnaire asked participants to select and rank, at maximum, five statements about motivation which for them best completed the sentence 'I decided to run this business to/because...'. Each statement, other than 'keep the property in the family', was selected at least once. Since there were 21 options and up to five motivations could be selected by each participant the rankings do not equal 100 percent. The percentages shown in the following three tables are based on the total number of responses given in the questionnaires, as opposed to the number of respondents. Table 4.5 outlines the five most common motivations for both study sites. When looking at each site individually, some differences can be noted. Table 4.6 provides the motivations for Stratford's respondents and Table 4.7 highlights the results from Goderich. While the majority of participants selected the statements provided on the questionnaire, several utilized the 'other' category to better express their motivations for starting/running the business. Written-in responses included, *I loved the shop that was for sale and didn't want to see something happen to it*, *change from a previous career*, *I loved the business because time*

**Table 4.5 Motivations for Operating a SME: Both Study Sites**

<i>Motivations</i>	<i>Both Study Sites (%)</i> (N=325)
Be my own boss	10
I found the industry interesting	10
Provide me/us with a challenge	9
Work from home	7
Provide retirement income	6

**Table 4.6 Motivations for Operating a SME: Stratford**

<i>Motivations</i>	<i>Stratford (%)</i> (N=220)
I found the industry interesting	11
Be my own boss	10
Provide me/us with a challenge	10
Work from home	7
Enjoy a good lifestyle	7

**Table 4.7 Motivations for Operating a SME: Goderich**

<i>Motivations</i>	<i>Goderich (%)</i> (N=105)
Be my own boss	12
Work from home	8
Provide retirement income	7
I found the industry interesting	7
Provide me/us with a challenge	7

*went by so quickly*, *I was ready to go back to work*, *provide summer jobs for our children*, *was a job when I was working for others and couldn't believe I was getting paid for it*, *I love to cook*, *I'm a great cook*, *wanted to work year round full-time*, *easier than entertaining house guests*, *the town was looking for a business to be operated in this area and it was a*

*natural extension of our current business*, *'had extra rooms I wanted to use occasionally*', *'to (minister) reach out to others*', *'to receive a tax break*', *'it was the right opportunity at the right time*', *'easier lifestyle*', and *'I am well organised*'. It should be acknowledged that the percentages mentioned above represent only a small number of respondents and the responses of one or two individuals can easily change the order. Perhaps what is most important to recognise from these selections and the statements listed is that motivations vary and making money was not usually the primary goal.

#### 4.4b Motivations - Interview Findings

Numerous motivations were mentioned by participants on why they first decided to start their business. As in previous studies, the list of motivations can be loosely grouped into two categories: lifestyle motivations and financial motivations. Lifestyle motivations were most prevalent in discussions and topics included owners interest in the industry, how running the business fit in with their lifestyle, the need or desire to change careers and a wish to live in the area. Financial motivations were reported by three of the participants in conjunction with their lifestyle motives. Judy<sup>SF</sup> was the only owner not able to identify her initial motivations for getting involved in the food and beverage industry since she had been working in the field for so many years. The remainder of this section examines each of the listed motivations in greater detail.

##### 4.4b.1 Interest in the Industry

Six interview participants mentioned an interest in the industry as a motivating factor for starting their business. After Bob<sup>SA</sup> made the decision to move to the community he used his B&B as an *"entry point, you know, to what is unarguably our largest economic sector in Stratford which is tourism.... Getting involved in the tourism industry would be something that would be very interesting; it had some appeal to it."* Lorraine<sup>SA</sup>'s initial inspiration to start a B&B grew from the experience she and Jim had while staying at a B&B for a wedding anniversary. After returning home, she thought, *"[this] was something I could do, and do well. I like to meet people. I like to cook. I like to bake. I don't really like housekeeping but I do it, it's my job [laughs]."* Joy<sup>GA</sup>'s motivations for starting her B&B revolved around an interest in the industry in addition to her need for a new career. Section 4.4b.3 discusses changing careers as a motivator in more depth. Stacey<sup>SF</sup>'s interest in the industry came from prior work experience. As a teenager

working at a restaurant, it was her manager who initially inspired Stacey<sup>SF</sup> to consider this path for a career. She said,

*I just thought [my manager] was such a neat person and she made her job seem like it was fun and interesting and I thought 'Hmm, that's maybe the way I want to go, doing something like this line of work'. That was my initial inspiration to come into this field.*

Tanya<sup>GF</sup> appreciated the creative aspects that went hand in hand with running a café. Compared to previous jobs she knew while running a café “*you can be a little more creative. You always have to be thinking of what you can do next and what you can change, how you can change your windows. There's lots of things to think about.*” When asked about his motivations, Colin<sup>GF</sup> simply stated, “*I really liked the idea of being about to serve people in the industry. I like that we get to serve the public.*” Each owner reflected a unique interest in the industry spanning the economic-lifestyle divide.

#### 4.4b.2 Fit with Lifestyle

For Bob<sup>SA</sup> and Janet<sup>GA</sup>, the convenience of running a business from their home had significant appeal. Since Bob<sup>SA</sup> already ran a business from his home, he felt running a B&B when he was not busy corporately would help fill in his down time. He said,

*it would allow me to do my other work as well. And because it was seasonal, it allowed me to be very busy in the summer when I'm, I'm not that busy corporately.... A lot of my [corporate] work is project-based and in the summer it's fairly elastic. So I'm able to focus on doing [the B&B] in the summer when everyone else is on vacation mode and then, you know, in the fall when [the B&B] winds down, people [corporately] are anxious to get things done before year-end... so it works out well.*

In Janet<sup>GA</sup>'s case, the spare rooms in her house offered her a way into the industry. She described the creation of her business this way,

*we had empty rooms. We had, um, had moved to Goderich and we had moved into the basement because we couldn't handle the heat of Goderich summers. And then, you know, a few years later we actually got air conditioning and the upstairs bedrooms were empty, just sitting there. So we decided we would use them.*

After Janet<sup>GA</sup> retired, her mother who required constant care, moved in with the family. She found that *“the bed and breakfast and taking care of my mother meshed perfectly with my retirement. Everything came together at the right time.”* Mary<sup>GF</sup> and Dave had been casually looking for a restaurant in Goderich ever since they started having children. One day their real estate agent called the couple to show them a restaurant and *“it was a good fit. It was a good fit and a good time.”* Despite the large adjustment from the businesses they were accustomed to running, family circumstances at the time made the transition to running a larger restaurant easier. Mary<sup>GF</sup> explained, *“our children were all finished high school; they were all off to university, so they had left the nest. And we were in [pause] it was a good time in our business life to do this. It just worked.”* Flexible hours and the right timing in owner’s lifecycle’s were the two principal factors which drew the owners towards running tourism SME.

#### 4.4b.3 Career Change

A need or desire for a new career was mentioned as a motivation by four of the female SME owners. In addition to her personal interest in the industry as mentioned earlier, Lorraine<sup>SA</sup> was looking to *“switch gears”* and get out of the health-care field. Bev<sup>SA</sup> previously worked as an interior designer, referring to that as her *“real career,”* but towards the end of her business life, she went to run a business for a non-profit organization. She explained her experience there as follows,

*although it was not-for-profit it was incredibly stressful and I was working enormous hours weekly, yearly for most of the years. And I had a large staff. I had over 100 employees. You end up as opposed to doing what you thought you were going to do, you end up doing a lot of human resources. It takes a huge amount of time and energy and it is very stressful, hugely stressful. I hated it so I wanted to leave. You [pause] really when you have a work force that large, there’s all these enormous responsibilities and possibilities that are very stressful. I wanted something where I didn’t have employees anymore!*

For Joy<sup>GA</sup>, starting the B&B was a turning point in her career and life. Prior to the B&B, she was a school teacher and had been trying to keep an extremely busy farm household running. The constant work eventually took its toll and *“everything came to a sudden stop for [her].”* She had developed severe arthritis and Crone’s disease followed by Ileitis and found herself in the hospital for months at a time. As a self-described *“people person,”* being put on bed rest was

unimaginable. Around the same time, she and Gerry were celebrating their 25<sup>th</sup> wedding anniversary and decided to go to North Bay, Ontario to relax. It was while on vacation there that the notion of starting a B&B came to Joy<sup>GA</sup>. She said,

*Gerry bought the paper every day and on the front page was a North Bay [pause] B&B North Bay and area [advert]. It was just a small thing. Oh, I would say 3 inch square on the front page. Well, of course, I picked up the paper. I was sitting by the pool. June 8<sup>th</sup> was the date and it was cool it wasn't really warm. And, well, there was only one article that hit me and it was that [B&B advert]. It just stayed with me. I read it and read it and read it [laughs]. That was the seed that planted the idea in my head because that was a people thing. I wasn't well enough to go back to school then [pause] well I was pretty much told I had to quit and take care of my health as I was doing far too much. So with a B&B the people would come to me!*

Tanya<sup>GF</sup> was also interested in a change of career. Prior to buying the business, she had worked as an interior designer and then moved into the accounting field. When asked what her motivations were for starting this endeavour she stated, “*I guess what I really liked was being my own boss. Making your own hours, at least if you're working after hours you're doing it for yourself rather than a paid job when you're unpaid for doing that.*” While the autonomy of working for your own business was a mentioned, health factors also played a motivating role for owners who wanted or needed to switch careers.

#### 4.4b.4 Desire to Live in the Area

Mary<sup>GF</sup>, Bob<sup>SA</sup> and Greg<sup>SA</sup> all mentioned wanting to live in the area as one of their motivations for opening their business. In Mary<sup>GF</sup>'s case, her motivation for entering the business was “*not so much the industry, it was the place.*” She said,

*this is my hometown and Dave loves the area. He loves the lake. We've always lived on water, except when we lived in the middle of Toronto. Um, he was very interested in moving back here and we knew eventually we would end up back in this town. We've looked for businesses probably since we started having children. We looked for businesses that might, we might be able to operate and operate successfully and live here.*

When asked what first motivated him to open a B&B in Stratford Bob<sup>SA</sup> replied, “because I wanted to move to Stratford first and foremost.” During the search for his B&B, Bob<sup>SA</sup> made sure to find a place that he would love long after he closed the business. While discussing this process he said,

*I bought [the house] to live in. I bought it because I like it. I liked the space. I had it professionally decorated, you know, so that it would appeal to the people staying here but also that, you know, it reflected my tastes obviously. I knew that I wasn't going to have strangers in here all the time so I could do some different things with the property. But I did buy it with the plan to do this. I thought I would [run the B&B] for five years.*

While Greg<sup>SA</sup> and Margaret had lived in Stratford since the 1980s, Margaret wanted to move out of the neighbourhood they were living in originally. He explained the initial motivation to purchase the B&B as follows,

*when we first bought the place, Margaret said, “it was my dream”. That's what she was telling friends and family. And the reality is it wasn't my dream. It was, the initial motivation was we had, uh, a big farm house on the other side of town, in town, and, uh, in a very 'interesting' neighbourhood and a great mix of people that sometimes posed neighbourhood politics. I'm being polite [laughs]. We had an issue and Margaret, for oh three years, was just saying, “we've got to get out of this neighbourhood” and I kept saying, “no, no, no, the house is already paid for, we're still a ways from retirement”. Being a private consultant, I don't have a golden watch sitting out there for me after 25 years so what I finally said to Margaret was that if we are going to move, we have to move with something for the future.*

From the initial desire for a change of location, purchasing the B&B became a retirement investment for Greg<sup>SA</sup>. Such economic motivators will be discussed in the following section.

#### 4.4b.5 Financial Motivations

As Greg<sup>SA</sup> and Margaret were contemplating moving from their old neighbourhood, they looked at a number of ways of generating income. While investigating different types of income properties he found “apartment buildings are far too much work and there are way too many regulations in place.” Later on, a friend of the family who was a real estate agent showed Greg<sup>SA</sup>

a premier B&B in town that was for sale and Greg<sup>SA</sup> liked what he saw. When the house he now owns came on the market he thought,

*okay, well, if we have to move from the neighbourhood then I wouldn't mind this as an opportunity because it can be a generator of income and it's a sizeable property. It's going to increase in value so even if we use it as an investment we can sell years down the road. So it was really purchased for retirement investments... whether we stay and kept working it or whether we [pause] I worked it until we sold it and then used the profits for retirement.*

Bob<sup>SA</sup> was motivated to purchase his B&B for the “*financial advantages you are able to tap into when running a home-based business, particularly a B&B.*” One advantage he was quite keen on was being able to write off home renovations, which were done extensively once he took over the business. Greg<sup>SA</sup> also mentioned some of the fun business expenses related to his business, including dinners to try restaurants’ new menus and two tickets to each Stratford performance he wanted to attend. He said, “*I truly believe that is a valid business expense. I can't very well suggest you check out a restaurant or give my honest opinion on a play if I've not been.*” In Janet<sup>GA</sup>'s case, the extra money created through using her home as a B&B went to help pay her taxes and offered her two daughters employment in the summer when they were younger.

Overall, finances played a small role in participant motivations. Of the three owners who mentioned financially based motives, Janet<sup>GA</sup> was the only owner who considered it her primary motivation. Despite the relatively small number of financial factors mentioned it is important to note that both lifestyle and economic factors can motivate an individual to start or purchase a small business.

## 4.5 Measuring Success

### 4.5.1 Questionnaire Findings

In addition to motivations, the questionnaire explored how participants evaluated success for their business. It asked owners to select and rank, at maximum, three statements about success which for them best completed the sentence ‘For me, a successful business is one that...’. Each statement, with one exception - ‘gives me a fast return on my investment’, was selected at least once. . Since there were 10 options and up to three measures of success could be selected by each participant the rankings do not equal 100 percent. The percentages shown in the following table

are based on the total number of responses given in the questionnaires, as opposed to the number of respondents. The top three measurements selected by participants are presented below.

**Table 4.8 Measurements of Success**

<i>Measurement of Success</i>	<i>Both Study Sites (%)</i> (N=195)	<i>Stratford (%)</i> (N=132)	<i>Goderich (%)</i> (N=63)
Makes me happy	26	25	27
Makes the customer happy	22	23	21
Makes a profit year after year	16	15	19

Though the happiness of both the owner and their customers was selected most frequently across participants' three choices, the most highly ranked number one measure of success was that the business makes a profit year after year. Participants utilised the 'other' category on several occasions. Written-in responses included: *'provides a venue for meeting new people'*, *'exceeds industry standards (i.e. CAA ratings)*, *'funds home renovations'*, *'inspires others'* and *'is a great place to live and raise a family'*. Similar to the section on motivations, it should be acknowledged that the percentages mentioned above represent only a small number of respondents and the responses of one or two individuals can easily change the order.

#### 4.5.2 Interview Findings

All participants measured the success of their business in one, or through a combination of the following four ways: making money, number of repeat guests, having a positive reputation and the level of happiness and joy that working the business brought them. Of the 11 participants, 10 mentioned monetary factors for evaluating business success; Stacey<sup>SF</sup> was the only owner who did not use financial indicators. Instead, she based her evaluation of success solely on the positive reputation that the business had in the community. Repeat guests as a measure of success was mentioned only by B&B owners, however Janet<sup>GA</sup> was the only B&B owner who did not use this to evaluate her success. For Janet<sup>GA</sup>, monetary factors were more important in determining her level of success. Each category will be examined in more detail in the following sections.

For several owners (Bob<sup>SA</sup>, Bev<sup>SA</sup>, Lorraine<sup>SA</sup>, Tanya<sup>GF</sup> and Colin<sup>GF</sup>), being successful in business meant having more take-home earnings than in the previous year. Two owners also mentioned success meant not losing money. Greg<sup>SA</sup> stated,

*most of us rate success as we broke even this year, we didn't lose money and we had a good time doing it. If I break even, I figure I've had a successful year. I've been fortunate in that I've surpassed breaking even every year so far [knocks on the table with his knuckles].*

In Mary<sup>GF</sup>'s case, she felt, “*financially - I think it has to be a fairly big factor. You know, are you able to operate the business on business intake? And yes, we can.*” For Judy<sup>SF</sup>, Janet<sup>GA</sup> and Joy<sup>GA</sup> having money to pay bills or for little extras was how they measured success. Janet<sup>GA</sup> said, “*when we started, if it paid for the taxes on the house, we were quite happy. Now, if it pays for the renovations we're quite happy. As our expectations have increased our income has increased.*” She also mentioned,

*we don't depend on the money from the B&B. It's not our main income. It does extras for us. So if we make extra money one year we can do extra things. If we don't make extra money, well we just don't do the extras.*

In Joy's<sup>GA</sup> opinion, despite having enough business to take care of mortgage payments or the occasional renovation she found “*with years of experience you realize you cannot make money from a B&B.... If you were sitting in Florida on a beach you might be able to, but that doesn't happen here because of the winters.*” Though economic measures of success were cited most frequently by owners, only modest returns were anticipated or desired.

Nearly all bed and breakfast owners agreed that having returning guests was the “*key to success*” (Joy<sup>GA</sup>). Lorraine<sup>SA</sup> figured that she was “*obviously doing something right*” when guests came back to her B&B. Both Greg<sup>SA</sup> and Bob<sup>SA</sup> were eager to inform the researcher that, according to them, their B&B establishments had some of the highest return rates in the Stratford. Bev<sup>SA</sup>'s aim for her B&B was to have a high proportion of repeat clients and estimated that 65 percent of her business was from repeat guests. She was quick to point out though

*ultimately Stratford does attract a lot of people back year after year, where a B&B in like the Waterloo area, where there is a lot of business travelers, would be dependent on the type of business it is. It might be that repeat business is not as high [with clients like that].*

Measuring success in such terms can be related to both relationship building (lifestyle motivations) and economic motives. Since the small accommodations industry is a “*business of personalities*” (Bev<sup>SA</sup>) repeat guests would indicate success in building personal relationships

with the clients. Repeat clientele may also represent a near guaranteed source of income for owners.

Greg<sup>SA</sup>, Bob<sup>SA</sup> and Stacey<sup>SF</sup> each linked a positive reputation with a successful business. In addition to measuring success through high occupancy rates and return guests Bob<sup>SA</sup> said,

*I wanted a place that was desirable to people. It's the type of place [pause] it's a higher-end property you know? It's more expensive than a lot of other places. My vision for when I started was the kind of place that I would want to stay in.*

*Frankly I would never stay at a B&B. But I wanted to have it reflect the better places I stayed in while on business travel, the amenities and things like that, to be successful, for my own pride of ownership I guess. And to have a reputation as being, you know, one of the better places is what I set out to do.*

Having a positive reputation was the only measure of success Stacey<sup>SF</sup> mentioned. She stated,

*it's, um, very important we get feedback from our customers that we're doing a good job and we're giving them what they want and what they need. And, um, for us it makes us feel proud or successful when we get feedback from people who say they think that we're doing a good job and providing a good product at, you know, fair prices and good service!*

While she speculated that measuring success this way would be common throughout the restaurant industry, Stacey<sup>SF</sup> felt a positive reputation was more important for her business given that she operated in a relatively small community.

For Judy<sup>SF</sup> and Greg<sup>SA</sup> the primary measure of success for their businesses was based on their level of happiness while running the operation. For Judy<sup>SF</sup>, not only did she have to be happy but so did her employees and guests for the business to be successful. Keeping staff happy is discussed in slightly more detail in section 4.6.3. When initially asked how he defined success for his B&B Greg<sup>SA</sup> explained, *"this is going to sound hokey [pause] but happiness. For me it's, it's the joy that I get out of it... I would say that is priority number one."* Like Judy<sup>SF</sup>, Greg also mentioned that the happiness of his guests was a statement of success. In addition he commented, *"it's just so damn much fun! I've always said that if [running the B&B is] not fun I'm going to sell it."* Despite this being the most common variable selected in questionnaire results, only these two interview participants mentioned happiness as a measure of success.

Just as motivations were varied between participants so to were their measurements of success. While motivations were primarily lifestyle oriented, measuring the success of the business was more focused on economic factors. Though repeat guests and having a positive reputation were discussed in terms of the personal relationships gained, they also have the potential for financial benefits for owners.

## 4.6 Experiences Running the SME

### 4.6.1 Changes in the Industry

A number of changes were discussed by all interview participants. Topics mentioned were grouped into three categories and will be discussed in turn: general changes in the industry, changes with owners and changes with tourists. At the time interviews were taking place (2009), a number of global concerns were affecting the tourism industry at large. When asked what differences they saw in the community with respect to tourism, both Greg<sup>SA</sup> and Lorraine<sup>SA</sup> produced a list of factors that had been affecting tourism for a number of years: on-going wars, the SARS outbreak in 2003, gas prices, the exchange rate between the American and Canadian dollar, and the recession. Many participants shared how these factors had affected their community or their business. Bob<sup>SA</sup> reflected on tourism in the area and said, *“I think anybody that’s really involved will tell you that, um, the seasons are shorter and tighter. There isn’t as much business. In years gone by, predating my involvement, July would be much busier than it is now.”* In terms of how these factors have impacted his business he stated, *“the market has definitely been softer. A lot of people suffered last year but I was getting more than my share of business. Bookings may have dropped because my rates went up so much but it’s been very solid.”* Bev<sup>SA</sup> felt the HST tax now being implemented would limit already financially-strapped tourists and force owners think in new ways. She said,

*we have a large number of returning guests and that has really impacted how we’re going to manage our business this year because they’re having anywhere between a \$9.50 and \$11 increase on the gross price of their room even though the net rate is exactly the same. For our returning guests, if they are coming for three or four days that’s a big jump. So that means you have a whole lot of other financial decisions you’ve had to make in connection with that: thinking about*

*retention and what you're going to charge, and whether or not you can afford to put your rates up and how much things have gone up.*

Restaurant owners from both study sites reflected a more positive tone when discussing global issues. Tanya<sup>GF</sup> noted that while there have been challenges, Goderich perhaps had not suffered as much as some other places due to the nature of the tourism industry. She said,

*there were a lot of things going on financially all around us, the recession and all the rest of it, so that has changed. So it's been a little tougher but you've got to know that it's [pause] hopefully it's coming back up again, but not much you can do about it. Now having said that, a lot of the people that come from the States have cottages here so it's not like they would not come because the gas price was high or the exchange wasn't good for them and stuff as opposed to a tourist that would not come because they'd have to rent or um stay at a hotel and eat out and stuff.*

Both Colin<sup>GF</sup> and Mary<sup>GF</sup> felt that despite everything that had occurred, the tourism industry in Goderich was steady and strong. When asked if she had noticed any differences in the tourism industry in the area, Mary<sup>GF</sup> responded by saying,

*that's a good question. I think our business, not so much. We still have a lot of, a lot of people that come from out of town. We have a lot of people that come from smaller communities around us and we have a lot of people in the summer time that are from the States. We have a lot of Americans that are off boats; you know they come in with their boats, that sort of thing.... So I think that, no, our businesses we've seen the same. Our tourist [pause] our tourism is pretty strong here.*

Judy<sup>SF</sup>'s restaurant had only been in operation for one summer at the time and felt she could not really comment on differences in the community. She had heard, however, that it was a difficult year for most of the tourism operators and was happy to have made it through her first year despite the challenges in the industry. For Stacey<sup>SF</sup> the changes were minimal. She said, “*our business is down slightly in the summer months than it was in our first couple of years but not enough to, um, it's not a, I know some places are suffering more than we would have.*”

Lorraine<sup>SA</sup>, Greg<sup>SA</sup> and Joy<sup>GA</sup> all commented on the number of tourism businesses they noticed in town. Lorraine<sup>SA</sup> felt that “*a lot of businesses are down. There's a lot of shops up town that*

have closed, so retail has suffered” and Greg<sup>SA</sup> noted, “every year the number [of B&Bs] significantly decreases.” On the other hand, Joy<sup>GA</sup> found that in Goderich “there are many more B&Bs than there ever were.” Despite similarities in other regards, national and international occurrences seem to have affected both the study sites and industries differently.

Aside from the impacts of the changes in the global economy, three other changes to business operations were noted by the participants: advertising, technology and the type of individuals who were opening businesses. Janet<sup>GA</sup> acknowledged that “people are advertising more” but that was not her strategy; “...we’ll just take who comes thank you very much.” Bob<sup>SA</sup>, however, felt that this style of advertising was on its way out. He said,

*that’s waning in importance, a lot of people just simply, you know, took out a little classified ad in the Festival Visitor Guide and sat back and waited for the phones to ring and for the Festival to book rooms for them. And that’s less and less the case.*

The ever-increasing use of technology in the industry was also mentioned by several interview participants. While some owners still employ a binder and paper trail method of keeping track of bookings, for Greg<sup>SA</sup> technology is “total survival! I knew there would be no way I could handle [either of my] businesses without being automated.” Bob<sup>SA</sup> found that “the internet has had a huge impact on, on how people research their trips, their accommodation, their expectations, their communication in general.” This was true for both Lorraine<sup>SA</sup> and Janet<sup>GA</sup> who stated that the majority of their room bookings were generated online (estimated 75% and 95% respectively). Greg<sup>SA</sup> also mentioned how tourists, and not only business tourists, are expecting wireless internet access while on vacation. Three of the B&B owners and one restaurant owner in Stratford brought up the growing differences between ‘old style’ and ‘new style’ business owners. According to Bob<sup>SA</sup>

*there’s been a fundamental change in the bed and breakfast setting in this town, in the type of operation that is successful versus the types of operations that were successful in the 60s and the 70s and 80s into the 90s. It was a hobby; it was something people did when they retired.... It’s more of a [pause] it’s less of a hobby now to be successful. It has to be run more as a business.*

Bev<sup>SA</sup> felt that, to some degree, the younger generations were becoming interested in running B&Bs and that it was moving away from a retirement activity. She stated, “there is a shift where

*younger people are getting involved in the business versus it being a retirement business. There's only a subtle shift. They're prepared to take the time to invest in it.*" Greg<sup>SA</sup> noticed that B&B owners were increasingly more like him in that they owned and operated a B&B as well as had a job outside of the home. As was previously mentioned, technology is playing more of a role in the industry and has become a differentiating factor between the two styles of owner. Bob<sup>SA</sup> felt that,

*four to five years ago when I started, you know, there were a lot of people who didn't really understand, didn't have a clue how to set up a website; still a lot of them around. You know, struggle with email and of course you will miss a lot of business that way because a young person or middle-aged person who wants to book right now will want to communicate with you online. People weren't prepared for that, didn't understand how to do that. The people who are opening, who are starting now, do tend to be a bit different. They have a better understanding of the internet and so on and so forth.*

According to Bob<sup>SA</sup>, business experience was one thing these two styles of owners had in common. He felt that many 'old style' B&B owners did not have much business sense and that there was "*not much science behind pricing, around a lot of their understanding or opinions or um, just general practices on how they operate the business.*" However, Bob<sup>SA</sup> also noted that for some B&Bs

*there are a few, a few B&Bs that have opened this year where people have located to Stratford, who, like me, have no experience doing this, not all of them with a business background. So you see them struggling a little bit trying to understand how to run and organise it.*

In Stacey<sup>SF</sup>'s opinion most people who enter the restaurant business have been inspired by someone. While inspiration is still a key factor, Stacey<sup>SF</sup> felt that where new owners get that inspiration has changed. Of this difference she said,

*usually in my experience there's been somebody who's inspired [older owners] to come into the business, whether it be a mom, like, you know our chef; he used to spend a lot of time in the kitchen with his mom and that's how he ended up going this route. For both Chris and I, we worked with people that were in the business and sort of inspired us. Um, now today I'm sure it's a lot more [pause] people*

*are getting inspired a lot more from the Food Network. I think we've had a few co-op students and whatnot, I think that's where they get their inspiration from. Watching different shows on the Food Network makes, you know, this industry look [pause] as long as they're not watching that guy, that mean guy, Hell's Kitchen [laughs]! But if they're watching any of the other kind of baking/restaurant type shows it kind of makes everything a bit um[pause]it makes it look a little bit easier and more glamorous than it really is more of the time.*

Adopting a more aggressive marketing style, creating a greater online presence and younger owners were changes in the business B&B owners noted. For the food and beverage industry, increased exposure to culinary programmes, on television or academic courses, coupled with technological advances are changing not only who comes into the industry, but also how they operate their businesses.

While discussing tourists and their behaviour, changes were noticed in three main areas: who is traveling, how they are travelling and how they are dealing with price increases. Over the years, Greg<sup>SA</sup> noticed a slight shift in the ratio between American and Canadian guests at his B&B; *“when we first started it was about 60/40 American to Canadian. Then we went to a 50/50 split and we're around that now.”* Both Bob<sup>SA</sup> and Tanya<sup>GF</sup> noticed a decrease in long-haul travel. In addition to this, Tanya<sup>GF</sup> also felt there were fewer day trippers than in previous years. She stated,

*I don't think we have as many day trippers, like people in the area who'd just come in the fall. We still get some decent weather in the fall. You'll usually have people from out of the area come through. There will be a group of people and you can usually tell they've just come in to do the town. But I don't think there was as many this fall.*

For restaurant owners, noticing the difference between tourists and locals proved to be more difficult. Colin<sup>GF</sup> stated, *“I'm sure some people who are not tourists come down for lunch quite a few days a week. On the other hand, there are a lot of others who come in from out of town, so it's hard to analyze who to consider a tourist.”*

Two of the B&B owners in Stratford noted changes in how tourists are traveling. Greg<sup>SA</sup> found *“a lot more people are doing a lot more of their own work and more and more people are*

*calling on their own and doing their own research and checking out the stuff themselves.” This sentiment was echoed by Bob<sup>SA</sup> as he stated, “people are less inclined to let somebody [book rooms] for them. They travel; they’re using sites, booking direct, doing a lot of internet research and comparing their shopping.” Both Greg<sup>SA</sup> and Bob<sup>SA</sup> mentioned that travel plans are not made as far in advance as they used to be. Greg<sup>SA</sup> stated,*

*for the first three years of business, guests would book six to seven months in advance and if you didn’t, you didn’t get a room. It was incredible! It was so much easier to, you know, do bookings and know what my summer was going to be like. Well now they may call three or four weeks in advance and still be able to find rooms.*

Bob<sup>SA</sup> also brought up the increase in shorter-term planning and how other communities and sectors in the tourism industry were noticing this trend as well. He said,

*I listen to CBC in the morning in the kitchen and they were interviewing a guy who is in charge of Tourism Kingston. He said exactly what we have been seeing here: people are booking later, closer to their trip date, more spur of the moment. It’s shorter stays, it’s less planned. And the accommodators here and the tourism operators here have really noticed that. The Festival has noticed that their sales have tended to be less in advance. And so it’s more people looking for last minute types of things*

That being said, Bob<sup>SA</sup> also pointed out that a select group of clientele still plan months in advance; *“people will still book August a year in advance. When they arrive they say ‘Now we’re definitely coming this weekend again next year so can you put us down for it?’. They do that because they’re serious theatre people.”*

While the increased cost of travel, real and perceived, was mentioned only by Greg<sup>SA</sup>, it was evident that the issue was of some importance to him as it was brought up at multiple points during his interview. The increased costs he mentioned included the Destination Marketing Fee, the phasing out of the GST rebates for tourist purchases while visiting Canada from abroad, the Shakespeare theatre restructuring their seating plan to include more expensive seats and the economic downturn occurring at the time of the interview. In his opinion this higher cost of travel affected all potential tourists and, as a result, they were being more selective with their travel plans. For tourists with a lower price threshold he speculated that

*some of the smaller B&Bs where they are just taking a room or two for \$40 or \$50 a night, I'm guessing, I don't know this for a fact but I'm seeing that there are a lot less of those bookings because it is hitting in where like "Oh jeeze you know, now it's just too expensive". They may come back but they're not going to come back for three nights. They may only stay for a day or one night.*

He also found that his affluent guests were scaling back on their traveling as well;

*I mean some of the guests are rather affluent in the States. I have presidents of universities and directors of Fortune 100 companies come here. These people can afford it but they're still decreasing the days of stay. They're tired of it all, you know, just sick of it.*

A number of changes were noticed by the owners dealing with the guests coming to town. With many of the changes occurring globally, even wealthy tourists have been scaling back their activities and are not travelling as far as before. With advances in technology and the availability of information tourists are increasingly more inclined to book their own travel and are doing so closer to their date of arrival.

#### 4.6.2 Relationship Building

Building relationships was important to owners not only in terms of their patrons but also with the community and the tourism industry. All B&B owners, as well as three restaurant owners, discussed how they built relationships day-to-day. While much of this discussion was positive, some negative aspects emerged, primarily while dealing with patrons. Each of these topics will be examined in the following sections.

The process of building long-term friendships over time with repeat guests was the most frequently mentioned positive relationship building experience for a number of B&B owners. Lorraine<sup>SA</sup> said, "*you really do get to know your guests, especially your repeats and they become friends. You really do meet a lot of fun and interesting people.*" She continued by telling a story about the hospitality of one of her repeat guests while she and her husband were travelling;

*we went down to Ohio in March and on our way back we came up through Michigan and a couple who stay with us they said, "any time you're down call us"! They were here in January and I said we might be coming down and the invitation was there and so we stayed with them and it was great! I didn't charge*

*them for January [laughs] I figured if I'm staying with them I can't say, 'well here's your bill. By the way can I stay with you?' So that was sort of a trade-off.*

The process of connecting with guests was one of the highlights of the business in Lorraine<sup>SA</sup>'s eyes. She said,

*a lot of times guests will come and have a nice little party out back and it's like 'come join us, sit down and have a glass of wine with us' you know? Things like that make you think you are obviously doing something well.*

Janet<sup>GA</sup> agreed that repeat guests coming to the B&B as friends was one of the major highlights. She mentioned one particular couple who “*have been coming for over ten years and they always bring my husband a big bottle of vodka [laughs].*” She also found that “*fascinating people come to visit. It's just like having family visitors come in every weekend. They're such interesting people.*” While interviewing Greg<sup>SA</sup>, the researcher noticed some pictures on the mantle of his fireplace and asked him about them. He said,

*those are guests! They are the seven sisters. Our first year here they were the first guests that made me feel like a guest in my own home. Wonderful ladies, absolutely wonderful ladies. I take time off work when I know they're coming just because we have so much fun.*

Joy<sup>GA</sup> also expressed very strong feelings towards her guests. She said, “*our home is our home and our guests are part of us and they fit right in as part of our family in no time flat.*” On a similar note Lorraine<sup>SA</sup> also observed, “*it's hard to do business with some of them when they come in*” as they can feel more like family than guests. While interviewing Bob<sup>SA</sup> he made it known it was his last season in operation and was in the process of informing his repeat guests he would no longer be in business. He stated,

*I have some good, loyal people. I wanted to make sure that they were aware of [the B&B closing] so that they weren't surprised or worse: they couldn't plan ahead because they've been coming to the festival. I've let them know as they arrive... so that when they are in town from Vancouver and Michigan they have a chance to, um, look around at different places while they are here as opposed to just finding out next year when they would call and book and find out. So their, their reaction is, “it's too bad because there's nowhere else we'd rather stay”.*

*So, I get a lot of that. And you know, if I want to [close the B&B] I want to do it properly because the people really regard it highly.*

For Bev<sup>SA</sup>, building the personal relationships helped make the “*inconvenience of having somebody in your home, lack of privacy [and] the amount of physical labour and intensity of that labour in a short time*” that comes with running a B&B worthwhile. In her opinion,

*if you don't get the pay-off of the relationship-building with your guests you would burn out faster. I can't imagine if I didn't have the relationship-building and the interesting and unique people that we meet, which maybe we don't meet ever again; whether it's honeymooners from Munich or people from France who didn't drink wine [laugh].*

She also believed that the little gestures made by guests indicated that a real relationship had been developed. Bev<sup>SA</sup> shared a memorable experience for her related to this;

*we have some guests that come from the Michigan area every year and we have developed a very nice, quiet relationship with them. They are in their late 30s, early 40s and they're very socially conscious. They do environmental law and community service law so they don't have a lot of money; they're always very careful with their money. Over the years they have [pause] we've talked about a book one of us enjoyed, they'll mail us books, but this Christmas they mailed us two feathered swans for Christmas. I don't know if you're aware but the swans are one of the icons of Stratford. They had been out doing something and saw these swans. It was nothing to do with their value or, um, anything but it had to do with the thoughtfulness of it and the fact that they had thought of us and it was December.*

One of the major highlights for Judy<sup>SF</sup> was the fact that her restaurant provided simple, homemade, local food to the people of Stratford. She felt that the way the operation was run lent itself to the building of strong relationships with those who came in. Judy<sup>SF</sup> shared a story about a woman who visited her at the restaurant after trying some of Judy<sup>SF</sup>'s cooking. The woman had recently been to a book club meeting that was catered by Judy<sup>SF</sup>'s restaurant. She wanted to let Judy<sup>SF</sup> know how great the food was and that, because she had enjoyed the food so much, she would be coming back to her restaurant. Judy<sup>SF</sup> was touched and believed no amount of money put into advertising would ever bring about that type of connection with her clients. She stressed

how dedicated the people of Stratford were to her operation. Tanya<sup>GF</sup> enjoyed having the regulars and tourists come into her café. She said,

*you get people who come to their cottages and they'll repeatedly come back. Or if they're around for the weekend you'll see them different days of the week which is kind of neat. So there's a, you know, a reason they do keep coming back so that's fulfilling. It's interesting the people who come in. Like in Goderich you get a lot of people speaking different languages. They come in from all over the world! It's like "It's Goderich", like I don't [pause] I don't understand what draws them, but it's excellent. It's great that you get all these diverse people.*

The feedback received by Mary<sup>GF</sup> and Dave from their customers pushed them to continue aiming higher in their business. Mary<sup>GF</sup> explained that,

*every week we hear from people that have said what a great job we have done in the business and I think that positive feedback, that personal positive feedback, has meant a lot to Dave who works extremely hard, far harder than I ever have. So you know, that's, that's what sustains him and pushes him on.*

Building positive relationships was an important aspect for both B&B and food and beverage owners. It not only resulted in lifelong friends but helped to sustain owners' interest in the industry and gave them the perseverance to continue in more stressful times.

Despite the numerous positive encounters, negative exchanges between guests and hosts were also brought up by B&B owners. This section begins with a discussion on mourning and will be followed by the trial and tribulations from the owners' perspective of dealing with guests at a bed and breakfast. As mentioned earlier in the chapter, relationships with repeat guests grow into friendships over time; time progresses, friends age and eventually pass away. Mourning was brought up by four B&B owners. While Lorraine<sup>SA</sup> had not directly experienced the loss of a guest/friend at the time she remarked,

*some of my older customers I haven't seen in awhile. It makes you wonder if they're ill or if they're just not able to travel. Some people come in every other year, um, or they'll come for four or five years and then they won't come back and you kind of think [makes a distraught face and trails off]. Then they'll call*

*back and you say, "Oh am I ever glad to hear from you"! They're still with us!  
But I mean it goes through your mind.*

Joy<sup>GA</sup> and Greg<sup>SA</sup> spoke of guests who had had upsetting experiences prior to coming to the B&B. Joy<sup>GA</sup> shared a particular situation where,

*we sat and cried at midnight with some of our guests that had terrible stories of their lives and they've come through and came to our home as a haven I guess at 10 o'clock at night when they couldn't find anything else. Oh and the stories they told us! We've cried with them at midnight before they've gone to bed.*

Greg<sup>SA</sup> discussed an experience he had with a guest somewhat similar to the scenario Joy<sup>GA</sup> explained. He spoke of two 'problem' guests he had in the past and said this of the second woman,

*the second lady who was the bitch, um, I again very sincerely offered to help her find alternative accommodations and she cried on the phone. Her father had passed away just before she was here the first time and her family said, "no, go on your holidays! He'd want it that way; dad would want it that way". She came [the following] year and we sat up until almost three o'clock in the morning here in the lounge, in these two chairs [where we are sitting now], talking about her dad, crying up a storm. She is one of my favourite people. I mean, ah, I look forward to her coming back every year. And we sit down and talk until two or three in the morning every year. It's wonderful. So that challenge turned into a, I think what's going to be a lifelong friendship.*

Both Bev<sup>SA</sup> and Joy<sup>GA</sup> had lost guests who were friends. Several days before the first scheduled interview with Bev<sup>SA</sup> she postponed the interview due to the fact a close friend, and B&B guest, had passed away and the funeral was to be held on the day of our interview. During her interview Joy<sup>GA</sup> mentioned,

*we've gone to funerals and to the cemetery with some of our guests that we've had to bury. They were lasting friends and, of course, they die. Some of them meant so much to us that we went to their funerals.*

In addition to selling rooms, these B&B owners extended comfort to guests going through hardships and condolences to families of friends they met through their business.

Though the above experiences are unpleasant, there were more testing encounters between owner and guest. While speaking about purchasing the B&B Lorraine<sup>SA</sup> discussed her perception of being discriminated against. Prior to her ownership of the property, the B&B had been run as a gay-friendly establishment. In her experience she found that

*when speaking with the gentleman who owned it before, gay people tend to support gay establishments. So in that respect I found that, because Jim and I are not gay, obviously we're heterosexual, um, we were discriminated against for that reason you know? And I mean I was a little concerned at the time but [the previous owner] said, "don't worry about it".*

Lorraine's experience was unique compared to other owners' interviews, however two reoccurring complaints were personality clashes with guests and items from the B&B being broken or stolen; both of which will be discussed below.

Each of the B&B owners had negative encounters with guests who came to their home. Both Lorraine<sup>SA</sup> and Janet<sup>GA</sup> had guests that they would "choose not to have back" but they were "few and far between." For all the years Greg<sup>SA</sup>'s B&B had been in operation, he only encountered two challenging guests and felt very lucky that was the case. While the one guest was mentioned previously Greg<sup>SA</sup> explained the situation with the second guest as follows,

*I swear to God, the Queen of England could have served her tea and [the Queen] would have done it wrong! I told [the guest] when they called back, they wanted to come back here after complaining so much, I told them very honestly and quite sincerely, "last time when you were here I'm afraid I don't believe I was able to provide you with the level of service I think you really deserve. Can I help you find another facility where perhaps they have someone that can be around more often to tend to your needs?" I thought I was being polite and she got very offended and said, "well I've never been so insulted in all my life" and she hung up on me. So I thought that was great because she didn't come back!*

While dealing with guests in his home Bob<sup>SA</sup> found

*you learn a lot about human nature. It's pretty eye opening. You get a much better appreciation for people and for how hard it is, and for people when they are genuinely nice people and when they are considerate people as opposed to others who quite frankly aren't.*

Joy<sup>GA</sup> spoke about the potential for running into “*doodle birds*” of guests while running a B&B. She said,

*I always get people to sign in; don't leave it till they leave. This goes back to the farm vacation days. We had a separate home and you get people to pay upfront. It wasn't too likely they're going to leave your home in the middle of the night while you're sleeping, but you hear of some wild things that go on.*

Bev<sup>SA</sup> told a story about a couple she took in for one night as their regular B&B choice was not available. She described the woman as a “*royal pain in the ass*” and mentioned that some of her other guests were bothered by the woman's complaints. Bev<sup>SA</sup> continued by saying, “*there was nothing that was different about the level of hospitality from the one guest to the other, other than the fact we just weren't the other B&B. It really illustrates the challenges you have.*”

Lorraine<sup>SA</sup>, Greg<sup>SA</sup> and Bev<sup>SA</sup> all spoke about the eventuality of some of their property being broken or having it go missing. For Lorraine<sup>SA</sup>, being in the hospitality industry meant that you need to be prepared for the unexpected “*whether it's something stolen or something broken or something like that. Things just happen.*” Greg<sup>SA</sup> had a similar sentiment and stated, “*it's the cost of doing business*” but added, “*we've been very lucky. I've had nothing stolen all these years. Last year we lost one of the [decorative] plates on the wall and one set of towels and one set of sheets destroyed by two different sets of guests.*” Bev<sup>SA</sup> had a much stronger opinion on this topic compared to the others. While she mentioned that very few occurrences of theft had happen in the three years her B&B had been in operation, she spoke about some memorable cases in significant detail, as she found these to be a serious affront to her. On multiple occasions Bev<sup>SA</sup> experienced something she called “*dumping.*” She explained this in two ways, firstly,

*we have dishes of candy in every room... and you go up to the room and you find the candy dish completely empty! Which means someone has literally dumped it in their purse or put it in their pocket, right? And somehow you get the impression that they're saying, “I'm taking this because I feel that I bought it and either I didn't get good value for what I paid for or [trails off],” I dunno. You can't really read into it but it was annoying.*

Her second example came from the guest fridge she keeps stocked with bottled water and pop for the guests to use free of charge which “*people have cleaned out, I mean literally taken everything from the fridge.*” She felt that “*it's there for everybody's use and ultimately it's*

*understood that you will use it while you're here, not take it for the rest of the week"! One particular couple not only ripped an expensive chair cover but also stole from her. She said, they left and never dialogued about [the ripped chair cover] and they stole a book. It wasn't a particularly important book... but she actually knew she took the book because multiple weeks later [the guest] sent me a note, not apologizing, not addressing the chair, none of those things! She was an author herself and she sent her PR pieces and said, "I owe you a book next time I visit". Well she is never going to stay here again because I'm not going to accept her booking. I'm just going to be really busy so I can't take her [smiles]. It wasn't an expensive book; it was about the fact that they felt they could do that.*

Bev<sup>SA</sup>'s approach to dealing with these cases is dependent on the guest themselves. In other circumstances she said, *"for the most part if somebody breaks something it's Heartbreak Hotel. They're coming to you and offering to pay for it and you know you're very courteous about it because they've been courteous to you."* She pointed out that the B&B's are a *"business of personalities"* and no matter the steps taken by owners they simply cannot please everyone all the time. While owners may have felt violated at the time, they agreed that incidents of theft or damage in their businesses were not common place.

For several owners the relationship between themselves, their business and the community was an important talking point. As previously stated, Bev<sup>SA</sup> moved to Stratford after a two-year search for the perfect location to operate a B&B. She and Dwayne were looking for a place with a sense of community and inclusion. When talking about their search she said,

*we chose six areas in Ontario that were destinations, very typical ones: Collingwood, Prince Edward County, uh [pause] elsewhere, Niagara-on-the-Lake and Stratford. One of our criteria was we wanted that small town sense of community again. So we didn't go any further than "you know what? I don't really want to live here because ultimately really what this is, is a bedroom community... I don't have any sense that I'll be able to be part of the community so, therefore, I'm not going to look any further."*

When asked if they still got that feeling from Stratford, Bev<sup>SA</sup> responded by saying, *"yes, we love it here. It's actually a privilege to live here."* For both Bob<sup>SA</sup> and Mary<sup>GF</sup> the locale was more important than the industries they were about to begin working in. When questioned as to what

first interested him in the industry Bob<sup>SA</sup> responded, "um, well, 'cause I work from home I thought it would be something I could do here because I wanted to move to Stratford first and foremost," and for Mary<sup>GF</sup> "it was not so much the industry, it was the place." After Janet<sup>GA1</sup>'s husband Doug was let go from his job she said, "we thought about moving from Goderich to where family lives, but we decided we didn't want to move. We like Goderich, we wanted to stay here." Greg<sup>SA</sup> enjoyed living in Stratford and said that his B&B "gives him the opportunity to live in a grand home in a beautiful neighbourhood." Each of the owners mentioned above came to operate their business in Stratford or Goderich for different reasons but it was evident all had a special connection to their community.

In terms of relationship building, being involved with the community was mentioned by several participants. For Mary<sup>GF</sup>, this concept was one of the most important lessons she had learned from running her business. Her prerogative was that to be successful in a small community "you have to be part of the small community. You can't be distant. You can't keep yourself apart. You have to be involved. You have to be part of the community and you have to recognize what the community wants." She was also of the opinion that owners ought to, "you know, uh, enjoy the community. Ask to [pause] listen to the people. Listen to what they want." When Judy<sup>SF</sup> started her restaurant, she envisioned it becoming a positive force within Stratford and a community in and of itself. Her primary goal was to be hands-on with the business, clientele and also suppliers. During the formative stages her business, Judy<sup>SF</sup> was not able to get kitchen space in Stratford but found space in a neighbouring community. As she started cooking at her temporary location and selling goods in the local market Judy<sup>SF</sup> built rapport with people in the area. When she was able to afford a location in Stratford, she already had a loyal customer base and some credibility which she found to be a, "huge plus." While talking about the highlights of running his business Greg<sup>SA</sup> said,

*B&Ber's are spoiled in the city. We get special treatment at restaurants; we get special treatment at shops. I don't know if anyone else will share this with you, but [pause] I know personally I will not give [a guest] a referral to a restaurant just because they gave me a free glass of wine. I'll give a referral to a restaurant if it's a good restaurant. But I've never had problems getting a table at a restaurant. Always very pleasant. They always tend to make a little more time for*

*you then they might for [pause] I mean they always treat their guests well, but there's always that little extra [for people in the community].*

Community service was mentioned in a variety of forms. Examples included Greg<sup>SA</sup>, who in recent years started accepting Stratford Chef School students into his B&B during the fall and winter months as boarders. Colin<sup>GF</sup> and his staff helped with planting projects around town and Mary<sup>GF</sup> stated, "Dave feels that he's got the business under enough control that he now loves to do things in the community, work on other projects." Mary<sup>SA</sup> and Dave's business also helped sponsor events and participated in fundraising drives within the community. This type of community service can serve to strengthen ties in the community; not only are business owners learning about their community, the business name is also being promoted, one hopes positively, in town.

Lastly, five B&B participants and one restaurant owner discussed their relationship with the industry organizations in town in one way or another. Joy<sup>GA</sup> joined a B&B association shortly after starting up her business to learn from those who were already in the industry and, in the end, had passed this knowledge onto others. During the course of her thirty-year involvement in the organization she became an area director and went to inspect homes looking to become B&Bs. Of this appointment Joy<sup>GA</sup> said, "I have helped a lot of people for the farm vacations. I guess I learned [pause] not only learned but helped people in what they needed to do in setting up a place." Like Joy<sup>GA</sup>, Bob<sup>SA</sup> found being a member of various tourism boards was a good way to learn about the industry and to network with owners he wanted to emulate. He stated,

*the reason I got involved with the boards was because I felt it was really important for, for the benefit of all hospitality operators, all tourism businesses, accommodators, to reflect a very professional standard and, you know, so far the best way to learn how to do that is to get involved and to work side by side with people who have been doing it longer, who know more.*

He strongly suggested that new owners get involved locally to network with other owners. Similarly, Lorraine<sup>SA</sup> joined an association right away to network with those in the industry and learn from their experiences. While discussing the meetings she had gone to she said,

*it's a very close-knit community in the B&B industry. A lot of great friends, you can socialize with everybody, you know the odd time you have tiffs with people but you get that anywhere. I mean it's an extremely competitive business but, um,*

*it's also a very good business for networking together and the first thing is always the guest. That's what we all [pause] we all try and make sure we can find them a place because in season, especially August to September, you can't get a room in town.*

Greg<sup>SA</sup>'s experience with tourism associations in Stratford was not as positive as the other owners. When Greg<sup>SA</sup> took over the B&B from Sam and Lindsay, the previous owners, he applied to be a member of a B&B association in town. He explained his experience as such,

*personal opinion here, when I joined I was given membership because I paid for it. I didn't get inspected until [pause] probably five or six months after I was a member. Now that could be because they already knew Sam and Lindsay and already knew the condition of the house. It's a small town, city, but they didn't know I didn't come in here and paint everything black and white and I served junk for breakfast; Fruit Loops and Tang! So it, um, it kind of lost credibility for me there. It's not just Stratford; it's true for any association like that. There's a lot of in-fighting, a lot of people that need to grow up. There weren't a whole lot of services that they provided that were beneficial to me personally. Why would I pay membership just to have a presence on their website when I'm buried in their website? So it became a business decision. I'm no longer a member.*

He also felt that the leaders of tourism boards in Stratford were out of touch with needs and desires of customers and felt they needed to “*get out of their little ivory towers*” to hear what the operators and tourists wanted from Stratford. A comment of Lorraine<sup>SA</sup>'s from above touched on a benefit brought up by several owners; an arrangement between B&Bs of referring customers to one another. Bob<sup>SA</sup> sought out higher-end establishments and made a point of introducing himself to the owners. By doing this he found “*by the end of my first year I was pretty accepted and during the second year I was getting the referrals and was able to refer back to the high-end properties.*” Bev<sup>SA</sup> felt that the referrals were like a B&B community support system for guests “*when you can't accommodate them 'cause they haven't got their act together.*” She mentioned such a support system was also beneficial for operators because, “*you want people to refer to you when you have an empty room.*” Networking was also brought up by Joy<sup>GA</sup> and Tanya<sup>GF</sup>. Several times a month, primarily in the winter though occasionally during other times of the year, Joy<sup>GA</sup>'s B&B is recommended by a man who runs a blacksmithing course as it is close to

his studio. She said, *“this has been going on now for a few years and it has definitely helped the winter, winter business it has. His courses seem to fly fairly well. There is a good response there.”* Tanya<sup>GF</sup> sourced the products for her café locally whenever possible and mentioned, *“I try to work with local suppliers which we continue to do so you know where to get what you need. Our ice cream is supplied locally here in town. They bring it to us on a daily basis. They’re excellent”!* While the majority of industry relationships were beneficial to owners and their businesses, Greg<sup>SA</sup>’s experience highlights some of the problems that can arise while participating in industry groups.

#### 4.6.3 Staffing

All interview participants hired staff to work for their business in some capacity. Of the B&B owners, two (Greg<sup>SA</sup> and Bob<sup>SA</sup>) had staff come in to help accommodate guests, a number (Greg<sup>SA</sup>, Bev<sup>SA</sup>, Lorraine<sup>SA</sup> and Joy<sup>GA</sup>) employed housekeepers and other maintenance workers, two had accountants (Greg<sup>SA</sup> and Lorraine<sup>SA</sup>) and one (Janet<sup>GA</sup>) occasionally sought out technical support for her website. All food and beverage SME owners hired front-of-house staff or staff to deal directly with customers, some (Judy<sup>SF</sup>, Stacey<sup>SF</sup>, Mary<sup>GF</sup> and Colin<sup>GF</sup>) hired kitchen staff and two (Mary<sup>GF</sup> and Colin<sup>GF</sup>) employed managers. While the majority of participants stated they hired their staff from the community, three owners (Greg<sup>SA</sup>, Janet<sup>GA</sup> and Tanya<sup>GF</sup>) employed family or friends as well as hired from the community at large.

Compared to accommodation participants, food and beverage owners spent more time discussing the impact their staff had on their businesses. Both owners from Stratford spoke about the relationship between staff satisfaction and the success of the business. Judy<sup>SF</sup> raised this while defining success. The happiness of her employees was taken into consideration when evaluating how successful the business had been. In addition, staff retention was also an important factor for gauging success. To maintain an enthusiastic workforce, Judy<sup>SF</sup> made sure to get input from her employees regarding what policies were working, areas that could be improved or any other suggestions they had. While input was generally gathered in an informal fashion, Judy<sup>SF</sup> said she did try to organise staff meetings mid-summer to get everyone involved. When asked what had been the most important lesson learned while running a restaurant Stacey<sup>SF</sup> said that there were two sides of the business she considered important: the customers and the staff. She stated,

*sometimes you focus so much on the customer, the business, whatever. But you also have to focus on your staff and give them what they need to enjoy their work, want to come to work and do a good job for you. As an owner, I find if your staff respects you or feels you are taking care of them a bit, they are going to be better at their job looking after customers, which comes back the other way too.*

She followed this up by saying, “*your staff and whoever is working for you are going to make or break your business and make it either easier or harder for you in business.*” Respect also was mentioned by Mary<sup>GF</sup>. While talking about staffing concerns she said,

*this is a position where you have to be very good at what you do to deal with it; both in the kitchen and the wait staff. I have the highest [pause] I didn't realize how complicated it was, and I have the highest respect for anyone that makes this their profession because it is hard work and you have to be smart. I am in awe of the people I work with. They're amazing.*

Challenges with staff members were also discussed during the course of interviews. Controlling staff levels was mentioned by both Colin<sup>GF</sup> and Tanya<sup>GF</sup>. For Colin<sup>GF</sup>, this was one of the main challenges he faced operating his café. He said, “*control is a main challenge, making sure that management is keeping staff at reasonable levels so a) we can give good service when it's needed and b) not have people standing around when the weather turns bad.*” Tanya<sup>GF</sup>'s need to control staff levels was discussed in tandem with her concerns about the increasing minimum wages in Ontario. She stated,

*one of the challenges I find right now is the changes with minimum wage as I do hire students and if you've got two of them working, which you generally do in the evening, and you're not busy, you're putting out a whole lot more than what you're bringing in. So it makes things very difficult that way to judge which hours to be open and make sure they're busy while they're here. But if you don't have people coming through the door you're in trouble!*

The type of people employed was another obstacle mentioned by both Colin<sup>GF</sup> and Mary<sup>GF</sup>. Both had challenges motivating their staff. Colin<sup>GF</sup> noted that “*there are all kinds of people. Some are motivated to do a lot, other are just uh [pause] somewhat less enthused. I guess it's up to the management to motivate them to work.*” Mary<sup>GF</sup>'s issues with motivation were based on staff creativity. She explained

*one challenge is trying to offer menu items that are different, unusual, will attract new customers, will make our current customers say, 'oh that sounds terrific'!*  
*Getting our kitchen staff to kind of find those items, that's been a challenge.*  
*Getting them to kind of use their creativity, because we know they have it; getting them to think outside that comfort zone. That's been challenging.*

Mary<sup>GF</sup>'s advice to a new owner looking to start a food and beverage operation was to “*find good and dependable staff. You don't always get that lucky to have the option of having good staff, which is a challenge, a huge challenge.*” She also wished she had known the staffing trends before starting the business; “*the trends are that people are transient. They're always looking for something better. They quite often see the service industry as a stepping stone... it's something that makes money temporarily while [they're] going and finding [their] real job.*”

Both B&B and food and beverage businesses hired staff; however B&B staff were predominately behind the scenes, not directly interacting with the business, where as food and beverage staff were integral to service provision. Several challenges were discussed, namely cost factors though personality was also mentioned. Generally it was agreed that respect for your staff's happiness and their job help contribute to a more successful business in the end.

#### 4.6.4 The Importance of Customer Service

As both industries require making an impression on patrons for repeat business, the importance of customer service was brought up by several owners. The majority of the discussion revolved around how small actions make big differences in a customer's experience. One of Bev<sup>SA</sup>'s goals was to have each guest leave her B&B having had a memorable visit. When asked how she achieved that goal she responded by saying,

*there's a certain level of hospitality that makes you memorable, more outstanding than another B&B. And if you enter it with that goal in mind, whatever those little extras are going to be, whether they are service or the quality of food or amenities in the room, you are going to develop a clientele because somebody's going to respond to that.*

Tanya<sup>GF</sup> and Stacey<sup>SF</sup> also wanted to provide customers with memorable experiences. Being able to provide good customer service was one of the highlights of owning the business for Tanya<sup>GF</sup>. She enjoyed making every day purchases special for her clients and knowing that they were satisfied when they leave her café because “*it's personal that you could do that for them.*”

In Stacey<sup>SF</sup>'s case, this sentiment was something she had always tried to employ in her life. She said,

*it doesn't matter who comes in the door, you want every person to have some [pause] somehow if possible something special or something memorable or something in their experience that might make them want to come back. And that goes beyond good food and clean dishes.*

Joy<sup>GA</sup> stated that offering high customer service was the only way to get anything in return from the business and without it “all the money in the world isn't going to make your business.” To help jog her memory when guests called, Joy<sup>GA</sup> took pictures of all her guests to add with their contact information. She found this practice “makes my business more personable. It's a help when those names come and well they were here 2 years ago.... The face I know and I'll probably know exactly where they live but what on earth is the name”! While Greg<sup>SA</sup> did not take pictures, he did collect other information from his guests. He said,

*I can't remember everything, especially the newbies. So it allows me to keep statistics on my guests. You know, you drink tea not coffee, you're allergic to milk, um, you have three kids and a dog, you just moved, you took a vacation to Rome last year. So when you come back next year I can ask “So how was Rome”?*

Communication was also big factor for Greg<sup>SA</sup> in terms of customer service. Not only was he present during breakfast service but often he went back home at the lunch hour to be there for the guests and was available after getting home from his other job. In addition to this

*there's always a note pad in the back and my guests know that if there's something [they] need, jot a note down and I will get it for you or make sure that I'll find a way to make it work for [them]. You need to make sure you know what's going on with your guests and that the guests know what's going on with you.*

Such personal touches can go a long way in making a client feel special and appreciated while visiting an establishment.

The last point to be mentioned in relation to customer service was that, despite the effort made to please a customer, owners simply cannot please everyone all of the time. Judy<sup>SF</sup> and Bev<sup>SA</sup> both mentioned this as the most important lesson they learned while operating their

businesses. In Judy<sup>SF</sup>'s case this manifested itself in the form of hurt feelings between several customers, and also staff members, and herself in regards to comments made in the past. She felt this was an important lesson to be learned as a business owner and also could be implemented in her personal life. Bev<sup>SA</sup> mentioned that a B&B is a business of personalities and that when starting in the industry

*you don't realise that regardless of what you do not everybody's going to love you. You just aren't going to please all the people all the time and it's hard to keep that perspective.... You know this is a mature adult, it's your home and you're doing everything you can to please that individual and so you do take it personally. It isn't just somebody at the checkout counter who was a little bit bitchy that you mutter about over coffee in the staff room and then you forget about them.*

She followed this up by saying, *"knowing that [you can't please everyone] I would probably not have changed my direction, but it may have made the first year less stressful."*

Owners from both sectors prided themselves on being able to offer high quality and personalised customer service. Participants who spoke of the importance of personalised service all felt it helped establish rapport with their clients and led to repeat business. However, due to the level of intimacy between owners and their staff or customers some owners found it difficult to not take criticism personally.

#### 4.6.5 Financial Costs of Running a SME

Four owners mentioned the monetary costs of running their business. Greg<sup>SA</sup> found that property taxes in Stratford were quite high for B&Bs. He mentioned two reasons for this: typically the houses used have a large square footage and so the taxes would be higher in that sense but there also is a premium placed on properties operating as B&Bs. He felt that unless an owner can afford to purchase the house outright, they would not be making *"buckets of money"* from B&B ownership. One of the reasons for this was the costs of running the business. Greg<sup>SA</sup> mentioned that *"the running expenses are significant. Talking with my daughter, who's moved out on her own, we were talking about bills and she was amazed that I pay for heat and hydro every month more than she pays for rent."* Janet<sup>GA</sup> found that while her business does make her money, most of it goes directly back into paying for the house or taking care of B&B-related maintenance. Stacey<sup>SF</sup>'s

discussion on the costs of running a business revolved around her decision to buy her property as opposed to renting. At the time of the purchase she thought if she was going to own a business she wanted to own the building. Since the property acquired was a heritage building there were some extra maintenance requirements. Though still happy with her decision, Stacey<sup>SF</sup> now sees the appeal in renting since

*when you rent a space, someone else kind of takes care of the major details and you just pay rent. After always thinking it would be great to own and why would you rent, I'm thinking "okay I sorta see why you might rent."*

Colin<sup>GF</sup> spoke of how he regularly comparison shops to help keep costs down at his café. Normally he uses wholesale suppliers for products but regularly checks retail prices to see what the best deal is. He explained, *"sometimes we go retail because we save money. Like on bottled water for example. The bottlers charge 50 cents for a bottle of water whereas you can certainly get it under 15 cents at the supermarket."*

Numerous costs need to be taken into consideration when opening a small business. Owners discussed building and operating costs, maintenance and also the income potential of their properties. Time costs are also an important consideration and will be examined in the following section.

#### 4.6.6 Time Management

Time management was discussed extensively by a number of interview participants. Many of the concerns revolved around the intensity of the work done in tourism SMEs, balancing work with family life and socializing with guests. The latter is most relevant to B&B owners as the business is their home. Within this discussion, several participants spoke of the seasonality that comes with running a B&B. Each mentioned how winter months were quiet, allowing time for renovations (Janet<sup>GA</sup> and Lorraine<sup>SA</sup>), reading (Lorraine<sup>SA</sup>) and getting back to corporate work (Bob<sup>SA</sup>). Bev<sup>SA</sup> and Greg<sup>SA</sup> had a different perspective on the lull in business. Despite the decrease in guests, both mentioned that work was constant throughout the year. Bev<sup>SA</sup> stated,

*there's a whole lot of things [pause] you're actually working a lot of the year! You've got to clean the house and get the house ready in the spring and do any of your maintenance and your painting, you've got to do all your administrative stuff in the winter.*

In addition to his year-round business outside the home, Greg<sup>SA</sup> was busy with the B&B all year. From October to March he took a Stratford Chef School boarder; there were Christmas parties held in the B&B during December; decorating and repairs occurred in February and March; April and May were for interior B&B preparations; exterior maintenance was done in May and June; and then the busy months with guests at the B&B were July through October. The level of off season work was highly dependent on the owner and what was occurring in their lives outside of the business.

Five of the six participants from Stratford agreed that, in the high traffic season, dealing with the intensity of the work was one of the biggest challenges to running their business. Stacey<sup>SF</sup> and Chris spent at least 80 hours a week each at their restaurant. When discussing her schedule Stacey<sup>SF</sup> said,

*there's just so much, it's a business that's got such long hours because you're open lunch, dinner and so basically even though the actual hours being open aren't that great, you're still having to put in long hours. Chris would normally be here from nine o'clock in the morning till at least nine o'clock at night.*

Stacey<sup>SF</sup>'s advice to someone looking to get into the restaurant business also revolved around labour intensity. She warned that

*in the first couple of years the restaurant takes a lot of time. Just for the first two years that's all you're going to be doing; looking after the restaurant, doing the restaurant. You have to, sort of in your mind, dedicate that that's going to be such a big part of your life.*

Despite the slow winter months, when asked what she wished she had known about the business prior to getting involved Lorraine<sup>SA</sup> answered, “*how labour-intensive it is, which most people don't realize.*” A typical summer day for Lorraine<sup>SA</sup> started at 6:30 am with breakfast and was filled with activities until 10:30 pm. What she found most time-consuming was all the behind-the-scene activities;

*you have to clean those rooms everyday [laughs]! And even to just freshen up for a guest. I mean if they're staying more than one night, I still go in and empty the garbage and clean all the toilets and the sinks. You know, I usually remake the bed for them. I like my beds made a certain way [laughs]. I'm always tweaking things.*

Greg<sup>SA</sup> was another owner whose days were full of activity, from both his B&B and work outside the home. The first significant challenge Greg<sup>SA</sup> encountered was managing his time and work schedules with the unexpected departure of his first housekeeper Jean. He said, “*when Jean left that was a shock and a challenge because she was going to school in September and I was like, ‘oh my gosh! What am I going to do? I’m booked solid in September and October’*”! To pick up the slack from Jean leaving Greg<sup>SA</sup> cut back on hours spent at his other business. He said,

*I took a Friday and Monday off [from my other job] twice a month so I had [pause] I was able to do more around the B&B and that I thought would be very helpful. But it was very detrimental to my day-time job. It was difficult to get anything done with so many four-day weeks.*

When asked how he found time to fit in everything he needed to do in a day Greg<sup>SA</sup> replied, “*I don’t sleep much. I mean literally, I don’t sleep much. I’m up at six o’clock every morning and I don’t usually go to bed until one or two in the morning.*” Bev<sup>SA</sup> spoke of how labour-intensive running a B&B was throughout her interview. She stated that “*if you have just won the lottery, it’s unlikely you would do a B&B because it’s a lot of work*”! She continued by saying,

*everybody I know who does B&B says the same thing, you know, you do this thinking, “oh this is so great! I’m going to have all this down time” and you don’t. And I will admit this is some of my basic personality anyways but [pause] it may be worse for me, but you don’t realize how labour-intensive it is and how much time it does take. You think what is it to do a little bit of ironing and make breakfast in the morning and maybe change some sheets? I mean ultimately you should be able to do that in an hour or two right?*

While discussing the differences between B&B owners from different generations, Bev<sup>SA</sup> felt that with the older generation “*traditionally what happens is that people retire and they either have travelled enough and stayed in B&Bs and think, ‘this will be fun,’ but they haven’t really realised the amount of work connected to it.*” From Bev<sup>SA</sup>’s experience, to run a four-room professional B&B with the level of service she wanted to provide meant that despite the help she received from her husband, she needed outside help to make sure everything was taken care of. A friend of hers in town also runs a B&B, however he runs it alone, to which Bev<sup>SA</sup> remarked,

*anyone who does it solo, Dwayne and I are constantly amazed at how they can do it because we couldn't! I mean, I'm a pretty organised individual, I have my lapses but I'm pretty organised, but there is no way you can do a four-room B&B and work towards the 100 room-night goal per season or more and, um, get everything done in a day that you need to get done.*

One consolation for Bev<sup>SA</sup> was that over time and with experience you learn “*where you can cut corners and where you can't.*” In order to run a B&B successfully, Bob<sup>SA</sup> believed that being highly organised and a multi-tasker were two important traits to have. Since he also ran his consulting business from home Bob<sup>SA</sup> aimed to get all of his B&B duties completed in the morning to be free in the afternoon for the consulting job. It was early in the interview when he first mentioned that season was going to be his last. When asked what prompted this decision, he responded by saying,

*I'm just tired of it. I just decided to [close the B&B] before I got really, really sick of it because it's a grind. It is a lot of work, um, it's sometimes enjoyable, sometimes not, like anything else. And I just decided I didn't want to do it after this year.*

While discussing the most important lesson he had learned through operating the business, Bob<sup>SA</sup> again touched on the organisational aspect of running a business by saying

*it's all about organisation, especially when you're trying to do other things. If you're retired, it's more of a hobby; you don't have any other work to do or anything else to occupy your time and you can get away with being disorganized and so on. But when you're trying to do other things and if you really want to maintain a high standard, it's about being really programmed and really, really organised to accomplish everything you need to.*

In addition to repeat guests becoming friends as mentioned earlier in this chapter, both Bev<sup>SA</sup> and Bob<sup>SA</sup> spoke of how repeat guests were less work compared to new clients. In their experiences, repeat guests were more inclined to stay multiple nights which reduced stress (Bev<sup>SA</sup>) and saved time on arrival and departures (Bob<sup>SA</sup>). In the high tourism season working the business occupied a significant portion of most owners' days. Organisational skills were vital to accomplish everything needing to be done, particularly for those who had jobs outside of this tourism business.

Managing time between work demands, family and interacting with guests was also of concern to several owners. Greg<sup>SA</sup> was the only owner that mentioned balancing the needs of the business with the needs of his family. He and his wife had three children, only one of which was still living at home. While discussing the breakdown of his year he mentioned that before owning the B&B the family took holidays together in the summer, since Margaret worked in the school system and that was when she was off from work. He made a deal with the family ensuring that each July and August the B&B would close for one week a month so they could continue with their family vacations. The need for balance also re-emerged while discussing business growth. Greg<sup>SA</sup> mentioned,

*Christmas, that's another big request which amazes me 'cause we're kinda home bodies. But a lot of people are interested in having their Christmas here and I think that's really cool. I'd like to be able to offer that because it would be a really special [pause] I'd like to be able help someone make a really special Christmas, you know? But, um, like I said, we have three kids of our own and uh, until my guys are busy with their own families, I'm not going to do that. It's a matter of trying to fit everything in and into play.*

Despite the struggles of balancing family and work, Greg<sup>SA</sup> wished he could spend more time with guests of the B&B compared to his work outside the home. Bev<sup>SA</sup> joked that the occupational hazard with running a B&B is that you drink too much. She expanded on this thought by saying,

*you have returning guests and you've developed a relationship with them and they want to sit down and have some wine in the afternoon and you know you have to find a balance to not offend them but also [pause] I've talked about this with some other B&B owners who are quite successful and have been in the business way longer than we have and, um, you know ultimately it is an issue [laughs]. You're drinking water and pretending that it's wine because they're on holidays and you're not. That was something I hadn't really considered. I thought I was going to have all this free time right? So you're always trying to find that balance of whether or not you're going to spend some time and sit down with guests, because you know you have two or three hours worth of housekeeping to do.*

Joy<sup>GA</sup> had similar experiences over her time as a B&B owner and felt that to deal with these types of challenges it was imperative for an owner to be a people person. This especially held true when the layout of the home offers little separation between guest and owner, as in Joy<sup>GA</sup>'s case. She stated,

*maybe we do it to ourselves. We have a big home and a gorgeous living room but we also have a lovely antique kitchen with a love seat and a big easy rocker chair and so on. [The guests say,] "oh this is lovely, we'll just sit down here"! And they are sitting there in my face talking, talking, talking. Now I talk a lot too, so maybe I'm the guilty one, but I would much sooner them have tea in the living room, which we do in the evenings. But, you know, most times I can't get them out of the kitchen. And if I'm finishing up something in the kitchen I'd like to do that privately [laughs].*

Adding to the closeness between guest and host, Joy<sup>GA</sup> and Gerry on occasion gave up use of their own bedroom in order to take in more guests. To get time to herself Joy<sup>GA</sup>'s office was strictly off limits to guests. Despite giving up so much of her personal space she felt "one needs that corner to themselves. Guests also see that this [office] is our room and they know they aren't going to be bugged by the hostess, she has her computer and maybe she'll play on the computer type of thing." However she found that in general "[the guests] love to talk and love to be entertained and we love to do that too, to a point". Bob<sup>SA</sup> had a more hands-off approach in dealing with guests who came to his B&B. The business was only open five days a week in order for him to have some time away from the guests. While searching for a property to invest in Bob<sup>SA</sup> made sure to look for a house which offered a great deal of privacy and distance from those staying there. When asked about the advice he would give an owner about to start up a B&B Bob<sup>SA</sup> said,

*I knew it would be a lot more tolerable if, um, for me being a very private person, if I was able to maintain my privacy. I looked specifically for a property that afforded quite a bit of separation. That, um, was a very good decision. I mean I knew that would be important; I didn't appreciate how important until I was cohabitating with people during the season. So I would say to people, yeah as much as you think you'd like to rub shoulders with people there's going to come a point where you need your space. I make it pretty clear to the [guests] they are*

*more than welcome to relax and do whatever but you know I have other things to do and I expect, you know, unless they legitimately need something to be left alone and I'll leave them alone as well.*

The level of desire and ability to carve out personal space and time during the business day greatly varied between owners.

Attaining a life-work balance can be a considerable feat to overcome for some SME owners. Like many other aspects discussed, personal rest times vary between owners. In some cases owner's closed the business to gain private time where others craved more one on one time with guests.

#### 4.7 Chapter Summary

The purpose of this chapter was to outline the findings from both survey research and in-depth interviews. The topics discussed addressed each of the study's objectives. During interviews it was found that while many owners quickly agreed to being a small business two participants were reluctant to call themselves a 'small business'. Annual intake, staff size, hours worked and having 'something to do' were all ways participants defined small businesses. While owners' motivations were varied, the majority of discussion revolved around lifestyle motivations for starting their business. An overlap was found between questionnaire results and interview findings for motivations, namely in owners' interest in the industry. Questionnaires showed that, in terms of measuring success, happiness of the owner and happiness of the customers were selected more often than the making a profit year after year, though this was more frequently ranked as the most important measurement. However, interview participants spent the majority of the time defining success in monetary terms, though happiness was also mentioned. Owners told numerous stories based on the experiences they had while operating their businesses. World events lead to a series of changes experienced by many of the owners. Many of the experiences shared revolved around the people who came in contact with the business, whether it was clients, the community, or staff. Owners also discussed the burdens they bore as a result of being in operation, including financial costs and time management issues. The inferences made from these findings and comparisons between the accommodation and food and beverage sectors will be presented in the following chapter.

## Chapter Five: Discussion

### 5.1 Introduction

The role of this chapter is to interpret the findings of the study and relate these findings to the relevant academic literature. It highlights the similarities and difference between Stratford and Goderich and other locations. It also provides a comparison between the types of industries that were researched. The chapter is divided into six additional sections, primarily based on the objectives of this study; beginning with an examination of who runs small businesses, followed by SME size, motivational factors, measurements of success and economic impact. It concludes with a brief summary.

### 5.2 Site Selection

Reasons for the selection of study sites were described in Chapter Three. Although the procedures followed at all three sites were the same, i.e., questionnaire packages were dropped off with family members, other employees or left in mail boxes if the owner was not in and no follow-up calls were made to ensure owners received their questionnaires, St. Jacobs had an unusually low response rate. Several reasons may have resulted in the low rate of response. First, a number of owners had moved out of St. Jacob's proper to outlying areas and they may not have been included in the questionnaire package distribution area or have the same commitment to the local community. Secondly, given that the town is located so close to the University of Waterloo, there may not have been less enthusiasm to participate as owners might not have seen the value in the research being conducted so close to home. Finally, St. Jacob's has been the focus of a fair amount of research, most likely more so than Stratford and certainly more so than Goderich. There may have been a level of participation or research 'fatigue' where individuals were tired of discussing themselves or their town with others.

This also brings up the issue of the level of generalisation that is possible across study sites. Obviously, all places are unique in many ways. While there are obvious parallels between the two study locations in terms of the demographics of owners and research findings, caution must be used when generalising this information. Stratford and Goderich are less than 100 kilometres apart and differences have been found between the two sites. Though a number of the findings from this research have mirrored what has been found in the literature, the findings might not be truly representative of tourism small businesses across Canada, within Ontario, or

even within areas of southern-Ontario. Indeed, the low response rate that was achieved in St. Jacobs could suggest that this place is different from the two places that were eventually explored.

### 5.3 Composition and Structure of Tourism SMEs in Stratford and Goderich

The individuals who run a SME vary greatly depending on a number of factors, including industry and locale. In Lewis' (2004) research on manufacturing and service SMEs in New Zealand, only one-tenth of the participants were female. In contrast to this, a number of authors (e.g., Lynch, 2005; Walton, 1978) have found that businesses where guests were brought into the owner's home, B&Bs or guest houses for example, were predominately owned and operated by women. However, Lynch (2005) found that as the business size increased (B&Bs versus small hotels) male ownership increased.

The research conducted for this thesis had similar findings to those businesses where guests were brought into the home. Overall, nearly two-thirds of questionnaire participants who owned a small accommodation establishment were female. This breakdown held true for both Stratford and Goderich. In terms of food and beverage ownership, overall it was slightly more balanced between men and women (44% versus 56% respectively). When looking at each case study separately, Stratford had a similar breakdown, albeit of males (56%) compared to female (44%), whereas the vast majority (80%) of food and beverage owners in Goderich were female. Both of the participants from Stratford, who stated they ran mixed accommodation and food/beverage establishments, were male. The research also showed similar findings to Lynch's (2005) research in terms of business size and male involvement. Of the 12 questionnaire participants who stated that they hired more than ten employees, seven were male and five were female. In addition, the two businesses, one food and beverage and one mixed, which employed the highest number of employees (45 and 50), both had male owners and were from Stratford.

A number of studies examining SMEs have found that owners were typically about or over, 40 years of age (e.g., Buick, 2003; Lynch, 1998; Reijonen and Komppula, 2007). Lynch's (2005) article about commercial home enterprises in the United Kingdom suggested that middle-aged owners should be expected in high numbers due to the costs associated with starting such businesses. Participants are most likely to be found in this age bracket in Canada also because of the country's aging population. Statistics Canada (2006c) found that the Canadian median age

has increased to 39.5 years, which they anticipate will climb to over 44 by 2031. Their findings also showed that in 2006, one in three Canadians were baby boomers (those born between 1946 and 1965) and that 3.7 million people nationwide were between 55 and 64 years of age, the highest it has ever been. As was mentioned in Chapter Three, both Stratford and Goderich had a high proportion of residents who were over 40 years old. For Stratford, nearly a quarter of all residents were between 40 and 54 years of age. The same held true in Goderich; however, their residents were slightly older, having one quarter of their population between 45 and 59 years of age.

This study found that the ownership structure of tourism SMEs in Stratford and Goderich was very similar to what has been reported in the literature to date; that is, they are primarily owned and operated by two people, who are often a married couple, and are often labelled by researchers as co-preneurs (Getz et al., 2004). Despite their prevalence in the questionnaire findings, a surprisingly small number (three) of co-preneurs were actually interviewed. During interviews with owners who stated they were in a partnership, it was found that typically one person was actively involved in the business while the other played a limited or, on occasion, no role in the business on a day-to-day basis. Studies have found that sole proprietors are the next most common type of SME owner. The research for this thesis found that nearly 30 percent of questionnaire participants fell into this category. Family business is a third type of ownership commonly mentioned in SME research. Morrison, Baum and Andrews (as cited in Lynch, 2005) suggested that the majority of small accommodation businesses are family-operated. Only two of the 65 questionnaire participants in this study identified themselves as involved in family-run operations. In theory 'co-preneurs' could be considered family-run, given the nature of such partnerships. However, for the purpose of this research, they were listed as separate categories on the questionnaire. Occasionally, family members outside of these partnerships were hired, but hiring from the general population was more common. For more on the role of employees, please refer to section 5.7 on the economic impact of SMEs.

Education and training influence numerous aspects of business. Many of the weaknesses discussed in Chapter Two (financing, business planning, information technology) can be positively impacted through appropriate education and training programmes geared towards small firms. Sheldon and Gee's (1987) research aimed to determine where training in tourism businesses was most needed. They found that human relations, communication and courtesy

skills were most in need of development. Twenty-five years have passed since that research was conducted and similar results have been found by a number of modern researchers (e.g., Becton and Graetz, 2000; Dewhurst et. al, 2007; Nolan et. al, 2010). As previously mentioned, the levels of education and training of respondents from Stratford and Goderich varied greatly; however, some similarities and differences can be noted. Nearly three quarters (74%) of business owners who completed the questionnaire stated that they had post-secondary education, though the questionnaire did not ask the owner's field of study. From the information collected in interviews, the food and beverage industry had a higher proportion of owners who were professionally trained or had prior work experience in the field. While many owners who had purchased their business in the accommodation sector 'picked the previous owner's brain' or read generic books on the industry that previous owners had left behind, only two B&B owners mentioned doing any further research into the industry. Lynch's (2005) research suggested a relationship between firm size and education level. He postulated that the larger the business, the more education the owner was likely to have. In the research for this thesis, however, conflicting results were found. The two businesses owners who employed the largest number of employees had a high school education.

The skills that are lacking in the tourism industry are critical to the level of service quality provided to customers. It is evident that, given the large span in time over which this problem has been documented in the academic literature, researchers and policy makers have not been able to overcome the real and perceived barriers to training for SME owners. It should not be difficult to provide access to training and educational materials but changing the attitudes of owners towards the value of training may be more difficult, Subsidies for educational programs could help to ease the financial burden for owners who are interested in improving and updating their skills but operate on a limited budget. In addition, providing training opportunities in a variety of formats would allow greater flexibility for owners to participate. Given that a number of owners are in partnerships or sole proprietors, they often do not have the luxury of being able to take time off to attend training seminars. Training modules offered online may be beneficial to owners as they can participate when they have the time, as opposed to having to make the time to participate at the convenience of others.

The above information indicates that respondents were a middle-aged and older group who were predominantly female, of Canadian birth, with an equal mix of those who had and had

not acquired previous business experience. These participants have similar demographic characteristics to what has been documented in the literature (e.g., Lewis, 2004; Reijonen and Komppula, 2007). This sample reflects the characteristics of business owners in tourism and hospitality in small towns, such that the respondents as a whole can be considered as being representative of such a group.

#### 5.4 How Owners Perceive the Size of their Business and Define SMEs

Which businesses are legally categorised as SMEs is highly dependent on the industry and country in which the business is located. Small and medium business size is often measured by employment figures, however sales and investment are also used. For example, Statistics Canada, Canadian Industry Profiles and the Canadian Council of Ministers of the Environment all use slightly different measures to classify a small business (employment and sales figures, sales figures only and employment figures only respectively; please refer again to Appendix A for further details). These varied definitions make comparisons between industries and countries complex (Ayyagari, Beck and Demirguc-Kunt, 2007). However, what is clear is that no matter the definition, the majority of businesses in the tourism industry, both formal and informal, can be classified as SMEs.

While the bulk of the information gathered on business size for this study was collected from interview participants, several observations were also made from comments left on interview participation forms. Overwhelmingly, owners from both study sites and both sectors of the industry agreed to the notion that they were operating a ‘small business’. On occasion, B&B owners felt they were *too* small. This was seen on two interview participation permission forms returned to the researcher. Though these owners were willing to be interviewed, comments written on the forms expressed the owners’ feelings that they might be too small to be of consequence to the study. The first questionnaire participant from Stratford mentioned “*ours is a very small operation. Though we have two rooms available, the city only allows us to rent one room at a time and we do not take guests in July and August as we enjoy our cottage then. I’m not sure how much we could help.*” The second from Goderich stated, “*I don’t know that our information would be of much help as we have a small family owned bed and breakfast.*” The two interview participants who were reluctant to even define themselves as businesses were also from the accommodation sector. A number of owners stated that they deemed businesses ‘small’

based on their finances. At both study sites, comparable to Peacock's (1993) research in London, England owners' determination of size was based on other businesses in the community. One B&B owner in Stratford classified his business as small compared to other businesses in the industry and also compared to his second home based business, which worked with corporate clients. The second case was a restaurant owner in Goderich who considered her businesses small when looking at the town as a whole, but large when looking exclusively at the food and beverage industry. Personal definitions of small also included staff numbers and working hours.

These varied responses emphasise the difficulty in attempting to create a standardised definition for 'small business'. If differences are seen at a micro scale, it is no wonder that nationally or internationally accepted definitions are elusive. But is it important to have an all-encompassing definition for small business across or between industries and nations? Consider the factors listed in this study; the financial threshold where an individual might consider a business small, medium or large could depend on whether that person is from a developed, transitional or developing country. The number of staff employed by a small business may vary with population density and the production technologies that are used. In addition, the expectation of hours that need to be logged to operate a small business, or any other job, is influenced by cultural norms (Olson, 2008). While it would be useful to have a precise definition to facilitate comparison between business types and locations, perhaps striving for a singular definition is not practical.

The research for this study found that over 60 percent of interview participants immediately agreed to the notion that they were involved in small businesses. The owners who preferred to view their operation as a hobby were from the small accommodation sector. While numerous factors were listed, the most commonly-cited way owners from both case studies and in both industries defined small business was through the level of income. A more detailed discussion of such financial measures will be covered later in this chapter.

### 5.5 What Motivates Canadians to Own/Operate Tourism SMEs

Motivation is a widely discussed topic in the SME literature. Much of the work has focused on the differences between the traditional economic model of business, which assumes increased profits and growth are desirable, and 'lifestyle' entrepreneurs, those who focus on attaining a higher quality of life through their business. More often than not, these two types of business

owners are presented as having agendas and goals which are diametrically opposed. As was mentioned in Chapter Two, lifestyle business owners often use their business to fill an emotional need and are frequently motivated by the search for personal pleasure (e.g., Getz and Nilsson, 2004; Koh and Hatten, 2002; Shaw and Williams, 2004) whereas financially motivated owners look to strengthen their bottom line in order to keep the business profitable (e.g., Getz and Petersen, 2005; Katz, 1995).

For this research, both questionnaire and interview participants were asked about their motivations for starting or purchasing their business. Similar to other studies in the literature, the business owners from this study predominately cited motivations relating to aspects of lifestyle as opposed to economics. A number of researchers (e.g., Birley et al., 1999; Getz and Carlsen, 2000; Getz and Nilsson, 2004; Koh and Hatten, 2002) have suggested the top three factors attracting lifestyle entrepreneurs into business are living in a good environment, obtaining a desired lifestyle and autonomy. Both questionnaire and interview results revealed similar findings. For questionnaire participants, the top three motivations for starting a tourism business were autonomy, an interest in the industry and providing the owner(s) with a challenge. The same held true when looking at the motivations for owners in the food and beverage industry. Small accommodation owners were also motivated by autonomy and interest in the industry; however they were also keen to work from home. As was noted in Chapter Four, some minor changes in the ranking of these motivations were noticed between the two case studies. Interview participants showed slightly different lifestyle motivations in comparison to questionnaire findings; interest in the industry, a general fit with the owner's lifestyle and needing a career change were more frequently discussed by owners during interviews.

There is evidence in the literature suggesting that SME owners who have purchased their business, as opposed to having created it themselves, are the most likely to have financial motivations (Getz and Nilsson, 2004; Getz and Petersen, 2005). Given that 38 percent of questionnaire participants and nine of the eleven owners interviewed had purchased their business from a prior owner, the researcher expected to find a higher percentage of owners having some degree of economic motivation. The questionnaire results showed an 8 percent difference between those who had purchased their business and had economic motives compared with those who started their business and had economic motives (52% versus 60% respectively). This appears to differ from the findings in the papers co-authored by Getz.

The interviews conducted for this study found that only three B&B owners revealed financial motivations for their operation, two from Stratford and one from Goderich. The two owners from Stratford had purchased their business while the owner in Goderich started hers. Andersson et al. (2004) found that financially driven-owners in Canmore, Alberta, strongly agreed with the notion of earning significant amounts of money for current and/or retirement purposes. In contrast, only one of these three owners in the present study, from Stratford, expressed a similar desire; though an amount was never specified.

While Walker and Brown's (2004) research primarily dealt with measuring success, some aspects relating to motivation were also addressed. They stated,

society reflects current values and there is a changing perception for some workers that work is not the 'be all and end all' of life, and that family and relationships are also important. As Gritzmacher (1993: 148) states, when referring to home-based work, 'although people work for economic survival, they also pursue work as a means for their own fulfilment and satisfaction'. Not all workers want to emulate the long working hours of previous generations.

Therefore if some of these negative external factors are translated into the small business environment and to the owners of these businesses, then the aspect of balancing work and lifestyle becomes extremely appealing. (p. 588)

The findings from Stratford and Goderich suggest that, despite the varied lifestyle motivations for starting their business, the owners struggled to attain a suitable work-life balance. It was apparent after interviewing owners that many, particularly those in the food and beverage industry, worked in excess of 80 hours a week to remain in a viable business. Lewis (2004) found similar results in her research on SMEs in New Zealand. Maintaining a level of privacy and having the distinction between work time and family time, as mentioned by Getz et al. (2004) and Morrison et al. (2007) were more difficult for B&B owners owing to the fact that the business was run from the home. While many owners commented on the intensity of labour in their industry, Mary<sup>GF</sup> was the only owner who directly mentioned feelings of stress and tension caused from a battle for time between work and home realms, something that was also found in Shaw and Williams' (2004) research. This struggle between balancing time at work and home is not limited to the SME owners alone; the struggle may extend to other family members as well. Despite an owner's best intentions, Lowe's (1988) research found that the children of small hotel

owners were frequently unhappy. He found that the children's unhappiness stemmed from having to compete with the business for their parent's attention. Greg<sup>SA</sup> and Stacey<sup>SF</sup> both brought up the challenges they faced while running a business as a parent. The ever positive Greg<sup>SA</sup> mentioned the promises he made to the family before entering the business; they would continue to take two weeks of vacation in the summer time despite this being the B&B's busy season and that holidays (Christmas, etc.) were exclusively for family. For Stacey<sup>SF</sup>, similar to Lowe's (1988) findings, the difficulty she faced was managing the needs of her children and the needs of the restaurant simultaneously. These struggles have the potential to threaten the longevity of the business. As mentioned in Chapter Two, Parsa et al.'s (2005) research found that many businesses shut down due to owners being unwilling or unable to give the business the attention needed to thrive.

The findings from this research closely resemble much of what has been reported in the literature. Motivations for starting or purchasing SMEs were fairly consistent when comparing questionnaire to interview results, as well as between case studies and industries. Autonomy, an interest in the industry and wanting a challenge were the primary motivating factors for owners. While lifestyle motivations were predominately cited, financial considerations were also at work. For example, questionnaire results indicated that food and beverage owners were interested in earning a better income immediately whereas small accommodation owners anticipated that their businesses would be a source of revenue in their retirement. During interviews, three B&B operators mentioned financial motivations. While the two male owners from Stratford spoke of a combination of motivations, both financial and lifestyle, the motivations of the female owner from Goderich were purely financial. It is worth noting that motivations may change as owners proceed through their lifecycle.

## 5.6 How Business Owners Measure Success

A number of external and internal factors influence the general success of a business: the competitive environment (location of the establishment, differentiation from the competition and speed of growth), business density (level of market saturation) and the size of the firm (Parsa et al., 2005). At a micro level, Hall and Fulshaw (1993) suggested that "the most obvious measures of successes are profitability and growth" (p. 229); however, similar to the literature for motivations, there has been a shift towards placing more importance on qualitative measures of

success, such as meeting/exceeding client expectations or personal fulfillment. Bergin-Seers and Jago (2007) commented on how operators of small motels in Australia gauge success. They found

firms with investor input may be more focused on financial measures to evaluate performance whereas the specific and most often personal goals of the lifestyle family-owned business may place greater emphasis on non-financial measures including employee and owner satisfaction. (p. 147)

Similar to other findings in the literature (e.g., Walker and Brown, 2004; Phillips and Loevieris, 2005), this study revealed that owners' calculations of success, both through questionnaires and in-depth interviews, were determined through a combination of financial and non-financial indicators. The non-financial measures discussed in this study include level of happiness, customer service and use of technology, each of which will be discussed in turn.

The popularity of using financial indicators to measure success is due in part to the relative ease in which they can be calculated (Walker and Brown, 2004). Most often these types of calculations are based on easily attained and quantifiable figures such as annual turnover or return on investment. Marlow and Strange (1994) stated that "all businesses must be financially viable on some level in order to continue to exist" (pg. 180). This study's participants tended to agree with the above sentiment. Results showed that over one-third of questionnaire participants highly rated making a profit each year as a measure of success and, as mentioned in Chapter Four, all but one interview participant used some sort of financial measurement to evaluate business success. Nearly half of the interview participants used the traditional financial measurement of income growth to gauge their success. Annually increasing take-home earnings was an easy method for owners to use in determining how their business was faring. Several other owners highlighted their ability to operate on business earnings or to break even as success, mirroring the sentiments of the researchers above. While annually increasing profits were at the forefront of many owners' minds, the rate of return was of less consequence. No questionnaire participants selected 'gives me a fast return on my investment' as a measure of success. Likewise, rate of return was not discussed by any of the interview participants. In Phillips and Louvieris' (2005) study, pubs and restaurants had the highest reliance on financial data to measure success, which was also the case with this study. Though owners in both industries used financial measures to determine success, owners in the small accommodation sector seemed to

have lower expectations of their earning potential. This may be a reflection of the seasonality of the tourism season for those requiring rooms or the fact that all but one B&B operator used their business earnings as supplemental income. Either way, the general sentiment for accommodation owners was that “*with years of experience you realise you cannot make money from a B&B...*” (Joy<sup>GA</sup>).

A significant portion of the typical North American day is consumed by work activities. Levels of happiness in the workplace vary significantly between countries and sectors of the economy. In 2003, fewer than 49 percent of workers were satisfied with their jobs in the United States (Gavin and Mason, 2004), while in Canada the number of workers who were dissatisfied with their jobs was only 8 percent; however sales, service, processing, manufacturing and utilities industries showed high proportions of employees who were unhappy with their job (Shields, 2006). While individuals may construct their own meaning for the term, Gavin and Mason (2004) stated that happiness is used to describe the ‘good life’ and that it can be attained through “living well and doing well over time” (p. 379). Similarly, Boehm and Lyubomirsky (2008) defined a happy person as an individual who experiences positive emotions, such as joy, contentment, interest or satisfaction, frequently. Prior research has suggested that indicators of success achieved by employees, for example positive work evaluations or wage increases, have an impact on the level of happiness experienced by the employee. Comparatively, very little has been written from the other angle: business success resulting from a happy disposition (Boehm and Lyubomirsky, 2008). While questionnaire results found the happiness of owners and customers to be of great importance to owners when determining success, only two interview participants mentioned their level of happiness and its impact on business performance. These owners had several similarities worth mentioning. Both were from Stratford and each stated that happiness was their guiding measure of business success but that their own personal happiness was not sufficient to deem the business successful; the happiness of those visiting and employed by the business also had to be taken into consideration. The two differences between these owners were their gender and type of business.

In his book, *The Loyalty Effect*, Frederick Reichheld (2001) wrote about the retention of customers and staff, and the impact that loyalty has on business success and growth. He found that the cost of acquiring new clients was five times more than servicing established ones.

Mahatma Gandhi once said that

a customer is the most important visitor on our premises. He is not dependent on us. We are dependent on him. He is not an interruption on our work. He is the purpose of it. He is not an outsider on our business. He is a part of it. We are not doing him a favour by serving him. He is doing us a favour by giving us the opportunity to do so. (Patel, 2007)

Being customer-oriented is widely accepted in the literature as one of the keys to attain business success (e.g., Carraher, Parnell and Spillan, 2009; Fick and Ritchie, 1991; Kandampully, 2000; Wright, Pearce, and Busbin, 1997). Cran (1994) defined customer orientation as having “a set of basic individual predispositions and an inclination to provide service, to be courteous and helpful in dealing with customers and associates” (p. 36). While customer service is of importance to all businesses, it is particularly crucial for SMEs. Typically, large corporations are more aggressive in pursuing their target markets and customers are becoming ever more conservative and selective with their spending. To remain a viable player in the field, small businesses must focus on meeting and or exceeding customer expectations to foster loyalty (Carraher et al., 2009; Kandampully, 2000). Small accommodation and food and beverage owners in both case studies agreed that having a group of established customers was one of the keys to success. Strategies for gaining their patronage were discussed in one of two ways; first, by providing excellent customer service and second, which is dependent on the first, building positive long-term relationships between owners and guests. Owners’ perceptions of customer service primarily revolved around their ability to make clients feel special. Providing customers with memorable visits was important for four female owners. While their methods for creating memorable experiences varied, the women all expressed the same sentiment: positive experiences for guests led to either, or both, a positive reputation and repeat clientele. The importance of a positive reputation was only mentioned by owners from Stratford; one in particular felt this issue was vital to operate successfully in smaller communities. During interviews, B&B owners frequently referred to repeat guests as friends. Though the costs referred to in Reichheld’s (2001) writing were monetary, owners in this research also found that repeat customers cost them less time compared to new clients. An established clientele is comprised of experts in the product or service being purchased (Reichheld, 2001) and, as such, they know what to expect from the business. Several owners who stated that they had high return rates also felt as though they did not have to work as hard building rapport with their guests. Repeat customers afforded owners

the opportunity to better connect with new clients, which they hoped would ultimately translate into a new repeat customer.

There is support in the literature (e.g., Carlsen et al., 2001; Getz and Carlsen, 2000; King et al., 2001) for the notion that a lack of business planning is one of the main determinants of business failure. Planning tends to increase in importance when an owner-operator is growth-oriented as these documents provide a benchmark to help gauge progress and success (Carland et al., 1989; King et al., 2001). Carland et al. (1989) found that a number of owner attributes, such as education, prior ownership or degree of risk taking, affected the level of business planning for SMEs. The researchers hypothesised that having low or high levels of these factors affected the depth of planning undertaken by the owner. For a visual representation of this relationship see Appendix J. Carland et al.'s (1989) research participants fell into three groups: owners who had a formal business plan which was written down, owners who had an informal plan which was not written and owners who had no business plan. Results showed that owners with formal business plans had a higher preference for innovation, were higher risk takers, had a greater need for achievement, and had more management levels, sales and employees than did informal planners. The same held true of informal planners compared to those with no plan. Their study also found, in contrast to others, that the education of owners did not have a significant effect on the level of planning done for the business (Carland et al., 1989).

Similar to the study above, the research for this thesis also included owners with formal, informal and no business plans. The quality of the plans created was not the focus of the question, but rather what, if any, business planning was conducted. Of the four owners with formal business plans, two male and two female, three had owned a business prior to the one they were currently operating, though not all in the same industry. The three owners who did not do any sort of business planning were all women who were first-time business owners, operating B&Bs and had had no prior experience in the tourism industry.

Advances in technology can have an influential role in how tourism organisations are shaped, in defining their core values and in how their workforce is educated and trained (Buhalis, 1998). In recent years, the Internet has become an increasingly important means of communication. The Internet's primary advantage is its ability to disseminate large volumes of information to a broad assortment of stakeholders (Heung, 2003). The International Telecommunication Union (2010) has estimated that in the past 10 years Internet users

worldwide have grown from under 10 percent to 30 percent of the population. User rates in developed regions have increased from approximately 25 percent to 71 percent, and in developing regions have risen from below 5 percent to 21 percent over the same time period. Travel products are particularly well suited to online marketing as they tend to be distinctive, have high levels of involvement and risk, are intangible and heterogeneous (Heung, 2003; Ramsey, Ibbotsen, Bell and Gray, 2003). Though small businesses in the past have typically been reluctant or slow to embrace information technology, successful marketing strategies in the future will be severely impaired without the use of online marketing (Braun, 2005; Morrison, Jing, O'Leary and Cai, 2001).

In this study, Internet usage was discussed exclusively by B&B owners, primarily in terms of the changes to business operation. Several researchers (e.g., Lituchy and Rail, 2000; Poon and Swatman, 1999) found business owners had a fear over losing quality in their service after incorporating IT into the business. The participants in this study did not seem to share such concerns. Many owners regularly used e-mail and had a web presence through B&B Canada or their city's tourism office. Several also had websites that they personally maintained. The literature shows that tourists who use the Internet to book their travel tend to be from Western countries, are highly educated, are young (ages here fluctuate between 26 to 55 years of age depending on the author), have high incomes and tend to spend more on travel-specific expenses per day (Bonn, Furr and Susskind, 1998; Heung, 2003; Morrison et al., 2001). While tourists were not the focus of this research, three owners made mention of the types of travellers who were using the Internet to contact them. Two owners mentioned outright that the vast majority of their bookings were done electronically: in one instance up to 95 percent of reservations were processed online. In addition, both owners pointed out that older guests preferred traditional methods of booking, for example, over the phone. Gathering information about destinations and booking travel online are popular for a number of reasons: the convenience of having access any hour of the day, the amount of time it saves compared to other methods, discounts available online and the ease of finding information to name a few (Heung, 2003; Morrison et al., 2001). Bob<sup>SA</sup> was quick to point out that older owners who did not use online marketing missed out on the growing number of youth and middle- aged travellers who prefer to gather information in this way.

Reaching a younger and more technically-inclined audience is not the only benefit of online marketing for tourism SMEs. The Internet provides direct communication with clients and overcomes geographical and time zone barriers, relating back to why online travel booking is so popular (Morrison et al., 2001). Cost savings are another significant aspect. The tourism SMEs from this study, and many others, are not operated on a large budget. The Internet provides a cost-effective way to market to potential clients. During our interview, Greg<sup>SA</sup> discussed his decision to install wireless Internet for the use of his guests. Though initially against the idea, he saw that Internet access was becoming an expected amenity for business and other travellers alike. In the face of growing demand he said,

*at one point I made the business choice not to have Internet access; “you are here on vacation, be on vacation”. And that’s what I always try to sell. And then I realised, you know what, half the people who come here are still keeping touch with their families via email. They’re letting people know how things are going. They’re telling them about the B&B.*

The addition of this service not only made Greg’s B&B attractive to a wider range of potential clients, but also provided a means for instantaneous word-of-mouth advertising. Despite the benefits of using the Internet as a business tool, owners need to keep in mind several things. Network and credit card security are issues in the forefront of many users’ minds. Owners’ access to the Internet and the user friendliness of their site also need to be taken into consideration (Heung, 2003). Given the steady rate of growth of Internet users, it is vital for owners, no matter their generation, to have some level of Internet know-how. While the younger generations of owners will have more experience in using computers and the Internet in a business and daily setting, training in rudimentary computer skills, and progressing from there as need be, would be a worthy investment for owners who are uncomfortable with this technology.

Success is a compilation of numerous factors, both qualitative and quantitative. The research for this study showed that in both case studies and both industries, valuation of success reflected many of the categories in the balanced scorecard model (please refer to Appendix D again for the full representation of this model), with the addition of the level of happiness incurred by owners as a result of running their operation. As has been shown in this section, a number of factors are regularly utilized to determine the success of a business; however, the importance of each of these factors is weighed by owners. The non-financial measures from this

research, having a positive reputation and the level of happiness for the owner, are subjective and not easily quantifiable or compared among owners; though this does not mean they are any less valuable as a measure of success. On the other hand, questionnaire results showed that while an owner's level of happiness was selected most frequently as a measure of success, owning a business with increased profits each year was most often listed as the number one measure of success. This trend continued into the interviews where all but one participant mentioned some form of financial measurement of success. Even the qualitative measures that have been discussed have the potential to produce increased earnings as an end result. Good customer service results in an increased repeat clientele and earns the business a positive reputation in the community. This, in turn, brings past and new customers through the doors to spend their money. All of the owners interviewed perceived their businesses to be successful, though the levels of success attained varied between individuals, economically and otherwise.

### 5.7 Economic Impact of SMEs

The amount to which SMEs support their local economy is debated in the literature. On the one hand, SMEs are increasingly being seen as important to the economic health and development of regions and nations. Job creation is one way that small businesses can contribute to the positive development of an area. As was mentioned in Chapter Three, the town of Goderich lost numerous jobs due to the closure of one of their largest employers, Volvo CE. Danson (1996) suggested that the creation of small businesses can help to compensate for jobs lost through large plant closures, which is especially important for suburban and rural areas (Smallbone and North, 1998). Through their research Ashcroft and Love found that "on average, the development of each new company will lead to four net new jobs being created after four or five years" (as cited in Danson, 1996, p. 1). On the other hand, contrary to the findings above, Getz and Petersen (2005) noted that SMEs run by sole proprietors or couples often do not create any additional job opportunities for the community. Similarly, Walker and Brown (2004) found that for many small business owners, hiring employees is not a priority and not doing so is often a very deliberate decision on the part of the owner.

The research for this study suggested that the food and beverage sector, by far, employed the greatest number of people. While only accounting for 25 percent of survey participants, food and beverage businesses provided over double the number of jobs compared to the small

accommodation sector (estimated at 252 and 108 respectively). Each owner who participated in interviews mentioned that their SME employed at least one individual, many of whom were from the community and not directly related to the business owner. Unsurprisingly, food and beverage owners employed managers, kitchen staff and front of house staff. However, each of the B&B owners hired staff as well; for housekeeping, laundry services, maintenance, yard work or accounting.

Business networking is a second way that SMEs have the potential to be economically beneficial to a community. This can play an important role in very rural or isolated areas as access to neighbouring communities for goods and services may be limited. These types of business relationships contribute positively to the economic make-up of the area since income multipliers increase as money stays within the community (Dees, 1998; Getz, and Carlsen, 2005). Social networks (individuals who are in regular contact such as family, friends or other colleagues) can influence a number of aspects in a business such as informal benchmarking practices, guest referrals and learning the 'tricks of the trade' (Lynch, 2005). In his research on small hotels in the United Kingdom, Lowe (1988) examined the role that social networks played in an establishment's survival. He found that the higher the level of connectedness between these networks, the more likely the business was to survive despite setbacks. Lynch, Halcro, Buick and Johns (as cited in Lynch, 2005) observed a link between the types of networking behaviour and financial success. They found in their research that those who relied on family and friends were least successful, whereas those who were most successful made strong relationships within their community. Also in relation to networking, Lowe (1988) found, to his surprise, that the relationships built between host and guest most closely resembled that of extended family members. These types of close-knit relationships often result in visitors becoming repeat guests, many of whom go out of their way to frequent the same establishment. The importance of these repeat guests, in the literature and in this thesis, was discussed earlier in this chapter.

Neither Stratford nor Goderich can be considered highly rural or isolated however each community had a level of networking that provided positive economic benefits for the area. To illustrate this point, B&B visitors contributed \$2 million to the city of Stratford in 2008 by way of their stay and additional expenditures such as meals, theatre tickets and shopping according to Ray Hopkins, the President of the Stratford Bed and Breakfast Association (Sutton, 2009). In this study the benefits of networking were discussed in both study sites and in both industries. Food

and beverage owners were more inclined to speak of the networking they had done in the community at large whereas small accommodation owners spoke more frequently about networking within the industry. Though the competition to attract tourists was high, and the level of fighting between some business owners was described as ‘childish’ by an interview participant, several owners mentioned the benefits of networking through tourism organizations in their towns that closely mirror the findings from Lowe’s (1988) research. The owners who viewed these organisations positively stated that they were a great platform for sharing ideas, business contacts and also for meeting up with friends. In addition to this, an informal system of property referrals had been established. When a B&B was full, the owners would direct clients to other businesses they had built a rapport with and those they thought would suit the guests’ needs. In addition to this type of referral, Greg<sup>SA</sup> mentioned how he felt he was giving back to the community through business referrals and personally guided shopping excursions. He specifically spoke about a group of seven sisters that frequented his B&B who

*are absolutely wonderful ladies. I take time off work when I know they’re coming just because we have so much fun. I go shopping with them; I take them out to the different shops and I shop for them and I get those B&B incentives that I told you about and I carry them on to my guests. And the shop keeps love it because they just had seven ladies spending thousands of dollars there.*

Being involved in the community was extremely important to Mary<sup>GF</sup> and was one of her strategies for business success. By actively participating in the community, she felt the restaurant she ran with her husband was helping Goderich financially. Their means of support was through local sponsorships and fundraising. She said,

*our business has sponsored events for The Livery as fundraisers and one of the highlights was the last concert Jeff Healey did. That was a real highlight because it was a fabulous concert and the town [pause] it’s something the town will remember because it was a great concert.*

Small businesses also contribute to the local economy through property purchases, rent or other such fees. In Stratford, homes slated to be used as a B&B are assessed at a higher rate (approximately 15 percent higher) which means that “B&Bs are contributing a greater share to city taxes than a comparable family property” (Sutton, 2009). This was briefly mentioned by Greg<sup>SA</sup> in regards to the operating costs for a B&B. He said,

*property taxes are incredible here. There's a premium you pay because you're a bed and breakfast. You actually pay more property tax than you might if you're not a B&B. Um, you are dealing, typically the large B&Bs are more square footage, therefore your taxes are going to be that much more anyway.*

As can be seen from the findings of this study, SMEs in both locations created some direct employment. However, this was far from being the only economic contribution they made to their areas. These businesses also often supported their community indirectly economically. This indirect financial support, whether through employing other local services, housing visitors who spend money in other local businesses, local fund raisers or hiring employees for the operation, should not be discredited or undervalued. Just as measures of success have started to include a wider range of factors, economic support should also be expanded in scope to include other factors rather than just the number of jobs created. SMEs have the potential to be economic providers for an area; however, lack of education and funding may impact their survival rates. Dewhurst and Horobin (1998) found that inadequate access to both of these resources hinder SME survival, which can, in turn, negatively impact both the social and economic well-being of a community. Harrison and Leitch (1996) remind us that community-wide benefits are neither guaranteed as a result of SMEs in the area, nor are they uniform between locations or over time in the same location.

## 5.8 Chapter Summary

This chapter has interpreted the findings of this research and has related them to the academic literature reviewed previously. Comparisons and contradictions were seen between the literature and this research, as well as between the case studies themselves and also between industries. This assessment has shown that the Canadian business owners who participated in this research are quite similar to those found abroad in terms of their demographics and motivations. A slight disconnect was found between owners' motivations to become involved in the industry and the valuations of their success. Despite lifestyle motivations being most commonly referenced, owners frequently measured their business success in dollars and cents. However, a number of owners considered the level of happiness for themselves, their employees and their customers and the use of information technology when measuring the success of the business. Though debated in the literature, the results from this study seem to indicate that SMEs in Stratford and

Goderich are, in their own way, contributing to the local economy; not only in terms of employment but also through a level of business networking. The study also highlighted the difficulty of trying to define small business.

The findings and resulting discussion presented in this thesis has led to a series of implications and recommendations for future research into small and medium tourism businesses. These implications, recommendations and concluding words are presented in Chapter Six. The concluding chapter also provides a summary on the methods utilised in this study and the objectives guiding the research.

## Chapter Six: Conclusions

### 6.1 Introduction

This thesis set out to explore the similarities and differences between Canadian SME owners in the tourism industry and their international counterparts. To achieve this end the research examined five aspects of small businesses. It sought to determine the composition and structure of tourism SMEs in Stratford and Goderich, to understand how Canadian owner-operators perceive their business and how they define SMEs, to learn what motivates owners to start or purchase their tourism SME, and to understand how success is measured and what experiences owners have had while running their business. This chapter provides a brief recap on the methods used in conducting this study, as well as a summary of how the research objectives were met. Following this are the research implication resulting from the study, recommendations for future research and concluding remarks.

### 6.2 Summary of Research Methods

The two study sites finally selected were chosen for their relative closeness to the University of Waterloo, their size compared to one another, the fact that they had established tourism industries and their variety of businesses. The research conducted for this thesis used a mixed methods approach. The quantitative side employed surveys to gather demographic information and to identify what participants' motivations for starting/purchasing their businesses were, as well as how owners evaluated success. In an effort to assure anonymity, participants were asked to not list their names on the survey and in the event they were interested in the second phase of the study, questionnaire packages included two envelopes for their survey and interview participation forms so they could be mailed separately. While the data analysis for this research was more heavily weighted towards qualitative methods, the questionnaire was analysed through SPSS in three ways. First, descriptive statistics were used to describe the basic demographic information collected by the questionnaire. Second, the frequency option of the multi-response variable feature was utilized to determine which choices relating to motivations and measures of success were most prevalent and, conversely, which were not selected. Third, regular cross tabulations were used to examine the type of ownership most common in each study site and industry, while multi-response variable cross tabulations were employed to compare motivating

factors and definitions of success with business type, location, past ownership experience and education.

The qualitative side of this research consisted of 11 interviews which were undertaken to gain a more personal and in-depth perspective on why owners open tourism SMEs, their experiences and how they defined success for their businesses. To ensure that everyone was represented, the interview participation forms were divided into location and industry. The 11 owners then were selected at random from the 37 interview participation forms returned to the researcher. Six interviews came from Stratford; four from B&B owners, along with two food and beverage establishments. The remaining five were from Goderich; two small accommodation and three food and beverage establishments. To maintain confidentiality, the researcher provided each owner with a pseudonym. The researcher transcribed her own interviews and omitted any material that provided a strong link between the participant and their identity. Lincoln and Guba's (1985) unitising and categorising (also known as cutting and sorting) method was employed to break the transcripts down into units of information. These units were cut out of the transcripts and pasted onto index cards labelled with the respondent's details. After all transcripts had been broken down onto cards, the categorising phase began, whereby like cards were placed together based on certain criteria to form categories. The categories developed through this process built the themes discussed in Chapter Four.

### 6.3 Summary of Research Objectives

The purpose of this segment of the chapter is to revisit the five objectives for this study and evaluate how the research met those goals. The first objective was to determine the composition and operational structure of tourism SMEs in Stratford and Goderich. The findings from this research mirror much of what has been found in the tourism literature both nationally and internationally. Participants were a middle-aged and older group who were predominantly female, of Canadian birth, with an equal mix of those who had and had not acquired previous business experience, however small accommodation owners were less likely to have industry specific training. While the majority stated that they were in partnerships with their spouse, interviews revealed that more often than not one partner is significantly more involved in the project than the other, which to date has not been addresses in other studies.

The second objective was to learn how owners perceive the size of their business and how they define SMEs. Nearly all interview participants immediately agreed to the fact that they operated a small business; of the two owners who were reluctant to classify themselves as ‘small business owners’ one preferred to call her B&B a home-based business and the other felt that he wasn’t even running a business per se; he viewed his B&B as more of a hobby rather than an enterprise. The interview participants felt that, in general, small businesses were categorised as such based on income level; however, when commenting on their own definition of ‘small business’, finances, staff numbers, working hours and relative size to competitors were all mentioned. Their responses highlight the difficulty in pinpointing a definition for small business.

The study’s third objective was to gain a better understanding of what motivates Canadians to own/operate tourism SMEs. As has been found in the previous literature, the participants from this study were highly motivated to start or purchase a small business by lifestyle factors, although several did mention financial considerations. Both surveys and interviews from both case studies and both industries revealed a high degree of overlap. Despite motivations heavily weighted to the lifestyle side of the spectrum it was interesting to learn some interview participants had difficulty maintaining their work-life balance, which paradoxically is a leading motivator for opening businesses.

The fourth objective was to discover how business owners measured success and to make note of where differences in these calculations occurred. The owners in this study used a combination of financial and non-financial measures to evaluate their level of success. The traditional financial methods mentioned were breaking even at year end, the ability to run the business on business earnings and annually increasing profits. These hard measures of success are often discussed in the literature as they are easy to calculate and compare. The non-financial methods of gauging success found in studies to date revolve around autonomy, job satisfaction and balancing work and family life (Reijonen and Komppula, 2007; Walker and Brown, 2004). The participants from this study also discussed job satisfaction by way of their level of happiness, both for owners and employees, but also felt customer service and technology use were measures of business success.

The final objective for this study was to learn about the experiences Canadian SME owners have had while running their business. During this research, a series of events impacted the workings of numerous industries, including tourism, locally, nationally and globally. Owners

commented on how on-going wars, increasing gas prices, poor exchange rates, the recession, the introduction of HST and an increase in minimum wage had impacted the industry and their businesses. Many also spoke affectionately of the experiences they shared with customers and the bonds often forged between the two parties. This relationship between owner and patron is a phenomenon that has oft been mentioned by owners, especially those in the small accommodation sector, globally. There were occasionally circumstances where personality clashes soured these relationships, but the owners who mentioned them were quick to point out such situations were few and far between.

#### 6.4 Research Implications

Several academic and practical implications can be generated from the findings of the research. This work has made an academic contribution to the literature by focusing on Canadian case studies, examining valuations of success and touching on the issues surrounding training for owners and staff, all of which are lacking research in the rural tourism field. This study also brought to light the relationship between lifestyle motivations and financial considerations for running a business, which have often been viewed separately in the small business tourism research. Though lifestyle motivations were predominately cited in questionnaire and interview responses, the measurements of business success, and by extension the owners' attainment of their 'lifestyle' goals, were often gauged through traditional financial measures. These findings suggest that even the most ardent lifestyle owners still have to run businesses that are financially viable which, in turn, leads them to having some level of economic motivation, however small.

The practical implications stemming from this research revolve around training opportunities and the encouragement of SMEs in the local community. SME operators face a number of obstacles in the pursuit of training, ranging from financing to outright scepticism of the value of training programmes. While training and education comprised a small portion of their published research, the Department of Culture, Media and Sport in the United Kingdom noted that:

if the [tourism] industry is to deliver a truly high quality product, it must become the career of choice for more of our brightest and most ambitious people. If that is to happen, high quality training and development strategies are needed, covering

the entire range of activities from “hands on” skills to management, and addressing the needs of both the industry and individuals (DCMS, 2004).

Unfortunately, the tourism industry does not have the most effective training programmes and this has resulted in an industry with severe skills shortages (Becton and Graetz, 2001; Dewhurst et al., 2007; Jameson, 2000). For the Department of Culture, Media and Sport’s vision to come true, more focus and resources need to be directed at understanding where the training weaknesses in the industry lie, at strategies to overcome the barriers owners face while trying to access training opportunities and at creating relevant and cost-efficient programmes that can be accessed through a multiple media and channels tailored to the various segments of the tourism industry.

As discussed in Chapter Two, the level of economic impact SMEs have in an area is debated in the literature. While SME networks within a community may generate income multipliers, these businesses are also criticised for not creating additional jobs for the community at large; this has traditionally been a ‘problem’ with sole proprietors and partnerships. The findings from this study have shown that, by and large, businesses of all ownership types hire staff and services from within the community, most of who are not related to the owner. This fact could be of interest to local policy makers who may underestimate the value of SMEs since they do not always create ‘visible’ jobs, but are nevertheless contributing to local job creation and economic growth.

## 6.5 Recommendations for Future Research

In their review of trends in research on small tourism businesses Thomas, Shaw and Page (2011) noted a number of areas that have been largely overlooked. They suggested that within the tourism field there are voids in our understanding of small business growth, failure, financing, strategies and supply chains. To some extent these topics are intertwined; poorly timed business expansion, weak business strategies and lack of financing may all contribute to business failure. Similar to earlier research, this thesis dealt with owners who, at the time of participation, were fiscally successful enough to be in operation. Attempting to replicate the actions of successful businesses may be a beneficial activity; however it must be kept in mind that numerous factors affect the outcome of any action. Further research into the demise of small businesses would be beneficial to steer new and established owner-operators away from common pitfalls.

In addition, exploration of structural changes, innovation and knowledge management are essentially missing from the small business discourse according to Thomas et al. (2011). Their review also noted that research on small festival/event businesses and international comparative studies are virtually absent from the literature. Emerging areas that are now starting to receive some greater attention address gender, social and cultural perspectives, ethnic businesses, pro-poor tourism (tourism which aims to include economically marginalised populations at the destination), the informal economy, local economic development and information communication technology (Thomas et al., 2011).

In comparison to other topics, motivations of small business owners and operators have received a substantial amount of attention. A significant amount of research has been conducted concerning both lifestyle and economic motivations for starting a business and their relative importance. The findings from this research suggest that while lifestyle aspects do play a large role in initiating interest in the operation of small and medium-sized tourism businesses, that economic motives are also present. However, further investigation is needed to determine how these two aspects work together to help owners achieve their goals and measure success. It is also clear from the current literature that the lifestyle motivations of owners can be as varied as the individuals themselves. Morrison, Carlsen and Weber (2007) highlighted the dichotomy that exists between small businesses created from push versus pull factors. Push factors are generated from a reasonably strong desire, in this case, to start a business; although the impetus may also be based on a negative external reason such as the loss of a job. On the other hand, pull factors are born from a strong, positive internal desire to start a business, for example to gain a more flexible lifestyle (Walker and Brown, 2004). Morrison et al. (2007) suggested that research focusing on owners who created businesses out of necessity (push factors) versus opportunity (pull factors) would be beneficial to the enhancement of understanding how these two factors affect motivations.

The vast majority of small business research undertaken, including that done in the tourism field, has been set within developed economies. As was seen in Chapter Two, many case studies have been set in Europe - the United Kingdom in particular, Australia, New Zealand and to some extent North America. The level of investigation into small tourism businesses in developing nations is limited in comparison. This area of study has recently been garnering more attention "...due to the interest shown by global agencies such as the World Bank (2006) on the

opportunities offered by tourism for economic growth” (Thomas et al., 2011, p. 971). Morrison et al. (2007) also have suggested that developing economies are an area for research interest due to the prevalence of small businesses in such areas, as well as their potential for economic growth. Taking the comments above into consideration, an extension of this research could investigate the ways in which owner-operator definitions, values of success and experiences differ between the developed, transitional and developing nations. It has also been suggested that more research is needed into the differences in motivation between various ethnic, religious and cultural groups (Morrison et al., 2007).

## 6.6 Concluding Remarks

While small businesses are receiving more academic attention than they have in the past, a great deal of the research conducted has been from outside of the tourism field. Studies conducted within the tourism field have largely been based in Australia, New Zealand and Western Europe, though this too is beginning to change. The main purpose of this thesis was to build on the current academic literature on small businesses, particularly those in Canada. The thesis compared and contrasted two parts of the tourism industry and also two locations in southwestern Ontario. In order to meet this goal, the researcher examined how owners define small business, their motivations for owning the business, how owners evaluated business success and their overall experience as a SME owner.

The results of this study have found that while motivations overlapped between the case study location and business type, the paths that lead owners to their SME's varied widely. Chapter Two illustrated how lifestyle and financial motivations regularly are portrayed as two separate categories having very little common ground. However, this study revealed that while lifestyle motivations were prominent, financial considerations were also mentioned. In addition, this research has shown that most owners used financial calculations to measure the success and achievement of their lifestyle motivations. The findings from this research have confirmed that overwhelmingly Canadian tourism SME owners in Stratford and Goderich possess similar motivations, valuations of success and experiences to their counterparts nationally and abroad.

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### Appendix A: SME Size Classification Sample

Organisation/Country	Definition of Small Business
Statistics Canada	Under 500 employees, between \$30,000 – 5 million annually
Canadian Industry Profiles	<u>Small</u> : \$30,000 – \$5 million annually <u>Medium</u> : \$5 - \$25 million annually
Canadian Council of Ministers of the Environment	<u>Small</u> : 50 employees or under <u>Medium</u> : 51 – 500 employees
World Bank	<u>Micro-enterprise</u> : 10 employees or under
United States	<u>Small</u> : under 100 employees <u>Medium</u> : under 500 employees
European Union	<u>Small</u> : under 50 employees <u>Medium</u> : under 250 employees
Australia	<u>Small</u> : under 15 employees <u>Medium</u> : under 200 employees
United Kingdom Department of Trade and Industry	<u>Micro</u> : 0 – 9 employees <u>Small</u> : 0 – 49 employees <u>Medium</u> : 50 – 249 employees <u>Large</u> : over 250 employees

Appendix B: Overview of Hotel and Restaurant Businesses until the 20<sup>th</sup> Century

<b>Time Period/Date</b>	<b>Location</b>	<b>Event</b>
<b>Ancient Period 500 BC – AD 500</b>		
	Greece	-Spartan and Roman military mess predecessor of private clubs - inns located close to temples in order to have access to animal sacrifices
	Middle East	- travelers take refuge at <i>caravansaries</i> and <i>kahns</i> , which were early stage inns
	Rome	- Inns, <i>caupona</i> and <i>hospiteum</i> provided room and occasionally a limited selection of food
<b>Middle Ages AD 500 – 1300</b>		
	-	- places of worship began taking in travelers, donations more than welcomed
1095	-	- first of the Crusades began, stimulated travel and trade
1183	England	- public cookhouses on the banks of London's rivers provided roasted and boiled meat
<b>Renaissance 14<sup>th</sup> – 16<sup>th</sup> Centuries</b>		
1400	England	- food sold at Westminster Gate, ex. Oysters, ribs of beef and mackerel
1533	Italy	- Catharine de Medici of Italy marries the future Henry II of France and brings chefs with her and begins a trend for things gastronomic - trade revives and inns appear in Northern Italy
1536	England	- Henry VIII suppresses monasteries resulting in the expansion of inns - inns typically served meat, bread and ale

1574 – 1589	France	<ul style="list-style-type: none"> <li>- Henry III uses the fork and makes it fashionable</li> <li>- catering is established</li> <li>- inns are sparse, but private homes can be rented for special events</li> </ul>
<b>Early Modern 17<sup>th</sup> – 18<sup>th</sup> Centuries</b>		
1634	United States of America	- Ships Tavern in Boston is opened by Samuel Cole
1645	Italy	- first coffee house opened in Venice
1642	United States of America	- City Tavern is built by the West India Company in New York City
1653 – 1658	England	- Oliver Cromwell suppresses culinary and other pleasures
1669	France	- coffee introduced to Paris by Turkish ambassador of the time
1670	United States of America	- first coffee house in Boston is opened, serves coffee and chocolates
1760	England	- ‘hotel’ used in London
1765	France	- first free standing restaurant opened in Paris
1775	United States of America	- Green Dragon tavern opened in Boston, became the meeting place of American revolutionaries
1785	“	- Jefferson named American minister to France and acquires a love for French food and wine
1790	“	- first usage of the word ‘hotel’ - French refugee opens a <i>restorator</i> in Boston serving truffles, soup and cheese fondue
<b>Modern 19<sup>th</sup> – 20<sup>th</sup> Centuries</b>		
1801 – 1820	United States of America	<ul style="list-style-type: none"> <li>- taverns relabelled hotels following huge interest in all things French</li> <li>- tavern becomes a place</li> </ul>

1806	“	primarily used for drinking - Exchange Coffee House built in Boston, 7 stories high with 200 apartments making it the largest building in America
1824	“	- Mountain House resort hotel built in California, 300 rooms accommodating up to 500 people
1829	“	- Delmonico’s opens in New York City and becomes renown for fine food
1841	England	- Thomas Cook begins touring England
1870s	United States of America	- sporting and country clubs begin forming
1871	England	- Bank Holidays Act created out of growing recognition of the value of holidays
1875	United States of America	Palace Hotel opens in San Francisco and is the world’s largest hotel
1881	“	- Louis Sherry opens restaurant in New York City and refines catering
1880s – 1890	“	- Fred Harvey and John R. Thompson develop first large chain of restaurants
1914 – 1918	-	- World War I
1929 – 1931	“	- The Great Depression
1931 – 1938	England	- Holidays with Pay Act increases the number of employees entitled to paid holidays from 1.5 to 11 million
1937 – 1945	“	- Butlin holiday camps a popular form of tourism
1939 – 1945	-	World War II
1947	England	- Creation of the Town and Country Planning Act by British Tourist and Holiday Board
1948	“	- United Kingdom welcomes half a million overseas visitors establishing itself as a holiday destination

1950	“	- 300 passengers participate in the first ‘mass’ air package holiday
1958	-	- Increased popularity of air travel makes Boeing 707 a commercially successful jet aircraft
1959 – 1970	England	- United Kingdom opens first highway (M1) in 1959; by 1970 rail travel is in decline in favour of car travel
1960’s	“	- A number of Acts (e.g., Caravan Sites and Control Development Act, Countryside Act, Transportation Act) created to aid with the development of the industry

Sources: Lundberg, D.E. (1989); Page et al. (2001).

Appendix C: Distribution of Tourism Establishments by Employment Category within Province and Territory (% in italics): 1999

Province	Indeterminate	1 – 4	5 - 19	20 - 99	100+	Total
Newfoundland	395 <i>17.8</i>	1,009 <i>45.4</i>	598 <i>26.9</i>	200 <i>9.0</i>	21 <i>0.9</i>	2,223 <i>100.0</i>
Prince Edward Island	137 <i>17.2</i>	280 <i>35.2</i>	254 <i>31.9</i>	113 <i>14.2</i>	11 <i>1.4</i>	795 <i>100.0</i>
Nova Scotia	787 <i>21.2</i>	1,235 <i>33.3</i>	1,125 <i>30.2</i>	522 <i>14.1</i>	40 <i>1.1</i>	3,709 <i>100.0</i>
New Brunswick	850 <i>27.0</i>	1,117 <i>35.5</i>	831 <i>26.4</i>	420 <i>13.3</i>	26 <i>0.8</i>	3,144 <i>100.0</i>
Quebec	12,254 <i>33.2</i>	12,039 <i>32.6</i>	8,138 <i>22.0</i>	3,643 <i>9.9</i>	872 <i>2.4</i>	36,946 <i>100.0</i>
Ontario	16,402 <i>34.3</i>	12,890 <i>26.9</i>	11,463 <i>23.9</i>	6,428 <i>13.4</i>	694 <i>1.4</i>	47,877 <i>100.0</i>
Manitoba	1,302 <i>27.4</i>	1,416 <i>29.8</i>	1,188 <i>25.0</i>	791 <i>11.6</i>	62 <i>1.3</i>	4,759 <i>100.0</i>
Saskatchewan	1,259 <i>27.0</i>	1,506 <i>32.2</i>	1,173 <i>25.2</i>	660 <i>14.2</i>	63 <i>1.4</i>	4,661 <i>100.0</i>
Alberta	4,244 <i>30.1</i>	3,554 <i>32.2</i>	3,698 <i>26.2</i>	2,383 <i>16.9</i>	228 <i>1.6</i>	14,107 <i>100.0</i>
British Columbia	6,076 <i>27.4</i>	6,821 <i>30.8</i>	5,823 <i>26.7</i>	3,154 <i>14.2</i>	303 <i>1.4</i>	22,177 <i>100.0</i>
Yukon	68 <i>19.9</i>	95 <i>27.9</i>	128 <i>37.5</i>	48 <i>14.1</i>	2 <i>0.6</i>	341 <i>100.0</i>
Northwest Territories	55 <i>20.8</i>	66 <i>24.9</i>	106 <i>40.0</i>	35 <i>13.2</i>	3 <i>1.1</i>	265 <i>100.0</i>
Nunavut	10 <i>14.5</i>	19 <i>27.5</i>	32 <i>46.4</i>	8 <i>11.6</i>	0 <i>0.0</i>	69 <i>100.0</i>
All Tourism Establishments	43,839 <i>31.1</i>	42,047 <i>29.8</i>	34,557 <i>24.5</i>	18,405 <i>13.0</i>	2,325 <i>1.6</i>	141,173 <i>100.0</i>
All Canadian Establishments	818,785 <i>44.7</i>	602,996 <i>32.9</i>	285,828 <i>15.6</i>	106,506 <i>5.8</i>	18,890 <i>1.0</i>	1,833,005 <i>100.0</i>

Source: Smith (2005, p.160).

Appendix D: Balanced Score Card. Vision and Strategy – Four Perspectives



Learning and Growth

“To achieve our vision, how will we sustain our ability to change and improve?”

Internal Business Process

“To satisfy our stakeholders and customers, what business processes must we excel at?”

Financial

“To succeed financially, how should we appear to our stakeholders?”

Customer

“To achieve our vision, how should we appear to our customers?”

Source: Kaplan and Norton (1996, p. 76).

**Questionnaire & Interview Information Letter**

September, 2009

Dear Business Owner:

My name is Sarah Hanes and this letter is an invitation to consider participating in a study I am conducting as part of my Master's degree in the Department of Geography at the University of Waterloo, under the supervision of Professor Geoffery Wall. The study is tentatively titled '*Owner-operator motivations for starting tourism SMEs. The cases of Stratford and Goderich, Ontario.*' and I would like to provide you with some more information about this project and what your involvement would entail if you decide to take part.

Small and medium businesses (SMEs) are widely acknowledged to be one of the most important, yet least researched, aspects of the tourism industry. Though small in size, these businesses are far from simplistic. As you are no doubt aware such enterprises balance complex social factors in addition to the usual strategic and operational issues facing any business. Previous studies on tourism SMEs have widely discussed the motivations for starting small tourism businesses in international destinations such as Australia, New Zealand or England, however little research of this nature has been done in a Canadian context. Of the research that has been done to date, a large proportion has focused on a single segment of the tourism industry. The purpose of this study, therefore, is to identify what motivates small Canadian tourism business owners from both the small accommodation and food/beverage sectors to start their own businesses and how they define success for themselves in these business pursuits.

There are two phases to this project. For the first phase, I have distributed this package to all small accommodation and food/beverage establishments in Goderich and Stratford. I would greatly appreciate it if you were able to take time from your busy schedule to complete the attached, brief questionnaire. Completion of the questionnaire should take no longer than ten minutes of your time, and it is asked to be filled out by the owner of the business. Participation in this project is completely voluntary and you may decline to answer any of the questions listed on the questionnaire if you wish. In addition, if you would like to write comments on the questionnaire please feel free to do so, however please do not identify yourself.

In the second phase of the study, I would like to conduct follow-up interviews with willing participants who have filled out this questionnaire and also the interview permission form. Participation in this study is voluntary. It will involve an interview of approximately 40 – 45 minutes in length to take place in a mutually agreed upon location. You may decline to answer any of the interview questions if you so wish. Further, you may decide to withdraw from this study at any time without any negative consequences by advising the researcher. With your permission, the interview will be audio recorded to facilitate collection of information, and later transcribed for analysis. Shortly after the interview has been completed, I will send you a copy of the transcript to give you an opportunity to confirm the accuracy of our conversation and to add or clarify any points that you wish. Your name would not appear in any thesis or report resulting from this study, however, with your permission anonymous quotations may be used.

All information that you provide through any form of participation is considered completely confidential and only researchers associated with this project will have access to the data. Further, you will not be identified in the thesis or in any report or publication based on this research. There are no known or anticipated risks to participation in this study. The data collected through this study will be kept for a period of five years in a secure location and then confidentially destroyed.

I would like to assure you that this study has been reviewed and received ethics clearance through the Office of Research Ethics at the University of Waterloo. However, the final decision about participation is yours. Should you have any comments or concerns resulting about your participation in this study, please contact Dr. Susan Sykes in the Office of Research Ethics at 519-888-4567 Ext. 36005.

I realise that this time of year may be busy for business owners and I am grateful for the time you are investing to help develop my research. If you could return the completed questionnaire and interview permission form separately in the self-addressed, postage-paid envelopes provided by October 15<sup>th</sup> 2009, it would be greatly appreciated. If after receiving this letter, you have any questions about this study, or would like additional information to assist you in reaching a decision about participating, please feel free to contact Professor Wall at 519-888-4567 ext. 33609 or myself, Sarah Hanes, at 519-504-2846 or e-mail at shanes@fes.uwaterloo.ca. In addition to this, results will be made available for you by April, 2010 by way of executive summary. I welcome you to contact me in order to receive your copy of the results.

I very much look forward to speaking with you and thank you in advance for your assistance in this project.

Yours sincerely,

*Sarah Hanes*

Sarah Hanes

Appendix F: Questionnaire

**Owner-Operator Motivations for Starting Tourism SMEs. The Cases of Stratford & Goderich.**

**PART A: Owner Demographics**

1. Please indicate your sex:  Male  Female
2. Please indicate your age:  19 – 29  30 – 39  40 – 49  
 50 – 59  60 – 69  70+
3. Please indicate the highest level of education you have completed:  
 Elementary  High school  College  University
4. Where were you born? Country: \_\_\_\_\_ City: \_\_\_\_\_
5. How long have you lived in Stratford/Goderich? \_\_\_\_\_
6. What is your mother-tongue?  
 English  French  Other: \_\_\_\_\_

**PART B: Business Demographics**

- 1a. What type of business do you run?  
 Small accommodation (e.g. bed and breakfast, hotel, guest house)  
 Food/beverage establishment (e.g. coffee shop, café, pub, restaurant)  
 Mixed accommodation and food/beverage establishment (e.g. hotel and restaurant)
- 1b. If 'Mixed accommodation and food/beverage establishment' was selected, please indicate which is the primary/principal business: \_\_\_\_\_
2. In your opinion, what percentage of your clientele are tourists?  
 under 25%  50 – 75%  
 25 – 50%  over 75%
- 3a. How long have you run the business? \_\_\_\_\_
- 3b. How long has this business been in operation? \_\_\_\_\_

4. Who owns the business? (Please select the most applicable category)

- |  |   |
|--|---|
| <input type="checkbox"/> Sole proprietor         | <input type="checkbox"/> Partnership with friends/colleagues  |
| <input type="checkbox"/> Family-run business     | <input type="checkbox"/> Partnership with other family member |
| <input type="checkbox"/> Partnership with spouse | <input type="checkbox"/> Part of a chain/franchise            |

5. Who is involved in the daily operations of the business? (Please select the most applicable category)

- |  |  |
|--|--|
| <input type="checkbox"/> Only the sole proprietor      | <input type="checkbox"/> Only hired-in staff                       |
| <input type="checkbox"/> Only those in the partnership | <input type="checkbox"/> Hired-in staff as well as partners/family |
| <input type="checkbox"/> Only the family               | <input type="checkbox"/> Other: _____                              |

6a. How many people work for the business? \_\_\_\_\_

6b. How many are part time workers? \_\_\_\_\_

6c. How many are full time workers? \_\_\_\_\_

6d. Do you hire seasonal staff?  Yes  No

6e. If 'yes', how many? \_\_\_\_\_

7a. Do you currently, or have you in the past, owned/run another small business?

- Yes  No

7b. If 'yes', please indicate what type of business it was: \_\_\_\_\_

### **PART C: Motivations for Starting the Business**

The following section gathers information on the motivations for starting a small tourism business. Please select the top 5 (maximum) statements which best complete the sentence "**I decided to run this business to/because ...**" Please list your choices in order, with 1 being your highest motivating factor, 2 being your second highest motivating factor and so on.

- |   |   |
|---|---|
| <input type="checkbox"/> earn a better income                                 | <input type="checkbox"/> be my own boss                   |
| <input type="checkbox"/> provide a retirement income                          | <input type="checkbox"/> I wanted to work from home       |
| <input type="checkbox"/> the property was inherited/bought & had no other use | <input type="checkbox"/> I wanted greater social contact  |
| <input type="checkbox"/> gain prestige by operating a business                | <input type="checkbox"/> I found the industry interesting |
| <input type="checkbox"/> to be a representative for my community              | <input type="checkbox"/> keep my family together          |
| <input type="checkbox"/> financially support my/our leisure interests         | <input type="checkbox"/> enjoy a good lifestyle           |
| <input type="checkbox"/> keep the property in the family                      | <input type="checkbox"/> live in the right environment    |
| <input type="checkbox"/> I wanted something to do in my spare time            | <input type="checkbox"/> provide me/us with a challenge   |

- my family had been in the business before me
- I could return to my home town
- have a job that doesn't require my attention all year
- have more flexible work practices
- I had come to the area on vacation and thought it would be a good place to open a business
- other: \_\_\_\_\_
- other: \_\_\_\_\_
- other: \_\_\_\_\_

**PART D: Defining Business Success**

*The following section gathers information on how owners define 'success' for their business. Please select and list in order, as above, the top 3 statements that best complete the sentence "For me, a successful business is one that..."*

- makes a profit year after year
- is environmentally sustainable
- gives me a fast return on my investment
- makes me happy
- breaks even at the end of the year
- makes the customers happy
- has high growth potential
- fits in easily with my lifestyle
- continually meets my performance targets
- is connected with the community
- other: \_\_\_\_\_
- other: \_\_\_\_\_
- other: \_\_\_\_\_

Appendix G: Interview Participation Permission Form

**Interview Participation Permission Form**

This form is to be used to express your interest in participating in an in-depth interview (approximately 40 – 45 minutes in length) with this study’s researcher. The interviews will be used to gain a detailed and personal view of business owners’ motivations for operating their business and how success for the business is defined. Thank you for your continued interest in this research!

~Please read the following statement and provide your contact information~

*I am interested in participating in an interview with the researcher (Sarah Hanes) and therefore permit her to contact me to schedule a time for this meeting.*

Contact Information

Name (Please Print): \_\_\_\_\_

Signature: \_\_\_\_\_

Preferred Method of Contact

Phone Number: \_\_\_\_\_

Please Call Between: \_\_\_\_\_

Email: \_\_\_\_\_

## Appendix H: Interview Schedule

### **Questions getting to know the owner/business**

- For the record, what type of business do you run?
- How long have you lived in Stratford/Goderich?
  - Is your family originally from the area?
- How long have you owned your business?
- Have you been the only owner of the business?
  - *If no:* How many people owned the business before you?
    - Do you know why the previous owner decided to give up the business?
- Day to day, who runs the business?
- Do you hire any additional staff?
  - *If yes:* How many?
    - Full time or part time?
    - What do they help out with?
    - Where do you hire your extra help from?
- Would you classify yourself as a small business?
  - How would you define a small business?
- Can you tell me about a typical day in running your business?

### **Questions about measuring success**

- How would you define success for your business?
  - Do you feel that the business has been a successful venture by your definition?
  - How important is the success of the business for you?
- Did you set out a business plan before starting?
- Have you ever or are you currently running another business
  - *If no:* Would you consider running another venture at some point, whether it be at the same time as this one, or in a different industry etc?
  - *If yes:* What is/was it?
    - Is it still in operation?
    - Do you mind me asking why it is no longer in operation?
  - Do you feel running your past business has made you more prepared for the running of your current business?
    - How so/why not?
    - Do you feel any more successful in this venture?

### **Questions about motivations**

- What first interested you about the industry?
- Do you have any training in the industry through schooling, previous work experience or courses taken in the past?
- What are your feelings towards the growth of your business by any means; physical space, monetarily, longer peak season, regular customer base?
  - Is this something that you actively pursue?
- What do you foresee happening to the business after you are ready to retire from this line of work?

### **Questions about the experience with the business**

#### *\*If moved into the area from outside*

- What was your experience like setting up a business in a new town?
  - Do you feel that anything would have been different had you lived there all your life?
- Some research has found that for migrant or foreign business owners close social networks like family and friends become more important to the owner. How important were your close contacts to you while you were setting up here?

#### *\*Other Questions*

- Before starting your business here did you talk to others in the area who were also part of the industry?
  - Individuals or organisations?
- Did you use or browse through any 'how to' books or manuals when setting up your business?
  - What did you use?
- Knowing what you do know is there anything you wish you had known before starting your business?
- Have you noticed any differences in the community tourism wise since you have started your business?
- Can you describe for me the highlights from your own experience of owning and running your business?
- What about any challenges you have may have faced?
- If there has been one, what has been the most important lesson you have learnt from running this business?
- Is there any advice you would give an owner who is about to start a \_\_\_\_\_?

### **Other Questions**

- Is there anything that we didn't cover that you would like to discuss?

Appendix I: Interview Consent Form

**Consent Form**

I have read the information presented in the information letter about a study being conducted by Sarah Hanes of the Department of Geography at the University of Waterloo. I have had the opportunity to ask any questions related to this study, to receive satisfactory answers to my questions, and any additional details I wanted.

I am aware that I have the option of allowing my interview to be audio recorded to ensure an accurate recording of my responses.

I am also aware that excerpts from the interview may be included in the thesis and/or publications to come from this research, with the understanding that the quotations will be anonymous.

I was informed that I may withdraw my consent at any time without penalty by advising the researcher.

This project has been reviewed by, and received ethics clearance through, the Office of Research Ethics at the University of Waterloo. I was informed that if I have any comments or concerns resulting from my participation in this study, I may contact the Director, Office of Research Ethics at 519-888-4567 ext. 36005.

With full knowledge of all foregoing, I agree, of my own free will, to participate in this study.

YES    NO

I agree to have my interview audio recorded.

YES    NO

I agree to the use of anonymous quotations in any thesis or publication that comes of this research.

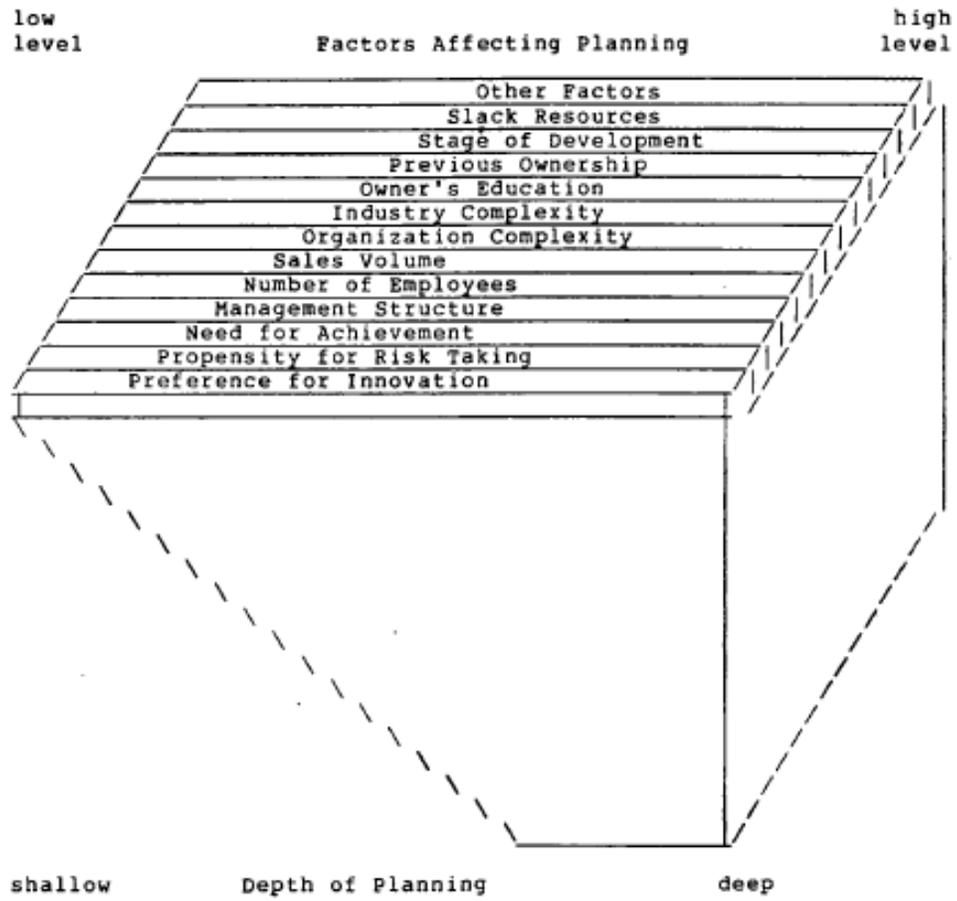
YES    NO

Participant Name: \_\_\_\_\_ (Please print)

Participant Signature: \_\_\_\_\_

Date: \_\_\_\_\_

## Appendix J: Conceptual Model of Strategic Planning



Source: Carland et al. (1989, pg. 25).