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Tourism entrepreneurship in transition economies: unpacking the socio-economic contexts

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Signed: *Date:*

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ABSTRACT

This study combines the fields of entrepreneurship and tourism and hospitality entrepreneurship. In general, entrepreneurship and small businesses have been widely researched, whereas tourism and hospitality entrepreneurship have received less academic attention. The research has been dominated by a Western economies discourse and a positivist philosophy with a pre-conceptualised hypothesis. In addition, the data collection was carried out by researchers who are neutral and value-free. This combination of methodological factors results in knowledge and theory saturated with technical extra-disciplinary knowledge.

The aim of this research was to explore the process of entrepreneurship within small hotels in the setting of the former socialist country Croatia. Therefore, account is taken of the social context where entrepreneurs operate as it is argued that entrepreneurship represents primarily a human process that is shaped within the host social setting and cultural milieu of the social actors. The methodological aim of the research was to create emancipatory knowledge. In order to achieve this goal, conventional Western wisdom is challenged and the voices of those who are marginalised in previous studies are introduced, along with the context of former socialist economies, the voice of the researcher through reflexive practice and by giving an agency to those being researched (small hotel proprietors).

This results in the development of a data-generated conceptual framework which shows that Western academic orthodoxy such as: the concept of lifestyle entrepreneur; the owner-manager's intention to grow; management strategies undertaken; or preferences towards networking have to be challenged and critically analysed. The existence of such different world views is explained in the thesis by a variety of disciplinary lenses and research methodologies employed when researching both fields and by influences of the host society culture, as well as its economic and political system.

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1.CHAPTER ONE: SETTING THE SCENE

1.1 Research background

A long list of established researchers have explored and contributed to the field of entrepreneurship from a number of disciplines. However, the area still remains passionately debated. The knowledge created is mainly drawn from the perspective of developed economies (Ogbor, 2000) and provides only limited insight into the behaviour of entrepreneurs in different social settings, such as former socialist economies. On the other hand, tourism scholars argue that the dominance of small, owner-managed tourism businesses has 'led to recognition of the significance of entrepreneurship' (Shaw and Williams, 2004 p.99) but the field of tourism entrepreneurship has not received the level of attention it deserves (Ioannides and Petersen, 2003; Li, 2008; Thomas, 2004). They also stress that knowledge creation and the content of tourism studies are dependent upon a business perspective and technical interests and are highly dominated by positivist paradigm and quantitative inquiry (Pritchard and Morgan, 2007; Tribe, 2008). It is also important to note that the majority of this research is derived from developed economies, with a paucity of studies focusing on lesser developed or transition economies.

Consequently, the research for this present study combines the areas of entrepreneurship and tourism entrepreneurship and argues that understanding of entrepreneurship can be enhanced through contextualisation of theories within a specific cultural and industry sector. It understands entrepreneurs as embedded within the society where they operate (Granovetter, 1985) and argues that only by penetrating the worlds of the entrepreneurs can a more accurate and illuminate knowledge be created. This study uses the example of Croatia as a former socialist economy as a context for the research. More precisely, it focuses on small hotel owners in a coastal region of Splitsko-dalmatinska county (Appendix 1) and recognizes the influence of industry sub-sector, national culture and economic and political systems in shaping tourism entrepreneurs. It also recognises the power of disciplines, ideologies, settings and methodologies on knowledge creation in both fields. This research, therefore, focuses on themes which have been marginalized in previous studies, but which have the potential to make an important contribution to a better understanding of the entire process of tourism entrepreneurship.

1.2 Research justification

The justification of this research is approached from two levels. Firstly, tourism entrepreneurship represents an under-researched area in Western economies, and there are very few studies from former socialist settings. However, an absence of research is not as such justification of need. This research, by introducing the setting of a former socialist economy enriches the existing theory by providing insights from another perspective. It reveals how broader socio-economic conditions, unique for a transition context, shape entrepreneurs and entrepreneurship but also outlines consequent management strategies undertaken by small hotel proprietors. Even more importantly, it provides the small hotel proprietors with a 'voice' and it explicitly avoids *a priori* categorization and pre-conceived notions as regards the context of these individuals. Originating from the research area, the study is given meaning by personal reflection of the researcher. An insight is given into how the researcher constructed the life world (reality) in order to write about it. Therefore, the researcher is recognised as one of the key factors in social constructionism of the phenomenon. Knowledge is overwhelmingly created through a single disciplinary and ideological perspective, and needs to expand, not just in quantity, but in our understanding of existing issues through emancipation of the other perspectives, such as those in former socialist economies.

Secondly, this research is going beyond taken for granted assumptions made by other studies of this nature and argues that there has been an excess of empirical work in certain areas of entrepreneurship and tourism entrepreneurship at the expense of focused theory-building and knowledge creation. Research orientation adopted in this study guards against casual acceptance of the dominant conventional wisdom in both fields that often underpins generalized, developed economies-derived theories and concepts. By applying theories and concepts which are developed and valid in the context of developed economies to different social settings researchers appear to be only recycling and testing existing theories and concepts, therefore, hindering possibilities of theory building. The adopted approach in the research is not only revealing different world views and gaps in understanding but it also seeks for explanations of their existence and possible solutions in resolving them.

1.3 Philosophical and methodological overview

The researcher had a challenging task to find appropriate research philosophy and methodology which can achieve five main requirements of the thesis:

1. to encompass a wide range of context-specific variables, as it is argued that entrepreneurship represents a dynamic and socially constructed phenomenon which cannot be reduced to its simplest elements and causal relationships with fundamental laws applicable to different settings;

2. to disclose the complex relationships which exist between small hotel owners and their external and internal environment and enable explicit incorporation of the analysed social setting into the research design;

3. to enable explicit positioning of the researcher in the process and acknowledge the importance and value of reflexivity;

4. to give an agency to those being researched as the researcher aims to understand the world investigated, to grasp complex and multiple perspectives from their point of view;

5. to contribute to the knowledge base that gives deeper insight into the observable phenomena, and not simply recycle existing and saturated business and management theories.

Research conducted under a positivist research philosophy could not reflect the complexity of this process and respond to the requirements. Therefore, the researcher decided to take another approach using ontological constructionism and epistemological interpretivism. It is argued that in social science research of entrepreneurship, a subjective ontology needs to be acknowledged to a higher extent than might be the case with alternative approaches. However, this decision was not recognized from the start, as the researcher began as positivist, transformed into interpretivist and then adopted a critical theory perspective during the analysis stage. Critical theory is applied as one of the aims of this research is to create emancipatory knowledge (Habermas, 1978). In data analysis, the researcher adopted 'framework analysis' (Ritchie and Spencer, 1994) and thematic coding (Flick, 2009). This resulted in the development of a data-generated conceptual framework (Chapter 6), which by itself, further contributes to existing knowledge.

1.4 Research aims and objectives

In positivist reasoning researchers usually form research questions and decide what to research. The study moves away from this tradition by avoiding *a priori* categorization and bracketing the proprietors' views into theoretical concepts derived from Western discourse. In Habermas' (1978) words, it departs from a technical quest in knowledge creation. In entrepreneurship research in general, but also in the tourism field, researchers form research questions in order to search for technical knowledge, and the fields are saturated (see 4.2.4 and 4.3.2). This research departs from this practice and has two research aims:

1. to explore and compile a composite picture of entrepreneurial development within small hotels in the context of former socialist countries; and
2. to create emancipatory knowledge by challenging the conventional Western wisdom and by introducing the voices of those who are marginalised in previous studies. These voices include: the voice of the

researcher through reflexive practice; the voices of small hotel proprietors; and the voices of former socialist countries.

The outlined research aims require entrepreneurship and tourism not to be seen as central to (Franklin, 2007), but as a part of a wider geo-political and socio-cultural context. Such a perception gives an emancipatory voice (Tribe, 2004) to entrepreneurship and tourism research and represents a significant shift from more traditional, economic and positivistic approaches. In order to achieve these aims the research has following research objectives:

- to reveal the origins of entrepreneurship and tourism entrepreneurship literature in terms of disciplinary lenses and socio economic setting through which the knowledge has been informed;
- to confront various world-views regarding the same phenomena and question conventional wisdom;
- to analyse critically the impact of social setting, that of the former socialist country Croatia, on entrepreneurial behaviour;
- to show the consequences of a discipline domination and the power relations which underpin the production of knowledge and understanding of both phenomena; and
- to reflect on how the previous points may influence the researcher's position and adopted methodological design.

1.5 Overview of the thesis

To respond to the research objectives it was first necessary to scrutinize the origins of the literature, which is organized in two Chapters. **Chapter 2** examines relevant literature, definitions and theoretical concepts from the Western economies perspective. The chapter investigates the environment for entrepreneurship and small firms and discusses small firm-specific issues such as definitional, owner-manager, motivational, business growth and management strategies of small firms. The chapter draws on both general small firm literature and that specific to the tourism and hospitality industry, such as the issue of host-guest relations. **Chapter 3** applies the same structure as in Chapter 2, but introduces the voices of former socialist economies. The research setting, that of Croatia, is introduced through three time phases: socialism, transition and current years.

Chapter 4 examines the theoretical explanations and orientations underpinning the study. The chapter is divided into four sections. The first discusses research philosophies and methodologies and justifies the selected approach. This is approached not only from the perspective of overall research aims abut also from the nature of the research phenomena, that of entrepreneurship. The second section introduces the issue of reflexivity which is analyzed under four dominant themes: the content of entrepreneurship and tourism and hospitality studies; the researcher's host academic community; the notion of the self in the research; and the researcher's intersectionality with the researched. The third part of the chapter outlines the research methodology and methods in entrepreneurship and tourism and hospitality studies, discusses how revealed research practice influenced theory and knowledge development in both fields, seeks for possible explanations of positivist dominance and outlines how this affects the adopted research methodology discussed in the fourth section. The fourth section introduces the overall research process organized under three broad headings: research focus and boundaries; research strategy; and data collection.

Chapter 5 discusses data analysis. It focuses on two broad stages of the adopted 'framework' method. The first involves classification, sorting and data reduction. The second involves interpretation.

Chapter 6 outlines the findings derived from the framework analysis process. It provides a comprehensive picture of the world views of the proprietors and the researcher's interpretations arising from the analysis conducted.

Chapter 7 discusses the findings and their relation to broader theoretical concepts**.** This section also outlines research limitations and further research recommendations, practical and policy recommendations and closes the thesis with an outline of how this work contributes to further knowledge in the field.

2.CHAPTER TWO: KEY THEORETICAL CONCEPTS AND DEBATES - WESTERN ECONOMIES PERSPECTIVE

'No small businesses researchers forget that small businesses have economic, social, cultural, geographical and political environments. No small business can survive without exchanges with the environment.' (Curran and Blackburn, 2001, p.6)

2.1. Introduction

Flick (2009) argued that methodological textbooks sometimes propose that qualitative research does not need to start with the literature review. She further explains that this approach might stem from early statements on grounded theory research. For example, Glaser and Strauss (1967) suggest that the researchers should start collecting and analysing data without looking for the existing literature. Although they revised this position later, it is still present. Curran and Blackburn (2001, p.31) went deeper and noted that dominance of 'naive empiricist' stance which says… 'let the facts speak for themselves' causes research to be seen as fact accumulation, therefore theory-free. However, all research has a theoretical context and it is theory-laden and theory-dependent (ibid).

The research commenced with a literature review aiming to draw on previous knowledge on entrepreneurship and small tourism and hospitality firms (Appendix 2). Insights from the literature review are used to contextualise knowledge, to define the overall study and interview guide, but also to give meaning to the findings in this research context. As this study did not have the intention to test specific theories in a form of hypothesis, the findings brought additional theoretical concepts which were not previously examined. This prompted the researcher to go back to the literature, making this process iterative.

Therefore, the main aim of this chapter is to provide theoretical concepts which offer an understanding of entrepreneurship and small firms in the tourism and hospitality sector. However, adopting a critical and emancipatory stance towards knowledge creation (1.3), this current chapter together with Chapter 3 presents and contrasts world views on phenomena under investigation from the perspective of developed and transition economies, contributing to the accomplishment of the research objectives. Accordingly, section 2.2 discusses major historical approaches to entrepreneurship and entrepreneurs, which emerge mostly from an economics perspective. Although this study argues that entrepreneurship is more than simply an economic function, grounded within a specific context, this is deemed appropriate for three reasons. Firstly, the study gives support to the adopted philosophical stance, discussed in section 4.2.3. Secondly, it serves to examine the interconnections between power and knowledge (Foucault, 1974), or how a dominance of one discipline and ideology (for an example see 3.2) can influence knowledge creation (4.3.2). Thirdly, it helps a decision to be made as to whether to accept, reject or restrict usage of entrepreneurial concepts in the present case (Table 7.1). Although entrepreneurship is researched from numerous different perspectives (Hébert and Link, 1988), this present research outlines an economic point of view as the interest into entrepreneurship started with economists (Skokic et al., 2009) and understanding of entrepreneurship has been predominately informed by economic and business research and analysis. Additionally, it indicates that the present absence of a coherent framework for analytical consideration is largely explained by the dynamic nature of the entrepreneurship process.

The last part of this chapter addresses specific concepts related to small tourism and hospitality firms (2.3). This area of inquiry is considered to be ‘vastly under-researched’ (Thomas, 2004, p.1) and our knowledge of the dynamics of the small enterprises in the sector ‘relatively shallow’ (ibid.). Therefore, this section will comprise of the concepts derived from the generic small business literature and those that are sector specific, wherever possible. However, to give an insight into the context where small firms operate, the section starts with the presentation of the overall environment and public policy pertaining to small firms.

2.2 Theoretical roots of entrepreneurship

2.2.1 Historical approaches to entrepreneurship

Although the questions ‘what is entrepreneurship?’ and ‘who are entrepreneurs?’ have occupied researchers and theorists for sometime, it is still quite difficult to provide universally accepted answers. The term ‘entrepreneur’ is French in origin, from the French verb ‘entreprende’ which relates to taking a risk of a new venture, but without any sense to economic profit, which is in reverse what the term entrepreneurship represents today (Buble and Kruzic, 2006; Chan, 2005). There is not a precise translation for ‘entrepreneur’, so in the eighteen century there were three commonly used English equivalents: ‘adventurer’, ‘projector’ and ‘undertaker’ (Hébert and Link, 1988). After John Stuart Mill published his work ‘Principles of Political Economy’ (1848), the term came into much wider use, especially among English writers. Mill (1909, p.II.XV.4) argues that ‘it is to be regretted that this word, in this sense, is not familiar to an English ear. French political economists enjoy a great advantage in being able to speak currently of ‘*les profits de l'entrepreneur.*’

The history of economic thought is a complex issue and the historical records on the nature of the entrepreneur are diverse. For the purpose of this work only contributions of major economic theories and authors will be presented. Appendix 3 gives a more detailed and compressed outline of this history. Although selective, this overview contributes to the research on three levels. Firstly, it gives an insight into how ideas which contribute to an explanation of a modern economy and entrepreneurship have formed gradually over time. Different approaches to the term ‘entrepreneurship’ are outcomes of historic periods in which people were conducting business activities. In addition, entrepreneurship is not a new phenomenon. It existed during all periods of history, only by different ‘game rules’ which were dictated by each historical epoch. Secondly, the overview reveals the characteristics, traits and factors that researchers have sought to find in the entrepreneur. Finally, it helps to understand and clarify the differences which exist among entrepreneurship development in former socialist countries and Western economies, because diversities which exist are, among other motivations, caused by historical legacies of each country (3.2).

The first identified academic who used the term ‘entrepreneur’ relative to economics and recognized the crucial role of the entrepreneur in economic development is economist *Richard Cantillon* (1697?[1]-1734) in his ‘Essai sur la nature de commerce en general’ (Buble and Kruzic, 2006; Hébert and Link 1989; Schumpeter, 1954). ‘Essay of the Nature of the Trade’ was written around 1730 and 1734 and first published in 1755, twenty one-years after he died. Cantillon describes an ‘entrepreneur’ as any individual who operates (buys) under certain prices and expenditures, but sells under uncertain prices (incomes, or in this context sales revenues are unknown and uncertain). For Cantillon, the entrepreneur is the bearer of risk caused by the changes in market demand, which presents a direct reflection of Cantillon’s early career as an assistant to the British Paymaster during the War of Spanish Succession (Thornton, 1999). Also, he was the first economist to stress the importance of uncertainty. Namely, a speculative middleman, who buys in order to resell, cannot know for certain the market conditions which will exist in the future, making the middleman a specialized bearer of risk (Cantillon, 1959). Therefore, a unique characteristic of Cantillon’s entrepreneur is anticipation of future prices and the courage to operate under conditions of uncertainty (of the future price level). Cantillon’s emphasis on risk and uncertainty can be examined in the context of stock market speculations, where he was an active trader and made a considerable fortune by correctly anticipating the market crashes (Murphy, 1989). As De Coster (2006, para.11) argues, ‘this is perhaps where this consummate economist and theorist first came to understand the value of the entrepreneur and the knack for risk-taking.’ Cantillon realized that it is not important whether entrepreneurs have their own capital to conduct the business, or they invest only their own labour; as long as they ‘live at uncertainty’ (Cantillon, 1959, p.I.XIII.11) they can be treated as entrepreneurs.

[1] The exact date of his birth is not known.

During the period of *classical economics* in the United Kingdom (1776 to 1870) the appearance of the entrepreneur in literature was slowly but systematically abandoned (Hébert and Link, 1988). Although in the writings of classical economists, such as Adam Smith, David Ricardo and Thomas Malthus the appearance of entrepreneur can be found, the phenomenon of this important figure was misty and without clearly defined form and function (Baumol, 1993). Due to the influence of Cantillon, eighteen and nineteen century French economists, unlike their British colleagues, never lost sight of the crucial importance of the entrepreneur. The most significant contribution from this period is attributed to *Jean-Baptiste Say* (1767-1832) who is considered to 'make the entrepreneur the pivot of the entire process of production and distribution' (Hébert and Link, 1988 p. 35-36). Say was the first professor of Economics in Europe, but he also ran his own business, a textile mill (Binks and Vale, 1990). This experience of running a private company is evident in a role attributed to the entrepreneur, which is much more specialised. Say considers that the main task of the entrepreneur is to combine the factors of production, combining in one person an entrepreneur and a manager. According to Say (1855, p.II.VII.29) the entrepreneur must have:

> 'a combination of moral qualities, that are not often found together. Judgement, perseverance, and knowledge of the world, as well as of business. He is called upon to estimate, with tolerable accuracy, the importance of the specific product, the probable amount of the demand, and the means of its production: at one time he must employ a great number of hands; at another, buy or order the raw material, collect labourers, find consumers, and give at all times a rigid attention to order and economy; in a word, he must possess the art of superintendence and administration.'

At the end of the nineteenth century a vast incentive to entrepreneurship development was given by *The Austrian School of Economic Thought*. The Austrian School dates from the 1871 publication of Carl Menger's *Principles on Economics.* The most famous Austrian representatives are Eugen vom Böhm-Bawerk, Friedrich von Wieser, Ludvig von Mises, Friedrich Hayek and Israel Kirzner (Glas, et al., 2003). Among the presented scholars a special place in the development of entrepreneurship theory belongs to *Israel Kirzner* who highlighted the competitive and dynamical nature of the market process (Gick, 2002). Kirzner (1973) argues that the proper role of the entrepreneur in the market system is not presented in its true light and that the role of the entrepreneur in relation to competition has been completely ignored. One of the crucial Kirzner's propositions is entrepreneurial discovery and alertness to profit opportunities. Entrepreneurs can notice profit opportunities because of entrepreneurial alertness to profit, and the process of entrepreneurial discovery is continual and driven by dynamic competition (Kirzner, 1997).

Joseph Alois Schumpeter (1883-1950) presents a unique figure in the history of economic thought with a significant contribution to entrepreneurship theory development (Baletic, 1990; Baumol, 1993). Unlike the scholars before him, Schumpeter placed things in a different order. Namely, before Schumpeter the entrepreneur was seen as a risk taker and confronter of uncertainty (Baumol, 1993). However, Suchumpeter developed entrepreneurship theory from the theory of economic development. For Schumpeter, the relevant problem 'is not how capitalism administers existing structures, but how it creates and destroys them' (Schumpeter, 1950 p. 84). The essence of economic development is creative destruction; in other words, a disturbance of the circular flow (equilibrium). The mechanism of economic change is the entrepreneur, a *persona causa* of economic development, who moves the economy away from equilibrium by 'carrying out new combinations' (Schumpeter, 1934, p. 132), which can be expressed in the following five cases: creation of a new good or a new quality of a good; the introduction of a new method of production or sales; the opening of a new market; the capture of a new source of supply of production inputs; and the introduction of a new organisation of industry (Schumpeter, 1934).

The essential function of the entrepreneur is distinct from that of a manager, landowner, labourer, inventor, and capitalist. Entrepreneurs exist as a minority in a society; they are creative individuals who are able to recognize new opportunities and react in a form of new combination, bringing a change in economic life. Entrepreneurial function is not even connected with the possession of wealth, 'even though the accidental fact of the possession of wealth constitutes a practical advantage' (Schumpeter, 1934, p.101). In contrast to all other scholars, Schumpeter completely excluded risk, denying that profit is the return on risk. He argues that 'the entrepreneur is never the risk bearer…Risk taking is in no case an element of the entrepreneurial function. Even though he may risk his reputation, the direct economic responsibility of failure never falls on him' (ibid., p. 137). Although Schumpeter makes a vast contribution to the development of entrepreneurship theory, his definition of entrepreneurship is considerably narrower than that of previous scholars (Baletic, 1990). Essentially, for Schumpeter the entrepreneur is an innovator, not a person who perceives and realizes business opportunity. Schumpeter was the first who cited factors of human creativity and entrepreneurship as main contributors to economic development. This is not surprising, as Schumpeter was active in a period of a considerable economic depression, where the world's economy needed a new force which will lead it to recovery and progress. This 'new force' in Schumpeter's eyes was the entrepreneur.

2.2.2 Towards a synthesis

The historical analysis presented in the previous section and in Appendix 3 reveals a dynamic nature of entrepreneurship, a diversity of opinions when it comes to define the nature and the role of the entrepreneur and partiality of the views which mostly observe the entrepreneur in a statistic dominated environment. Most of the outlined views can be classified within several themes which point out the major attributes associated with an entrepreneur (Hébert and Link, 1988):

a) a person who assumes the risk associated with uncertainty (like Cantillon, Mill, Thünen, Mises, Knight);
b) an innovator (like Thünen, Schumpeter);
c) a manager (like Say, Mill, Menger);
d) an owner of an enterprise (like Wieser);
e) an arbitrageur (like Cantillon, Walras, Kirzner);
f) a coordinator of scarce resources (like Say, Wieser, Schumpeter);

g) a decision maker (like Cantillon, Menger, Wieser, Mises);

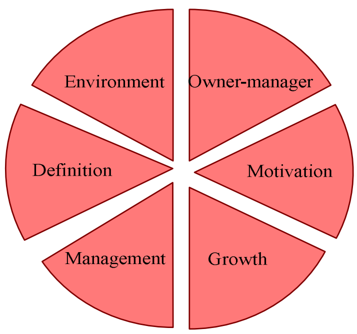
The compressed overview presented in Appendix 3 highlights that entrepreneurship and the entrepreneur within Western economies literature have been present throughout the history of economic thought, although focused in different directions. Economists in the past, especially during the period when the neoclassical school of economic thought was widespread, did not include any circumstances such as sociological factors in their theories as they cannot be quantified and applied to mathematic models (Morrison, 1999). Additionally, other disciplines which concentrate on only one aspect of the phenomena of entrepreneurship, and overlooked others did not succeed in capturing ther essence of either entrepreneurship or entrepreneurs. For instance, McClelland's (1961) psychological personality trait approach, which focuses entirely upon innate personalities, such as the need for self-achievement, creativity and vision, does not answer the underlying question 'who is an entrepreneur?' nor fully understand the phenomenon (Gartner, 1988). This gives further motivation to move away from one-dimensional conceptualisations of entrepreneurship, as they can provide only partial understanding of the world and can serve only specific interests, like those of an economic nature, to the exclusion of other areas.

It is important to stress that the aim of producing Appendix 3 was not to search for one unique definition of the entrepreneur and entrepreneurship. The author acknowledges the dynamic nature of the concept and impossibility of providing one universally accepted definition (4.3.2). Firstly, entrepreneurship is a dynamic concept and entrepreneurs act in an open system. Entrepreneurship development in one country is connected with economical, social and political conditions which can foster it or impede it (Buble and Kruzic, 2006; Kovac, 1990; Morrison, 1998). Secondly, the objects of study, like the individual entrepreneur or sectors of industry, can change the determinants of entrepreneurship considerably (Verheul et al., 2003). Consequently, entrepreneurial typologies encompass different entrepreneurial motives, characteristics, circumstances and activities which exist beneath a common banner. Different typologies are useful in that they point to the essential heterogeneities of entrepreneurs, but even more important, they alert us against being too general when debating who entrepreneurs are (Morrison, 1998). It is clear that any approach aiming to explain and define what shapes an entrepreneur must take into account a wide range of influences present in an entrepreneur's society and the economy system. No one approach has the definite answer but together they bring us closer to some degree of understanding (Carson et al., 1995).

2.3 Entrepreneurship and small scale tourism and hospitality businesses

Tourism and hospitality entrepreneurship has remained a largely neglected area for research (Ioannides and Petersen, 2003; Li, 2008; Thomas, 2004). In their recent contribution, Ateljevic and Page (2009, p.1) argued that 'the links between tourism and entrepreneurship, with a few exceptions, remain divergent themes that are not addressed in any way which draws upon the inherent synergies between the two areas.' This neglect is all the more conspicuous if the tourism contribution to the world's GDP is taken into account (WTO, 2010) and the importance of the small tourism and hospitality business for the European economy (EC, 2009). In order to understand small tourism and hospitality firms this section will draw on a body of research which is related to the small business sector in general, and also to the concepts specific for the sector analysed, like host-guest relations. Within the existing literature there are still some issues which, despite long-lasting academic debates, have not been solved and are controversial, such as the issue of business growth. However, they can be observed as puzzles which provide a composite picture of small business (Figure 2.1), and as such will be analysed in this section.

Figure 2.1 Major theoretical issues in small business research



2.3.1 Environment for small tourism and hospitality firms

The environment for entrepreneurship is a complex area of research and it comprises of numerous categories from ideological influences, culture, institutional environment, availability of financial sources and political intervention (Morrison, 1998; Morrison et al., 1999). According to Morrison (1999) these influences can be summarized under the three broad headings of 'social', 'economical' and 'political'. However, each of these influences will vary within different countries in terms of their intensity and therefore, will act as inhibiting or encouraging factors towards entrepreneurship. This section aims to extract and present those factors which are found to shape the environment for tourism and hospitality entrepreneurs operating within the context of developed economies.

It is widely presented that small firms dominate the tourism and hospitality industry (Bastakis et al., 2004; EC, 2009; Morrison and Conway, 2007). The EC (2004) reports that in spite of the success of big hotel chains and franchises in the accommodation sector, small independent enterprises are numerically in the majority. Morrison (1996) outlines four factors that lead to the higher number of small hotels. Firstly, there exists relative ease of entry into the sector. It is understood that the initial capital to start up a small accommodation business is lower than in other industries and that entrepreneurs are not facing significant administrative barriers. Furthermore, specific qualifications, professional requirements and experience related to the sector are not deemed as necessary when entering into the industry (Lerner and Haber, 2000; Quinn et al., 1992; Szivas, 2001). Secondly, the market demand for small accommodation is high at a variety of locations and not subject to fulfilling standardized corporate rules. Therefore, small accommodation providers can offer a wide quality range of products, facilities and special services to a niche market. Thirdly, the nature of small firms is such that it allows an owner-manager to respond quickly to customer needs and expectations. As a result, higher levels of customer satisfaction can be achieved through personal encounters with the guests. Finally, a small hotel, often managed by a family, can be economically viable. The market seems to be limited and specialized and suited to a firm with low overhead costs and does not offer the high level of profit required by a large enterprise. This is caused by the economic advantage of using family labour (2.3.6.2), but it has to be emphasized that the small hotel owner is also likely to be willing to accept compromised profit to experience some quality of life (Ateljevic and Doorne, 2000; Szivas, 2001).

2.3.1.1 The role of culture

However, outlined findings should be viewed against the backdrop of the overall culture and conditions for entrepreneurship, or informal institutions which include the norms, beliefs, values, and similar conventions that forms socio-cultural relations within a society (North, 1990). Entrepreneurship ventures present novelty and are unique (Aldrich and Fiol, 1994) and therefore can confront 'problems associated with lack of legitimacy' (Low and Abrahamson, 1997, p.436) or external validation (Stone and Brush, 1996). Legitimacy flows from the cultural support for a new venture (Meyer and Scott, 1983). In order to encompass cultural influences, this work will draw on Geert Hofstede's cultural dimensions. The author is aware of the critiques associated with his work (Roberts and Boyacigiller, 1984; Cooper, 1982), however this concept is deemed as appropriate because it enables later comparison with the transition economies setting (3.2.2.3). Hofstede (2001) distinguishes different types of cultural measures, which are presented in Table 2.1.

Table 2.1 Hofstede's cultural dimensions

CULTURAL DIMENSIONS	**EXPLANATION**	**SUMMARY**	**EVIDENCE FROM DEVELOPED ECONOMIES**[2]
Power Distance Index (PDI)	'the extent to which the less powerful members of institutions and organizations within a country expect and accept that power is distributed unequally' (Hofstede, 2001, p.98)	Management of inequality between people	Low PDI
Individualism	IDV as opposed to collectivism.	The relationship	

[2] The study's results for a vast number of countries can be found at: http://www.geert-hofstede.com (Accessed 07.02.2010.).

(IDV)	'Individuals stands for a society in which the ties between individuals are loose: Everyone is expected to look after him/herself and after her/his immediate family only. Collectivism stands for a society in which people from birth onwards are integrated into strong, cohesive in-groups, which through people's lifetime continue to protect them in exchange for unquestioning loyalty.' (ibid., p.225)	between individuals and collectives	High IDV
Masculinity (MAS)	Masculinity as opposed to femininity. 'masculinity stands for a society in which social gender roles are clearly distinct: Men are posed to be assertive, tough, and focused on material success; women are supposed to be more modest, tender, and concerned with the quality of life. Feminity stands for a society in which social gender roles overlap: Both men and women are supposed to be modest, tender, and concerned with the quality of life.' (ibid., p.297)	Allocation of roles between the sexes	High MAS
Uncertainty Avoidance Index (UAI)	'the extent to which the members of a culture feel threatened by uncertain or unknown situations.' (ibid., 161) 'it is indicative of a society that has fewer rules and does not attempt to control all outcomes and results. It also has a greater level of tolerance for a variety of ideas, thoughts, and beliefs.' (http://www.geert-hofstede.com)	Stance toward the future	Low UAI

As can be seen from Table 2.1, cultures which have a low power-distance index, appreciate individualism over collectivism, orient towards 'earnings, recognition, advancement and challenge' (Hofstede, 2001, p.288), and are risk takers, are more supportive of entrepreneurial behaviour. However, the level of entrepreneurial activity is also strongly related with a country's institutional framework.

2.3.1.2 Institutional environment for entrepreneurship

Scholars give considerable attention to institutions which may have an effect on entrepreneurship, where institutions can be formal and informal. Formal institutions refer to the rules, regulations, laws and supporting apparatuses that establish order in economic, legal and political framework of a country (North, 1990). Among the most emphasized are property rights and the rule of law[3], administrative barriers/regulations and the fiscal and financial system (Dickson and Weaver, 2008; Licht and Siegel, 2006). There exists an extensive literature on the effects of the regulations to entrepreneurship. However, a study by Djankov et al., (2002) points to considerable variations between countries in the number of days and costs of business creation but also confirms that high regulations considerably lower business start-up rates, which is associated with greater corruption. Frye and Shleifer (1997) propose that all governments, considering their scope of regulation and effects on entrepreneurship, can be categorized under three styles characterized as follows:

> 'Under *the invisible hand model*, the government is well organized, generally uncorrupted, and relatively benevolent. It restricts itself to providing basic public goods, such as contract enforcement, law and order, and some regulations, and it leaves most allocative decisions to the private sector.
> Under *the helping hand model,* bureaucrats are intimately involved in promoting private economic activities, they support some firms and kills of others, pursue industrial policy, and often have close economic and family ties to entrepreneurs…Bureaucrats are corrupt, but corruption is relatively limited and organized.
> In the final, *grabbing-hand model,* is just as interventionist, but much less organized, than in the helping hand model. The government consists of a large number of substantially independent bureaucrats pursuing their own agendas, including taking bribes.' (ibid.,p.354)

The effects of governemnt styles on entrepreneurial activity can be extremely high, as is supported by Friedman et al., (2000). They analyzed 69 OECD countries and found that entrepreneurs go underground to reduce the burden of bureaucracy. On the other hand, Dickson and Weaver (2008, p.467) suggest that an entrepreneurial orientation 'may be to an important extent a strategic response to institutional forces.'

Quite striking results are introduced by Hartog et al., (2010) analysing 23 OECD countries. They argue that '*a better rule of law* lowers entrepreneurship' and, as a

[3] The rule of law measures 'perceptions of the extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence' (Kaufmann et al., 2009, p.6).

possible explanation for this, consider the fact that 'in developed economies the benefits of the rule of law accrue primarily to large enterprises.' (ibid., p.3). Besides these factors, high employment protection regulation also makes entrepreneurship less attractive (Hartog et al., 2010; Hessels et al., 2007; Wennekers et al., 2002), and it can also lower the supply of ambitious entrepreneurs (Hessels et al., 2008). Furthermore, McMullen et al., (2008) analyze the link between opportunity- and necessity-based entrepreneurship and government restrictions of economic freedom and found that opportunity-based entrepreneurship is positively associated with property rights. Thus, entrepreneurial activity is rooted in a set of institutions that influence the motivation and levels of uncertainty.

It has been argued that lowering tax rates for self-employment or raising taxes on employees would lead individuals to self-employment (Fölster, 2002; Schuetze, 2000), but recently Schuezte and Bruce (2004, p.259) argue that the picture is not that clear since 'self-employment appears to increase with income tax rates.' Governments also impose numerous business taxes, all of which can influence the behavior of small business owners. For instance, Michaelas et al., (1999) show that taxes which were levied on small company profits are likely to cause lower growth rates, since the retained profits are the prime source of funding for small company investment. Gentry and Hubbard (2000) and Takii (2008) show that high impositions can discourage entry by entrepreneurs. A report by the UN (2008) outlines for the OECD countries that medium sized enterprises according to the EU definition (2.3.2) have to pay 15 different taxes in their second year of operation. This burden shows decreasing trend since 2005, when it stood at 19 different tax payments. This number was 3.5 times higher in emerging market economies (see 3.2.2.2). Also, the taxation rate (total taxes as a percentage of gross profits) reached 50% in 2008, where this indicator dropped from 52% in 2005.

Small firms in general also face financing problems which can act as a barrier to growth (2.3.4). It is widely recognised that all new business start-ups are risky and failure rates can be extremely high in the first years of business, which generally makes banks reluctant to finance the small business sector (Moore, 1994; Stiglitz and

Weis, 1981). Hence, they impose strict terms and conditions of loans and high collateral and ‘capital markets tend to discount quite heavily the financial risk associated with small and medium enterprises (SMEs)’ (Wanhill, 2000, p.144). Mallick and Lynch (2004) object to those statements, arguing that ‘anecdotal evidence on these statements periodically surfaces in business press and policy discussions, yet empirical evidence on the magnitude of this gap is non-existent.’ In their study they found that the gap between desired and observed debt for SMEs is 20%. This is in congruence with numerous reports which confirm that if small firms decide on any form of external finance, like banks’ credits, factoring or venture capital, bank lending remains the most dominant source of start-up capital for SMEs (Bank of England, 2001; UN, 2008; Wanhill, 2000). The EC (2004, p.21) further reported that ‘approximately 80% of all European SMEs have at least one credit line.’ The recent so-called ‘credit crunch’ and a lack of economic liquidity reflected on the small firms’ access to external sources and FSB (2009) reported that banks are again more selective over who they loan money to. Kitching et al., (2009) confirm that small firms in the UK have experienced the ‘credit crunch’ in a wide variety of ways, such as late payments from customers and tightening credit terms. However, small firms’ flexibility has enabled them to adopt numerous actions which can maintain or improve business performance during the recession period.

2.3.1.3 Public policy for SMEs in the tourism and hospitality sector

Government policy is an important issue in this research context, as it shapes the institutional environment in which entrepreneurs operate. Lundstrom and Stevenson (2005) make an important distinction between two types of government policies. The first is SME policy which is focused upon existing businesses, so it can include loans or business advice. The second is entrepreneurship policy which is focused on influencing the creation of new firms and raising entrepreneurial awareness in society. Examples can include entrepreneurship education and highlighting entrepreneurs as role models (Radu and Redien-Collot, 2008). During much of the last century, the governemnt of Western economies focus on industrial policies aiming to exploit benefits which are associated with large-scale industrial production, where entrepreneurship in general was not targeted with those programmes (Curran and Blackburn, 1991; Blackburn and Smallbone, 2008). After the 1970s, when industrial comparative advantages shifted toward knowledge-based economic activities (Audretsch and Thurik, 2001), entrepreneurship and small businesses gained considerable attention from governments. In this context, Gibb (1993) considers that small firm policy emerged largely driven by recognition of the employment potential of SMEs (for comparison see 3.2.2.4). The effects of those interventions and policy implemented on entrepreneurial activity are far from being resolved (Capelleras et al., 2008). However, the governmental policy towards entrepreneurship and the level of development of institutional framework can affect entrepreneurship. Baumol (1990) even argues that the supply of entrepreneurs and the nature of their motives do not go through significant changes from one period to another. What will vary is allocation of entrepreneurship, which will move towards more productive levels such as innovation, if targeted properly on the macro level. Therefore, 'policy can influence the allocation of entrepreneurship more effectively than it can influence its supply' (ibid., p.90).

Within the tourism and hospitality sector, considerable attention has been given to tourism policy and planning (such as Hall, 1994; Hall and Jenkins, 1995; Inskeep, 1991; Krippendorf, 1982; Veal, 2002). However, little investigation has been conducted between small business research and policy development in the context of the sector (Thomas, 2000). Hall (2009, p.245) considers this is because 'the entrepreneur and the firm are often treated in relative isolation from the structural context in which they are embedded.' He further argues that existing research does not provide satisfactory explanation regarding the outcomes of specific measures, which can be more effective in one context than another, although there are some valuable contributions (Fleischer and Felsenstein, 2004; Lynch and Tucker, 2004; Morrison and Teixeira, 2004b; Wanhill, 2004). A recent contribution on this rather neglected topic is provided by Ateljevic (2008) and Thomas and Augustyn (2007). Ateljevic (2008) analyses the ability of small tourism firms to influence regional development within the region of Wairarapa in New Zealand. He found that the government plays an active role in tourism development in terms of policy creation, regulations or indirectly through setting social and economic market mechanisms. The major obstacles identified by respondents in his study comprise taxation and the process and cost of compliance regarding the conflicts with front-line staff and a vast number of regulatory compliances. Ateljevic's (2008, p.293) findings also reveal that entrepreneurs fully support the government's involvement as 'the tourism sector could only be developed to its full potential with adequate public sector support and an appropriate infrastructure in the area of policy.' However, they consider that tourism policy advisors have a 'large business concept' (ibid.) and incentives created, like those of a financial nature, are complicated to obtain. Thomas and Augustyn's (2007) edited work sheds light on some SMEs policies that emerge from the different EU member states. For instance, Balaz (2007) provides an overview of the business environment reform and introduces tourism specific initiatives in Slovakia. Lesley (2007), on the other hand, investigates Scottish rural tourism enterprises in light of the EU sustainability agenda (Agenda 21). Unfortunately, the majority of the studies do not discuss the effects of governments' policies and measures on SMEs practices.

Conversely, a considerable number of scholars are arguing that public policy creators have to include sector-specific characteristics and recognise its heterogeneity, dynamics and embeddedness into the specific socio-cultural context (Hall, 2009; Morrison and Thomas, 1999; Thomas, 1995). Blackburn and Jennings (1996, p.7) emphasize that the 'SME market cannot be considered to be homogenous and, therefore, a generic, universal…policy may satisfy no individual segment'. Bramwell and Lane (2000) suggest that if local tourism policies are to be effective, small businesses have to influence the process of policy creation. Although this issue has been analysed within the small business sector in general (Curran et al., 2000), Thomas and Thomas (2006) were among the first to analyse the participation of micro-tourism businesses in public policy creation. They found that 'local micro-businesses do not posses the wealth of the resources that can assist effective policy mobilisation' (ibid.,p.111). The resources refer to the knowledge, networking capacity and mobilisation capacities of the micro businesses.

2.3.2 Small firm definition

What exactly defines a small business? In reviewing the small business literature various definitions arise, and according to Thomas (2000, p.346) 'there is a panoply of definitions that are justified by their users on the basis of their value to particular project.' Storey (1994, p.8) concludes that 'there is not a single, uniformly acceptable definition of a small firm', and after sixteen years his statement is still relevant. Peacock (1993, p.29) alerts that although quite arbitrary, quantitative cut-off points defining small business can not be considered as the best solution, 'there has been no attempt to relate these haphazard figures to the hospitality industry itself, and no attempt to test or apply these definitions of size.'

In a broader sense, all approaches which aim to define small business can be categorized as quantitative (statistical) and theoretical definitions (Shepherd and Wiklund, 2005). Statistical approaches use numerous measures to define what represents a small business. In most cases, statistical definitions are based on number of employees or number of hotel bedrooms, and may include sales turnover, market share and level of financial investment. In order to make possible comparison between sectors, as well as within member states, the European Commission set out and recently adjusted a common definition of small and medium sized enterprises (Table 2.2), focusing on number of employees, the turnover threshold and the threshold for the balance sheet.

Table 2.2 Definition of micro, small and medium sized enterprises

ENTERPRISE CATEGORY	HEADCOUNT	TURNOVER	OR	TOTAL BALANCE SHEET
Medium sized	< 250	50 million €		43 million €
Small	< 50	10 million €		10 million €
Micro	< 10	2 million €		2 million €

Source: Official Journal of the European Communities No L 124, 20.05.2003., p.36

For the first time, the SME definition includes precise financial thresholds for micro-enterprises that should enable that adoption of support schemes intended for the small business sector become easier (EC, 2003). However, Storey (1994, p.14) argues that although the EC's definitions are improving,

> 'the key remaining problem with the EC definition of SME is that, for a number of countries, it is too all-embracing…virtually all firms and the vast bulk of employment and output in countries such as Greece, Ireland, Spain and Portugal fall within the definition of SMEs. For internal purposes, within these countries, the SME definition is not helpful.'

Shepherd and Wiklund (2005) also stress that the main problem with statistical definition of a small firm is that they do not recognize that the sector is heterogeneous, and smallness will vary considerably across industries. Similarly, Thomas (2000, p.351) argues that ignorance of the sector's heterogeneity will only 'obfuscate understanding of the business behaviour of small tourism firms.'

Studies of small businesses in the tourism and hospitality industry use a range of definitions to define the term. Table 2.3 interprets this by highlighting a range of quantitative classifications used by a sample of recent authors in peer-reviewed journals, where there is no one universal criteria, whether that is number of rooms, number of beds or number of employees.

Table 2.3 Quantitative classification of small tourism and hospitality businesses

AUTHOR(S)	SECTOR	DEFINITION
Ateljevic (2007)	hotel	less than 30 beds
Aggett (2007)	boutique hotel	up to 100 bedrooms
Buick et al., (2000)	hotel	less than 15 rooms
Glancey and Pettigrew (1997)	hotel	less than 40 bedspaces
Gray and Liguori (2003)	hotel	less than 100 rooms
Hankinson (1990)	hotel	less than 25 bedspaces
Ioannides and Petersen (2003)	hotel (small and medium)	less than 85 beds
Lee-Ross and Ingold (1994)	hotel	less than 20 bedrooms
Lowe (1988)	hotel	less than 30 bedrooms

Lynch (2005)	commercial home enterprise (CHE)[4]	15 rooms or less
Morrison (1992)	hotel	less than 100 bedspaces
Morrison et al., (1996)	specialist accommodation (such as B&B houses, country inns, country inns)	up to 25 bedrooms
Medlik and Ingram (2000)	hotel	up to 20 or thirty rooms
Peacock (1993)	restaurant hotel	less than 30 employees less than 80 employees
Rowson and Lucas (1998)	hotels	less than 25 employees
Sungaard et al. (1998)	hotels	less than 25 rooms
Thomas et al. (1997)	travel agents, visitor attractions, accommodation, pubs/bars, restaurants, take-aways	less than 50 employees

In contrast, Morrison (1998) succeeds to comprise owner-managerial and behavioural aspects of small firms without bounding definition to quantitative criteria. Morrison (1998, p.134) considers that:

> 'small hospitality business is financed by one individual or small group, directly managed by its owner (s) in a personalized manner and not through the medium of a formalized management structure. It may or may not be affiliated to an external agency on a continual basis for at least one management function. In comparison to the largest unit of operation within the industry, it is perceived as small, in terms of physical facilities, product/service capacity, and number of employees.'

Other definitional attempts include: the family owned nature of the small tourism and hospitality businesses, where this perspective is not related to size, but only to family ownership of the business (Getz and Carlsen, 2000; Getz et al., 2004); the perspective of the lifestyle entrepreneur, discussed in 2.3.3; and 'commercial home

[4] CHE refers to 'types of accommodation where visitors or guests pay to stay in private homes, where interaction takes place with a host and/or family usually living upon the premises and with whom public space is, to a degree, shared.' (Lynch, 2005, p.534).

enterprise' (Lynch, 2003) elaborated in section 2.3.6.6. In the terms of frequently used criteria, such as number of employees, market share, and annual revenue a large number of tourism and hospitality businesses can be regarded as small. This is especially due to the fact that within developed economies tourism offers opportunities for easy entry into a number of business types (Morrison, 2002) and in most cases, businesses are owned by sole proprietors and families (Getz and Petersen, 2005; Getz et al., 2004; Morrison et al., 1999; Szivas, 2001; Thomas, 1998). However, those businesses usually remain small and owner-managers make conscious decisions to do so (2.3.4).

Some authors have criticized the use of statistical definitions of small enterprises (Burrows and Curran, 1989) and argue that 'size, whether measured in terms of number of employees, turnover, market share or whatever, is not a sufficiently robust criterion to allow 'small firms' to be isolated and analyzed as having an economic and social specificity' (p.530). They further consider that research will be more meaningful if better grounded definitions of size are used, explaining them as 'tapping the informal (or formal, if such judgement exist) criteria by which smallness is perceived commonly within the subculture of the economic sector being studied' (ibid., p.531). Therefore, Burrows and Curran (2001) argue that in each industry, specific definitions will be induced as a result of qualitative research. Peacock (1993) attempts to carry out a grounded definition of small hospitality businesses. He suggests that the distinction between small, medium and large enterprises is unsupportive in the context of hotels and restaurants, pointing out that there is a greater helpfulness in using a small-large dichotomy. Peacock (1993) also considers the levels of turnover, although he ends up with a definition based on number of employees (Table 2.3).

Thomas (2000) proposed that in the small firm context purely statistical definitions can be considered as inappropriate because they conceal the essence of the small firm recognized as 'independence, particular kind of service focus, managed by the owner in a holistic manner' (p.351). In addition, the small firms are grounded in the specific culture or sector being investigated (Curran and Blackburn, 2001). However, even grounded definitions of size can not be regarded as the best solution, mainly because it is almost impossible to collect such a vast number of compressive data and make comparisons between countries, sectors and over time periods (Burrows and Curran, 1989; Storey 1994). An optimal solution, according to Storey (1994, p. 16), would be if researchers 'tailor their definitions of small firm according to the particular groups of small firms which are the focus of their interest.'

2.3.3 Motivation to set up a small firm

It is widely recognised that individual characteristics, such as skills, lifecycle stage, gender and age and environmental factors, like a country's political, social and economical system influence on the start up motivation (Dewhurst and Horobin, 1998). This issue has been widely debated within the tourism and hospitality entrepreneurship literature and studies have identified a range of entrepreneurial cultures, which can range from a preoccupation with economic motives through to a vast range of non-economic factors (Shaw and Williams, 2004). The existing body of literature suggests that the majority of small scale entrepreneurs reveal non-economic motivational factors, which can be summarised in Table 2.4.

Table 2.4 Identified motivational factors to start up small tourism and hospitality firms.

NON-ECONOMIC FACTORS		**ECONOMIC FACTORS**	
Wanted to work for myself (freedom of being own boss)	Getz and Petersen (2005); Lashley and Rowson (2009); Page et al. (1999)	Wanted to work for myself (freedom of being own boss)	Getz and Petersen (2005); Glancey and Pettigrew (1997)
Doing interesting work, enjoyment	Page et al., (1999); Shaw and Williams (1987)	Challenge	Getz and Carlsen (2000); Komppula (2004)
Being able to live in a specific area; to support leisure interests	Getz and Carlsen (2000); Getz and Petersen (2005); Ioannides and Petersen (2003); Mottiar (2007); Shaw and Williams (1987)	Additional income during summer	Ioannides and Petersen (2003)
Move away from	Alexander and	Business opportunity	Buick et al., (2000);

heretic urban life	McKenna (1999)		Getz and Petersen (2005); Glancey and Pettigrew (1997)
Meet people and act in a host capacity	Getz and Petersen (2005); Hall and Rusher (2004); Lynch (1999)	/	/
Balance work/life and family quality time	Getz et al., (2004); Morrison (2006)	/	/
Family circumstances (to support family, to employ family members)	Komppula (2004); Morrison and Teixeira (2004a)	/	/
To fulfil a life long dream	Lashley and Rowson (2009)	/	/
To enjoy a good lifestyle	Getz and Carlsen (2000); Getz and Petersen (2005); Hall and Rusher (2004); Holmengen (2007); Szivas (2001)	/	/

From Table 2.4 it can be concluded that non-economic motives seem to appeal to the heart of small business owners and a vast number of scholars argue that they can be termed as 'lifestyle' entrepreneurs. Furthermore, studies differentiate between a need for autonomy, which in certain cases is seen as economic in nature and in others as a non-economic motivational factor. Besides entry motives, the desire for growth (2.3.4) has been regarded as the criterion by which entrepreneurs are classified into entrepreneurial or lifestyle oriented firms. Gray (1986, p.18) defines the lifestyle entrepreneur as 'the individual who enjoys the fringe benefits of success and looks on a business as a means to obtain the trappings of the 'good life' … he/she is not interested in any business that might involve personnel or growth problems, or extensive financial or time commitments.' According to Morrison (2000, p.1-2) lifestyle proprietors are those who are likely to be concerned with:

> 'survival and securing sufficient income to ensure that the business provides them and their family with a satisfactory level of funds to sustain enjoyment in their chosen lifestyle…[The] lifestyle proprietor defines an individual who has a multiple set of goals associated with their businesses. Profitability in their business operations will be only one of these goals.'

Since Williams et al., (1989) initially observed the lifestyle concept, many subsequent studies have confirmed the prioritization of certain, consciously selected lifestyle goals. Twenty years after Williams et al.'s study, small tourism and hospitality firms are still often generically described as 'lifestyle enterprises' (Ateljevic and Doorne, 2000; Getz and Petersen, 2005; Ioannodes and Petersen, 2003; Lashley and Rowson, 2009; Morrison et al., 2001; Mottiar, 2007; Peters et al., 2009; Shaw and Williams, 2004). These studies reveal numerous characteristics associated with lifestyle entrepreneurs including: non existence of management strategies and non return-on-investment based strategies (Morrison, et al., 2001); the lack of involvement in formal organisations (Mottiar, 2007); low education and training, lack of skills (Lashley and Rowson, 2009); lack of innovative strategies (Ioannides and Petersen, 2003); entry as related with a lifestyle choice, such as to move to certain place (Getz and Petersen, 2005) and winter times as mostly used as a time to relax (Getz and Carlsen, 2000; Morrison et al., 2001).

However, some studies reveal the mutual existence of lifestyle and business goals. Exploring business performance of small accommodation providers in Scotland, Morrison and Teixeira (2004b) found that business entry motivations reflected a mix of personal and business circumstances, but are dominated by those associated with family. At the same time, more that one third of owner managers had expanded their business and more than one third reported the intention to expand. In the study of Bed and Breakfast (B&B) operators in New Zealand, Hall and Rusher (2004) show that respondents had the twin tensions of operating a business while trying to enjoy a quality lifestyle. Lifestyle goals are not seen as being in conflict with traditional business goals and the vast majority of B&B owners consider lifestyle as a strategic business objective. Something similar was presented by Shaw and Williams (2004) in a study of 'surf-entrepreneurs' in Cornwall. The authors revealed two main motives for operating the business: lifestyle as a core value among entrepreneurs; and the importance of profit motives and plans for future business development. The lifestyle motives did not conflict with the orientation for growth.

Nevertheless, only two studies report the non existence of the lifestyle entrepreneur within the sector. Research carried out by Glancey and Pettigrew (1997, p.23) within the small hotel sector in a Scottish town, revealed that the investigated sample 'generally displayed characteristics and motivations associated with opportunistic entrepreneurs' and furthermore, the majority had some other business interests (portfolio entrepreneurs). Buick et al., (2000, p.129) exploring Scottish small hotel proprietors found that respondents 'are definitely interested in the survival and growth of the business…This is contrary to the definition of the lifestyle entrepreneur.' Although these two studies are small in size, and the research methods employed (a mail and a postal survey) did not allow a further elaboration of the responses, they are in stark contrast to similar studies which link the lifestyle-oriented small business proprietors to a lack of growth orientation (Burns and Dewhurst, 1996; Curran, 1986; Goffe and Scase 1985; Reid et al. 1999). These findings indicate that sectoral characteristics might play an important role in explaining the behaviour and development of small business, and it is of crucial importance for researchers to recognize them as such.

The predominance of lifestyle entrepreneurs raises questions regarding their contribution or non-contribution to a tourism destination's development, where the findings are also contradictory. Some scholars argue that the long term survival of lifestyle entrepreneurs in tourism can be seen as a constraint to regional economy development. The work of Shaw and Williams (1987, 1990, 1998), mainly with reference to British seaside resorts, asserts that lifestyle entrepreneurs, by accepting suboptimal profits, seriously constrain the economic and tourism development of the region. Whilst acknowledging lifestyle success as being important to lifestyle entrepreneurs, Dewhurst and Horobin (1998, p.33) note that these entrepreneurs face long-term survival problems which can 'jeopardise seriously both the economic health and the social fabric of those communities, resorts and regions which are becoming increasingly reliant upon tourism and hospitality-related activities.' A similar notion was added by Shaw and Williams (1998) stating that they might not respond to policy initiatives designed to foster economic development or industry competitiveness. A different perspective is highlighted by Ateljevic and Doome

(2000, p.381) from a seven-year case study in New Zealand. They found that although lifestyle entrepreneurs reject business growth opportunities as an expression of their socio-political ideology, 'this orientation does not necessarily result in financial suicide or developmental stagnation but rather provides opportunities to engage with 'niche' market consumers informed by values common to themselves within rapidly segmenting markets.' The authors consider that lifestyle entrepreneurs are instrumental in the creation and introduction of innovative products to the entire industry, and also in stimulating the further development and reproduction of niche market products.

These findings indicate that the lifestyle concept is a complex issue, may vary within the sectors and can exist collaboratively with economic motives. Moreover, its role in regional development is not straightforward. It can be argued that the lifestyle phenomena needs new movements in research, which have to focus 'on understanding the interplay of culture, context and social process that provide the architecture for such largely subjective initiatives' (Morrison et al., 2009, p.10).

2.3.4 Business growth

Conventional wisdom in economic theory has long held the view that due to economies of scale and scope, the growth of the firm is positively related to their size. Small firms' growth can not be explained with traditional economic theory which is derived from a large business context, nor is this the focus of this section. Two possible reasons are identified. The first one is relatively simple because small firms usually cannot achieve scale economies, or do not have decreasing average total costs curve (ATC) in the long run. Assuming that they are striving to achieve a minimum efficient scale (MES), Storey (1994) proposes that younger firms can grow faster than older ones. In economics, MES is a term used in industrial organization to denote the smallest output that a firm can produce that its long run average costs are minimized. Thus, it corresponds to the lowest point on the long run ATC curve. Once this is achieved, businesses tend to grow less rapidly. Similarly, a vast number of studies show a negative relationship between firms' size and growth. As Hart (2000, p.246) observes 'most studies relating to periods since 1885 show that smaller firms grow more quickly than larger firms.' The second reason is more complex as small firms very often choose not to grow.

Despite the increasing volume of the research on this topic, 'our knowledge base still lacks a body of theory capable of explaining the growth of small businesses' (Dobbs and Hamilton, 2007, p.296). Shepherd and Wiklund (2009) search for contibutory factors which have lead to fragmented knowledge and argue that this might be due to the huge diversity and variability in researchers' use of growth indicators, time spans and formulae. Therefore, the research context is lacking methodological consistency. Scase and Goffee (1989) consider that growth in relation to small firms represents a complex matter and is multidimensional in scope and character. Small business growth embraces a convergence of numerous factors which can fall into four categories: owner-manager ambitions, intentions and competencies; internal organisational firm's characteristics; management strategies; and environmental/industry specific factors (Dobbbs and Hamilton, 2007; Perren, 1999; Shepherd and Wiklund, 2005; Smallbone and Wyer, 2006; Storey, 1994). Recently, Brush et al., (2009) confirmed that management, marketing and money are key factors which affect business growth. Similarly, Morrison et al., (2003, p.423) in aiming to identify a sample of small businesses that exhibit pro-growth orientation show that 'a key distinguishing feature of a pro-growth small business is a balanced alignment of the owner-managers' intention, the abilities of the business and the opportunity environment.' Differentiating entrepreneurs from small business owners, Carland et al., (1984, p.358) claims that to be an entrepreneur requires 'establishment of a business for the principal purposes of profit and growth.' The desire for growth has often been regarded as the criterion by which enterprises are classified into entrepreneurial or lifestyle oriented firms, as is demonstrated by Burn (2007). He considers that lifestyle firms:

> 'are businesses that are set up primarily to undertake an activity that the owner-manager enjoys or gets some comfort from whilst also providing an adequate

> income, for example craft-based businesses…These firms are rarely managed by entrepreneurs and, if they are, the entrepreneurs will be extremely frustrated. Most owner-managed firms fall into this category. Many are sole-traders (un-incorporated businesses)' (p.16)

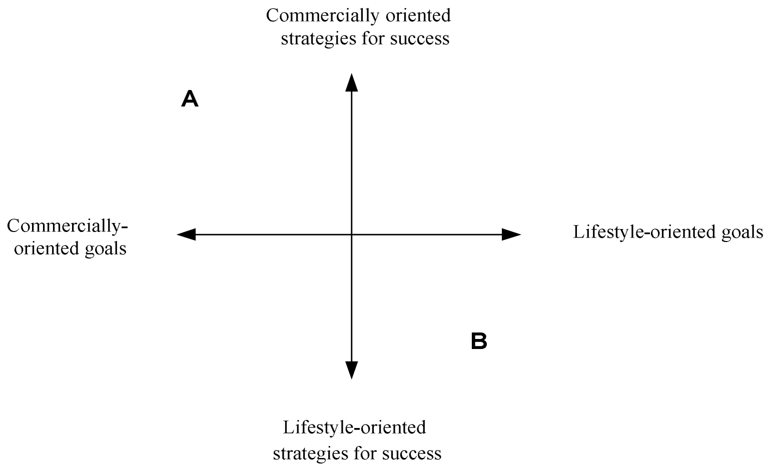
Furthermore, Burn (2007) assumes that those businesses are not set up to grow and when the owners achieve satisfactory income, management just becomes routine and tactical. In contrast, Burns (2007, p.16) describes growth firms in the following manner: 'set up with the intention of growth, usually by entrepreneurs…This is the classic entrepreneurial firm so beloved by financial press.' Here, Burns uses a narrow approach explicitly defining that entrepreneurs who do not perceive growth of their business as a priority do not represent entrepreneurs in a true sense of that word. Recently, Moreno and Casillas (2008) have argued that entrepreneurial orientation and growth orientation are positively related to each other, but that this relationship is extremely complex.

Traditionally, it has been assumed that all small firms aim to grow in order to become large ones, and that the lack of growth orientation means small firm failure (Curran, et al., 1986). Curran et al., (1986, p.77) argue that 'such views are now widely recognized by theorists and researchers as crude and inaccurate. In practice, most small firms stay small and yet can remain successful for decades by meeting the needs of some local or specialised market, as well as those of their owner-managers.' Shepherd and Wiklund (2005) concur on explaining firm growth from a resource-based perspective and state that all attempts which aim to explain growth without taking into consideration the growth motivation of the small business owner are probably unlikely to succeed. Even those small firms which have neither growth aspirations nor available resources and opportunities to grow 'still have an important role in society for creating employment and so on' (Shepherd and Wiklund, 2005, p.36).

Characteristics of the entrepreneur and the relationship between owners/founders and managers, usually combined in one or two individuals have been recognized as one of the distinguishing characteristics of the small firm (Dobbs and Hamilton, 2007). Namely, this relationship is typically closer than in larger firms, and growth as one of the management strategies does not have to be an objective (Di Domenico, 2003; Dobbs and Hamilton, 2007; Shepherd and Wiklund, 2005; Storey, 1994; Wiklund and Shepherd, 2003). Some entrepreneurs may be primarily motivated by the lifestyle reasons or they just choose not to expand the firms because that would be in contrast with their desire to retain control of decision making (Glancey, 1998). As Di Domenico (2003, p.20) explains, expected incentive 'is a function of the total social, economical and cultural environment.' For instance, in Morrison and Teixeira's (2004) study the owners perceived that growth will result in loosing distinctive attributes associated with smallness, while from managerial perception it is deemed undesirable because of financial and human resource poverty. Di Domenico (2003) shows, in analyzing bed and breakfast proprietors in Scotland, that all of them value the small size of their establishment (between four to six letting rooms) and some of them even decided to down-size the number of letting beds.

In attempting to clarify the different nature of small business owners in tourism, Dewhurst and Horobin (1998, p.25) experience the difficulty of applying an economic perspective to the context of the tourism and hospitality industry and come up with the conclusion that the majority of entrepreneurs are individuals 'who are not motivated by desire to maximize economic gain, who operate business often with very low levels of employment, and in which managerial decisions are often based on highly personalized criteria.' They further link entry motives with managemen strategies and produce a two-dimensional model of owner-manager tendencies (Figure 2.2), which unfortunately overlooks the environmental constraints.

Figure 2.2 Model of owner-manager tendencies



Drawing from Figure 2.2, those owner-managers who expose commercially oriented goals and who do implement strategies for their realisation are likely to be positioned towards point A. Among the presented studies in Table 2.4, only the minority of owner-managers reported an intention to grow (such as, Buick et al., 2000; Getz and Carlsen, 2000; Glancey and Pettigrew, 1997) but with no evidence of growth strategies undertaken. Therefore, it can be argued that majority of owner-managers operating within the sector can be positioned towards point B on the model. Here, traditional economic theory, which takes the view that the entrepreneur is a rational profit maximiser and that the firm will grow to some optimum size, simply does not hold true. Nevertheless, this orientation does not have to be permanent. Carson et al., (1995, p.70) proposes that 'after a certain stage of development a comfort factor becomes important to business owners and may run 'lifestyle' firms.' This appears to allude to the fact that owners' goals change over time, from business to lifestyle-driven, as a result of changes in their personal or environmental circumstances.

Within the literature on small business growth an important part represents an issue of 'barriers to growth', which assumes that a certain proportion of small firms wish to grow, but are prevented by some barriers (Storey, 1994). Besides the owner-manger characteristics and internal constraints, there are significant external factors which may affect small business growth. Storey (1994, p.156) summarizes these factors under three main constrains which are related to 'matter of finance, employment and markets.' Further studies argue similarly to Storey (1994), where for instance Carter et al., (2000) analyze small firms in the UK and show that finance and banking, business advice and legislation are the most important factor for business survival and growth. In contrast, Thomas et al., (1997) conducted a comprehensive study on the UK small tourism and hospitality firms and identified cost of labour, interest rates and lack of skilled labour as major obstacles to growth. Similarly, within studies conducted in the tourism and hospitality sector it appears that the matter of finance was not identified as a barrier to growth, although the owner-managers' attitudes were. For instance, Komppula (2004) found that owner-managers were risk averse and did not want to borrow any funds to expand business.

2.3.5 Owner-manager

From the outset, it seems that the concept of the entrepreneur in the tourism and hospitality industry is far more complex than presented in section 2.2 of this thesis and comprises many other factors. Research by Shaw and Williams (1998) has drawn attention to two different models of entrepreneurship among small tourism businesses. The first model comprises those owners who have moved into a tourism destination for non-economic reasons. The non-economic motives are usually combined with a lack of business experience and their entrepreneurial activity is very limited. Scholars, (for example, Hall and Rusher, 2004; Morrison et al., 1999; Szivas, 2001; Williams et al, 1989) consider that this group operate as *non-entrepreneurs*, and are in the majority, as confirmed by a significant number of studies. This group shares some similarities with Carland et al.'s (1984) group called 'small business owners' and Ioannides and Petersen's (2003) group named as 'laggards.' The second group consists of so called *constrained entrepreneurs*. These are mostly young people with a greater level of economic motivation drawn from a more professional but mainly non-business background and are constrained by lack of business skills and capital.

Getz and Carlsen (2000) found two motivational types of entrepreneurs, so–called ‘family first’, being predominant and ‘business first’, although half of the entrepreneurs within their study did not have formal business goals. Therefore, economic perspectives of entrepreneurship, such as risk-taking and alertness to profit may have to be modified with the increasing evidence of lifestyle factors and non-economic motives. This refocusing of entrepreneurial definition is significant for this field of inquiry, as lifestyle entrepreneurs have a capability to create competitive tourism products (Ateljevic and Doorne, 2000) which are of vital importance for the ‘new’ tourists (Poon, 1993) who reject standardised, mass tourism services (3.4.3).

In terms of socio-demographic characteristics, the majority of the studies report that the owner-manager is middle-aged, between 45 and 54 years old or even older (Getz and Carlsen, 2005; Ioannides and Petersen, 2003; Morrison and Teixeira, 2004). Most of the respondents had high school education and qualifications from outside the tourism and hospitality sector. Due to the reported low legal and professional barriers to entry into the sector (Lockyer and Morrison, 1999; Morrison, 2001, 2006; Szivas, 2001), owner-managers did not perceive a lack of skills as a barrier and learnt on the job (Stalinbrass, 1980; Szivas, 2001). However, an ease of entry also enabled them to hold various types of occupations, although portfolio or serial entrepreneurs could rarely be found (Buick et al., 2000; Lashley and Rowson, 2009).

Linked with entrepreneurial orientation is also the issue of start-up capital. Consequently, the most important source of funding for SMEs in general is personal funds (self-finance) and money from family and friends (Carter and Van Auken, 2005; Moore, 1994), which is in congruence with the findings from the tourism and hospitality sector (Table 2.5). This might be due to limited supplies in external funding and an inability of the owners to use external financial sources. On the other hand, their lifestyle orientation (2.3.3) can also be the cause, where the external borrowing might present a threat to their personal autonomy (Brush et al., 2009; Curran and Blackburn, 1994; Stanworth and Curran, 2000).

Table 2.5 Sources of start-up capital for small tourism and hospitality firms

SOURCES OF START-UP CAPITAL IN %			AUTHORS
PERSONAL FUNDS	LOAN	COMBINATION OF BOTH	
64.2	8.4	/	Ateljevic (2009)
80	0	0	Ateljevic and Doorne (2003)
34	20	46	Glancey and Pettigrew (1997)
41.3	/	/	Hall and Rusher (2004)
76	/	/	Ioannides and Petersen (2003)
45.9	4.2	40.8	Lashley and Rowson (2009)
46	11	17	Shaw and Williams (1987)
57	44	/	Szivas (2001)

2.3.6 Management issues

Very often, assumptions about small tourism and hospitality firms' managerial problems are influenced by the general literature on small firms. Key constraints have been identified in a number of management areas, such as: marketing (Dewhurst and Burns, 1993); human resource management (Bacon et al., 1996; Blackburn, 2005; Curran, 1991); use of information technologies (Galloway et al., 2004; Matlay and Addis, 2003); business planning (Baker et al., 1993; Schwenk and Schrader, 1993; Sexton and Van Auken, 1985); and business networking (Aldrich and Zimmer, 1986; Curran et al., 1993; Curran and Blackburn, 1994). Although many common characteristics exist between small firms in general, small tourism and hospitality firms have a number of specific factors which need to be acknowledged when analysing their management strategies. Therefore, the following section draws on the literature specific for the analysed sector.

2.3.6.1 Marketing

Small hotels are more likely to market services directly to guests, rather than through the tourism trade (Rodenburgh, 1980), as this sector relies on personal contacts and word-of- mouth (Di Domenico, 2003). Generally, small accommodation providers do not have a marketing plan and have very limited budget for promotion (Ateljevic, 2007; Ateljevic et al., 1999; Page et al., 1999). The most frequently used promotional channels are visitor information centres, travel brochures and word-of-mouth (Ateljevic et al., 1999; Di Domenico, 2003). An increasing amount of literature suggests that small tourism and hospitality firms have to take a proactive approach in marketing their products (Friel, 1998; Morrison, 1994, 1996). To reduce the high cost of marketing campaigns, Leslie and McAleenan (1990) suggest looking for the benefits of economies of scale through a number of hotels banding together and sharing the same budget. However, problems may arise in the proportion of the costs shared and the distribution of the guests. Another strategy is co-operative marketing through consortia (Morrison, 1998). However, a minority of small hotels are involved in marketing activities. Harris and Watkins (1998) identify seven major factors for this as: ignorance of market orientation; limited resources; perceived inappropriateness; contentment with the status quo; short-termism; an unclear view of the customer; and perceived lack of competitive differentiation.

2.3.6.2 Human resource management

In terms of employment, the small hotel and restaurant sector in the EU-27 employs 71.5% of its total workforce (EC, 2009). However, the majority of those employ from 1-9 employees (44.7%), placing them into the category of micro-firms (2.3.2), which is also evident from numerous tourism and hospitality studies. For instance, Shaw and Williams (1987) found in their analysis of the Cornish tourism and hospitality industry that 62% of firms were managed by an owner-purchaser. In Blackpool's hotel sector, Lashley and Rowson (2009) report that just fewer than 36% of the hotel owners had employees and 64% did not have any. Similar results are evident from most of the studies analyzing small tourism and hospitality businesses, such as, Andriotis (2002), Ateljevic (2009), Getz and Carlsen (2005), Ioannides and Petersen (2003), Hall and Rusher (2004), Komppula (2004), Lynch (1999) and Morrison and Teixeira (2004). It has also been found that owner-managers rely significantly on family labour. This trend is evident in the general small business literature, where Scase and Goffee (1989) argue that the majority of the enterprises in the personal service sector, such as small hotels, are only profitable because the costs are subsidised by the unpaid services of family members.

On the other hand, within small family firms in general it was found that the term 'family' does not have to relate to family employees. Holliday and Letherby's (1993) study found that reference by owners and employees to the company being like a family also describes the overall working climate in a company. In terms of labour supply, the literature reported a general lack of skilled workers as chefs, particularly, and owner-managers with little management training and experience (Andriotis, 2002; Becton and Graetz, 2001; Robinson et al., 2009; Brien, 2005; Pratten, 2003). It is considered that poor working conditions, low wages, and the regulation of the national minimum wage (Morrison, 2007; Radiven and Lucas, 1996) results in high mobility of employees, low productivity and consequent lack of supply (Robinson et al., 2009). Numerous business support programmes have been developed to stimulate performance in the small business sector, but the majority of owner-managers are not involved generally in training provided by external agencies (Becton and Graetz, 2001; Cosh et al., 1998; Matlay, 2000; Thomas, 1997). This might be due to money factors, lack of time or lifestyle orientation, which is not totally about maximising profit. Morrison and Bergin-Seers (2001) argue that there exists a cultural gap between support agencies and the small business sector. This gap can be overcome and small business learning may be effective if it 'takes place within a context that relates most closely to the contextual conditions under which owner-managers and the range of stakeholders in their networks learn' (ibid. p.398). The lack of skilled employees negatively affects business performance (Ateljevic, 2007; Morrison and Teixeira, 2004b) and even growth because of the owner-managers' 'reluctance to employ a full-time working force outside the family' (Komppula, 2004; Lynch 1998). Szivas (2001) additionally proposes that due to the general portrait of tourism and hospitality entrepreneurs (2.3.3 and 2.3.5) which she termed as 'amateurs' (2001 p.171), combined with the lack of skilled workers, can also have a negative impact on the quality of the service provided.

2.3.6.3 Information technology

It is widely recognised that *information technology* (IT) can offer SMEs many advantages in daily operational procedures, such as sales, marketing and distribution (O'Connor and Frew, 2000; Main, 2002). However, only a small number of tourism and hospitality SMEs have fully recognised and exploited the benefits of IT (Buhalis and Murphy, 2009; Paraskevas, 2002). The literature identifies three possible reasons. Firstly, the level of IT adoption is closely linked to the skills and attitudes of owner-managers, gender, age and education (Buhalis and Main, 1998; Main, 1995; Martin and Matlay, 2001), where there exists a strong objection of owner-managers toward the IT. This, Paraskevas and Buhalis (2002) call 'technophobia'. Secondly, implementation of technologies can be in a conflict with a dominant lifestyle orientation (2.3.3) of owner managers, where they perceive IT as a source of loosing control over business (Braun, 2003). Finally, the lack of suitable, affordable and easy to operate IT further contributes to its minimal use in the tourism SMEs sector. Buhalis and Murphy (2009, p.291) argue that 'this is mainly due to the heterogonous nature of these businesses, which makes them unattractive to vendors and developers of technology solutions.'

2.3.6.4 Business planning and quality strategies

Owner-managers' strategic awareness is strongly influenced by personal competencies, linked to the level of education, entry motives and business experience and the type and complexity of the business. From analysis of the presented literature, it is obvious that for a vast majority of owner-managers, 'lifestyle is a strategic business objective' (Hall and Rusher, 2004, p.94). Therefore, it is not surprising that the level of formal *business planning* is extremely low (Ateljevic, 2007; Ioannides and Petersen, 2003). Within the hospitality context, quality strategies, such as Hazard Analysis Critical Control Point (HACCP), 'going green' practice (Schaper and Carlsen, 2004) or customer satisfaction surveys are closely linked with business planning. In extensive discussion, Church and Lincoln (1998) suggest that small tourism firms also make little if any use of these approaches. Taylor (2008) and Taylor and Forte (2008) add that HACCP implementation is limited within smaller hospitality businesses and that in order to be successful, this has to be developed for the industry by the industry and not simply transferred from the large business context. However, the literature does not have straightforward orientation towards the benefits of business planning. For instance, Monroy (1995) argues that the written business plan is an inefficient and ineffective use of time, energy and resources where Kuratko (1995) proposes that they should be taught because ‘the business plan is the major tool used in guiding the formation of the venture, as well as the primary document in managing it.’ Also, there is no clear consensus on their effect on business performance (Baker et al., 1993; Richardson, 1995; Schwenk and Shrader, 1993).

2.3.6.5 Formal and informal networks

In the small business sector, there has been increasing interest in research on *networks and networking* (Aldrich and Zimmer, 1986; Curran et al., 1993; Curran and Blackburn, 1994; Shaw, 1998; Shaw and Conway, 2000). However, Lynch et al., (2000) argue that this concept is surprisingly ignored when the owners of guest houses and small hotels are the focus of research. In this overview, it is not the aim to examine the wide network theory debates, but rather to adopt a more focused approach and to explore existence, importance and meanings of both the informal and formal networks of hospitality owner-managers.

The literature on small business networks has drawn significant attention to the ‘entrepreneurial-networks’ which are created from the personal contacts of the entrepreneurs (Johannisson, 2000; Tinsley and Lynch, 2001). In general, the literature assumes that small businesses are relying on family members, relatives, friends and informal contacts (Birley et al., 1991; Curran and Storey, 1993; Shaw, 2004). Those social and informal networks may comprise ‘both the personal network which the small-firm owner has with specific individuals and the wider 'embeddedness' of the business within a shared community culture' (Camagni, 1991 cited in Perry, 1996, p.72). They are usually used as a means to communicate with the wider economy, and both tend to be *ad hoc*, unsystematic and not highly developed (Curran et al., 1993). It further appears that a neo-classical economic approach, which views business networks as rational only if they are commenced and focused towards clear business and economic goals, (Staber and Aldrich, 1995) cannot be accepted in the analysis of small business owners' social networks. Analyzing the small hotel sector, Lowe (1988) suggests that social networks of economic significance, such as customers and marketing channels are treated as extended members of the family. Their use as a strategic resource is emphasized by Shaw (1998, p.24), who note that 'with effective management, social networks have the potential to improve and maintain the innovative nature of small firms, and consequently, their competitiveness.' In contrast, Curran et al., (1993) found that small business owner-managers tend to have relatively small scope of networks. They consider that culture moderates the importance of social networking, as is evident from their understanding of the networks:

> 'networks are best seen as primarily cultural phenomena, that is, as set of meanings, norms and expectations usually linked with behavioral correlates of various kinds…As cultural phenomena, networks will interpenetrate with other aspects of culture and a wide range of social relations' (p. 13-14).

This view is further supported, for example by Drakopoulou-Dodd and Patra (2002), Klyver et al., (2008) and Staber and Aldrich (1995). Of significance, Klyver et al., (2008) demonstrate by analyzing 20 European countries that social networking behavior is culturally dependent, although some similar patterns in networking practice within certain cultural groups can also be found. Furthermore, Lynch et al., (2000, p.2) identify the characteristics of successful networking as being:

> 'co-operation, loyalty and trust…The presence of these characteristics shapes the size and density of the network, but it is a symbiotic process for in turn, the network shapes the actors' core attitudes and aims…Ultimately though for the

> network to work the actors must believe the knowledge they gain will outweigh the resources invested.'

Drakopoulou-Dodd (1997) adds to this that the use and more conscious exploitation of more informal social networks as well as the established formal agencies indicate a more entrepreneurial nature of such individuals. She further argues that entrepreneurial behaviour and success could be related to membership and participation in social organizations. This view is supported by Morrison (1998, p.175) who states that 'the development and maintenance of effective informal and formal networks is recognized as a central feature of successful entrepreneurial activity.' She further adds that this is particularly true for those of an informal nature.

In contrast, Morrison (1994) and Litteljohn et al., (1996) focus on formal network activities, which seem to be avoided by owner-managers of SMEs in tourism and hospitality sector. Jennings et al., (1994) and Morrison et al., (1999) assert that small hospitality business entrepreneurs are motivated by a desire not to be controlled by external authoritarian structures and organizations. This is supported in a study of inter-firm relation within small lifestyle tourism businesses in Ireland. Mottiar (2007) found that owner-managers are reluctant to become involved in any formal organizations. This might change if they change their lifestyle preferences over time. This supports Curran and Storey's (1993, p.91) argument, that activities towards formal networking may be related to the 'mindset' of owner-managers, which could demonstrate 'a strong commitment to independence and a refusal to engage in activities which might be seen as threatening their autonomy or that of the business.' Therefore, one must bear in mind the discussion of owner-manager types (2.3.5), as it seems that there exists a relationship between them and their preferences towards networking and network types.

2.3.6.6 The nature of the small hospitality firms: host-guest relations

As it has been asserted in section 2.3.3, majority of the tourism and hospitality businesses can be termed as ‘lifestyle’. However, this term does not only imply the entrepreneurial character or entry motives, but also relates to friendly service, friendship and treatment of tourist as a guest rather than as a customer (Di Domenico, 2003). Numerous factors will perform as influential criteria in attracting visitors to the experience of such ‘authenticity’ (Ritzer, 1996), like size of the business, scale of operation and the setting. Furthermore, the nature of a ‘new tourist’ (Poon, 1993) significantly contributes to the extension of host-guest relations. However, ‘authenticity’ is often related with a stay in someone’s actual home. Lynch and MacWhannel (2000) focus on those types of commercialized operations that are based within the private home of an individual who acts as a host. They include private houses, bed and breakfasts, guest houses, small hotels and town hotels. Lynch (2003) terms such establishments as ‘commercial homes’ (Table 2.3). They do not only ‘challenge traditional conceptions of public/private space owning to its contested and fluid usage, but it also does so for the home/hotel dichotomy’ (Lynch et al., 2007, p.126). However, the hosts also accomplish certain needs from commercial homes. Sweeney and Lynch (2007) identify those needs as physical, social, economic, psychological, temporal and communicative, where the overarching accomplishment is that the home enables the delivery of a certain ‘lifestyle’. A successful experience in this case will occur when the guests’ subjective tastes, requirements, cultural and behavioural norms coincide with those of the host. In this respect, they can have a problem in providing such service ‘while disguising the fact that the provision is, for the hotel, a generalized business function rendered not to an individual but to sets of them’ (Wood, 1994, p.71). Therefore, there exists a relationship between the size and type of hotel operation and the level of friendly service rendered.

However, even in smaller accommodation establishments, like private houses or bed and breakfasts where owners (hosts) actually live, the type of relationship developed does not necessarily require the host to be friendly. For instance, Stringer (1981) found analyzing bed and breakfast in the UK that problems may arise because of the view of tourists as ‘strangers’, but Lynch et al., (2007, p.129) modifies this view arguing that a guest can over time become ‘temporary insider’. Wood (1994) referred to the problem of penetration of home space, where Darke and Gurney (2000) describe mechanisms used by hosts to avoid tensions which occur if the guests are entering too deep into home areas. The use of meanings of domestic symbols in performances and the spatial management strategies employed by both hosts and guests are examined by Di Domenico and Lynch (2007). Nevertheless, a vast number of the studies reveal that owner-managers find pleasure in communicating with the guests while they are keeping boundaries between business and their home sphere (Di Domenico, 2003; Di Domenico and Lynch, 2007; Lynch, 1998, 1999, 2003; Sweeny and Lynch, 2009; Tucker and Keen, 2005).

3.CHAPTER THREE: KEY THEORETICAL CONCEPTS AND DEBATES – TRANSITION ECONOMIES PERSPECTIVE

'The key to unlocking the potential of entrepreneurship lies within the individual members of society and the degree to which the spirit of enterprise exists or can be stimulated.' (Morrison, 1998, p. 3)

3.1. Introduction

This chapter presents the major theoretical issues discussed in Chapter 2 from the perspective of transition/former transition economies of Central and Eastern Europe (CEE). The overarching aim of Chapter 2 and Chapter 3 is to compare and contrast knowledge and world views created from both perspectives. In order to facilitate the analysis, the initial plan was to apply exactly the same structure as presented in Chapter 2. This proved to be extremely difficult, as the significant gap in knowledge is identified (3.5). In addition, transition economies have turbulent environments for entrepreneurship and the majority of the literature focuses on this issue. Therefore, it was necessary to introduce this area of study in more detail than in Chapter 2. Nevertheless, the original structure is followed whenever possible and the chapter is organised as set out here. Section 3.2 introduces the transition economies environment for entrepreneurship and consequent position of the entrepreneurs. The major issues and management of small tourism and hospitality firms are not widely discussed within the available literature, so section 3.3 draws on more general literature on small businesses, although sources for this are also very scarce. The research setting, that of Croatia, is introduced in section 3.4 and finally, section 3.5 concludes the literature review by contrasting 'the world views' discussed in Chapter 2 and Chapter 3.

3.2 Environment for entrepreneurship and small scale firms

3.2.1 Pre-transition period

After 1990, the Communist Party's regime came to an end in ten countries usually named 'Central Eastern European' (CEE) countries. Eight of these countries joined the European Union (EU) in 2004, which was regarded as a kind of certificate, demonstrating a democratic political system and functioning market economy (Kornai, 2006). Despite huge differences among the countries (Fogel and Zapalska, 2001) which make mutual comparison extremely hard, all of the former socialist societies went through a long and complicated transition period. The spread of capitalism has been slow and difficult, that is not surprising when the socialism and Communist Party dictatorship lasted for over 70 years in the Soviet Union and for approximately 40 years in Eastern Europe.

During its existence, socialist and communist system was not identical in all countries (see 3.4.2). In spite of this, it is possible to find similarities among them. One of the most prevalent similarities was the Communist party's ascension to power. In all countries where the Communists came to power they 'derailed the economic system off its main track, and forced their socialist programme on society. That imposition was made possible by their seizure of political power and the creation of totalitarian dictatorship' (Kornai, 2006, p.215). It was necessary to eliminate all institutions of capitalism: private ownership, market competition and establishment of private enterprises (Kornai, 2006; Kovac, 1990). According to Kaser (1990, p.292), 'ownership was previously nationalised to consolidate political monopoly.' If the party allowed the establishment of private enterprises, they were restricted to certain economy sectors, like agriculture, and also with the political limit imposed on their size/number of employees (Chilosi, 2002; Kaser, 1990; Kobasic, 1987; Köllermeier, 1992). Furthermore, individuals were not permitted to accumulate financial assets, which presented an additional barrier to entrepreneurship (Chilosi, 2001). Moreover, one of the distinct features of the socialist economies was a centrally planned system and reliance on heavy industry, which also did not leave any room for the development of SMEs (Kolodko, 2000). Serious under-representation of small scale businesses in the socialists' economies was sometimes termed as the 'socialist black-hole' (Bartlett and Bateman, 1997, p.101).

In order to keep its authority in each country, the Communist Party provided benefits to the people which made their transition process even harder. The most obvious example was the issue of employment. In the socialist societies the employment rate was very high and every worker could feel secure at their own working place. Actually, people were employed in big state owned companies for their whole life not even considering changes. This all lead to low productivity and a culture of 'work avoidance' (Bateman, 1997, p.xviii). They were not prepared for a capitalist labour market which is extremely dynamic and flexible. Also, workers would get apartments without any charge and it was impossible to be evicted. Saprunova (2007, p.218) further argues that the socialist system in Russia ensured 'stability, equal rights and a minimal packet of social services'. All socialist societies, to a varying extent, suppressed the amplification of entrepreneurial spontaneous endeavour (Chilosi, 2002; Kaser, 1990; Kovac 1990). Kornai (2006, p.223) argue that 'the socialist economic system…virtually hamstrung the proclivity for initiative entrepreneurship.' Entrepreneurs were seen as deviant individuals, a western threat and enemies of the people, incapable of getting a job in state-owned companies (Kovac, 1990; Utsch et al., 1999).

3.2.2 Transition period

Besides similarities in the socialist system, all former socialist countries shared the transition process, which can be described in its simplest form as 'the switch from a centrally planned economic system to a more market-oriented system' (Aidis, 2003, p.1). Glas et al., (2003) emphasize that the transition from a planned to a market economy has to be enabled by a new institutional environment comprising of free market institutions, a democratically elected government and a civil society. These changes enable the emergence of entrepreneurship and entrepreneurs. Evolving in such a turbulent environment which is presented through macroeconomic, institutional and cultural conditions, entrepreneurship adopts certain forms unique for a transition context, outlined in the following section.

3.2.2.1 The entrepreneur

Within developed economies, literature scholars were attached to define entrepreneurial types and approached this issue from numerous perspectives (2.2.1). Though little research has been done on the specific types and definition for entrepreneurs and entrepreneurship in transition economies, Dallago (1997) and Scase (2000) have made a significant theoretical contribution. In addition, one contributor from the history of economic thought can be identified, Kotruljevic, who wrote a publication in 1458 ‘On Trading and the Perfect Merchant’. Although he does not use the term entrepreneur but ‘perfect merchant’, Kotruljevic defines the entrepreneur by emphasising the risk and uncertainty, in a similar fashion to Cantillon.

Within a Soviet type of economic system, Dallago (1997, p.104) identified two types of entrepreneurs: economic entrepreneurs and systemic entrepreneurs. Economic entrepreneurs ‘transform the structure and working of the system in a novel, non-routine way so as to render it better able to solve certain problems.’ Systemic entrepreneurs work within the existing system to further specific interests. Entrepreneurs could be even found within a centrally planned system as generating some activities in order to serve the Party against society as a whole. Although both identified types of entrepreneur could engage in productive or unproductive entrepreneurship (Baumol, 1990), it can be argued that systemic entrepreneurs are a product of the transition context. Within the economic entrepreneur Dallago identifies four types of entrepreneur: elite members, domestic, returning migrants and foreign entrepreneurs. The *elite entrepreneurs* are from the former socialist elite and many of them were managers of state owned enterprises. Elite entrepreneurs were immanent in all former socialist countries but especially in Russia, Serbia and Croatia. *Domestic entrepreneurs* are individuals who were, according to Dallago (1997), already engaged in some entrepreneurial activity before 1989. Köllermeie (1992) argues that there are two dominant motives for domestic entrepreneurs to continue operating despite numerous restrictions and a hostile environment. The first is a determination to continue their family's business and the second is a desire to escape from the regime and bureaucracy and realise their own objectives and ideas. For *returning migrants* the transition process opened possibilities for their return and active engagement in the economic system. These migrants had a positive role in the transition process bringing both financial and human resources to the economy. The last type of entrepreneur, *foreign entrepreneurs* usually represent individuals and organisations which want to invest in a form of foreign direct investment (FDI). They have also a positive role with innovative spirit, knowledge and bring a competitive atmosphere.

Research carried out by Scase (2000) within the post socialist countries of Central Europe and Russia reveals the existence of two distinct processes, which correspond with Dallago's findings: entrepreneurship and proprietorship. According to Scase (2000) *entrepreneurship* refers to a person's commitment to wealth creation, capital accumulation and business growth with a constant search for market opportunities, coping with risk and uncertainty. On the other hand, *proprietorship* simply refers to the ownership of property and other assets exploited to realise profit and personal gain. The prime motive in this case is consumption need rather than re-investment in the business. Scase's (2000) findings reveal that the majority of small business traders in Russia and central Europe are proprietors rather than entrepreneurs. Scase (2000) argues that proprietorship with strong networks and inter-personal relations (3.3.5.1) is seen as an opportunity to be free from the control of others and to have personal autonomy and psychological independence, which was not the case in the previous regime. He further argues that even those who can be considered as entrepreneurs represent only 'booty capitalism, meaning economic activities that are pursued in a 'haphazard' and often non-rational way for the purposes of personal gain…businesses of this type are nothing more than buying and selling agencies' (ibid., p.8). Scase (2000) goes on to identify two types of entrepreneur in transition economies: the legitimate entrepreneur (both entrepreneurs and proprietors belong to this category) and the illegitimate entrepreneurs often connected with mafia members.

Studies carried out by Zapalska (1997), Utsch et al., (1999) and Kuznetsov et al., (2000) explore entrepreneurship in specific national contexts, namely Poland, East Germany and Russia respectively. The findings of these studies, in the most part, can be applied to other economies in transition, but it is necessary to be careful interpreting findings from Russia in a broader context. In this country, the market reforms entered very slowly and the political system was under the influence of the former socialist and communist leaders and the organised crime. Although this was common in other transition economies to a lesser or greater extent, only in Russia did it shape so significantly the economical, political and social system.

Exploring the profiles of Polish entrepreneurs Zapalska (1997) found that they can be categorised within four groups. The first group consists of those people previously working in hotels, restaurant and retail stores possessing the necessary social and entrepreneurial skills gained from their previous working experience. The second group is comprised of former government bureaucrats who took advantage of their extensive personal contacts in order to help them in accessing financial resources. The third and largest group had been previously managers of state owned companies, which allowed them to gain managerial experience. The fourth group includes people with some previous entrepreneurial experience, who were medium or small business traders. Most of these individuals were employed in state owned companies and this was their second job in order to supplement their income. It appears that Zapalska's (1997) classification has some similarities with Dallago's (1997) findings. Namely, Zaplaska's third group corresponds to Dallago's (1997) elite entrepreneurs and the fourth one to domestic entrepreneurs. Research by Utsch et al., (1999) reveals those individuals who become entrepreneurs in a post-socialist environment in East Germany using a personality trait approach. Their study shows that entrepreneurs have a strong need for autonomy, as well as for achievement and place high importance on reaching higher targets and self realisation.

Aiming to find qualities of successful entrepreneurs in Russia, Kuznetsov et al., (2000) faced several difficulties. They were unable to define successful enterprises in Russia because too little time had passed since the beginning of market reforms to provide consistent data. Selected business operators, where the term ‘successful enterprise’ was applied to those companies who actually survived, treated any provided information as confidential. Specific to Russia, Kutnetsov et al. (2000) found it hard to separate companies responsible for producing actual goods and services because the majority of the firms were established with the single purpose of money laundering for criminal organisations. The research by Kutnetsov et al. (2000) reveals that successful Russian entrepreneurs have many of the familiar entrepreneurial characteristics, but there remain some differences which can be emphasized on two levels. Firstly, the importance of informal networks (3.3.5.1) was significantly higher for the Russian entrepreneurs and secondly, teamwork within the Russian firms was extremely weak, which is related to problems of trust-building.

3.2.2.2 Macroeconomic and institutional environment for entrepreneurship

The conditions in the *macroeconomic environment* can be summarised as belonging to three categories: liberalisation policy, restructuring and unemployment and shortage economy (Kolodko, 2000). Firstly, within the period of socialism and at the beginning of the transition process, price structure and financial stability were largely distorted in former socialist countries. The liberalisation process which aimed to create a free market initially, caused financial destabilization initiating an inflationary movement (Estrin et al., 2006). Croatia and most of the transition economies experienced hyperinflation, which made the macroeconomic environment more volatile. Secondly, the unemployment rate was growing rapidly due to the layoffs and restructuring processes in big companies (Manolova et al., 2008). The majority of the existing SMEs were not able to manage in a free market and absorb much of the unemployment created by the shrinking of the state sector (Chilosi, 2001). As a result, the opportunity costs of self-employment decreased, leading to necessity-based, rather than more desirable opportunity-based entrepreneurship (Acs et al., 2004). Finally, entrepreneurs were suffering from resource scarcity (human, financial and material) and, consequently, the economic system experienced the short supply of goods and services, especially those sought by the household sector, i.e. personal consumption (shortage economy). A driving force for SMEs functioning in these conditions was the black economy. A short supply on the one hand, and high consumer demand on the other, led to the syndrome ‘easy sell, difficult buy’ (Kolodko, 2000, p.278). During the transition period consumer needs were increasing, production and GDP were low and traders were importing a vast number of goods, all of which intensified a macroeconomic instability seen in a vast trade deficit and a rapid increase in foreign debt.

In the second half of the 1990s, the phenomenon of shortage vanished and some of the SMEs that had operated up until then in the black economy emerged on the surface and started to operate in formal sector. An increasing number of SMEs in the market did not prepare SMEs for another challenge, which arose due to increasing competition, and which caused a significant number of small businesses to fail (Chilosi, 2001). In the hostile and unstable macroeconomic environment entrepreneurs often find it difficult to carry out entrepreneurial activities. This is evident in the decision-making process where, due to a high inflation rate, entrepreneurs cannot interpret market signals about demand and prices clearly and any attempt in creating strategic plans for their businesses seems useless. Alternatively, in the early stages of reform after socialism, it was possible to find new entrants achieving high profits (Johnson et al., 1999). Di Gregorio (2005) attempted to explain this phenomenon by reconsidering country risks from the entrepreneurial perspective. He argued that ‘rather than being something to always avoid, country risk becomes an opportunity to profit from uncertainty.’ (2005 p.209). This view is applicable to Johnson et al.’s (1999) findings that Russian entrepreneurs had exceptionally high profitability compared to other economies in transition.

Institutional framework has played a significant role in entrepreneurship development and small-scale businesses appearance and survival. This can be identified as privatisation policy, property rights and the rule of law, finance, fiscal system and administrative barriers/regulations. Numerous studies show that an insecure institutional framework is even more inhibiting to entrepreneurship than financial barriers (for example, Desai et al., 2003; Johnson et al., 2002; Laeven and Woodruff, 2004). For instance, Johnson et al., (2002) analyzed small manufacturing firms in five transition economies and found that entrepreneurs will reinvest less of their retained profit when they perceive insecure property rights, despite having their own money or suitable collateral. Furthermore, the absence of bank finance did not prevent the firms from investing. However, these findings have to be received with caution, as the study was conducted in 1997 when many of the firms were still profitable in the early stages of the reforms. A partially reformed economy offered lucrative unfilled niche markets, but as the market competition increases, profits will be driven down to normal level.

The core of post-socialist transition is the *privatisation process*. The theoretical literature argues that public ownership suffers from serious inefficiency, which comes from the separation of ownership and control (the agency problem) and political interference in the management of firms (Gouret, 2007; Kornai, 2000). The agency problem also exists in a modern capitalist society, but in a socialist system a state-owned company is not traded on a market, meaning that market value cannot be valued as an indicator of good or bad management (Gouret, 2007). It has been assumed that the de-nationalisation of state assets will bring fast growth of microeconomic efficiency (Kolodko, 2000). Some authors such as Kornai (1990) and McMillan and Woodruff (2002) instead argue that the creation of firms *de novo* has to be the primary mechanism of the transition. Unfortunately, in most of the countries studied, the privatisation policy did not bring significant changes and two issues can be identified to explain this. The first was the weak financial position of the big state companies. Many governments did not realise that only transformation of the ownership combined with weak institutional support can not bring any gains without deep enterprise restructuring (Buble and Kruzic, 2006). Secondly, the privatisation process enabled enormous frauds to the privileged individuals who called themselves entrepreneurs. This further deteriorated the portrait and perception of the entrepreneur in society, who was already viewed as no more than a privileged criminal. A negative public attitude was so strong in certain countries that it even discouraged entrepreneurs (Zapalska and Fogel, 1998) completely. Chilosi (2001, p.341) argues that 'the position of the entrepreneurs in the society is still somewhat subject to disdain…entrepreneurship is tainted as 'speculation' and entrepreneurs may be seen as exploiters…while also blurring the distinction between legitimate and illegitimate types of entrepreneurship.' In general, privatisation policy has made the expansion of SMEs possible. However, their development and importance within the national economies depended on the overall institutional and legal environment of each country. For instance, in Russia, liberalisation and privatisation literally meant institutional chaos, where the SMEs sector was functioning within a corrupted system controlled by organised crime (Chilosi; 2002; Kolodko, 2000; Kuznetsov et al., 2000). In contrast, Poland and Slovenia have created a stimulative environment for entrepreneurship and small business sector development and today they present two of the most developed former socialist economies (Bartlett and Bukvic, 2001; Kolodko, 2000; Zapalska, 1997).

Scase (1997) introduces a different perspective from those presented above, in an attempt to reveal the role of small business in the economic transformation of Eastern Europe. He begins by arguing that an understanding of the role of small business sector in the former socialist countries is limited due to a number of reasons, from the lack of statistical records to an overstatement of the scope of entrepreneurship, where even those who continued to be employed as state bureaucrats claimed that they are involved in entrepreneurial activity. Scase (1997) goes on to claim that dominant categories in transition economies are proprietors not entrepreneurs. Although recognising that the emerging small business sector of the Eastern European economies fulfils important functions, like the provision of variety of customer goods or the offer of job opportunities for those who would otherwise be unemployed, Scase (ibid p.19) argues that the 'small business sector of the eastern European economies…seems to posses little in the form of *system transforming* *capacities*.' Furthermore he concludes that 'the role of the small business sector is real but within the overall process of socio-political and economical transformation, relatively unimportant.' (ibid., p.29). In his further work Scase (2000 p.7-8) predicts that 'the likely outcome is that small businesses will, at best, constitute sectors within market economies that will be dominated by large-scale corporations and increasingly dependent upon the global investment strategies of multi-national corporations and the policies of international investment institutions.'

With regard to EU policy and current statistics, it seems that Scase's (1997, 2000) view cannot be supported today. It is widely known that the EU considers small enterprises as 'the backbone of the European economy, providing a significant source of jobs and economic growth' (EU, 2009, p.1). Considering candidate countries which joined the EU on 1st April 2004, the European Commission (EC, 2003) estimates that the enlargement process will add almost 20% to the existing number of enterprises within the EU's business economy, and that is considered as an impressive figure. According to the EBRD Transition Reports (1995, 2003) the private sector and small enterprises achieved a remarkable expansion in every transition economy, in terms of the share in GDP, employment and market structure. The EC report (2003) analyzes the number of SMEs in candidate countries and found that 93.4% of enterprises where micro and small employing less than 10 people. It might be that SMEs do not have strength often seen in large companies, like the amount of capital or negotiation capabilities, but it is evident that they survived the turbulent transition period and became a main developmental force in former socialist countries.

Entrepreneurial activity also depends on how well entrepreneurs' *property rights* are protected from the 'grabbing hand' of government (2.3.1.2) and established elites (Fogel, et al., 2006). Although all former communist countries have a considerably underdeveloped institutional environment, there is considerable variation in the extent to which property rights are protected. For instance, Frye and Shleifer (1997) found that the Russian government acts like a 'grabbing hand' while the Polish government does not. However, weak property rights are found to impact negatively on aggregate growth and investment, (Knack and Keefer, 1995; Mauro, 1995; Svenson, 1998), corruption rates, (Johnson et al., 2000; Friedman et al., 2000; Smallbone and Welter, 2001) and finance (Pissarides et al., 2003).

A shortage of capital is very often listed as one of the main barriers for entrepreneurial activity (Holmström, 1996). Although surveys conducted across the world among small business owners show that lack of financing can jeopardise business start up and growth, only among former socialist countries does the lack of financing rank as one of the three most important obstacles (Brunetti, et al. 1997). Similarly, an OECD (2006) report argues that developed economies do not experience any 'generalised SME financing gap' and that most SMEs are able to obtain sufficient credit from banks and other institutions. Smallbone and Welter (2001) reports the existence of financial strategies of SMEs in order to overcome the barrier. One of the most common financial startegies within the transition context was serial entrepreneurship (3.3.4). In Western developed economies financial institutions represent a critical factor in entrepreneurial growth. The banking system, as in all other economic institutions in the CEE has been undergoing dramatic transition, although the velocity of change in financial reforms has been far from satisfactory (Fogel and Zapalska, 2001). Chilosi (2002) argues that the transition economies were faced with restricted and underdeveloped financial markets, highly concentrated banking systems and the high risk of opportunistic behaviour because of the imperfection of the legal framework. Entrepreneurs starting a new enterprise usually have had to put their own capital at risk or borrow from family and friends because bank loans were too expensive and had high collateral requirements, placing credit out of reach for small and medium sized enterprises (Ageev et al., 1995; Bartllet and Bukvic, 2001; Chilosi, 2002; Fogel and Zapalska, 2001; McMillan and Woodruff, 2002). Exploring the difficulties of accessing bank loans in Hungary, Hersch et al., (1997) found that only owners who were members of the nomenklatura (communist party officials) did not experience difficulties in getting bank loans. Currently, internal funds and retained earnings are still a dominant source in Hungary, making up between sixty and eighty per cent of the overall enterprise investment in emerging market economies, while the so- called formal borrowing amounted less than twenty per cent (OECD, 2006).

Johnson et al., (1999, p.4) argue against this view as they consider that 'often loans were not made because the firm did not want them. The limited use of external finance by firms in transition economies reflects not just a lack of loan supply but also a lack of loan demand.' In the transition context this might be the case due to two significant transition characteristics. The first reflects each country's macro-environment with high interest rates which reduced the SMEs ability to borrow money. This made entrepreneurs shift to short-term credit and borrowing from friends and family (Fogel and Zapalska, 2001; McMillian and Woodruff, 2002; Zapalska, 1997). The second issue which influenced small demand for credit was seen as a problem of asymmetric information. Johnson et al., (1999) argue that asymmetric information are much worse in transition than in developed economies due to the lack of information sources and greater investment uncertainty. Johnson et al. (1999) found that firms in transition economies prefer internal financing over external 'since managers have better information about their prospects than outside lenders or investors, firms must pay a premium on funds received from outside… [Also] external financing makes it hard for firms to hide their activities from tax collectors or the mafia.' (ibid p.13).

Avoiding *taxes payments* has been widespread among transition countries. This was due to a weak fiscal culture, inefficient tax administration and underdeveloped institutions (Kolodko, 2000). It is possible to argue that not all blame for the lack of sufficient finance to the small business sector can be placed on the underdevelopment of the financial sectors. Pissarides (1998, p.4) notes that 'the under-reporting of profits and turnover for tax avoidance purposes does play a big role in the penalisation of SMEs as aspiring borrowers, due to their failure to register ownership of assets.' Furthermore, even those enterprises who managed to start up were faced with liquidity problems, mainly because of the late payment of bills by customers, the state and state owned companies (Bartlett and Bukvic, 2001). The fiscal system is a common source of complaint by entrepreneurs worldwide, although little distinction is made between 'the level of taxation and the methods of tax collection and enforcement' (Estrin et al., 2006). Aidis and Mickiewicz (2004) found that perception of high taxes has a negative effect on the growth expectations of small firms in Lithuania. This suggests that all aspects of taxation can act as inhibiting factors toward entrepreneurship. According to the UN's (2008) report within the countries of South-East Europe (SEE) where Croatia is included, the taxation rate (total taxes as a percentage of gross profits) stood at 40% in 2008 that is below the average for the OECD countries (2.3.1.2). Nevertheless, the total number of tax payments is significantly higher, where entrepreneurs in SEE countries pay 55 different taxes. Also, this indicator has tended to increase since 2005 when it stood at 50 different tax payments (for comparison with developed economies see 2.3.1.2).

Empirical work overall suggests that higher *regulatory burden* supports less entrepreneurship (Ayyagari et al., 2007). Bureaucratic restrictions created additional barriers to entry and hampered the impact of the legal process of liberalisation in releasing the entrepreneurial capabilities. As former centrally-planned socialist economies did not have a tradition of small enterprises and entrepreneurship, new enterprises also lacked supportive business infrastructure (Aidis, 2003). Official policy and legal system made it expensive and time consuming to start up firms. Indeed, the total costs and delays of starting up a firm were on average much higher in transition economies than in developed ones (Djankov et al., 2002). Studies within the CEE confirmed a range of start-up barriers, such as court registration, business licences, lack of business training, lack of experience in finance and planning, weak collateral position and recruitment of qualified employees (Ageev et al., 1995; Bohata and Mládek, 1999; Zapalska, 1997). These costs were additionally increased given that the extent of required administrative procedures may be related to the degree to which bribes must be paid to the relevant authorities, from the lowest to the highest position in the system (Chilosi, 2002). The high bureaucracy and regulations caused increased rates of corruption and unofficial activity (Shlefier and Vishny, 1993; Marcouiller and Young, 1995). In a cross-country study Johnson et al., (2000) found that the size of unofficial activity is much higher in Russia and Ukraine than in

Poland, Slovakia and Romania. Further analysis shows that managers in Russia and Ukraine face higher bureaucracy and have less faith in legal system.

3.2.2.3 The role of culture

Drawing from the previous sections it can be noted that distinctive characteristics of both periods (socialism and transition) significantly hindered positive entrepreneurial values. Firstly, within the socialist period the main barrier to entrepreneurialism was the overall ideology which aimed to create a system above capitalism and where private property was associated with exploitation and profiteering, ‘leaving a lasting stigma on individuals pursuing entrepreneurial opportunities’ (Manolova et al., 2008, p.206). A centrally planned economy, which limited the level of entrepreneurial alertness (Ireland, 2008) had significant implications for repressing entrepreneurial culture. Secondly, during the transition period, informal institutions persisting from the socialist system undermined the transition of formal institutions at the beginning of the process, which were created in order to promote entrepreneurship. Simultaneously, economic turmoil, lack of social justice and growing disparities in income between the majority of the population and minority of privileged individuals has created dissatisfaction and disappointment with the new capitalist system and limited acceptance of entrepreneurs in former socialist societies. It is apparent that entrepreneurship suffered from a lack of legitimacy in society (Low and Abrahamson, 1997), and the social prestige of being an entrepreneur was not prevalent. Fogel and Zapalska’s (2001) study on Polish and Hungarian entrepreneurs reveals that socio-economic conditions for entrepreneurship have to be improved, ranging from public attitude toward entrepreneurship to the training of entrepreneurial skills. This decelerated the speed of the reforms, as ‘entrepreneurship is not only an intended outcome of the transition from socialism to capitalism but also a key factor in ensuring the transition’s success’ (Ireland et al., 2008, p.108).

Therefore, it can be argued that level of development of formal and informal institutions has significant impact for entrepreneurial culture, which can be broadly defined as shared national values in a particular society that embraces and supports entrepreneurship (Thomas and Mueller, 2000). Applying Hofstede's (2001) framework (2.3.1.1) it becomes apparent that former socialist countries could be characterised with high power distance, collectivism (for instance, the one party system, or property confiscation from the wealthy individuals), high masculinity and high uncertainty avoidance. Adding to this weak institutional framework it can be concluded that entrepreneurial culture is far away from being supportive, as not only enterprises themselves must be entrepreneurial, but also 'the surrounding institutional, legal, financial and technical environment must be supportive of entrepreneurship' (Bateman, 1997, p.xiv).

3.2.2.4 Public policy for SMEs

At the beginning of the 1990s, the governments of former socialist economies were introducing radical reforms to control inflation, promote financial and enterprise discipline and push economy towards the market model (Bateman, 1997). Therefore, small firm policy in this context emerged as an outcome of the overall paradigm in CEE of moving towards a market economy (Gibb, 1993). This section aims to introduce the main challenges which were confronting the governments of those countries and to illustrate how public policy varied at different stages of market reforms rather than focusing on specific policies and programmes implemented. It also needs to be added that empirical research on this topic in transition economies demonstrates the institutional embeddedness of entrepreneurship which makes generalisation almost impossible. Considering the challenges, they can be summarised under the three broad headings.

Firstly, one of the most serious constraints for policy makers was the fact that 'there were no ready made theories nor practical precedents to enlighten them in their attempts to manage the transition process effectively: there has been no previous transition from communism to capitalism' (Bateman, 1997, p.xxii). Although some examples could be taken from other periods of great change, like the reconstruction of post-war Germany, the applicability to the transition context remains questionable. In the early days, the main policy focus was on privatisation, macroeconomic stabilisation (prices control, convertibility of currency) and creating basic conditions for entrepreneurship (private ownership) (Gibb, 1993).

Secondly, governments had a key role in the creation of a favourable institutional environment and development of market-oriented institutions has proved to be the most challenging. Public policy focused on tax reform, bank sector reform and establishment, capital markets, social services reform and enterprise culture (Kozminski, 2008). There are a number of ways under which government can affect the extent and nature of entrepreneurship and small businesses had to bee seen as a moral, ethical and legitimate form of economic and social behaviour. Smallbone and Welter (2001, p.206) consider that 'the priority need is for a recognition by the state (at all levels) of the role of the entrepreneurs in the development of a market-based economy.' Besides direct support measures, the government has a strength to influence the importance of entrepreneurship within a society. For instance, Mugler (2000) proposes that this could be activated through the behaviour of politicians and bureaucrats dealing with entrepreneurs or through the educational system. This was not the case in the majority of the countries which focused more on specific measures, therefore on SMEs policy rather than entrepreneurship policy (2.3.1.3), which have limited impact unless the overall framework is supportive of entrepreneurship (Storey, 2006).

Finally, eight CEE countries joined the EU (3.2.1). The process of accession was extremely difficult which also contributed to institutional and policy development. Smallbone (n.d) considered that this process was driven by: the need to meet conditions for the EU entry; the centrality of the entrepreneurship for the EU countries (Lisbon Agenda); and conditions which enable access to EU structural funds. Those governments had two main challenges in the accession process; to build an institutional framework for the SMEs (like business support agencies and competitiveness) and reduce the regulatory burden on businesses.

Regarding the tourism and hospitality sector, section 2.3.1.1 shows that there exists a paucity of studies which focus on the link between small business in tourism and hospitality and consequent policy development that proved to be same in the context of transition economies. Such studies might even exist, but as Jaakson (1996) notes, English language publications rarely can be found on the topic. Hall (1998) adds that countries outside the former Soviet Union, especially SEE, remain neglected in the literature. Thomas and Augustyn (2007) provide a recent insight into the topic via discussion of different SME policies in the context of Slovakia (Balaz, 2007; Gúcik et al., 2007), Slovenia (Lebe, 2007) and Russia (Saprunova, 2007).

During the transition process overall public policy in former socialist economies was facing different challenges than were experienced by the majority of the developed world. Tourism policy was no exception. Hall (1991) argues that the economic restructuring will be a long-term and painful process, where the tourism sector has multiple and specific roles as: a means of gaining currency and improving balance of payment; a catalyst of social change; a symbol of new freedom by permitting citizens' to travel freely; a means of improving local infrastructure; an integral part of economic restructuring through privatisation and exposure to international market forces; and it is a complement to commercial development through a growth of business and conference tourism, reflecting the region's entry into the capitalist world order. Considering the hospitality sector, the major issue has been privatisation of state-owned hotels, which were one of the first to be privatised (Johnson, 1997) and emergence of private hotels, which were 'a new phenomenon' (Bachvarov, 1997, p.47). Also, the existing capacities for tourism had to be upgraded, as tourism in most of the centrally planned economies of Europe was a 'sun, sea and sand' (3S) mass tourism model, being characterised by cheap holidays, inappropriate infrastructure and provision of only basic services.

3.3 Entrepreneurship and small scale tourism and hospitality firms

The transition period saw tourism and hospitality sector as crucially important for CEE countries, leading to a respectable number of case studies of tourism development after transition, for example, for: Bulgaria (Bachvarov, 1997; Harrison, 1993), Czech and Slovakia (Balaz, 1995; Johnson, 1995); Hungary (Johnson, 1997), Estonia (Jaakson, 1996; Unwin, 1996) and Ukraine (Mazaraki and Voronova, 1993). The role of tourism in former Yugoslavian countries remains relatively unexplored. The situation within Croatia is slightly better, with most studies focusing on the recovery from the war (1990-1995) or the influence of tourism on the national economy (Cavlek, 1988; Petric, 1998; Vukonic, 1997). While tourism represents a key contribution to the Croatian national economy, and significant focus is given to entrepreneurial activity, to date, tourism entrepreneurship has not been explored within the Croatian context to any significant degree. An exception is the work of Ateljevic and Doorne (2003) who investigated it in the context of socio-cultural issues in the post-Communist period in the Village of Murter. A contribution from Hitrec (2000) only offers a summary of quantitative data illustrating the importance of small tourism enterprises for the European Union. One reason for such a dearth of research and the reason why what does exist is highly quantitative in perspective, can be found within the Croatian academic community (4.2.4). Traditionally, it explores the phenomenon through purely economic lenses, and a quote from Vukovic (1999, p.151) provides an insightful illustration. He defines entrepreneurial activity within the hospitality industry as: 'creative and innovative business activity where entrepreneurs, in the free market conditions, combine resources, especially financial capital and its investment into numerous entrepreneurial ventures with the aim to obtain the biggest as possible profit.' It seems that scholars did not consider that tourism and hospitality entrepreneurs differ in terms of entry motives or business strategies from their counterparts in different sectors and social settings and this is probably one of the reasons why there is lack of investigation into this topic within all CEE countries. Another reason is a direct reflection of the transition and turbulent environment, where scholars researched the tourism sector only from a macro-perspective due to its perceived importance for national economies and its specific role elaborated by Hall (1991) (3.2.2.4). Therefore, the following sections will mainly be based on the studies focusing on the small business sector in general within CEE, and it is reiterated that a micro-perspective of SMEs remains relatively unresearched within the observed setting.

3.3.1 Small firm definition

In former socialist countries, the situation as regards definitional obstacles is somewhat different than how it is presented in 2.3.2 of this thesis. The literature within CEE countries reveals that definitional issues do not exist and two possible reasons can be identified for this. Firstly, after the breakdown of socialism Croatia and other former socialist countries there were limited or non-existent statistical records, meaning that any attempt at analysis could not be carried out. Secondly, those countries were preparing to access the EU and needed to adapt their legislation in order to become members. Therefore, the EU definition of small business (Table 2.2) is accepted as such without its applicability being questioned.

The focus of this research, i.e. small hotels, can only be carried out through the Association of Family and Small Hotels in Croatia (OMH) and National Hotel Classification (NHC) which do not present the actual number of hotels in existence. Both classifications acknowledge number of beds as a main criterion to determine whether a hotel falls into a small, medium or large category, but unfortunately they do not use the same criterion. The OMH defines a small hotel as 'one with fewer than 50 rooms' and the National Hotel Classification does not explicitly define what is a small hotel. For the purposes of the programme 'Incentive for Success' (3.4.4) the Croatian Ministry of Tourism defines a small hotel as 'one with less than 40 rooms' (Table 3.1). As in developed economies, especially within the UK literature, the 'question of the size' (Peacock, 1993, p.29) is deemed as important within Croatian literature but in other CEE countries the issue is not considered. The idea of more grounded definitions, as proposed by Burrows and Curran (1989) in the CEE context is still a long way from its practical realization.

Table 3.1 Quantitative classification of small tourism and hospitality firms

AUTHORS	SECTOR	DEFINITION
Horwath Consulting Croatia (2003)	hotel	less than 100 rooms
Association of Family and Small Hotels of Croatia (2003)	hotel	less than 50 rooms
'Incentive for Success', The Ministry of Tourism, Croatia (2007)	hotel	less than 40 rooms

3.3.2 Motivation to set up a small firm

In the mature economies literature it is well established that variety of motives exist behind running a small firm (2.3.3). A similar picture emerges for CEE, where economic motives together with a need for independence predominate (Table 3.2).

Table 3.2 Identified motivational factors to start up a small firm

NON-ECONOMIC FACTORS		ECONOMIC FACTORS	
Wanted to work for myself (independence)	Ageev et al., (1995); Fogel and Zapalska (2001); Smallbone et al., (1996); Smallbone et al., (1999); Zapalska and Brozik (2007)	Recognised market opportunity	Ageev et al., (1995); Chivu et al., (2009); Fogel and Zapalska (2001); Zapalska and Brozik (2007)
Personal fulfilment	Smallbone et al., (1996); Smallbone et al., (1999)	New market/product exploration	Kolvereid and Obloj (1994)
Doing interesting work	Ageev et al., (1995)	Additional income	Fogel and Zapalska (2001); Smallbone et al., (1996); Smallbone et al., (1999); Zapalska and Brozik (2007)
Lack of job satisfaction	Ageev et al., (1995)	Unemployment	Fogel and Zapalska (2001); Lebe (2007); Zapalska and Brozik (2007)

Drawing from Table 3.2 it can be argued that the majority of studies reveal a combination of both economic and non economic motives, where the most dominant is 'independence' or 'autonomy'. Zapalska and Brozik (2007) provide a crucial insight into small family tourism and hospitality firms in Poland. Their study reveals that almost all analysed entrepreneurs had a strong desire for independence (98%), they wanted to supplement family income (90%) and to take advantage of market opportunity (84%). This motive was additionally emphasized when the proprietors revealed their willingness to sell their business in order to start another, more economically successful enterprise. The offset of unemployment and company layoffs was a dominant motive for 59% respondents.

The entrepreneurs questioned in Zapalska and Brozik's (2007) study expressed a mix of both economic and non-economic entry motives which exist collaboratively. Of interest relative to entrepreneurs' perception is autonomy and independence, which are seen as purely lifestyle or non-economic entry motives, which is not in congruence to the findings from section 2.3.3. One possible explanation can be drawn from the overall transition context, where a need for autonomy is literally described as freedom from the former regime (Scase, 2000). Also, outlined economic motives present a combination of both push and pull factors, such as 'spotted opportunity' and 'unemployment' respectively. Comparison with the developed economies (Table 2.4) is made difficult as this section draws on the small business sector in general due to the lack of studies or their unavailability. The only study available (Zapalska and Brozik, 2007) presents a different picture than outlined in Table 2.4, although further generalisations based on only one source cannot be drawn. Their findings are also blurred with Meyer's (2004, p.37) short outline on Hungarian SMEs in tourism, where he presents that 'the tourist accommodation sector is dominated by micro-enterprises, many of which are operated as a secondary source of economic activity, often existing to overcome rigid employment tax rules. Largely, they operate in the informal economy, hidden from officialdom.'

3.3.3 Business growth

In many transition economies the 'small firm sector has not grown sufficiently rapidly to prevent unemployment from rising, nor has it fulfilled its potential as an engine of growth' (Bartlett and Bukvic, 2001, p.179). In many studies on the issue, barriers are used to account for why the SME sector has not achieved its role and did not develop as planned. Scholars have produced a respectable number of studies aiming to identify growth barriers which can be summarised under five broad headings: financial; institutional; internal (firms'); external and social barriers (ibid.). The importance of each varies according to the country analysed, but within the majority of the studies all identified barriers were reported to a lesser or larger extent. For instance, Hashi (2001), Pissarides (1998) and Pissarides et al., (2003) found financial barriers which relate to the high costs of financing and high collateral requirements as the most inhibiting for the firms' growth, which is in contrast to Johnson et al., (1999) (3.2.2.2). Alternatively, Bohatá and Mládek (1999) identified tax burden and frequent changes to tax policies. Late payment of bills was the most widely perceived barrier in a study by Bartlett and Bukvic (2001). Focusing on the tourism and hospitality sector, Zapalska and Brozik (2007) reveal unfavourable credit terms, taxation and unfavourable exchange rate.

However, the minority of studies (such as Pissarides et al., 2003) which examine the perceived barriers by small firms' owner-managers were clear about their intention or their desire to grow. In the mature economies literature, it is well established that few small businesses aspire to grow, or grow aspirations may even change over time (2.3.4). Therefore, from the presented studies it is not clear whether owner-managers really want to grow but are constrained by barriers, or they do not have any intentions to do so at all. This problem is further emphasized and elaborated by Doern (2009). She explores the research assumptions, definitional issues and methodological appropriateness/ inappropriateness within six studies which examined the issue of growth barriers in transition economies context. Doern (ibid. p.275) proposes that the previous research approaches have to be integrated into 'a more rounded methodology, shifting the focus away from prediction to understanding, and away from quantifying what kinds of barriers affect growth to exploring how barriers may influence growth intentions and behaviours.'

3.3.4 Owner-manager

Section 2.3.5 shows that the concept of entrepreneurs in tourism and hospitality is a complex phenomena and that majority of the owner-managers can be categorised as lifestyle entrepreneurs (2.3.3). The literature originating from former socialist economies does not provide any evidence of the existence of tourism and hospitality lifestyle entrepreneurs, nor are scholars engaged in that debate. However, drawing on entrepreneurial types (3.2.2.1), certain similarities between lifestyle entrepreneur from the mature economies context and Scase's (2000) proprietorship and Zapalska's (1997) fourth group can be drawn.

In terms of socio-demographic characteristics entrepreneurs differ from their Western counterparts (2.3.5). The majority of studies report that the small business owner-managers are middle-aged, between 35-45 years old and have a high level of education, mainly consisting of a university degree with a good technical and engineering skills (Ageev et al., 1995; Chivu et al., 2009; Kolvereid and Obloj, 1994; Smallbone and Welter, 2001; Zapalska, 1997; Zapalska and Brozik, 2007). Smallbone and Welter (2001) explain this phenomenon with the transition circumstances, where the combination of recession and restructuring has led to a reduced demand for highly qualified labour, which has encouraged more people to start their own businesses. Under those circumstances, 'entrepreneurship is one of the few fields where an educated, professional person can satisfy his/her own need for creative and satisfying work, whilst obtaining sufficient income for an acceptable standard of living.' (ibid., p.255). Another distinctive characteristic of entrepreneurs in transition economies is their previous management experience which was mostly obtained in state-owned companies. However, the majority of small business owners desired trainings specially developed for small business needs, such as marketing and business plans (Chivu et al., 2009; Fogel and Zapalska, 2001; Zapalska and Brozik, 2007). A further significant dimension is the existence of portfolio and serial entrepreneurship. However, in a transition context this practice does not have to represent 'normal' risk entrepreneurial behaviour, but just as a strategy to access the money (Smallbone and Welter, 2001). Estrin et al., (2006, p.716) further argue that portfolio entrepreneurship ‘is another way for businesses to hedge against volatility of markets in transition.’

Personal funds is a primary source of financing (Table 3.3) and borrowing from friends and family, which is not surprising due to the underdeveloped financial markets and reported financial barriers in terms of lack of collateral, expensive loans and banks’ mistrust towards small business sector (3.2.2.2).

Table 3.3 Sources of start-up capital for small firms

SOURCES OF START-UP CAPITAL IN %			**AUTHORS**
PERSONAL FUNDS	LOAN	COMBINATION OF BOTH	
100	0	0	Ageev et al., (1995)
58.1	10.6	/	Bohatá and Mládek (1999)
57	10	/	Fogel and Zapalska (2001) – Hungary
48	12	/	Fogel and Zapalska (2001) – Poland
80	5	/	Zapalska and Brozik (2007)

3.3.5 Management issues

The small firm sector has received special attention within the transition economies literature. Scholars have focused particularly on the emergence of the small business sector after the collapse of state-owned enterprises (Spicer et al., 2000; Smith et al., 1997), the importance of SMEs for job generation and national output (McMillan and Woodruff, 2002; Scase, 1997), internal and external barriers which small firms face (Boháta and Mládek, 2009; Chilosi, 2001; Johnson et al., 1999), and governmental policies towards the sector which can improve its efficiency (Bartlett, 2001). However, researchers have mainly overlooked specific managerial practices and challenges unique for a small firm context and currently little is known about small firms’ management in the context of CEE and the structure adopted in section 2.3.6 cannot be followed. It was only found by the researcher that significant attention in the literature was given to the informal networks which are unique for the context and therefore will be elaborated in the following section.

3.3.5.1 Formal and informal networks

In business research, due to Western dominance in this area, 'there has been less focus on personal networks than on organisational networks' (Michailova and Worm, 2003, p.509). Within transition economies, the importance of personal connections is more strongly emphasized than formal networking (Smallbone and Welter, 2001) and also shows some distinct features which are products of specific cultural heritages and, as such, have their own particular structure and meanings. Those informal interpersonal connections are not unique to specific societies and similar practice is probably widespread. For instance, Walder (1986) refers to Haiti's *pratik*, but in Russia and China they have developed strongly and are referred to as *blat* and *guanxi* respectively.

Both *blat* and *guanxi* represent practices which involve obtaining goods and services by exchanging gifts and favours outside the state's control (Hsu, 2005). Ideally, this exchange is unequal, so there is a reason to establish another interaction. The term *blat* emerged after the Russian Revolution in 1917 and during socialism it was an exchange of favour of access in a condition of shortages and a State system of privileges where the favour of access was provided at public expense (Ledeneva, 1998). *Blat* served the needs of personal consumption and it was mediated through the rhetoric of 'friendship' or acquaintance, such as 'sharing', 'friendly support', 'mutual care' (ibid.). The *blat* in socialism emerged as a response to difficult times, shortage of goods and suppressed political and business freedom. Therefore, *blat* was associated with political considerations but also private consumption due to the economy of shortages (3.2.2.2). Restricted access to the network was made possible through structural embeddedness, as it 'provides information so that parties know with whom to exchange and whom to avoid' (Jonson et al., 1997, p.924). On the other hand, the term *guanxi* traces its origins back to pre-communist Confucian concepts of family and relationships. In her comprehensive study, Yang (1994, p.1-2) stated that *guanxi,*

> 'means literally 'a relationship' between objects, forces, or persons. When it is used to refer to relationships between people, not only can it be applied to husband-wife, kinship and friendship relations, it can also have the sense of 'social connections,' dyadic relationships that are based implicitly (rather than explicitly) on mutual interest and benefit. Once guanxi is established between two people, each can ask a favour of the other with the expectations that the debt incurred will be repaid sometime in the future.'

However, the concepts *guanxi* and *blat* significantly differ from each other. Firstly, in terms of meaning, *guanxi* is a rather neutral word while the term *blat* has negative connotations referring in some cases to criminal activities (Fan, 2002; Hsu, 2005; Michailova and Worm, 2003). *Blat* was considered as antisocial, because it involved cheating the system, but the participants interpreted their behaviour as necessary and a logical act of friendship (Ledeneva, 2003). Michailova and Worm (2003) argue that the term *blat* is again, after the transition reforms, becoming extremely unpopular among the well-educated young people because of its criminal undertones, but the practice of *blat* is growing in society regardless. It is seen as necessary in relation to tax authorities, the banking sector, or even to enrol into good schools. The differences between *blat* and guanxi also go beyond rhetorical usage where the most evident diference is a concept of friendship. In China, *guanxi* always exists between two people in a dyadic relationship, where in Russia, friendship is understood as an affiliation with a particular circle of trusted people (Ledeneva, 1998). Ledeneva (1998) further explains that it is important to distinguish between 'horizontal and vertical *blat* networks'. Horizontal networks are composed of people who share similar status, known as a 'people of the circle' (*svoi lyudi*). Vertical networks are composed of people of 'different social strata interested in each other's connections and linked by kin, personal contacts, or most often intermediaries known as 'useful people' (*nuzhnye lyudi*)' (ibid., p.121).

This compressed overview of *blat* and *guanxi* indicates larger and more fundamental differences between these practices which are deeply rooted into the set of cultural practices and socio-political conditions. However, during the period of central planning and communism, which were prevalent in both Russia and China, *guanxi* and *blat* emerged as a response to an underdeveloped legal and institutional system (Michailova and Worm, 2003; Xin and Pearce, 1996). During this period in Russia the country devolved onto 'predatory corruption for the elite, while it faded in importance for ordinary citizens…non-elite Russians avoided entrepreneurship and pursued defensive strategies to protect their involuted households.' (Hsu, 2005, p.325). Edwards and Lawrence (2000) reported that this kind of networking can create new forms of dependency, abuses of political power and increasing corruption. At the same time, *guanxi* in China was flourishing, which the majority of scholars explain via its cultural background, which allowed people to create extensive networks, build trust, to find partners, employees and suppliers, hence to 'build sufficient trust for business transactions-capitalism without contracts.' (Hsu, 2005, p.325). Even in relationships with government, *guanxi* is seen as 'facilitating the dynamism of market transaction' (Michailova and Worm, 2003, p.517).

Smallbone and Welter's (2001) and Kuznetsov et al.'s (2000) studies among entrepreneurs in Moldova and Russia, and Russia respectively, report the value of interpersonal networks. Kuznetsov et al.'s (2000) argue that the ability to create or join informal networks is an 'intangible assets' which differentiates Russian entrepreneurs from their Western counterparts and has more value than many other professional skills.

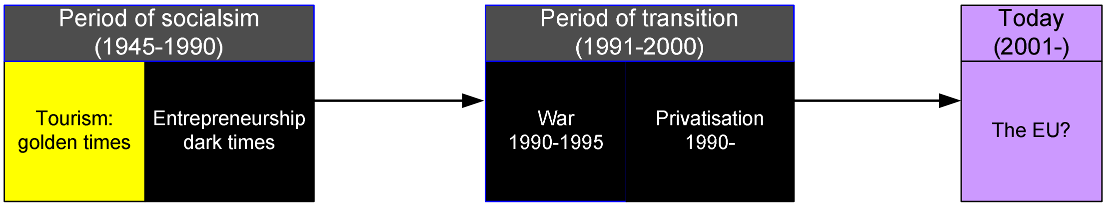
3.4. Placing the study in context: Croatia

3.4.1 Introduction

Small businesses develop strong and complex links with the environment where they operate (Curran and Blackburn, 2001) and so it is of crucial importance to present the context in which they are embedded. As this research is qualitative in methodology and social constructionist in ontology, it also essential that the researcher understands the meanings of social actions and interactions within each specific context (4.2.2. and 4.2.3).

Hence, the development of entrepreneurship and the small business sector in Croatia must be considered in the context of its historical framework (Figure 3.1), which has strongly influenced entrepreneurial activity and the level of tourism development.

Figure 3.1 Historical framework



3.4.2 Period of socialism

Yugoslavia used to be a federal and socialist republic consisting of six federal units (Bosnia and Herzegovina, Croatia, Macedonia, Montenegro, Serbia and Slovenia) and two provinces (Kosovo and Vojvodina). The centrally planned economic system in former Yugoslavia differed from that of a 'classical' communist system. Yugoslavia was neither behind the Iron Curtain, nor was it a part of any Western alliance. According to Kuljic (2003), the entire ideology of Yugoslavia's self-management was based on a third way. Companies organised by a form of workers' self-management (Stojanov, 2004) were socially owned, which was unique to Yugoslavia. This ideology also facilitated the introduction of a very flexible foreign policy, which resulted in good relations with both Eastern and Western countries.

After the Second World War the main basis of Yugoslavian developmental policy was industrialisation. Within this developmental policy other economy sectors, including tourism, had marginal importance. Justification for this choice politicians found in the destroyed economy, but the overall attitude held by most of the socialist countries was that only industrial development can provide progress and higher living standards (Druzic, 2006). The service industries were excluded from GDP calculations (Stojanov, 2004). Until 1965 national policy only oriented to domestic tourism, aiming to promote it with different measures, such as a dual price system for international and domestic visitors. The prices for domestic visitors were approximately from 10 to 25% lower (Kobasic, 1987).

A new period for Croatian tourism started in 1965 when Yugoslavia adopted fresh economic reform. The main reason for the reform was found in the failure of the National Plan for 1961-1965 which was abandoned in 1962 because of inflation, rise in unemployment rate, and a decline in GDP. The main intention of the 1965 economic reform was to create commercial conditions based on market principles which would enable better economic positions for the enterprises. The communist government did not let the control of the whole economy system go, however, the exception to this was the tourism sector. It considered that tourism could enable accelerated development by itself and that domestic tourism should not be stimulated any more by government measures. It had to be given over, in a main part, to market regulation (Kobasic, 1987; Pirjevec and Kesar, 2002). In practice, domestic tourism was not seen any more as a social category, it was seen as an economic category which is determined by the purchasing power and the level of personal consumption.

After 1965, tourism in former Yugoslavia was regarded as a ‘pot of gold’ (Allcock, 1986). Croatia was the most popular tourist destination, with the share of more than 75% of the total tourist arrivals and more than 75% of the total accommodation capacities (SLJH, 1989). Mass tourism, based in the coastal parts of the country, which manifested itself in the form of cheap package holidays and a long length of stay (mostly three weeks), was actively developed (Kobasic, 1981). This form of tourism is often referred as ‘3S’ (3.2.2.4), where the main objective of developmental policy was to invest as little as possible in the industry and to attract higher number of tourists which do not request high quality services (Kobasic, 1981, 1987). Package holidays to Mediterranean countries were in high demand among Western and Northern European tourists (Lockwood, 1993) and Yugoslavia developed tourism patterns similar to other Mediterranean countries. The main difference in Yugoslavia, when compared to communist European countries, is that a greater number of West European tourists came to Yugoslavia in the period from 1960 onwards (Causevic, 2008). During this period, infrastructure investments were almost non-existent and tourist destinations in ex Yugoslavia suffered from a lack of basic facilities, like water and electricity supply (Druzic, 2006).

To increase the international revenues from tourism and the flows of foreign currencies, the Yugoslavian government conducted devaluation of the domestic currency whenever it considered it necessary (Allcock, 1986). During this 'gold period', which lasted until the end of 1980s, the government decided to increase the number of accommodation capacities. Until 1975 it built almost 70% of all accommodation capacities which Croatia disposed of in 1990. Approximately, 75% of new hotels were built in Croatia's coastal areas (Kobasic, 1987). However, the rise in quantity of accommodation facilities in Croatia was not paralleled by a similar increase in quality. The facilities were built as 'this was useful to superior objectives...and the tourism sector was abandoned to unsystematic development which consequence still can be felt.' (Pirjevec and Kesar, 2002, p. 53). This practice was also evident in the construction of summer houses, which occured without any urban plans and resulted in the devastation of the Croatian coast. Alfier (1986) states that the main reasons for uncontrolled construction could be found in an insufficient legal system, unprofessional urban planning, and a high level of corruption which enabled privileged individuals to obtain land and get favourable credits. The quality of tourist services was decreasing and Croatia was perceived by the international market as a cheap tourist destination. But the low level of services in relation to the price of the services made Croatia, in reality, an expensive destination because the tourist could not achieve value for money. In addition, the position of the Croatian economy and tourism industry caused a negative effect concerning human resources. As a result, a significant number of qualified people left the country to seek employment abroad (Kobasic, 1987).

During the whole period of socialism in former Yugoslavia, the government put in considerable effort to prohibit private ownership and entrepreneurship. Entrepreneurship was viewed as a phenomenon coming from capitalist ideology aiming to achieve material gains through the exploitation of others (Kovac, 1990). Tourism was one of the rare industries where private initiative was developing, especially among the accommodation sector. In 1974, the government enabled the establishment of private enterprises in agriculture and hospitality. By constitution the government restricted the size of the business in terms of employees. Five employees could be employed maximally, but only in exceptional circumstances (Kobasic, 1987). Furthermore, higher taxes were imposed on private business activities, particularly within the hospitality sector. However, the entrepreneurial spirit was growing despite all restrictions. Entrepreneurial movement was especially prevalent within the accommodation sector where a vast number of people started to rent summer houses operating illegally. Although it can be argued that this behaviour is not entrepreneurial (Baumol, 1990), other forms of entrepreneurship could not be performed as the government restricted the major conditions for entrepreneurship (3.2.1). Although this entrepreneurial activity created a new segment of cheap accommodation capacities, it was the first entrepreneurial movement which helped people to improve their living standard.

3.4.3 Period of transition

The Croatian tourism industry recorded outstanding results late in the 1980s. In 1986 it recorded 10.5 million tourist arrivals, out of which 84% were international tourists (SLJH, 1987). At the same time, political tensions in former Yugoslavia were running high supported in part by the economic crisis. An unfavourable economical position of Croatia in former Yugoslavia and a political state of flux were one of the reasons for an independence pronouncement in 1991, when Croatia declared itself as a country based on the free market institutions and broke away from socialist traditions. After this decision, the Yugoslav Army attacked Croatia and the resultant war lasted until 1995.

The period between 1990 and 2000 is best described with the term 'period of transition' (Figure 3.1). This period was extremely difficult, and Croatia was faced with serious social and political problems which slowed down considerably the transition process. The first was the war with Serbia, which caused enormous financial losses, destroying the Croatian economy. Some authors argue that 'the war turned Croatia thirty years backwards' (Pirjevec and Kesar, 2002, p.55). From 1990 to 1995, the number of tourist arrivals in Croatia fell by 70% and number of nights spent decreased to 75% (DZS, 1996). Accommodation capacities, in most hotels, were destroyed or served as a home for refugees. More than 20,000 hotel beds in 240 hotels were out of use (Pirjevec and Kesar, 2002; Vukonic, 2005). The second problem was an inadequate privatisation policy which enabled enormous frauds. The government considered that Croatia needed to have 200 rich families or entrepreneurs to form the cornerstone of the Croatian economy. With privatisation policy, the government enabled privileged individuals (called entrepreneurs) to buy enterprises far below their market price with obligation to invest money and increase employment (Sosic, 1995). However, the usual practice in reality was to buy enterprises, strip out equipment and anything that was valuable and abandon them.

Inappropriate privatisation policy combined with the systematic deprivation of private enterprise and the limited function of the market as a consequence of state regulation and control from the 1950s to the 1990s served to suffocate the entrepreneurial spirit significantly in Croatia. Consequently, the image portrayed of the entrepreneur was even worse then during socialism. Namely, people perceived entrepreneurs as privileged criminals, as tycoons connected with corruption, whose wealth had been obtained through devious means. Thus, it can be argued that the Croatian economic-political system generated many economic, social, psychological and general barriers to an entrepreneurial venture which Glas (1998) summarises as follows: the collective decision-making process which hindered individual initiatives (socialism); the lack of private savings and limited accessibility to credit money at commercial banks (difficult to start new business); social egalitarianism; mistrust towards people not belonging to the ruling party; a romantic nationalist feeling resulted in many barriers to foreign investments or even to foreign employees in tourism (Bosnians) (Causevic, 2008); corruption and profiteering as a substitute for entrepreneurship and the educational system which did not promote creativity and critical observation.

At the same time, in the global tourism market major changes started to occur, both in terms of supply and demand. In terms of demand, a higher importance placed on cultural factors, greater degrees of wealth, new travel habits, and changes in socio-economic forces at the global level, among others, have all led to the concept of a 'new' tourist (Poon, 1993). These new trends in consumer (tourist) behaviour led to the shift from mass tourism, based on the '3S' concept toward to so called 'soft tourism', encouraging development in rural areas and creating specific forms of tourism (like rural, heritage, adventure and wellness tourism). According to Poon (1993), the 'new tourist' is more experienced, more ecologically aware, more spontaneous and more unpredictable, with a higher degree of flexibility and independence than 'mass' tourist. Relative to tourism supply, three key factors can be identified. There is a necessity for physical renewal of accommodation capacities and re-alignment to contemporary market conditions. The structure of accommodation facilities was seasonal in character, built for the purpose of mass tourism, and mostly existing from the 1970s. In addition, Croatia was/is struggling with private renters who took a high proportion of in the structure of accommodation capacities (Appendix 4) and can not cope with the new market trends. Finally, there is negative experience of an inappropriate privatisation model. One part of the 'big' hotel enterprises did not succeed to adjust to the new market trends and their position in the tourism market was additionally deteriorated by inadequate privatization model.

3.4.4 After 2001

The end of the 20th century marked a new period for Croatia. The national economy had stabilised, the number of unemployed people had declined moderately, and GDP had risen approximately by 6% within the whole period. The tourism sector recovered at this point, covering around 40% of the trade balance deficit (HNB, 2010). Furthermore, the progress in the economy and in overall society opened the EU door for the country. In 2001, Croatia ratified the Stabilisation and Association Agreement that was the first step on the EU path. Accession negotiations began in 2005 and Croatia started to harmonise its legal system with EU legislation.

Entrepreneurial awareness has been gaining strength in Croatia in recent years and entrepreneurs are no longer seen as individuals who are incapable of gaining a job in state-owned companies (socialism) or as criminals (transition period). Entrepreneurship is becoming a philosophy of progress, and the entrepreneurs who create new values and new jobs are seen as capable individuals who 'build a welfare state and economy' (GEM, 2003, p.3). The entrepreneurial climate in Croatia has changed, becoming more of a stimulant than a depressant. That said, Croatia is, according to the Global Entrepreneurship Monitor Research (GEM), still experiencing difficulties in fostering entrepreneurial activity (Table 3.4).

Table 3.4 The Total Entrepreneurial Activity (TEA) Index for Croatia

	2002	2003	2004	2005
TEA ***Ranking***	3.62 *32/37*	2.56 *29/30*	3.74 *29/34*	6.11 *19/35*
TEA opportunity ***Ranking***	2.18 *35/37*	1.74 *29/30*	2.04 *32/34*	2.92 *32/35*
TEA necessity ***Ranking***	0.85 *25/37*	0.59 *22/30*	1.57 *12/34*	3.09 *6/35*

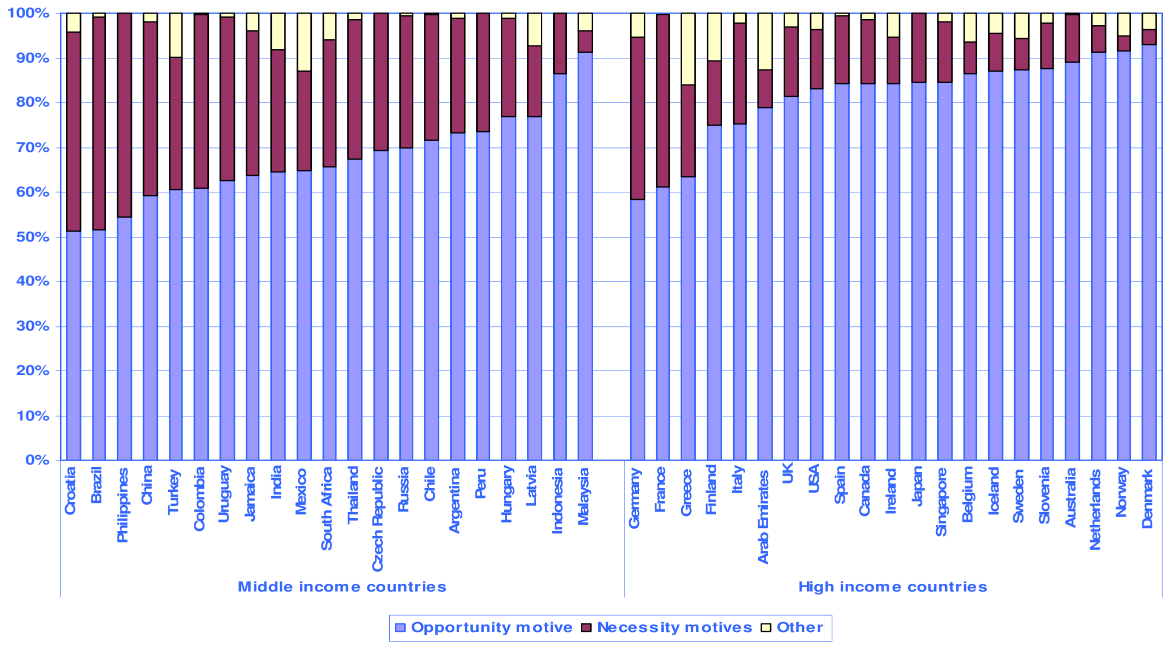
Source: GEM Reports (2003, 2006)

According to Table 3.4, entrepreneurial activity[5] (TEA index) has increased within the observed period. However, the number of entrepreneurs who became entrepreneurs due to a business opportunity was lower than the number of those who took on this role out of necessity. This ratio is extremely important because 'research confirms that entrepreneurs who have become entrepreneurs out of their own choice are more optimistic in planning the development of a business undertaking than those

[5] Entrepreneurial activity is measured with the ratio of the number of people per each 100 adults between 18 and 64 years of age who are trying to start their own business or are owners/managers in an active enterprise not older than 42 months (GEM, 2002).

who have become entrepreneurs because they did not have a choice.' (GEM, 2003, p.22). However, the TEA index is a limited indicator as it can not provide figures for different sectors, where entrepreneurial activity can vary considerably. Despite the positive changes in 2006, Croatia is still a country with the lowest TEA opportunity index among all countries which participated in GEM project for 2006 (Figure 3.2).

Figure 3.2 Opportunity to necessity early- stage entrepreneurship



Source: Bosma and Harding, 2007

Leburic and Krneta (2004) conducted research among Croatian entrepreneurs who used credit lines intended for small and medium enterprises from the Croatian Bank for Reconstruction and Development (HBOR) in the period 1993-2003. The majority of these entrepreneurs established businesses in commerce and among the hotel and restaurant industry. The authors found that the majority wants to positively influence their future (30%); 18% of them established a firm because of unemployment; 17% of the entrepreneurs were driven by opportunity; and small percentage of the entrepreneurs were tired of working for the boss (6%). A vast majority of the entrepreneurs (66%) employed one or more family members and the main business goal is ‘to achieve higher and higher profit’ for more than 50% of the analysed population (ibid., p.39).

The entrepreneurial climate is becoming more of a stimulant for entrepreneurs, but still there are crucial improvements which have to be made. Croatia has been affected by a drastic decrease in the level of public confidence in the majority of institutions that is ‘a primary consequence of tolerating, or even sponsoring, corruption, nepotism, and political clientelism’ (HDR, 2002, p.31). GEM (2006) and Leburic and Krneta’s (2004) further add that government policies and programmes for entrepreneurs, effectiveness of the educational system, physical infrastructure, finance, high barriers to entry and cultural orientation towards entrepreneurship are the most inhibiting factors for entrepreneurial activity in Croatia. Although the Croatian government is constantly improving conditions for entrepreneurship (for instance in 2004 the HITRO service was established which radically lowered the costs and time to establish a firm) and is stimulating entrepreneurship and small businesses from all levels (Appendix 5), those programmes are extremely uncoordinated and government reports constantly outline the low rates of their utilisation (HBOR, 2007).

The tourism and hospitality sector did not experience any significant changes by 2002 when the government introduced one of the most successful programmes, ‘Supporting programmes for self-employment and small business development in tourism’ with the credit line ‘Incentive for Success’. This programme was created in cooperation with the Ministry of Tourism, Ministry of Economy, Labour and Entrepreneurship, and HBOR in order to stimulate entrepreneurs to invest in the construction of new small hotels or to encourage entrepreneurs who already had hotel or apartments to enhance the quality of the existing capacities. Also, the programme has enabled favourable loans for investments into the old, traditional houses which would be used as accommodation capacities (heritage hotels) after reconstruction. Besides these aims, ‘Incentive for Success’ was aimed at increasing employment in tourism, enhancing entrepreneurial activity, preventing the black economy, prolonging the tourist season, raising tourism revenues, and to become competitive on the world tourism market (MT, 2007). In cooperation with the OMH, it was decided on a national level that small hotels were going to be treated as the main cornerstone of the Croatian tourist accommodation supply. It is considered that these enterprises, with their authentic supply, architecture, interior design, gastronomy and individual approach to each guest can meet requirements of the 'new' tourists. Furthermore, small hotels can fit into the concept of sustainable development and they contribute significantly to local development (MT, 2007).

The programme was planned to be realized between 1st October 2002 and 1st October 2005. It was outlined that loans should be repaid within twenty years, with a grace period of two years. At the time, the interest rate was four percent bounded to EURIBOR[6], which made the loan the most favourable on the market as entrepreneurs in tourism did not have any targeted loans and had to borrow money with a sixteen percent interest rate and a repayment period of maximum seven years (HBOR, 2007). The loans were endorsed throughout commercial banks or through HBOR. The substantial uptake of this programme stimulated the Croatian Government to provide additional resources to implement and expand this programme for a further three years, to March 2009, when the programme was blocked due to the recession and Government saving plans. The success of the programme is outlined in Table 3.5.

Table 3.5 'Incentive for Success' figures

PARAMETERS	2002-2005	2006-2009
Number of loans approved	255	205
- construction of new and upgrading of the existing objects	165	140
- refinancing	90	65
Number of rooms	2 663	3 016
Number of people employed	2 061	1 520

Source: MINT (2006, 2009)

[6] EURIBOR is the daily rate at which Euro interbank term deposits are offered by one prime bank to another prime bank within the Economic and Monetary Union (EMU) zone. (http://www.euribor.org/html/content/euribor_about.html accessed 23.11.2009.).

An additional aid to growth in the small hotel sector was given by the OMH, founded in 2004 by a small hotel owner who constantly promoted an idea of the importance of small hotels for Croatian tourism (4.4.1). OMH members can be registered small hotels with up to 50 rooms and they pay annual fee. In 2010, the OMH had 130 members. The structure is organised around the president, where the actual length of each mandate is not specified. It has two employees in a newly established call centre and OMH defines its aims and scope of work in several areas including: educational seminars; cooperation with certain food suppliers that enables of gastro cluster; lobbying; and advisory services to its members. Another association for hotels is the 'Croatian Association of Hoteliers and Restaurateurs' (HUH) which targets all hotels and restaurants, although the majority of the members are large hotels. Recently, the HUH started with reorganisation, due to poor results and complaints by the members who cannot identify the benefits of membership.

3.5 Bringing 'the worlds' together

Entrepreneurship and small business have emerged as a complex research area, demonstrated by this literature overview. However, it can be argued that each chapter of this thesis presents its own unique mosaic of factors which contribute to the understanding of both concepts. By comparing and contrasting the knowledge created from 'western' and 'transition' perspectives this research aims to meet the first and second research objective (1.4) where the main challenge is to be cognisant of the danger of partial and uncritical knowledge creation through disciplinary and/or methodological, ideological bias or power. Besides identifying similarities, differences and a gap in knowledge (Table 3.6), this analysis shows that care has to be taken to scrutinise the origins of literature, both in terms of socio-economic setting and through which disciplinary lens knowledge has been informed. For instance, neither economics nor psychology nor any other social science alone could provide a definite answer for the questions 'who are entrepreneurs?' and 'what is entrepreneurship?'. These disciplines only offer what Tribe (2004, p.36) calls 'a partial reading of the world' (see 4.3.2). Furthermore, the fact that the subject areas mentioned continue to evade unifying definitions and/or conceptual frameworks is perhaps testimony to their complex and irreverent nature. Therein lies an exciting research challenge that demands explicitly an understanding of the dynamics of social setting. For instance, conventional western wisdom holds the view that entrepreneurship in general is a desirable form of behaviour in society and even in some cultures entrepreneurs can be portrayed as 'heroes' (Ogbor, 2000). In addition, entrepreneurs in tourism and hospitality are termed as 'lifestyle', with all the previously outlined unique attributes.

However, the case of CEE economies provides a vivid example of an individual social setting's influence in shaping and making entrepreneurs, and the extent to which entrepreneurial behaviour is considered desirable by the host society, or not. Previously constrained entrepreneurship, during the time of the socialist regime and economic transition, emerges to manifest itself as corrupt and unethical, in part, supported by the misconstrued privatisation policies of the day. Hence, entrepreneurship attracts a negative image. Encumbered by a legacy of cultural conditioning associated with the previous regime, entrepreneurship is emerging to be associated with more positive language, such as, 'progress' and contributing 'new values'. This indicates a gradual change in the climate that is more stimulating for entrepreneurship, but many challenges still remain in fostering this movement in order to prevent individuals from being deterred by actual and perceived opportunity costs associated with starting and developing enterprises. Therefore, it can be argued that entrepreneurship is another side of the coin of political and economical freedom, or society's response relative to their interpretations in relation to dominant ideology, cultural practice and level of economic development. Also, the lifestyle concept in transition settings draws different connotations. In this context, entrepreneurial autonomy is related to actual freedom: freedom from oppression and the possibility of establishing one's own enterprise. Due to the ideological and institutional barriers in CEE it is less likely that someone would enrol into entrepreneurial activity solely for lifestyle-related motives. In the turbulent transition environment, entrepreneurship was the only escape from poverty and it did not leave any room for lifestyle-related motives, as defined in the Western world, when running a business.

Hence, it is evident that the specific social context of the individual country and not entrepreneurs alone sets the conditions by which lifestyle-related motivations can exist or not and that the traditional literature does not provide a ready set of answers to new questions emerging in transition economies. Research in transition economies highlights particularly the importance of contextual influences on entrepreneurship. Meyer and Peng (2005, p.600) note that this context 'provides an interesting laboratory for developing and testing theories, because the transition process provides a series of unique societal quasi-experiments.'

Although Western economics scholars argue that tourism and hospitality entrepreneurship is an unresearched area, the subject has received little attention from their CEE counterparts (see Table 3.6). There are two possible explanations for this. Firstly, after the fall of communism and the centrally-planned economic system, transition economies oriented towards small businesses, which had a main task to restructure CEE economies. Those issues which can help SMEs to achieve these goals, such as challenges associated with restructuring or entry strategies of foreign investors, rather than management of small firms, became a dominant research subject. It was argued similarly by Meyer and Peng (2005, p.602), who note that researchers have to 'begun to analyse the determinants of new firm establishment.' Secondly, the lack of attention in this area could be because researchers from the CEE are, in actual fact, dealing with management issues, but their research is not available in English and remains hidden for wider audience. Werner and Brouthers (2002, p.588-89) found that in top management journals 'only about one in twenty articles…can be considered international.' Therefore, this research aims to overcome this gap in understanding of small tourism and hospitality businesses particularly within the CEE context and identify hidden features and assumptions that are often unnoticed when conducting research in mature economies.

Table 3.6 Similarities, differences and gaps in knowledge

IDENTIFIED LITERATURE THEMES WESTERN ECONOMIES	IDENTIFIED LITERATURE THEMES TRANSITION ECONOMIES
ENVIRONMENT - strong legacy of entrepreneurship - supportive (macroeconomic conditions, low barriers to entry - culture promoting entrepreneurship - developed institutional framework and business infrastructure *Government:* - entrepreneurial and SMEs policy - compensating role (high impediments, high assistance) - long experience in SMEs policy	*ENVIRONMENT* - weak legacy of entrepreneurship - turbulent (macroeconomic conditions, high barriers to entry - culture inhibiting entrepreneurship - weak institutional framework and business infrastructure *Government:* - SMEs policy (low entrepreneurial) - 'grabbing hand' model - no previous experience - over-regulation - negative attitude towards entrepreneurs
SMALL BUSINESSES - SMEs researched from both macro- and micro-perspective - SMEs definitional issues - diversified business sector - mostly in official economy	*SMALL BUSINESSES* - SMEs researched mainly from macro-perspective - non existent definitional issues - concentrated in trade (consequence of shortage economy) - lots of SMEs go underground
OWNER-MANAGER - lifestyle-related motives - does not aspire to grow - debt averse - low educational profile - employ family members and has few employees - no business planning activities - poor marketing - IT as a source of control over business - informal networks dominate - high host-guest interaction	*OWNER-MANAGER* - a mix of motives - not clear - contradictory findings - high educational profile - not clear - not clear - not clear - not clear - private networks - not clear

4.CHAPTER FOUR: RESEARCH PHILOSOPHY AND METHODOLOGY

> *the researcher should fashion himself or herself as the 'bricoleur' who understands that research is an interactive process shaped by his or her personal history, biography, gender, social class, race, and ethnicity, and by those of the people in the setting. The…bricoleur knows that science is power, for all research findings have political implications (Denzin and Lincoln, 2000, p.6).*

4.1 Introduction

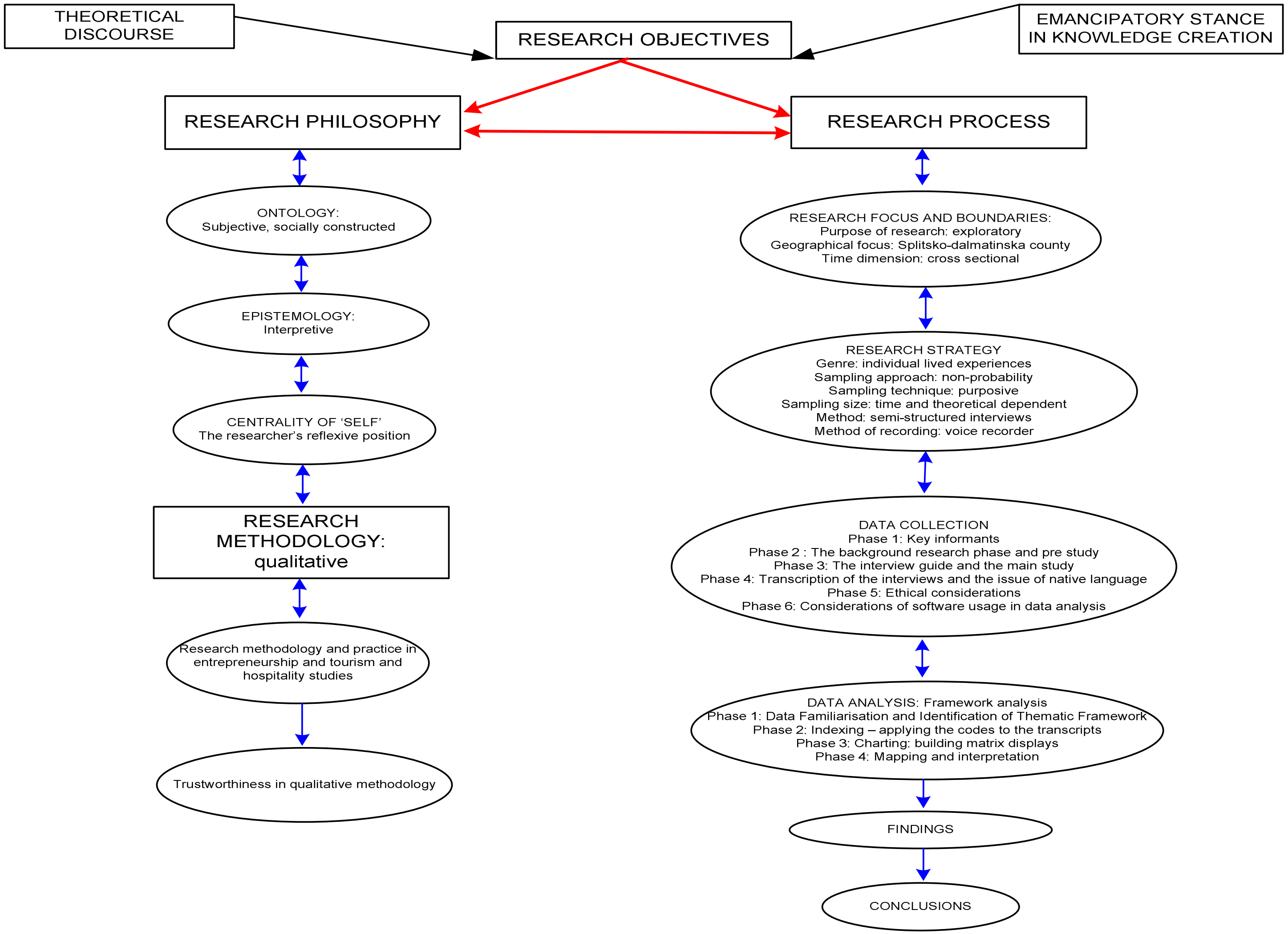
At the beginning of scientific research it is of the highest importance to put the subject of the research into a conceptual framework. Using a number of conceptual frameworks is particularly useful as this enables the research to be placed into different contexts from which alternative interpretations are possible. There are vast numbers of factors which influence the observable phenomenon, in this case, entrepreneurial activity by small hotel owners in a former socialist economy. A conceptual framework enables the isolation of factors which are recognized as the most relevant for the research, also helping to determine the most appropriate methodologies and methods.

As can be seen from Figure 4.1 this research presents an integrative product of two separate, but at the same time connected, processes: theoretical discourse and an emancipatory stance in knowledge production. The key objectives of this chapter are to present clearly how the research philosophy and methodology applied to this thesis were arrived at, and to justify the selected approach. The second objective is to describe precisely the structure of the research process presented in Figure 4.1 and the adopted research strategy. The further stages (data analysis, findings and conclusions) will be presented in separate chapters. The final aim is that the adopted research strategy reflects the key research issues and that the research philosophy and methodology reflect accurately the main objectives of the research project outlined in section 1.4.

This research recognizes the centrality of 'self' in the research. It suggests that individual positions and identities that researchers bring into the field can not be hidden because researchers construct their own versions of reality. The reflexive position is recognized as one of the ways in which those issues can be addressed. The researcher sees this position as the process by which she understands how her social background influences and shapes her beliefs and how this self awareness pertains to what and how she observes, attributes meanings, and interprets the action dialogue with the informants (Mayernoff and Ruby, 1982). Reflexive position gives an insight into how the research philosophy and methodology were arrived at and also gives meaning to the results of data analysis through an insider perspective.

The final aim of this research is to make a contribution to knowledge. Analyzing the dominant research practice and methodologies in both the fields of entrepreneurship and tourism and hospitality and the knowledge already accumulated (4.3.2) made it easier for the researcher to assess the impact of any contribution. This is discussed within the context of the research methodology applied and research methodology in general which also helped in justifying the selected research approach. Consequently, the researcher has selected to locate a philosophical stance under a broader interpretive paradigm umbrella. The ontology is subjective and socially constructed. The epistemology is interpretive and the methodology qualitative. The purpose of the research is exploratory. Critical theory reasoning is adopted when analysing data, in order to create emancipatory knowledge.

Figure 4.1 Research design



4.2. Research philosophy

4.2.1 The nature of the social sciences

The majority of research in the management field starts with the fundamental philosophical issue of whether to adopt a positivist orientation or embrace the interpretive approach (Morgan and Smircich, 1980). On the other hand, in academic environments, where the positivist philosophy governs the majority of the research, that question may not even exist (4.2.4). Before presenting and justifying the selected philosophical orientation it is crucial to present the fundamental differences which distinguish social from natural sciences (Gill and Johnson, 2002; Ryan, 1970). In order to additionally support the adopted research philosophy the main assumptions of both positivist and interpretivist paradigms are presented (4.2.2) and how they relate to the nature of investigated phenomenon (4.2.3).

The first issue which distinguishes social from natural sciences is that the social world cannot be understood only in terms of causal relationships which do not take into account situations that shape human behaviour, motives, meanings and interpretations which people attach to events. The researcher has had previous experience of establishing causal connections between, for instance, levels of investment and gross domestic product (GDP). However, in this research it was deemed unhelpful to isolate the factors which facilitate entrepreneurship development, apply them in the context of small hotel owners, and find causalities. It is proposed that the link between those factors is much more complex. It depends on personal motives and behaviour, varies across different industries, and is dependent upon human interpretations of the overall macro- and micro-economic environment. Winch (1958) argues that the phenomena of human behaviour differs essentially from those of 'inert matter' in that they have a dimension of 'meaningfulness' which the latter do not. According to this view, human actions are meaningful and meaning is not a category which is open to causal relationship. Natural phenomena do not assign their own actions with meanings, only human beings 'endow natural phenomena with what meaning they have' (Ryan, 1970, p.16). This has a distinct impact on the researcher and the research process because the researcher's understanding of the social world becomes a precondition of the research (Morrison, 1995). Secondly, in social research the researcher becomes a part of the scientific community, he/she becomes 'socialised' (Ryan, 1970, p. 142) into the rules of the community being studied.

4.2.2 Research paradigms

Before confronting attributes of positivist and interepretivist paradigms respectively it is necessary to clarify what the term 'paradigm' means. This term still has no one universally accepted agreement about its usage (Ritzer, 1975; Sarantakos, 1998). In 1962 Thomas Kuhn published 'The Structure of Scientific Revolutions', where his central concept of paradigm became highly influential. Kuhn (1970, p. 175) states that:

> the term paradigm is used in two different senses. On the one hand, it stands for the entire constellation of beliefs, values, techniques, and so on shared by the members of a given community. On the other, it denotes one sort of element in that constellation, the concrete puzzle-solutions which, employed as models or examples, can replace explicit rules as a basis for the solution of their remaining puzzles of normal science.

Thus, it can be said that a paradigm is a 'window' through which we can see the world. Namely, depending on the size and the place of the window, one will be able to see different things, different realities. Therefore, it is proposed that a paradigm can answer the question 'how do I see the world of my discipline?'

Within the literature the concept of a paradigm remains elusive (Ritzer, 1975). According to Masterman (1970) even Kuhn uses it in at least twenty-one different ways. Guba and Lincoln (1994) proposed positivism, postpositivism, critical theory and constructivism as the main sociological paradigms. In subsequent writings, Lincoln and Guba (2000) added the participatory/cooperative paradigm. Thus, it is evident that the terminology within the social science texts and research literature is far from consistent and it is not uncommon to find the same term used in a number of different, even contradictory ways (Crotty, 1998)[7]. For this research, the author will consider positivism, interepretivism, critical theory and postmodernism as the key research paradigms, which are supported by a significant number of scholars (for example, Bryman 2004; Burrell and Morgan 1985; Crotty, 1998; Sarantakos, 1998).

Easterby-Smith (1991) and Sarantakos (1998) present clearly the main attributes of the positivistic and interepretivist paradigm. The most important features of this are summarized in Table 4.1.

Table 4.1 Key features of positivist and interpretivist paradigms

	POSITIVISTIC PARADIGM	**INTERPRETIVIST PARADIGM**
Basic beliefs	The world is external and objective, governed by universal laws	The world is socially constructed and subjective
	Observer is independent	Observer is a part of what observed
	Science is value free	Science is not value free, it is driven by human interest
Researcher should	Focus on facts	Focus on meanings
	Look for causality and fundamental laws	Try to understand what is happening
	Reduce phenomena to simplest element	Look at the totality of each situation
	Formulate hypotheses and then test them	Develop ideas through induction from data
	Take large samples	Small samples investigated in depth or over time
Preferred methods include	Operationalising concepts so that they can be measured	Using multiple methods to establish different views of phenomena
	Taking large samples	Small samples investigated in depth or over time
Purpose of the research	To explain social life	To interpret social life
	To predict course of events	To understand social life
	To discover the laws of social life	To discover people's meaning

Source: Easterby-Smith et al. (1991, p.27); Sarantakos (1998, p. 40)

[7] For instance, 'it is not uncommon to find, say, symbolic interactionism, ethnography and constructionism simply set side by side as 'methodologies', 'approaches', 'perspectives', or something similar.' (Crotty, 1998, p.3).

In its essence, positivistic epistemology is based upon approaches which dominate the natural sciences. Positivism advocates the application of the methods of natural sciences to the study of social phenomena. Furthermore, it seeks to explain and predict what happens in the social world by searching for regularities and causal relationships between its constitute elements (Burrell and Morgan, 1985). The social world exists externally, it is objective and independent of human consciousness. Reality is governed by strict natural laws, it has an existence which is as hard as the natural world and its properties should be measured through objective methods, rather then being perceived through sensation and intuition. Human beings are perceived as products of their environment and humans' activities are completely determined by the situation in their environment (Easterby-Smith, 1991; Sarantakos, 1998). The way in which positivism attempts to investigate and obtain knowledge about the social world is based on universal causal laws which are used to explain concrete social events and relationships. Methodological procedures of the natural sciences can be directly adapted to the study of social actions (Giddens, 1979), because they treat the social world like the natural, as being hard, real and external to individuals. Positivists use causality and fundamental laws to explain regularities in human behaviour, using large samples and implementing a hypothetic-deductive approach, which means that the positivist proceeds from the general, to the specific, with the aim of testing existing theories. Thus, according to Burrell and Morgan (1979), the methodological position is nomothetic, putting emphasis on conducting research by strictly systematic procedures. Resultant knowledge is perceived to be objective and capable of facilitating generalisation of findings from the sample to the wider population (Bryman, 2004; Easterby-Smith, 1991).

In contrast, the epistemological position of interpretivism states that man as an actor can not be studied through the methods of the natural sciences with their concern for establishing general laws. The social world can only be understood from the point of the individuals who are directly involved in the activities which are going to be studied. The social sciences need 'a new analytical method based on *versthen*, through which the investigator could seek to understand human beings' (Burrell and Morgan, 1985, p.229). Interpretivists see reality as socially constructed by human interactions rather than objectively or externally determined. Thus, the social world is in a constant process of change where human beings occupy a central position. A crucial premise in the interpretive paradigm is that human actions arise out of the meanings which people attach to their experiences. Thus, interpretivists focus their attention on understanding what is happening in the social world and on the meanings which people attach to their experiences (Gill and Johnson, 2002). The main research task is to uncover meanings, not to gather facts and measure how often an observable pattern will occur. The methodological position is ideographic, which means that a researcher can only understand the social world by obtaining first-hand knowledge about the subject under investigation (Burrell and Morgan, 1979). Thus, researchers employ an inductive approach, proceeding from the specific to the general with the aim of generating theories, not testing existing ones (Bryman, 2004; Sarantakos, 1998).

It is important to label the philosophical position and make clear the researcher's assumption about the world which determines the adopted methodology and methods. The *ontology* is relativist, meaning that reality is only knowable through socially- constructed meanings. There is no single shared social reality, only various representations of the world (Snape and Spencer, 2003). Thus, entrepreneurship and entrepreneurs are subjectively and inter-subjectively understood by human beings and they exist through the interpretations made by individuals and/or groups in different cultures and societies (Berger and Luckmann, 1966). Applied relativist ontology acknowledges the researcher and researched to be a part of the research context and thus give support to the reflexive stance. Locating ontological position more broadly, it falls into social constructivism, which claims that 'there exists no truth but only numerous constructions of the world, and that which becomes regarded as truth depends upon culturally and historically specific factors' (Burr, 1995, p.84). Although taken only as an ontological position (Bryman, 2004), the key assumptions of social constructivism are also applied in this research. These are: the critical stance towards taken for granted knowledge; historical and cultural specificity of the phenomena under study; knowledge is sustained by social process; and knowledge and social action go together (Burr, 1995). The researcher's ontological standpoint determines the epistemology and research methodology. The *epistemological* stance taken by this research can be defined as being interpretive. As entrepreneurs and entrepreneurship are considered to be socially constructed (ontology) it is meaningful to create knowledge of the interaction process in which concepts are produced and reproduced (Steyaert, 1997). Thus, knowledge is seen as an inter-subjective construct rather then objective and true. The methodology adopted is *qualitative*. Critical theory reasoning is applied when analysing data, with the aim of creating understanding and emancipatory knowledge. It can be observed that, for instance, 'lifestyle entrepreneur' is a concept which emerged from a developed western society perspective and associated academic discourse. This perspective is not wrong, but it needs to be acknowledged when analysing the same phenomenon in different social settings in order to add to Lincoln and Guba's (1984) trustworthiness of the concept (4.3.3). The critical theory paradigm started its development in the 1930s, by the Frankfurt school (Horkheimer, Adorno, Marcuse and Habermas). It is a complex paradigm and encompasses numerous aspects (Kincheloe and McLaren, 2003) where this research adopts Habermas' (1978) theory of knowledge-constitutive interests (4.2.4). Finally, the researcher locates her research position under a broad interpretive paradigm umbrella. Interpretivist research leads to understanding, critical theory to emancipation (Habermas, 1978).

4.2.3 Justification for adopted research paradigm

The purpose of this section is to demonstrate on several points how the interpretivist paradigm was found to be appropriate for this research. The focus is on the main phenomenon under investigation, that of entrepreneurship. Justification of the selected paradigm can be summarised under the headings of: historical approaches to entrepreneurship; nature of the investigated phenomenon and; shifting cultural frames. Those points are argued by the researcher as crucial in determining the appropriate research paradigm and will be discussed in depth.

Historical approaches to entrepreneurship

Presentation of the historical stances to entrepreneurship (2.2.1 and Appendix 3) is relevant for this research for three reasons. Firstly, this approach supports the implementation of the interpretivist paradigm in entrepreneurship research because this study emphasizes, among other aspects, the significance of understanding human perspectives in the environment, conditions, circumstances and the time period within which they live (Snape and Spencer, 2003). Moreover, presentation of the historical stances to entrepreneurship justifies the selection of a qualitative methodology which puts emphasis on 'studying things in their natural settings, interpreting phenomena in terms of the meanings people bring to them, humanising problems and gaining an 'emic' or insider's perspective' (Phillimore and Goodson, 2004, p.4). Thirdly, this approach also shows how personal and social politics influence knowledge creation, or in Agger's (1991, p.121) words, 'every knowledge is contextualised by its historical and cultural nature'. Both entrepreneurship and tourism do not take place in a historical and environmental vacuum, meaning that knowledge cannot exist as some abstract entity, but it is more the product of intentional, and sometimes even unconscious human activity (Habermas, 1978).

Nature of the investigated phenomena

The main phenomena under investigation, i.e. entrepreneurship and, specifically, tourism entrepreneurship, determines strongly the adopted research paradigm and rejection of the positivist approach. The main distinctive characteristics of entrepreneurship can be summarized around the dynamic nature of entrepreneurship, heterogeneity and context specificity, relative youthfulness of the field and a lack of a conceptual framework.

Section 2.2 shows that entrepreneurship is probably best understood as a process, more precisely, as *a dynamic process* which can not survive in a closed system, and, therefore, which will differ considerably within different country settings and industry sectors. Being dynamic in nature and mostly researched through scientific positivism, meant that existing methods of inquiry have 'failed…to address new theory development' (Fillis, 2006, p.198). Bygrave (1993, p.255) proposes that a significant improvement in entrepreneurship studies can be achieved if scholars finally shift away from mathematical models, due to the nature of the entrepreneurial process which is seen as:

> 'a dynamic, discontinuous change of state. It involves numerous antecedent variables. It is extremely sensitive to initial conditions. To build an algorithm for a physical system with those characteristics would be daunting to the most gifted applied mathematician. But when you add the requirement that the entrepreneurial process is initiated by the volition of a unique human being, mathematical modelling may be impossible, because there is an essential non-algorithmic aspect to conscious human action.'

Ogbor (2000, p.630) argues that the problematic nature of the phenomenon of entrepreneurship, which arises from its *heterogeneity* and *context specificity*, could be addressed if scholars shift from producing studies which aim to reveal who is an entrepreneur and what constitutes entrepreneurship, to studies which ask: '*how* and *why* particular ideational systems, institutions and belief systems produce and shape the pattern of entrepreneurship in contemporary society'. Ogbor (2000: p.630) also adds that a significant improvement in the research of entrepreneurship could be achieved if researchers seek to understand how different social, economical, political and ideological systems can foster or inhibit entrepreneurial spirit, thus employing more interpretive orientation. Morrison (2000, p.68) supports this, arguing that the phenomenon of entrepreneurship should be explored more deeply, focusing on differences rather than 'concentrating on globalised, conglomerate, sanitised similarities'.

Davidsson (2004) considers the relative *youth of the field* and resultant *lack of conceptual framework*, as the characteristics which, among others, point to a need for qualitative research. He considers that because of the relative youth of the field 'we have simply not had time enough yet to familiarize ourselves with all facets of this empirical phenomenon or to exploratively develop all the theory we need (and which other disciplines have not provided us with)'. On the other hand, the fragmentation of knowledge in entrepreneurship research (lacking a conceptual framework), which is not likely to form a coherent whole and a lack of theoretical framework provoke new methods of inquiry, that call for 'asking new questions through inductive, theory-building approaches' (Davidsson, 2004, p.52).

Shifting cultural frames

Cultural context presents an important factor in making and shaping entrepreneurs and also determines the scope to which a society accepts entrepreneurial behaviour to be desirable (Morrison, 2000). Culture is defined by Tayeb (1988, p.42) as:

> 'a set of historically evolved learned values, attitudes and meanings shared by the members of a given community that influence that material and non-material way of life. Members of the community learn these shared characteristics through different stages of the socialisation processes of their lives in institutions, such as family, religion, formal education, and society as a whole.'

The cultural frame can facilitate or hinder entrepreneurial activity, as was the case with former socialist countries in general, and Croatia in this case particularly (3.4). Former socialist countries went through a radical shift, from communism to democracy, from socialism to free market economy and the success of the reforms depended not only on the efficiency of policy measures but on the people's perception and willingness to accept those changes. Namely, the transition process within the various former socialist countries differed significantly between territories, so too did the position of the entrepreneur and entrepreneurship in each national economy. This is due to the fact that a population's response to entrepreneurship is a direct consequence of historical legacy, such as promotion of individualism against collectivism and resultant characteristics of each country (Kovac, 1990). In Croatia, or to be more precise, in former Yugoslavia, the political system promoted an anti-entrepreneurial culture and even more, the politics system labelled entrepreneurship as a threat from the West to a socialist system. These political conditions created a significant power distance (Hofstede, 2001) in the former Yugoslavia as well as in other former socialist countries, dividing population into the overwhelming working class ruled by the minority of an elite group (Franicevic, 1990). The transition period brought changes in the overall societal, political and economical system, which is a prerequisite for entrepreneurship development, or in Shane and Venkataraman's (2000, p.220) words ‘to have entrepreneurship, you must first have entrepreneurial opportunities’.

Therefore, it would be misleading for the purposes of this research to search for an explanation of the entrepreneurial process by investigating regularities and causal relationships among different countries and industry settings as proposed in a positivist paradigm. Moreover, using a positivist paradigm for this study would mean that the investigated phenomenon would have to be abstracted from the rest of the social world and meanings would be fixed to already predetermined categories. As can be seen from Appendix 3, all members of society can not define reality in the same way because they live in different social environments and do not share the same meanings. These different interpretations are likely to affect their actions and the nature of social interactions with others. On the other hand, the researcher has to understand the subjective reality of the researched population in order to understand the motives of individuals, for example, for entering into the hotel business, actions they take and interactions with the environment in a way that is meaningful. Thus, according to the research questions and the attributes of the examined research paradigms it is concluded that for the purposes of this work the accepted research paradigm will be interpretive. Burrell and Morgan (1979, p.28) provide description of the interpretive paradigm which demonstrates how it encompasses this research. The authors state that:

> ‘The interpretive paradigm is informed by a concern to understand the world as it is, to understand the fundamental nature of the social world at the level of subjective experience. It seeks explanation within the realm of individual consciousness and subjectivity, within the frame of reference of the participant as opposed to the observer of action.’

4.2.4 Centrality of self: the researcher's reflexive position

Every scholarly book, article and thesis has its own hidden history – from initial idea, to proposal, to final publication (Ateljevic et al., 2007). This is also the case with this research, which has significantly altered its approach, from initial proposal to final outcome, especially in relation to philosophical and methodological issues. Every researcher will bring different perspectives, ideologies and values, which impact significantly on the research process (Phillimore and Goodson, 2004). Therefore, it can be argued that it is important to introduce the personal, the political and the cultural nature of the research journey. More precisely, it is necessary to introduce those issues of reflexivity in the research process, where the researchers are reflecting not only 'on themselves' as researchers, but also reflecting 'back on themselves', or upon those being studied (Hall, 2004, p.137). Being reflexive in the research also means to 'seek the stories behind the data and search for more in-depth and complex understandings…[and] think about the impacts of our research on those that we study, the communities in which we work and live, and the various audiences with whom we engage' (Harris et al., 2007, p.42). Phillimore and Goodson (2004, p.17) share a similar view arguing that the 'researcher's standpoints, values and biases – that is, their cultural background, ethnicity, age, class, gender, sexuality, and so on – play a role in shaping the researcher's historical trajectory, and the way in which they interpret phenomena and construct texts'. Despite this, explicit examinations of a researcher's embodied characteristics continue to be rare in both fields (Blackburn and Kovalainen, 2009; Goodson and Phillimore, 2004).

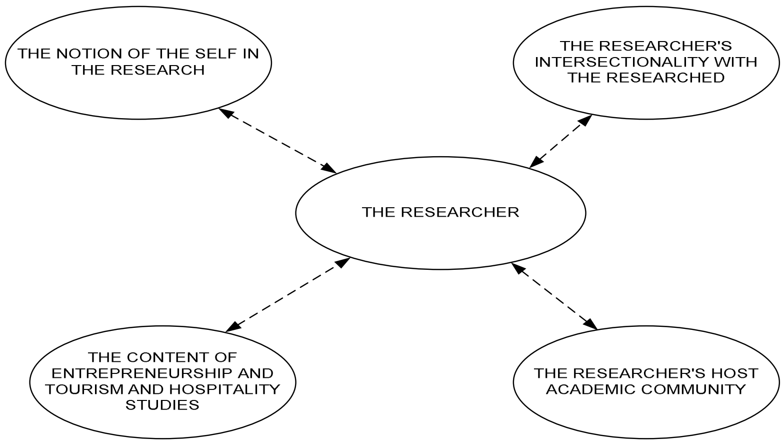
If researchers are slowly but certainly abandoning the 'god(ess)-trick' or the hidden researcher's position of 'the view from nowhere' in favour of a full disclosure of person and identity' (Tribe, 2005, p.6), this means that they are at the same time aiming to seek new ways of viewing the world of tourism. Within tourism studies, Tribe (ibid., p.5) considers that the first signs of this movement can be seen in the emergence of more reflexivity in the research process and also in an increasing number of tourism studies which offer 'a counter-balance to tourism as a business practice'. Ateljevic et al., (2005) adopt a reflexive stance focusing on what they named as entanglements, by which they mean all ‘forces that influence, constrain, and shape the act of producing and reproducing knowledge’ (Harris et al., 2007, p.44). In their research (Ateljevic et al., 2005; Harris, et al., 2007) the major entanglements centre around four wide but interlinked themes: dominant ideologies and legitimacies; the research accountability environment; the researcher’s positionality as an embodied researcher; and the researcher’s intersectionality with the researched. Hall and Ryan (1999) present external influences into three interrelated areas: knowledge (the content of tourism studies); action (tourism research); and culture (research community and wider society). Modifying Lewin’s (1935) theory of force-fields into the ‘knowledge force-field’ in order to understand those factors which facilitate and those which constrain truth creation in tourism, Tribe (2006) isolates the five factors which work in the knowledge force-field: person, rules, position, ends and ideology.

A similar movement, although of much slower intensity, is also happening within entrepreneurship studies (4.3.2), which has been dominated by neutral, value-free, objective and policy oriented research (Blackburn and Kovalainen, 2009). This orientation has meant that researchers have had to separate themselves from their studies and subjects in order to produce value free, objective knowledge which is not contaminated with any personal or emotional evolvement. Ogbor (2000, p.624) rejects this approach and argues that entrepreneurship should be seen as ‘the phenomenon…caught within a network of social, historical and economic forces’. In presenting past, current and future trends in small firms and entrepreneurship research, Blackburn and Kovalainen (2009, p.132) propose that researchers have to adopt ‘a more conscious engagement with the literature on reflexivity in research and…understand how linguistic, social, political and institutional forces come together to generate knowledge in small business and management research’. On the other hand, in entrepreneurship research it is hard to achieve reflexivity because ‘researchers do not engage in a conscious attempt to go beyond taken for granted assumptions, ideas and norms of the society…[and] have a tendency for subscribing to what appears as the evident truth through the concepts and the language used in entrepreneurial research’ (Ogbor, 2000, p.628).

This research attempts to address the intellectual challenges discussed above. The first step in this process was to acknowledge the importance of reflexive practice. The researcher sees reflexive practice as the process by which an investigator understands how her social background might influence and shape her beliefs and how this self awareness pertains to what and how she observes and attributes meanings and, at the end, how she interprets interactions with the research informants (Alvesson and Sköldberg, 2000; Meyenroff and Ruby, 1982). An adopted reflexive position gives an insight into how the research philosophy and methodology have been reached and also gives meaning to the results of the data analysis through an insider perspective. In doing so, the researcher is aware of the fact that it is crucial to present all major themes which have governed this work. Thus, most of the themes which are introduced by Ateljevic et al., (2005), Hall and Ryan (1999) and Tribe (2006) can be found, but some of them are more significant for this research than the others and have influenced the research process more strongly. The researcher has found that the dominant themes in this research are (Figure 4.2): the content of entrepreneurship and tourism and hospitality studies; the researcher's host academic community; the notion of the self in the research; and the researcher's intersectionality with the researched.

Before starting with the description and explanation of recognised themes it is important to stress that the researcher is aware of various different critiques of reflexivity as a research method (Lynch, 2000; Maton, 2003; Rose, 1997). For instance, Lynch (2000) argues that embodying reflexivity inside the research is inherently potent and destructive and undermines the truth. However, this is valid criticism not just for reflexivity, but for all research approaches, that is, if they are not done properly, they are actually destructive. Researchers adopting a reflexive position have to be aware that reflexivity is never the only tool in building new theories. In this research it is combined with other techniques in order to enrich the research with the voice of not only the researcher but also those being studied, thus potentially making the theory stronger. By revealing personal accounts the researcher is also aware of the danger of transparent reflexivity (Rose, 1997) or narcissistic reflexivity (Maton, 2003). Within this reflexive position the researchers are focusing attention to make their position completely visible but with the complete exclusion of everything else. Silencing the voice of those being researched and excluding the relationship between the researcher and the researched can be termed as 'the view from nowhere' (Haraway, 1988) and cannot contribute in creating worthwhile theory and knowledge.

Figure 4.2 The dominant reflexive themes in the research



The content of entrepreneurship and tourism and hospitality studies

An academic community presents a sub-community within the wider academic community of intellectuals and academics which is itself a subset of wider society and its culture (Hall, 2004). Thus, the content of both entrepreneurship and tourism and hospitality studies will be defined and shaped by the influence of not only their respective communities but also by its wider society. This is introduced through examination of the researcher's host academic community in the University of Split, Croatia and the dominant discipline within it which creates the content of both studies. Tribe (2006, p.366) argues that 'a discipline is often seen as a cornerstone of truth-creation since its rules have been established and perfected over a long period with a view to underwriting the reliability and validity of the research.' Thus, disciplines can not only determine what will be included or excluded in the research, but also represent a danger whereby a particular discipline dominates the field because it can 'literally discipline both perception and knowledge creation'. Meyer-

Arendt and Justice (2002) found when analysing tourism doctoral dissertations in the United States that 26% were classified under recreation, 13% each under anthropology and geography, education and business and administration accounted for 8% each and economics accounted for 7%. Analysing UK tourism doctoral theses Botterill et al.'s (2002, p.292) study 'confirm[s] the influences of economics, geography, sociology, anthropology, business studies and environmental science upon the study of tourism'. Similar studies do not exist for the field of entrepreneurship, but recently scholars have started to examine current entrepreneurship programmes and what they should contain (see for example, Brush et al., 2003; Pittaway and Cope, 2007). Brush et al., (2003, p.324) show that 'entrepreneurship doctoral education is developing under pressures for increased research emphasis and research rigour'. Within the Croatian academic community similar studies are not conducted for any field, but it can be argued that entrepreneurship and tourism and hospitality studies are largely dependent upon economics. This is justified, as in most of the universities in Croatia, tourism studies are part of the Faculties of Economics and entrepreneurship studies are located under management departments. Thus, knowledge creation is dependent upon business perspectives.

Following Tribe's (1997; 2004) classification of the field of tourism studies it is apparent that tourism studies in Croatia tend to crystallise around the field of tourism business studies. The other field of tourism studies, 'non-business' tourism studies (Tribe, 2004, p.49), like environmental or social impacts of tourism are still rare in the Croatian academic community. The phenomenon of entrepreneurship is also mainly researched through economic and business perspectives, showing its importance through the number of small enterprises on macroeconomic aggregates. The only piece of work identified which observes the socioeconomic profile of entrepreneurs in Croatia is written by Leburic and Krneta (2004). Studying entrepreneurship and tourism within only one discipline, as is the case in Croatia, can offer only 'a partial reading of the world' (Tribe, 2007, p.36). Foucault (1974) outlines the close relationship and interconnection between knowledge and power: if knowledge of both entrepreneurship and tourism and hospitality is left in the hands of the economists and business academics then it is logical to suggest that research will serve economic and business interests to the exclusion of others, thus reflecting on the understanding of both fields. Franklin and Crang (2001, p.6) argue that understanding of tourism 'has become fetishized as a thing, a product, a behaviour - but in particular an economic thing'. Within entrepreneurship studies Cornelius et al., (2006, p.376) point to the consequences when technical interests dominate knowledge creation arguing that 'researchers [are] focusing their attention on the object of study (as opposed to theories and methodologies) in a search for knowledge that can be applied in a practical situation. Much of the research is empirical… due to the lack of a conceptual platform, the knowledge is rather fragmented'.

At the beginning of this section it was stated that academic communities reflect the broader society in which they are located: its culture, traditions, economical and political systems. Looking into Croatian history (3.4), it becomes clear that tourism, as the industry sector which has significantly contributed to national GDP and the level of employment, could only be seen through an economic lens. Entrepreneurship, becoming a philosophy of progress after the fall of communism, had to justify its importance consistently to the national economy. Therefore, it is not surprising that it has been researched also through an economic prism. The question remains: why, in recent years, when the national economy has stabilised and Croatia is approaching the European Union (EU), entrepreneurship and tourism and hospitality studies are still trapped in economics and business? It can be argued that this is probably the case due to a number of factors. The position of tourism in the national economy, which is perceived only as a generator of foreign currency and the sector's revenues cover approximately 40% of the trade balance deficit (HNB, 2009) is one factor. Another consideration is the location of tourism and hospitality studies in business and management faculties, which enables the study of tourism only through economic lenses. Entrepreneurship scholars, on the other hand, have to justify the field's importance to the 'real world' which accepts descriptions and reports rather than systematic analysis and explanations. It is also useful to consider the fact that Croatian academic community is closed, with authorities from the past who reject any kind of changes, thus shaping the young researchers' academic practice. Finally, funding bodies strongly influence research practice with the pressure to produce technically useful and policy oriented research.

The domain of knowledge creation also raises questions about how entrepreneurship and tourism and hospitality knowledge has been gained and what are the acceptable research methods (Hall, 2004). Kuhn (1970) explains that allegiance to a particular research paradigm depends on several issues, from the established customs of the academic community to the prevailing belief systems which are all shaped by the researcher's ideological and value consciousness. In the researcher's host academic community (Croatia) scholars are inspired by positivist discourses and committed to empiricism, quantification, objectivity, validity and reliability. The researcher's knowledge about research methodologies and methods was directed only in one way, which was purely quantitative, without even knowing that there is an alternative. This presents a reflection of the position of tourism and hospitality studies within business departments, which are dominated by a positivist paradigm, thus accepting quantitative studies and theses only as valid. The academic environment is closed to any kind of interpretive inquiry, considering it as a non-scientific method, thus is one which can not produce objective, valid, reliable knowledge.

The researcher's host academic community in Croatia

Within the context of the researcher's host academic community it is worth mentioning several key themes: university departmentalism, funding, commodification of the research and admissibility, which are all interlinked. The term 'departmentalism' describes 'the organisational effects of universities on research' (Tribe, 2006, p.371). Usually, tourism researchers, and especially entrepreneurship scholars are located within business schools [such as at Strathclyde University (Glasgow) or Faculty of Economics (Split)], which can cause dominant structures within Universities to direct research to fit a particular faculty strategy. In the researcher's host academic environment this is directly linked with issues of funding. Namely, the Faculty of Economics (Split) is largely self-funded. In order to attract more funds, the Faculty is oriented towards numerous business projects, well paid and led by cost-effectiveness and performance criteria. The projects are managed by professors and junior assistants at the Faculty, employing for each project rigid quantitative analysis, no matter what the topic and the objectives of the research. Moreover, without this research approach a project would not be considered as relevant from the point of view of enterprises and the overall business environment.

In the situation where the majority of research at the Faculty is business oriented and commercially based, this also determines the research commodification, which Tribe (2006, p.372) describes as ‘how research is packaged just like any other commodity in response to the needs of the market so that it is produced to take advantage of its exchange value.’ In addition to the business environment, the research within the academic community is also commodified. For example, most of the academic journals in Croatia find quantitative research methods as more acceptable than others, thus determining the scope and direction of knowledge created. Habermas (1978) in his theory of knowledge-constitutive interest proposes that the pursuit of knowledge is never interest free but rather human inquiry is motivated by one of three interests. First, is technical interest which seeks control and management. Second, is practical interest which seeks understanding. Thirdly, is an emancipatory interest which seeks freedom from falsehood and dogma and emancipation from oppression. Each of these is served by a different paradigm. Thus, technical interest is supported by positivism, interpretive methods seek understanding and critical theory seeks emancipation. According to Tribe (2001) the emancipation is three-fold, and it is followed through the thesis. First, emancipation from control by technical interest. Second, is emancipation from ideology and thirdly is emancipation by appropriate action to change things for the better. Within the Croatian context, it is apparent that admissible entrepreneurship and tourism and hospitality research is driven by technical interests and is still the dominant approach, obsessed with applied, empirical and industry-driven business research. Within the UK, Botterill (2001, p.207) describes a similar situation stating that ‘the institutionalisation of research in universities has…increasingly become a business itself. It is not surprising, therefore, that the business of research in tourism becomes the tourism businesses.'

The notion of the self in the research

The reflexive approach requires an author to introduce their personal history or biography, which the researcher found difficult initially. In the early stages of the research, it was difficult to comprehend the importance of reflexivity for this kind of study. The researcher viewed the research process as a one-way channel in which a researcher extracts information from the participants and yet gives nothing in return. A research participants' role begins and stops in answering the interview questions, as a researcher's position under a positivist approach is as a 'neutral, value-free 'collector' and disseminator of knowledge' (Ateljevic et al., 2005, p.17). Secondly, the researcher felt highly uncomfortable and insecure in revealing some of her personal stories. These issues were even more acute when returning to the host academic community in Split, where the researcher was educated at the same University and immediately secured a job after graduation. Grateful to get a chance to work in the respected institution where she studied, and later on working with the same professors, the researcher actually never questioned the authority and the practice of the host academic community. Under this influence the original research proposal was written on a similar topic but employed rigid quantitative analysis and without even considering philosophical issues. Namely, the researcher's educational background is in economics, more precisely, macroeconomics and international trade, where the emphasis was always on a broad national perspective. Enterprises as organisations and entrepreneurs as individuals were observed through the lenses of macroeconomic environment, policy measures or international influences. As Robinson (1942, cited in Tribe, 2007, p.36) points out, economics takes 'the world order as given avoiding questions of what should be in favour of a factual explanation of its mechanism'. Within this perspective it was difficult and sometimes even impossible to hear the voices of the individuals.

Although there were clear drawbacks to the original research methodology, additional training in research philosophy enabled an additional perspective to be taken into account. A physical move away from the University of Split to a new institution in Glasgow further enabled the fresh approach. At first, these elements brought confusion because the researcher was completely unfamiliar with different ontologies, epistemologies, and methodologies. However, upon immersing into the research and a different academic community, new insights started to open up and it became clear that the research objectives presented in the original proposal could not be properly targeted with the initial methodological position. The researcher could not simply develop hypotheses from the existing literature, forget the context, test the hypotheses and write conclusions based on this. The emphasis of the research had shifted to allow an understanding of the social world through an examination of the interpretation of that world by its participants. The researcher realised that people as the objects of the study significantly differ from the one previously studied; economic aggregates. People attribute meanings to events and their environment and behave according to their understanding of the world around them. It follows that the social world has to be interpreted through the eyes of those who exist within it, which presents obvious challenges for a researcher. It is necessary to enter into the social world being studied, the one of small hotel owners and understand their world from their point of view, or as an 'insider'. In adopting this stance, the researcher is not merely an analytical tool and 'dispassionate scientist' but transformed to '*insider participant'* as is explained in the following reflexive theme.

New insights, knowledge and understanding of research philosophy enables the researcher to 'recognise which designs will work and which will not… [and] to identify, and even create, designs that may be outside his or her past experience' (Easterby-Smith et al., 2002 p.27). Talking with colleagues in Croatia about the research, they got an insight that the researcher was developing a thesis in the sociology field. They were uncomfortable with this and strongly advised the need for quantification because otherwise 'how will we accept your PhD when you do not have anything quantified, maybe you can put some financial analysis, yeah, just put it, do not cause problems to yourself.'[8] The researcher felt alone as a qualitative researcher in that university where objectivity, generalisation and numbers are the prerequisite to consider a PhD in a serious regard.

This also raises the issue of 'audiencing' (Harris et al., 2007, p.45), which can be seen as a 'method for how we write and position our voices…how we speak and translate research into various forms to engage with various groups and individuals…how decisions are made about the ways in which we represent ourselves and those with whom we work'. Audiencing requires the taking of decisions about numerous issues; from the choice of audience group on the one hand, to the consideration of the power relationships and reciprocity between the researcher and the researched. The researcher found it highly difficult to talk about her research at the host academic community, where colleagues struggled to understand the rationale for the methodology and were concerned about whether or not the Agency for Science and Education in Croatia will accept the researcher's work as a PhD. The research aimed to devise ways in which the researcher could use her epistemological positions and also adjust methodological preferences from time to time to work within the boundaries of the host academic system. Being reflexive and recognizing the importance of audiencing and the impacts which such kinds of research have on the researcher and those involved, allowed the researcher to find legitimate paths for her voices and also to challenge the boundaries of the host academic community. Most importantly, this means that the original assumption that research can be 'value-free' is untenable, and was discarded from the current methodology as a result.

The researcher's intersectionality with the researched

One of the most important features of a positivist epistemology is its ability to separate the subject (the researcher) from the object of the research to produce value free, objective, non-personal accounts and knowledge. This approach can lead to 'the

[8] Personal communication with professor at the Faculty of Economics, University of Split, Croatia, October 2007.

objectification of cultures, societies, geographies and people' (Goodson and Phillimore, 2004, p.39). The adopted interpretive stance rejects the paradigm of value-free research, arguing that the complex social world can only be understood from the point of view of those being researched (Schwandt, 1998). Thus, researchers and those being researched can be viewed as partners in knowledge production.

This position is criticised as being overly subjective. In qualitative studies the researcher is the instrument of both data collection and interpretation and this position involves close contact with the people being studied. It is often argued that subjectivist orientation can undermine researchers' credibility with an audience and also masks researchers' ability to judge when analysing data (Bryman, 2004; Hollinshead, 2004; Patton, 2002). To overcome this problem, qualitative researchers propose an 'empathic neutrality' (Patton, 2002; Snape and Spencer, 2003). This position takes a middle position between objectivity and subjectivity, recognising that 'research cannot be value free but…researchers should make their assumptions transparent' (Snape and Spencer, 2003, p.13). Patton (2002, p.50) sees empathic neutrality as 'a middle ground between becoming too involved, which can cloud judgement, and remaining too distant, which can reduce understanding'.

In this study the researcher views her position with respondents as being one of empathic neutrality. 'Neutrality' means that the researcher 'enters the research arena with no axe to grind, or theory to prove (to test but not to prove), and no predetermined results to support' (Patton, 2002, p.51). The researcher enters the research field motivated to understand the world under scrutiny, to grasp complex and multiple perspectives. This position enables the researcher to give an agency to those being researched. Allowing the researched to have an agency in the research process challenges our assumptions, academic mindsets and all other biases we bring as researchers (Harris et al., 2007; Phillimore and Goodson, 2004). Even more important, the respondents become an equal co-member of a communicative relationship and thus are no longer objectified. In the current study, empathy with the informants developed naturally during the interview process, and enabled the researcher to understand respondents' positions, feelings, and experiences. The participants had their own perception of the researcher that crystallised around two groups of respondents. The first, which was in the majority, were willing to talk and help immediately and it seemed to the researcher that they were happy having this opportunity. When talking on the phone with the second group of the respondents and trying to arrange an interview, the researcher sensed in their voices some resistance and suspicion although they were willing to interact. This was emphasized further when arriving at the interviews, where respondents were surprised and even shocked with the researcher's age, perceiving her as 'too young'. At the beginning of the interviews, respondents' answers tended to be rather brief, signifying that they wanted to finish the interview as soon as possible. But after a couple of minutes they become more relaxed and started to open themselves up and also provided the researcher with a possible explanation of their initial attitude. Namely, respondents felt marginalised from the environment and authorities (6.9) and thought that the researcher was going to waste their time by asking questions which were not relevant to them.

> *R: Can I ask you, if you do not mind, how old are you?*
> *I: 27*
> *R: You see, you are 27 and you are asking questions that NO ONE asks us! And we are, as they say, the most important sector in the economy! This is the problem, the policy does not ask us, no one asks us!* (H 9[9], 342-346)

The researcher was careful when selecting the questions to ask, knowing that respondents might feel insecure talking about certain issues, like the problems with bribes and corruption. Because the researcher was not assertive, the respondents felt secure and perceived her as trustworthy:

> *R: Now, I will tell you something, although it is dangerous to speak that out loudly. I would not, and actually I did not talk about this with anyone.* (H 14, 152-153)

In this process it was also important to establish *reciprocity* between the researched and the researcher, as interviewees are 'giving their time to be interviewed…adjust

[9] Interviews in the main study are referred by the labels H 1 through H 33, where H stands for hotel (see section 4.4.2.3).

their priorities and routines to help the researcher… they are giving of themselves' (Marshall and Rossman, 1995, p.71). Relative to reciprocity, it is necessary to understand interpersonal strategies that may significantly enhance trust between the interviewer and subjects. Interviewers need to show that they value what respondents give to them by offering something in return (Patton, 2002). Reciprocity may take numerous forms, for example, providing formal feedback, making coffee, being a good listener, tutoring, compensations in money, vouchers or providing complete transcripts of interviews (Marshall and Rossman, 1995; Patton, 2002). The researcher did not offer any financial or material incentives to the respondents. In this research, the reciprocity was not determined in advance but it evolved during the interview process. Realising that the researcher is employed at the University some respondents asked her at the end of the interview if she could explain to them, for example, the Bologna system of studying. Some of them asked if the researcher knew of any newly available credit loans from the Ministry of Tourism or changes in the conditions for hotel categorisation. Also, the respondents were interested in some personal stories, for instance how the researcher ended up in Scotland and the nature of life in Glasgow. Therefore, the researcher offered her knowledge and some personal stories as a form of 'compensation' to the respondents.

Being *an insider*, originating from the geographic research area helped the researcher to unpack complexities when analysing data of a social, political and economical nature which underpin entrepreneurship and tourism development. An insider-perspective also helped the researcher to gain deeper trust from subjects, because respondents perceived the researcher as someone from the area and familiar with the nature of tourism development, political games and the mentality which very slowly accepts change, often seen as a barrier to further development. For example:

> *R: I was engaged in the development of the PURA (The Plan of Total Development) in which your Faculty works. Without that document our municipality can not do anything, can not apply for any funds...and when we had a meeting couple of months ago, Professor PF from your Faculty was presenting the document and said, in front of the people from our island that our municipality is making a developmental shift, from the industrial to the service sector. That is the same as you would dare to say in Rome that Pope won't be a pope, that would be, that would be a disaster. But you know what I am talking about, you are originating from Dalmatia, you know our people.* (H 11, 428-435)

In conclusion, it is possible to isolate the important aspects of the researcher-respondent relationship in this study which include: the establishment of empathy between respondents and researcher; management of negative perceptions assigned to the research prior to interview, and how these were modified to be positive once both parties had met; securing the trust of interviewees, putting them at their ease, allowing them to feel safe in sharing sensitive and sometimes personal insights; communicating the sincerity of the researcher that she was genuinely interested in what the interviewees had to say; and profiting from the lack of interest in the interviewees by authorities in their problems. Adopting the interpretive paradigm and reflexive position the researcher is aware that it is necessary to be clear about all aspects of the research process, to reveal possible sources of biases and errors in order to enhance the quality and credibility of qualitative analysis. The first step was done by revealing how the researcher dealt with the issue of subjectivity in the research process and the further steps are presented in following sections.

4.3. Research methodology

4.3.1 Adopted research methodology

Adopting the interepretivist paradigm as a main paradigm for this research establishes the boundaries and parameters which shape the reality to be studied. This also acts to legitimatise the methodologies whereby social phenomena can be studied. Therefore, the research process as outlined in Figure 4.1 shows mutual congruence between the philosophical and methodological position.

The nature of the inquiry for the research was determined by several points. Firstly, tourism entrepreneurship in Croatia is largely unresearched. This meant that there were few culturally-specific theoretical grounds on which to base this research and also the situation required a flexible design which is capable of adopting new and unexpected findings (Bryman, 2004). Secondly, it is crucial to investigate the real setting of the entrepreneurship process within small hotel firms, because in this way the researcher can more comprehensively understand their complexity. In order to accomplish this objective, it is important that the researcher has an interactive role with the respondents. Thirdly, this research is not attempting to determine the characteristics of entrepreneurship development by predetermined labels, which might be the aim of a study usually employing survey research methods (Hammersley, 1996). Given these circumstances and adhering to the premise that the object under study should be the determining factor in choosing a methodology (Flick, 2009), a qualitative methodology was considered to be most appropriate (Figure 4.1). Qualitative research is embedded in a process of communication between researcher and respondent; what is more, it is influenced by the respondent and enables investigation of subjects in their natural settings (Bryman, 2004; Miles and Huberman, 1994; Sarantakos, 1998). Therefore, the research is undertaken in collaborative fashion between the researcher and the researched, where the interaction between them is a key for understanding and knowledge production (Goodson and Phillimore, 2004). The final aim of qualitative studies is to produce a rich, detailed, 'thick description' (Geertz, 1973) of people or places being studied in a way that allows the researcher to understand the phenomenon under scrutiny and draw his/her own interpretations about meanings (Patton, 2002).

4.3.2 Research methodology and practice in entrepreneurship and tourism and hospitality studies

Initially, this section compartmentalised entrepreneurship and tourism and hospitality research practice. While reviewing the literature the researcher realised that both fields have more things in common than she was first aware (Table 4.2). Thus, this section aims to: identify those similarities and differences in research practice and dominant research methodologies; to show how that reflects on the knowledge accumulated in both fields; to search for possible explanations of positivist dominance; and finally, to discuss how the above influenced the adopted research strategy.

Similarities and differences in research practice and methodologies

Table 4.2 Similarities and differences in terms of past and present research practice

IDENTIFIED CATEGORIES	
SIMILARITIES	DISCIPLINARY STANCE - Young research fields - Lacking a conceptual framework - Multidisciplinary nature - Credibility
	DOMINANT RESEARCH PARADIGM - Positivism
	DOMINANT RESEARCH METHODOLOGY - Adopted from other scientific disciplines - Quantitative methodology - Policy oriented research
	DOMINANT RESEARCH IDEOLOGY - Male oriented cultural ideologies - Assumptions derived from developed economies, free market systems
	FIELDS' LIFECYCLE AND MATURITY - Citation analysis - Analysis of applied research methodologies - Documentation of changes of subject over the years
DIFFERENCES	CHANGES IN RESEARCH METHODOLOGIES (tourism and hospitality) - More intensive use of qualitative methodologies - Higher engagement with reflexive practice - Comprehensive examination of applied research methodologies
	LEGITIMACY AMONG OTHER DISCIPLINES (entrepreneurship)

As can be seen from Table 4.2 the *disciplinary stance* of both entrepreneurship and tourism field is a complex research area. Both fields are young (Davidsson, 2004; Phillimore and Goodson, 2004), lack a conceptual framework (Bull and Willard, 1993; Ray and Ramachandran, 1996; Tribe, 1997) and are multidisciplinary in nature (Busenitz et al., 2003; Low and MacMillan, 1988). Both fields gained academic interest around the 1970s (Cohen, 1984; Cornelius et al., 2006) but not academic *credibility*. Social scientists have been reluctant to take tourism seriously (Cohen, 1984; Jafari, 1983) and the field of entrepreneurship was considered as a disrespected academic area (Kuratko, 2006; Low, 2001). Today, both fields have gained acceptance, but scholars, in order to enhance academic credibility are: extensively examining the disciplinary status of both fields (Bruyat and Julien, 2000; Cooper et al., 2000; Graburn and Jafari 1991; Leiper, 1981; Shane and Venkataraman, 2000;

Tribe, 1997); and are in a search of a complete theory (Amit et al., 1993; Baumol, 1993a; Bruyat and Julien, 2000; Bull and Willard, 1993; Bygrave, 1993; Cohen, 1995; Franklin and Crang, 2001; Julien, 1989; MacMillan and Katz, 1992; Shane and Venkatarman, 2000; Verheul et al., 2002; Zahra, 2007). The *dominant research paradigm* in both fields is positivism. Dominance of one paradigm can have a negative impact on the fields' development, or in Botterill's (2001, p.199) words, 'the assumed normality of positivistic epistemology in tourism research is…unhelpful to the development of the field'. Positivist dominance is not surprising because *methodologically,* both fields are highly dependent on perspectives adopted in other scientific disciplines (like economics, sociology and management sciences) due to their multidisciplinary nature (Grant and Perren, 2002; Grégorie et al., 2006; Schildt et al., 2006, Zahra, 2005). In terms of levels of analysis, Davidson and Wiklund (2001) report that entrepreneurship research is dominated by micro-level analysis (such as individual or firms level) and this dominance has increased over the analysed period. On the other hand there is a pressure for both fields to: be a 'real world'; to justify their importance through research money generation; and to produce policy oriented research (Blackburn and Kovalainen, 2009; Riley and Love, 2000; Walle, 1997). Adding to this the position of qualitative research in academic communities as 'soft, non-scientific and inferior approach to study social life, and one that is often seen as useful only when accompanied by, or as a precursor to, quantitative techniques' (Guba and Lincoln, 1998, p.196), it is not surprising that the methodology employed for the studies mentioned was mainly quantitative with surveys as the most prominent method of research (Aldrich and Baker, 1997; Chandler and Lyon, 2001). On the other hand, this approach has been criticised strongly as lacking rigour and multivariate techniques and employing mostly descriptive statistics (Blackburn and Kovalainen, 2009; Blackburn and Stokes, 2000; Fillis, 2006; Gartner and Birley, 2002; Jamal and Hollinshead, 2001; Jennings et al., 2005; Lindgren and Packendorff, 2009; Phillimore and Goodson, 2004; Riley and Love, 2000; Walle, 1997). Qualitative studies are also criticised for being non-transparent in data analysis and presentations of findings.

Ideology plays an important role in research in general. In both fields the majority of assumptions are derived from male-oriented cultural ideologies and justified in terms of their appeal to the free market system (Ogbor, 2000; Veijola, 2007). Moreover, Bruton et al., (2008) found that entrepreneurship in emerging economies is largely unresearched and analysed by applying theories from a developed economies context. On the other hand, the researchers from both fields are questioning the *fields' lifecycle and maturity* through state-of-the-art analysis of: citations (Entrepreneurship, Theory and Practice, 2006; Howey et al., 1999; Xiao and Smith 2005, 2006b); examination of applied research methodologies; and documentation of changes of subject over the years (Blackburn and Kovalainen, 2009; Cooper, 2005; Ritchie and Lam, 2006; Welter and Lasch, 2008; Xiao and Smith, 2006a).

Recent scholars' writings about the nature of research in both fields do not reveal better or improved status. Veijola (2007, p.xxi) describes tourism research practice as 'a relatively isolated field, quantitative in nature and biased in favour of business applications rather than critical and reflexive research. The mainstream discourse is… masculinist in nature…[excluding] the perspectives and contributions of women and others who were not born with a white male body'. Ogbor (2002) similarly argues for entrepreneurship research whereas Cornelius et al., (2006) forewarn against the prevalence of technical interest in knowledge creation.

That said, there is some evidence that both fields are challenging current academic thinking and showing intellectual evolution (such as Ateljevic et al., 2007; Blackburn and Kovalainen, 2009; Lashley et al., 2007; Lindgren and Packendorff, 2009; Lugosi et al., 2009; Neergaard and Ulhøi, 2007). Within the tourism and hospitality field Tribe (2005, p.5) names this movement as 'new tourism research' which shows signs of organisation through articles, conferences, new journals, engagement with reflexive practice and *changes in research methodologies*. Within entrepreneurship studies those changes are of less intensity and researchers are not significantly engaged with the literature on reflexivity. Despite this, there is a stream of entrepreneurship scholars who are starting to raise important questions of the nature of accumulated knowledge in the field and propose new methods of inquiry

(Blackburn and Kovalainen, 2009; Cope, 2005; Di Domenico and Morrison, 2003; Howorth, 2005; Nicholson and Anderson, 2005; Radu and Redien-Collot, 2008). In addition, tourism scholars have provided comprehensive examinations of employed research methods more often than entrepreneurship scholars did (Crawford-Welch and McCleary, 1992; Dann et al., 1988; Dean et al., 2007; Reid and Andereck, 1989; Riley and Love, 2000). Dean et al., (2007) argue that 'a comprehensive examination of what research techniques are currently being utilized in entrepreneurship studies…has not been undertaken'. One of the reasons why the field of entrepreneurship accepts changes more slowly can be found in research practice, which seeks for *legitimacy* among the disciplines of management, aiming to define itself in a way which would give it academic weight (Busenitz et al., 2003; Harrison and Leitch, 1996; Ireland et al., 2005). Zahra (2005, p.261) focuses on this problem arguing that 'the field's obsession with gaining academic acceptance and legitimacy by appearing rigorous through empiricism…but empiricism is only one route to gaining this legitimacy'. Hindle (2004) stresses that the expansion in the use of qualitative methods is evident in almost every domain of social sciences except entrepreneurship. The author advises that entrepreneurship research lacking methodological variety can compromise its relevance and that:

> we simply have to try to motivate scholars who are more comfortable close to the positivist pole of the paradigm spectrum to contemplate and involve themselves in qualitative research or at least to learn to respect the knowledge perspectives and knowledge production techniques of those for whom the general linear model is not the only engine of wisdom (ibid., p.577).

Reflection on the theory and knowledge development

The research practice described above has proven to be detrimental in theory and knowledge development. In comparison, the Social Science Citation Index (SSCI) is employed for this research, although the researcher is aware of its limitations, partial coverage and existence of others, such as the Association of Business School's (ABS) Journal Quality Guide. Within the SSCI, among the subject category *Hospitality, Leisure, Sport and Tourism*, the highest ranked tourism journals are

Tourism Management, with an impact factor of 1.274, and Annals of Tourism Research, with 1.104, ranked in 3rd and 5th place out of 16. When comparing the status of the Tourism Management journal among the category *Management*, it is ranked low, on the 43rd place out of 89. The highest ranked entrepreneurship journals in *Business* category are Journal of Business Venturing (2.143) and International Small Business Journal (1.729) ranked in 15th and 22nd place out of 77. Entrepreneurship Theory and Practice with impact factor 1.526 is ranked on 30th place (http://admin-apps.isiknowledge.com/). Why are the both theories ranked so low? May it be the reason that technical knowledge (Habermas, 1978) is simply not enough? Can it also be due to the theories' centrism? For the tourism field, Franklin (2007) argues that the theory has tourism as its centre, irrespective of social, cultural, political or geographical setting. Although tourism does not operate in a single, for instance business, context, tourism knowledge is, according to Tribe (2004), based on solving business problems, thus understanding and emancipation have not been included in building both theories. The constructed theories might be weak and ranked so low because the foundations are fragile and mainly based on a single business perspective.

Possible explanations of positivist dominance

Partial and uncritical knowledge creation through disciplinary and/or methodological, ideological bias or power can impede both fields' development. Being cognisant of this it must be questioned as to why positivist philosophies and quantitative inquiry still dominate entrepreneurship and tourism and hospitality search for knowledge. This issue seeks deeper investigation, but summarizing relevant literature it can be argued that *the first* reason is the dominance of business and management as the key forces in creating entrepreneurship and tourism and hospitality knowledge, thus determining philosophical position and research strategies. Tribe (1997, 2004) argues that tourism knowledge is created interdisciplinarily and multidisciplinarily. An interdisciplinary approach presents a combination of disciplinary tools in knowledge creation. For instance, the concept of carrying capacity emerges from the combination of three disciplines: sociology, economics and biology. Multidisciplinary knowledge is created from a combination of disciplinary knowledge, where the epistemologies remain separated. Thus, existing theories are applied to a new field, like the tourism multiplier. Gibbons et al., (1994) refer to this as 'Mode 1 knowledge production' (both interdisciplinary and multidisciplinary) which is primarily generated within educational institutions. Knowledge produced outside a disciplinary framework and which is not institutionalised within universities Gibbons et al., (1994) is referred to as 'Mode 2'. Blackburn and Kovalainen (2009) and Tribe (2004) argue that knowledge production in entrepreneurship and tourism respectively can be most suited to Mode 2 knowledge production, which is context-driven, problem-focused and extradisciplinary (outside of the disciplinary framework). This knowledge is produced 'in the industry for the industry' (Tribe, 1997, p.652) and judges its success by its ability to solve a particular problem. A lack of disciplinary knowledge and dominance of business in knowledge creation has meant that both fields are not considered as important as theoretical research because 'the academic world has tended to overlook Mode 2 production of knowledge…because it is not communicated in academic journals and is not validated in higher education' (Tribe, 2004). It can be argued that this has considerably impeded further theory development in both fields.

The second possible explanation for positivist dominance lies in the physical location of entrepreneurship and tourism and hospitality departments within business schools and working environments which usually cement an already dominant positivist tradition (Pritchard and Morgan, 2007). In addition, studies in the special issue of Entrepreneurship Theory and Practice (2006) show that most entrepreneurship scholars have received their training in strategic management departments, which can explain the fact that the majority of research in the field of entrepreneurship has been focused on the issues of success and failure, survival and death and the economic performance of firms (Grégoire et al., 2002b; Venkataraman, 1994). This research orientation is anchored in the positivist paradigm. Thus, the researchers from those disciplines exploring entrepreneurship may not change their methodological orientation. *The third* reason is linked with the nature of training within both fields which uses qualitative techniques as a precursor to quantitative studies (Riley and Love, 2000). This points to a significant issue, which is that qualitative methodology is not recognised in its own right or as leading to distinctive knowledge. *Finally*, it can be argued that the economic importance of entrepreneurship and the tourism and hospitality sector in national economies and at the global level can determine a particular research strategy. Botterill (2001, p.207) considers that 'tourism research adopts empirically tried and tested models of organisational and business studies in an attempt to emulate optimum performance in other economic sectors'. The aim of this approach is to produce technical knowledge that has created 'too much of empirical work in the certain areas at the expense of focused knowledge building and theorizing' (Blackburn and Kovalainen, 2009, p. 135).

Influence on adopted research strategy

The nature of both fields, (Table 4.2), with permeable and unintelligible boundaries brings many challenges for the researcher. Firstly, researchers instead of asking questions when (and if ever) the fields will create its own conceptual frameworks have to make transparent many research assumptions and constantly question the created and developing knowledge base that will encourage further theory development. Being under pressure to justify its importance to management science (entrepreneurship) and on the other hand to the 'real world' (both fields) causes that researchers do not question many assumptions, thus only recycling existing business and management saturating theories. Secondly, being overtly centred on satisfying a requirement from the 'real world', researchers often make invisible and sometimes even ignore their philosophical (epistemology and ontology), axiological and methodological research positions. Their position as researchers is also masked. Entrepreneurship is grounded and embedded in the context (Granovetter, 1985) and, as such, it is important to reveal social, political and institutional forces which influence the research process. This means an engagement with the issue of reflexivity in the process, which is highly neglected in entrepreneurship research. Ignored research assumptions and hidden reflexive positions may also limit the power of findings.

The final issue which researchers have to overcome is their reticence to go beyond a purely functionalist/positivist paradigm and quantitative inquiries (Blackburn and Kovalainen, 2009; Jennings et al., 2005; Bygrave, 1993). The absence of qualitative research, critical approaches and reflexive positions is not, as such, justification of need. The researcher holds the view that positivist domination in the field firstly conditions researchers to favour limited selection of methodologies and methods which lead to the limited understanding of the social phenomenon. Also, all parts of the observable phenomena can not be comprehended by positivist methods. Secondly, their domination hinders other forms of theory building and knowledge is saturated with positivist research outcomes. Both fields seek new ways of knowledge creation which are led by understanding and emancipatory interests.

4.3.3 Trustworthiness in qualitative methodology

A qualitative methodology is not without limitations, and may be criticized on several key points. Firstly, it is subjective, relying heavily on the researcher's views of what is important and significant. Secondly, it lacks transparency because the majority of qualitative researchers when presenting findings do not show how they reach them. Finally, this approach does not provide techniques to evaluate research, which is regularly criticized by those from a positivist stance (Bryman, 2004; Sarantakos, 1998). With reference to the positivist's critique on the lack of validity, reliability and replication it is important to emphasise that it is impossible to adopt quantitative evaluation methods on qualitative research and furthermore, qualitative research has different research priorities from a quantitative approach (4.3.1).

Lincoln and Guba (1985) and Guba and Lincoln (1994) propose different criteria for assessing a qualitative study, viewing these criteria as addressing trustworthiness, which itself is a parallel to the term 'rigour' (Lincoln and Guba, 1986). The concept of trustworthiness is made up of four criteria: credibility, transferability, dependability and confirmability. Erlandson et al., (1993, cited in Decrop, 2004, p.156-157) describe trustworthiness as scientific inquiry which is able to 'demonstrate truth value, provide the basis for applying it, and allow for external judgements to be made about the consistency of its procedures and the neutrality of its findings or decisions.' Stenbacka (2001) also argues that qualitative research requires quality concepts of its own and presents the main evaluation questions relevant for qualitative studies. Both Guba and Lincoln's (1994) and Stenbacka's (2001) criteria are presented in Table 4.3.

Table 4.3 Evaluation techniques for qualitative research

EVALUATION CRITERIA Quantitative position	**MAIN QUESTION Quantitative position**	**MAIN QUESTION Qualitative position** (Stenbacka, 2001)	**QUALITATIVE SOLUTONS**	**EVALUATION CRITERIA Qualitative position** (Lincoln and Guba, 1985)
Internal validity	Is the intended object of measurement actually measured?	Are the data valid?	Understanding of the phenomenon will be valid if the informant is part of the problem area and if she/he is given the opportunity to speak freely according to own structures.	*Credibility*
Reliability	Is the measurement instrument able to produce the same research all the time?	No relevance, even misleading	Important is description of the whole process, to make research process more visible.	*Dependability*
Generalizability (External validity)	Are the research findings general for a population?	Analytical generalisation	The concept means that analytical understanding is made possible as a result of the study by lifting the empirical material to a general level, i.e. qualitative studies are general in respect to theory, not population. This is possible by strategic choice of informants relevant to the study, not by statistical drawn sample.	*Transferability*
/	/	/	A systematic and careful description of the whole process of interaction with the reality under study	*Carefulness*

Objectivity	Are the findings neutral?	/	Each researcher bring a unique perspective. The concept refers to the degree to which the results could be confirmed or corroborated by other researcher.	*Confirmability*

Source: Stenbacka (2001), Lincoln and Guba (1985)

These criteria guide this research. Detailed description of the research process is presented in this chapter and chapter 5, thus adding to the concept of *dependability*. The adopted interpretivist stance directly influences the issue of *confirmability*. This position, in contrast to some other qualitative positions, such as a realist approach (Miles and Huberman, 1994) or some aspects of analytic induction (Patton, 2002), embraces subjectivity as a pathway into deeper understanding of the human dimensions of the analysed world and sees the role between the researcher and the respondents as cooperative (Decrop, 2004). The concept of confirmability in this case means that the researcher firstly needs to show that she did not allow personal values or theoretical inclinations to govern the research or findings derived. The detailed account as to how the interest in the topic started given in section 4.4.1; sections 4.4.3.1 and 4.4.3.2, shows how the researcher modified the interview guide; and chapter 5 introduces data analysis. The second step to enhance credibility is to show how the process of data analysis was made objective by looking for a variety of explanations about the phenomenon being studied (Chapter 7). A *credibility* criterion is also targeted from several stances. Firstly, this study aims to generate understanding of the process of entrepreneurship from the perspective of small hotel owners. According to Stenbacka (2001) the research will be credible if informant is part of the problem area. As the interviews for this study were carried out with small hotel owners and also with policy representatives to obtain deeper understanding. This corresponds to the credibility criterion. Lincoln and Guba (1985, p.124) propose substituting the concepts *transferability* and *fittingness* for *generalisation* when dealing with qualitative findings:

> The degree of *transferability* is a direct function of the *similarity* between two contexts, what shall we call '*fittingness*'. Fittingness is defined as degree of

> congruence between sending and receiving contexts. If context A and context B are 'sufficiently' congruent, then working hypothesis from the sending originating context may be applicable in the receiving context.

Lincoln and Guba (1985) also argue that thick descriptions can provide others with a database for making judgements about the possible *transferability* of findings to other settings. In this study the thick descriptions of the context of study (3.4), respondents (4.2.4, 4.4.3.2 and 6.2), and methodological procedures in the following section are given to add to the possible transferability and/or fittingness of findings.

4.4. Research process

4.4.1 Research focus and boundaries

Marshall and Rossman (1995, p.16) suggest that 'in qualitative inquiry, initial curiosities for research often come from real-world observations, dillemas…emerging from the interplay of the researcher's direct experience, tacit theories, and growing scholarly interests', which was also the case in this research. After the breakdown of communism and the former Yugoslavia (3.4.3), the creators of Croatian national policy recognized the tourism industry as 'the main sector for the Croatian economy' (SRT, 2003, p.6). Despite such proclamations, the reforms developed very slowly and at the beginning of 2000, little had changed. In 2004 a group of enthusiasts who were all owners of small hotels, established the Association of Family and Small Hotels of Croatia (OMH) with the aim to change the structure and politics of the accommodation sector. The president of the OHM was present constantly in newspapers and television seeking to point out the difficulties they have as small hoteliers. He also emphasized the relevance of small hotels for Croatia, and that Croatia, if it wants to compete on the global market, has to change its accommodation structure to ensure the small hotels will have the highest share in future. For the researcher, this piqued an interest in the activities of small hotel owners, and the problems which they are experiencing. In addition, the accommodation sector is the only sub-sector within the tourism and hospitality industry which is growing rapidly. Aiming to discover more about that shift in Croatian tourism the researcher spent some considerable time at seminars and presentations organised by OMH and the Ministry of Tourism (MIT) (4.4.3.1). Besides gaining new insights, the researcher also established contacts with the OMH president and the president of Croatian Bank for Reconstruction and Development (HBOR) who was one of the creators of the 'Incentive for Succcess' (3.4.4) which discusses the issues of tourism in Croatia and the challenges facing entrepreneurs who want to start operating in the industry. This allowed the researcher to build up an initial picture and acquire some background knowledge of the research areas of relevance.

Strauss and Corbin (1998, p.40) stress that 'it is impossible for an investigator to cover all aspects of a problem' while Wolcott (1990, p.62) suggests that researchers should 'do less, more thoroughly' by identifying manageable units on which to focus. The process of focusing this research entailed making a number of decisions, in particular relating to the research purpose, geographical focus and the time dimension of the research. In determining these elements it became clear what was and was not possible for this particular project.

The classification of research purposes most often used in the literature identifies categories of exploratory, descriptive and explanatory research (Neuman 1997; Saunders et al., 2007). Strauss and Corbin (1998) stress that the underlying approach of qualitative research is the assumption that all concepts pertaining to a given phenomenon have not yet been identified, or at least not in the specific population or place under investigation. As this was the case with respect to entrepreneurship among small hotel owners in Croatia the decision was taken that the main purpose of this research should be *exploratory*. An exploratory study enables a researcher to find out 'what is happening; to seek new insights; to ask new questions and to assess phenomena in a new light' (Robson, 2002, p. 59). Saunders et al., (2007) also suggest that the exploratory research has a great advantage in its flexibility and adaptability to changes which can occur as new insights evolve during the study or as a result of new data.

At the initial phase of the study the researcher determined Croatia as *the geographical focus of the research*. Reviewing the literature about Croatian tourism and attending the above mentioned seminars the researcher realised that it would be extremely problematic to observe the whole country. One issue was Croatian geographic diversity, which has strongly influenced tourism development in different regions. Furthermore, since Croatia was a part of former Yugoslavia, tourism development was directed and stimulated only in the coastal part of Croatia. Thus, the central and northern part of the country, except the capital Zagreb, did not have much tourism activity until recently. In addition, the coastal part of Croatia is divided into three parts (Appendix 1) and differences in tourism development are so diverse that comparative analysis would be difficult. The Splitsko-dalmatiska county is recognized as the best representative for this research for a number of reasons. Croatia has a long established tourist tradition, which dates to the period around 1868 (Vukonic, 2005). In recent years, entrepreneurial activity within the tourism and hospitality industry has grown rapidly in this area which enabled the researcher to find 'the best representative' population for the research objectives and questions. However, perhaps the most significant reason is that the researcher originates from the area giving potential for an 'insider' perspective (4.2.4). The decision to concentrate on the Splitsko-dalmatinska county constituted *the first phase of the sampling process.*

In relation to *time dimension*, research can be carried out as a cross-sectional or longitudinal study (Bryman, 2004; Saunders et al., 2007). Longitudinal studies comprise research conducted on one group on a number of occasions over a protracted period of time. According to Bryman (2004), longitudinal studies are a relatively rarely used design in social research due to the time and cost involved with this type of study. In contrast, cross-sectional studies comprise research conducted on one group or phenomenon on a single occasion. Essentially, cross-sectional studies provide a 'snapshot' (Saunders et al., 2007, p. 148) of one particular group at one moment in time. They have the potential to gather data on different groups at different moments in time and also to facilitate comparison and deeper analysis. Taking into consideration the fact that entrepreneurship in the tourism industry in general, and among small hotel owners particularly, has not previously been explored in Croatia, this study is cross-sectional in dimension. This decision is also supported by the nature of the research objectives (1.4) which do not suggest longitudinal design and are actually constructed in a way which naturally fits in with a ‘snapshot’ time horizon.

4.4.2 Research strategy

4.4.2.1 Research genre

Qualitative research is characterised by a diversity of strategies but Marshall and Rossman (1995) argue that all of the qualitative approaches have some common considerations and procedures for implementation. Marshall and Rossman (2006, p.55) propose that the numerous qualitative approaches can be categorised into those focusing on: ‘a) individual lived experience; b) society and culture; and c) language and communication’. The authors also suggest that ‘explicating the logical and compelling connections - the epistemological integrity – between the genre, the overall strategy, the research questions, the design, and the methods’ is an integral part of the research process. Accordingly, the epistemological integrity of this project is now detailed.

The choice of genre and following strategy was influenced by the research locale and the phenomenon under investigation. An extensive search revealed very little information on tourism entrepreneurship within Croatia, former Yugoslav countries and other Eastern European countries (3.3). Nevertheless, it was evident from secondary data and initial observations that tourism entrepreneurship was occurring in Croatia and is predominantly dependent on the actions of individual entrepreneurs, especially ones located within small hotel businesses. These factors indicated that the primary focus should be on the genre of individual lived experiences. As a consequence, the unit of analysis was determined to be individual entrepreneurs operating within small hotel sector, thus determining *the second stage in the sampling process*.

4.4.2.2 Sampling considerations

Croatia, as with most of the other transition countries, has poorly developed statistics and statistical databases. There is a strong tendency to treat even public data as private information and charge for access. No records of tourism entrepreneurs exist nor the exact number of small businesses in the tourism and hospitality sector. It was difficult to estimate the approximate number of small hotels because the National Hotel Classification (NHC) and OMH provided different numbers and also used different criteria to determine what constitutes a small hotel (3.3.1). On the other hand, sample size is small, and it would be difficult to employ some type of probability sampling where each population element has an equal chance of selection (Saunders et al., 2007), thus the sampling approach is *non-probability*. Recommended by most of the writers in qualitative research is *purposive sampling* (Bryman, 2004) where a researcher samples on the basis of interviewing people who are relevant to the research questions. Patton (2002, p. 46) argues that the main logic and strength of purposive sampling is in-depth understanding and selection of 'information-rich cases'. Information-rich cases arose from those subjects from which the researcher can obtain crucial insights about the issues central to the research. Purposive sampling demands that the choice of sample should be carefully selected to reflect the parameters of the population, or in Denzin and Lincoln's (2000, p.370) words 'many…qualitative researchers employ theoretical or purposive, and not random, sampling methods. They seek out groups, settings and individuals where and from whom the processes being studied are most likely to occur'.

The number of conducted interviews will depend upon two basic criteria in qualitative research. The first of these criteria is availability and willingness of owners to participate in the research process (*time dependent*) and the second is the point of *theoretical saturation*. The key idea of the concept of theoretical saturation is to carry on with sampling, and in this case interviewing, until a category has been saturated with data (Bryman, 2004). A category is saturated with data when 'a) no new or relevant data seem to be emerging regarding a category, b) the category is well developed in terms of its properties and dimensions demonstrating variation, and c) the relationships among categories are well established and validated' (Strauss and Corbin, 1998, p. 212). This also means that the process will be an iterative one; a movement backwards and forwards between sampling and theoretical reflection. During the research for this study it was judged when interviewing the thirtieth hotel owner that probably the point of theoretical saturation had been reached. To be completely sure, the researcher continued with an additional three interviews. While interviewing the last three small hotel owners the researcher was confident that the point of theoretical saturation was reached because new insights were not emerging.

To target small hotel owners, the researcher firstly decided that for the purposes of sampling issues, a small hotel will be the one which does not have more than forty rooms. This approach was selected due to a reason of more technical nature. The Croatian Ministry of Tourism (MIT) started to monitor the number and spatial distribution of small hotels more precisely due to the established credit line which helped the researcher in creating the database of small hotels necessary for this research. As the membership in OMH is voluntary and their database does not represent the actual number of small hotels, the researcher used NHC classification as a starting database. From the NHC list (the last one updated before the field study was on the thirty-first of August 2008) the researcher separated hotels with less than forty rooms and arrived at the number of sixty-four small hotels in Splitsko-dalmatinska county.

The researcher was initially concerned that the owners of small hotels would not be willing to participate in the study. Originating from the local area and being aware of local attitudes and assumptions about entrepreneurship, the researcher knew that respondents would prefer to be contact via telephone, rather than e-mail. A considerable barrier the researcher had to overcome was to contact the small hotel owners personally, as it was expected that otherwise they were unlikely to respond. Hence, the researcher used personal networks and sources on the Internet to obtain mobile telephone numbers from potential interviewees, which generated a database necessary to conduct the research. When the telephone numbers were obtained, a letter was sent to each subject to explain the purpose of the study and the method employed. Additionally, the Dean of the Faculty of Economics (University of Split) signed an attached letter explaining the importance of the study and also providing a guarantee of confidentiality (4.4.3.5) of the interviewees' and hotels' names. Therefore, in the main study thirty-six letters were sent. Two or at maximum five days, if the hotel was on the island or in inland parts, after sending the letters the researcher would phone the small hotel owner to ascertain their willingness to participate in a face-to-face interview. Surprisingly, no one refused. Only three of the contacted owners did not arrange for an interview because they were facing a difficult family position (a death in a family and a sickness of one family member). Despite any adverse situations of this nature, these participants were willing to find some time for an interview in the future.

4.4.2.3 Implications of the approach for qualitative data collection and analysis

The choice of methods applied to this study, primarily *semi-structured interview* 'embodies a variety of assumptions regarding the nature of knowledge and the methods through which that knowledge can be obtained, as well as a set of root assumptions about the nature of the phenomena to be investigated' (Morgan and Smircich, 1980, p.491). Easterby-Smith et al., (2002, p.87) highlight a number of instances where interviews are a useful method. Two such instances specifically meet the objectives of this research: '1) when it is necessary to understand the constructs that the interviewee uses as a basis for her opinions and beliefs about a particular matter or situation and; 2) one aim of the interview is to develop an understanding of the respondents' world'. The researcher also had 'a fairly clear research focus rather than a very general notion of wanting to do research on a topic' (Bryman, 2004, p. 323). Thus, the adopted research method corresponds best to the research objectives and the overall nature of the research. Throughout the interview situation, which itself presents a process of social interaction, the researcher:

> does far more than dispassionate questioning; he or she activates narrative production…constraining as well as provoking answers that are germane to the researcher's interest…[it is the] interviewer's job to direct and harness the

> respondent's constructive storytelling to the researcher task at hand (Holstein and Gubrium, 1995, p.39).

Semi-structured interviews are also flexible, providing rich, detailed answers. ‘Rambling’ is encouraged in that it gives insight into what an interviewee sees as important. As a result, the interview process is influenced by the interviewee. It is possible that each respondent may be interviewed on more than one and even several occasions (Bryman, 2004). Furthermore, qualitative interviewing appreciates the social context of the research, or as Warren reports (2002, p. 91) ‘qualitative research…treats the unfolding social contexts of the interview as data, not as something that, under ideal conditions, can be eliminated from the interview process.’ All interviews, except the ones with key informants were tape recorded, which facilitated the interview process significantly and enabled the researcher to fully participate in the process. It was decided that when analysing and referring to interview accounts a system of number identification would be used to ensure the owners’ anonymity (4.4.3.5). Therefore, interviews in the pre-study (see 4.4.3.2) are referred by the labels H A to H C, and in the main study by the labels H 1 through H 33, where H stands for hotel.

4.4.3 Data collection

4.4.3.1 The key informants

The key informant technique has its origins in anthropology, although it has been used in the areas of economics, sociology and political science (Houston and Sudman, 1975). Key informants are individuals ‘who might be expected to have specialized information on particular topics’ (Tremblay, 1957, p.689) within researched settings. They are interviewed intensively over an extensive period of time where the interview questions are flexible (Tremblay, 1957). Within this research, the key informants included a university professor (4.4.3.2) and policy representatives involving: the President of the Association of Small Hotels; the President and the Vice-president of Croatian Bank for Reconstruction and

Development; Vice-President for the Ministry of Tourism; and the officials from the Ministry of Economy, Labour and Entrepreneurship (MINGORP).

The information obtained from these key informants was used to direct the research, give it context, provide rich background knowledge and to become familiar with the ‘other side’ of the story. Contacts were made through personal contacts and through the professor from the Faculty of Economics who introduced the researcher to the OMH president. An open discussion that was organized around themes and topics was introduced by the researcher, who talked with the presidents of OMH and HBOR on several occasions and also participated on the four ‘round tables’ organized by OMH, HBOR and MIT. This phase started in September 2007 and finished in January 2009 (Appendix 2). Participation in this was beneficial on several levels. The researcher gained an overview of strategies, policies and measures which are planned for the tourism and hospitality sector, became familiar with the problems that those institutions have in dealing with entrepreneurs in general and within the tourism and hospitality sector, and also established contacts to interview other key informants. Interviews were not tape-recorded due to ethical issue of confidentiality (4.4.3.5) but the researcher was allowed to make notes. The researcher was also given full access by the HBOR Vice-president to reports from the credit line ‘Incentive for Success’ and consultation documents which had been circulated in preparation for the *Detailed Analysis of the Tourism and Hospitality Sector* which was going to be presented in 2010.

4.4.3.2 The background research phase and pre-study

The individual proprietors, small hotel owners as the primary focus of this study, operate in a wider socio-economic context which frames their actions and interactions. It can be argued that only by having a knowledge and understanding of the environment where the small hotel owners operate will it be possible to properly target and examine the issues that affect and concern them. Furthermore, applying semi-structured interviews as a main method of data collection also requires careful preparation, or in Saunders et al.'s, (2007, p.320) words, 'prior planning prevents poor performance'. The ability to become familiar with and be aware of the wider situational and organisational context in which the interview is to take place can help in demonstrating the researcher's credibility and thus encourage the interviewee to offer a more detailed account of the research topic.

This stage of background research and data gathering started with the collection and analysis of articles from local and national newspapers referring to the Splitsko-dalmatinska county and the movements and trends in the hotel sector, informed by key participants. During this stage, the discussions with the presidents of OMH and HBOR were extremely helpful in that they could clarify any vagueness and also provide information that could not be found in any public documents. This allowed the researcher to build up a comprehensive picture of the situation and acquire background knowledge of the research area. This was carried out in tandem with the process of reviewing relevant literature. The researcher was aware of the problem of scarce literature concerning former socialist countries and so for this reason, this stage of the research process was carried out in Croatia. Despite this, access to the available literature was again extremely complicated and time consuming. The researcher had to be careful in dealing with the sources when Croatia was the part of former Yugoslavia. During this period, scholars could not report on real conditions in the national economy. The Party had to convince people that communism and socialism are systems above capitalism. Publications contained false data about the trends in the national economy aiming to show that all legitimacies of the free market economy are exploiting people, or in communist terms 'working people'. During the literature review process the researcher was introduced to a respected Croatian professor in tourism, Boris Vukonic, who recently published a book 'History of Croatian Tourism' giving the integral picture of the tourism sector. Vukonic was one of the most important key informants in this phase of the research, identifying for the researcher the most significant issues in Croatian tourism and presenting the actual story during the period of former Yugoslavia.

This stage of data gathering preceded the development of the *interview guide* and informed the decisions for the selection of appropriate themes and topics upon which questions would be later addressed. The initial draft of the interview guide was first used for *the pre-study*. In this research, the term pilot study is not used because that term corresponds to 'a small set of respondents who will be comparable to members of the population from which the sample for the study will be taken' (Bryman, 2004, p.160). In this research this approach was not possible (4.4.2.2), and so the term 'pre-study' is found to be more appropriate. It was conducted with three small hotel owners in December 2007 and these interviews are not included in the total sample. The researcher considered a pre-study necessary for several reasons. The researcher was experiencing the interview technique for the first time. Piloting an interview schedule was seen as an opportunity to provide the researcher with some experience of using it, to practice interviewing skills and also to bring the researcher a greater sense of confidence. Also, the researcher wanted to reveal whether the potential respondents are willing to talk to the researcher as she was concerned about a potentially high non-response rate. The pre-study also served to test the researcher's assumption that potential respondents have to be contacted by phone, and not on email. It also helped to discover whether any problems might develop later in the main research context and consequently which amendments have to be made before the main research phase was embarked upon. It was also necessary to reveal how well the interview questions flowed and whether it was necessary to move some of the questions around to improve this feature. The researcher also wanted to identify questions that make the respondents feel uncomfortable and the ones which can not be understood. The other main objectives of the pre-study phase were to estimate the length of time necessary to conduct a 'typical' interview, to assess the degree of cooperation which would be gained from the interviewees, and to ascertain the level of communication between the researcher and the respondents.

Consequently, the researcher obtained some crucial insights from the pre-study, which helped in conducting the main research phase. Most interviewees appeared to welcome the opportunity to express their views, enjoyed being interviewed, wanted to speak at some length and tried hard to answer the questions fully. The initial assumption, about the importance of personal contact via phone when approaching potential respondents has been shown to be a successful one and it was decided that the same technique would be followed in the main research phase. The researcher firstly sent an email and did not get any response. Interviews were subsequently arranged with participants via telephone, which was more successful. Later on, most of the respondents revealed that they do not like emails and rarely communicate this way. The degree of communication between the researcher and the respondents was encouraging and added further weight in support of the application of the semi-structured interview as a data collection method. However, the primary aim of the pre-study was to review the interview guide and to prepare the researcher for the main interview phase through the practical application of interviewing skills and techniques, such as probing and listening skills.

4.4.3.3 The interview guide and the main study

The pre-study led to several conclusions being drawn concerning the interview guide (Appendix 6) that led to some modification of the main research plan. Overall, it was found that the interviews worked better without a specific ordering of topics upon which questions would be based. For instance, when asking the first respondents why they (husband and wife) decided to run a small hotel business, the female participant revealed a detailed life and work history saying '*you will see why I am talking about all this, you will see, there is an explanation and reason why I am saying this''* (H A, 40-42). The third respondent, although asked the same question, introduced first what they were currently working on and also explained in which direction they wanted to expand the business. It is possible to argue that a more flexible discussion structure encouraged more detailed responses as well as a greater level of comfort and interest on the part of the respondents. The ability of the researcher to jump from one theme to another in response to the discussion and the respondent's views was important in order to allow for the respondents to move the conversation on freely. This also avoided interrupting or distracting the interviewee whilst s/he was talking. The presentation of the topics from the interview guide at the beginning of the each interview was apparently successful. Depending on the importance of each topic for the respondents they would spend different amounts of time on each, eventually covering all topics in some way. In addition, the flexible interview guide enabled respondents to tell their own stories which helped in reducing the ‘power balance’ (Blackburn and Stokes, 2000) between informants and the researcher. This also allowed the researcher to obtain an integral picture of the world of small hotel owners.

The main study started in October 2008 and lasted until the end of January 2009, thus avoiding the summer season when it would be difficult to arrange for interviews. The study involved considerable travelling and research was intensive during this period[10]. To encompass fully the geographic setting interviews were conducted in the urban areas (26), islands (5) and inland parts of the county (2). Usually the researcher attempted to avoid conducting two or more interviews during one day, but when visiting the islands the two interviews per day were arranged. This was deemed necessary due to time and money constraints. In the main study, thirty-three small hotel owners were interviewed, representing fifty-two percent of the identified population. The researcher interviewed hotel owners, but among the researched population there were six hotels (18%) which had paid managers. In those cases, both managers and owners were interviewed, with the owners being interviewed over the telephone because they were located outside the region or were on business trips constantly (one owner). Most of the interviews were conducted in the hotels. Only two interviews were conducted in a café bar because the hotels were closed, and one was conducted in the researcher’s office in Split. The interview lasted from one hour to three-and-a-half hours, where the average length of conducted interviews was one-and-a-half hours.

The researcher tried to build trust with each individual in order to get robust data. Starting the interview the researcher would realise that respondents were using the same technique, trying to find out something about the researcher that would create an initial impression that she can be trusted. For instance, respondent H 17 wanted to

[10] During this period the researcher made 2000 km by car.

test the researcher's knowledge and familiarity with the economic conditions in Croatia and he requested her to switch off the recorder during that time. He asked the researcher a couple of questions and after 15 minutes the respondent said *'great, this is great. Now you can turn on the recorder and start asking me'* (H 17). Furthermore, the researcher would also explain the interview guide to each informant, and outlined which topics would be covered at the beginning of each interview. This proved to be a successful strategy. Namely, interviewees would remember the most important themes and it was not a rarity that the interviewees during the interview asked if they had covered all topics mentioned. Thus, all thematic headings and key points would be raised during every interview with more or less probing as determined by the circumstances. Respondents were also assured of confidentiality (4.4.3.5) and the same protocol for this was followed with each respondent. However, the researcher had to actively listen and also respond to what the interviewees said in order to engage with them. This ability can be seen as a research instrument in furthering the understanding of respondents' construction of reality (De Laine, 2000). Applying the same procedures with each interviewee during interviews as well as during the data analysis to maintain a quality of data collected corresponds to Yin's (1994) case study protocol. This contains information from the research objectives (1.4), sampling strategies (4.4.2.2), database of interviewed respondents and interview guide (Appendix 6). This is clearly presented through this thesis, except the database of interviewed small hotels owners due to the issue of confidentiality.

4.4.3.4. Transcription of the interviews and the issue of native language

Answers arising from the interview guide were tape recorded on a digital voice recorder and later transcribed by the researcher in order to conduct analysis. The researcher considered that some respondents might be intimidated by the voice recorder and, therefore, in the introduction to each interview respondents were informed why the researcher preferred to tape the interview and asked whether they objected to this form of recording. For the same reason, the researcher bought a small, but good quality voice-recorder without outsider microphone that was considered less obtrusive than more elaborate equipment. Due to the good quality of the voice recorder the quality of recording was not reduced and that significantly helped in the interview transcription phase. The transcription of the interviews lasted until May 2009. Each hour of recorded material needed roughly six hours transcription time.

The process of transcribing interview material does not represent simply a technical detail prior to analysis (Bryman, 2004; Miles and Huberman, 1994). Indeed, the production and the use of transcripts can be looked upon as the first stage in the analysis process. Silverman (2001, p.13) argues that transcripts 'provide an excellent record of 'naturally occurring interaction' and can also be used for 'presentational purposes' (ibid 164). The type of transcription of qualitative data is determined by the purpose of the interviews and the overall aims of the research. Transcription can vary from a full verbatim transcription to note-based or even memory-based transcriptions (Poland, 2002). Although it is widely acknowledged that a verbatim-based strategy is the most time consuming method of transcription (Bryman, 2004; Poland, 2002), it was deemed necessary in this research due to the nature of the research questions and the methods of analysis applied to the interview data. The decision was also taken that there should be no editing of the interview material during the process of transcribing the tape recordings as detailed accounts should be used for analysis.

It is important to stress that all interviews were conducted in the Croatian language and Dalmatian dialect (see an example Appendix 7). In order to ensure transcription quality and accuracy of the transcribed text, a decision was taken that the interview transcription would be conducted in the Croatian language. Becoming completely familiar with the text, meanings and interpretations within it, the researcher was able to conduct data analysis and apply a thematic framework (Appendix 8) in English. In the relevant literature there is debate about the usage of the native language in research and the problems which arise out of translation from native to, in most cases, the English language. The most explicit exploration of this theme is by Smith (1996) and the recent contributions include work by Eposito (2001), Gade (2001), Temple and Young (2004) and Temple (2005). Most of the academic debate is concentrated on the cases when the issue of foreign language is ignored or only seen as a technical problem (Temple, 2005). This research holds the position that although there can be no single 'correct' way for researchers to represent people who speak different languages, choices about how to do this have epistemological and ethical implications and have to be transparent.

Translating transcriptions into English would require the researcher to 'tidy up' transcriptions. This is because it would be extremely hard, if not impossible, to translate and accurately represent the richness and specificities of the Croatian language and Dalmatian dialect in English. For instance, when respondents refer to the words 'pljačka' and 'otimačna' when describing the privatisation process, both words would be translated into English as denoting 'robbery', but in Croatian the two words have certain connotations which remain hidden in a 'direct' translation into English. The term 'otimačna' does not mean that something was only stolen. It means that the ruling party in society has created conditions in which they can take what they want from the people and entrepreneurs, and on the other hand there are no institutions to protect them. Besides the advantages of keeping the richness of the connotations of words bounded in a specific cultural, political and economic context, familiarity with and a full immersion in the data by the researcher are also advantages of full transcription into the Croatian language. This stance is supported by Poland (2002) who also adds that the dialogue between researcher and respondent is 'framed not only by the immediate micro-context of the research interview (a stilted environment itself), but by a broader macro-context of historically- and socially- located events'.

Before the transcription process it is necessary to establish a consistent notation system. The selection of appropriate style 'depends on which features the researcher considers important to capture…thus it is neither appropriate nor possible to specify *a priori* what constitutes the most appropriate (or rigorous, or highest-quality) universal notation system' (Poland, 2002, p.637). Thus, the researcher's decision about an appropriate notation system is based on the theoretical research orientation and the nature of the data being dealt with. It is also necessary to use one consistent approach across all interview transcripts. Therefore, the researcher scrutinized a number of different notation systems proposed in the literature (for example, Edwards and Lambert, 1993; Poland 2002; Silverman, 2001) before selecting one deemed to be appropriate. The system of codes employed in the transcription conventions of conversation analysis (Silverman, 2001) were deemed as inappropriate for this research as this type of analysis is not used in this study. Thus, the most appropriate system which suits the best to the purposes of this research is based on the notation system proposed by Poland (2002), which provides the necessary detail required by the analytic approaches in this research. A researcher has to make readers aware of the notations employed to ensure that all verbatim quotations will be fully understood, that further adds to the transparency of the overall research process. The system is presented in Appendix 9.

4.4.3.5 Ethical consideration*s*

In social research ethical issues can arise at any stage of the research process (Bryman, 2004). However, this current section will explore the ethical concerns that are typical for the data collection phase of most research of this nature. In line with other forms of research that involve human subjects, qualitative interviewing requires that the researcher contemplate the ethical dimension of the research (Bryman, 2004; Kong et al., 2002). This is considered as an important methodological aspect and, therefore, must be examined further at this point. Ethical issues which can arise during social research can be categorised in number of ways (Bryman, 2004; Christians, 2000; Miles and Huberman, 1994) but the main areas of relevance identified by the researcher are: informed consent; respect for privacy; confidentiality and anonymity; and reciprocity.

The issue of *informed consent* is the area within social research ethics that is most constantly debated (Bryman, 2004). Miles and Huberman (1994) argue that although in qualitative research, due to the researcher's actions which cannot be anticipated, truly informed consent is almost impossible, researchers must still engage with this issue. In interview research, which is carried out in an overt and ethical manner, informed consent is a necessary pre-requisite for any data collection involving human subjects (Bryman, 2004). Verbal consent was considered as adequate as written replies would have been an unrealistic expectation and limited respondents number significantly. Also, this approach was approved by the University of Strathclyde Ethic Committee. The researcher was fortunate in that after arrangements of dates and times had been established with potential interviewees, all such arrangements were adhered to. This indicates that those respondents initially willing to take part continued to do so. As previously stated, a necessary component of the interviewing approach adopted in this research is the use of tape recorder. All respondents were asked at the commencement of the interview if the interview could be tape recorded. Therefore, informed consent in this respect was also attained. The interviews with policy representatives (4.4.3.1) were not tape recorded. Representatives explained to the researcher that they had problems with some journalists who manipulated their statements or even recorded them without informing them. To show an understanding the researcher decided not to put transcripts in appendences, a decision that the key informants highly appreciated.

As Bulmer (2001, p.50) argues, '*respect for privacy* is a complex area of ethical debate'. Definitions of what constitute the private domain vary from one individual to another and from one culture to another. Thus, the extent to which the researcher can intrude into areas considered private by the respondents is not something which can be dealt with easily. In the initial stages of the study the researcher hypothesised that during the research process empathy could be developed with the respondent and information which is considered as being within the private domain, like the age of respondent, social connections and networks could be acquired nearer the end of the interview, once a certain rapport of trust had been established. During the pre study, all fears of a lack of openness on the part of respondents were unfounded as all interviewees talked openly at the very beginning of the interview. Indeed, most of them went even further to use the interview as a chance to express their personal views in great detail.

Christians (2000, p. 139) stresses that '*confidentiality* must be assured as the primary safeguard against unwanted exposure.' To ensure the proprietor *anonymity* it was decided that in interview analysis and when referring to interview accounts, a system of letter/number identification would be used for references and retrieval purposes. Also, an additional letter was sent to each respondent as a guarantee of confidentiality and anonymity of collected data (4.4.2.2). Whilst the researcher has detailed records of respondents' names and addresses matching each interview transcript to facilitate the analytic task, these will not appear in the theses. However, the issue of confidentiality is more complex than it may initially appear. For instance, interviewees referred to names of numerous people which were somehow connected with them. The researcher needed to consider whether such details should be deleted and not used for the purposes of illustrative quotes. After detailed consideration the researcher decided not to reveal these or any other names in transcripts because this could endanger respondents' confidentially and this information does not have significance in data analysis and interpretations. Another issue was the usage of mobile phone numbers when contacting potential respondents (4.4.2.2). Although this seems to intrude on confidentiality, the researcher could not contact participants in other way and a vast majority of the phone numbers were found on the Internet. Being reluctant to respond to emails and providing phone numbers on the Internet suggested that this approach did not intrude on the confidentiality of the respondents and so it was deemed appropriate in the analysed social setting.

The last issue of *reciprocity* can be regarded as providing a rationale for the interview approach adopted. As part of an interpretivist orientation, the interview encounter is part of social interaction. Thus, it was deemed not only to be methodologically and ontologically appropriate but also ethically sound to engage with respondents by revealing the researcher's personal views and offering some form of reciprocity (4.2.4).

4.4.3.6 Software in the data analysis process

A significant progress in the development and application of Computer Assisted Qualitative Data Analysis Software (CAQDAS) started around the 1980s (Lee and Fielding, 1991; Seidel and Clark, 1984; Weitzman, 2000). Bryman (2004, p.418) considers that 'one of the most notable developments in qualitative research in recent years has been the arrival of computer software that facilitates the analysis of qualitative data.' Unlike within quantitative data analysis where the use of computer programmes is widely accepted, the use and application of software in qualitative data analysis is still widely debated (Bryman, 2004). It can be argued that this represents an important issue to consider in the case of qualitative data analysis where the aim is not to search for statistical significances and causalities but rather to understand and generate theory (Coffey et al., 1996). Moreover, the literature in support and against the use of CAQDAS has significantly increased and there are both strong opponents and proponents. Before the researcher determined the appropriate position for the study, a detailed account of both limitations and advantages was taken by the researcher and is presented in Table 4.5. As Seidel (1991, p.108) suggests, 'technological innovation in qualitative research has always been a double-edged sword.'

Table 4.4 Limitations and advantages of the CAQDAS

LIMITATIONS	-'users of CAQDAS generally exploit only the basics features of packages, with advanced usage being less common' Seale (2002, p.652)
	- due to the time required to learn how to use qualitative data analysis programs, 'researchers may 'freeze' their analysis approach by employing the same program for every project, whether this is appropriate or not' (Catterall and Maclaran, 1996, p.32) (Dembkowski and Hanmer-Loyd, 1995; Rettie et al., 2008)
	- most of the coding and retrieval features can be used through powerful word-processing software like Microsoft Word (Stanley and Temple, 1995)
	- the fragmentation process of coding text into fragments can caused that 'the narrative flow of interview transcripts and events recorded in field notes may be lost…and [this process also] risks decontextualizing data' (Stanley and Temple, 1995, p.419).
	- possibility to distance the researcher from the data; reification of the relationship between the researcher and the data; and an infatuation with the idea of collecting large volume of data that can endanger the researcher's capability to understand and analyse (Seidel, 1991)

	- CAQDAS analysis can become mechanistic rather that creative (Bryman and Burges, 1994; Dey, 1993; Lee and Fielding, 1991)
	- there is a risk that an analyst may confuse coding with analysis, and neglect Interpretation (Coffe et al., 1996)
ADVANTAGES	- fears that researcher have (such as: computers will standardise the process or mechanise and rigidify qualitative analysis) are likely to be derived from a false assumptions which people have towards computers (Tesch, 1990)
	- 'the computer allows the researcher to devote more of his or her energy to the interpretive or analytic work, which is more significant and rewarding' (Conrad and Reinharz, 1984, p. 9)
	- CAQDAS exempts researcher from the clerical tasks and also replaces the traditional tools, like scissors, glue and coloured pens when coding data (Maclaran and Caterrall, 2002)
	- different forms of data entry; coding and retrieval process is faster and more efficient; transcript can be linked with audio files; the capacity to do automatic searches for strings of letters (Seale, 2000)

From analysis of these limitations and advantages of CAQDAS, the decision to adopt it was based on several interlinked issues. Firstly, the researcher was confronted with the time issues as she was not trained to work with CAQDAS. Being time constrained the researcher could not afford several months on the training whilst knowing if that software would be appropriate for her research (Catterall and Maclaran, 1996). Furthermore, in such a short time period the researcher would be capable of employing only its basic features, risking results which do not show any kind of systematic analysis (Seale, 2002). Secondly, the research orientation requires a full immersion of the researcher into the observable setting. Due to the theoretical debates that CAQDAS can cause data decontextualization (Dembkowski and Hanmer-Lloyd, 1995; Seidel, 1991) and also distance the researcher from the data (Seidel, 1991) the usage of CAQDAS in this study was deemed inappropriate. As the researcher was undertaking a qualitative study for the first time, she wanted to start the whole process from the beginning, considering that this is the basis upon which further knowledge and skills can be built. Although the researcher sometimes felt that it would be easier to use software, like in section 5.2.2.1 for example, the researcher realised that going back again to the transcripts helps to become even more familiar with the data. This is one of the main features of the adopted data analysis method (Chapter 5) which enabled linking between different concepts that emerged from the interviews. Although the benefits of CAQDAS are obvious, for this particular study it was felt that CAQDAS offered more drawbacks than advantages. The critique which often follows qualitative studies, the lack of the transparency and vagueness of the findings is overcome by the detailed presentation of the research process (Chapter 4 and 5).

4.5 Overview of the methodological approach

This chapter has outlined the philosophical and methodological position of this research. It sets out and rationalises the link between the conceptual framework of interpretivism, qualitative research methodologies and reflexive practice and it demonstrates that paradigmatic approach is built through a number of phases which are mutually interconnected. it is argued that in social science research it is necessary to acknowledge the nature of investigated phenomena and the influences of social setting when discussing research methodology. The reflexive position contributes to development of emancipatory knowledge by giving voices to the themes and issues usually overlooked and marginalized in academia, such as the voice of the native researcher and the respondents.

The nature of this research is a dynamic and fluid one and this chapter has also pointed out that the one cannot easily separate the fieldwork or primary data gathering and the actual analysis of the data into separate and distinct stages of an overarching research process. This is elaborated in the next chapter, which introduces the method of ‘framework analysis’ and its relationship with conceptual orientation.

5.CHAPTER FIVE: FRAMEWORK ANALYSIS

There is no one kind of qualitative data analysis, but rather a variety of approaches, related to the different perspectives and purposes of researchers (Dey, 1993, p.1).

5.1. Introduction

A vast number of scholars argue that qualitative data analysis does not have clearly agreed procedures or one accepted way of doing this type of analysis, as it would be the case in quantitative research (Coffey and Atkinson, 1996; Spencer et al., 2003). It has often been criticized as ‘a method without technique’ and this has caused the impression that ‘some qualitative researchers still consider analysis to be an art form and insist on intuitive approaches to it’ (Miles and Huberman, 1994, p.2). They also consider that researchers tend to make the whole process invisible because ‘we do not really see how the researcher got from 3,600 pages of field notes to the final conclusions’ (ibid., p.2). On the other hand, qualitative data analysis is a continuous and iterative process directed by the conceptual orientation driving the methodology (Di Domenico, 2003). According to Snape and Spencer (2003), how researchers will carry out data analysis depends on numerous factors, like researchers’ beliefs about the nature of the social world, the purpose and goals of the research, the characteristics of the research participants, the position of researchers and also their academic and social environment. Data collection and data analysis are not separate processes, but they are part of a more fluid process which has to be well documented (Miles and Huberman, 1994).

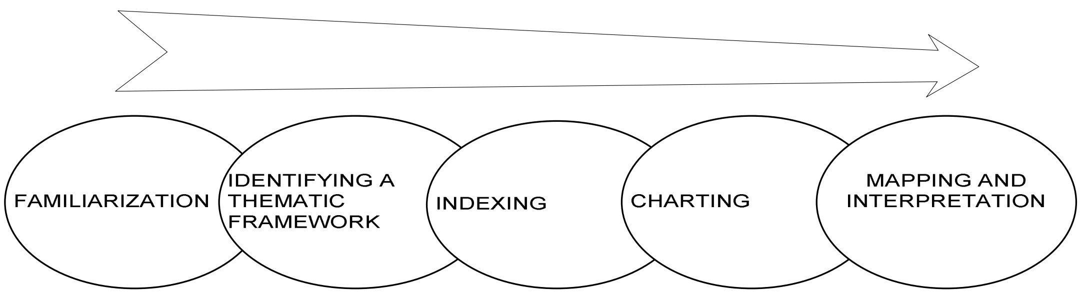
This chapter aims to present an examination of the analytic strategy for data analysis employed in this research. The approach adopted is partly driven by the theoretical or conceptual orientation of the study and partly by the research objectives. An appropriate method is referred to in the literature as ‘framework analysis’ (Ritchie and Spencer, 1994). Each stage of framework analysis with the results derived is presented in section 5.2.1 (familiarisation and identification of thematic framework), section 5.2.2 (indexing), section 5.2.3 (charting) and in the final section 5.2.4 (mapping and interpretation). In this way, the entire analysis process employed by the researcher will become visible to the reader, and all findings developed are open to scrutiny. Furthermore, this approach ensures transparency of the research and demonstrates the rigour employed by the researcher.

5.2. Framework analysis

Framework analysis was originally devised in the field of applied policy research (Ritchie and Spencer, 1994). This method of qualitative data analysis comprises of two broad stages. The first involves classification, sifting, sorting and data reduction by labelling the transcribed data according to themes, categories and subcategories. After this process, data are sorted according to the identified themes, categories and concepts in order to allow for them to be summarized and synthesised. The second stage involves interpretation where the researcher has to go backwards and forwards between the data in order to determine the meanings in terms of whether underlying patterns and dimensions can be found.

The framework analysis, adopted as a main analytical method in this research has to be discussed in more depth by breaking down the two broad stages indicated above. The key stages identified by Ritchie and Spencer (1994 p.178) of 'familiarization, identifying a thematic framework, indexing, charting [and] mapping and interpretation' are presented in Figure 5.1.

Figure 5.1 Direction of the research in framework analysis



Source: Adopted from Ritchie and Spencer (1994)

From Figure 5.1 it is possible to notice that the connected circles, which present the stages of the framework analysis, overlap. This means that each stage does not stand alone. Stages are interconnected and the whole process does not represent linear activity because it requires moving backwards and forwards between stages. This is the reason why it was possible and also deemed necessary by the researcher to connect two stages, data familiarisation and identification of thematic framework, into one section (5.2.1). As its name suggests, this method of analysis provides a framework for comprehensive data analysis without impeding the necessary flexibility when analysing qualitative data. It allows the researcher to clearly demonstrate the way and procedures in which findings and interpretations of meanings have been derived (Di Domenico, 2003).

5.2.1. Data familiarisation and identification of thematic framework/index

Before the analysis of the interviews it is necessary to emphasise that in their textual forms they are not independent of their contexts (Riessman 1993). Therefore, familiarisation with the context of the study and the content of the thesis by the reader is important in order to obtain a clear understanding of the interpretations made by the researcher. In order to become familiar with the collected data the researcher immerses herself in the data by reading transcripts, listening to audio tapes and reading observational notes. 'Reading in qualitative data analysis is not passive…the aim of reading through our data is to prepare the ground for analysis' (Dey, 1993, p.83). Reviewing all the material depends on the volume of collected data. Namely, if only a couple of interviews were collected or when the researcher has a generous timetable it is possible to review all collected material. However, if the research is extensive and when researchers are restricted by a short timetable they need to take a decision regarding the data to be reviewed. As this study does not have too extensive a volume of interviews (33 interviews in the main study) it was possible to review all the material at this stage. The researcher had to travel a lot to reach the interviewees and spent considerable time driving from one place to another. After each interview was finished the researcher would play it on the journey home and later write reflective/marginal remarks (5.2.1.2). This strategy's success was twofold. Firstly it helped the researcher to become more familiar with each interview at the very early stage and secondly to 'begin the process of abstraction and conceptualisation' (Ritchie and Spencer, 1994, p.179).

Once a review of collected materials had been carried out, the researcher returned to the notes made attempting to find key issues, concepts and themes according to which the data could be examined and referenced (Ritchie and Spencer, 1994). Thus the researcher is developing a *thematic framework or index* (Appendix 8) which can be applied consistently to the transcripts in order to get a sense of the data. In Ritchie and Spencer's (1994, p.179) words, a researcher builds 'a thematic framework within which the material can be sifted and sorted'. The development of a thematic framework is not purely a mechanical method but 'coding categories selected are…implicit in theory building. The categories are not chosen randomly but are 'either based on existing categorizations or theory or, at the very least, researcher intuitions on what is likely to be theoretically significant when developing full interpretation' (Curran and Blackburn, 2001, p. 113).

5.2.1.1. The process of creation and revision of codes

Quantitative research uses coding as a preliminary task in the preparation of data entry and analysis by computer programmes, like SPSS. This process involves assigning numeric codes to the responses to structured questions. In qualitative analysis the coding process has a different purpose and coding is not a separate task that precedes data analysis as it does in quantitative research. Coding is an integral part of the data analysis process itself (Miles and Huberman, 1994; Strauss and Corbin, 1990). The purpose of codes in qualitative research should be to facilitate the interpretive process and assist researchers with the latter stages of analysis which include development of concepts and patterns for theory development.

When building the thematic framework the researcher can draw upon 'a priori issues', 'emergent issues' and 'analytical themes' (Ritchie and Spencer, 1994 p.180). A priori issues result from the original research objectives and those issues raised during the interviews by the questions posed. Emergent issues are those which are raised by interviewees. Eventually, analytical themes arise from patterning of particular views or experiences. It is important to stress that the first version of the thematic code does not represent the final version and may undergo the process of further modifications. Researchers have to ensure that the thematic framework will stay open for emergent themes and concepts but also should be aware of the initial research objectives and make judgments about connections within the themes, thus, ensuring their appropriate positioning on thematic index (Ritchie and Lewis, 2003).

In the analysis and interpretation of textual data there are two approaches used by qualitative researchers (Ryan and Bernard, 2000; Tesch, 1990). Qualitative researchers distinguish between 'the *linguistic tradition*, which treats text as an object of analysis itself, and the *sociological tradition*, which treats text as a window into human experience' (Ryan and Bernard, 2000, p.769). This research aims to interpret different meanings of the content of what proprietors said in the interviews rather than an exploration of the structure of the obtained text, that brings this research closer to the sociological rather than linguistic tradition.

Approaches to coding differ and as Bryman (2004, p.409) suggests, 'there is no one correct approach to coding your data'. Miles and Huberman (1994) introduce descriptive, interpretive and explanatory codes. Descriptive code presents simply an attribution of a class of phenomena attached to the segment of text where interpretive coding is more interpretive and presents greater meaning. The exploratory codes illustrate an emergence of patterns and the relation of the text segments to the research. Coding techniques which come from sociological tradition include theoretical coding, thematic coding and qualitative content analysis. This research employs *thematic coding*, where an integral overview and comparison of sociologically based coding approaches are presented by Flick (2009) (Table 5.1). Employing thematic coding to develop a thematic framework can be justified from a number of different perspectives. Poland (2002) considers that thematic framework is more than a purely literal reading of the collected transcripts and in its essence it is interpretive that provides the researcher with ‘a tool for making interpretations of meaning’ (Di Domenico, 2003, p.136). Boyatzis (1998) stresses its ability to be a translator between qualitative and quantitative researchers, enhancing clarity of the results and findings and allowing the researcher to more easily communicate his/her observations, interpretations and findings.

Table 5.1 Comparison of sociologically based coding approaches

CRITERIA	CODING AND CATEGORISING		
	THEORETICAL CODING	**THEMATIC CODING**	**QUALITATIVE CONTENT ANALYSIS**
Openness to each text by:	• Open coding	• Principles of case analysis, familiarisation (a short description of each case)	• Explicative content analysis
Stages in the process	• Open coding • Axial coding • Selective coding	• Elaboration of a thematic structure for case analysis • Core and social distributions on perspective	• Summarizing content analysis • Explicative content analysis • Structuring content analysis
Interpretation	• Combination of induction and deduction • Combination of openness and structuring	• Each case analysis (intermediate step) • Group comparisons beyond the single case (comparison between and within cases)	• A reductive analysis of large masses of text with a strict procedures
Problems in interpretation	• Fuzzy criteria for when to stop Coding (mainly overcome with the concept of theoretical saturation)	• Time consuming due to case analysis conducted as intermediate step (because of within case and between case analysis)	• The application of the schematic rules often proves difficult and costly
Limitations of the approach	• Blurred distinction between method and art, thus it is hard to teach as a method • The potential endlessness of options for coding and comparisons	• Limited to studies between the groups defined in advance	• Due to the schematization of the process it is strongly marked by the ideal of a quantitative methodology

Source: Flick (2009, p.305-328)

During the familiarisation stage of the study and during the development of initial codes the researcher kept an open mind. This is important in the development of thematic framework as, according to Richards and Richards (1994, p.158) ‘the index system works not merely as a repository for categories but also as an image of the researcher’s thinking about the project and as a tool for developing theory. Thus, thematic framework is necessarily tentative early in the project, and should develop as the data do’. Therefore, the thematic framework of codes went through numerous changes in the research as the process of analysis moved forward and new themes were uncovered. As this stage is closely interlinked with the following stage (indexing) the further steps are described in section 5.2.2 to avoid repetition.

The developed thematic framework (Appendix 8) comprises a list of thematic categories and subcategories. Each theme identified is coded using letters to facilitate the indexing process. Each theme is categorised using either master codes or sub-codes, depending on whether more than one significant and closely related theme was seen to emerge from transcripts during the familiarisation stage. Strauss and Corbin (1990, p.119) describe sub-categories as those which ‘specify a category further by denoting information such as when, where, why, and how phenomenon is likely to occur’. The thematic framework is developed by the use of three columns. The first column provides a short description of the themes, the second shows the assigned coding labels for the master codes and the last one contains the coding labels for the sub-codes. Ritchie and Spencer (1994) suggest that as thematic frameworks presents ‘a mechanism for labelling data in manageable ‘bites’ for subsequent retrieval and explanation…they should not therefore be over-elaborate in detail at this stage as the analyst needs to retain an overview of all categories’. This was the case in this research were more interpretive stages of analysis produced the refinement of existing categories.

5.2.1.2 Memos and reflective/marginal remarks

Both memos and marginal remarks enable the researcher to take a step back from the data and reflect upon meanings (Hughes, 1994). However, there is an important distinction between them. Glaser (1978, p.83) describes memos as ‘the theorizing write-up of ideas about codes and their relationship as they strike the analyst while coding…it can be a sentence, a paragraph or a few pages’. Miles and Huberman (1994, p.72) refer to memos as ones which are ‘primarily conceptual in intent. They do not just report data; they tie together different pieces of data…to show that those data are instances of a general concept’. Furthermore, there is no a standard procedure to write memos and so this depends on the personal style of each researcher (Flick, 2009). The researcher for this study developed various types of memos. At the beginning of the process they were simple and usually referred to the single code or particular idea which emerged but at that point was not fully developed. Later in the process, memos included more integrative discussion, connecting data from several cases and reformulating them around the emerging issue or pattern (Appendix 10).

Reflective/marginal remarks are applied to the transcripts when the researcher comments on a particular part of the interview. They represent ‘the researcher’s field notes applied in the form of remarks in the margin of the transcript’ (Di Domenico, 2003, p.140). During the collection of data and familiarization stage the researcher made many reflexive remarks and they usually refer to the researcher’s view of the interview situation and the respondent. As such, these remarks add to the coherency and facilitate the data analysis process. Appendix 11 presents an example of reflective remarks, extracted from different interviews.

5.2.2. Indexing – applying the codes to the transcripts

After the thematic framework is constructed it is applied it to the data. This process of assigning an initial framework to the raw data is known as indexing in framework analysis (Ritchie and Spencer, 1994; Ritchie et al., 2003). Ritchie et al., (2003, p.224) argue that the term 'indexing' is much more appropriate than 'coding' because

> 'this more accurately portrays the status of the categories and the way in which they 'fit' the data… [indexing] shows which theme or concept is being mentioned or referred to within a particular section of the data… [where] coding refers to a process of capturing dimensions or content that has already been more precisely defined and labelled…'

Therefore, the researcher goes through verbatim transcripts, reading each sentence and paragraph and tries to answer the question 'what is the passage/sentence all about?' Appropriate textual abbreviations from the thematic framework are assigned on the margins of each transcript, which link directly to original categories contained in the index. Often in qualitative data analysis researchers are faced with a situation where one piece of text can be interpreted in several ways. In this situation researchers assign multiple index categories which usually shows interconnection between themes and can be highlighted when the research findings are presented (Ritchie and Spencer, 1994). Indexing involves many judgments when deciding about the meaning of a passage or sentence and it is open to different interpretations. Indexing is not a routine task and it can be criticised due to its potential subjectivity. However, through the whole framework process the researcher is able to make indexing choices transparent and visible to others who can see how data are organized and sifted. An example of a selection of indexed/coded segment is provided in Appendix 12.

As presented in section 4.4.3.4 and Appendix 7 interviews were conducted and transcribed into the Croatian language. When the researcher had secured an overall insight into the transcribed material, and the thematic framework had been developed, it was then applied to the transcripts. The coding process was conducted in the English language, to facilitate analysis and presentation of findings. At this stage the researcher was already familiar with the transcripts and although all words do not have a direct or appropriate translation in English (4.4.3.4) the context was understood and it so was possible to develop and apply codes. The first version of the thematic framework was very broad, descriptive and rooted in a priori issues. Thus, the framework was mainly derived from the literature and research questions, rather than an emergent issues, analytical themes or the interviewees themselves. The first version of the framework developed was then applied to the transcripts and the categories were refined, some of them were discarded, some new ones emerged and they became more responsive to emergent and analytical themes. The final framework came from five earlier iterations. After each thematic framework was developed it was again applied to the transcripts, thus adding to the code consistency. Although this process was extremely time consuming and lasted almost three months, the researcher benefited from the full immersion into the transcription process and became more familiar with the data. Line by line analysis was employed whenever it possible which according to (Strauss and Corbin, 1998, p.119)

> involves close examination of data, phrase by phrase…This is perhaps the most time-consuming form of coding but often the most generative. Doing line by line coding is especially important in the beginning of a study because it enables the analyst to generate categories quickly and to develop those categories.

The coding was done first using interviews from the pre-study (4.4.3.2), where it was not always possible to apply line by line coding due to the vast scope of the interview materials covering some issues which were of marginal importance to this study. Within the transcripts from the main study it was also sometimes difficult to apply line by line coding and in this situation the researcher analysed a text paragraph (Flick, 2009; Strauss and Corbin, 1998). The pre-study was also very useful at this stage in the sense that the researcher could practice different analytical techniques and find an approach which best corresponded with the nature of the study and research objectives.

5.2.2.1 Synthesis of coded text segments

Once the researcher coded all transcripts the coded text segments were grouped according to code categories. This meant that the researcher had to go back again to the transcribed text, look for the specific coded segment, copy/paste it to the table and summarize its meaning. At this stage, the researcher felt that this process would have been easier if software had been used for the data analysis because the programme would export coded text segments automatically. On the other hand, while doing this manually, it became clear that this again helped the researcher to become familiar with the data and deepen her understanding of the respondents' meanings. As a result, developed interpretations are more grounded in the data. This stage of analysis has two main purposes. Firstly, it enables the reduction of the amount of material to a more manageable level but also 'starts the process of distilling the essence of the evidence for later representation' (Ritchie et al., 2003, p.229). Researchers use many different ways to reduce their data, but Ritchie et al., (2003) consider that it is important to follow three requirements. Firstly, avoid changing participants own language and key terms and expressions should be retained. Secondly, to keep interpretation at minimum. Thirdly, if some parts of the material do not fit, it should not be abandoned because it can become vital in the later interpretive stages. Table 5.2 is an example of a coded text segment that has been further reduced to facilitate the next stage in the process, i.e., charting and mapping and interpretations (5.2.3). All synthesised tables are organised thematically (see Appendix 13 for summarised example), but for illustrative purposes Table 5.2 consists of the themes taken from interview H26.

Table 5.2 Example of the synthesis of coded text segments (interview H 26)

CODE	CODED TEXT SEGMENTS	REDUCED TEXT (SUMMARY OF MEANINGS/INTERPRETATIONS/QUOTATIONS
EM: SO	Znaci uvidjeli smo da se taj turizam stavrno siri, da se grade apartmani a s druge strane seget je mal mjesto koje do prije par godina je bilo toliko zaostalo i sad smo dosli na tu ideju da bi stavrno mogli nesto napravit posebno pogotovo s tom kucom koja je usla pod zastitu spomenika. **(51-54)**	*Perception of tourism sector crucial for the decision to invest.* 'We saw that tourism sector is growing rapidly. On the other hand Seget is such a small place, something that tourist want and lacking accommodation capacities. We came into the idea that we could do something, use the current market opportunity and today we have two hotels and it is doing great'.
BBA:E	Ne mozemo nac odgovarajucu radnu snagu. Oni koji nam dolaze su maldi i bez iskustva, oni koji nesto znaju idu ca vani jer ne mogu	*Problems with employees arise from: the state policy towards employees in tourism sector (low wages); nature of the sector*

	naci stalni posao, sve se svodi na sezonu. A za ovaj posao jebitno da ljudi imaju voljui zelju za radit, to je nas kljuc uspjeha, a to je tesko,jer je posa zahtjevan, nije nesto ni placen i sezoski je.**(291-295)**	*and work (seasonal, hard) and mentality managers positions only)* 'We cannot find appropriate employees. Those who come are young and without experience, those who know how to work go abroad because they cannot find permanent job, everything is based on season. Not to mention that those who stay immediately want to become a manager. High quality employees are basic for this work and it is hard to motivate them, the job is demanding, it is not well paid and it is seasonal.'
BBA:S	I danas nam upravo broj kapaciteta predstavlja minus jer ne mozemo prihvatit velike agencije sa autobusima a u predsezoni i podsezoni to je dosta trazeno tako da nam je to veliki minus. **(77-80)** Mi smo mali kapacitetom, mi ne mozemo gostu ponudit niti saunu niti wellness, nase eusluge su ogranicene **(108-109)**	*Smallness as a shortcoming: empty in preseason because they cannot work with organized tours; limited service due to the lack of space* 'Today, the number of rooms is our biggest shortcoming. We cannot accept big agencies with buses in preseason, which is a huge minus in our business.' 'We are small in capacity and we cannot offer our guests sauna nor wellness, our services are limited because of our capacity.'
EFE:POE	A mislim da je kod nas jos problem bit poduzetnik jer ko god sta ima on je sigurno ukrao. I toga treba unistit.**(270-271)**	*Perception of entrepreneur still reflects transition period.* 'Think it is a problem to be an entrepreneur in our country, because if you achieve something that means you are stealing. And those who steal need to be destroyed. '
EFE: CFC	Stvarno nismo, mislim nijedne udruge nismo clan (laugh). Moram sada priznat da tu ima dosta nedostataka, mi smo tek novo izgradeni, pa od same ponude do recimo ovih stavri, moramo se vise ukljucit. **(244-246)**	'We are not member of any association and we do not cooperate with other businesses (laugh). I know this is not good, but somehow the whole environment is like this, and we are not exception, unfortunately.'
SUB:A	Iskreno, ovako za Rusticu je bilo vise problema nego za hotel. Naravno nasa vlast, sami znate da danas u biti da poticu taj turizam puno njih ga koci tako da rusticu smo tili nadograditi i tu je bilo problema! **(62-64)**	'We had huge administrative problems when we build the hotel and when we wanted to expand the first one. That piece of paper you need to get is such a huge problem, but I do not understand why, the law and constitution says it should not be a problem!'

5.2.2.2 Clustering of code families and development of 'meta codes'

Miles and Huberman (1994, p.249) define clustering as 'a general name given to the process of inductively forming categories, and the iterative sorting of things…into those categories'. During the previous stage of the data analysis, the researcher examined findings relating to each master code aiming to discover whether the evidence obtained related to that of other code(s). Where the analysis showed meaningful links between the data, master codes would be clustered together, thus leading to the development of 'meta codes'. Meta codes also served as a basic structure with which to present findings in Chapter 6. Therefore, chapter sections correspond to each meta code and each subsection to the relevant grouped master codes within it. This step in data analysis is related to framing the findings and enabling more focused interpretations.

5.2.3 Thematic charting: building matrix displays

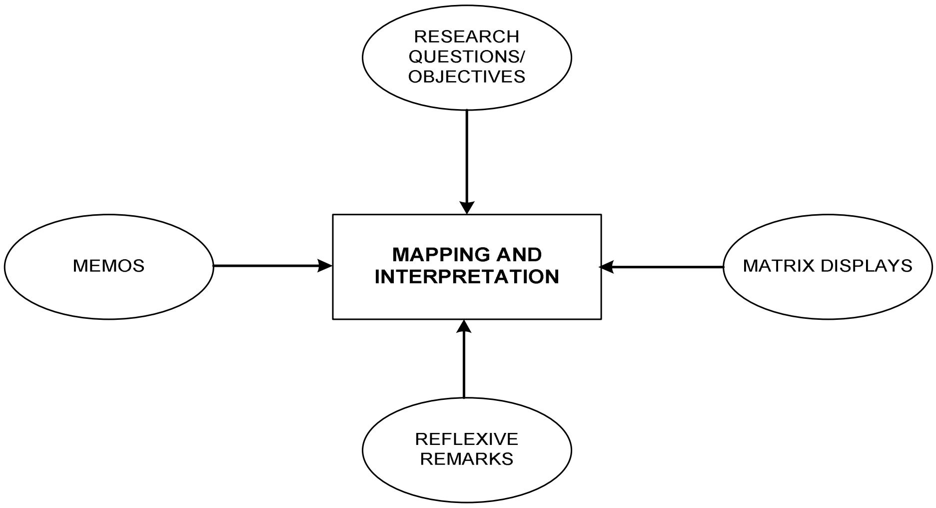
After the synthesis of the coded text segments the researcher synthesized the reduced data by a further stage of thematic charting. The aim of this phase is to allow the data to be viewed as a whole, facilitating comparison and effectively displaying the range of views for each thematic topic (Di Domenico, 2003; Ritchie and Spencer, 1994). Charts are laid out depending on the analysis. If the analysis is thematic, then charts are produced for each theme across all cases. If the analysis is by case, charts are created for each respondent across all themes (Ritchie and Spencer, 1994). Thus, the number of charts is dictated by the number of themes or respondents. As this research adopted thematic coding (5.2.1.1) it is considered appropriate to compile and analyse charts thematically.

The type of chart used is a form of two-dimensional matrix and it applies columns and rows to enable within and between cases analysis of the data (Miles and Huberman, 1994). A row is allocated to each respondent in the matrix and a column to the main theme. The cell entries refer to those elements of the data that were indexed and reduced/synthesised (see 5.2.2 and 5.2.2.1). The entries have to achieve the dual objectives of both data reduction and retaining the context. To achieve these goals, entries take the form of the researcher's summarises or paraphrases; researcher's explanations; direct quotations from the transcripts; or combination of a number of these. In this way, the researcher is best able to synthesise data without losing the context or providing too much of the data, what makes charts an unorganised material. An essential point in this process is the ordering of respondents which is exactly the same on each chart (Ritchie et al., 2003). Appendix 14 is an example of thematic charts compiled.

5.2.4 Mapping and interpretation

When all the data have been sorted and charting has been completed the researcher was able to progress to the final stage of the framework analysis, the mapping and interpretation. This stage of framework analysis is the most difficult to describe because it 'requires leaps of intuition and imagination…immersion in the data triggers associations, the origins of which the analyst can scarcely recognize' (Ritchie and Spencer, 1994 p.186). The process involves the examination of the matrix charts, memos, and reflexive remarks. Thus, it is guided by the themes which have emerged from the data themselves and also by the research objectives. For instance, if seeking to map the range and the nature of the views in relation to key reasons why people would set up their own small hotel, key dimensions can be mapped and described. Once this has been done the researcher can take part in creating typologies, finding associations, providing explanations and developing strategies, if the research has practical application (Ritchie and Spencer, 1994).

Figure 5.2 Inputs into the process of mapping and interpretation



Source: adapted from Di Domenico (2003)

5.3 Overview of the data analysis process

This chapter has outlined the various distinct, yet linked stages of framework analysis method. The provision of the examples (see Appendices) and explanations how each stage was conducted enabled a tracking of the analytic and interpretive process. This ensures a systematic approach to data analysis, which is often criticised as non transparent in qualitative research (Hiles, 2008). Chapter 6 continues the story by presenting the findings through development of 'meta codes' and applying the final stage of 'mapping and interpretation'.

6.CHAPTER SIX: FINDINGS

> *No amount of routine analytic work will produce new theoretical insights without the application of disciplinary knowledge and creative imagination (Coffey and Atkinson, 1996, p.191–2)*

6.1 Introduction

The task of reporting, or in framework analysis terms, mapping and interpretation (5.2.4) is the final stage in the research process. This process involves gathering of overall research findings through examination of the matrix charts, memos and reflective remarks. However, 'data do not speak for themselves: we have to make them speak through the explanations or interpretations we generate from the data' (Curran and Blackburn, 2001, p.94). While doing this it is important to keep the right balance between descriptions and interpretations. Patton (2002, p.503-4) argues that it is necessary to provide 'sufficient description to allow the reader to understand the basis for an interpretation, and sufficient interpretation to allow the reader to appreciate the description.' Furthermore, findings are linked with theoretical debates in Chapter 7 considered by this research which also enables 'an active construction and representation of the form and nature of the phenomena being explored' (White et al., 2004, p.287).

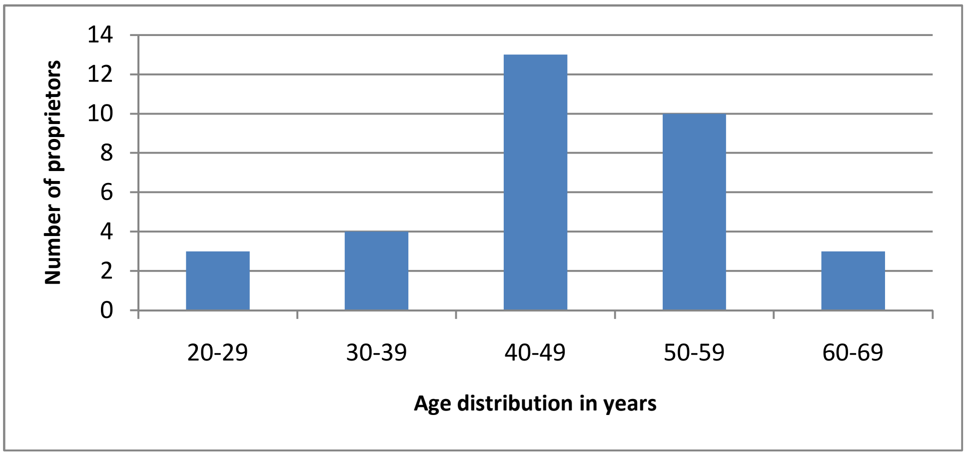
The researcher needs to make a decision about how the story of the research evidence will be told in a clear and cogent way. For this study, this was done by providing some background information about the general socio-economic profile of the respondents (6.2), followed by the introduction to the context of the study (6.4), thus adding to the credibility of the research findings (4.3.3). Therefore, the main findings are presented through the development of meta codes (6.3) which also unpack the evidence on which they are merged together. To examine the range and depth of views, all text assigned to each code was examined. Emergent findings are supported by verbatim passages and all quotations used are taken from the matrix charts composed, to ensure transparency of the overall process. This also can help to overcome a general criticism that the quotations are selected to fit the interpretation, rather than the another way around (Curran and Blackburn, 2001), as those included are representative of all respondents interviewed. Thus, in this research the main purpose of verbatim transcripts is to enhance the power of individual respondent's own accounts where findings are additionally supported by a variety of data and conceptual interpretations which are displayed either as tables or by figures.

6.2 General socio-economic profile of the proprietors interviewed

It can be argued that any research report needs to provide some background information about the analysed setting and population (White et al., 2004). This is of the highest importance for qualitative studies which appreciate the research context. On the other hand, sufficient detail about the setting and participants enhances the trustworthiness of the study and overall findings (4.3.3). Although the selection of the respondents was not based on their socio-economic characteristics (4.4.2.2), it is of interest to profile the respondents around specific ones before exploring their range of views. These socio-economic categories are similar to those employed in other tourism and hospitality entrepreneurship studies (2.3), which will facilitate later comparison and discussion. Respondents will be introduced in terms of: age distribution; gender; education; ownership of the business; and length of time in the hotel business.

Examining the *age distribution* of interviewed owners (Graph 6.1) showed that the majority of proprietors were between the ages of forty and forty-nine. Next dominant categories are between the ages of fifty and fifty-nine and then thirty to thirty nine. An equal number of proprietors was found to lie within the age ranges of twenty to twenty nine and sixty to sixty-nine.

Graph 6.1 Age distribution of proprietors



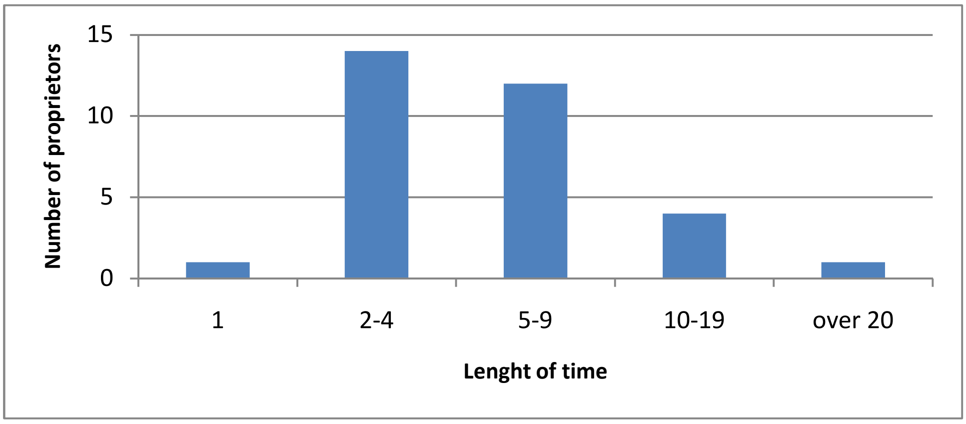
With respect to *gender*, most of the proprietors interviewed are men, accounting for twenty-seven out of thirty-three. However, three interviews involved a male and female couple who ran their business as a joint effort. They wished to be interviewed together as they divided their roles in running the business. This was determined appropriate for two reasons. Firstly, the proprietors' wishes are taken as key, and secondly, in terms of the adopted research approach, this is designed to benefit from the respondents' detailed accounts.

The majority of the proprietors had a university *education,* but only a minority of them holds a tourism and hospitality degree (six out of twenty-three). The wide diversity of university background is evident, with degrees ranging from economics, law, chemistry, engineering, pharmacy and art. On the other hand, out of those with a completed high school education there is also a minority of proprietors who have a degree related to tourism and hospitality sector, like a chef or a waiter (three out of ten).

The *ownership* of the business was compiled from the respondents' answers, but also from the available court register because of the common practice in Croatia to register a business in someone else's name, to avoid income tax payments. This usually happens when entrepreneurs own two or more firms. Twenty-nine businesses were registered as a sole proprietorship and only four as a joint partnership. In terms of gender, only two women are sole proprietors and run a business independently. Two women are registered with their husbands in a joint partnership. The remaining two businesses in a joint partnership include the partnership of the two firms. It was found that five businesses have different owners in the court register, probably family members, as all were sharing the same family name. Also, these proprietors own businesses outside the tourism and hospitality sector.

The length of time respondents had owned their businesses varied from forty years (one owner) to just one year (one owner). The majority of the proprietors own their businesses from two to four and from five to nine years (Graph 6.2). The average time in business is seven years.

Graph 6.2 Length of time in a hotel business



It is important to add that the length of time is calculated since the hotel started to operate. This is deemed appropriate from two perspectives. Firstly, if the time when proprietors started to collect documentation for a hotel construction is taken into account, that can produce misleading results due to various start up barriers (6.5.1). Secondly, the adopted criterion is of significant importance when analysing the time when growth strategies are undertaken (6.6.2 and 7.2.3).

6.3 Mapping and interpretation: development of 'meta codes'

Meta codes in framework analysis serve as a main structure in the presentation of findings (5.2.2.2). They are created by clustering related master codes into code families, where the analysis has revealed meaningful links. This does not imply that master codes merged into a meta code do not relate to other codes. It only shows that the researcher has identified stronger links between those grouped together than those which are not. In-depth analysis was achieved by examination of the data related to each sub code within specific master code. Figure 6.1 shows this process and it can be seen that nine meta codes have evolved. Most of them are made up of two master codes (B, BL, VBO, PSPIS and VGNI). However, codes EEPE and LHBO are composed of three master codes. The only master codes which are not grouped with any other are SHD and VTP, as they can be defined as both a master and a meta code.

Figure 6.1Clustering of master codes and emergent meta codes

- **EEPE: E**nvironment for **E**ntrepreneurship and **P**osition of **E**ntrepreneurs
  - HL: Historical Legacies
  - M: Mentality
  - EFE: Environment for Entrepreneurship
- **B: B**arriers
  - SUB: Start-up Barriers
  - BBA: Barriers in Business Activities
- **LHBO: L**ife **H**istory and **B**usiness **O**rientation
  - LH: Life History
  - EM: Entry Motives
  - FG: Future Goals
- **BL**: **B**usiness **L**inks (BL)
  - INFN: Informal Networks
  - FN: Formal Networks
- **VBO: V**iews on **B**usiness and **O**perations
  - NW: Nature of Work
  - BO: Business Operations
- **PSPIS: P**resentation of **S**elf and Views on **P**osition within **I**ndustry and **S**ociety
  - MV: Marginalised Voices
  - OMF: Owner-managers Feelings
- **VGNI: V**iews on the **G**uests' **N**eeds and Host-Guest **I**nteractions
  - POG: Perception of Guests
  - HGI: Host-Guest Interactions
- **SHD: S**mall **H**otel **D**efinition
  - SHD: Small Hotel Definition
- **VTP: V**iews on **T**ourism **P**olicy
  - VTP: Views on Tourism Policy

6.4 Environment for entrepreneurship and position of entrepreneurs (EEPE)

EEPE: Environment for **E**ntrepreneurship and **P**osition of **E**ntrepreneurs

→ HL: Historical Legacies
→ M: Mentality
→ EFE: Environment for Entrepreneurship

Initially, master code Environment for Entrepreneurship (EFE) was presented in Figure 6.1 as a meta code. On commencing analysis, the researcher realised that many important aspects are missing and that the picture is not complete. For instance, it appeared that historical legacies (HL) still affect peoples' perception towards entrepreneurship as well as the tourism and hospitality sector. On the other hand, introducing socio-political ideology and the socio-cultural barriers at the very beginning can benefit this research on three levels. Firstly, it helps in identifying links, building explanations and presenting a clearer picture of entrepreneurs' actions and views. Secondly, it allows the reader to see into the research process and follow its main stages. Thirdly, it adds to the concept of dependability (4.3.3).

6.4.1 Historical legacies (HL)

During the period of *socialism*, private initiative was formally restricted with slightly flexible rules concerning the tourism and hospitality sector (3.4.2) and it was possible to identify two groups of proprietors from that period in relation to entrepreneurial activities. One group recognised the possibility to act in the sector, as the only possible option (eight proprietors), and the other group emigrated to developed countries aiming to explore new opportunities (ten proprietors). Despite the formal possibility to establish a small enterprise in the sector, the practice was different, as the private ownership was against the main principles of the dominant ideology. Those proprietors who decided to start small businesses did not have any legal security and were facing significant difficulties that will be illustrated with the following examples.

> 'Since 1941 we have a project for a hotel, but you know how it was. Communism, political unsuitability, everything was banned.' **(H2, 19-21)**
> 'After 1971 I wanted to open a restaurant, small traditional tavern in Dalmatian style, but they forbade me, the state and the authorities forbade me to open a restaurant. I almost started to work, invested all the money I had but they literally took it from me!' **(H23, 24-26)**

> 'my parents opened a restaurant in 1965, they also had one before the Second World War, but that restaurant was taken by the authorities. After some time, one part of the taken property was returned and the law on private catering crafts was set out, which enabled them to open a restaurant again in 1971.' **(H 28, 30-33)**
> 'And again in 1970s they opened a small motel. We could do that, the law stated that you can open a small motel and a restaurant. But because of the new, property origin law, which was a legal document to rob entrepreneurs, authorities again took everything. Luckily, my father managed to sell some objects for a small price before the officials came. So twice my parents lost everything they had.' **(H28, 39-43)**

On the other hand, a significant number of people emigrated from Croatia, as they could not see any prospect or opportunity in such a system and also could not provide a basic living standard for their families. Most of them went to Germany (six proprietors), two proprietors emigrated to Canada and two to America where they established small businesses, like restaurants or small motels. They all returned after 1995, when the war was finished, expecting to see changes. Unfortunately, they were disappointed with the conditions for entrepreneurship in general, as is presented in section 6.6.2.

After the split from Yugoslavia, Croatia went through *the war, transition and privatisation process* (Figure 3.1). These changes were complex and have left considerable consequences for entrepreneurial activity even today. The economy suffered from a lack of capital and proprietors could not get any loans, except if they were willing to pay an interest rate which ranged between twenty to thirty percent. Racketeering was a normal activity and the system created a huge number of 'thieves' protected by the ruling party. Privatisation policy, instead of eliminating the socialist category of 'socially-owned' enterprises (3.4.3) and introducing new owners, masked them to enable frauds. Finally, conversion from German Mark (DEM) to the Euro (EUR) created additional losses for the proprietors. Namely, although the ratio was 1 DEM=0.52 EUR, all credits were converted applying the ratio 1 DEM=1 EUR. Besides these issues, the major shortcomings of the transition process which affected proprietors strongly were the treatment of ownership, which was not recognised in its full right by the state institutions and the speed of changes, which were not gradual and planned, but rapid and inadvertent. Some of the illustrative examples are shown below.

> 'What Croatia lacks is family business. We simply jumped from socialism into capitalism... everything was created in a night.. but everything that arises rapidly, will fall rapidly.' **(H4, 124-127)**

> 'We had a huge problem because of the war and the changes…we could not get any credits, I managed to get one after ten years, in 1998 so I was building a hotel step by step, floor by floor. Requested a credit for a basement, then requested a credit for the first floor.' **(H5, 36-39)**

> 'I felt all the transition changes. I opened a firm in the craziest times because I couldn't do my job otherwise. All those situations led me to do some things which I would not probably do, in normal circumstances.' **(H13, 117-121)**

> 'When I bought a hotel, a state company which sold it to me signed a contract and committed that they will move out refugees immediately. That never happened. I bought the hotel 30.06.1996 and refugees left in 1999.' **(H17, 27-30)**

The results showed the proprietors' constant reference to *the nature of tourism development in former Yugoslavia*. They used it to point to the changes which have happened, like the length of stay which is much shorter, more complex tourists' needs and the end of '3S' model (see 3.4.3). The proprietors also referred to the nature of ownership in former tourism and hospitality enterprises which were socially-owned, thus responsibilities were minimal. As one proprietor described:

> 'It was so different in the socialist system, everything was socially-owned, meaning it belonged to no one. The system was unproductive, we had too many employees, but the state supported it.' **(H24, 201-203)**

This pointed to two interesting findings. Firstly, the proprietors' awareness of the changes in the tourism trends and tourists' needs and adoption of entrepreneurial strategies to meet those requirements reveals their profit orientation and business goals, which are explored in detail in section 6.6.2. Secondly, while striving to achieve these goals, proprietors were faced with underdeveloped destinations (see Table 6.5) and an unsupportive national policy (6.12). Their response was proactive and unorthodox for small business owners in the sector (2.3.1 and 2.3.5), as is illustrated by the following:

> 'When I started to construct a hotel my whole city thought that I went crazy. We never had a hotel in the city, former Yugoslavia was developing only mass tourism in the coastal parts of the country and people use to say (mimicking voice) 'the state did not build a hotel, how are you going to build it.' (**H5, 27-30)**
> 'Today, almost twenty years after, nothing has changed. Tourism is still based on the coastal parts and authorities still think that our guests will come only because of the sea, but those days are over. We do not have a basic infrastructure, during the summer all islands have problems with the water, transport and our state is doing nothing. So my starting point was that if I want to have guests, I need to bring them into the destination. These days tourists want a full service, not only a clean sea and a beach. I am basically creating a destination, you know, although this is not the way it is suppose to be. I started to build a village, like it was a couple of centuries ago. I also constructed a road, even a helideck; I am doing all those basic infrastructure things which I am not supposed to do in a normal world.' **(H5, 103-111)**

On the other hand, elderly proprietors remembered with melancholy some aspects of the socialist system, which one could not expect to continue within a market economy. One aspect was a significant protection of the workers who almost could not be fired and had lifelong employment. Another is related to the surplus of employees at any level, which made proprietors' jobs much easier. This has resulted in a popular perception of the tourism and hospitality sector as one which is easy to deal with and where knowledge and experience are not of significant importance. Furthermore, those employed in the hotels, like receptionists or waiters enjoyed a huge reputation in society and were wealthy. Namely, guests would provide extremely high tips, popularly called 'baksheesh', and employees in direct contact with guests would earn additional salary each month as a direct result.

6.4.2 Mentality (M)

During the coding process, mentality was introduced as an emergent issue (5.2.1.1) thus, one raised by interviewees. 'Mentality' refers to the cultural characteristics and underlying values of people in the Dalmatia region, thus it is place-specific. The diversity of the cultural environment in the country makes impossible broad generalisation on this issue. The main concerns proprietors had are related to the passivity of the population and their working habits. On the other hand, proprietors' attitude towards foreigners as potential employees or investors reveal their specific mentality.

Proprietors saw the population's *passivity* as a serious constraint in further development and they presented narratives of their experience with this issue. The most surprising segments are the attitudes toward individual initiative which is perceived as irrational, along with a general unwillingness to react and change things. Furthermore, individuals have a negative mind-set against everything which is new and unfamiliar, that adversely affects proprietors' businesses and also overall tourism development. This is demonstrated by the following text segments that provide a flavour of the presented narratives.

> 'The whole city, as my husband is well known in the city, they were laughing at him, they were laughing a lot. They were saying (mimicking voice) 'are you going crazy, you are a rational guy, what has happened to you?' (**H1, 231-234)**

> 'I think that we can even use those hard industries, like fishing companies for tourism purposes, but people have to change their perceptions. For instance I have to enrich my service, we are on the island, and I wanted to make cooperation with fishermen. Tourists would stay in the separate boats and watch how they fish, that would be a true attraction for them. But fishermen were against it, they told me that they do not want to entertain tourists (laugh).' **(H11, 441-448)**

> 'Our people are against everything.. for instance right now they refuse to have golf courses on the island. This is in our mentality, something which is unknown, higher category, is immediately for the rich and tycoons.' **(H13, 590-592)**

A negative attitude towards work is associated with the traditional lifestyle of Dalmatia, which is usually expressed as a relaxed, nonchalant approach to life. It is manifested through some rituals, with the most popular being drinking coffee in the sun while enjoying conversations with friends. Passivity and lazy working habits were further supported during socialism, which offered high security (6.4.1) and privileges to the workers (3.2.1). Furthermore, everything was socially-owned, causing the absence of any individual responsibility. The legacy of being a socialist state for forty-five years has undermined those attitudes that are best described by the following proprietors:

> 'Now our people come into problems because they do not know how to work. For instance, while working in the hotels during the socialist period they knew only two sorts of wine…it is unbelievable that people could work in hotels for years and learn nothing. Today, that presents a huge problem for them, everything is different, they need to be active, run from reception to the kitchen, do everything. But I would say that it is not different, it was always like this, only we have lived in an unreal world.' **(H8, 440-445)**
>
> 'Employees have to realise that they are not employed for good, as it was twenty years ago.' **(H10, 73)**
>
> Our people always comment (mimicking voice) 'why am I working more than he does'. That is simply our mentality, but this is far away from professionalism.' **(H10, 195-197)**

One group of the proprietors was clearly polarized between 'us' and 'them', where 'them' represents foreigners, more precisely, Bosnians, as employees in the tourism and hospitality sector and foreign investors. These respondents perceived Bosnia as having a population which does not have any predispositions to work in the hospitality and tourism sector, like attitude, education or experience. These proprietors were also reluctant to sell the land to foreigners, being concerned that it would be inappropriately developed and natural resources devastated. This attitude varied between proprietors, as clearly one but a minor group expressed more nationalist feelings, while the other group augmented this attitude by providing negative examples from the privatisation policy within the overall sector, as is illustrated with following example:

> 'Mr A bought a whole complex on the island, together with the airport. To be more precise, he did not buy it, he got it during the privatisation process, he did not pay a single penny for it. And of course he did not know what to do with that and he sold it to some Arabs although he couldn't do that according to the contract. He was supposed to leave the employees and reorganise the company. On the other hand, Arabs used this transaction for money laundrying and besides this they took everything they could.' **(H13, 435-442)**

6.4.3 Environment for entrepreneurship (EFE)

The development of entrepreneurship after the collapse of socialism was one of the major preoccupations for the Croatian government. It was considered that Croatia has extremely favourable conditions with respect to small business development. The most emphasized one was under-representation of small businesses in the economy, popularly termed as the 'socialist black hole'. Almost twenty years on, all proprietors interviewed in this study emphasised the difficulties in the environment which has affected their businesses and hinders entrepreneurial activity. Three main themes were identified: lack of cooperation; importance of connections; and lack of formal support from the government bodies. Proprietors were also extremely keen to discuss their status in society and the population's perception towards tourism and hospitality entrepreneurs. The status of entrepreneurs in society is viewed against the backdrop of the proprietor's perspectives on entrepreneurs, or how they define themselves.

It was evident from the data that proprietors regarded the concept of *cooperation* as highly important with a common theme being the proprietors' desire to cooperate. However, this was problematic due to a number of obstacles which are summarised and illustrated in Table 6.1.

Table 6.1 Identified factors for lack of cooperation among proprietors

IDENTIFIED FACTORS	**FEATURES OF THE IDENTIFIED FACTOR**	**ILLUSTRATIVE EXAMPLES**
No tradition in cooperation	Socialism preferred workers' collectivism over individualism; transition period placed an individual in the centre.	'We have to emphasise all possible aspect of cooperation because we didn't and still don't have that.. everyone in politics is talking about some clusters these days, but they do

		not know what it means, that word is simply modern.' (H31, 69-72)
Administrative politics	Croatia is divided into 21 counties where each is sub-divided into municipalities which consist of numerous villages and cities. It is hard to cooperate due to administrative barriers and this separation of the territory further distances people.	'People do not realise that the island cannot work alone. For instance, we have on such a small island eight municipalities. That means eight mayors, eight Tourist Boards, eight, eight. And no one works together, only if it is something politically. But we cannot move forward if there is no cooperation.' (H13, 412-416)
Economic interest is not clear	Entrepreneurs seek political interests behind any cooperation or association.	'It is extremely problematic in Croatia, we do not have any tradition in cooperation. Everybody is asking what the aim of cooperation is, but in a sense what politics is behind it.' (H28, 136-138)
Negative mind-set towards cooperation	Jealousy; antagonism; mistrust; perception of other small businesses as threat.	'Unfortunately, it is hard to find common interests which would encourage people to cooperate. They see everyone as a competitor, they do not trust anyone and the climate among us is simply not healthy. There is no force which would bring us together.' (H23, 119-122)

Proprietors were extremely keen to discuss *the importance of connections* when running a small business. A 'connection' is the term used for people having an important position in society, such as in local authorities, state bodies and directors of the state owned companies. This term is also used for people in lower positions, but who can speed up some processes, like getting a building permit. Although not asked specifically, the proprietors often divulged the names of their connections. However, this information was omitted from transcripts to protect the confidentiality of individuals (4.4.3.5). The findings revealed that proprietors use connections on every level, from business start up to everyday business operations. More surprising were situations in which it was necessary to seek a connection, like getting electricity or parking places for a hotel. Furthermore, a vast majority of proprietors would never get all the permits without having a connection, clearly described with the following examples:

> 'To get a building permit I needed to collect 25 concordances but as I had a good relationship with the mayor at least it did not last that long (laugh).' **(H29, 52-54)**

> 'Unfortunately, to sort out all permits and administration you need to have strong connections in state authorities. Without them you can wait couple of years to get all papers you need to start a business.' **(H30, 234-236)**

The lack of formal support attracted considerable attention from the proprietors, even from those who stated that they did not experience start up barriers (6.5.1). All interviewed proprietors referred to this category, where it was possible to identify two common themes; underdeveloped legal framework presented in Table 6.3 and non-existence of appropriate advisory bodies. In relation to the latter, the proprietors emphasised how they have to do everything alone and that it is impossible to get any kind of advice, such as legal or financial. The complexity of this position is further discussed in section 6.9 dealing with marginalised voices. The above stated is illustrated by the following examples:

> 'I can tell openly that today in Croatia entrepreneurs cannot get any advice or help.' **(H4, 330-331)**

> 'Everything went wrong since the war and privatisation and our people cannot realise that the state institutions have to be in a service of entrepreneurship. But not to all the kinds of entrepreneurship we use to see, but only to productive, real entrepreneurship.' **(H22, 97-100)**

On the other hand, people perceive tourism and hospitality as activities which cannot fail in Croatia, but also as an industry which is easy to deal with (6.4.1). Among the interviewed proprietors a vast majority emphasised this problem and its negative reflection on the sector, that is best described in the following example:

> 'I think that these new owners do not understand this job, they never understood it, they only look at hotels from the guest perspective. But being a tourist and running a hotel is completely different.' **(H11, 258-260)**
> 'So these new owners come with some money, they build hotels with spa facilities that is the most important thing for them; they heard that this is the sort of necessity in a new capitalist system and have huge expectations. When those expectations are not fulfilled the first step is to reduce quality and cut the number of staff. As inspections come every three years they can keep this and it negatively affects all hotels in the region, as he for instance is still selling himself

> as a four star hotel but basically is below the three stars. When guests find out it is already too late, it affected our reputation as well.' **(H11, 286-292)**

> 'Lots of people invested in this business because the society has a perception that the tourism sector will never fail. That is dangerous because everyone is investing, even those who have no idea about the nature of this sector and investment. For instance, they cannot make a fortune over night, like they could in the construction sector.' **(H31, 127-132)**

The position of entrepreneurs within Croatian society was a somewhat unexpected finding, as for two decades Croatia has been struggling to prove itself as an entrepreneurial economy. Proprietors experienced a variety of negative attitudes towards entrepreneurs where the most striking one was the popular portrayal of entrepreneurs as thieves and tycoons, reflecting the still-dominant influence of the transition period. Interestingly, when asked how they would define themselves the proprietors appeared to strive to reveal those attributes which prove different and reveal 'a true' picture of the entrepreneurs (Table 6.2).

Table 6.2 Proprietors' reflection on views on entrepreneurs

POPULATIONS' PERCEPTION TOWARDS ENTREPRENEURS WITH ILLUSTRATIVE EXAMPLES	**PROPRIETORS RESPONSE/ASSIGNED ATTRIBUTES NECESSARY TO SUCCEED IN CROATIAN ENVIRONMENT**
Thieves; tycoons 'You have a situation that people compare everyone who works hard, and we work really hard, with 'tycoons.' That is equal to some suspicion towards you, like who is standing behind me and this is how the environment created us a problem. People do not realise that those who stole the country do not work, they stole and sold everything they could.' (H13, 593-598) 'I have been an entrepreneur since the 1990s and I can say that lots of things have not changed. For instance, everybody thinks that I stole what I have, that I am involved in some shady activities. But I have created everything I own and took 15 years to succeed. That is a real picture of true Croatian entrepreneurs.' (H30, 82-86)	*Hard working; Brave, Craziness; Persistence; Defiance*
Not considered in a serious manner 'Our society does not appreciate entrepreneurs. For instance, I started to work 4 months later than planned, and I missed peak season because of an electrical company who did not sort out my	*Defiance; Hard working; Gumption*

case. I did not ask anything special, I paid but they needed four months just to put my name in the system!' (H8, 73-76) 'Banks were making fun of us.' (H8, 132)	
Blackmailing 'You could not move forward, blackmailing from all sides. People think if you are an entrepreneur that you are packed with money.' (H21, 78-80)	*Confidence; Craziness; Courage*
Close to political structures 'Lots of things done here are for the benefits of certain people, close to the dominant structures in the society. Because of them people think that all entrepreneurs are tycoons, which stole everything in privatisation process, and today they are doing some monkey businesses. For the rest of us is the rule – manage on your own.' (H24, 140-144)	*Hard working; Persistence; Defiance*
A negative attitude towards private initiative 'That is unbelievable, all my friends think I lost my mind because I have my own business…I do not know, maybe people still want the safety of socially-owned companies and they are not sure what entrepreneurs are doing, they think we are sort of dodgers. And our country did not do anything to improve our status, encourage people to engage with private owned firms, actually it only made our position worse with numerous intrigues.' (H32, 133-137)	*Gumption; Instinct; Confidence; Persistence; Risk; Judgement*
Exploitation 'Society sees entrepreneurs as rich people; the origin of the money is misty. That reflects on our status, for instance we have to pay the most expensive rate of electricity, TV licences per each TV, those are things which do not have any logic, but this is how we are treated.' (H19, 277-280)	*Gumption; Persistence; Hard working*

6.5. Barriers (B)

B: Barriers

SUB: Start-up Barriers
BBA: Barriers in Business Activities

Although the transition period opened many opportunities for entrepreneurship in Croatia, the heritage from socialism and many negative aspects of it made the environment even more unfavourable for the entrepreneurs. The existence of barriers presents a significant aspect of the overall environment for entrepreneurship. However, the researcher decided to present them separately because of two key factors. Firstly, interviewed proprietors revealed that a vast number of barriers obstructed their entrepreneurial endeavours and placing a huge emphasis on these barriers during the interview. Secondly, this has significant implications for tourism and hospitality entrepreneurship theory, as discussed in section 7.2.2. Barriers are presented in terms of business stage, thus start-up barriers (6.5.1) and barriers in everyday business operations (6.5.2). It is evident that some barriers are prevalent for entrepreneurs in general despite the observed setting and some are unique for the transition economies context.

6.5.1 Start-up barriers (SUB)

A majority of proprietors have been faced with start-up barriers. Only twelve proprietors stated that they did not experience any barriers. The examinations of the reasons for lacking start-up barriers revealed that those proprietors were exceptions and, as a couple of them stated, had luck. They abstracted two key factors for this ‘luck’. The first is related to strong connections, mostly from the people in local authorities who have helped to speed up the process of getting required permits. The second factor is related to clarifying property rights over the land, which made the process of getting a building permit much easier. This is illustrated by the following proprietor:

> 'The land where we built our hotel had clean papers concerning ownership and building permit. So when we bought this land we could immediately start with the hotel construction because the land had all permits required. That was an exception considering Croatia, we really had huge luck.' **(H7, 40-42)**

In contrast, the remaining proprietors (twenty-one) experienced significant start-up barriers which can be summarized under two main themes: institutional environment and financial barriers, which are examined through the dominant sub-categories or dimensions identified by interviewed proprietors in Table 6.3.

Table 6.3 Institutional and financial start-up barriers

INSTITUTIONAL ENVIRONMENT	**DIMENSIONS**	**FINANCIAL BARRIERS**	**DIMENSIONS**
Administrative	- number of procedures to obtain required permits - days/years to obtain required permits	*Limited and underdeveloped financial markets*	- concentration of banks which lack organisational capabilities to finance small business sector
Underdeveloped legal framework	- frequent changes in the law and regulations - different law interpretations by different state bodies - ownership papers are not sorted (property rights) - non-existence of the official categorisation for heritage hotels	*Mistrust towards entrepreneurs*	- banks reluctant to lend to the small business sector - inflexibility towards the tourism and hospitality sector
Bribery and corruption; Power of local authorities	- 'rule of law' is not well defined	*Expensive loans*	- it is necessary to present numerous and costly documents and business studies - interest rates flexible and fluctuate according to the EURIBOR (Incentive for Success)

As can bee seen from Table 6.3, the *institutional environment* for overall entrepreneurial activity is still immature, with strong administrative and legal barriers working against it. This reflects not only a harsh and prolonged transition process, but also society's resistance and unwillingness towards entrepreneurship, something clearly represented by the following proprietor:

> 'It is hard to invest in this country, the main basics of entrepreneurship are still not settled down. Like our law system, too powerful administration, late payments, an overall attitude towards that entrepreneurs is simply horrible...you have to be a little bit crazy to deal with entrepreneurship in Croatia.' **(H31, 202-204)**

It is important to stress that administrative and legal barriers caused many of the informants for this study considerable delays in starting their hotel businesses. The proprietors reported that they needed from four to ten years to obtain a building permit. The proprietors came up with various strategies to overcome this problem. Some of them were waiting to obtain the permits, which has caused additional money losses, as they had to stop the construction works. Some of the proprietors opted to work illegally until they sorted out all permits and even registered their hotel as rooms to let, just to start working. The others were active in seeking for strong connections and one proprietor even decided to enter into politics:

> 'Administration is a huge problem, for instance, I got my licence a couple of months ago and I started to renovate this hotel in 1999. This has forced me to go into politics and I was very successful there, I became a vice mayor. But this did not change anything (sighs), administration is too powerful…it doesn't have anything to do with the politics, state officers are too powerful, and that is certainly such a huge damage that we will feel for a long time..generations have to pass to change this, we are still dragging this from communism and my generation only cemented it.' **(H4, 219-224)**

Furthermore, frequent changes in the law and regulations meant that proprietors simply could not follow them, which was made additionally difficult with the lack of any advisory bodies (6.4.3). With poorly developed property rights it becomes difficult to buy land to start up or expand business. Additionally, urban plans do not exist for each location meaning that people cannot start any business activity, or if plans do exist the purpose of the land is changed constantly by local authorities to earn on the price differences between, for example, agricultural and building parcels. Non-existence of the official categorisation for heritage hotels has caused that some hotels are not registered in official hotel categorisation. To overcome this issue, proprietors opted to either register the hotel in the lower category or operate illegally. The theme is illustrated by the following statements:

> 'Every day our laws are changing, there is a huge bureaucracy which inhibits our development. This is a huge problem for entrepreneurs.' **(H5, 78-82)**

> 'How can we talk about small hotels when you have to wait for a construction permit more than seven or even more years? The government has to create a framework which will enable entrepreneurs to do a business.' **(H5, 376-379)**

> 'We had unbelievable problems with categorisation. Namely, official categorisation for heritage hotels does not exist and officials wanted to categorise our hotel according to the categorisation for 'normal' hotels. That is insane because we cannot fulfil those conditions, we are firstly restricted with a space, old walls.' **(H20, 48-51)**

> 'I would like to expand, we bought land close to the sea, but I am not sure. For instance, the law is double interpreted considering the building distance from the sea. I do not want to have more problems, I already had enough.' **(H27, 38-42)**

Corruption is still a significant obstacle and Croatia is, according to the last Transparency International (TI) Report (2009), showing only minor signs of progress in this area. Interviewed proprietors, strongly embedded in a local community, were in most of the cases faced with this issue coming from the local bodies, which have significant power and authority. Proprietors reported numerous examples of bribery and corruption, showing that an essential framework for entrepreneurship, such as legal institutions and the 'rule of law', is still weak and that additionally spirals out corruption and bribery. The theme is illustrated by the following extract:

> 'Today they won't ask you for money directly you know, that's old fashioned (laugh). For instance, I was in the architectural office for my project documentation and a total price for that was 10 000 EUR. But than they asked me do I have a building permit? I said that I had been waiting for five years and still did not get it. I was shocked what I heard after that… they told me to go to another, similar office, which can sort it out, but the price is 50 000 EUR! Can you believe this, an architect will sort out my permit for 50 000 EUR (upset)!' **(H24, 173-177)**

Financial barriers are common for entrepreneurs in all sectors, as Croatia still lacks developed financial markets and entrepreneurs can seek financial sources only from the banks, which are reluctant to lend to the small business sector in general. On the other hand, proprietors consider that the banks are especially hostile and mistrustful towards tourism and hospitality entrepreneurs, as proprietors have to collect a significantly higher number of different documents and studies concerning the cost-effectiveness of the investment which cost a lot. The other example of the mistrust proprietors see is in the banks' refusals to lend the amount requested that additionally prolongs the start-up process. Also, proprietors consider that the banks should appreciate sector specificities, such as the seasonal nature of work, and adjust the amount and frequency of repayments accordingly. The introduction of the credit line 'Incentive for Success' (3.4.4) is seen as a stimulant by all proprietors, but proprietors strongly criticised some of its main features. Firstly, there is the growing interest rate which was supposed to be a stimulant. It is increasing considerably because it is bound to the Euro Interbank Offered Rate (EURIBOR) (3.4.4), which experienced fluctuations in 2008 (EURIBOR, 2008). Secondly, this credit line has included a grace period of two years but most of the proprietors who financed start-up with this credit line did not start their business as planned due to the administrative barriers. Therefore, the grace period would expire, proprietors had not start generating money and it was necessary to start repaying the loan. Some of the proprietors' views are presented here:

> 'Banks are treating us, small businesses as enemies. We cannot get the amount of money needed. We can get half of the required amount, that is maximum. And this is why we built the hotel in phases, depending when and how much money we get. They make fun of us.' **(H8, 109-114)**

> 'The banks did not want to support me because I do not have constant cash flow during the whole year. Of course I do not have, my hotel is on the island, we are a seasonal business and we are not as other small business! They do not recognise our specificities.' **(H16, 95-101)**

> 'Yes, I got that credit line for around 25% of the total investment, but what's the use? I got a loan and they stated that the interest rate is 2%, which was really good, but I needed to sign that the interest rate is volatile. Now I am paying 9%, as EURIBOR went up and the whole incentive is not an incentive anymore when

> I have to pay an interest rate which is almost as high as commercial.' **(H22, 126-130)**

As finances obviously present a significant start-up barrier it is not surprising that most of the proprietors combine private sources of funding (such as savings or revenue generated in other businesses) with the credit lines. Eighteen proprietors combined private sources with the Incentive for Success and four proprietors combined private sources with commercial loans. The share of the borrowed funds vary between twenty and eighty percent. Eleven proprietors used only their own funds. Interestingly, a significant number of proprietors used trade credit when buying equipment for a hotel. A trade credit in this case is a deal with suppliers for prolonged payments, without imposed interests. This represents one of the coping strategies, unique for a transition context, which is further discussed in section 7.2.2.

6.5.2 Barriers in everyday business operations (BBO)

The data for this study expose a vast number of barriers in everyday operations which can be further categorised and examined within two main themes. The first theme is related to those barriers which arise from the hotel specificities where the dominant one is a hotel's size (Table 6.4). The second deals with the barriers which arise from the environment and proprietors' position within it (Table 6.5).

Interestingly, proprietors perceive hotel size as one of the main barriers in everyday business operations. The most dominant themes and dimensions are presented in Table 6.4.

Table 6.4 Barriers in everyday business operations arising from the hotel size/smallness

THEMES	DIMENSIONS	ILLUSTRATIVE EXAMPLES
Problems with employees	- limited options for promotions - hotels which operate on seasonal basis cannot afford to keep employees through the whole year	'This segment of tourism, here you can be in charge of the reception or be a manager, but there is only space for one each. This hotel cannot endure to have two great managers, we are too small for that.' (H1, 453-460)

		‘As I close my hotel during the winter, from November to March or April, I cannot afford to keep employees. So I have to fire them and every year search for new ones, then train them, it is very difficult.’ (H13, 163-166)
Negotiation power	- limited negotiation power with tour operators, travel agencies and suppliers - late payments	‘Our agencies require an allotment price, which is insane; I am not a big hotel. From the beginning I am trying to explain to them, but they do not care, I am too small to negotiate with them. And if I am not going to accept their conditions they will easily find someone else, but to whom am I going to sell my capacities?’ (H13, 177-181) ‘Agency A does not pay for 10 months and they are treating us horribly. For instance, you give them your prices with calculated agency’s commission. And they add to this commission again, so their commission is 60%. In the bottom line that is illegal, but no one can do anything about it. What we get working with them is nothing, only headache. ’ (H26, 145-151)
Position in the market	- unfavourable position as individual players on the market; limited market power - pricing policy	‘A small hotel cannot exist on its own, it has to be connected to something, like farms. Just look at Istra or Italy, this is why small hotels are doing great there, we have to copy their example.’ (H11, 513-515) ‘As separate units we cannot succeed, survive on the market and soon we will have to fight against the EU competition.’ (H2, 353-354) ‘They say market competition..but how to call this situation – 5* Hotel X decreases prices during the winter below mine, and I am a 3* hotel. This is dumping, pure DUMPING! That is great for that hotel in a short run because it can cover some fix expenses, but not in a long run. But for us that is a disaster because he will destroy all small hotels in his area in a very short run!’ (H20, 222-226)
Provision of services	- restricted due to the physical size of the hotel	‘We needed a couple of minor corrections for the 4th star, but we didn’t go for it. Even if we have four stars, we cannot compete with other four star hotels, we cannot have sauna, pool, any other additional services because we are limited with the space. We simply do not have physical space to put in a sauna!’ (H3, 240-244)

Seasonal variations	- a bias between supply and demand	'Our size is our biggest problem. During the winter we cannot sell our 7 rooms and during the summer we could sell 100 rooms if we had them. And with seven rooms you cannot accept organised tours, that makes our pre-season even worse.' (H20, 94-96)
Group tours and packages	- incapable to accept organised tours	'Today, the number of rooms is our biggest shortcoming. We cannot accept travel agencies with buses in pre-season, which is a huge shortcoming in our business.' (H26, 77-79) 'We cannot accept a bus with tourists because we don't have enough capacity, we should have around 50-60 beds to accept them.' (H24, 210-212)

As can be seen from Table 6.4, proprietors consider that as small businesses they have limited power on the market, both nationally and globally. They also think in the long run and consider increasing competition which will come with Croatian's accession to the EU. To strengthen their position it is necessary to work closely not only with other hoteliers, but with all other complementary businesses, like food producers. This can be extremely beneficial to both sides, as in the last couple of years there has been an incredible growth of small food and wine producers, offering authentic products. Despite all the benefits which such cooperation can bring, this returns to the general lack of cooperation in the business environment (6.4.3), which additionally endangers proprietors' position in the market. All interviewed proprietors complained about the current practice of a couple of big, high quality hotels, which decrease prices during the winter below the average price of the three star small hotel. Small hotel proprietors cannot follow this price trend because of the two issues. Firstly, by decreasing prices significantly they cannot earn even enough to cover fix costs, thus creating additional loses. Secondly, they do not want to send a signal to the market that they are becoming 'cheap doss houses' (H 24, 72).

Another interesting reference was to 'a bus of tourists'. Namely, most of the proprietors complained how they do not have capacity to accept an organised tour with a busload of guests. This represents a legacy from the socialist period, where tourists would usually come in organised tours and stay for more than ten days.

Tourists' habits have changed; they usually come as individuals and stay not more than three days (6.10.1). This means that proprietors actually have lost economies of scale and a possibility to sell their capacities during the pre- and post- season, which affects their economic viability and thus profitability.

On the other hand, the data reveal those barriers in everyday business activities which arise from the environment and proprietors' position within it. Table 6.5 presents the most dominant themes with belonging dimensions.

Table 6.5 Barriers in everyday business operations arising from the environment and proprietors' position within it

THEMES	DIMENSIONS	ILLUSTRATIVE EXAMPLES
Employees	- school system: a) closure of craft schools for waiters and chefs, b) lack of practical knowledge at the universities - employees (waiters) status in the society - mentality and working habits	'The problem goes like this, there are two situations. The first is that you cannot find employees, especially waiters and chefs. For all other positions, like reception or sales you will get people with university degree, but they do not know anything and are lacking practical experience. It is not their fault, I think that the system does not provide good opportunities for them.' (H4, 99-106) 'People do not want to work in that profession because their status in society is not appreciated. Remember before in socialism, the waiter was the king. So young people cannot deal with that and it is very hard psychologically.' (H25, 232-238) 'Problems with employees are huge and that comes out of the overall lazy mentality and working habits, which are horrible. This only presents a reflection of overall culture towards work.' (H1, 432-435)
High Impositions	- high taxes - high *parafiscal*[11] charges	'The state has enormously high taxes for our sector, we have to pay 27% from total revenue only for taxes. And parafiscal charges, that is even worse, we have to pay around twenty of them. For most of them I cannot see how they are relevant for our

[11] Parafiscal charges – compulsory payments other than taxes imposed by law and present a significant part in the state budget. There is a huge number of them which are imposed on the entrepreneurs and in Croatia there exist 245 parafiscal charges. http://www.mfin.hr/hr/registar-neporeznih-prihoda (accessed on 05.01.2010.)

		business.' (H17, 155-161) 'I charge per room 100 EUR. When I deduct all taxes and parafiscal taxes which I have to pay I have 40 EUR left. (H2, 177-178)
Financial	- lack of funds/capital for growth	'Despite everybody is talking about small businesses banks are totally sceptical towards us. I had great results and I asked for a loan for expansion. We literally went crazy while we sorted that and of course, we did not get the amount requested nor time period to repay the loan.' (H20, 119-123)
Administrative	- hard to obtain permissions for hotel's expansion	'I started with the hotel expansions, have project, money, but cannot do anything because I am waiting and have no idea what is happening with the licence I need to obtain if I am expanding existing object!' (H6, 107-109)
Underdeveloped destinations	- underdeveloped or non existent main infrastructure (roads, water, sewage systems) - lack of attractions	'Seget got a four star hotel and we have nothing from Seget. The surrounding area was so dirty that we cleaned it. On the other hand we are paying different impositions for the environment to be cleaned and infrastructure developed! In a summer we have problems with water supply, we do not have a single direct bus line from other towns, our roads are horrible, you can destroy a car on them, beaches do not have any facilities or guards and no one cleans them.' (H7, 235-239) 'I turn off the TV when I see our politicians talking about tourism. During winter our guests cannot even go to the restaurants because they are closed, there is not even a souvenir shop in the place. Museums in the city work two hours in the morning and three hours in the afternoon. During the summer it is the same story.' (H19, 93-99)

Table 6.5 shows that the proprietors are struggling with employees, ranging from the lack of adequate supply, employees' attitude toward work (6.4.2) and changes in nature of the profession (6.4.1), which represented it as undesirable within society. However, the problem is twofold. All interviewed proprietors in the island locations (five proprietors) and additional three from the small cities close their hotels during the winter, fire all employees and in the best case leave the chefs. Before the season,

demand for employees is extremely high, because even those hotels which do not fire their employees during the winter (twenty-five) also search for additional ones, usually waiters, to give support to their permanent staff. This kind of proprietors' practice further contributes to the undesirability of the profession, as it is almost impossible to keep the job over the winter. It also prevents employees from gaining experience, thus, the bias between employees' potential and the sector's demand is even higher. This presents an unhelpful circle, which hinders the quality of the services provided and in the end financial results.

On the other hand, lack of capital and administrative barriers significantly constrain planned growth, but despite this the proprietors showed impressive results (6.6.2). It is important to add that most of the hotels, even those in the city centre operate in underdeveloped destinations, lacking both main facilities and tourists' attractions. An example of proactive strategies to overcome this problem is presented in section 6.4.1. Furthermore, these proprietors are also struggling with the high impositions, ranging from the VAT to parafiscal charges, which considerably affect their business results.

6.6 Life history and business orientation (LHBO)

LHBO: **L**ife **H**istory and **B**usiness **O**rientation

- LH: Life History
- EM: Entry Motives
- FG: Future Goals

This section outlines the findings of reported biographies and consequent business orientation and are organised into two main themes. Firstly, section 6.6.1 presents the proprietors' individual backgrounds related to the previous ownership of small businesses and experience in the tourism and hospitality sector. Proprietors' perception of whether or not this experience was significant in the decision to start a small hotel business was explored, and consequent entry motives are revealed.

Findings of the proprietors' future business plans are outlined in section 6.6.2 which specifically examines the findings relating to their definition and extent of desire for growth versus business survival and expectations from the business.

6.6.1 Life histories (LH) and their significance for proprietors' entry motives (EM)

The findings for this study reveal that almost all proprietors (thirty-one out of thirty-three) had previous experience of owning and managing small business, whereas two proprietors had experience of managing, but not owning a small business. Ten out of thirty-one proprietors reported that their previous small business ventures were within the tourism and hospitality sector and the majority of them were returning migrants. To be more precise, only three proprietors had experience of running a small accommodation business in the form of apartments. As these proprietors owned those businesses during the period of socialism it is not surprising that they opted for apartments, as ownership of a hotel business was not permitted for individuals (3.4.2). The remaining seven owned restaurants, therefore it was found that only a small number of those interviewed had any previous accommodation and overall tourism sector experience. The remaining proprietors (twenty-one) had run small businesses in a wide range of different sectors, from the trade, financial, electronics, restoration, bakery and physical therapy sector. Furthermore, only three proprietors from the sample do not own other businesses besides a hotel. Thus, it is possible to categorise them as portfolio entrepreneurs, owning other businesses outside the tourism and hospitality sector.

Proprietors were aware of the lack of tourism and hospitality experience but they did not consider it as a constraint when deciding to start up a business or while that business was up and running. Their narratives reveal two different strategies in overcoming the identified issue. The first group considered that the hotel business is a job which can be learned as any other and their previous experience of running small businesses outside the sector can provide them with the basic skills to manage a small hotel. They also used personal networks, such as other hoteliers or people from the sector, to ask for advice as is clearly described by the following proprietor:

> 'We have never worked in the tourism sector, we are pure economists working with numbers and that really suits us. Through life we see what is important, what is not, we have a big life and business experience so I think that was crucial, not experience in the tourism sector as such. We have learned everything, we talked to people and did not have any problem because we lack tourism experience.' **(H1, 190-194)**

The other group of proprietors had an entirely opposite strategy; they employed a paid manager (six proprietors). Five of them are not involved in business operations, whereas one proprietor worked together with a manager. This was expected, as this proprietor has experience of running a small accommodation business and the others do not.

> 'We do not have any experience within tourism industry but we have an intellect and money to find people who know.' **(H18, phone interview, 46)**

> 'I decided to invest in a hotel not because I knew how to do it, how hotel works, but only because I had money and I saw good opportunity. I do not have experience but people who work and the main manager are well experienced and run a good business.' **(H30, phone interview, 30-35)**

All proprietors viewed such experience of owning and managing small businesses in other sectors as beneficial in terms of providing basic skills and competencies. However, a decision to start a small hotel business was not connected to the previous experience of running a small tourism and hospitality or any other business. Twenty-nine proprietors stated that their decision was purely based on a noticed opportunity. Those proprietors who had experience of running a small tourism business also stated that this did not influence their decision to open a small hotel, but they saw an opportunity 'and the idea came naturally' (H17, 57). Proprietors perceived an opportunity in market trends, which can be summarized as follows: lack of accommodation capacities in the Splitsko-dalmatinska county and overall country; a growing international trend and the strength of the tourism sector. Furthermore, some proprietors perceived those market trends as an opportunity to expand and diversify their business portfolio. Table 6.6 presents a summary of the entry motives with the illustrative examples which can be categorised under *profit entry motives*.

Table 6.6 Proprietors entry motives with illustrative examples

ENTRY MOTIVES	ILLUSTRATIVE EXAMPLES
1. Market trends	
Lack of accommodation capacities	'My wife is a lawyer, has a big office in Split, and I own a transport firm in Chicago. We saw that the old building in the city centre, in the Palace, is on sale. We never thought about hotel business, but than we realised that Split is in a chronic lack of accommodation capacities and this would be a lucrative investment. Especially as there is no high quality capacities..so we bought a building and without any further considerations started with building renovation, we simply couldn't miss this opportunity' (H6, 17-22)
Growing trend internationally	'Travelling a lot around the globe I saw what is happening. Just look at Italy, Austria, Germany, even France, that is a nest of small hotels, they do miracles, just look how those countries have developed the tourism sector. And small hotels have enormously high flexibility and quality, which is their main advantage and strength. And that really motivated me you know, I always wonder why Croatia, as a tourist country wouldn't go in that direction and we have all the resources and possibilities to do that.' (H4, 376-383)
Strength of the tourism and hospitality sector for Croatian economy	'contrary to the construction sector, these days hotelier business brings better results. Tourism is the most important sector for the Croatian economy, we lack accommodation capacities, that was a great business opportunity.' (H29, 60-63)
2. An opportunity to expand and diversify existing business portfolio	'I am for the whole my life in a trade sector and I invested in a huge complex. Firstly I wanted to open a trade centre but it seemed to me stupid to invest everything in one sector, especially when today you never know, because of the huge expansion from the East. On the other hand it was not hard to figure out that our region is lacking hotel capacities. So I invested in a hotel, to diversify my business and it was a great opportunity.' (H21, 189-196) 'My father worked for couple of decades in Germany and he invested money in jewellery shops and medical clinics. When he returned, he wanted to invest again in some other sectors and he saw a great opportunity in the hotel business.' (H27, 54-59)

On the other hand, only one proprietor revealed a purely *lifestyle entry motive*. That was dissatisfaction with the job in a state owned company combined with a desire to move to the island and leave something to the children. Another proprietor had combined lifestyle and profit oriented motives, which is best exemplified by the comment of the proprietor:

> 'That was my father's wish…since 1941 there is a project for a hotel but you know how it was, communism, you couldn't do nothing. So they went to Germany and established a restaurant.' **(H2, 19-22)**

> 'Immediately I got my degree I got a great job offer. I accepted it and started with training. But I left everything and decided to open a hotel. My father was extremely happy. I mean I didn't do it only because of him, if I thought that there is no good money there I would never have done it.' **(H2, 26-30)**

Two unusual entry motives were revealed, which are categorised as '*pushed by lifestyle circumstances*' and reflect some attributes of the socialism and transition period. One proprietor inherited an old house, from the 15^{th} century from her father. As an artist, she wanted to establish an art studio, but she could get a loan only for a business in the tourism sector, as this was during the transition period. Being in a situation to sell it or to open a hotel the proprietor opted for a hotel business. The other story represents a legacy of the socialist period and a practice of compensation within the companies. The proprietor owned a construction company and did projects for a big state owned company. That company owed him lots of money but refused to pay and offered compensation in the form of construction material, worth around GBP 7 million. The proprietor needed to accept the compensation because otherwise he would lose everything. He decided to invest construction material in a small hotel, perceiving this investment as the most lucrative. His decision and frustration is clearly illustrated by the following extract:

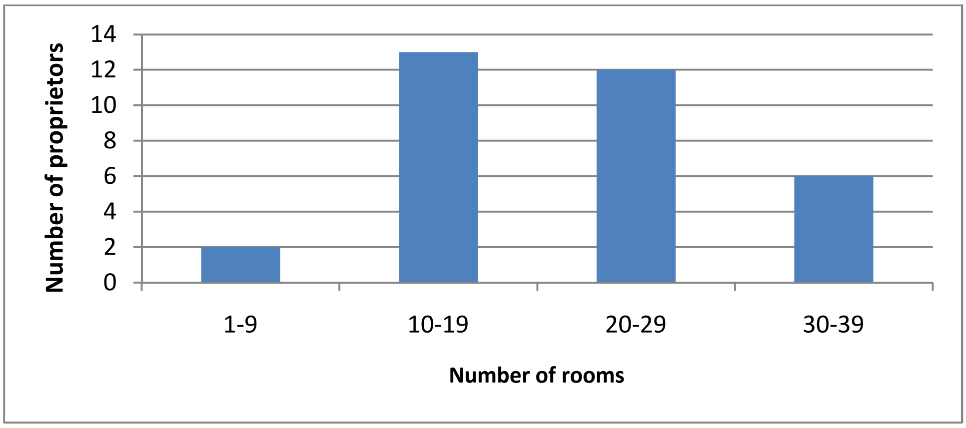
> 'I worked all my life very hard and after working for so many years the society did not pay me and the society forced me to do this.' **(H14, 135-137)**

> 'The society helped me, the society destroyed me' **(H14, 75)**

6.6.2 Future goals and expectations from business (FG)

An important feature of small hotel businesses has been identified as the size in terms of number of letting rooms. Most of the hotels have between ten and nineteen and twenty to twenty-nine rooms. Less common was to find hotels above thirty rooms and between one and nine rooms (Graph 6.3).

Graph 6.3 Number of rooms



Interestingly, all but five proprietors desired business growth, even the two proprietors who revealed lifestyle entry motives. Ten of them had already expanded capacities; eighteen are in a process of expansion whereas five of them have already expanded, thus are involved in the second expansion. It is important to add that all growth strategies, specifically expansion of capacities, were undertaken at the early stages of hotels' operations rather than mature ones. Besides the increase in the actual size of the hotel, proprietors defined business growth as involving categories as presented in Table 6.7.

Table 6.7 Definition of business growth

CATEGORIES OF GROWTH	CHANGES INVOLVED
Hotel size	Increment in the number of letting rooms. This involves expanding existing capacities if available due to the space constraints or investment into a new small hotel.
Increase in quality	Includes: construction of swimming pools, saunas, small conference rooms, buying a speed boat or a van.
Employees	This usually involves an increasing need for permanent employees, even during the winter times.
Other businesses	Investment in other businesses.

All these categories are desirable by proprietors, although they experience administrative and financial barriers when conducting necessary actions to grow

(6.5.2). The proprietors' views on growth and economic mind-set are clearly illustrated by the following extracts:

> 'There is no entrepreneur in this world who started a business and does not think about expanding his job. I mean if you do not thinking in this way something is wrong with you, you are not a true entrepreneur.' **(H9, 298-300)**

> **'**I am currently involved in a hotel expansion, which can bring me only higher profit. You see, I will increase the number of rooms for thirty percent and I will only need one more housemaid and a waiter, in terms of variable costs, that's it. In terms of profit, I will be able to concentrate on large groups, which is the most profitable for me.' **(H17, 506-510)**

It is possible to notice that proprietors, who are in most of cases portfolio entrepreneurs (6.6.1), view their businesses as inseparable units despite the sector where they operate. Thus, investment of accumulated money into other businesses is also considered as a growth strategy. Considering the proprietors perception of their size (Table 6.4) it can also be argued that growth in capacities presents a strategy to overcome an identified barrier. On the other hand, rise in service quality is also seen as a necessary condition. Proprietors think into the future and consider that they have to be prepared for the EU market, and the best strategy is high quality service. This research also shows that interviewed proprietors measure business success in terms of growth criteria and therefore put measures in place to facilitate growth opportunities. It is not surprising that the majority of the proprietors expect higher profit and sustained growth from their businesses. This further strengthens the dominance of business rather than personal or lifestyle goals. Proprietors also express desire for higher profit that leads to a conclusion that desire for financial success exist collaboratively with a desire for business growth. This proprietor clearly illustrates this:

> 'I am doing this because of the profit, money, and I can clearly say that anyone who says different lies. Of course I love this job, but I want this business to grow and bring me higher and stable profit through the whole year. It wouldn't even cross my mind to do it for any other reason.' (**H26, 262-265)**

Two out of five proprietors are uncertain about future goals. They would sell a hotel because of the unfavourable ratio between the level of investment and profit earned.

Their main expectation from a business is to repay loans and start earning money. The reason why they are insecure is the overall business climate in Croatia which does not provide better possibilities for development. Three out of five proprietors who did not express desire to grow wanted to sell their hotels and leave the hotelier's business altogether. Their decision is not surprising as one proprietor entered into this business because of lifestyle circumstances (6.6.1) and the other two were returning migrants who were disappointed with the overall conditions for entrepreneurial activity in Croatia and will leave the country again. As some proprietors put it:

> 'There is no way I would stay in this business. I do not mean only in the hospitality sector, but I wouldn't invest in any, no way! I will sell this, and go back to America. The basic problem is that nothing works here, you have to do everything alone, you cannot find employees!' **(H12, 130-133)**
>
> 'I took a loan but only fifteen percent out of the total investment and I should be living as a king. In America people finance their investments with ninety percent of credit and still they earn a profit. In Croatia you have fifteen percent of credit and you cannot do nothing, not even think on some personal things, like to earn and buy a car, that is impossible.' **(H12, 98-103)**
>
> 'While we were preparing for the investment everyone was telling us (mimicking voice) 'do not worry, we will help you, everything can be done.' But when we entered into this we were left alone, they left me alone on an iceberg which is melting. This is not normal, this is not a normal business environment. When I owned a restaurant in Germany everybody used to help me, tell me what to do...' **(H19, 67-74)**
>
> 'If we do not get the Incentive for Success to repay an existing commercial loan, I am telling you honestly, I will sell the hotel. I do not see any purpose to continue like this.'**(H19, 128-130)**

Linked to the findings of business goals and expectations are those relating to *business inheritance and ownership*. Namely, only two proprietors stated explicitly that they expected the business to provide support for their families. Consequently, within the interviewed population there is almost no evidence of a desire to pass on the business to children or other family members. Only those proprietors who had experience of running a business in the tourism and hospitality sector (ten proprietors) thought about inheritance and were positive about that. On the other hand, the majority of their children are not interested in succession. The main identified reasons for lack of inheritance are concentrated around the desire for independence, both children and proprietors. As one proprietor put it 'I never asked anyone about my business, so I also do not want to push my children into anything' (H5, 159-160). Secondly, some portfolio entrepreneurs stated that if they receive 'an immoral offer' in their language, they would think about selling and investing in other businesses, which also emphasises that proprietors are not emotionally attached to their businesses. And finally, proprietors expressed a negative attitude even towards employment of family members (6.8.2). This reflects their business orientation and long run strategies, which are in this case focused towards growth and quality improvements.

6.7 Business links (BL)

BL: **B**usiness **L**inks (BL)

→ INFN: Informal Networks
→ FN: Formal Networks

In this study, business links are taken to include both the informal networks with small hotels and other small businesses (6.7.1) and formal memberships in different associations (6.7.2). These are now discussed in terms of proprietors' views of their reasons to join/not to join and a network's influence on business performance for both network types. In terms of detected problems in a network and views on network structure and organisation findings are presented for formal networks.

6.7.1 Informal networks (INFN)

Although all interviewed proprietors stated that they do not perceive other small hotels as a competition but their existence is crucial for overall destination development, the business links among them are extremely weak. The data show that only thirteen proprietors have informal business links with other *small hotels*. As the only aspect of cooperation is based on exchanging guests (overflow bookings), they cooperate with hotels located in the same geographical area and within similar price and quality range. Therefore, this kind of informal network is often built up on a personal and geographical rather than a business basis. This was also evident from the proprietors' reasons to establish this kind of cooperation, where all of them stated that they are just helping a neighbouring hotel if they have a surplus of guests. Clear business benefits from this type of network could not be identified by the proprietors, besides sharing ideas. On the other hand, only one proprietor developed more specific and tight networks with other two small hotels. They developed a marketing strategy, which enabled them to operate jointly on the market and attract organised tours in pre and post season. Network influence on business performance is evident on a number of levels:

> 'It is much easier to organise transfers, excursions when we cooperate than we did it alone. We are also expanding our businesses, our revenues are higher, we do business on a much higher level.' **(H2, 359-362)**

Among these thirteen proprietors, seven reported business links with *other small businesses*, mostly with providers of excursion services, like boat trips to the islands. Thus, the breadth of activities tends to be narrow and occasional. In addition, the network bond is not based on a contract, but on mutual trust. Proprietors did not identify any problems in this network type, as their activities were in most cases periodic and not bounded. The main identified reason for networking is an expansion of a range of services which proprietors cannot offer due to their size (Table 6.4). Therefore, these informal networks are viewed as a means to an end, namely that of overcoming identified barriers and to increase business success:

> 'It is economically not profitable if I organise an island excursion. On the other hand I need to provide something to the guests, as I am too small to have a pool, for instance, and there is almost nothing to do in our destination. So we cooperate with a firm who is providing those services. My overall service is more competitive in the market, attracts guest and brings me higher profit.' **(H7, 312-316)**

A majority of proprietors who did not establish any informal links stated that they are willing to cooperate, but are restricted by some of the factors identified in Table 6.1. Among these, they emphasised the general lack of interest and negative attitude towards cooperation, inexistence of similar hotels in the area and overall passivity, presented by the following proprietor:

> 'I talked to my colleagues from Italy and they told me that we are lazy because we sleep during the winter instead of cooperating among ourselves, making plans, going to the fairs. They even advised to take a loan if necessary to do that because this will pay us of in the future. But no, we don't do that, we fight alone and do nothing for mutual benefits.' **(H24, 133-137)**

6.7.2 Formal networks (FN)

Interviewed proprietors identified following types of formal business networks which are presented in Table 6.8.

Table 6.8 The formal business networks

ASSOCIATIONS	NUMBER OF PROPRIETORS INVOLVED
Association of Family and Small Hotels of Croatia (OMH)	18
Croatian Association of Hoteliers and Restaurateurs (HUH)	3
Small Luxury Hotels	1
Charm and Relax, Italy	1
TOTAL	**23**

Drawing from Table 6.8 it can be seen that the majority of interviewed proprietors (twenty-three) hold membership in some formal association. As this is a formal network type, networks' bonds are expressed in terms of annual memberships. Interestingly, none of the proprietors referred to the general small business associations, such as the Association for Entrepreneurship and Small Enterprise or Chamber of Commerce, showing that they do not have a direct or specific application to the hospitality sector. As the majority of the proprietors are members of the OMH and all of them expressed views concerning the association, even when the membership was not held, the highest attention will be given to this network.

To start with, proprietors reported two key *reasons for joining* the OMH. The first is concerned with benefits that it provides, ranging from the hotels' promotion and the channels of advertising, fair attendance and educational seminars. Therefore, these reasons arise because of the hotels' smallness which presents a constraint to involvement in some of these activities (see Table 6.4). However, proprietors considered that joining the association presents them as a brand, which is valued from the tourists' perspective. Therefore, it helps in increasing their market strength, as presented by the following proprietor:

> 'I am a member because I think we need an association, we do not have strength in the market as individuals, it makes our position stronger. We can sort out lots of questions, from educational seminars, suppliers, promotions, they send us some information as well, we cannot do that without the association.' **(H30, 65-69)**

The stage in the business lifecycle was not identified as an important factor in determining choosing membership. Namely, proprietors at the beginning of the business lifecycle and those who have been running a hotel for some time shared the same reasons for joining OMH. It was assumed that proprietors who recently started a hotel business and did not have any experience in the hospitality and tourism sector will be more reliant on the formal organisations, which was not the case:

> 'I did everything by myself in other firms, so I do not need any association in this job as well.' **(H32, 99-101)**

On the other hand, when identifying *accomplished benefits* proprietors were referring to the reasons for joining the OMH, that is evident from Table 6.9.

Table 6.9 Accomplished benefits from the networking

ACCOMPLISHED BENEFITS	RELEVANCE FOR THE BUSINESS
Brand creation	Better position on the market; brand as a guarantee for quality; international recognition.
Presented at big tourism fairs; catalogue	Hotel size and fair's costs as restrictions – an individual small hotel cannot afford attending big major fairs.
Information provided	It would be difficult for proprietors to follow all changes in the legislation.
Educational seminars	Proprietors do not have experience and knowledge to educate their employees. Also, no one else provides such specific hospitality seminars (such as a course for sommeliers or implementation of modern technologies in the small hotels).
Knowledge sharing; learning from others; friendships	Implementation of ideas that seemed to be doing well in other businesses.

This indicated that proprietors' expectations from the network membership are fulfilled. At the same time they were struggling to identify how accomplished benefits influence their business performance. They acknowledged the reduction in costs relating to the fairs' attendance and improvement of overall service provided due to the experience and knowledge gained attending the seminars, but did not report that this had any effect on business profitability. The reason behind this was identified when asking proprietors as to their other expectations from the network. All of them, and even those proprietors who are not members, argued that the OMH needs to start working on bringing guests to the hotels and fight on the national level against the taxes and other impositions which hotel businesses have to pay (see Table 6.5). Proprietors perceive these as actions which would directly increase their revenues and reduces total costs, thus increasing hotels' profitability:

> 'The association is a great idea and we do have benefits but I cannot say that we have direct benefits…they are trying but I cannot see a direct benefit for me. Our direct benefit would be if they send us guests, that is the most tangible to hoteliers, and to cut our costs, but the association did not do anything about it.' **(H12, 187-191)**

Interviewed proprietors were extremely passionate when discussing *detected problems in the network*. These problems ranged from the feelings of isolation and exclusion to the identified problems in network practices and policies, presented in Table 6. 10.

Table 6.10 Detected problems in the network

DETECTED PROBLEMS	ILLUSTRATIVE EXAMPLES
Too general, not targeted and promoted educational seminars	'We need educational programmes, for sure. But the OMH has to realise that all hoteliers do not come from this sector, they have different backgrounds, education. And when they organise certain seminars they assume that all hoteliers are the same and have the same knowledge, what is far away from the truth.'(H17, 400-405) 'They have to change something, for instance organisation of the seminars because attendance is small. Always 10-15 same people.' (H25, 219-221)
Inadequate advisory and organisational support	'I am a member, but it is not that I can talk to them when I have a problem. They gave us some names, but you have to do everything by yourself, alone. For instance, they need to have a lawyer, a financial advisor, so they can tell us what to do as we have huge problems with administration and money. I cannot be an economist and a lawyer although I finished lots of schools while doing this job (laugh).' (H19, 237-243) 'They are active for a couple of years and they have to be more organised. They print a brochure, but that is a small quantity, I can do that on my own, it would not cost me that much. And when they stamp it they send it to us! Who I am going to give this catalogue, with other hotels in it, from the whole Croatia? This is not my job. I can have one to look at, but their job is to distribute it.' (H12, 194-200)
Non-existence of online booking system on the OMH web pages; do not have strategies to attract tourists	'If they are saying that we are a brand, why they still didn't develop online booking system? It is so important to have it, because that would be our first joint step on the market, when you present yourself to the market as a part of the association, as other global associations are doing. I am interested in guests, that is where they have to improve significantly!' (H27, 107-112)
Lack of business links with other sectors	'The OMH does not cooperate with other firms. I mean they did sign some contracts with food suppliers, but what's the point when the majority of us established relations with them under better terms than the OMH did.' (H9, 362-367)
Feelings of isolation and exclusion	'The OMH does not work well, they only offer empty words which we can hear through media and I am disappointed, as are my colleagues. They all come to take money from us and give

	nothing in return, no one asks us about our opinion.' (H24,67-71) 'I am even a friend with the OMH president, I call him 10-15 times in a day and he doesn't pick up the phone. I mean people are not satisfied and I hear from my colleagues that they will leave, they are frustrated. We cannot manage without them, but this association is doing nothing for us.' (H24, 122-128)

Table 6.10 illustrates that the problems faced by the proprietors arise from the OMH's 'top-down' approach. Although this is the only association in the country which specifically targets small hotels, proprietors feel that the OMH is not in touch with them and do not consider their views or needs very much. For instance, all proprietors fully support seminars organised by the OMH, but consider that they do not take into account specific hoteliers' needs and their diversity in terms of educational and business backgrounds. Furthermore, the president of the OMH constantly emphasises the advisory role of the association (3.4.4), but proprietors cannot get any advice as the OMH is lacking professionals in specific areas, such as in finance or law. Proprietors also perceived that the OMH should be more focused towards actions which will bring them tangible benefits, for instance the development of an online booking server or beneficial contracts with suppliers from other sectors.

The proprietors additionally supported their statements with *the views on network structure*, which has to pass through radical changes. The main critique expressed by all proprietors is the OMH monopoly position in the market and hostile approach towards others who want to establish similar associations. This was evident from a 'round table' meeting organised by the OMH where the researcher was present. A small hotel proprietor from the Istra region proposed an idea of establishing an association for the region, which would be connected to the OMH, as Istra has numerous specificities. The president of the OMH reacted strongly and did not let the proprietor speak. The interviewed proprietors who were present at the meeting expressed numerous views on this. The following proprietor offers a summary of their views:

> 'The main problem is the existence of one small hotel association for the whole of Croatia, than one from SK[12]. It is his organisation literally, because he is behaving in that way, as the OMH is his private property. I saw how he stopped a man from Istria who came to our meeting to propose that Istra should have a sort of OMH branch. SK was really rude and unprofessional. The association needs to have a man who knows about tourism, then we make plans for each region in the country and place that in the market, not like this. The president is doing his own promotion.' **(H22, 209-214)**.

Proprietors consider that this approach creates a negative image in society and other hoteliers will refuse to become members, as they will perceive OMH as a private association. They are also unsatisfied with the general employment policy within the OMH (3.4.4) and considered that the association needs to be professionalised. All proprietors hold a view that the OMH statute needs to be changed especially considering the presidency policy. Namely, the current statute does not set up the maximum time period under which a person can be a president and thus enables lifelong presidency. Also, proprietors are not clear about the future aims and argued that the OMH needs to present a clear vision for future development. Interestingly, those owners who were not OMH members clearly stated that the main reason for not joining is the impression about the association as a private organisation which does not take into account individual hoteliers' needs. The second argument for not joining is the proprietors' inability to see possible benefits of the membership. Their views can be illustrated by the following examples:

> 'The association works as a private organisation of a certain number of people and if you are not in that circle you do not have any use out of it. And, of course you have to pay membership regularly, you are financing someone's private interests.' **(H2, 354-356)**

> 'We are not the OMH member because we don't see ourselves there, we don't have any reason to be there, I don't know what they can offer us that we did not achieve already. I do not see any reason to be a member. And the association, I don't know, let someone tell me what members have and I don't. For instance, we are present in all major fairs and catalogues.' **(H11, 351-356)**
> 'I do not know, I do not see any benefits, what are they offering I can do it by myself.' **(H26, 327-328)**

[12] SK stands for the OMH president. To ensure the respondents confidentiality (section 4.4.3.5), names are not revealed in this study.

On the other hand five proprietors were members of the other three associations, out of which one is national, the Croatian Association of Hoteliers and Restaurateurs (HUH), and the remaining two are international. Two proprietors were members of the HUH and the OMH. One proprietor stated that he can benefit more from the OMH and was considering to withdraw membership from the HUH. The other proprietor had an opposite attitude. Their responses were weighed against the proprietors' definition of hotel size and it appeared that a proprietor with a smaller hotel perceives the OMH as a better solution and he also could not identify any benefits from the HUH. This finding was not unexpected, as the HUH comprises all hotels at the national level and it is evident that their strategies are not specific and targeted, but too general and created for the purposes of big hotels. The third owner who was only a HUH member, did not perceive that his hotel can benefit from the OMH. Again, this owner had already expanded his business and now he owns four small hotels and one villa.

The remaining two proprietors were members of the international associations. Both proprietors did not apply for a membership, but both Small Luxury Hotels (SLH) and Charm and Relax (C&R) approached them through word of mouth, as the proprietors stated. The member of the SLH accepted the membership after a long-lasting negotiation process where they managed to decrease the annual membership, but they are not clear about the benefits:

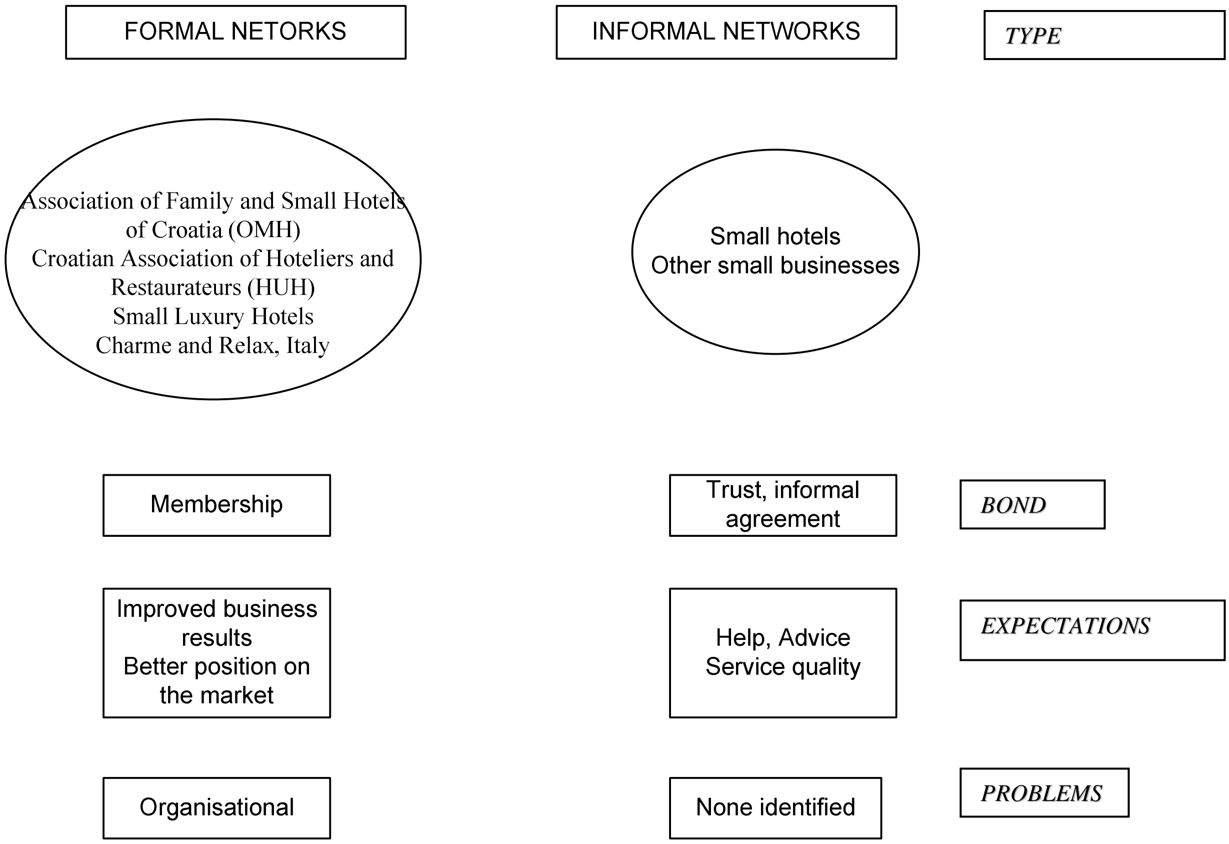
> 'They were so interested to have us. To be honest, me and my husband did not know anything about them; I only heard something from my friend in Shanghai. When they dropped the price, as we requested, we just needed to accept membership. I really do not know what is going to bring us.' **(H1, 875-880)**

On the other hand, the member of the C&R stressed that small hotels cannot work alone and considered that this association can bring her a better position in the international market, and argued that already she can see an increase in tourists from Italy, where this association is based. As the proprietor operates on the island and thus works from six to seven months in a year, the annual membership presents a financial burden which can lead to the membership termination:

> 'Membership costs 5000 EUR per year, so so much, I do not know whether I will do it next year, that is a huge amount. I am afraid that I cannot afford it.' (**H13, 308-310**)

To summarise, the main attributes of both informal and formal networks can be presented as follows (Figure 6.2).

Figure 6.2 The main attributes of formal and informal networks



6.8 Views on business and business operations (VBO)

VBO: Views on **B**usiness and **O**perations

- NW: Nature of Work
- BO: Business Operations

This section presents themes related to the proprietors' views on their business and consequent business operations. Section 6.8.1 outlines the proprietors' views on the nature of work, which arise from the unique characteristics of the hotels' operations and the environment where proprietors operate. Business operations and major management issues are discussed in section 6.8.2.

6.8.1 Nature of work (NW)

The proprietors views on the nature of work involved in running a small hotel business can be comprehended within two main themes. The first is concerned with the complex and demanding work, and the other with the nature of investment.

Considering the issue of *complex and demanding work*, proprietors emphasized three dimensions. Firstly, they stressed the complexities of the hotel operations which require full engagement and do not allow dealing with anything else. Some of the proprietors who held other positions had to cease them in order to run the hotel business:

> 'I was a vice mayor one year but I have completely left politics now and dedicate myself to the hotel business. This is a kind of business which requires full immersion, it requires a whole man, you cannot work on two sides.' **(H4, 63-67)**

> 'When we started with a whole project I was still working in an insurance company. When the project was finished in terms of construction works I saw that I could not continue like that. The hotel business is complex, too serious, too demanding, I wanted to do everything in the best possible way, to create a good business and achieve good results.' **(H16, 30-35)**

Secondly, all proprietors emphasized the long working hours and consequent inflexibility, presented by the following statements:

> 'Just imagine my working day, from café bar to the hotel, in three years I did 50000 km on my motorbike. I am constantly on the phone; my day lasts for 24 hours, during summer I only sleep for 3 hours. But you can see that despite the number of people I employ you have to be present; that is the rule in this job.' **(H8, 416-422)**

> 'This job is so demanding, I cannot finish my studies, I am doing only this and do not have time for anything else. It requires full engagement, through the whole year, every single day. Even when there are no guests we still have lots of work to do, starting from banks, plans for the next year, it is so tiring. In two years I was never on holidays.' **(H3, 275-281)**

Finally, complexities of the work also arise from the external factors. All proprietors emphasized the inappropriate public policy towards the employees in the sector, especially focusing on the wages (see Tables 6.5 and 6.13). All proprietors do pay their employees above the minimal wage (see Table 6.12), but feel that this is not enough, as the overall system is not coordinated. This presents a complex issue for the proprietors to deal with, reflected by the following views:

> 'This sector was always low paid. This is one of the reasons why people refuse to work, and the other is the 24/7 nature of work. A hotel works non-stop, just like a hospital. And because of this people are running away from the sector, they do not have weekends, bank holidays, holidays in general. And exactly for this they should be rewarded, that is a whole paradox.' **(H10, 115-119)**

> 'I have been taught in a sociology class that this work can negatively affect people in a psychological sense. This is not a simple issue to deal with, hotel employees have to make life better to all those people coming. And everyone is enjoying except you! That is a really problematic situation and at least considering wages we have to bring some regulations, otherwise we will have even bigger problems finding employees. Within our hotel we are doing our best, but if this is not regulated as an individual we cannot do a lot.' **(H11, 753-756)**

All interviewed proprietors referred to *the nature of investment* in a hotel and consider it as one of the main hallmarks of the hotel business. The main dimensions with the illustrative quotations are presented in Table 6.11.

Table 6.11The nature of the hotel investment

THE MAIN DIMENSIONS	ILLUSTRATIVE EXAMPLES
Long return on investment	'This kind of hotel needs three to four years to start working normally, just imagine how long it takes to return investment!' (H7, 134-136) 'People just do not know that hospitality business is hard bread. You cannot return money invested in a hotel easily, you need from 17 to 20 years to return it.' (H10, 202-205)
High investment and costs	'Construction of this hotel cost approximately 5 million Euros.' (H7, 174) 'People do not think about future investment in the hotel. For instance, I am introducing a HACCP system right now and it will cost me around 3000 EUR. Hoteliers besides high initial investment have high future investments in quality and also high fixed costs.' (H17, 229-232) 'Fixed costs are a significant constraint in our business. We have a certain amount of them despite having 150 or 50 rooms, like accounting, back office, reception. For instance, if I have 50 rooms more I would need to employ only 5-6 workers and that's it, but my profit would increase significantly.' (H18, 42-45)
High dependence on geopolitical movements	'This is a very risky business, especially in these days. Tourism is like a rabbit, it runs away at the smallest sign of problems, and this is a risk for us.' (H7, 144-146) 'People think that this is easy money. And the simplest example how everything can disappear in a second is an indication of disorder, war, crisis..' (H25, 265-268) 'We are a business hotel. As soon as they started to talk about recession we felt it. That is the first where companies reduce their costs, on business trips. So you can imagine how bad it can get when economic activity is actually decreasing.' (H30, 91-94)

Proprietors' dominant profit entry motives were also revealed within this master code. Namely, the complex and demanding nature of the hotel business puts additional weight on proprietors' profit orientation, as the money earned can compensate their effort. Also, those proprietors who operate seasonally use winter not as a time to relax but to establish business contacts with different sectors, such as banks, food suppliers and travel agencies, that can contribute to a better trading season and therefore improved business results.

> 'This is 24/7 job, who would work it just because of the pleasure and your profit is zero, or even worse you are in minus? When we are making such a huge effort then we want to get something out of it, and for us that is the biggest possible profit.' **(H26, 265-267)**

> 'During winter I will try to sort out paperwork for heritage classification, but I am not sure what our Ministry has done about it, I could not be in touch during the season. You know, if I can promote myself as a heritage hotel that would also mean that I can promote my service on a higher level. Also, I have already arranged some contacts with the travel agencies, we are meeting in Zagreb. We will try to set up a plan so I can start working in pre season.' **(H13, 135-138)**

6.8.2 Business operations (BO)

The findings reveal that proprietors are involved in and confronted by significant management issues, including marketing, diversification of major tourism markets, quality strategies and innovativeness, policy regarding employees and long term planning. Proprietors have various strategies and ways as how they approach certain management issue and these are presented in Table 6.12.

Table 6.12 Business operations

MANAGEMENT ISSUES	STRATEGIES AND TOOLS	ILLUSTRATIVE EXAMPLES
Marketing	- hotels' web pages; fairs; catalogues; commercials; short movies; booking providers web pages; word of mouth	'We are in the city centre. We did not spend a penny on any kind of promotions, commercials. We sell this hotel exclusively by word of mouth.' (H1, 597-600) 'I invest lots of in marketing and promotion, above 10% of gross revenue. I did 14 big fairs last year. This year I will do even more and I am going to Moscow and NYC, that I didn't do last year.' (H4, 442-445) 'From the net income I think that half of it I invest into marketing, promotions, web pages, short movies about the history of this region and catalogues. But now I am not investing that much in catalogues because I saw that the best communication is through the internet and it is the fastest way to reach guests.'(H5, 136-140) 'We are business hotel, there are not many business hotels in the city so we did not have to invest a lot in marketing. But we developed our

		own booking server.' (H30, 62-64)
Diversification of major tourism markets	- establishment of business contacts with the travel agencies specialised in these markets	'Last two years we have lots of guests from Far East, like Japan, China, Thailand. We are trying to diversify our guests' structure by working with travel agencies in those markets. But on the national level we are still stuck to Germans.' (H10, 160-162) 'You know how it goes, don't put all eggs into one basket, the same is true for us. I invested in lots of sectors, so I diversified my businesses. I am doing the same thing with the guest structure. I am not thinking, as our national policy, that we can survive and save our season being dependent on the German market.' (H32, 181-186)
Quality strategies	- expansion of services - retaining employees	'I am the only 4* hotel in the area and I am already offering a huge range of services. But in this business you need to improve your quality constantly. So we bought a boat, 12.5 meters long to transfer guests to the islands and I implemented the HACCAP two years ago, when others did not know about it.' (H9, 292-295) 'Our main strategy is to offer the best quality service to the guests. For instance, we built a pool last year because our guests wanted a pool.' (H26, 36-38) 'Winter is coming and we do not have demand or economic benefit to keep two chefs. But I rather keep them and pay them although sometimes they do not even work. Why? Because that increases the quality of my service.' (H6, 96-99) 'Our strategy to improve quality goes like this: satisfied employees, satisfied guests and satisfied owner. Any other combination does not work.' (H7, 382-385)
Employees policy	- education - wages - negative attitude towards family employment	'Employees are the key factor to success in this business and we have to invest considerable amounts of money in our employees. We are sending our employees at least once in a year to educational seminars and we organise in house seminars as well.' (H27, 183-187) 'The main point is to reward your employees with appropriate salaries. They are underestimated in this sector, work for a whole day and are not paid properly. They simply cannot feel as humans!' (H6, 68-71) 'The biggest mistake is to say family hotels and

		think that family members have to be employed. That is the worst case scenario for an employer. He benefits the most when he has independent worker. To have family members as employees is really not good, that is simply our mentality and no one in the world can understand that.' (H10, 189-194)
Innovativeness	- an energy source invention - use of information technologies (IT)	'I was obsessed with an idea of how much of the natural energy we do not use. My idea was basically when we cool our hotel in the summer to store that energy and use it for the heating during winter. I knew one professor, an engineer and I was pushing him to realise my idea. And he did it! My energy bills are around 300GBP per month, my colleagues pay around 3000 GBP and after two years I returned an investment!' (H4, 476-481) 'We have a top quality reservation system which also enables us to monitor each guest's needs. And then we can approach them, we know what they want and need, and they appreciate it, I cannot even express how much.' (H1, 642-644)
Long term planning	- grading systems - specialisation	'I have to think in the long run, so I decided to work under 3*, it is much more profitable. For instance we are the best 3* hotel in Split and 3rd in Croatia.' (H6, 28-30) 'Everybody told us that we won't make it because the hotel is not close to the beach. But we are thinking more in the future and our aim was not to attract 'beach guests' but business tourists. And we succeeded and created our position on the market, we are recognised in this segment.' (H7, 48-52) 'We are aiming to put all three hotels under one firm and form a cluster which would encompass other activities like agriculture, fishing, viniculture, as well. Having them under one firm would in a long run make our business more efficient and profitable.' (H11, 26-30) 'I decided to start with a hotel and golf courses. But the war started and everything failed. I knew that I need to introduce some new product which will be recognised when the wars ends and I decided on adventure tourism. So we built a new hotel with adventure attractions. I knew we will succeed but people were saying that I am crazy. Seven years after, Croatia was declared as one of the worlds' top adventure destinations.' (H28, 57-67)

Drawing from Table 6.12 it is apparent that interviewed proprietors are engaged in a variety of promotional activities, but their intensity depends on the hotel's location. Namely all proprietors from the big city centre (eleven) did not use any kind of promotional activities, their location was selling them. This was also the case with scarce specialised hotels, like business hotels (three). They take advantage of their current favourable market position which stems from the lack of other similar hotels. However, those proprietors who own hotels on the islands, inland areas and smaller cities spend considerable amounts of money on the hotels' promotion. All of them, except one proprietor, did not have a marketing plan and questioned the rationality of their uncoordinated and unplanned approach:

> 'I am advertising my hotel on the TV, radio, newspapers, travel journals, online booking providers, different internet portals, I do not know the number anymore. Now the main question is whether that is worth it, how many of guests do they bring to me? The easiest thing to do is to give money, but I have to sit down and see what is the most efficient for my hotel and focus on that.' **(H8, 291-293)**

Proprietors based on the islands are aware that their location, supported by the underdeveloped transport infrastructure, cannot bring individual guests. Therefore promotional activities and selling channels have to be focused on the tour operators and travel agencies:

> 'Around ninety percent are agency guests. The number of direct guests is increasing, our interest is to directly sell our products and avoid commissions. We are investing a lot in our web page, we are publishing catalogues, going on fairs. But I am afraid that we cannot expect increase of individual guests of more than one to two percent because we are an island location. We are dependent on agencies no matter what we do.' **(H11, 134-139)**

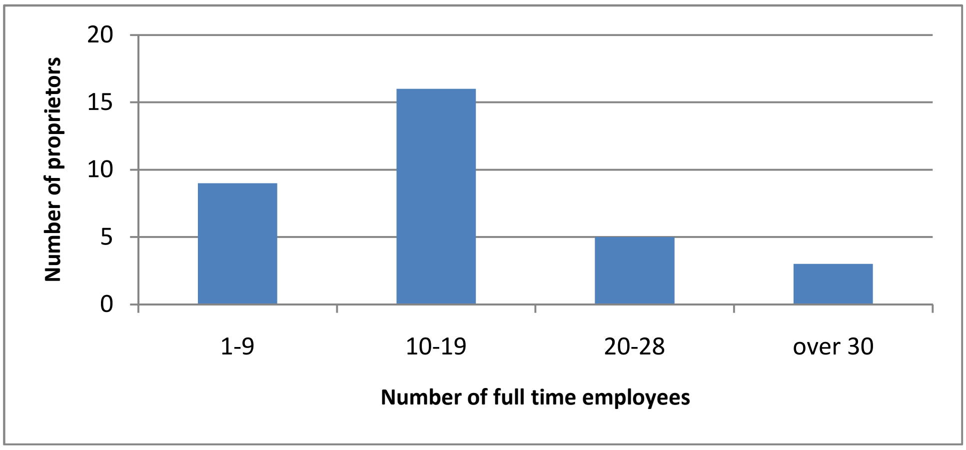
The data also show that besides promotional activities, the proprietors take into great consideration selling strategies. All interviewed proprietors reported their concern about the lack of diversification strategies and reliance on the German market at the national level (see 6.12). They focus on the more unusual markets from the national perspective, such as Far East countries and America. They also give a strong emphasis to the western European markets, such as Italy, Great Britain and Scandinavian countries. They penetrate into these markets through cooperation with travel agencies but also through promotional channels, such as travel catalogues and

TV commercials. Interestingly, all proprietors consider this selling strategy as normal and distinctive to a ‘true’ entrepreneur who wants to disperse risk and thus ensure its success and survival despite the market turbulences. This further supports their profit orientation (6.6).

The proprietors reported considerable engagement by customers with the quality of the service they provided. Interestingly, a huge majority of the proprietors use short questionnaires to monitor guests’ opinions on the service and take them into consideration when implementing new facilities (like a sauna or a pool) or additional services (excursions, transport to and from the airport or pet allowance). Interestingly, one of the most important aspects was the treatment of employees, as the proprietors see them as a key factor of success. They all consider that the hotel can be successful only if the employees are satisfied in the first place. They further explain that only satisfied employees can make guests happy and happy guests will bring financial results to the owner. To improve service provided, some of the islands hotels keep chefs through the whole year, or they even retain all employees (one proprietor). All proprietors reported that they pay wages above the minimum level and all hotels who work during the whole year (twenty-five) also pay additional one for Christmas and sometimes even Easter[13]. The proprietors are aware that this is not economically viable in the short run but consider it will bring a success in the long run term. According to Graph 6.4, the majority of the proprietors employ between nine and nineteen full time employees. The next dominant category is from one to nine employees. Interestingly, there were eight proprietors with more than twenty employees. None had below five and all proprietors reported additional employment during the summer season, on average additional five employees. Of note is that all interviewed proprietors rejected an idea of family employment. Only three proprietors reported that their children work in a hotel during the summer, when they are free from school and they do not have anything else to do. These are very simple and occasional activities and include helping with carrying baggage.

[13] In Croatia, all government owned enterprises have to pay by a state regulation to their employees contractual amount of money for Christmas and Easter. This amount of money varies depending on the enterprise and a contract signed. Privately owned enterprises do not have a legal obligation to do that.

Graph 6.4 Number of full time employees



To increase service quality, the proprietors are also extensively using information technologies (IT), where the majority of the hotels has its own reservation system. Additionally, proprietors started to use solar energy extensively (see 6.12) to reduce electricity costs but also to prove themselves as being involved in the 'going green' (2.3.6.4) practice.

Interviewed proprietors placed considerable significance on the effects of their decisions in a long run. The most important one in the proprietors' eyes was on the hotel's grading, which determines the market segment where they will operate. The majority of the interviewed proprietors (twenty-four) opted for the 3* category and nine for the 4*, where the maximum is 5*. This decision to operate in the lower category was based on the examination of several key factors: market trends and increasing demand for 3* hotels; the nature of the guests who prefer 3* hotels which offer quality service at a moderate price; and the EU market, which will bring higher competition. Overall, proprietors consider it will be easier for them to compete in a lower category. Also a small number of proprietors (four) decided to focus on a specific market segment, that of business (three) and adventure (one). Orientation towards long term planning is also supported by the existence of business plans, which all proprietors had. A majority of them had business plans because they consider this as useful for a business, whereas only two proprietors had a plan because their bank requested it. It seems that business plans did not have any effect on their business results, as both were in a process of expansions which is financed with their own money.

6.9 Presentation of self and views on position within the industry and society (PSPIS)

PSPIS: Presentation of **S**elf and Views on **P**osition within **I**ndustry and **S**ociety

- MV: Marginalised Voices
- OMF: Owner-managers Feelings

The proprietors' views were also analysed in terms of their expressed sentiments that could be interpreted as reflecting perspectives on their positions within the industry and society. These aspects were examined in terms of the proprietors' marginalised voices. This was analysed on two levels which involved an exploration of feelings of marginalisation emanating from the society and friends, as well as feelings perceived to be emanating from others or those in authority and state institutions. Those views are further clarified with the expressed proprietors' feelings originating from the perceived marginalisation.

All interviewed proprietors expressed some views regarding their feelings of marginalisation in both categories. Interestingly, no one reported feelings of marginalisation emanating from the self, for instance, due to a lack of interest and involvement in associations. Proprietors expressed sentiments of a lack of appreciation and support from society and even close friends. They were comforted with negative attitudes when revealing their decision to start a small hotel business. In most cases they did not get emotional support, but needed to overcome rumours and judgements about their decision. Additionally, broader Croatian society marked them with negative attributes, such as 'crazy', which corresponds with the overall profile of entrepreneurs (see Table 6.2). This is exemplified by the following extracts:

> ‘You know my closest friends thought that I lost my mind. I was a great student, got a great job, and than left everything to start a hotel business. My girlfriend went mad, she could not believe it. They all thought that I cannot make it and that is a horrible decision.’ **(H2, 214-217)**

> ‘It was even a bit funny. So we started with construction work and people found out that I am opening a hotel. Suddenly one day I came to see how everything goes and found five, six, I do not remember any more, people discussing my judgement. They did not hear me while I was coming so I heard some of them estimating when my business will fail. They did not give me more than a year (laugh).’ **(H4, 189-194)**

> ‘I came back from Canada where I was running a construction company. As my city is small, everyone knew that I came back and they were interested what I am going to do next. They all supposed that I am continuing within the construction sector, as I was really successful in Canada and you can earn good money in Croatia. When I told them I am opening a hotel one of my friends stood up and told me (mimicking voice): ‘You know I thought that you are a smart guy. But you know what, you went totally crazy!’ **(H29, 202-209)**

On the other hand, authority structures and state institutions seem to marginalise proprietors’ businesses but also proprietors as entrepreneurs. The proprietors expressed sentiments of a lack of understanding, appreciation and ignorance by state authorities. They felt that they do not have a great amount of influence on their decisions or actions. Lack of advisory bodies (6.4.3) further emphasises the proprietors’ feelings of marginalisation, as they feel as left alone and forgotten by the institutions. They were extremely passionate about Tourist Boards where none of the proprietors reported that they are satisfied with their work. All proprietors revealed that they never got a single guest from them, although that is one of their main tasks. Furthermore, a high majority of proprietors also reported feeling marginalised within the OMH, considering that only those members who are close to the president can benefit. In terms of business, proprietors felt that institutions do not have a high interest in the small business sector in general. The proprietors considered that the institutions are only proclaiming their orientation towards the sector, but are doing nothing about it, even making their life harder by imposing significant administrative requirements (6.5). Proprietors reflected their sentiments by the following statements:

> 'Last time when we had a meeting I raised a question about the importance and usefulness of the tourists boards. To be completely honest, they are wasting tax payers' money for their private interests, everyone knows that. It is not only that they are not sending us guests, but they do not promote us, they do not represent us, nothing. But everyone went mad, how I dare to ask that question and I was never again invited for the meetings.' **(H5, 230-233)**

> 'It is tragic how we are treated, and we are all the OMH members and pay the same membership fee. Last month it was an annual meeting with Ministry representatives and also a final stage of the competition for the best small hotel. Do you think I even got an invitation? That is horrible, this is a shame, I was so angry and sad.. it's just not right.' **(H16, 277-279)**

> 'I am so disappointed, I do not believe anyone. When we were deciding to come back from Germany everyone was talking about small businesses, entrepreneurs and things like that. They did that only to attract us, because when we invested our money suddenly we were left alone. Before that they were promising us rivers and valleys, advices, support. But we got nothing, they actually made it worse and now there is no one in this country you can ask for a help or advice, although they are still talking how small economy is a Croatian cornerstone. We can see that very clearly (sighs).' **(H17, 68-70)**

Not surprisingly, the majority of the proprietors expressed negative feelings during the interviews, which appear to stem from their marginalisation. The most prevalent ones are feelings of loneliness and frustration. Feelings of loneliness arise from proprietors' marginalisation from both instances where the feelings of frustration are directed towards their general inability to change the situation. This indicates how small firms are excluded from policy formulation and have no role in policy making (6.12). The theme is illustrated by the following statements:

> 'Banks, people at the Ministry of Tourism and local community told me (mimicking voice) 'we will follow you, we will follow you.' Then it happened that I couldn't get a building permit because the purpose of my land was changed into urban, so they can build expensive flats, but no one knew about it. When I asked people at the Ministry to help me because it is also illegal, they said to write a complaint and they will respond. I did not get any response and it has been three years! As construction work went slower because of this and thus I needed more money, banks did not want to give me another credit. So this is how they followed me!' **(H16, 71-80)**

> 'I strongly believe that in this Country it is better to do nothing. If the man wants to destroy himself, the best way to do that is to start business in our country. I guarantee you that our institutions will drive you crazy! And what can I do about it? I complained, I am talking about this but everyone is deaf, no use!' **(H12, 136-139)**

6.10 Views on the guests' needs and host-guest interactions (VGNI)

VGNI: Views on the **G**uests' **N**eeds and Host-Guest **I**nteractions

- POG: Perception of Guests
- HGI: Host-Guest Interactions

The proprietors reported rich narratives in terms of their experiences and views of the guests' needs, wants and expectations as presented in section 6.10.1. The level of interaction between the proprietors (host) and the guests is outlined in section 6.10.2.

6.10.1 Perception of guests (POG)

All interviewed proprietors referred to guests and the changes in their needs. They perceived them as 'modern nomads' (H1, 718) travelling from one place to another where the length of the stay does not exceed two days. Guests are striving for new information, experience, individual approach, authenticity, full service and active holidays and proprietors are striving to achieve those requirements. This is illustrated by the following extracts:

> 'These days everything is different. Tourists are one day in Dubrovnik, then in Split, then in Istria, who knows where their journey starts and ends. But in each place they stay for a day or two. They are not happy just with the beaches and the sea, they want vide range of services, they strive to learn and see something new and different.' **(H3, 189-193)**

> 'Yesterday I spoke with my colleague from London. He told me that London is packed, and it is almost November. That is a phenomenon, that is a different culture. Tourists' habits have changed, they want to explore, they travel through the whole year, not only in summer, to search for something new, they want a life.' **(H10, 150-153)**

> 'Tourists want to see something which is authentic to this place, for the people who live here and their culture. They want to hear a story and learn something new. I think that is one of the reasons why I am successful..I am selling them a history of my ancestors which dates from a couple of centuries ago, I show them how they have lived on this island, I make bread just how my grandma use to make it and my guests simply enjoy it.' **(H13, 243-247)**

On the other hand, proprietors perceive changes in guests' needs as both an opportunity and a threat. Opportunity is noticed as small hotels are more flexible than large hotels and can respond to individual needs of guests and provide a more personalised service as a result. However, proprietors are also aware that their service cannot compensate the lack of basic infrastructure in most places (see Table 6.5), which can bring into question their survival. All proprietors consider that the main cause of this is public policy's misunderstanding of the changes in the sector and a belief that nothing has changed since socialism. Furthermore, a short length of stay causes additional costs and creates an impression that it is impossible to fully dedicate to the guests and respond to all their needs. The following statements illustrate this:

> 'We all have to realise that those times are gone. I was a child but I still remember how it was. Tourists would come, rent a room for ten or fifteen days and lie all day on the beach without spending almost anything, as they had breakfast and dinner provided. And tourists were happy. Today tourists want to spend, to feel a destination, their lifestyle is different. They spend maybe two hours on the beach, that's it and stay three days maximum. They will use everything that we can offer, but I think that our policy representatives are not aware of those changes.' **(H2, 225-230)**

> 'People are alienated today and the last thing they need is to go to the big hotel and receptionist will tell (mimicking voice) '232 room sir' and that's it! People are striving for an individual experience, an individual approach and as a small hotel we can meet those requirements. My staff can know my guests by name, know their habits, talk to them, and my guests always come back.' **(H29, 82-85)**

> 'The average length of stay in my hotel is 1.5 night, which is really bad. That is bad for a hotel because huge guests' shifts create huge costs and it is really demanding for all of us in a hotel. They are just coming and leaving, you cannot remember them, talk to them. But we cannot do anything about it, we simply have to adjust.' **(H10, 157-159)**

6.10.2 Host-guest interactions (HGI)

The host-guest interactions can be viewed by taking into account the proprietors' reasons to enter into the hotel business (6.6.1). Namely, all proprietors who have revealed pure profit motives when entering into the business report that they interact with the guests, but on a minimal level. Some of them are even pleased when guests only stay a short while, as if they were to stay longer this would require a higher level of interaction. Interactions are on a basic level, involving, for example, provision of information or a short talk with guests, as is described by the following proprietors:

> 'In all honesty I do like this short length of the stay you know. It is more professional and if guests stay longer you have to please them additionally, you have to offer something new, but no matter how hard I try I cannot make up new services, activities, there is no infrastructure for that. Practically, I would have to be their clown, and I really do not want to do that (laugh). And simply I do not have time. Maybe this is not good, but my people know how to deal with the guests. I stress that I am always there if they need me and I think guests also appreciate that.' **(H8, 371-377)**

> 'Before my guests leave I try to take some of them on the hill where I have small traditional house, 'konoba'. We prepare some of the traditional dishes, bring home made wine and our guests are so touched and happy. Last year I got a whole photo album from one group which was there and they wrote to me that they had the best time ever. This is how I communicate with them, I am not involved in everyday issues and operations, I have my people for that.' **(H31, 45-49)**

> 'I make contact with my guests when they arrive and leave. For instance, before they leave I meet them at dinner, walk from one table to another, ask whether everything was fine and if they have any complaints. If a group of the guests is leaving by bus my staff together with me when I have time go out, wish them a safe trip and wave. I think this is a smart move, as I saw online reviews and besides good service they appreciate those actions as well. Like the owner was there, it gives them some kind of security. But I do not talk to the guests on an individual basis, I have other jobs to do.' **(H17, 437-446)**

These proprietors also perceive interactions with guests as complex and difficult to deal with, which puts additional weight on the business complexity (6.8.1):

> 'This is the hardest job on the earth. I have twenty-four rooms, in one moment I have ten different languages, fifteen cultures, seventeen religions, twenty-four different gastro habits, different characters and all of them have to be satisfied. Who thinks this is easy lives in a fantasy. Secondly, you have to be ready for criticism, but at the same time be happy, full of joy.' **(H4, 636-641)**

On the other hand, two proprietors who did not have purely profit motives interact with the guests on a regular basis and consider that as their main job in which they enjoy:

> 'My guests have lots of questions about the culture, art, museums, they want to know everything. I am enjoying talking to them, but they also expect from me to provide that information, at the end this is the purpose of this hotel. I am involved maximally.' **(H13, 170-172)**

> 'My husband told me once (mimicking voice) 'you are not working, you are only chatting for a whole day.' I mean this is true (laugh). I cannot tell that I am like mum to my guests because some of them are older than me, but I really take care of them. They know that I am there if they need me, I always ask them how they spent a day or if I tell them to visits something they will, they have a huge trust in me. And I am not doing this for the purposes of selling, this is what I really enjoy doing. They can notice that, I am sure, because they come back each year, bring their friends and during winter they send me emails, cards, that is a wonderful feeling. This is what gives me a motive to move on, to keep working.' **(H16, 391-401)**

6.11 Small hotel definition (SHD)

SHD: Small **H**otel **D**efinition

→ SHD: Small Hotel Definition

As was shown in section 6.3 this code can stand as both master and meta code. The main argument for not linking it with other master codes was to examine and reveal the proprietors' views on the small hotel, thus to generate a grounded definition of size which takes into account the specific hospitality context and small hotels' unique characteristic. The proprietors define small hotels as consisting of four distinctive attributes: the number of letting rooms, family involvement, differences compared to the large hotels and small hotels' unique advantages.

All interviewed proprietors perceived *the number of letting rooms* as insignificant to define small hotel as long as the hotel offers specific atmosphere and a high quality of services provided. A vast majority of the proprietors interviewed also considered an economic definition of the small hotel, therefore considering its cost-effectiveness. Their views are illustrated by the following statements:

> 'So our Ministry says that a small hotel is the one which does not have more than forty rooms, considering capacities. But I think that they took that criterion simply to sell the small hotel image. Small hotels offer an individual approach to each guest, it is different when you come to the big hotels with three hundred rooms, you are like a number there, who is going to call you by name, no way. When a tourist comes to a small hotel which is managed in an appropriate way, he will be called by his name, we will know his preferences, wishes, a small hotel strives to achieve an atmosphere which is domestic, family. Probably they took forty rooms because they consider it is harder to remember all guests above that number.' **(H25, 23-33)**

> 'The Ministry of Tourism defines a small hotel as each which is up to forty rooms. But I think that a small hotel can be smaller and bigger than that criterion. It has to provide specific service, our guests have to feel almost like in their own home and also our quality has to be on the high level.' **(H17, 422-426)**

> 'The number of rooms is not important. Maybe I am overreacting but a hotel can have even two hundreds rooms and be a small. It has to be small in its essence, in its soul, you have to provide your guests such an atmosphere which he cannot feel at any other place, you cannot watch him as a number and quality he gets has to be exceptional.' **(H20, 112-115)**

> 'A small hotel, according to my economic judgement is each which has no more than eighty rooms. A small hotel could be economically viable even with thirty rooms, but our season has to be longer, at least full eight months.' **(H22, 311-314)**

> 'If I take into account its profitability, I would say that around sixty rooms would be ideal. With this number we can accept organised tours and bigger travel agencies, and we are still not too big. But it can be even bigger, as long as we are able to individually approach our guests and offer a high quality service.' **(H23, 229-232)**

Although very often referred to in Croatia as small family hotels, all interviewed proprietors perceive *family involvement* as a irrelevant and even undesirable attribute (Table 6.12). The proprietors had their own vision what it means to be a family hotel, that is best summarized by the following proprietor:

> 'My biggest dilemma is why we are called a family hotel, that word is so popular these days, like cluster (laugh). But what do they think when they say a family hotel, that the whole family is employed? I do not think so. I even think that the term is even misleading. I strongly believe that the term 'family' has to be

> employed because we are offering a family atmosphere to our guests, they feel like they are at home. When we invested into this hotel we decided that the service has to be on the highest level and we employed people for that. I mean I won't bring my mum to wash the dishes and then my hotel would be a family hotel! I want to run this business professionally and not to employ people who do not know how to work in a hotel, that would bring me horrible problems!' **(H1, 347-356)**

Interviewed proprietors provided rich narratives on *the differences between small and large hotels*. They aimed to stress the advantages of the small hotels mostly related to the treatment of the guests that large hotels hardly can achieve. Although the proprietors are aware that a small hotel cannot provide as wide a range of services as the large variety can, they consider that the unique approach to each guest can compensate for this limitation. The proprietors' views are illustrated by the following statements:

> 'Large hotels are factories. When we have a guest, everyone knows about that guest, our cleaner, receptionist, me. When he is having breakfast or lunch you can approach him and ask if everything is OK. If you see that he is not that happy you will offer him something or won't charge a meal. You cannot do that in a large hotel, you cannot walk from one guest to another and give them your attention. That is simply a factory and a guest is a number. In a small hotel we know our guests by their names.' **(H7, 274-279)**

> 'When we give a full attention to each guest and when they feel like at home, they won't even notice some small objections because of that atmosphere. They will laugh with the waiter if he opened a bottle of wine really loudly. Imagine if that happens in a large hotel, guests would immediately comment that the waiter is behaving unprofessional.' **(H26, 231-234)**

> 'It is true that large hotels can provide more activities and services than small hotels, like tennis courts, spa centres, whatever you can think of. But we can notice that our guests are experienced tourists, who would usually stay at large hotels and right now they are so attached to us. This is because all large hotels bosses and managers cannot fight with me because I bought today fresh fish, grill it and treated my guests. This is where all small hotels can fight, this is something guests cannot get in the hotel giants.' **(H22, 58-65)**

Interviewed managers, who all worked before in large hotels, also presented advantages when managing a small hotel:

> 'I am so enjoying managing this hotel, I cannot explain how it is easier for me. For instance, we do not have a surplus of employees, that was the case before.

> Although that can be a problem if, for instance, my receptionist phones me in the morning and tells me that he is sick. But on the other hand, I can see everything that is happening, every single thing, there is no way that I can be fooled around.' **(H7, 366-371)**

> 'I can manage this hotel by one finger, with my eyes closed (laugh). I did not have a private life while working in hotel E. For instance, in that hotel I have managed three hundred employees, today I manage seventeen. Also, there are no huge stresses for a small hotel. If we are empty for a couple of days we will survive that, but that is a disaster for a large one, they have huge fix costs, huge losses.' **(H10, 79-84)**

Finally, the proprietors constantly emphasized an *atmosphere* and the *quality of the service* as their unique advantages. Considering the former, it arises from the hotel smallness which enables an individual approach to each guest, therefore making them feel like they are in their own home. The proprietors considered this is of significant importance for today's lifestyle, where people are alienated, travel in a day from one continent to another and strive for more personal approach. In relation to the latter, the proprietors are aware of the limited range of services they can offer due to their size (see Table 6.4), but they strive to increase their quality on the highest level. This is reflected by the following views:

> 'Our main advantage is the atmosphere, people feel here like at home. I have lots of businessmen from Switzerland, Italy, Germany, and they all stay here although there is a large 5* hotel just around the corner, with similar prices. They feel a warm welcome, they talk to us, enjoy in our small restaurant, later on they all stay on our lobby and they talk a whole night.' **(H30, 75-80)**

> 'We have a perfect, unique location. And we knew that we are limited to seven rooms, as the hotel cannot be expanded because the walls are from the 3rd century. It was clear that all we can offer in this unique location is the best quality and we cannot save on anything. Our capacity is so small that we had an architect for the interior design, we went to Italy to buy the best equipment for the kitchen, cutleries, plates, everything. Such a small quantity is needed that everything has to be the first class.' **(H1, 278-284)**

6.12 Views on tourism policy (VTP)

VTP: Views on **T**ourism **P**olicy

→ VTP: Views on Tourism Policy

This section aims to reveal a range of the proprietors' views considering the appropriateness of tourism policy measures and their outcomes. It also shows the proprietors role in policy making, thus, the extent of their engagement or exclusion from policy formulation. The section is organised as follows. Firstly, it examines the appropriateness and inappropriateness of those policies which are recognised as the most significant from the proprietors, such as: accommodation, transportation, basic infrastructure, education, promotion, fiscal and the issue of centralisation (6.12.1). The proprietors' views on how public policy perceives the sector and the consequent feelings of exclusion and manipulation are then outlined in section 6.12.2.

6.12.1 Appropriateness and inappropriateness of the specific public policies (IP)

The proprietors expressed detailed views on the numerous policies related to the hospitality and tourism sector in Croatia. In Table 6.13 presented are those which emanate from all the proprietors interviewed in order to facilitate the analysis.

Table 6.13 Views on the specific public policies

SPECIFIC POLICY	DIMENSIONS	ILLUSTRATIVE EXAMPLES
Accommodation	- contradictory in terms of future desirable structure: small or large hotels; quality (3*, 4* or 5*); number of the hotels needed - no system of control to detect illegal accommodation providers	'I don't understand this craziness around 4* and 5* hotels, think that is a mistake. Those hotels can be in 4* and 5* destinations, and our county surely doesn't fit in that category. Even in Dubrovnik, our star destination, those luxury hotels cannot exist; just think about the simplest issues, like when the guests cannot walk through the city centre because of the huge cruise boats and thousands of tourists which simply occupy the city.' (H11, 452-460)

		'I agree that we need large hotels as well, but not too many, as they cannot survive our seasonal trends and small demand in general. They are faced with huge fix costs. You see what is going on in our capital, there is 6-7 large hotels, their business results are horrible, they started to fire people and it won't be better. Our policy simply has to realise that and finally decide about the future directions.' (H10, 241-249) 'It is almost a unique Dalmatian attribute, to have a huge number of capacities which promote themselves as hotels but they are not, they are registered as rooms to let or apartments! We do not have any control system for them, we cannot do anything and small hoteliers cannot fight against it. For instance, if this happens in Istria those people would be immediately caught and would have to pay considerable fine.' (H25, 37-45) 'We are lacking vision where we want to be in ten years, what is our overall tourism strategy..I mean we have it, but that is no strategy, it is lacking the main condition which is specific measures to target detected problems and achieve specific goals.' (H27, 213-220)
Basic infrastructure	- lack of basic infrastructure (roads, sewage systems, water supply)	'I am embarrassed to admit that our city does not have a sewage system and that we have to call a cistern every week. When I think about it I do not know what is worse, because until last month we did not have a road to reach our hotel, so my guests had to walk and carry bags in 40C degrees if they came by organised tour, can you believe that? And not to mention beaches, which do not have showers, nothing besides the rocks and the sea.' (H17, 275-284)
Transportation	- unsatisfactory quality of roads and rails; infrequent lines - airline policy: no low cost flights, irregular lines; inflexibility and lack of cooperation with the national airline company	'I do not know what is our problem, we emphasise ourselves as a tourist country with a long tradition and our guests cannot come from the airport by bus because firstly the frequency of the lines is irregular. Secondly, even if there are lines, there is no way that tourists can guess where to take off, because there are no signs and bus stations are literally on the road.' (H2, 230-238) 'It sounds unbelievable that the government did not even try to keep low budget airline companies and charter flights for Split and Zadar. That reflected on my business significantly, as last year I was mostly

		working with Scandinavians who came by charter flights and I can forget them for this season. Istra and Dubrovnik are fine, but to reach Dalmatia tourists have the national carrier, which is so expensive.' (H33, 223-232) 'I have tried to organise a meeting with CA directors, to do something considering a lack of flights from the major European cities. But they did not even respond to my request.' (H25, 472-474)
Education	- no cooperation between educational programmes and the needs of the practice - minimum wages	'Our society needs to invest much more in educational system. The main problem which I can notice is a lack of practical work for those studying for hospitality and tourism degree. And practical work in our business is of crucial importance. There are so many ways to do it, for instance the government can help us in financing those students, they would receive certain wage, get working experience and learn their job.' (H23, 251-260) 'The educational policy made a rule that for chefs and waiters minimum grades are required to enrol into the school. I understand that, but this has caused that the worst students, with horrible behaviour enrol into these programmes. Those schools became huge society's problem.' (H29, 155-161) 'People are underestimated in this sector, they have extremely low wages, actually the lowest among all other sectors. The main motivation for employees is salary and this is why everyone refuses to work in this sector. And everyone is talking about how we should forbid work on Sundays for the trade sector, but for everyone it is normal that café bars and restaurants are open.' (H10, 112-120)
Promotion	- lack of promotional strategies on the global level - dependency on German market	'People do not know about Croatia. I was in Hanover last year where we had a workshop and two young, very pretty girls (laugh) asked me (mimicking voice) 'where is Croatia?' Can you believe that? (H4, 592-595) We have to be more aggressive in our promotion, just look at Greece, they placed their jumbo posters all around our coast! OK, we had those posters on the London's buses, but that is not enough' (H4, 615-618) 'I've been to fairs, which are organised by the Croatian Chamber and was negatively surprised each time. Firstly, everything is like during socialism, no one is doing anything

		except spending tax payers money in restaurants. And we are still so focused on the German market, I do not know what needs to happen again that our policy realises that Germans are not the only people in this world.' (H15, 117-126)
Fiscal	- fiscal (VAT) and *parafiscal* charges	'None of my colleagues believes me that we are paying 22% VAT. And on top of that we have huge *parafiscal* charges, like communal impositions, for the Croatian waters, Croatian forests, heritage fee, I do not know the number. And just look at our competitors, for instance their VAT rate is around 7% and this places us in unfavourable position on the global market.' (H3, 350-356)
Centralisation	- centralised system - a huge number of the uncoordinated tourist boards	'When you want to categorise a hotel you need to go to capital for that! Can you believe?! As the system is centralised and they cover the whole country you have to wait for them for a couple of months to come! When I wanted to categorise my hotel I did not have any other option that to register my hotel as rooms to let because a season was coming and otherwise I would waste it. Is that an absurd? (H21, 239-246) 'Tourism, as an authority, is too..how I would say.. scattered! So you have the Ministry, then you have an office for tourism, than tourist boards. And tourist boards are a huge problem, their job is vague, the tourist tax which they collect goes God knows where. And every single place has its own tourist board which does nothing. Tourism as a system needs to be unitary.'(H9, 401-407) 'Never ever in my career, the local tourist board did not send me a single guest, recommend an agency, and that is one of their main tasks. And they receive so much money from the tourist tax and no one knows for what purposes they use that money.' (H2, 286-291)

Drawing from Table 6.13 it is possible to conclude that the overall impression of the small hotel proprietors is that national tourism policy is without clear vision and aims, centralised, contradictory, unsupportive and inappropriate for small hospitality businesses. One such example can be found within the accommodation policy, where proprietors' main concerns were related to unclear future orientation towards the small or large hotels. They argue that Croatia as a destination is not developed for large luxury hotels and support their statement with reference to the lack of basic infrastructure, attraction and an inappropriate, out of date transport system. The proprietors also perceive Croatian opportunity to focus on small hotels, as they can meet the needs of the 'new' tourists (3.4.3). Finally, proprietors strongly believe that Croatia and Splitsko-dalmatinska county specifically lack an educated and capable work force to meet the large hotels' demand. An interesting point is emphasized by the following proprietor:

> 'One more time all large hotels will fail, that is for sure. Firstly there is no demand for them, our tourists are looking for something unique, not factories. Large hotels also adopted a wrong strategy, they thought that they can survive selling their rooms for half price. For instance hotel L is maybe using around thirty percent of its capacities, and they are not paying salaries to their employees, it already started.' **(H4, 648-652)**

Considering the optimal number of hotels in the country, interviewed proprietors were split into two groups. The first group supported the president of the OMH and Ministry of Tourism which presented an idea of having between 1000 and 1500 small hotels before Croatia joins the EU. Their aim is to 'participate with fifty percent in the total hotel structure in Croatia' (an interview with the OMH president). The following proprietor summarised their arguments:

> 'If in Austria there are around 45 000 small hotels I do not see a reason why Croatia cannot have at least 60 000 small hotels. We are a brand, small hotels are a brand, and brand is not serious, does not have strength if there is only 500 hotels. And we are not lacking guests as some people are saying, we are actually still lacking accommodation capacities.' **(H8, 477-481)**

Another group criticised those projections as unreal and not based on any calculation. They consider that firstly basic infrastructure has to be upgraded, the season extended and that the estimated number of hotels needed has to be based on the carrying capacity and projected future demand. They also perceive that behind those statements lies specific interest and a wrong perception of the sector, presented by the following proprietor:

> 'Besides the overall aim, which is to improve the quality of accommodation capacities, the state has its own interest, and it goes like this: JZ opens a small hotel, employs 20 people, pays taxes, salaries, returns loan. They saw that lots of money goes into the state budget from us and now they think simply to multiply it. This wouldn't be a problem if anyone in the Ministry knows what is our

> carrying capacity..I mean we also can have a situation, if we do not extend the season that those hotels would work four months and the rest of the year stay empty. For us, for the sector and overall economy that would be a significant problem.' **(H25, 430-436)**

On the other hand, the booming development of holiday apartments for rental purposes lowers the quality of the overall accommodation supply. Namely, most of the private apartments are built without any licences and are operating illegally. Some of them even try to promote themselves as hotels to the tourists. As their construction was unplanned, most of the coast and natural resources have been destroyed. The proprietors are concerned because there is no system of control which would prevent this practice and stop the devastation of the coast and overall quality of the accommodation sector:

> 'Do not get me wrong, I am not against apartments or villas as long as they are built legally and they respect the restrictions in the environment. But I am against the current practice of the rich investors and construction companies which have destroyed our coast by building apartments in the protected coastal areas. It is tragic that our Minister is saying how they are fighting against the 'apartmentisation' of the coast, when 500 metres from me I have a huge illegal apartment, built on the beach and put the sign for a HOTEL! They are destroying my business and all other legal renters and no one is doing anything about it! **(H33, 311-317)**

The proprietors also expressed significant concern towards the fiscal policy, which is perceived to be created to take the most from the sector. Namely, proprietors' main concern is the VAT rate of twenty-two percent, which places them in an unfavourable position compared to their competitors, such as Greece and Italy. Recently, the government introduced the new, beneficial VAT rate on the provision of accommodation services of ten percent, but the proprietors consider that this is not enough of a reduction and that the state budget compensates this by imposing a whole range of parafiscal charges. Besides their vast range and high rates (Table 6.5), the proprietors consider that they are created just to contribute to the state budget and they do not have any developmental purposes, that is presented by the following view:

> 'I think that I have to pay around twenty-five parafiscal charges, like a charge to Croatian forest, a communal contribution, then a contribution for national heritage…honestly I do not know the number of them. I would not be against paying if the money collected is invested back. For instance, I am paying a huge communal contribution and I have to beg each time if someone is going to come and collect the bin.' **(H32, 197-201)**

Additionally, proprietors who have capacities to accept organised tours and those in island locations consider that the three fiscal measures imposed were one of the main reasons for the decline in overall tourism activity in last two years. Firstly, the government retracted subventions for the foreign tour operators which covered one part of the expenses if the tour operator organises an arranged number of charter flights. Secondly, for tourists who would come through organised tours the VAT rate was zero percent, where as for individual tourists it was twenty-two percent. The government also abolished this privileged VAT rate. Lastly, the government introduced the VAT rate of twenty-two percent for transfers, which were exempted previously from the VAT. The resultant effect on the business activity is presented by the following illustration:

> 'We are on the island which is horribly connected with Split and especially with other islands. For instance, I am ashamed to admit, but I have travelled across the world but I never visited Hvar island, which is a mile from Brac (laugh). Don't get me wrong, it's not that I didn't want to, but to organise that I have to lose a whole day. Being on the island, dependent on the agency guests who usually come in organised tours and where the transit plays crucial part in price calculation, you can imagine how recent government policies considering VAT for those activities affected us..I mean we are dependent on the organised tours and that really influenced negatively our business results. Our government has to finally define priorities, understand what's going on in our sector and bring appropriate measures which won't prevent us in our development. With the current approach, which can bring only short run benefits, the state is destroying the most important sector in the economy.' **(H11, 192-202)**

On the other hand, the proprietors detected problems with employees (Table 6.5) that seem to be a direct consequence of a poorly planned educational system. However, the influence of 'mentality' (6.4.2) and historical legacies (6.4.1) cannot be overlooked. The proprietors perceived significant problems in poorly developed educational programmes, which did not prepare employees for work in the industry but also significant is the wage policy, where minimal wages are lowest compared to all other sectors in the Croatian economy. On the other hand, the seasonal nature of tourism activities does not surprise, as the destination but also the whole country is faced with an underdeveloped infrastructure and infrequent transport links. The proprietors are trying through the Ministry of Tourism and the OMH to make an arrangement with the national airline company to introduce flights to the most important European cities during the winter but these attempts were not successful, which additionally points to a general lack of cooperation (6.4.3). The interviewed proprietors are not the only ones who have experienced negative consequences of this policy, but also large hotels, as is introduced by the following proprietor:

> ‘I was in one round table, where all hoteliers could be present. And the hotel L manager, who planned during the winter to focus on congress tourism as it has huge capacities and a great technology, that guy told us that he even thinks to close the hotel during the winter! A couple of arranged European congresses were cancelled when organisers realised that they have to travel a whole day and change couple of flights to reach Split from a European city. That is how a 400 rooms, 5* hotel is affected, can you believe how small hotels suffer from this.’ **(H17, 460-466)**

Looking back at the administrative barriers (6.5) it is not surprising that the overall tourist system in Croatia is centralised with a huge bureaucratic body. Most requests for permits and even hotel categorisation needs to be done through the offices in the capital city. This causes considerable delays when starting up a business. Some of the proprietors opted to operate illegally, otherwise they would miss the summer season. Additionally, tourism as an authority is comprised of numerous bodies and offices, which are reported as not effective and/ or of any use for the proprietors. All proprietors criticised the irrational number and passivity of Tourist boards and strongly believe that their practice is a legacy from socialism and in this way significant amounts of money are spent without a clear purpose.

6.12.2 Proprietors views on exclusion and exclusion from the tourism policy formulation (M; POTHS)

This theme has to be viewed against the backdrop of the proprietors' views on the outcomes and appropriateness of the specific measures and their expressed feeling of being manipulated by the state bodies.

Firstly, all interviewed proprietors shared the same opinion on the accomplished outcomes and appropriateness of the specific policies for the small hotel sector. Table 6.14 outlines government policies which are found to have positive effects on the business.

Table 6.14 Policy measures and accomplished outcomes

MEASURE	OUTCOMES	BENEFITS FOR THE PROPRIETORS
Incentive for success	- significant increase in the number of small hotels - an improved accommodation structure	- lower credit costs, but benefits reduced after the rise in the EURIBOR
An incentive for the solar cells	- planned outcome: raising awareness of renewable energy sources; to encourage hotels in 'going green' practice	- significant reduction in energy costs
An incentive for the Hazard Analysis and Critical Control Point (HACCP) system implementation	- planned outcome: to increase the quality of service provided	- an incentive highly used but benefit is not clear and it can even have negative effects

As it can be seen from Table 6.14 the interviewed proprietors emphasized only two public policy measures which have positive effects on their business. One of these is the Incentive for Success which lowers their credit costs. However, since 2009 this benefit is not that obvious, as the interest rate rose considerably (6.5.1). For the overall country, this incentive proved as successful, and resulted in the significant increase of good quality small hotels (MT, 2006). Secondly, the proprietors supported the second incentive, currently in the stage of planning, which encourages the introduction of solar cells and the costs of the implementation are in one part covered. This would significantly reduce their energy costs and all of the proprietors stated that they will use that incentive, suggested by the following proprietor:

> 'Despite the fact that we use gas to heat the water and the pool, our electricity bill for the main season period is around 5 000 GBP, which is a huge amount. We are already analysing the offers from the companies to install the solar cells and are trying to speed up the whole process, as our electricity costs will drop considerably. And we can, for instance, invest that money into marketing.' **(H7, 248-252)**

Another successful measure, but without a clear benefits for the proprietors is the incentive for the implementation of the HACCP system. The public policy expects that this management system will increase the quality of service provided in the hotels. On the contrary, the proprietors cannot see the benefits of this system but decide to implement it as it was fifty percent cheaper with the subvention. They consider that they will probably need it in the EU and want to be ready. Interestingly, the proprietors also express their dissatisfaction with the current legislation which makes the introduction of the HACCP compulsory for all hotels, as they believe that public policy cannot treat all hotels as similar and has to make a distinction between small and large ones. Furthermore, they did not see the point of this legislation, because food suppliers are not targeted, this makes the HACCP almost irrelevant for hoteliers, as they do not have any assurance that the food supplied was properly handled. Presented views are best exemplified by the following proprietors:

> 'I was planning to introduce the HACCP, to use as a favourable incentive, but now I do not have choice, I have to. I have no idea who was that smart to bring that decision without considering all the differences between large and small hotels! Our main problem will be employees. Lots of small hotels do not have constant employees and employ new ones each season. Also, we do not have excess number of them, simply as we cannot afford them. And how they can make the HACCP compulsory for us and also large hotels who have more or less constant employees and their overall system can support it but also benefit from it!' **(H13, 316-323)**

> 'When I worked in a Germany, I owned a restaurant, I knew about HACCP and I introduced it immediately when I started a hotel. I did it because I knew we will have to, as right now we are adjusting our legislation and directives according to the EU standards. But I think it does not have… actually we cannot benefit from it as we do not know what our suppliers are doing with the food before they deliver it to us. And I think it was really, if I can say (laugh) stupid to make it compulsory, as lots of small hotels, especially heritage hotels do not have a physical space for it. For instance, how can they organise separate preparation of

> fish and food, or separate cleaning of the white and dark dishes when constrained with the space and cannot expand, as they are in old protected buildings by the Ministry of Culture?' **(H17, 220-230)**

The interview with the official in the Ministry of Tourism, responsible for this measure revealed another problem. He stated that positive employees' attitudes towards the introduction of the HACCP is the key factor of success. They cannot view it as something imposed, unnecessary or like additional job which does not fall into their job description (**I 4**). Looking back at the working habits and identified problems with employees, it seems that it will be extremely difficult to achieve this condition.

The data show that the proprietors highly value and use those incentives and measures which are specifically targeted for small hotels. But their number is not significant and proprietors feel that tourist organisations (like the OMH or Tourists Boards) and public policy bodies show a lack of appreciation and understanding of the nature of small hospitality businesses. Thus, the proprietors feel excluded from policy formulations and it is not surprising that all of them feel manipulated by national policy, as lots of planned actions are not realised:

> 'I got a favourable loan, as invested on the island and also being a female entrepreneur. The overall climate in the country was really positive and encouraging, we have been listening about the importance of entrepreneurship, tourism sector..and they gave us optimism, they carried us away TOO MUCH. And I am an optimist by my nature and I strongly believed in their promises (sighs). I firstly believe in myself, but also in their promises. But that was a false promise from our Ministry, overall state… I would never go back, I want to do this job, but it was wrong they lied to us. And I think we are not looking for too much, just basic things, like for instance that we can get a credit requested, that they improve infrastructure and ferry lines to the island, that we have a regular water supply during the summer.' **(H16, 231-240)**

Returning migrants feel especially manipulated and consider that the overall national policy was spreading false statements about conditions for entrepreneurship, so they can attract foreign capital. This view is presented by the following illustration:

> 'I am really mad and disappointed. It is easy to say (mimicking voice) 'we are aiming to build thousands of small hotels' but no one talks about the problems

which hoteliers have and how we are left alone and I have a feeling that everyone is fooling with us you know, no one is taking us seriously…like (mimicking voice) 'entrepreneurs, we can easily fool with them, what do they know'..The government packed very nicely everything and presented that to us who lived in diaspora at that time. They created an ideal picture of Croatia and we believed in that. Since we came and invested our money they left us alone.' **(H8, 394-492)**

To conclude, the proprietors consider the state's 'grabbing hand' and perception of the sector as money generator as the main cause of most problems revealed. This is reflected by the following statement:

'The tourism sector is still perceived by state authorities and politicians as a miracle to cover trade deficit. From their point of view this is the perfect situation because this is the only sector in the economy which brings money and on the other hand they invest almost nothing in it. I understand that the state will take from those who bring the most, but what is happening here is a pure robbery. With this perception we can stop dreaming that it will become better (sighs)' **(H2, 321-327)**

7.CHAPTER SEVEN: BEYOND THE DATA

> *'The conduct of qualitative inquiry is always firmly based on empirical research… Nevertheless, good research is not generated by rigorous data analysis alone. It does not stop at the coding and retrieval of data fragments, nor is exhausted by the formal analysis…The whole point… is to [develop] ways of thinking with the data. That means 'going beyond' the data to develop ideas.'(Coffey and Atkinson, 1996, p.139)*

7.1. Introduction

This final chapter concludes the thesis by consolidating the main theoretical concepts (Chapter 2 and Chapter 3) and methodological orientation (Chapter 4) with the findings presented in Chapter 6. The main purpose of this chapter is to elaborate upon the concepts and issues raised through the findings. Therefore, this chapter aims to give meaning to the study's results.

The chapter is structured as follows. Reflection on the achieved researched objectives and a summary of the key theoretical findings is presented in section 7.2. As an overall structure it uses the meta codes framework (6.3) in order to facilitate the analysis of the major findings in relation to the literature reviewed. This approach highlights the similarities and differences between this study and previous similar studies and, therefore, demonstrates how the current findings contribute to an existing body of knowledge. Section 7.3 discusses the limitations of this study and recommendations for further research. Practical and policy implications are outlined in section 7.4. Section 7.5 concludes the thesis by outlining the contribution to knowledge this research has made.

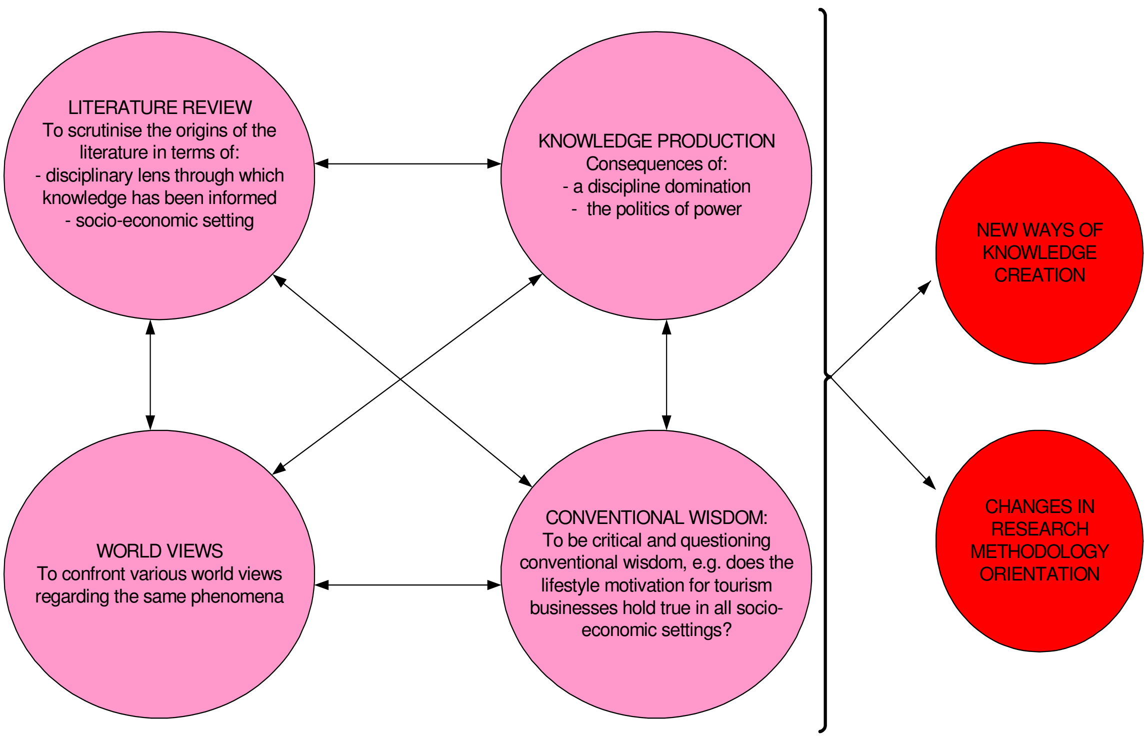
7.2 Research findings and theoretical implications

The aims and the objectives of this research were addressed through the interpretive and critical approach to the research and thematic analysis of the qualitative data. This approach allowed synergy to occur between the methods employed and the issues explored, and helped these issues to be addressed in a more holistic way. A brief account of achieved research objectives will be presented here, in order to clarify outlined theoretical implications (sections 7.2.1-7.2.10) and contributions (7.5).

The first objective aims to explore the origins of the entrepreneurship and tourism entrepreneurship literature in terms of disciplinary lenses and socio-economic setting through which the knowledge has been predominantly created. In order to achieve this objective the literature review is firstly presented in two chapters (Chapter 2 and Chapter 3), which represents different world views on tourism and entrepreneurship from the perspective of developed and former socialist economies. Secondly, these world views are confronted and conventional wisdom is questioned (such as the issue of entry motives into the tourism business or preferences towards growth), what corresponds to *the second research objective*. This analysis outlines two important results. Firstly, entrepreneurship and tourism entrepreneurship knowledge is mainly influenced by the Western economies discourse and business and economics. Secondly, Western developed theories and concepts (such as the 'lifestyle entrepreneur' or 'entrepreneurial networks') cannot be simply applied to other settings because this approach, by overlooking social, political, cultural and economic context where entrepreneurs operate hinders the possibilities of theory building. Therefore, this study understands entrepreneurship as socially embedded phenomena and acknowledges the influences of cultural, institutional and societal factors in shaping tourism entrepreneurs. To analyse such influences this study adopts qualitative methodology which enables investigation of the research subjects in their natural settings (Miles and Huberman, 1994). Also, the researcher's position, as 'insider participant' (4.2.4) enables to unpack the complexities when analysing data of social, political and economical nature which underpin entrepreneurship and tourism development (*third research objective).*

The consequences of a discipline domination (business and economics) and particular world views (western developed economies) on understanding both phenomena is outlined in section 4.3.2, which corresponds to *the fourth research objective*. Analysis showed that predominance of a specific discipline, methodology and ideology in knowledge creation produces only technical knowledge, which does not contribute to the theory development. Finally, the sections 4.2.3 and 4.2.4 outline how adopted research position influenced the selection of the research methodology and researcher's self-awareness respectively (*fifth research objective*). Figure 7.1 presents the interconnections of the outlined research objectives and consequent reflection on the research contributions, which will be elaborated in section 7.5.

Figure 7.1 The interconnection between research objectives and research approach



7.2.1 Environment for entrepreneurship and position of entrepreneurs

The findings discussed in section 6.4 demonstrate that the proprietors operate in an extremely unfavourable environment for entrepreneurship where historical legacies and the Croatian population's mentality make their position even harder. It was found that a legacy of being a socialist state for 45 years significantly affects a population's attitude towards private initiative, working habits and the tourism and hospitality sector, which is still perceived as one where knowledge or experience is not of significant importance. However, the war, transition and privatisation process only made things worse and have left considerable consequences for entrepreneurial activity even now. The most significant of these consequences is the treatment of ownership which is not recognised in its full right (property rights) and a negative attitude towards entrepreneurs. This highly contrasts with the studies conducted in Western developed economies which always associate entrepreneurs with positive behaviours, for example as being innovators or agents of economic change (2.2). Although the Western economies' public policy programme did not always focus on small businesses, for example, during the 1960s in the UK where the emphasis was on large firms (Curran and Blackburn, 1991; Blackburn and Smallbone, 2008), entrepreneurship as such and ownership of privately owned enterprises was never forbidden and entrepreneurs were not marginalised in the society, as was the case in most of the former socialist economies (3.2.1 and 3.2.2).

It has been revealed that the Croatian population's passivity and their attitude towards work are a serious constraint for proprietors. Considering the former, the striking finding was the mind-set towards private initiative, which is perceived as not rational. On the other hand, the Croatian population is suspicious of any change (6.4.2), that negatively affects proprietors' businesses and overall development. Findings related to the lazy working habits of hotel employees were not unexpected, as these attributes are associated with the traditional lifestyle of Dalmatians and were also supported during socialism which offered privileges and high security to the workers in this industry (3.2.1). This is in congruence with Ateljevic and Doorne's (2003) findings regarding tourism entrepreneurship in the village of Murter, Croatia.

It is important to add here that even today, employment protection in Croatia is extremely high, which can further discourage people towards private initiative. Also, Croatian legislation provides high social security arrangements in the case of, for instance, illness or becoming unemployed, that can negatively affect overall supply of entrepreneurship (Hartog et al., 2010; Hessels et al., 2007; Wennekers et al., 2002) but also the supply of ambitious entrepreneurs (Hessels et al., 2008). However, the proprietors' negative attitude regarding Bosnians as potential employees in the sector is also evidenced in Causevic's study (2008) where the hostility towards foreign investors was noted in most of the transition economies (Glas, 1998).

All former socialist countries went through a long, complex and difficult transition process (3.2.2). Twenty years later, Croatian entrepreneurs are still faced with obstacles typical of the beginning of the transition, that of lack of cooperation among entrepreneurs, importance of connections within the industry, and lack of formal support by the government (6.4.3). A lack of cooperation among entrepreneurs can also be found within Western developed economies (2.3.6.5), but the identified reasons are unique for a transition context (Table 6.1). On the other hand, connections present a set of cultural practice developed during socialism and under the pressure of transition process into favour-exchange practice. The 'system' of connection is so strong that even some basic activities when starting up a business cannot be done without them and significant administrative barriers further encourage this practice (see examples in 6.4.3). This is akin to the findings of private networks like Chinese *Guanxi* discussed in section 3.3.5.1. Therefore, it is evident that entrepreneurs will develop personal connections to compensate for an underdeveloped framework for entrepreneurship. However, Croatian connections refer more to the Russian *blat*, which evolved into corruption (Hsu, 2005). Adding to this population's negative attitude towards private initiative and entrepreneurs (Table 6.1 and 6.2), it is evident that the legitimacy of entrepreneurship in Croatia is still not fully achieved. Therefore, the GEM results are not surprising (Table 3.4) which show that among all analysed countries Croatia has the lowest TEA opportunity index (Figure 3.2). The work of Hofstede (2001) supports such cultural specificity with a framework which consists of four cultural dimensions (Table 2.1). The findings indicate that: the power distance is significantly high; collectivism is preferred over individualism; masculinity values are dominant; and the level of uncertainty avoidance is extremely high. These cultural characteristics are found to dominate in the majority of transition economies (3.2.2.3). Therefore, it is apparent that entrepreneurial behaviour is linked to a specific social structure and the historical background of an overall setting. For instance, the high acceptance of power distance, collectivist mindset or high degree of uncertainty avoidance represent the socialist legacy, is a powerful factor in the social development of the entrepreneurs.

The findings from the proprietor interviews yield an altogether more complex picture, which is revealed by their views and self-definitions as entrepreneurs. As shown in section 2.2, the concept of an entrepreneur is complex issue and subject to widespread debate. Various characteristics have been extrapolated from the literature that highlight the most dominant entrepreneurial attributes. Whether such traits, relevant to the proprietor as the focus of this study, are evidenced by research findings is summarised in Table 7.1.

Table 7.1 Entrepreneurial characteristics evidenced by research findings

IDENTIFIED ATTRIBUTES/GOALS FROM THE LITERATURE	EVIDENCED BY RESEARCH FINDINGS	ADDITIONAL ATTRIBUTES EVIDENCED BY RESEARCH FINDINGS
Judgement	Strongly evident	Craziness
Risk	Evident	Brave, Proactive
Uncertainty	Strongly evident	Defiance
Instinct	Strongly evident	Hard working
Alertness to profit	Strongly evident	Gumption
Innovative practice	Evident	Persistence
Desire for growth	Strongly evident	Confidence

It is evident from Table 7.1 that the proprietors value some ‘universal’ characteristics immanent for entrepreneurs, but the findings also revealed additional ones which are not supported in the literature. The proprietors consider that without them their survival and success would not be achieved and thus view them as the most important entrepreneurial attributes. Those distinctive features also reflect the unstable and hostile nature of the external environment. Specific entrepreneurial types as identified by Dallago (1997) could not be found in the sample, except by returning migrants. The study's findings contradict most of the studies of tourism and hospitality entrepreneurship discussed in section 2.3 which argues that entrepreneurs operating in the sector can be termed as 'non-entrepreneurs' (Shaw and Williams, 1998, p.251), 'lifestyle entrepreneurs' (Morrison et al., 1999; Williams et al, 1989) or even 'laggards' (Ioannides and Petersen, 2003). The findings for this study clearly show that the proprietors can be termed as more proactive and business oriented rather than laggards and lifestyle motivated, which is further discussed in section 7.2.3.

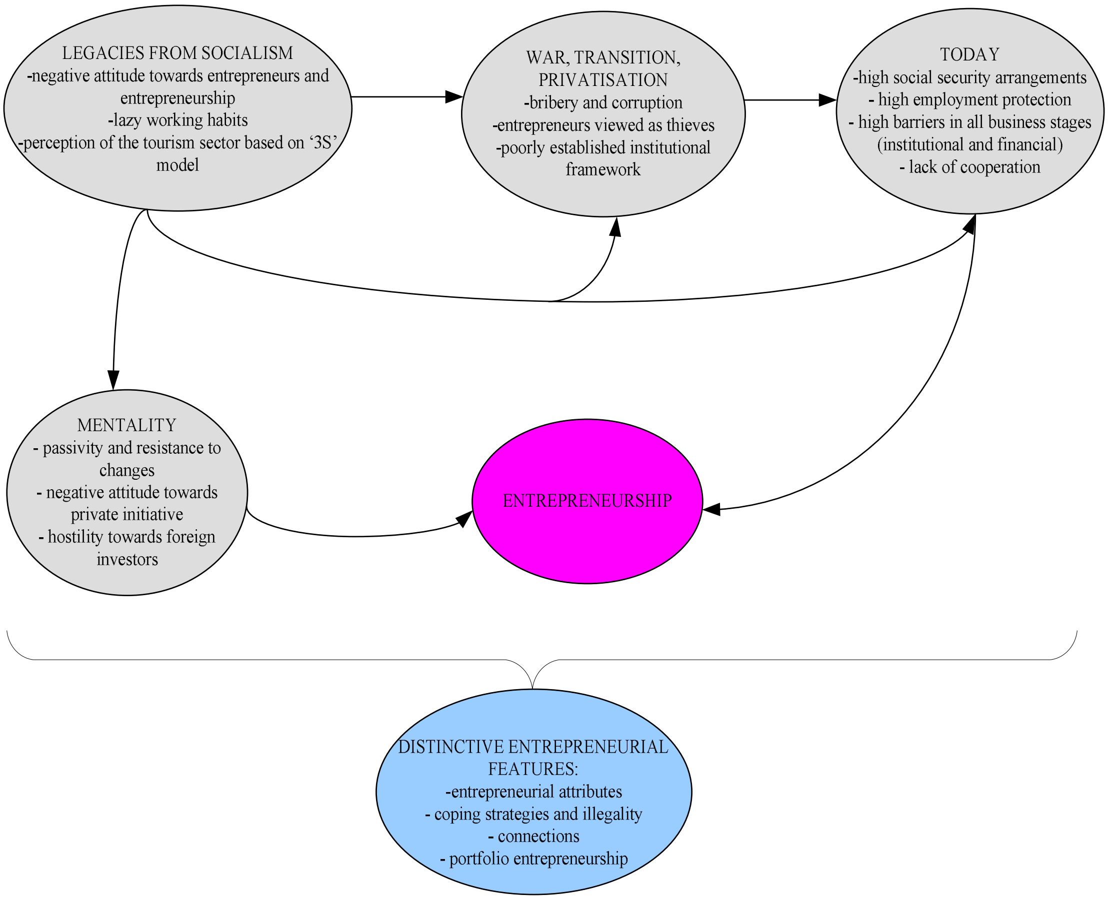
7.2.2 Barriers

To facilitate analysis of the data, barriers are analysed in terms of start up barriers (6.5.1) and barriers in everyday business operation (6.5.2). It is important to clarify here that start-up barriers refer to those encountered when starting up specific venture, in this case investment into small hotels, not the regulations when establishing a company (for details on this see Djankov et al., 2002). Although Croatian entrepreneurs are also faced with those, in recent years the time to start-up a company has reduced to one-and-a-half days down from a month where the total costs are 550 EUR, which is around the EU average (EC, 2010). The findings for this study relating to *start-up barriers* show that only twelve proprietors did not have any, mostly because they had strong connections. Therefore, this evidence does not fit in with the literature which examines the issue of low entry barriers inherent in the tourism and hospitality sector (see for example, Dewhurst and Horobin, 1998; Morrison et al., 2001; Morrison and Teixeira, 2004; Shaw and Williams, 1990). A larger proportion (twenty-one proprietors) had experienced start-up barriers which can be summarised under two broad headings of 'institutional' and 'financial'. The current findings show that Croatia still has not provided the two core institutions for encouraging entrepreneurship, which are well defined property rights and the rule of law. Therefore, the importance of connections and high rates of bribery and corruption are a direct consequence of a weak institutional framework and entrepreneurial activity is rooted in a set of institutions that influence motivation and uncertainty. These findings are supported by numerous studies conducted within transition countries (3.2.2.2). Hartog et al.’s (2010) finding that a better rule of law can lower entrepreneurship has to be taken with caution. As a possible explanation they consider the fact that ‘in developed economies the benefits of the rule of law accrue primarily to large enterprises’ (ibid.,p.3). As the majority of the transition economies lost large enterprises when communism collapsed and in a poorly coordinated privatisation process, and today SMEs dominate the industry structure, (3.2.2.2) it can be argued that generalisation of this finding would be extremely problematic to developing or transition economies.

The current findings confirm that an underdeveloped financial market and the Croatian banks’ hostile approach towards entrepreneurs present significant obstacles to start-up. However, this is not in congruence with findings from the transition economies literature, which is controversial on this issue. Some studies show that access to finance is not that crucial for the start-up phase, but rather is more significant for the growth, such as, Johnson, et al., (1999) suggest. Their study, conducted at the beginning of the transition process, was time-specific on numerous issues (3.2.2.2) and so it can be argued that their findings cannot be applicable in today’s environment. Considering the proprietors’ sources of funding, it is evident that the majority combined private sources of funding, in most of the cases money earned in other business ventures, with a bank loan (twenty-two). Eleven proprietors financed overall investment with their own money. These findings challenge the traditional view that owners of small tourism and hospitality firms, and SMEs in general, are debt averse (Table 2.5).

It has been shown that entrepreneurs have overcome the various barriers mentioned by adopting strategies that have allowed them to bypass inefficient institutions or even create their own. For instance, the practice of making connections clearly represents an attempt to create a more efficient institutional environment and suppress huge administrative and bureaucratic barriers. Trade credit (6.5.1), however, is a replacement for a short-term bank loan and illegal activity is sometimes felt to be the only way to do business (3.4.2). It can even be argued that by huge dispersions of the sectors were proprietors operate another businesses is a buffer against volatility of the transition markets (Estrin et al., 2006) or a strategy to obtain money (Smallbone and Welter, 2001), that will be challenged in section 7.2.3. Overall, the current findings clearly support those of Granovetter (1985) who analysed entrepreneurs' embeddedness in their environment, where their action is to a large degree an outcome of social interactions. Using Figure 3.1 as a template, the elaborated influences on entrepreneurial development with emergent entrepreneurial features are presented in Figure 7.2.

Figure 7.2 Identified influences on entrepreneurial development



Furthermore, the proprietors for this study reported a range of *barriers in everyday business operations*. A key finding was that proprietors perceived *hotel size* as one of the main barriers (Table 6.4), which is in high contrast to the studies of tourism and hospitality entrepreneurship (2.3.4). However, Medlik and Ingram (2000) work from a rational economic mind-set and emphasise the problems of smallness in a similar manner to proprietors. This gives further evidence of proprietors' business orientation (Figure 7.3). Two additional findings also give strong support to proprietors' business orientation. The first is their long term planning, which is focused towards the effects of the Croatian accession to the EU and the awareness of the importance of cooperation with other sectors, to strengthen their position in the national and global market. Secondly, proprietors' economic mindset is further supported with the reference to 'a bus of tourists', meaning that proprietors aim to achieve both economies of scale and higher profitability. Although this reference represents a legacy from the socialist period, it clearly illustrates strong profit orientation.

However, proprietors experience a wide range of *barriers which arise from the overall environment* in everyday business activities (Table 6.5). It was found that administrative barriers, lack of capital and a price of capital (high interest rates) significantly constrain proprietors' future plans and growth strategies. Their intention to grow is even more impressive when the environment where they operate is taken into account. Namely, tourism destinations do not provide the basic infrastructure which is a main precondition for tourism development. The proprietors are burdened with high impositions, which can discourage entry by entrepreneurs (2.3.1.2), and they also lack advisory support or business infrastructure (3.2.2.2). Overall, proprietors' intention and market opportunity to grow is jeopardised by external factors, not by proprietors themselves. Those findings are in congruence with literature on growth barriers within developed (2.3.4) and transition (3.3.3) economies. This study contributes to the understanding of growth barriers in CEE economies, where the literature does not have a clear idea whether small business owners do not aspire to grow or they are actually constrained by barriers. Therefore, this study's role has shifted from making predictions to an understanding (Doern,

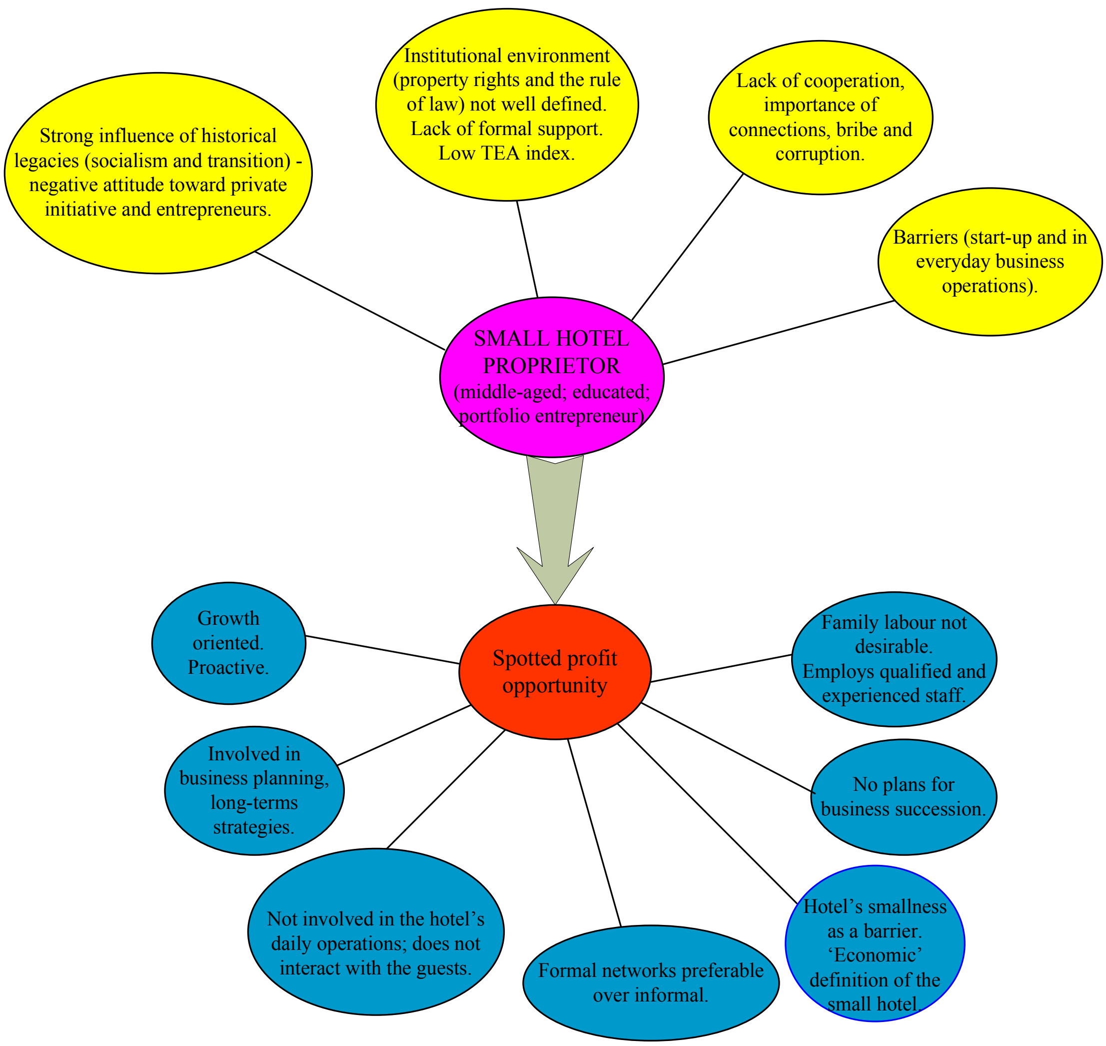
2009) of the proprietors' intention to grow and actual growth strategies (Table 6.7). Probing further during the interviews with the proprietors' identified barriers, the findings did not generate only a list of 'general' (ibid.) barriers like financial factors, but went deeper to be even more specific. For instance, the lack of capital does not refer to actual lack of capital in the economy, but to unavailability of capital specifically to small business proprietors as well as unfavourable conditions (such as short grace period or impossibility to get required amount). The literature examining growth intentions and strategies of small tourism and hospitality businesses agree that most of the firms are small, owner-operated and lifestyle oriented (2.3.3 and 2.3.5). Therefore, the majority of those firms do not grow. The results obtained in this study highly contrast to these findings, which will be further elaborated in section 7.2.3.

7.2.3 Life history and business orientation

The mature economies literature holds a view that the majority of small tourism and hospitality entrepreneurs have limited formal education and management skills to run a business (2.3.5). Additionally, entrepreneurs favour the tourism and hospitality sector as it does not require special knowledge or skills to be successful. Findings from this study are in contrast to the Western literature as they show that almost all proprietors (thirty-one) had previous business ownership experience and university education (6.6.1). The transition economies literature reports a high educational level of entrepreneurs, which is a consequence of economic restructuring (see 3.3.4). In one way this can be applicable to the research context, as there are proprietors who have previously worked in state-owned companies, but there is also a group of young proprietors who did not experience transition changes in this context. The proprietors were aware of the lack of specific knowledge and experience, but they did not consider it as a constraint when deciding to start up a hotel business. Most of them perceived it as a job which can be learned, or a small proportion of them (six proprietors) employed a paid manager. All proprietors view general experience of owning a small business in other sectors as beneficial in terms of providing basic skills. It is important to add that the majority of properties are portfolio entrepreneurs, owning other businesses outside of the tourism and hospitality sector, thus hotel business is not the only source of income.

A powerful finding which additionally confirms proprietors' business orientation is their entry motives. Almost all proprietors (twenty-nine) involved in the study reported that their decision to open a small hotel was exclusively based on an identified opportunity and a desire to earn a profit (Table 6.6). Even those proprietors who had experience in the sector stated that this has not influenced their decision, but that the idea came naturally. Therefore, proprietors show clear evidence of opportunity and profit alertness (Table 7.1). The identified opportunity was perceived in favourable market trends, where some proprietors by investment into a hotel saw an opportunity to diversify their existing business portfolio, therefore, they diversified the risk. They all consider this behaviour as '*normal*' and '*that every 'real' entrepreneur would do it*'. Hence, it can be argued that the hotel business does not represent a buffer against the volatility of the transition markets nor portfolio entrepreneurship is a consequence of greater risk (7.2.2). In comparison with the overall Croatian profile, where entrepreneurs base their decision to enter into entrepreneurship on necessity rather than opportunity (Table 3.4), this finding is in stark contrast. Another powerful finding is that only one proprietor revealed a purely lifestyle entry motive. This is in contrast to the overall literature on tourism and hospitality entrepreneurship which argues that small business owners are driven by personal and lifestyle considerations, rather than business entry motives (Table 2.4). It is opposed to the dominant 'lifestyle' concept in Western economies literature but due to the philosophical and methodological (Chapter 4) nature of this study it does not claim the generalisability of the findings. However, it does claim the contextual embeddedness of the concept which in this case intervene dimensions of the historical legacies, institutional framework, overall enterprise culture, position of the entrepreneurs and their consequent orientation (Figure 7.3). From Figure 7.3 it is clear that entrepreneurs simply cannot use business as a means to acquire an overall 'way of life', where the nature of hotel investment (Table 6.11) also can hardly allow entrepreneurs to concentrate on lifestyle motives at the expense of profit goals. The implication of this finding in the context of the initial research assumptions is that failure to recognise such heterogeneity of enterprises within the sector is likely to result in misleading results and unsuccessful policy initiatives. From the outset, it is clear that researchers have to be careful when interpreting the lifestyle concept as it is complex, socially constructed, dependent on person, economic conditions and embedded in cultural-value system.

Figure 7.3 The connection between the examined setting, profit entry motives and consequent business orientation/action



Rejection of the lifestyle concept has distinct effects on entrepreneurial behaviour (Figure 7.3) which will be further discussed within the following meta codes. A key finding about the future goals is proprietors' desire towards growth. All but five proprietors reported that they had already undertaken actions which will facilitate growth (Table 6.7) and the majority of growth strategies, particularly the expansion of capacities were undertaken in the early stages of hotels' operations. Therefore, the findings of this research do not support those of, for example, Curran et al., (1986), Goffee and Scase (1985) and Reid et al., (1999) who found that the owners of small businesses in general are not necessarily motivated by growth and in fact many deliberately avoid it. Studies which analyse growth orientation within the tourism and hospitality sector also confirm that a vast majority of small firms do not aspire to grow and are often motivated by non-financial factors (Getz and Petersen, 2005; Morrison et al., 2003; Thomas, 2000).

Storey's (1994) proposition on small firm growth (2.3.4) can be taken as partial explanation for this, as the majority of the proprietors did grow within the first five years (6.6.2). However, their intention to grow was not exclusively based on the MES, but also on the strategy of profit maximisation. In this study proprietors consider that it is nothing unusual if they conduct growth strategies, as this is 'normal' if you are a true entrepreneur (see examples in 6.6.2). Therefore, it is not surprising that the majority of the proprietors expect from the business higher profit and sustained growth that further strengthens the dominance of business rather than lifestyle goals. Or put it more simply, proprietors' business success is not measured 'in terms of a continuing ability to perpetuate their chosen lifestyle' (Dewhurst and Horobin, 1998, p.30). This orientation was found to remain dominant through the lifecycle of the business and the findings have shown no evidence of a shift of this nature through the business lifecycle, contrary to Carson et al.'s (1995) argument (2.3.4).

Additional findings which support the proprietors' orientation are those of business inheritance and ownership. None of the businesses in this study were inherited and none of the proprietors had family succession plans. Even more, some of the proprietors stated that they would sell the business if they received 'an immoral offer' and all proprietors strongly objected to the idea of family employment. This raises important questions of approaches to and definitions of such businesses, which will be discussed in section 7.2.8

7.2.4 Business links

The findings discussed in Section 6.7 show that the proprietors are involved in informal business-based networks and the formal associations. It was identified that the minority of the proprietors establish *informal business networks* with other small hotels and other small businesses (6.7.1). Network ties are weak, activities are voluntary, occasional and not bounded, as the network bond is not based on a contract, but on mutual trust (Figure 6.1). The findings show that these informal networks are seen as a possibility to overcome identified barriers which arise out of hotel smallness (Table 6.4), thus, as a means to an end. However, the utilisation of the networks did not differ considering the business lifecycle (Birley et al., 1991) although the proprietors stated that they would be engaged with support agencies to a higher extent during the start-up stage, but they did not as the overall business infrastructure is weak (3.2.2.2). This supports the GEM (2006) population surveys which reveals that on the national level entrepreneurs in Croatia favour networks at the start up stage rather than in young or discovery business stage. The Western economies literature is divided on this issue, as one stream argues that SMEs in general develop strong 'entrepreneurial networks' and the other argues that culture moderates the importance of social networking and it will vary considerably (2.3.6.5). The findings support the former stream as, besides that proprietors are not keen to develop informal networks, it is clear that entrepreneurial networking presents cultural dependent behaviour. By emphasizing the social embeddedness of economic activities and looking back at the identified reasons for a lack of cooperation among entrepreneurs (Table 6.1), it is apparent that they are historically-, culturally- and context-grounded. For instance, in former Yugoslav countries there is a strong degree of individualist reaction to cooperation between cooperating entrepreneurs, as this is seen as a legacy of the former planned economy (O'Rourke, 2009). It is important to add here that this study does not focus on and does not imply that network activities will differ within different settings (Greve and Salaff, 2003), but it gives evidence that attitudes and preferences towards networking can be culturally bounded.

It was found that the majority of the proprietors are involved in *formal business organisations* (twenty-three), which are sector specific, thus none of the proprietors referred to general small business associations. The majority of them are members of the OMH (Table 6.8). Two similarities between informal and formal networks are identified. Firstly, formal networks were also viewed as a means to an end, namely that of increasing business success. Secondly, the stage in the business lifecycle was not a significant factor when determining to choose membership. However, the reasons for joining (6.7.2) and accomplished benefits (Table 6.9) are more specific and broader in their scope. The proprietors' identification of the accomplished benefits and their impossibility to recognise how they affect their business results has to be analysed in terms of identified reasons for a lack of cooperation (Table 6.1) and proprietors' profit orientation (7.2.3). Considering the former, the proprietors cannot recognise economic interests of cooperation, as society's perception is that these associations serve only to achieve specific political interests. This is emphasized for the OMH particularly, as all interviewed proprietors perceive the OMH as a private organisation which serves only specific private interests. Secondly, the proprietors are lead by purely economic interests and can recognise economic benefits only if they are directly measurable in terms of rise in revenues and profit. Therefore, benefits achieved, which cannot be directly expressed in terms of money generated or costs reduced (for instance, brand creation), are not valued as such by the proprietors. This is not in congruence with the literature, as the majority of the studies report that tourism and hospitality entrepreneurs avoid formal organisations (2.3.6.5). Also, the Western economies literature's view that formal associations can threaten proprietors' autonomy and business control (Curran and Storey, 1993) does not apply to this study, although the proprietors expressed mistrust towards formal structures which follow a top-down approach and are seen as not being transparent.

7.2.5 Views on business and business operations

The proprietors refer to this theme from two aspects. Firstly, they view hotel business as complex, inflexible and demanding, involving long working hours. The level of flexibility varied upon personal choice and on the maturity of the business, with highest flexibility where the length of ownership was longest. Inflexibility was a dominant feature for those proprietors who are in the early stages of business start up. The second aspect refered to the nature of the investment in a hotel, which is marked by the long return on investment, high level of the investment and costs, and high dependence on geopolitical movements (Table 6.11). All proprietors used those attributes to stress their profit orientation, as the money earned can only compensate invested resources and efforts. Quite a remarkable finding for the tourism and hospitality literature point of view is the utilisation of the winter times to establish business contacts and not as the time to relax, as is reported in the majority of other studies such as Getz and Carlsen (2000) and Morrison et al. (2001).

Proprietors' management strategies present a significant finding as they challenge the common view that the majority of tourism and hospitality entrepreneurs are positioned towards point A on the Dewhurst and Horobin's (1998) model of owner-manager orientations (see Figure 2.2). Exposing commercially-oriented goals and commercially-oriented strategies for success, the proprietors clearly positioned themselves toward more uncommon point B in Figure 2.2. The proprietors engaged with various marketing techniques and they diversified potential tourism markets. Although their promotional strategies were not planned and coordinated, they did not rely on world of mouth and repeat custom as the main methods of promoting public awareness of their business (Di Domenico, 2003) and have shown evidence of creative promotional activities (see Table 6.12). Those proprietors who did not use any were specialised in a specific niche market segment or were in the specific, well-known tourist location and exploited their favourable market position. Furthermore, proprietors gave considerable attention to the quality of the service provided. Their extensive usage of short questionnaires to monitor guests' opinions is not common for small hotels and also reported extensive use of IT, where the majority of the hotels have reservation systems. These findings are distinct in that they do not support the literature which argues that 'proprietors of tourism SMEs and micro businesses tend to fear that they will loose control if they were to adopt e-commerce solutions and are hence resistant to change' (Braun, 2003, p.12), or that they do not innovate (Ioannides and Petersen, 2003; Morrison and Conway, 2007).

In contrast to other studies, the proprietors, on average, employ between nine and nineteen full time employees (2.3.6.2) and consider that the employees are one of the key factors to success in a hotel business. A striking finding is the proprietors' rejection of family employment where proprietors seek educated and qualified employees, but are constrained with the lack of adequate supply (6.8.2). Although this can be viewed as a consequence of a socialist period in one part (6.4.3), it is also identified as a 'vexed issue' (Robinson et al., 2010) in the developed world. Another distinct finding from the small business literature viewpoint is that all proprietors reported the existence of business plans and were evaluating the viability of their decisions in a long-term (2.3.6.4). This was made evident by careful examination of the current and projected future market trends and consequent decision on niche markets in terms of hotel grading. The proprietors' orientation and employed management strategies also reject Szivas's (2001) proposition that tourism and hospitality entrepreneurs can negatively impact on the quality of the tourism product, which has to be viewed in the context of her study, which portrayed tourism entrepreneurs as 'amateurs' (2.3.6.2).

7.2.6 Presentation of self and views on position within the industry and society

The findings disclosed proprietors' views of their self-identity in relation to their associations with society and friends and state institutions and organisations. Those views are examined in terms of the marginalised voices. It was found that the proprietors identified marginalisation with respect to: the entrepreneur's status within society; friends who questioned the rationality of their decision to be an entrepreneur; and external bodies and institutions which were not in tune with the requirements of their businesses, such as the OMH and Tourist Boards. They expressed sentiments of a lack of understanding, appreciation and ignorance by state authorities and feelings of exclusion from tourism policy formulation (Thomas and Thomas, 2006). Therefore, it is not surprising that the majority of the proprietors feel manipulated by national policy, as on the one hand lots of planned and promised actions were not realised, whereas on the other the government was spreading false statements about general conditions for entrepreneurship. Nevertheless, the proprietors do not want to be controlled by external authoritarian structures, which corresponds with the findings provided by Jennings et al., (1994) and Morrison et al., (1999). Proprietors also feel that institutions in general are only proclaiming their orientation towards entrepreneurship and small business, but are actually doing nothing and preventing their further development by imposing difficult administrative and financial requirements.

7.2.7 Views on guests' needs and host-guest interactions

The findings provide evidence that boundaries do exist between a host and a guest, and are enforced by the hotel proprietors. The level of interaction is clearly connected with their profit orientation. Namely, the majority of the proprietors who are profit-oriented do not engage with guests and are not involved in the hotel's daily operations. If the level of interaction exists, it is on the basic level, such as a short talk with the guests. The proprietors would avoid even this type of interaction, if they are not labelled as family hotels (6.11), as will be discussed in section 7.2.8. Two proprietors who revealed lifestyle motives interact with the guests on a daily basis and find a pleasure and joy in that practice that is in congruence with the results from the majority of studies (2.3.6.6). However, the mutual comparison has to be taken with caution, as those studies focused on owner-occupied guest houses introducing another dimensions of 'home' and 'business' which are not separable.

Finally, a significant point was made by the proprietors regarding the changes in the guests' needs. They are aware of those changes and differences compared to the socialist times, such as short length of the stay, more complex individual needs and personalised service. All of them perceive those changes as an opportunity, as small hotels can meet those requirements. However, they see it also as a threat, as creators of public policy are not aware of those changes and the proprietors have to operate in the underdeveloped destinations, that significantly hinder their ability to respond to the guests' requirements.

7.2.8 Small hotel definition

As it has been argued in section 2.3.2 'a question of size' (Peacock, 1993, p.29) is still a widely debated area in small business research in general. The researcher takes a stance on this issue that due to the small firms' context specificity, purely statistical definitions are not appropriate (Burrows and Curran, 1989; Morrison, 1998). Furthermore, it is necessary to recognise heterogeneity of the small firms in definitional issues (Thomas, 2000) and tailor small firms definitions according to the specific small firm population which is the focus of the study (Storey, 1994). Therefore, the aim of this section is to comprehend a grounded definition of size, which takes into account the specific hospitality context and small hotels' unique characteristics. As this research is focused on the individual actors, small hotel proprietors, and it gives a rarely heard in depth voice to these individuals (4.2.4), the grounded definition of size will be grasped from their subjective impressions of their establishment's relative size. The proprietors referred to the small hotel emphasizing four distinctive attributes: the number of letting rooms, family involvement, differences compared to the large hotels, and small hotels' unique advantages.

In terms of *the number of letting rooms* in the hotel, the proprietors consider it as an insignificant criterion as long as the hotel offers specific atmosphere and a high quality of service. However, the majority proposed an economic definition of the small hotel, therefore, considering the number of bedrooms under which the hotel would be the most profitable. The most immediately striking feature of the findings was the proprietors' rejection of the attribute *'family'*. They all consider that the term is misunderstood in Croatian society, as it is connected with the family involvement in hotels' business. The proprietors argue that this can confuse tourists, as they can expect a whole family to work in a hotel. The proprietors strongly reject this idea (see Holliday and Letherby's, 1993, section 2.3.6.2), consider it as a problematic for entrepreneurs (6.11) and also argue that family employment is not relevant for a small hotel. However, the proprietors' vision of what it means to be a family hotel is related to a specific family *atmosphere* which they can offer to their guests, therefore making them to feel like they are in their own home. The proprietors consider this of significant importance for the success of their business, as people are alienated, 'modern nomads' and strive for more personal approach. This is also their competitive advantage towards *large hotels*, which the proprietors perceive as 'factories', 'giants' and where the guest is only a 'number'. Employed managers (six) who had all worked for large hotels also presented advantages when managing a small hotel. They emphasized a better control of the hotel's units and employees, lack of high stress in business and increased market flexibility.

Considering the proprietors' views on what constitutes a small hotel it is possible to propose a grounded definition:

> A small family hotel is managed by its owner and/or a manager and offers the unique level of service with the genuinely personal guest relation in a specific, family atmosphere. Therefore, the term 'family' is related to the home-like ambience, not to the employment of family members. The small hotel is denied the advantages of size, but an intimate atmosphere and possibility for an individual approach to each guest presents their competitive advantage in comparison to the larger counterparts. However, the number of rooms is not a key factor in determining a small hotel, as long as it can provide the aforementioned service and treat guests in an individual fashion. In terms of cost-effectiveness criteria, the optimal number of rooms is sixty when a hotel does not operate a full season.

7.2.9 Views on tourism policy

The findings reveal a wide range of differing views held by proprietors' on tourism policy and their own role in policy making. Relative to national tourist policy, the proprietors identified the following characteristics: a lack of clear vision and aims;

centralised and unsupportive business environment for small hotels and tourism and hospitality entrepreneurs; and centrality to development strategy is increasing tourist numbers and income from tourist spending (Table 6.13). This is supported by the proprietors' views of the tourism industry as a 'money generator' and the fiscal policy towards hospitality entrepreneurs, which clearly points that the state is active in enterprise affairs, therefore corresponds to the Frye and Shleifer's (1997) government style of 'grabbing hand' (2.3.1.2). A tourism-specific role in generating foreign currency and improving balance of payment was evident for majority of transition economies (Hall, 1991). The fact that the tourism system in Croatia is so centralised with a huge bureaucratic body is not surprising when considering the administrative barriers (6.5), but the legacies from the socialist period still cannot be overlooked (3.4.2 and 3.4.3). The overall transport, infrastructure, employment and promotion policies are witnesses to this strong influence, as attempts to change the developmental paradigm, from comparative advantages (predominantly based on exquisite of natural resources, dominant in '3S' mass tourism model) to building and promoting competitive advantages (Porter, 1998), are weak and only cosmetic. A significant finding is the proprietors 'coping' strategies to overcome bureaucratic barriers and the negative effects of the centralised system, which in most of the cases was to operate illegally (Friedman et al., 2000; Johnson et al., 2000) or to search for connections. The interviews with policy representatives (4.4.3.1) reveal that the policy makers in each instance have different goals, which is to additionally increase the income from the tourism sector, therefore to make its contribution to the GDP even stronger.

In terms of specific public policies, the proprietors emphasized that only two measures had positive effects on their business, and both are targeted at the small hotels specifically (Table 6.14). The high response of the small hoteliers and utilisation of the financial programme 'Incentive for Success' (Table 3.5) points to the lack of an appropriate financing model as a significant barrier but also that specific measures can be more effective in one context than another (Hall, 1991), and that policy measures can influence the more effective allocation of entrepreneurship (Baumol, 1999). However, the introduction of the HACCP system is not recognised as beneficial due to two key issues. Firstly, it presents a compulsory measure for all hotels, where all proprietors argued that they cannot be targeted with the same measures as the large counterparts, which is a similar finding in Ateljevic's (2007) study. Secondly, the introduction of this management system is not planned for other companies in the food supply chain, making the success of the HACCP in hotels questionable. Therefore, it can be concluded that proprietors highly value and respond only to those measures which are specifically targeted at them and have tangible benefits for their businesses. This is in high contrast to studies conducted within Western developed economies, which show that small enterprises in the sector do not use any notable extent numerous incentives, such as bank loans or government funds because the majority of them is not growth-oriented (for example see in Getz and Carlsen, 2000; Page et al., 1999). Similarly, Shaw and Williams (1998) identify that they might not even respond to public policy initiatives (2.3.3). Nevertheless, findings from this study show that as long as the policy makers recognise the diversity of the small business sector in general, and the distinctiveness of the small firms within the tourism and hospitality industry, it is probable that understanding of the sector and therefore policies created will be enhanced and successfully implemented. Or as Minnity (2008, p.787) argued 'one size does not fit all.'

7.2.10 Summary – tabular comparison of research findings with those of previous key studies

The aim of Table 7.2 is to highlight the key findings in order to compare and contrast similarities and differences of the relevant studies and literature examined in this chapter and Chapters Two and Three. It is organised according to the structure of the meta codes applied (Figure 6.1). It is important to add that the studies examined do not involve identical subjects or do not have identical research focus, although some indeed are similar. This process of comparison is conducted as it places the findings within the relevant theoretical concepts and knowledge accumulated. One of the main challenges was to incorporate the specific contextual influences into their theoretical reasoning comprehending both world views.

Table 7.2 Comparison of the major findings with the key studies

META CODE	KEY FINDINGS OF THE RESEARCH	COMPARISON WITH THE KEY LITERATURE
Environment for entrepreneurship and position of entrepreneurs	**Core finding:** historical legacies still significantly affect populations' perception towards entrepreneurship and entrepreneurs. High social security entitlements further discourage people towards entrepreneurship.	This supports majority of the studies within CEE who examined portrait and perception of the entrepreneurs in the society (Chilosi, 2001; Zapalaska and Fogel, 1998). This concurs with the literature from both western and transition economies (Hartog et al., 2010; Hessels et al., 2007; Wennekers et al., 2002) which analysed different constraints towards engagement with entrepreneurship.
	Core finding: although the national policy promotes entrepreneurship, the populations' mentality, which is still not ready for changes, undermines those efforts.	This is in congruence with Lundstrom and Stevenson (2005) distinction between SMEs policy and entrepreneurship policy. Smallbone and Welter (2001) pointed that majority of the CEE governments started from the wrong direction (SMEs policy), which have limited impact until overall framework and consequent populations' perception towards entrepreneurship is supportive.
	Core finding: 'connections', trade credit and illegality as substitutes for inefficient institutional environment.	This finding corresponds to CEE literature where Michailova and Worm (2003) and Xin and Pearce (1996) identify that *Guanxi* and *Blat* are a symptom of an inefficient institutional framework. Estrin et al., (2006); McMillan and Woodruff (2002) and Smallbone and Welter (2001) argue that entrepreneurs built substitutes (such as trade credit) and succeed by self-help.
	Core finding: entrepreneurs have to posses additional attributes in order to survive and succeed in transition context. Importance of 'coping' strategies (like illegal activity).	In one part, this finding supports studies conducted within CEE (Chilosi, 2002; Kuznetsov et al., 2000; Utsch et al., 1999), but it also differs from them as those studies mainly focused on the entrepreneurs' capability to get along bureaucrats and the capability to bribe.
	Core finding: high entry barriers in the sector (financial and institutional).	This finding contrasts sharply with western tourism and hospitality entrepreneurship literature, which characterised the sector with low entry barriers (Lockyer and Morrison, 1999; Morrison, 1996, 2001; Szivas, 2001).
	Core finding: the major institutional variables (property rights and the rule of low) present a significant barrier in all business stages.	This finding supports those of Desai et al., (2003); Johnson et al., (2002); Laeven and Woodruff (2004) who argued that within CEE countries entrepreneurial orientation is a response to institutional framework. This is in high contrast with Hartog et al.'s (2010) study conducted within developed countries.
	Core finding: underdeveloped financial markets	Numerous studies within the CEE argued similarly and reported the existence

Barriers	dominated by banks which are imposing strict conditions to the small business sector are a significant barrier in start-up but also in growth phases.	of 'financing gap' (Brunetti et al., 1997; Fogel and Zapalska, 2001; Holmström, 1996). This is in contrast with the western economies literature, where Mallick and Lynch (2004) confirmed a small rate of financing gap for SMEs.
	Core finding: proprietors are burden with significant number of impositions.	This is akin to the general literature on SMEs in CEE, where numerous studies confirmed 'the state grabbing hand' (Frye and Shleifer, 1997) towards the SMEs.
	Core finding: small hotel proprietors are not debt averse. External borrowing is not threat to their personal autonomy.	This finding is in contrast with general literature on small firm financing (Carter and Van Auken, 2005; Moore; 1994), literature exploring small tourism and hospitality firms (Ateljevic, 2009; Szivas, 2001) and also transition economies literature (Ageev et al., 1995; Zapalska and Brozik, 2007). These studies found that majority of entrepreneurs use personal funds and perceive external borrowing as a threat to their autonomy (Stanworth and Curran, 2000).
	Core finding: hotel smallness identified as a barrier.	This finding contrasts the prevalent view from the western economies literature that SMEs in the tourism and hospitality perceive their small size as a distinct attribute and grow will result in loosing it (Di Domenico, 2003; Lynch, 2003; Morrison and Teixeira, 2004).
Life history and business orientation	**Core finding:** spotted profit opportunity was the largest determinant of business choice, despite the high entry barriers.	This is not akin to the mature economies literature, as it suggests that the majority of the small scale tourism and hospitality entrepreneurs reveal non-economic, lifestyle factors (Getz and Petersen, 2005; Morrison and Teixeira, 2004; Page et al., 1999; Shaw and Williams, 1987). Considering CEE context, there is no available studies within the sector, but considering the SMEs in general, they revealed combination of both economic and non economic factors (Ageev et al., 1995; Chivu et al., 2009; Fogel and Zapalska, 2001).
	Core finding: prevalent serial and portfolio entrepreneurship	This is in contrast with the western economies literature examining tourism and hospitality SMEs, which confirm that portfolio or serial entrepreneurs could rarely be found (see Buick et al., 2000; Rowson and Lashley, 2009). Within the SMEs in CEE, portfolio and serial entrepreneurship is a strategy to overcome financial barriers (Smallbone and Welter, 2001) or a buffer against market volatility (Estrin et al., 2006)
	Core finding: the proprietors desire growth and	This is in high contrast to the findings of majority tourism and hospitality

	measure business success in terms of profit and growth criteria. Therefore, desire for profit exists collaboratively with desire for growth.	entrepreneurship studies which found that entrepreneurs do not desire growth and measure business success very often in its ability to deliver certain lifestyle (Ateljevic and Doorne, 2000; Dewhurst and Horobin, 1998; Di Domenico, 2003; Shaw and Williams, 2004). Also within the overall SMEs sector in western economies, studies confirmed that owners of small firms are not motivated by growth (Curran, 1986; Goffe and Scase 1985; Reid et al. 1999).
	Core finding: all proprietors have paid employees and do not rely on family labour. None of the proprietors inherited their businesses and none had family succession plans, therefore they are not emotionally attached to business.	This is in high contrast with the literature, as majority of the studies within the sector confirmed that small firm owners rely on family labour and very often do not have employees (Andriotis, 2002; Komppula, 2004; Lynch, 1999; Rowson and Lashley, 2009).
Business links	**Core finding:** proprietors are engaged more with formal than informal and personal networks. They do not see them as threatening their autonomy and business control. Informal networks tend to be ad hock and highly dependent on the geographical basis. Both kinds of networks are business driven and the stage in the business lifecycle is not identified as significant.	Small business literature in general holds the view that informal networks are preferred over formal (Birley et al., 1991; Curran and Storey, 1993; Shaw, 2004). Curran and Storey (1993) have shown that small business proprietors tend to mistrust the formal structure. These findings are also evident through the literature on small tourism and hospitality businesses (Litteljohn et al., 1996; Morrison, 1994). Lynch (2000) and Quinn et al., (1992) found that informal networks are ad hock and lack structure and mainly are not business driven.
Views on business and business operations	**Core finding:** the proprietors are constrained with the minimum wages legislation, which places the sector on the bottom of the earnings.	This is contrary to Radiven and Lucas' (1996) study which outlined that pay policy of small hotels was heavily influenced by the statutory requirements and as result of their withdrawal pay rates have fallen.
	Core finding: seasonality not desirable. Winter times used to establish business contacts.	This is in contrary to other studies, which found that small business proprietors within the sector use winter times as the time to relax (Getz and Carlsen, 2000; Morrison et al.,2001).
	Core finding: proprietors are engaged with various management techniques, they innovate, use IT extensively and promotional strategies and place a great emphasis on the quality policies. All proprietors	These findings are in contrast with the small tourism and hospitality firms literature, which argue that small business proprietors do not innovate (Ioannides and Petersen, 2003), do not use IT extensively (Buhalis and Murphy, 2009), rely on basic promotional channels such as word of mouth

	reported existence of business plans.	(Ateljevic et al., 1999) and make little use of quality approaches (Church and Lincoln, 1998). The level of formal business planning is extremely low (Ateljevic, 2007).
Presentation of the self and views on position within the industry and society	**Core finding:** proprietors' views of feeling marginalised were due to the populations' perception towards entrepreneurs and due to a lack of interest emanating from state institutions.	The findings in one part concur with Di Domenico's (2003) who found that proprietors views of being marginalised were due to a lack of involvement in external authority structures as they perceive those bodies as not appreciating small scale of proprietors' businesses.
Views on guests' needs and host-guest interactions	**Core finding:** the proprietors' interactions with guest are in a direct relationship with their business motives. Therefore, only two proprietors who revealed lifestyle motives interact with guests and find a pleasure in this practice.	The majority of the studies confirmed significant interaction between host and guest, but the care has to be taken as those were conducted within owner-occupied guest houses (Di Domenico and Lynch, 2006; Lynch, 2005).
Small hotel definition	**Core finding:** in proprietors' view the number of letting rooms is not significant criterion as long as the hotel offers specific, family atmosphere. However, all proprietors emphasizes 'economic' definition, outlining the number of rooms under which is possible to achieve the highest profitability. The term family related to the home-like ambience, not the employment of family labour. They differentiate from large counterparts by placing themselves in a market niche through their image, design, individual approach to each guest.	This finding provides a unique grounded definition of size which takes into account the specific hospitality context and small hotel's unique characteristics, responding to the calls by a vast number of researchers (Burrows and Curran, 1989; Peacock, 1993; Storey, 1994; Thomas, 2002). However, the the proprietors' notion of the term 'family' is not in congruence with the literature (Lynch, 1999; 2003; Sweeney and Lynch, 2007).
Views on tourism policy	**Core finding:** Proprietors position is marginalised; they are excluded from policy formulation. The proprietors respond only to those micro policies specifically targeted from them.	These findings are in congruence with Thomas and Thomas's (2006) study who found that local tourism businesses do not affect public policy creation due to their limited resources. There is paucity of studies looking at the relationship between public policy measures and small firms in the sector, but there are some valuable contributions (Fleischer and Felsenstein, 2004; Wanhill, 2004) who argued that policies have to be targeted and abandon a large business concept view on small tourism and hospitality firms, therefore supporting the study's finding.

7.3 Research limitations and further research

This PhD was a journey, the researcher's learning curve. Despite the considerable effort put into the thesis, certain research limitations emerged. Looking back at the intial phases of the project, it would have been wise to adopt an interpretive framework from the outset. It is throughout the journey that the researcher transformed herself from being positivist, into becoming interpretivist and adopting a critical theory approach when analysing data. Consequently, the adopted methodological framework can appear as both research limitation and contribution (7.5). In terms of the former, it can be argued that the sample size is small based on the specific region/county, the non-probability sampling technique is selected, thus it is lacking in general application, and that by adopting qualitative data analysis the overall process can be vague and opaque. However, these limitations have to be analysed against the backdrop of the research objectives (1.4) and overall research approach introduced in Chapter 4. Firstly, this research is qualitative and exploratory (4.4.1) and there were no intentions to argue that the findings can be generalised beyond the confines of the particular context, which is one of the main preoccupations in quantitative research. This study argues that it is impossible to 'freeze' a social setting and the circumstances of the initial study and make it replicable in the quantitative sense (LeCompte and Goetz, 1982). This research produces a 'thick description' (Geertz, 1973) or rich accounts of the details of a particular setting and socio-cultural uniqueness. In qualitative research this is of significant importance as it provides 'a database' for other researchers to make judgments about the possible transferability of the findings (3.3). Therefore, the overall framework can be applied to different settings, but not results, as qualitative studies are general in respect to theory, not population (Guba and Lincoln, 1994). By interviewing more than fifty percent of the identified population it can be argued that transferability of the study in terms of trustworthiness criteria is achieved. The credibility of any qualitative study lies in the transparency of specific paradigms assumptions and methods employed, where the qualitative research is often attributed with a lack of transparency (Hiles, 2008). Hiles and Cermak (2007) propose that transparency should relate to: paradigmatic; methodological; data analysis and interpretation; reflexivity; criticality and dissemination, where each is targeted in particular thesis's section. The choices, decisions and justifications involved are made explicit which makes overall the thesis open to scrutiny and silence the voices of those arguing that qualitative research suffers from transparency in reporting and data analysis.

Although the thesis journey is completed, simultaneously it opens up certain elements which need further research consideration. Firstly, this thesis explores the hospitality sector and owner-managers of small hotels, therefore the hosts in hospitality terms. The study presents a more inclusive hospitality studies approach but for further research it would be useful to utilise the hospitality social lens framework (Lashley et al., 2007) in more depth. This framework argues that hospitality is not only about management, but is a generic social phenomenon, whose understanding needs an increasingly multidisciplinary approach. The hospitality social lens features nine themes focused on the host/guest dichotomy: host/guest transaction; domestic discourse; commerce; inclusion/exclusion; laws; performance; politics of space; types and sites; and social and cultural dimensions (ibid.). Although the thesis targets specific themes, like the views of inclusion and exclusion and host-guest interaction it would be useful to further explore the analysed setting and reveal how hosts actually create boundaries in communication with the guests (politics of space) and what are the culturally defined norms and rules associated with the transaction between host and guest (laws). The respondents revealed an existence of a vast number of the illegal accommodation providers within the analysed geographical setting. An interesting focus, although one which would undoubtedly raise ethical questions as it may require the use of covert participant observation, would be to explore the nature and extent of those host-guest relationships in that context.

Secondly, this research also noted that a minority of women are involved in entrepreneurship. Academic studies on women's entrepreneurship are scarce in both developed and transition economies and little is known about them (Brush, 2006).

The vast number of questions can be posed, such as: do structural factors, like transition changes differently affect male and females? Are there any variations in social networks of male and female entrepreneurs? If variations do exist, do they influence their ability to obtain start-up resources? How does the society perceives women entrepreneurs; is the culture supportive of female entrepreneurs?

Thirdly, within the area of small business literature it is recognised that small tourism and hospitality firms are confronted with management issues such as marketing, human resources, quality and many others. This subject area is vastly unresearched outside the Western economies and it can be recommended that future research should investigate how the small firm succeeds or fails to manage this problems. The outcome of this research can be used in the process of developing a 'best practice' for small firm management.

This study has revealed the negative perception of the entrepreneurs by Croatian society and it would be beneficial to explore the structure of entrepreneurs' social representation in the Croatian press. It would be possible to asses the potential impact of the press in the genesis of entrepreneurial reputation and therefore the role of the public discourse could be analysed. It would be also beneficial to compare results with the studies conducted among developed countries, such as in British (Nicholson and Anderson, 2005) or French press (Radu and Redien-Collot, 2008).

This study has also shown, through the personal reflection of the author, the nature of the academic community in Croatia. Therefore, it would be beneficial to investigate ideological influences in tourism and hospitality and entrepreneurship higher education. Tribe (2002) proposes that 'curriculum space' is divided along the two axes. The first is vocational-liberal which represents the different ends of the curriculum, the degree of vocational focus. The second is the reflection-action axis, which represents 'the different stance or modes of study and expression which the curriculum employs to achieve its ends' (Airey and Tribe, 2000, p.285). This has a potential to reveal the actual role of the power in the knowledge creation and gap in curriculum.

Finally, in terms of methodology it is important to stress that in qualitative research there exist different analytical strategies available, such as conversation analysis, discourse analysis, and the same data set can be examined using an array of approaches. It would be beneficial to explore the data gathered with a different data analysis technique that may yield new and interesting insights and make clearer the distinction between the distinctiveness of different analytical strategies in qualitative research, which are very often blurred (Bryman, 2004). Also, the methodological approach to the study was crucial for the emergence and justification of the new insights in context. Therefore, it would be valuable to adopt this methodological approach in other discourses in the social science study of tourism and hospitality entrepreneurship.

7.4 Practical and policy implications and recommendations

Small businesses and indeed small service-sector businesses are not homogenous and this research has explored the case of the owner-occupied small hotels as a distinct category. The findings pointed to a variety of possible policy discussions but as SMEs policy is not the main focus of this thesis it will not be elaborated in detail. The emphasis will be given on the three policy issues which were referred to constantly by the proprietors. The first is more general and it targets the overall climate for entrepreneurship in the country. The second recommendation is related to the tourism policy and the final recommendation relates to the OMH specifically.

It appears that the most important role for the Croatian state in relation to entrepreneurship is through its influence on the value placed on entrepreneurship and entrepreneurs within the society. A broad cultural acceptance of entrepreneurial behaviour is necessary, as the findings for this study show that the Croatian's population's mentality is still not completely ready for entrepreneurship. The government has to create more of an entrepreneurial culture that also promotes and encourages risk-taking and individualism. Clearly, this is a long term process and there is not a straightforward solution but one of the first steps can be done through:

- placing a greater emphasis on entrepreneurial policy which will strength the role of entrepreneurs in Croatian society. The specific measures have to relate to the promotion of enterprise in education and training of the entrepreneurs and encouragement of young people to succeed through enterprise. This would also considerably help in reducing the level of unemployment which reached 17.7% (DZS, 2010). Furthermore, it is necessary to highlight entrepreneurs as role models in media rather than thieves associated with political parties and significantly reduce administrative and bureaucratic burdens. This in itself would also contribute to reducing bribery and corruption.
- specific SMEs policies. Small business owners do not understand universal support programmes which are mainly distilled from a large business context and do not value standardised approaches, which ignore heterogeneity of small businesses (Curran, 2000). Therefore, public policy creators have to create sector specific measures and incentives. This study shows that entrepreneurs do respond to incentives of this type. Therefore, the government should focus on sectoral and problem-specific policies and indirect assistance, such as information and advice and training.

Tourism policy is a complex issue as it comprises tourism policies developed specifically for the purposes of managing tourism, and policies that affect tourism, such as labour or regional development policies. The proprietors outlined a vast number of specific tourism policy recommendations, but two areas require significant attention:

- fiscal policy (it is crucial to reduce the number of imposition, such as parafiscal taxes and lower the VAT rate in accordance with Croatian competitors, such as Greece and Spain);
- accommodation policy (adequate system of control of illegal accommodation providers and categorisation standards for different hotel types, such as heritage have to be developed. Also, it is important to reduce the number of permissions which needs to be obtained when starting a small hotel business).

The findings show that the proprietors appreciate formal over informal networks, but the OMH needs to re-evaluate their approach and significantly improve following categories:

- organisational structure (establishment of specialised divisions, such as for marketing or finance; employment of professionals who would be able to provide a range of advices to the members);
- presidency (to abolish the institute of the lifelong presidency);
- activities (to improve cooperation with other economy sectors, such as agriculture. It is necessary to develop unifying online reservation system which would present hotels as a brand and improve the selling of their capacities. Finally, to organise an 'employee market' where the OMH would help both hoteliers to find employees and also employees to gain practical experience which they are lacking).

These recommendations are not only a researcher-derived interpretation, but have also been advocated by the interviewed proprietors. They can be of specific importance for both the OMH and public policy creators, as they provide rich insights into the nature of this type of business and also contrast with the approaches adopting a more macro level business orientation defined in generic terms irrespective of the particular sector.

7.5. Research contribution

Comparing research findings with the extant literature (Table 7.2) is an essential feature of theory building (Eisenhardt, 1989). As was shown in Table 7.2, it is important to compare literature which discusses similar findings as 'it ties together underlying similarities in phenomena' and literature which conflicts with the findings, as this represents an opportunity to enter into 'a more creative framebreaking mode of thinking' (ibid., p.544). Hence, this section outlines how this thesis contributes to the specific fields of: entrepreneurship and small business; tourism and hospitality entrepreneurship; and research methodology.

Entrepreneurship and small business research

Analysis in Section 4.3.2 showed that academic rigor in entrepreneurship and small business research is essential if positive advancements are expected. One of the strategies to achieve this goal is to question orthodox academic knowledge or many taken for granted assumptions (1.3), which has resulted in three contributions. Firstly, it contributes to the debate on *explanatory power of entrepreneurship*. Popular vision of entrepreneurs is profoundly individualistic and attempts to understand entrepreneurs and entrepreneurship focus upon the individualistic level of analysis (Drakopoulou Dodd and Anderson, 2007). In early writings this was a consequence of the dominant view which considers that entrepreneurs are different from others and differences and personal attributes have to explain what they do (Appendix 3), but even in the most recent writings, 'the convenient myth of the romantic, heroic individual holds sway' (ibid., 352). This draws us back to the power of disciplines. The majority of economic and psychological theories, as dominant disciplines in entrepreneurship research, employ the individual as the main unit of analysis. This approach, being mainly applied in developed economies reflected on our understanding of the entrepreneur which is seen as a hero, a warrior, an agent of change. In Ogbor's (2000) words this represents an ideological tool. The research challenges this approach and understands entrepreneurs as embedded within the society in which they operate (Granovetter, 1985) therefore, entrepreneurs are analysed from a macro-perspective while still acknowledging existence of consequent personal attributes (see Table 7.1). This showed to be of significant importance for the field. Firstly it achieves the balance between the 'under-socialised' and 'over-socialised' approach in entrepreneurship research and reveals that entrepreneurs cannot be understood if solely observed as atomised individuals. Although the data have been collected on an individual level, the analysis is carried out combining both levels, which, according to Davidsson and Wiklund (2001) determines the level of analysis. Secondly, by contextualisation of the research it also avoids the application of the theories 'to sterile and sanitised settings' (Zahra, 2007, p.445). Zahra (2007) argue that this is the case with majority of entrepreneurship research what causes a major gap in understanding, as the theory can be enriched by acknowledging the uniqueness of the phenomena and the setting under study. This study does not only link theoretical concepts to the context, but also questions and probes widely held theoretical assumptions and recognises major contingencies that influence identified relationships within a specific context.

This reflects on the second contribution which relates to *entrepreneurship in transition economies*. In terms of the existing levels of knowledge accumulation Blackburn and Kovalainen (2009) consider the transition economies as a novel research topic, something that is also confirmed in this study. These topics are conceptually underdeveloped and require primary research (ibid.). Due to the field's newness, 'state of the art' articles which provide reflection on its development and provide further recommendations can rarely be found. In this case, it is very hard to bracket theoretical contributions, as researchers often have a tendency to subscribe every variable emerged from different contexts as a contribution (Whetten, 1989). However, Bruton et al., (2008) provides a reflection for the special issue of *Entrepreneurship Theory and Practice*. The edition is dedicated to the emerging economies, therefore, comprehending studies not only from CEE but also from Latin America, China, and Indonesia. They argue that the topic remains under-examined and that existent studies mainly focus on the former Soviet Union and China, being mainly researched from a strategic perspective, assuming that existing theories are equally applicable in emerging economies. Bruton et al., (2008) provide a set of identified limitations when researching entrepreneurship in emerging market economies and they will be viewed against the backdrop of this study (Table 7.3). Despite being reliant on only one identified source, this comparison can be beneficial as enables isolation of the study's contributions, which will be further linked to a broader field of entrepreneurship studies.

Table 7.3 Bracketing the study's contribution

BRUTON ET AL.'S (2008) IDENTIFIED GAPS	THE STUDY'S APPROACH/CONTRIBUTION
A tendency to treat all emerging economies as a set uniform block.	Three stages of isolating context particularities: 1) CEE countries; 2) Croatia; 3) Splitsko-dalmatinska county.
Focus on identifying how an entrepreneurship in transition economies differs from a mature economy.	Besides 'how', the study provided possible 'why' which presents a significant step in advancement of the theory development (Whetten, 1989).
Partial explanations. For instance, identified differences would be attributed to institutional environment while excluding the role of the culture or another way around.	This study outlines that entrepreneurs' actions are not only shaped by institutional and cultural forces but are also enabled to those who can understand them and exploit them.
Uncritical theoretical applications; concepts taken for granted.	Acknowledges and recognises the 'world views' and difficulties in applying Western developed theories.
/	Philosophical and methodological clarity. Reflection and re-construction of the researcher's position.

From Table 7.3 it can be concluded that although novel, the field already needs new moments in research in order to achieve theoretical relevance. One crucial problem with this is uncritical application of existing, Western economies-derived theoretical concepts. For instance, studies on entrepreneurs apply conventional Western wisdom and an individualistic approach without questioning its appropriateness (such as Utsch et al., 1999) which only recycles existing knowledge. If contextual variables are given an account, they mainly adopt a one-dimensional view which focuses on entrepreneurs' capability to bribe and avoid bureaucracy. Philosophical and methodological assumptions of those studies are hidden, which additionally limits the contribution of the findings. This research shows that the assumptions from Western economies need substantial modification when examining CEE economies and a full recognition of the unique characteristics of those economies has to be acknowledged. This also moves away from existing studies by providing possible 'why' questions which help to advance the theory development. However, the question which can be posed is 'so what?' (Whetten, 1989, p.494), or in this context, how can the study's outlined approach contribute to broader entrepreneurship research? This study shows that academic community can benefit not only in better understanding of transition economies, but it is also evident that inclusion of transition economies into the mainstream theoretical reasoning offers the potential to expand and even modify our theoretical understanding of entrepreneurship. For instance, the findings of this study on portfolio entrepreneurship, small business growth and networks bring another dimension to the existing theoretical underpinnings. This can encourage researchers to extend or revise theories with new contextual variables. However, to achieve this, it is necessarily to adopt exploratory qualitative studies in different settings which will generate a sufficient knowledge base on the subject. After this is achieved, it will be possible to test identified variables. Those who have highest explanatory power and are generalizable in other contexts can be included in a broader theoretical framework. This calls for a stronger philosophical and methodological awareness, where the questions of research epistemology, ontology and ideology are overlooked in transition economies studies. Additionally, it calls for a more social constructivist stance in research because this position acknowledges different meanings about entrepreneurship, it can encompass complexities, and different contextual variables. For instance, by giving voices to the individuals who explained what it means to be an entrepreneur in a transition context, this synthesized the macro perspective and the participants' consequent actions and personal attributes. By being inductive, these findings have potential to generate new insights with less research bias than when still a novel issue is approached from deduction.

The third contribution to knowledge is closely linked with the previous two and relates to the discussion on *the boundaries of the field*. Scholars are divided on this issue, with one side proposing that the field has to develop its own intellectual identity, establish boundaries with other fields and develop unifying theoretical framework (Bruyat and Julien, 2000; Busenitz et al., 2003; Shane and Venkataraman, 2000). On the other hand, it is proposed that the field has to follow mainstream disciplines, learn from them and apply their excellence in different settings (Blackburn and Brush, 2008; Gartner, 2001; Steyaert, 2005; Thornton, 1999). Section 2.2 showed that attempts to develop a unifying framework were not successful and that studying entrepreneurship in isolation of a specific discipline cannot produce positive outcomes. Appendix 3 further pointed out that a single unifying theory on entrepreneurs and entrepreneurship is unlikely to ever exist as they represent reflection of the broader environment. The fact that entrepreneurship continues to evade unifying definitions and/or conceptual frameworks is testimony to the complex and irreverent nature of the phenomena and 'the desire to set the limits of the frontier of the field is currently misplaced' (Blackburn and Kovalainen, 2009, p.128). The researcher, through the example of the transition economy argues that it is crucial to leave the boundaries of the field open rather than closed, as this brings opportunities to further theoretical advancement. Adding to this dominant Mode 2 knowledge production (4.3.2) it is evident that further entrepreneurship research will benefit if positioned into a larger social science field rather than being isolated from it.

Tourism and hospitality entrepreneurship

Although scholars argue that research on tourism and hospitality entrepreneurship is in its infancy, existing studies have accumulated knowledge on the subject which is deeply established and can be considered as academic orthodoxy. The subject is mainly researched in western developed economies where the most dominant concept is that of lifestyle entrepreneur, further discussed. Studies conducted to date have overlooked the social and policy context, which has prevented them from exploring the dynamics of small firms and how they articulate with the economy and wider environment (Thomas, 2004). However, Thomas and Augustyn's (2007) edited book presents a pioneering attempt to introduce tourism SMEs policies and practices within the 'New Europe', or countries that joined the EU in 2004. However, the idea of the book did not reflect in its realisation. Namely, the studies included have tended to focus on the structural reforms after the fall of communism, which are important to understand. However, these studies do not provide accounts that explain how that connects to the 'SMEs practices' and entrepreneurial behaviour. In the final chapter, Thomas and Augustyn (2007) very shortly refer to some ideas, such as lifestyle concept as having 'greater resonance in Western Europe' (p.228), but unfortunately cannot draw evidence from the studies and/or elaborate further. This again brings us back to the problem of partial and uncritical knowledge-creation which through methodological (positivism), disciplinary (economics and business studies) and ideological (western values) bias impedes the field's development, as this only produces technical knowledge (Habermas, 1978). Technical knowledge is not enough as it misses the meanings and understands the issues as mechanisms, such as in the case of the lifestyle concept. The study moves away from this tradition and argues that the lifestyle concept is differently represented because it is a complex, personal, context-dependent and socially-constructed model of doing business (Morrison et al., 2009). The study shows how analysed hotel proprietors are shaped by the broader environment, historical legacies and the populations' mentality. Those conditions determine the existence of a lifestyle motivation, which at the end influences entrepreneurial behaviour (Figure 7.3). This introduces another dimension of finding the appropriate research method to address such a research agenda, which is explained below.

Research Methodology

The contribution of this research to the existing body of knowledge also extends the realm of entrepreneurship in terms of the methodological and conceptual approach adopted. Namely, the majority of the previous research in both fields has drawn upon various models adopted and derived from a large business context (Di Domenico, 2003). Therefore, researchers in this area have been mainly preoccupied with deductive quantitative methods, which are deemed inappropriate. The researcher does not see a problem in applied methodologies as such, but a problem does lie in a lack of explicit discussion on underlying assumptions in entrepreneurship and tourism and hospitality research. These assumptions could not be explicitly communicated because they are problematic in the context of the research. These assumptions represent entrepreneurship as a logical mechanism in society, dependent on specific variables, which overlooks the complexity of the phenomenon.

Therefore, in contrast, as befitting the subjects and the sector-specific focus of this research, the conceptual framework of this study is that of interpretivism. This framework, it is argued, is an appropriate one where the researcher is interested in exploring an observable phenomenon, like entrepreneurship, from the actor's point of view. Furthermore, this approach acknowledges the existence and influence of the different social, political and economical structures which exist in the observable society. This stance addresses the argument that more qualitative research is required in the area of small business research (Blackburna and Kovalainen, 2009; Bygrave, 1989; Churchill and Lewis, 1986; Hill and McGowan, 1999; Lindgren and Packendorff, 2009). Although an increasing number of researchers is adopting this stance (4.3.2), 'few small firm researchers have sought to provide detailed descriptions of the process by which qualitative data are collected, analysed and interpreted' (Shaw, 1999, p.61). This research therefore addresses the gap in the small business literature, and particularly the literature pertaining to research into small hospitality businesses, in that there is a need for qualitative analytic strategies to be explicitly communicated to researchers and academic peers. This research is explicit of its ontological, epistemological and methodological position and traces the stages of the analytic process and demonstrates how findings are derived.

Although this study does not employ 'modern' methods, such as visual research methods but very standard and ordinary methods in the form of semi-structured interviews, meanings to the study are given through personal reflection, by explaining the role of the researcher whose role is transformed from 'dispassionate scientist' to 'insider participant'. The role of the reflexivity is to bring the researcher's voice into the process of theory building. The researcher's active participation shapes the progress of the research and the knowledge produced through the analysis (King, 2004) and interpretive research by its nature places both the researcher and the subject at the centre of the research process. The adopted critical stance requires a researcher to ask questions regarding: the origins of knowledge and ways of understanding, underlying ideological positions, which research orientations and methodologies predominate and to seek for possible explanations. The researcher holds the view that if we can understand the origins of current ways of knowing we can bring into question their legitimacy and resist casual acceptance. In doing so, previously marginalized voices can be heard and incorporated in the research, thus contributing to the enrichment of existing theory.

This study brought to the fore and gave a voice to the setting of former socialist economies and those individuals being researched. It clearly showed that academic orthodoxy, such as the concept of lifestyle entrepreneurship or growth of small tourism and hospitality enterprises has to be challenged and critically analysed. Therefore, it can be argued that this thesis represents a move into the ‘beyond’ taken for granted assumptions and research methodologies in entrepreneurship research.

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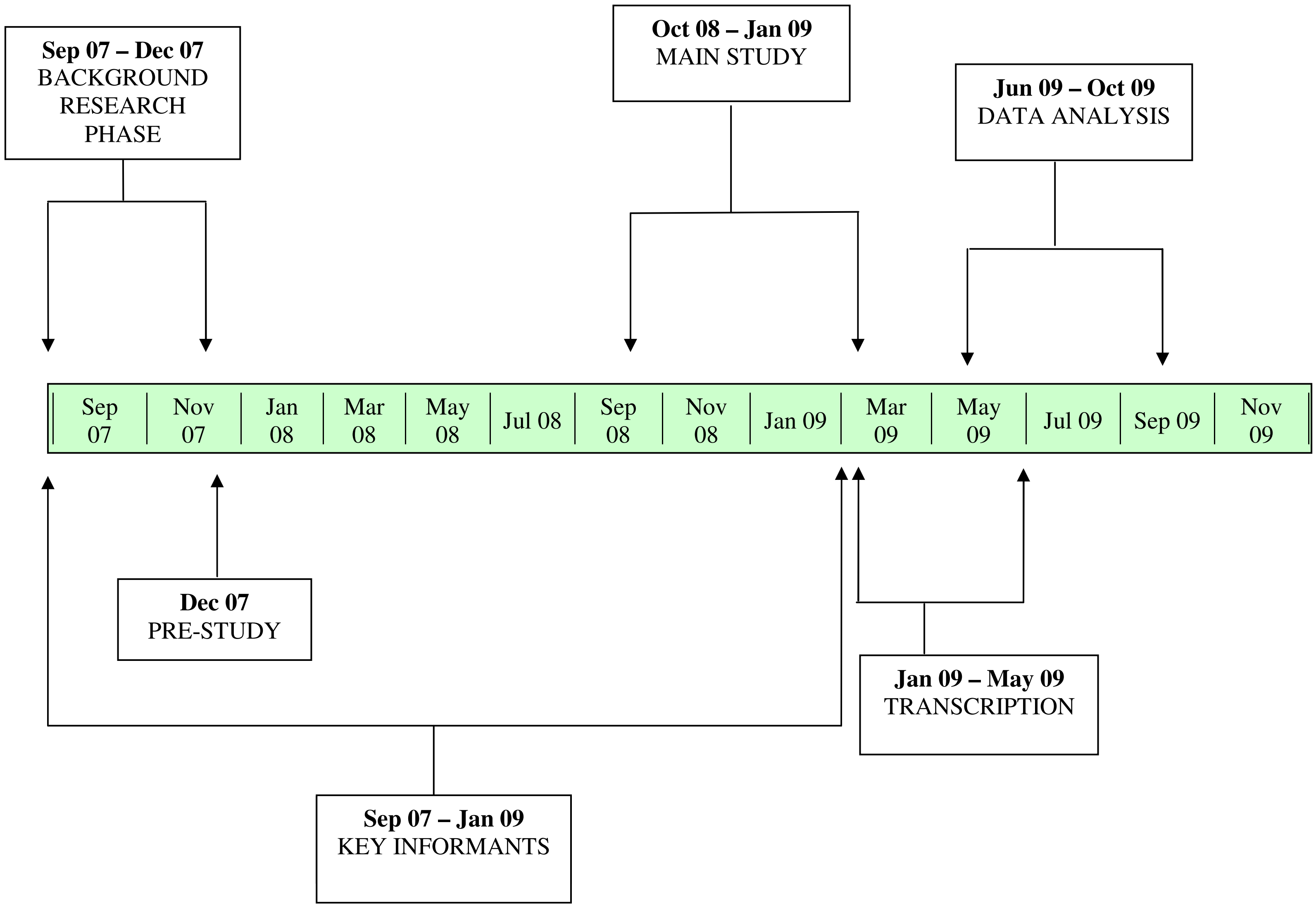
APPENDICES

APPENDIX 1 CROATIA, SPLITSKO-DALMATINSKA COUNTY

APPENDIX 2 FIELDWORK RESEARCH ACTIVITIES



APPENDIX 3 Entrepreneurship definitions across the history of economic thought

AUTHOR	DEFINITION	KEY ELEMENTS	BIAS-EVIDENCE
Cantillon, Richard (1730-1734)	• 'Merchants or Undertakers … pay a certain price following that of the place where they purchase it, to resell wholesale or retail at an uncertain price.' • 'The price of these products will depend partly on the weather, partly on the demand.' • 'Who can foresee the number of deaths of the people, ... the increase or reduction of expenses…'	• uncertainty • bearer of risk • anticipation	• stressed the function, not the personality of the entrepreneur; related the function of the entrepreneur to uncertainty and risk • risk-bearing theory of entrepreneurship • lack of perfect foresight with regard to the future
Smith, Adam (1723-1790)	• 'In exchanging the complete manufacture… over and above what may be sufficient to pay the price of the materials, and the wages of the workmen, something must be given for the profits of the undertaker of the work who hazards his stock in this adventure.' • 'It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest.'	• profit as a reward • entrepreneurs as economic agents who transform demand into supply • the 18th century usage of the term undertaker	• Failed to differentiate the function of the capitalist from that of the entrepreneur. • Entrepreneur as a mere capitalist. • Indirect references to the entrepreneur.

Say, Jean-Baptiste (1767-1832)	• The entrepreneur must have 'a combination of moral qualities, that are not often found together. Judgment, perseverance, and knowledge of the world, as well as of business. He is called upon to estimate, with tolerable accuracy, the importance of the specific product, the probable amount of the demand, and the means of its production: at one time he must employ a great number of hands; at another, buy or order the raw material, collect labourers, find consumers, and give at all times a rigid attention to order and economy; in a word, he must possess the art of superintendence and administration.' • 'In the course of such complex operations there are an abundance of obstacles to be surmounted, of anxieties to be repressed, of misfortunes to be repaired, and of expedients to be devised.'	• qualities required for successful entrepreneurs • combination of production factors • the role of uncertainty • ownership distinct from entrepreneurship	• entrepreneurial activity is not dependent on capital accumulation • entrepreneurial activity = management activity • personal characteristics • judgement as one of the key characteristics of Say's entrepreneur • entrepreneurs is distinguishable from the other agents of production • entrepreneur as guardian of equilibrium • did not place the entrepreneur in a dynamic environment
Mill, John Stuart (1806-1873)	• '..the difference between the interest and the gross profits remunerates the exertions and risks of the undertaker.' • 'It is to be regretted that this word, in this sense, is not familiar to an English ear. French political economists enjoy a great advantage in being able to speak currently of *les profits de l'entrepreneur.*'	• profit as a reward for risk • introduced the term into the much wider use • distinction between the	• Impression left by British classical economics – each business practically runs by itself, there is no sense of dynamic economic agent who is innovating or seizing profit opportunities. • No clear cut distinction between

	• 'The gross profits from capital, the gains returned to those who supply the funds for production, must suffice for these three purposes. They must afford a sufficient equivalent for abstinence, indemnity for risk, and remuneration for the labour and skill required for superintendence. These different compensations may be either paid to the same, or to different persons.'	capitalist-entrepreneur-manager, although not clear	capitalist and entrepreneur, just that return to the entrepreneur consist of s risk premium and a wage of superintendence.
Thünen, Johann Heinrich von (1783-1850)	• 'Necessity is the mother of invention; and so the entrepreneur though his troubles will become an inventor and explorer in his field. So, as the invention of a new and useful machine rightly gets the surplus which its application provides in comparison with older machine, and this surplus is the compensation for his invention, in the same way what the entrepreneur brings about by greater mental effort in comparison with the paid manager is compensation for his industry, diligence, and ingenuity.'	• focus on innovations • explanation of entrepreneurial profit • difference between management and entrepreneurship	• Entrepreneur as a risk bearer and innovator. • The residual, entrepreneurial gain presents a return to entrepreneurial risk. • Combined two sides of the entrepreneurial theory; a)entrepreneur as a risk bearer; b)entrepreneur as an innovator.
Mises, Ludwig von (1881-1972)	• 'In eliminating the entrepreneur one eliminates the driving force of the whole market system.' • '…the outcome of action is always uncertain. Action is always speculation…In any real and living economy every actor is always an entrepreneur and	• speculator • profit as a subjective category • anticipation of	• Emphasized the dynamic character of the market process which is driven by a profit seeking entrepreneurial vision in uncertain world. • The entrepreneur is the most important

	speculator…' • '… the real entrepreneur is a speculator, a man eager to utilize his opinion about the future structure of the market for business operations promising profits. This specific anticipative understanding of the conditions of the uncertain future defies any rules and systematization. It can be neither taught nor learned. If it were different, everybody could embark upon entrepreneurship with the same prospect of success. What distinguishes the successful entrepreneur and promoter from other people is precisely the fact that he does not let himself be guided by what was and is, but arranges his affairs on the ground of his opinion about the future.' • 'The difference between the value of the price paid (the costs incurred) and that of the goal attained is called gain or profit or net yield. Profit in this primary sense is purely subjective, it is an increase in the acting man's happiness, it is a psychical phenomenon that can be neither measured nor weighed.' • 'The managerial function is always subservient to the entrepreneurial function. It can relieve the entrepreneur of a part of his minor duties; it can never evolve into a	the uncertain future • entrepreneurs born, not made • entrepreneur as a driving force of the market system	figure in the economy. • Subjectivist approach.

	substitute for entrepreneurship. The fallacy to the contrary is due to the error confusing the category of entrepreneurship as it is defined in the imaginary construction of functional distribution with conditions in a living and operating market economy. The function of the entrepreneur cannot be separated from the direction of the employment of factors of production for the accomplishment of definite tasks. The entrepreneur controls the factors of production; it is this control that brings him either entrepreneurial profit or loss.’		
Kirzner, Israel (1930-)	• ‘The pure entrepreneur, on the other hand, proceeds by his alertness to discover and exploit situations in which he is able to sell for high prices that which he can buy for low prices. Pure entrepreneurial profit is the difference between the two sets of prices. It is not yielded by exchanging something he values more highly. It comes from discovering sellers and buyers of something for which the latter will pay more than the former demand. The discovery of a profit opportunity means the discovery of something obtainable for nothing at all.’ • ‘…ownership and entrepreneurship are to be viewed as	• profit is a return to alertness • entrepreneurs contribute to the equilibrium process of the market • a capitalist distinct from an entrepreneur	• Subjectivist concept. • Focus on market process. • The important feature of entrepreneurship is to not so much the ability to break away from routine as the ability to perceive new opportunities which others have not jet been noticed. • In economic development the entrepreneur is not creating opportunities, he is responding to them. • Did not explicitly stressed the element of uncertainty.

	completely separate functions…Purely entrepreneurial decision are by definition reserved for decision - makers who own nothing at all.' • '…the crucial element in entrepreneurship is the ability to see unexploited opportunities…'		
Menger, Carl (1840-1921)	• 'Entrepreneurial activity includes: a) obtaining information about the economic situation; b) economic calculation – all the various computations that must be made if a production process is to be efficient; c) the act of will by which goods of higher order are assigned to a particular production process; and finally d) supervision of the execution of the production plan so that it may be carried through as economically as possible.'	• uncertainty • knowledge • risk bearing is not the essential function of the entrepreneur	• Did not developed concept of entrepreneurship in any great detail. • Functional approach to entrepreneurship.
Wieser, Friedrich von (1851-1926)	• 'The entrepreneur…is the director by legal right and at the same time by virtue of his active participation in the economic management of his enterprise. He is a leader in his own right. He is the legal representative of the operation, the owner of the material productive goods, creditor for all accounts receivable and debtor for all accounts payable…his economic leadership commences with the establishment of the enterprise; he supplies not only the necessary capital but originates	• leadership • idea • the establishment of the firm	• Legalistic approach, the entrepreneur is any legal owner of enterprise.

	the idea, elaborates and puts into operation the plan, and engages collaboration. When the enterprise is established, he becomes its manager technically as well as commercially.'		
Walras, Léon (1834-1910)	• 'Let us call the holder of land, whoever he may be, a landowner, the holder of personal faculties a worker and the holder of capital proper a capitalist. In addition, let us designate by the term entrepreneur a fourth person, entirely distinct from those just mentioned, whose role it is to lease from land from the landowner, hire personal faculties from the labourer, and borrow capital from the capitalist, in order to combine the three productive services in agriculture, industry or trade. It is undoubtedly true that, in real life, the same person may assume two, three, or even all four of the above-defined roles…However that my be, the roles themselves, even when performed by the same individual, still remain distinct.'	• static, general model of equilibrium	• Blurred roles. • The role of entrepreneur in adjusting supplies in line with manifest demand (Cantillon)
Knight, Frank (1885-1972)	• 'Not all 'risks' necessarily give rise to profit, or loss. Many kinds can be insured against, which eliminates them as factors of uncertainty.' • 'The uncertainties which persist as causes of profit are those which are uninsurable because there is no	• distinction between insurable risk and noninsurable uncertainty	• New refinement of Cantilon's theory of the entrepreneur as the bearer of risk • A boundary between management and entrepreneurship.

	objective measure of the probability of gain or loss.' • 'the only risk which leads to (entrepreneurial) profit is a unique uncertainty resulting from an exercise of ultimate responsibility which in its very nature cannot be insured nor capitalized nor salaried.'	• separation of capitalist and entrepreneur • noninsurable uncertainty leads to profit	• Profit cannot exist without error.
Schumpeter, Joseph Alois (1993-1950)	• '…the function of the entrepreneur is to reform or revolutionize the pattern of production by exploiting an invention or, more generally, an untried technological possibility for producing a new commodity or producing an old one in a new way, by opening up a new source of supply of materials or a new outlet for products, by reorganizing an industry' (1950, p.132). • 'The entrepreneur is never the risk bearer…The one who gives credit comes to grief if the undertaking fails. For although any property possessed by the entrepreneur may be liable, yet such possession of wealth is not essential, even though advantageous. But even if the entrepreneur finances himself out of former profits, or if he contributes the means of production belonging to his 'static' business, the risk falls on him as capitalist or as possessor of goods, not as entrepreneur. Risk taking is in no case an element of	• the entrepreneur is not just a response to some exogenous force on the market system • innovation • invention • development as a disturbance of circular flow • the entrepreneur is distinct from capitalist, landowner, labourer,	• Focus on economic development. • Entrepreneurship as the ability to break away from routine. • Entrepreneurship as an exogenous force lifting the economy from one state of equilibrium to another. • Completely excluded risk, denying that profit is the return to risk. • Neglect of uncertainty.

	the entrepreneurial function. Even tough he may risk his reputation, the direct economic responsibility of failure never falls on him.' (1934, p.137).	inventor • entrepreneurial profit as a residual, a surplus of revenue over costs	

APPENDIX 4 STRUCTURE OF ACCOMMODATION CAPACITIES
(number of beds)

	1991	**2000**	**2008**
Hotels, villas and all-suite hotels	123 946	126 656	117 902
Camping sites and small camps	249 417	210 148	213 646
Households (private rooms, apartments, summer houses and rural households)	125 216	273 833	442 839

Source: SLJH (1996, 2009)

APPENDIX 5 NATIONAL INSTANCES INVOLVED IN ENTREPRENEURSHIP AND SMALL BUSINESS POLICY

CENTRAL LEVEL

Croatian Parliament
Croatian Government
Ministry of Economy, Labor and Entrepreneurship

in cooperation with

- Ministry of Finance
- Ministry of Tourism
- Ministry of Science, Education and Sport
- Ministry of Environmental Protection, Physical Planning and Construction
- Ministry of Agriculture, Forestry and Water Management
- Ministry of European Integration

GOVERNMENTAL AGENCIES, FUNDS AND INSTITUTIONS

- Croatian Agency for Small Business (HAMAG)
- Croatian Bank for Reconstruction and Development (HBOR)
- Fund for Development and Employment
- Fund for Regional Development
- Croatian Employment Bureau
- Croatian Privatization Fund
- Central State Administrative Office for State Property Management of the Government of the Republic of Croatia

Government agencies, alliances and associations

- Croatian Chamber of Economy
- Croatian Chamber of Craft Enterprises
- Croatian Association of Co-operatives
- Croatian Employer's Association

LOCAL LEVEL (MUNICIPAL, URBAN AND COUNTY LEVEL)

Regional and local government

- government-level office for economy
- county-level office for economy
- offices for entrepreneurship development

ENTREPRENEURSHIP INFRASTRUCTURE

- entrepreneurship centers
- entrepreneurship incubators
- technological centers
- innovation centers
- small business zones
- other institutions for entrepreneurship development

FINANCIAL INSTITUTIONS

- Commercial Banks
- Savings Banks
- Savings - Credit Cooperative
- Investment Funds

APPENDIX 6 Interview guide (first version)

Ownership:

1. Are you a single owner or a partner?
2. Do you employ manager?
3. How long have you been running this business?
4. Do you have previous experiences in running a small business?
5. What did you do before setting up this business?
6. Is this the only job/business you so/run?

Orientations?

7. What influenced you in deciding to set up a hotel business?
8. Probe: Do you consider this as a risky investment?
9. Probe: What advice would you give to someone considering setting up a small hotel business?

Environment:

11. The biggest obstacles during business start-up?
12. Probe: Bribe and corruption?
13. How long did it take to collect all necessary permissions and licences?
14. Did you get support or advice from institutions and state bodies?
15. Probe: Did you ask for it?
16. Probe: Examples of provided support?
17. Probe: If no support, why is that?
18. Početni kapital? (vlastiti, kredit, poticaj za uspjeh)

Operations:

18. How many rooms do you let?
19. Probe: How would you define a small hotel?

20. How many employees do you employ on a full time basis?
21. Part-time employment?
22. Sources of start up capital?
23. Did you expand capacities?
24. Probe: When, reasons, profitability?
25. Do you advertise your hotel?
26. Plans for the future?
27. Where do you see problems which can inhibit business plans?

Emergent issues:

- Formal associations
- Informal contacts
- Host-Guest interaction
- Presentation of the self
- Historical legacies, Connections
- Nature of work
- Tourism policy

APPENDIX 7 An example of transcribed interview: transcripts from interview H13

Number of Interview: H 13

Hotel: [redacted]

Date 12.11.2008.

Name of interviewee: [redacted]

Age of interviewee: 48

Gender: Female

Duration: 103.41 min

(trazi kataloge i kuha kavu)

R: Evo me, morala sam upalit kompjuter na recepciji pa sam isprintala. Ali evo imam pri ruci ovo, nisam znala sta treba pa sam ovo pripremila. Ovo imate, katalog OMH?

I: Da, da.

R: Pretpostavljala sam ali sam ga samo donila jer mislim da je to jako vazno. Jer svi mali obiteljski hoteli, ma dobro mali obiteljski, nisu to svi obiteljski, to je malo prenapuhano, ne treba biti obiteljski da bi bio mali po kapacitetu..ne mogu funkcionirat sami, nigdje u svijetu, ne samo kod nas. Tako da Talijani imaju jednu asocijaciju u kojoj smo mi, Charme & Relax, koji se sada sire na europsku zajednicu, sto je isto logicno i normalno. I tako je ovo sjajno jer mi imamo velikih problema jer mi smo tradicijska zemlja koja ima strasne, STR-aaaa-sne probleme u ovome poslu. Prvo nemate..osnovni problem je neznanje, eto, edukacija i tu sve krece i zavrsava (laugh).

I: Da li mislite neznanje ljudi koji ulaze u ovaj posa, neznanje kadrova?

R: Neznanje SVEGA KOMPLETNO, cijela struktura je katastrofalna. To mozda zvuci ovako mozda drasticno,ali mislim da je realno. Ja sam slucajno se nasla u ovom poslu o kojem pojam nisam imalajer sam iz potpuno druge djelatnosti. Ja sam u stvari naslijedila ovu kuci, po ocu sam sa Braca, ovo je moja ocevina, djedovina, pradejdovina. Ovo je kuca koja je u nasem vlasnistvu, znaci VL-aa-SNISTVU, ne u posjedu, od 15. stoljeca. A mi smo ti imali strasni problem, to je vec pravni problem, ono kad mi govorimo da to funkcionra ili ne funkcionira,prvenstveno se ne priznaje vlasnistvo koje je nedodirljivo svagdje u svijetu. Tu krecu nasi problemi svi u Hrvatskoj. Kuca je bila rusevna, cetiri zida, krov se urusio, a kuca pod zastitom kulturne bastine, grdnja 15 i 18 stoljece. Nisam imala naprosto srca prodati tu rusevinu, naprosto sam htjela nesto napraviti jer sam borac, fighter u zivotu, i tako to. Kao visi konzervator i restaurator te akademski slikar ja sam se bavila restauriranjem godinama. Moja zamisao je bila prva da napravim konzervatorsko-restauratorsku radionicu, da povezem moje slikarstvo sa kamenarstvom. Tu bi bila jedna prekrasna skola, skola [izvorskog?] kamena. Ali nitko ziv mi nije dao potporu, financijsku, o kreditima nije bilo govora.

I: Koje godine je to bio?

R: Ja sam kretala, znaci tila sam prije rata, pa doso rat, pa smo cekali da prođe, da krenemo dalje. Onda smo se nadali da ce kad rat zavrsi, da se rjesavamo nekih OKOVA, da ce se to moci napraviti, ali da, okovi su se rjesavali, ali ne mentalni. Nisam dobila nista drugo nego jedino sta sam mogla dobit je bio kredit za turizam. To je jedino sto su davali i to sa velikom sumnjom. Dobro, uspjeli smo to napraviti, dakle, sama restauracija zgrade je trajala 4 godine, to sam cetiri godine restaurirala, upravo zbog tog razloga financiranja. Jer vi ste imali kontinuirano, to su, opet sada ulazimo u jedan bankarski sistem, mrvicu se tu nesto promijenilo, ali ja sam pioir u mnogim stvarima, tako da je situacija tada bila jos i teza. Malo su bolji, kvalitetniji su pomaci, ali to jos uvijek nije to. Ja nisam mogla dobiti cjelokupni kredit, napravit kucu i otvorit vrata. Nego sam dobivala malo po malo, kako je hipoteka rasla, tako sam dobivala jos malo kredta. i tako sam TRI kredita dobila dok sam isla do kraja kuce. Da bi onda kada sam je zavrsila neke stvari su se pocele pomicati, zahvaljujuci Pave Zupan, koja je dosla iz struke pa je neke stvari dobro postavila, ne dobro nego sjajno koliko je uopce mogla u toj [konstelaciji? Sredini?] u kojoj je radila. Isli su oni Poticaji za uspjeh pa pod Stoljetnim krovovima, pa sam refinancirala te kredite, a trebalo je otvorit hotel, pocet zaradivat novce. A niste u mogucnosti zaradivat dok jednostavno ne zavrsite neku pricu (sighs). Tako da smo to otvorili i onda krecu one poslovne muke.

I: kada je hotel poceo sa radom?

R: 2004 smo zavrsili a poceli 2005 sa radom. Znaci to nam je bila nulta godina, ja kazem nulta zato sto za vas nitko ne zna, ne znaju sta ste, di ste, kud ste, potpuno ste izbaceni na trziste di stvari funkcioniraju kako funkcioniraju. E sada vam tu dolazi ona prica intelekta, neintelekta, ili onoga sta nam ode pomaze. Meni je konkretno OMH strasno pomogla, a pomogla mi je u irganiacijskom smislu jer ja masu stavri nisam imala pojma, sta trebam raditi. Sve sto ne znam dan danas ja njih nazovem (laugh). A oni vas i obavjestavaju, sve sta treba, recimo sada ide HASAP i oni su organizitali da mi to dobijemo dosta jeftinije. Bilo koja promjena zakona, propia, obavijeste nas. A ti sam naprosto to sve ne mozes znati, to bi svaki dan samo trebao citat nesto. Tako da se tu organiziacijski znaci jako puno pomoglo. Medutim onaj dio marketinga ti sam moras odraditi i bacit se na trziste.

I: da li vas je bilo strah cijele investicije, to se oduzilo, pa je tu i pitanje da li ce te uspijet, tu su i tri kredita?

R: PRE-eeee-STRASNO i dan danas mi je prestarsno. Jer su same kreditne linije, bez obzira sta je poticaj za uspijeh uspio smanjiti kamatu, to je super, ali recimo ja sam medu prvima dobila taj kredit i dobila ga na mali, kratki period, na 8 godina, ne da to nije nista nego to je ubistvo. Onda sam dosla u situaciju da ako kasnite sa vracanjem kredita, Hrvatska dozvoljava uzasno velike zatezne kamate, 15% na sva zakasnjenja. A sada je digla na 17%. A posto smo mi sezonci, ja prakticki 7 mjeseci radim, pa dok vi otvorite objekt ponovo morate imat neke novce, stavit sve na svoje mjesto, to su velika ulaganja vake godine za otvoriti. vi bi trebali zaradit da imate za zatvorit i da imate dovoljno za sljedecih pet mjeseci funkcionirat, nema sanse uz ove kamate i sezonski rad. Sada vi kroz ovih pet mjeseci nemate primanja da to mozete redovito platit. Uvijeek kasnite, da ste ne znam sta. I mislim da je Hrvatska s takvim kamatama postala kamatarska drzava jer ako dozvoljava da se naplacuje 15% zateznih kamata, to je cisto lihvarenje, a na taj nacin ubija proizvodnju. UNISTAVA. Neke stavri, to su cisto ekonomske, evo gledam sada ovu hipotekarnu krizu u Americi i kaze da svi o oni koji su imali za kupovinu kuce 30 god idu na 40. pazite a ja za osam godina u proizvodnji, polovanju, di zaposlite ljude, placate porez. A i jos nesto, onaj pocek, dvi godine, vi tu placate kamate. I ako kasnite opet placate zateznu. I ako ne podmirite obveze cetiri, pet mjeseci vi s takvim kamatama ne znate kako ce te se izvuci, toplatiti. Stalno zonglrate nesto, ali onda dosete u situaciju da ne mozete vise zonglirat.

I: A sta se tice administrativnih problema, da li su vas oni kocili?

R: hvala bogu ja sam vlasnik ovoga 1/1 i to je bilo u redu. A ja sam poduzece, koje sam ja otvorila kao restaurator, negdi jos 1992, tako da je meni poduzece staro, tako mi smo ono, borci (laugh). GROZNO! Jer mi smo imali specificnu situaciju, jer sve tranzicijske promjene su se lomile na nama. Dakle, u najlude vrijeme sam otvorila poduzece, jer nisam mogla radit vise na drugi nacin, sve vas neke situacije tjeraju da nesto uradite sta mozda ne bi inace u zivotu, ne bi mislili da ce te radit. Jer kao restaurator sam radila na dosta objekata, u to doba smo radili Kazalise Osijek. I vi niste vis emogli raditi, jer autorska agencija preko koje smo obicno isli, tih nasih umjetnickih institucija su dosli u situaciju da su takve marze uzimali, da je to islo do 50%, da vi niste mogli funkcionirati, niste mogli biti konkurentni, niste mogli raditi. I ovaj, tako su mi rekli otvori poduzece, ja ga otvorila da bi ogla radit (laugh).

I: Sto se tice hotela, ja vas nisam nasla u klasifikaciji?

R: Ja sada prelazimu heritage hotel. Jer mi smo hotel s cetiri zvjezdice, medutim s obzirom na nekakvim pravilima igre, komisije i tako nesto, ja bih jos trebala napravit ode neke stvari. Medutim, ostavimo to na stranu, vise ulagat s obzirom na ovaj kredit i odrzavanje vec je stvarno naporno. medutim, druga stvar je da mi jesmo heritage. Bilo bi glupo i beasto da mi to ne iskoristimo. Heritage se tek tokom ove godine iskristaliziralo, sto, kako i ja prelazim na heritage i trebali bi ove zime dobit sve te papire. To administrativno malo traje, ali valjda bi trebalo biti u redu tokom ove zime. Milsim da je to OK, mi smo gradnja 15. stoljece., pa imamo onu pricu zasticene kulturne bastine i bilo bi bolje da udemo u ovaj sistem nego da ostanemo, cisto marketinski govorim, nego da ostane hotel s 4-5 zvjezdica kojih imate koliko hocete. Ovim dobivate jednu grupaciju koja je nesto drugo,odnosno sad pripadam tamo gdje stvarno jesam. To je to, tako da je to jako OK. Bit ce to do proljeca, a da vam ja iskreno kazem i ja sam umorna da to odma sada guram, a do proljeca imamo vremena.

I: Vi ste vlasnik i manager?

R: Da.

I: koliko imate zaposlenih, u sezoni i van sezone?

R: Stano imamo dvoje zaposlenih cijelu godinu. prije sam ih imala vise, ali ne mogu financijski izdrzat. Ja sam recimo kada smo otvorili hotel 05 i tila radit cijelu godinu, smatrala sam da triba radit tako xxxxxxx medutim nema sanse, ja sam se dvije godine patila i mucila, jos uzrokovala vece gubitke i troskove, iz kojih tesko izazis i to je grozno..imate saada tu dvije stavri, dobro je da sam to napravila jer da se cisto marketinski zna da sam tu, da postojim, nesto novo na trzistu, tako da je to nesto pozitivno. Ali ja sam se kroz to unistila. A sta se tice sezone, tu radi do deset ljudi.

I: Da li imate problema s pronalazanjem kadrova svake godine?

R: UZAS! Katastrofa, dovodila sam ih S. Broda, Zagreba, Karlovca i evo ode sam im iznajmila jednu kucu da imaju di bit, pa je to sve veliki trosak jer nemate nikoga od domaceg stanovnistva. Ja sam cak morala jednom im reci 'a tko je ode gazda' , znjau da ih ne mozete otpustit i to tako koriste. Mentalni sklop nasih ljudi je prestrasan (laugh). Cak i da imaju edukaciju, mislim da taj sklop tesko se minja. Moja sobarica nece da nosi uniformu jer joj je vruce, ejjj! A imamo i pravila ponasanja, sve je to napisano, a bilo nam je smijesno. I uzasno je koliko vremena trosim na gluposti umisto da se gostu posvetim, da s njim pricam. Oni imaju pitanja, zanima ih kultura, muzeji,imamo bas nivo krasnih ljudi. Oni hoce znat i ocekuju od mene da im kazem,a i to je smisao ovavog hotela. U pocetku sam imala nesto tog osoblja, ali to ne ide, nemate ih kada ucit, a nekoga i ne mozete naucit. To je jos veliki mrak kod nas. A ovaj posao morate znat, jos kada mi dobivamo skoro svake godine nove, na par mjeseci, ne mozemo ih mi sve ucit, da oni ne znaju nista, dok oni nauce prode sezona, a mi ne mozemo imat nezdovoljnog gosta. A ako radnici nisu dobri to se vrlo lako moze desit. A sta se tice bukiranja i to, najvise radi to moj sin, on se u to razumije i ja. Svak svoj laptop pa ajde. To je nesto sto je apsoutno normalno dok na sajtu xxxxx. Medutim to je uzasno naporno, nama je tih t mjeseci ko da je 14, to je stvarno naporno. I nemas nikakve priatnosti nego si stalno u svemu, sve radis. Ja sam htjela zaposliti nekoga tko bi mi bio operativac. Jer ja sve ode moram organizirat. Medutim trebate neke stvari sprovesti u zivotu da to funkcionira. E tu nastaje probem, ja sam htjela znaci zaposlit operativca. Tko ce recimo kada su gosti trcat dole i gledat da li je stoljnjak napravljen kako treba, ko ce pazit ima li svega u kuhinji, ako treba otic do ducana i tako dalje. Ja i sin se lomimo, kuhar kuha i vice da nema ulja, pa sta nije pogledao dan prije? A na otoku nije to tako lako otic u ducan, a jos i dostava, i cila nabava. Malo se poboljsalo, ali nije jos sjajno. Ja recimo da radim zimi morala bih ici u Split po nabavku. Jer ode nemate nista, u deveti sve se prazni, prica zavrsava 01.10. i to je razlog zasto mi ne mozemo funkcionirat. I sta ce gost radit kada je sve zatvoreno?

I: Kako ste marketing organizirali?

R: da vam ovako kazem, tu mi je i sama udruga pomogla, a ona je direkto Pod pokroviteljstvom TZ Hrvatske. Dakle jedan taj direktni support koji se ima je dobar. Sve sta se odraduje, sajmovi i to, mi smo prisutni. Mi ne moramo trosit vlastita sredstva, a meni bi bilo prestrasno da ja sada trcim od sajma do sajma. I da masem sa svojim prospektom. Imat cemo i gratis booking premo njihove stranice. Kroz to vam je prvi iskorak u mktg, kada se vi pojavljujete kao grupacija malih hotela da agencije koje traze takve objekte vas imaju tu s na pogledu. A drugo, udruga meni posalje, recimo sve engleske agencije koje rade sa hrvatskom. Onda vi saljete pismo, da ste novi objekt, sta nudite. I neki dodu do vas, ovaj internet moze sve, vi dodete do nekih i tu na taj nacin se krece cila prica. Ovo je cetvrto ljeto iza nas, znaci prve dvije smo radili na svemu tome skupa, zapravo smo vec 2006 radili sa agencijama, 07 i 08 su vec super i zapravo imamo i ugovore za 2009. postali smo i partneri s nekim agencijama tako da smo u velikoj vecini punjeni agencijom. A najvise nam dolaze Amerikanci. Mi smo zakon za njih, obozavaju nas (laugh).

I: Kako Amerikanci?

R: imali smo jednu prekrasnu reportazu u osmom mjesecu u japanskim prekrasnim novinama, tako da bi se i tu moglo nesto vrtit (laugh). O cemu se radi? Mali obiteljski hoteli su individualni, personalizirani, oni imaju svoj personality, ono sta nosi, onaj koga je napravio. Mi smo visa klasa, standard nam je veci, zahtijevniji smo, imamo zahtjevnie goste koji su platezno mocniji i mogu doci kod nas, koji nece ici u hotele koje moze naci svagdi u svijetu. Eto tu smo nasli svoju populaciju gostiju, srednja visa klasa i najcesce individualci. Dajke tu je nesto, ti ce doci gosti do mene bez obzira sta je destinacija nepoznata, ne postoji na karti...Stranac kada dolazi u hrvatsku, kada dolaze njihovi manageri, kada traze objekte di ce smjestat goste oni dodu do mene. Zato je meni bilo vazno sta sam u pocetku radila cilu godinu jer oni dolaze nakon sezone. Recimo sada mi 21.11. dolazi agent iz amerike. Isto za Bozic dolazi, a mi se sada nalazimo Zagreb, Split, nije bitno. Jednostavno to je vrijeme kada hodaju i ugovaraju ili dodu u prolice, svibanj i mi potpisemo ugovor za sljedecu godinu. to je recimo sto je poslovanje u Hrvatskoj, ma recimo mi ne cekamo brod i vuemo ljue za rukav. Nego moramo odraditi godinu unaprijed. I sada vec hoce ugovore za 2010. na tome principu mi radimo i to mi je super a zapravo s agencijama s kojim radim je odlican odnos jer su oni nasli partnera koji razmislja kao i oni. I njima je problem radit s ovim drugima koji tako ne razmisljaju i ne rade. Jer kod nas je problem i cijena. Svi su digli cijene, a dode proljece pa kad vide da se ne pune onda spustaju. Nestabilnost cijena je katastrofalna. Ako hoces radit normalno moras imat kontinuitet u cijenama. Nase cijene se nisu mijenjale 4 godine, oscilacije su minimalne. Meni ne pada napamet trazit izmejne ugovora zbog cijena, da ih dignem. Jednostavno nas ta stabilnost cijena dovodi u poziciju kvalitetnog odradivanja posla i sigurnosti agencije i partnera. Svi smo u lancu.

I: Kako su Japanci dosli do vas?

R: Oni su dosli do mene. Gost hoce doci u nesto autenticno i to je taj razlog zasto ja uspjevam sa strancima. Sada sam vec postala mali kapacitet, mogla bi vise. Svatko ko dolazi u nase podrucje on zeli videti autenticnost, kako zivi taj covjek, kulturu i to je jedan od razloga zasto se nasa kultura mora ocuvati. Ja ode prodajem moju povijest. Ja ima 13 soba tako da primam male grupe i agencije koje se bave s tim nadu me. Zato ti mali hoteli mogu dobro funkcionirati u odnosu na velike koji su [metadonti?], kojih treba biti ali oni imaju drugi tip gostiju nego mi.

I: Kako ste se ukljucili u talijansku udrugu?

R: Opet su oni do mene dosli. To vam je globalizacija, ja bih rekla (laugh). mene te agencije vrte, nemam pojma ko me sve vrti. Jer vi kada jednom se pocnete vrtit, kada ste na internetu, neka agencija vas nade i pita da li bi radili s njome. Ja kazem da, saljite goste, imate svoju proviziju. Agencije dosta cesto, recimo kada sam ja pocela pojma nisam imala, ali od pocetka sam shatila da stvar ne funkcionira kako treba. Oni recimo traze te alotmanske cijene. GRESKA! U sstartu je to greska! To u svijetu vise, ma ozbiljnost poslovanja, nema toga. ja nemam alotmanske cijene i moja je cijena za sveagencije uvijek jednaka. Ona kada je na internetu, na mojoj stranici tu cijenu dobije svaka agencija i skine svoju proviziju. I nista drugo. Zapravo na taj nacin oni prave problem svima. A kod nas inace agencijama ne ide bas sjajno kako mogu vidit. To je i zbog toga pa zbog edukacije i zbog toga sto je kod nas, imate situaciju da su od velikih agencija ko sto je atlas, general tourist, ljudi koji su radii tu su izasli i napravili svoje vlastite agencije. I onda su misili da ako su unutar general turista imali kontakte sa pet stranih agencija turoperatora, da ce one preko njih sada tu nesto moci funkcionirati. Nece. I sada imate monopolizaciju preko adriatice.net. nekidam su mi se javili zasto nemam s njima ugovor. Ja sam im rekla da su oni bili prvi s kojima sam potpisala ugovor, a poslali ste mi cetiri nocenja. Ja vise ne potpisujem s njima, samo moze na upit. A oni sokirani, a svaki put me stave za najbolji mali hotel. Onda mi kazu (mimicking voice) 'pa bili ste u finalu a nemate s nama ugovor', pa mislim zasto to ne moze biti. A traze 30%. Ja povise 20% ne dajem, ne mogu,a cak pokusavam sta mogu spustit i na 15%. To su vam ucjene. Ljudi dodu u situaciju da [ne znaju sta da rade?] (lighting a cigarette)

I: A ako vam ahoce skinit od cijene 30%, na to platite PDV, komunalije, spomenicku rentu (overlapping)

R: Nista vam ne ostane! Zato ljudi dizu cijene gore i rade jos vecu gresku. Preko 20% ne dam nikome. No sta se dogodilo, to je jos ona greska agencija sta smo pricali. Mene su preko Dubrovnika, Atlas trazili Belgijanci. I sada mene Atlas trazi da uzme ponovo hotel za njihove goste. Isto na upit, sve OK. Iza toga se javlja ovaj covjek iz Adriatice i kaze znate mi smo uzeli Atlas pod sebe a oni rade s Belgijancima, a oni vas traze. DAKLE, trebalo je Belgijanac preko Atlasa Dubrovnika trazit mene da bi ovaj u zagrebu shvatio da me mora imat. Eto, tu je problem nasih agencija. Oni nikako da neke krugove zavrte kako Bog zapovida. A ti alotmanski ugovori kod nas malih ne igraju, sta da ja njima civam sobu, alotmanske cijene, ma nema sanse. I ja sam sada to pokusavala njima od pocetka govoriti da mi tako ne mozemo funkcionirati. I nisu me bas sljivili (laugh). Ja zovem jednu agenciju ima li ka sta za nas a oni men (mimicking voice) ' a sta cemo mi s vama, vi ste nepoznata destinacija'. Ko te stita. Pa ajmo onda napravit poznato i sada sam ja napravila od Pucisca da ljudi za njih znaju. A s duge strane drzava uvik prica o velikim parama iz turizma, devizama, sve moje devize koje su dosle, jer je preko 90% poslovanja devizno, je ostalo u mojoj banci. Jer eure koji dodu u banku banka otkupi po najnizom tecaju i i prebaci na moj racun. I ja svog eura nisam vidjela. Zasto ja ne mogu doci u banku dignut svoje eure. Recimo ja bih mogla izvrsit placanje u eurima ako treba. I svi mi izvoznici imamo gubitke u deviznom poslovanju zbog tecajnih razlika. Recimo ja napravim ugovor kada je euro bio 7.46, a sada su mi ga mijenjali na 7.1, znate koja to razlika mene dode.

I: Vidila sam na internetu da ste samo vi i jedan hotel iz Slavonskog broda U udruzi. Da li placate naknadu kao kod OMH?

R: Da, to kosta. I to cemo vidit sta cemo jer to kosta 5000 eura na godinu. Jako puno tako da ja ne znam da li cu to na godinu moci, jer to je previse Velika cifra. Iako recimo oni stampaju, znaci oni imaju taj svoj osobni katalog za svaki hotel i knjizicu di smo svi. I to je prekrasno, i to je jako dobro, medutim sta je, i ovo bi nas kostalo, katalog OMH da nam drzava ne uskace.

I: Hocete li uvodit HASAP?

R: Moram, to moramo. Ali imamo vec ponudaca, drzava je dala poticaj, a udruga je ispregovarala znatno jeftinije nego sto je trzisna cijena. Iako ne znam kako ce to funkcionirat. Jer zahtjevi su dosta veliki, na koji nacin pokrivat to. Jer na primjer ako kuhar mora gledati kada je nesto zamrznu, kada je nesto odmrznuo, i pisati, ali morate znati da su to manje vise olu pismeni ljudi, oni recept ne znaju recept mapisati. Predivno kuhaju ali...imate srecu ako nadete nekog amalo bistroga i pametnoga. I to jos puno vremena oduzima, i da on je super pametan i shvaca sve, kada ce on kuhati? Znaci vi bi morali imt jednu osobu u kuhinji koja bi to sve pisala s njim. To je apsurd. To moze funkcionirati u velikome hotelu, razlika izmedu nas i velikih je uzasno velika, a mi moramo imati sve ono sta ima veliki, administrativno se pokrivamo jednako i to ne mozemo isfinancirat.

I: Koiki postotak prihoda trosite na promociju, marketing, da li mozda znate brojke okvirno?

R: Ja u principu jako malo trosim jer imam jedan drugi sisitem oglasavanja. Mi radimo intervjue (laugh). Kada bi ja isla sve placati to je uzasno skupo, prestrasno, sa ovim kreditima ja to ne mogu isfinancirat. Nema sanse. Ja koristim, ovaj onda, kako su nas slikali i to kazem prvo slavu pa onda novce, to vam je to. To je jos neshvaceno kod nas u marketingu, da prvo moras doci do slave pa do novaca. Ne mozes novce dobit bez slave (laugh). Malo zvuci americki, ali to je tako. Znaci princip novina, televizije. Ja svake godine imam reportazu, dode mi novinar, dodu sami. Upravo to sta ja nudim je nesto autenticno sto i njih privuce. Ne bi dosao da ga ne privuce. Jer recimo kada su Japanci bili ja sm bila preporucena njima. Jer je netko bip tu kod mene, netko je vidio i kad su trazili po hrvatskoj i otocima, bili su vec tu, dosli su do mene. A ja sam bila preporucena i dobila sam upit da li ih mogu primit po nizim cijenama. Ja novinarima dajem tako, atko mu tko placa to bude povoljnije ili dam bespaltno. To je zapravo meni najeftinija reklama. Ja je marketinski najmanje platim a mozda najvise odjekne. Sigurno je reportaza snaznija nego moj placeni oglas.

I: Mogu vam reci da kako potpuni stranac u ovom poslu, kako slikarica, dobro se snalazite (laugh).

R: Jer sam ja samo svoj slikarski zivot preselila u jednu drugu vrstu poslovanja, nista drugo. Jer kako sam ja morala organizirat svoj slikovni, restauratorski posao i zivot, jer ja sam imala pod sobom 15 ljudi restauratora, slikara , kipara,i to sam sve morala organizirat da to funkcionira, sve napravljeno. A to su poslovi koji zahtjevaju puno strpljenja. Poslozit puzlu po puzlu da dobijete cijelu sliku, tako sam i pvome poslu pristupila. Meni je najveci problem s osobljem, jer nije educirano, jer ne zna. Ili nece da uci, ili mu se ne da, tu je najveci problem.

I: Na pocetku ste rekli da hotel ne mora biti obiteljski da bi bio mali, kako bi vi onda, kako vi definirate mali hotel, obiteljski hotel.

R: Prvo je kako se gost osjeca. Da mu ja pruim nesto posebno i drugacije, atmosferu, uslugu, da mu prisutpim na drugaciji nacin, da ga upoznam, da popricam s njim. A svi ovi hoteli su proglaseni obiteljski jer su obitelji krenule s time,sta bi ja sada trebala imat deseteroclanu obitelj da s time svi rade? Kada sve ostaje u obitelji, ali to nije istona, to je apsoutno nemoguce. Nitko nema tako velike obitelji, milsim mou radit roditelji, djeca, ali tu ne mozete ocekivat neko brojcano stanje da vam sve popuni. Danas mali hoteli zaposljavaju oko 2000 ljudi u Hrvatskoj, bez obzira sta nas je i dosta sezonaca. A ove poticaje sta dobivamo, sta mozemo dobiti, recimo za educiranje radne snage moram ih drzat cilu godinu, a to za mene nije vise poticaj. Jer ako ja ode nekoga naucim sve i ne dam mu placu koju je zamislio on ce otic. A on ce otic kod nekoga drugoga ko nije isfinancirao njegovu edukaciju. Recimo mi smo uspjeli vec dvije godien zadrzat istog kuhara, nadam se da ce se i trecu vratit. Ali to vise ne ovisi o meni nego njemu, da li ce htjeti. To su mladi ljudi, hoce lutat po svijetu. Recimo moj je bio na brodovima, pa mu je dodijalo i hoce biti ode.

I: Kakva je vasa interakcija sa gostima?

R: maksimalno sam ukljucena, to je..to je naporno uz zve drugo sta imam na glavi. Vi ste umorni, ne mozete se posvetit gostu ako vas svako malo netko cima za rukav da nesto treba. Jer nitko ne zna radit svoj posao kako treba.

I: A koliko se prosjesno zadrzavaju?

R: Negdi oko, ovako. Agencijski sta radimo to su te manje grupe koje ostaju dva do tri dana i onda individualce koji ostaju maksimalno 5-7 dana. Ali imamo i individualca na krace vrijeme. To je isto jedna izmjena di nase agencije ne funkcioniraju kako bi spadalo. Nase su agencije naucile, izasle iz tih velikih sistema, da gost dolazi na minimum 7 dana. Dakle imate te sisteme koji su ostali iz proslosti. A mi nudimo B&B, ako hoce veceru moze. to su uglavnom putnici koji su dva dana vamo, dva tam i hoce vidit sta vise.

I: Sta gostima dodatno organizirate, vidila sam da imate i mogucnost slikarske radionice, da li s nekim s otoka suradujete?

R: Ja vam, ovako, moji gosti su vam najcesce biciklisti i pjesaci, voze se po 100km usred ljeta po Bracu, divni su (laugh). Da, da, tako po svim otocima i hodaci. Mi to vec radimo tri godine, takve programe. Sta se tice drugih stvari, ja suradujem sa svima koji su spremni za suradnju. A ja sytalno govorim, govorim (laugh), recimo imamo ronilacki centar u Bolu, cak je i bio ode ali je sada samo na Bolu jer nije ode bilo tolikog interesa, pa ja se bez problema dogovorim s njim. Dakle to je taj princip na kojem ja pokusavam radit. Recimo ja sam sada zatvorena i poslala sam u Supetar, u jedan hotel koji radi goste, oni vele (mimicking voice) 'hvala'. Ma kazem nema na cemu. Meni je normalno da ja tog covjeka dobro smjestim, ja ne misim da sta gubim niti da mi ko sta uzima kada to napravim. Ali to je u nasem mentalitetu tako, i tesko se to mijenja. I jos jedna stavr koja je problematicn u RH, a posebno na otocima. Problem koji mi imamo, je da nasi ljudi ne shvacaju da se mi moramo udruziti da bolje funkcioniramo. OMH je reativno OK shvacen, ali ljudi ne mogu svatititi da otok ne moze sam funkcionirati da ako nije zajedno. Mi recimo na Bracu imamo osam opcina. Znaci osam nacelnika, osam TZ, osam, osam, osam. A nitko s nikim, eventualno politicki netko s nekim. Gotovo. Ne mozete napredovati kaa nema suradnje. I vec se par godina pokusava napraviti TZ OTOKA Braca. Koja bi sve objedinila, a mi recimo u Pucisca nemamo TZ, mali smo. Bila pa se ugasila. A zasto? Jer nacelnik opcine nije htio Petara, a ovaj nije hti Pavla i te price. Milsim prestrasno ali to je u ciloj RH. Ta cjelovita TZ se mora napraviti jer hotel je jedno tijelo. Bez obzira sto je Bol uvijek bio istaknut kao tuizmam dok ostali nismo. Ali po malo se svagdi nesto budi. I otok bi marketinski trebao izac u svijet kao cjelina.

I: Kakvu vidite buducnost malih hotela u RH?

R: znate sta je problem? Kada drzava radi poticaj za bilo sta, ne samo ovaj za uspijeh, najveci poticaj drzave je uraditi infrastrukturu. Mi je nemamo za ni jedan sektar. Meni drzava naplacuje parafiskalne namete beskrajno. Meni opcina komunalne doprinose u mjesec dana poskupi 100%. Ne znam sta ne placao, a unutar prostora se ne dogadaju kvalitetne stavri. Dobro vidite sta se moze, sta je kalmeta napravio iz Zadra, on je grad digo iz mrtvih. Ja se pitam ko ce se tu pojaviti da Brac digne iz mrtvih! A bili smo najnapredniji od otoka, prvi dobio vodu sa kopna, struja, ceste, prvi dobili aerodrom, a danas sleti 3.5 aviona godisnje. Otakzale agencije. Zasto ne funkcionira. Pa privatizacija,ovaj Andabaka kupio Zlatni rat pa dobio vecinski paket aerodroma i njie znao sta ce s njim pa ga htio prodat. Onda ga nije prodao, pa ga nije znao odrzavat i eto sta se desilo. A on je to dobio privatizacijom, onim pikovima i kupovima,kuponska privatizacija. On nije dao kune za to. Dobio kredite, to uredio i prodao Arapima. I sada kada je to prodao arapima skupa s aerodromomi tu nece to funkcionirat, jer mi je izvjesnije da ce to i arapima biti neko pranja love nego da ce sta tu radit. Ne znam, ali to mi se tako pari. Isto vremeno on trazi koncesiju od drzave na tri milijona kvadrata zemlje na bracu, Pucisce,nacelnik opcine je to morao potpisati da je to poljoprivredno. A to nije poljoprivredno, tu se nikada nista nije sadilo. Ljudi su cuvali ovce i placali opcini koncesiju za to. Oko 40000kn godisnje. Ta zemlja se sada daje andabaku za 20000kn godisnje. A on to trazi da sadi orahe, a da bi napravio siranu. Pastiri su u ocaju. Sta ce on sada koji je prodao zlatni rat i sada hoce da sadi orahe da dobije poticaj od drzave. Je li to normalno? I to je razlog zasto su ludi poceli prodavat svoje jer ne vide smisla da rade. A on ce ka orahe sadit. Ovo ja govorim o sistemu, adminisraciji koji ne funkcionira. Onda Zagreb kaze da je to privatno i da oni nemaju s tim nista i vi imate tu infrstruktura koja propada. Tu je po meni poticaj drzave koji bi trebao biti puno jaci. A Brac moze istupiti samo kako mala regija jer je otok. I tu se napravila jedna mala udruga koja je isla prema Splitu, Zupaniji da vide sta se moze. medutim sve skupa sta se radi se mora komunicirati s lokalnom vlasti, od nacelnika do dalje. I tako je to palo u vodu, jer u zupaniji pojma nisu imali a nisi su ti sta napravit. A posebno fale usluge edukativne prirode, recimo, ja se zelim bavit tim i tim i da ja mogu negdi otic i da mi netko kaze od dokumentacije koje trebam, papira za kredite, ali toga nema. Katastroficno.

I: kakvi su vam buduci planovi?

R: radimo neprestano na podizanju kvalitete usluga a htjeli bi i prosirit kapacitete, radim na tome ima godina dana, a to ne mogu rijesit, problem je financijske prirode. I sada vam jos dolazi recesija, ili je dosla i svi vas gledaju ko crnu ovcu, kao sta trazim sada vidi kakvo je stanje. A to je blesavo,kriza nije pocela jucer. Turizam je ove godine bio los i mogu pricat sta god hoce, sedmi misec je bio prazan, hoteli su radili hoteli su radili sa 30% kapaciteta, ne moze biti sezona uspjesna. Prosle godine se znalo sigurno da je europsko gospodarstvo lose, sta je dalo sluti na recesiju a onda je u cetvrtom mjesecu pocela nafta divljati. Isto se moralo znati da ce se nesto dogoditi. I kako se kod nas uvik nesto post desava, sada se panika javlja za sljedecu godinu i novine, vijesti, sve puno da ce sljedeca godina biti katastrofa. A ja mislim da nece jer mislim da je ova godina katastrofalna. Stavri se pocimaju mijenjati. Amerika nece dozvolit da propadne i ici ce vrlo brzo dalje. Recimo agencija lani koja je narucila 40 termina, za sljedecu 20. jer sta se meni desilo oni su ove godine narucili za 40 a poslali pola grupe, ja sam na gubitku. A kako je i njih sve ovo zahvatilo, tako su oni uzimali amanje, 20 termina, jedna agencija 10, treca 15 i ja cu opet doci na svoj broj sa 3 agencije ne sa dvi i ja sam sigurna da ce to biti apsoluno popunjeno. I ja cu bit na plusu,i tako ja razmisljam, lakse mi je kada vjerujem.

I: Da li se uspijete bavit restoaterskim poslom uz hotel?

R: Slabo, slabo, daleko sam od Zagreba. Ali uspijem slikat, mogla bih i vise. Opet cu se vratit na organizaciju poslovanja, kada bi imala od jedno ili dvoje ljudi koji bi se bavili poslom da zamjene mene i mog sina, ne sada da mi nista ne radimo, ali barem u ovom operativnom dijelu.

I: Da li vam se sin bavi samo hotelom ili (overlapping)

R: On ima 25 godina, ja sam ga uvukla u to u ranoj fazi, nekada mi je i zao, on se inace bavi fotografijom, ali ni on ne stigne (laugh). A s druge strane je to steta jer kroz nase programe mogli bi drzati skolu, on bi drzao recimo kako se razvija jedan film jer danas svi imaju digitalce i to bi bilo vrlo zanimljivo.

I: Da dobijete ponudu za prodaju ovog hotela da li bi to ikada napravili?

R: Doslo mi je par puta da prodam, ali nisam mogla, jednostavno nisam mogla. xxxxxxxxxxxx a ja nosim to prezime i tu tradiciju, ako nema mene pada prica. Oni znaju povijest hotela, i to je ono sto njih privuce zapravo. Mi smo potpuno drugaciji i ja sam na neki nacin stvorila brand od ovoga ode. I sada imam potrebu za prosirenjem, da napravim jos desetak soba.

I: Da li to fizicki mozete izvest?

R: Da, mogu kupit susjednu kucu, koja je odma tu prva do nas. Ali financijski ne mogu to zatvorit. Jer ne mogu rate kredita podmirit na vrijeme, i onog momenta kada kasnite vi ste neredovti platisa i gotovo. To je problem hrvatskog poslovanja, jer ja njima vec govorim ima godinu dana gospodo ja se moram prosirit. Oni ne mogu shvatiti da to moje prosirenje je zapravo plus. Oni milse da ja trazim kredit za prosirenje kako bi podmirila stara dugovanja. I nikako da shvate da prosiranje znaci da cu moci podmirivati sve to skupa. Ja nisam studirala ekonomiju, ali ovo je zdrava logika, i cijeli posao je zdrava logika. Nema tu financiranja. Zapravo je problem sta nitko ne kuzi poslovanje hotela. Ne mogu shvatiti da ja sa tih svojih 12 soba imam rupe koje ne mogu pokrit zato sto imam 12 soba. Da imam 20 soba onda bi ti rupa bilo manje, malo.

I: Da li ste pokusali zatrazit u HABORa reprogramiranje postojeceg na duze?

R: Gledajte, HABOR je tu druga, treca, stvar, prva je banka. Ona je ta koja vasodobrava ili ne, a moja banka mene vec godinu i pol nateze jer ja kasnim sa placenjem.

I: Ne znam da li ste bili na okruglom stolu o malim hotelima prije mjesec dana kada se djelila nagrada Adrian (overlapping)

R: Nisam, isla bih, goste sam imala.

I: Na tome skupu je gospodin curlin iz Omisa predlozio da zbog upravo ovih situacija se teba osnovati takozvani krizni fond, kao sto se radi za poljoprivredu, da se moze pomagati ljudima koji imaju kredite dok ne rade.

R; Tako je, mi nemamo nista. Samo je bas ne vjerujem da ce biti sta od toga. A i Sime je ima vec nekoliko mjeseci poceo razgovarati da kako nam sada kamata raste da ne placamo tu razliku, ali nisam bas optimisticna da ce nesto biti od toga. A Suker je nekidan najavio rezanje budeta, pa jos vise sumnjam. Sitite se samo kada je Bajs bio izabran za Ministra, koje su to monade bile. Izjava njegova da hoce spojiti poljoprivredu sa turizmom je docekna smijesno. A ja znam da se godinama govori da to treba hitno spojit. Jer ne bi nama dolazilo smrznuto povrce, a ja na placu ne mogu kupiti. To je suludo, ne samo da ja ne mogu kupiti tu, nego idem ujutro do supetra pa cekam da dode iz Splita. Dale vi na otoku ne mozete kupit kil blitve pa o cemu pricamo u hrvatskom turizmu. A jos a vam kazem da super marketi ne zele doci jer im to kao nije isplativo. Slucajno je Konzum otvorio, hvala Bogu. Ta zena je kod mene osjela, i pricamo i ona meni kaze zbog cega je tu. I onda joj ja ispricam nase probleme a ona na to kaze (mimicking voice) 'nasi su energicno protiv toga, ekonomisti kazu da nema ekonomske koristi to raditi'. Ali ona je uspjela to otvoriti u 6. mjesecu, znate koje je to bilo olaksanje nama, fantasticno. Kod njih ne samo da kupuju hoteli nego i svi mali ducani, a o tome nitko ne razmislja. Sada su vec zatvorili, ovo im je bila nulta godina, ali znam da sjedecu misle napravit i mesnicu i ribarnicu. Barem se krenulo, eto to je isto jedna komponenta infrastrukture. Radite na kraju za sve osim za sebe, a svi vas gledaju kao tajkuna (laugh).

I: I sto bi rekli nekome tko zeli uci u ovaj poso, sto treba imati?

R: Ne znam sta bih rekla jer sam prosla vrlo teske godine, virujte mi. I od sredine koja vas gleda cudno, a i ja sam cili zivot zivila u Zagrebu u nekakvom drugom miljeu a sada sam dosla na nesto nize od toga. i trebalo mi je vremena, znate bila sam u soku. Kulturoloski sok, tako da je to vrlo tesko. Ja mislim da je to naprosto, treba vremena. Nista preko noci, ali treba sigurno postoati kvalitetni support drzave. Ali mislim da se mora napraviti nekakav pomak u drzavnoj administraciji, ona je katastrofalna. Mora se prmijeniti nacin razmisjanja, a nama treba naredba odozgo, nas narod ne moze samostalno nesto odraditi, on mora dobiti naredbu od odozgo , ti mali administratori trebaju shvatiti da su oni u sluzbi necega. Oni su, ma svatko ko bude izabran za nesto postane bahat i bezobrazan. Uvik nesto ukida, to, te ovlasti, to se mora pocet mijenjati. A financije, a to sta imam sa kreditima to je katastrofa. Ja sam skoro nista ulozila svoga, mozda 10% i to je starsno tesko. A od kud da vise ulozim, a to je otislo u pocetnoj fazi izrade projekata, studija, dozvola i toga svega. A da ne govorim o pristojbama da bi uopce poceli. A sve sporo ide, recimo problem katastra i suda, morala sam cekat da se banka uknjizi 6 mjeseci, je li hipoteka, d amogu raspolagat s novcima. To je prestrasno. Vi kasnite zbog toga godinu dana u izgradnji. Ja sam imala situaciju da mi je projekt odobren u petome umjesto u prvome i ja sam tu godinu izgubila. Mjesto da sam dobila u 12 mj.,pa u sestom otvorila. To su ti mentalni sklopovi na svim razinama, nekompetentnost. I danas jos to traje, kako se samo krivo gleda na prosirenje jer banka ima pravilo da ne da kredit onome tko nije redovno platio a ne gleda sta projekt moze i sta donosi. Procjene , organizacija, sve strasno lose. I svi se petljaju u sve, a pogotovo u turizam jer svi misle da svi znaju o tome. Recimo Pave Zupan Ruskovic je pokreula tu politiku dizanja kvalitete, sta je bilo nuzno, jer smo bili cisti socijalizam. Mi smo kako francuska obala 50ih godina, to je uzas. Nije to devastirano, ali treba zastititi da se nesto lose ne dogodi. Medutim dizanje samo kategorizacije nije dovoljno. I sad svi ti hoteli imaju problem jer su izgubili jeftinu klijentelu koja ih je punila, o ovu nismo dobili, a ne mozemo je dobit jer nista ne nudimo. To je taj zacarani krug. A gledajte ovu sredinu, ona ne da nista, pogledajte bunu zbog golf terena da je i ministar zavrsio u zatvoru (laugh). Ista prica je bila kada su se tenis igralista pocela radit, kao to je samo za gospodu. I to je taj otpor mentalnog sklopa ljudi, nesto nepoznato, nesto vise kategorije, pa to je odma za bogate i za tajkune. Nama trebaju rezovi, mi nismo za demokraciju, zapravo ona je kod nas krivo shvacena. A vi imate sada situaciju jos da kod go krvavo radi, a mi ode stavrno radimo, da vas usporeduju sa tajkunom. A to je jednako nekoj sumnji, mutim poslovima, kao ko stoji iza nje, ko je ona, i tako nam pocnu radit problem. A oni ne shvacaju da tajkuni koji su pokrali drzavu da oni ne rade, oni su sve tvornice zatvorili i prodali sve sta su mogli. Zapravo se ljudi na takav nacin koce da rade.

I: hvala vam puno na pomoci, to bi bilo sve od mene.

R: nadam se da sam barem nesto pomogla (laugh)

I: Jeste, jeste, stvarno sa svih aspekata.

R: Slobodno se javite ako vam bude sta trebalo.

APPENDIX 8 Thematic framework/Index (Final)

Theme	Master Code	Sub Codes
Entry Motives	**EM**	
Spotted opportunity		EM: SO
Lifestyle motives (e.g. to live in a certain area, keep family together, doing interesting work, an old desire, the top of career…)		EM: LM
Pushed by life circumstances (family inheritance, compensation)		EM: PBLC
Biography/Life History	**BLH**	
Background in T&H industry		BLH: BTH
Previous Work Experience of Running a Small Business		BLH: SB
Perceptions/Views on Lacking T&H Experience/Education		BLH: VOLTHE
Portfolio Entrepreneurs	**PE**	
In T&H		PE: TH
In Other Sectors		PE: OS
Family Involvement	**FI**	
Core Family (spouse, kids)		FI: CF
Extended Family (relatives)		FI: EF
Views on Issues of Inheritance		FI: IOI
Start Up Barriers	**SUB**	
Administrative		SUB: A
Bribe and Corruption		SUB: BAC
Financial		SUB: F
Power of Local Authorities		SUB: POLA
Long Lasting Process		SUB: LLP
Unsupportive Legislation		SUB: UL
No Start Up Barriers		SUB: NSUB
Start Up Capital	**SUC**	
Own Funds		SUC: OF
Incentive for Success		SUC: IFS
Commercial Credit Lines		SUC: CCL
Deals with Suppliers (prolonged payments)		SUC: DWS
Barriers in Business Operations	**BBO**	
Financial (EURIBOR, small credit amounts, banks' perception toward T&H)		BBA: F

Depiction of Problems with Employees (no adequate employees, attitude, knowledge…)		BBA: E
Late Payments from Suppliers, Agencies…		BBA: LP
High Impositions (from VAT to parafiscal taxes)		BBA: HI
Smallness (negotiation power)		BBA: SM
Underdeveloped Destinations (lack of basic infrastructure)		BBA: UD
Power of Hotel Chains ('dumping' prices)/ Monopoly Companies		BBA: PHC
Administrative		BBA: A
Environment for Entrepreneurship	**EFE**	
Lack of Formal Support (institutions, legal system)		EFE: LOFS
Lack of Capital		EFE: LOC
Perception of Entrepreneurs		EFE: POE
Perception of T&H Sector		EFE: POTH
Close for Cooperation		EFE: CFC
Importance of 'Connections'		EFE: CON
Business Operations	**BO**	
Marketing and Sales		BO: MKTG
Long Term Planning		BO: LTP
Rise in Quality		BO: QS
Employees Education/ Seminars		BO: EE
Diversification of Major Emitive Tourism Markets		BO: DEM
Coping Strategies (Illegality, Overcoming Legal Barriers..)		BO: CS
Growth Strategies (capacity expansion, other sectors)		BO: AE
Business Plans		BO: BP
Innovativeness		
Expectations From Business	**EFB**	
To Earn a Profit and Have Sustained/Stable Growth		EFB: EP
To Earn Money for Another Investment		EFB: EL
Repay Loans and Start Earning Profit		EFB: RLSEP
Expectations vs reality		EFB: RS
Nature of Work/Investment	**NW**	
Complex and Demanding		NW: CD

Long ROI		NW: LROI
High Investments and High Expenses		NW: HIE
High Dependence on Geopolitical Movements		NW: HDGM
Winter Times		NW: WT
Informal Networks	**INFN**	
Other Small Hotels		INFN: OSH
Other Businesses		INFN: OB
Reasons for Networking		INFN: RFN
Networking's Influence on Business Performance		INFN: NIBP
Formal Networks (OMH)	**FNOMH**	
Reasons for Networking		FNOMH: RFN
Accomplished Benefits		FNOMH: AB
Networking's Influence on Business Performance		FNOMH:NIBP
Views on Network Structure and Organisation		FNOMH:VOS
Detected Problems in Network		FNOMH: DP
Reasons for not Joining (OMH)		FNOMH: RFNJ
Future Goals	**FG**	
To Expand Capacities		FG: EC
Rise in Quality		FG: RIQ
To Sell		FG: TS
Uncertain, Do not Know		FG: UNCER
Views on Business Success	**VOS**	
Financial Progress (higher profit)		VOS: FP
Rise in Occupancy		VOS: RIO
Views on Tourism Policy	**VOTP**	
Inadequate Policies (Infrastructure, Employment, Airline…policy)		VOTP: IP
Unsupportive (VAT, subventions)		VOTP: UN
Unsupportive Legal Framework (e.g. categorisation)		VOTP: LF
Accommodation Policy		VOTP: ACCP
Uncoordinated and Centralised (a high number of organisations without clear aim and tasks in T&H)		VOTP: UN
Manipulative		VOTP: M
Perception of T&H Sector		VOTP: POTHS

Marginalised Voices	**MV**	
From Environment, Friends		MV: FE
From the Others (Institutions, Authorities)		MV: FO
Owner-Managers Feelings	**OMF**	
Frustrations		OMF: F
Loneliness /Marginalisation		OMF: L
Historical Legacies	**HL**	
Nature of T&H Development (3S)		HL: NTD
Private Initiative Restricted – illegal activity		HL: RPI
Returning Migrants		HL: RM
Consequences of Transition, Privatisation and War		HL: COTPW
Changes (small enterprises…)		HL: C
Mentality	**M**	
Mistrust Towards Institutions		M: MTI
Working Habits		M: WH
Passivity, Resistance to Changes		M: P
Romantic Nationalist Feelings		M: RNF
Perception of Guests	**POG**	
'New Tourists' ('modern nomads')		POT: NT
Changes in Tourists' Needs		POT: TN
Perceptions of Guests' Expectations		POT: PGE
Host – Guest Interaction	**HGI**	
Interaction		HGI: WTI
Would Interact but Have no Time		HGI: NT
No Will to Interact		HGI: NWTI
Views on Entrepreneurs	**VOE**	
Risk		VOE: R
Persistence		VOE: P
Courage		VOE: COU
Judgement		VOE: J
Instinct		VOE: I
Confidence		VOE: CON
Hard Working		VOE: HW
Brave		VOE: REP
Gumption		VOE: G
Defiance		VOE: D
Craziness		VOE: CRA

Small Hotel Definition	**SHD**	
Number of Letting Rooms		SHD: NOLR
Views on Family Involvement		SHD: VOFI
Distinction Compared to Hotel Chains		SHD: DCHC
Uniqueness (Atmosphere, Location, Quality…)		SHD: UNIQ

APPENDIX 9 Guidelines of the conventions of the transcription notation system adopted

Pauses	Denote short pauses during talking by a series of dots (…), the length of which depends on the amount of time elapsed (e.g., three dots for one second). Denote longer pauses with the word pause in parentheses. Use (pause) for two-to three-second breaks and (long pause) to indicate pauses of four or more seconds.
Laughing, coughing, etc.	Indicate in parentheses; for example, (coughs), (sighs), (sneeze).
Interruptions	Indicate when someone's speech is broken off midsentence by including a hyphen (-) at the point where the interruption occurs, for example; What do you -
Overlapping speech	Use a hyphen to indicate when one speaker interjects into the speech of another, include the other with (overlapping), then return to where the original speaker was interrupted (if he/she continues). For example: R: He said that was impos- I: (overlapping) Who, Bob? R: No, Larry.
Garbled speech	Flag words that are not clear with square brackets and question mark, if guessing what was said. For example: At that, Hary just [doubled? glossed?] over. Use x' s to denote passages that cannot be deciphered at all (number of x' s should denote approximate number of words that cannot be deciphered). For example; Gina went xxxxx xxxxx xxxxx, and then [came? went?] home.
Emphasis	Use caps to denote strong emphasis; for example: He did WHAT? Do not use boldface or underlining because such formatting is often lost when text files are imported into qualitative analysis software programmes.
Held sound	Repeat the sounds that are held, separated by hyphens. If they are emphasized, capitalise them as well. For example; No-o-o-o, not exactly. I was VER-r-r-y-y-y- happy.
Paraphrasing others	When an interviewee assumes a voice that indicates he or she is parodying what someone else said or is expressing an inner voice in the interviewee's head, use quotation marks and/or indicate with (mimicking voice). For example: R: Then you know what he came out with? He said (mimicking voice) 'I'll be damned if I'm going to let YOU push ME around.' And I thought to myself: 'I'll show you! But then a little voice inside said 'Better watch out for Linda.' Sure enough, in she came with that 'I'm in now' air of hers.

Source: Poland (2002, p.641)

APPENDIX 10 EXAMPLES OF MEMOS COMPLIED DURING ANALYSIS

MEMO: Environment for entrepreneurship/importance of connections

Code: EFE:CON

Return back to the literature.

'Connections' are those people who are based in the state institutions (like Ministries), banks, politics or just have power. Entrepreneurs perceive those people as crucial when starting with a business because they can speed up the process.

Is it the case that a resistance towards informal networks is compensate with the emphasised strong need for connections?

MEMO: Formal business networks (OMH)

Code: FNOMH

It seems that, in most of the cases, entrepreneurs do not value membership in OMH. On the other hand, those who are not members do not show any interest to become one. Although here we can question the OMH politics, strategies, measures, or purpose, this resistance of entrepreneurs reflect two issues. Firstly, all organisations which exist in the country are considered to be political. Both non members and non satisfied members are trying to discover what political party and whose interests are served within this organisation. This is not surprisingly, due to the memories from transition periods ('tajkuni', privatisation policy). Secondly, it also points that there is no tradition of cooperation at any level in the society. At national level they are not encouraged and on the other hand entrepreneurs cannot see benefits of networking.

APPENDIX 11 EXAMPLES OF REFLEXIVE/MARGINAL REMARKS

Interview H1

Remarks made for the beginning of the interview (transcript sections 17-72)

'First interview in the hotel where I thought that will never get an access (the best small hotel in the city, well-known portfolio entrepreneurs). But I manage to arranged a meeting easily. Another surprise was the amount of trust which the interviewee has shown – on the question why did they start with this business the interviewee gave a detailed description of the previous life, working history, even some personal details (kids, marriage).'

'The interviewee became close to the researcher, which was evident when revealing financial numbers, which were not even asked.'

'On the other hand the interview as such was a bit exhausting as lasted almost 4 hours. This amount of detail was never expected.'

Interview H4

Remark made at the end of the whole interview

'I could not run away from the impression that this is a kind of 'lola' entrepreneur. The interviewee stated that did not start this business because he needs money. Actually, couple of times was emphasising how is 'full of money', what can be true (a business in the States and also famous lawyer office in the city). On the other hand, he was mentioning constantly what he means for this city, how many people he knows, that he is a best friend with some politicians. A hard ego to deal with, especially at the end of the interview when he tried to introduced me his son.'

Interview 13

Remark made at the end of the whole interview

'I was surprised when the owner called me, after receiving my letter to arrange for an interview, but this is how I also felt during the whole interview. I was invited to the house, which is close to the hotel. The interviewee was even making Turkish coffee, bringing sweets, and talking to me openly about the whole aspect of the business. For instance, how the bank blocked her account because she is late with credit payments, the reason why she started with this business (she could not get any other loan and had this old house as inheritance), to the personal stories (her life as an artist).

APPENDIX 12 AN EXAMPLE OF THE CODED TEXT SEGMENTS (H13)

Number of Interview: H 13

Hotel: [redacted]

Date 12.11.2008.

Name of interviewee: [redacted]

Age of interviewee: 45-50

Gender: Female

Duration: 103.41 min

	3rd time	4th time
(trazi kataloge i kuha kavu) → friendly / warm welcome		
R: Evo me, morala sam upalit kompjuter na recepciji pa sam isprintala. Ali evo imam pri ruci ovo, nisam znala sta treba pa sam ovo pripremila. Ovo imate, katalog OMH?	preparation before the interv.	friendly warm welcome
I: Da, da.		
R: Pretpostavljala sam ali sam ga samo donila jer mislim da je to jako vazno. Jer svi mali obiteljski hoteli, ma dobro mali obiteljski, nisu to svi obiteljski, to je malo prenapuhano, ne treba biti obiteljski da bi bio mali po kapacitetu, ne mogu funkcionirat sami, nigdje u svijetu, ne samo kod nas. Tako da Talijani imaju jednu asocijaciju u kojoj smo mi, Charme & Relax, koji se sada sire na europsku zajednicu, sto je isto logicno i normalno. I tako je ovo sjajno jer mi imamo velikih problema jer mi smo tradicijska zemlja koja ima strasne, STR-aaaa-sne probleme u ovome poslu. Prvo nemate..osnovni problem je neznanje, eto, edukacija i tu sve krece i zavrsava (laugh).	FNOMH → FNOMH: RFN; views on family h; BBA: S; FNOMH: RFN; FNO; zemlja: tradicija / bio-econom. sett; HL: bio-eco. sett: neznanje; HL:	FNOHH: RFN; reasons to join; SHD: VOFI; SHD: VOFI; NIOR; BBA: S; FN: OTHER / FN: OTH; econom. sett (W); HL (M); EFE: POE; BBA: E

Push => push
pull => attract

I: Da li mislite neznanje ljudi koji ulaze u ovaj posa, neznanje kadrova?

R: Neznanje SVEGA KOMPLETNO, cijela struktura je katastrofalna. To mozda zvuci ovako mozda drasticno,ali mislim da je realno. Ja sam slucajno se nasla u ovom poslu o kojem pojam nisam imalajer sam iz potpuno druge djelatnosti, Ja sam u stvari naslijedila ovu kuci, po ocu sam sa Braca, ovo je moja ocevina, djedovina, pradejdovina. Ovo je kuca koja je u nasem vlasnistvu, znaci VL-aa-SNISTVU, ne u posjedu, od 15. stoljeca. A mi smo ti imali strasni problem, to je vec pravni problem, ono kad mi govorimo da to funkcionra ili ne funkcionira, prvenstveno se ne priznaje vlasnistvo koje je nedodirljivo svagdje u svijetu. Tu krecu nasi problemi svi u Hrvatskoj. Kuca je bila rusevna, cetiri zida, krov se urusio, a kuca pod zastitom kulturne bastine, grdnja 15 i 18 stoljece. Nisam imala naprosto srca prodati tu rusevinu, naprosto sam htjela nesto napraviti jer sam borac, fighter u zivotu, i tako to. Kao visi konzervator i restaurator te akademski slikar ja sam se bavila restauriranjem godinama. Moja zamisao je bila prva da napravim konzervatorsko-restauratorsku radionicu, da povezem moje slikarstvo sa kamenarstvom. Tu bi bila jedna prekrasna skola, skola [izvorskog?] kamena. Ali nitko ziv mi nije dao potporu, financijsku, o kreditima nije bilo govora.

EFE: UFI
education o-m
EM: LM
soc-ec settd: tradition / legacies
EM: L
E: P
EM: L
EFE: POE
EFE: UFI
EM: PBLC
EM: PBLC
EM
EFE: UFI
EFE: POE
HL: MR
EFE: LOC

I: Koje godine je to bio?

R: Ja sam kretala, znaci tila sam prije rata, pa doso rat, pa smo cekali da prode, da krenemo dalje. Onda smo se nadali da ce kad rat zavrsi, da se rjesavamo nekih OKOVA, da ce se to moci napraviti, ali da, okovi su se rjesavali, ali ne mentalni. Nisam dobila nista drugo nego jedino sta sam mogla dobit je bio kredit za turizam. To je jedino sto su davali i to sa velikom sumnjom. Dobro, uspjeli smo to napraviti, dakle, sama restauracija zgrade je trajala 4 godine, to sam cetiri godine restaurirala, upravo zbog tog razloga financiranja. Jer vi ste imali kontinuirano, to su, opet sada ulazimo u jedan bankarski sistem, mrvicu se tu nesto promijenilo, ali ja sam pioir u mnogim stvarima, tako da je situacija tada bila jos i teza. Malo su bolji, kvalitetniji su pomaci, ali to jos uvijek nije to. Ja

HL: W => intuitive pounded
pushed into
HL: T
HL: COTPW
EFE: POE
EM: PBLC
EFE: LOC
SUB: F
HL: COTPW

APPENDIX 13 SYNTHESIS OF THE CODED TEXT SEGMENTS: CODE: EM

CODE	CODED TEXT SEGMENT	REDUCED TEXT (SUMMARY OF MEANINGS/INTERPRETATIONS/QUOTATION)
EM: SO	**H1** on je, cesto prolazeci ovdje gradom, on je gledao ove kuce i u svojoj glavi mi nismo to tad niti komentirali. Ja sam bila sasvim van toga. On je ovaj stalno tako je gledao ove sve starine (coughs) i ......u nekim unutrasnjem, nije on sad znao ni kako ce se to razvijat ni oce li to, neki mozda instinkt ili neka unutrasnja procjena, njegova procjena, opcenito mi se cini da ima vrlo dobru procjenu sta napravit, kako napravit, ima dobru viziju. To ga vjerojatno, nadaren je time, nadaren, ja mislim da je to nesto sta je prirodno sta se nemoze naucit i on je tako negdje cuo ili novine vidio da se ova zgrada prodaje. I on je nju, njemu se, on kad je nju ugledao prvi put, tu se odma momentalo stvorila, on tad momentalno u svojoj glavi je reko to je...odlicna stvar i odma je momentalno u svojoj glavi reko ode bi bio super da bude jedan hotelcic. Znaci nije tu bilo nekih priprema ni nekih trazenja, to je jednostavno tako doslo i mislim da njega osobno, da ne mogu ja filozofirat da je prepametan, ali jednostavno ima jedan instinkt dobar. **(86-99)** Mi nismo lutali, imali smo jasnu odluku sta zelimo. Znali smo da se objekat nalazi na vrhunskoj poziciji. Znaci on u ovom okruzenju iz treceg stoljeca. **(275-277)** **H3** Prilika, uocena prilika definitivno (Inter, pepeljara). To je bila definitivno uocena prilika zato sto se ova kuca..to je brat od oga muza, to je u biti sve on organizira, sve napravija..on je u stvari nasa ovu nekretninu koja je bila rusevina, u potpunosti. To je stara obiteljska kuca i on je to kupio to od toga covika koji je tu zivio s obitelji pa je otisao zivit u Njemacku. I onda sta ce kako ce, sajetova se sa ovim, onim, prijateljima i partnerima i pala je odluka da bude hotelcic. Ali stvarno je bila prava rusevina.**(60-66)** **H4** Ja sam ziveci po svijetu, a i moje kolege, koji vise manje imaju tog medunarodnog iskustva sam vidija, pazite Austrija, to je leglo malih hotela. Sjeverna italija, mislim to je cudesno sta rade, pa Francuska, pa vise manje i po Njemackoj, dosta ima ima tih malih hotela, ali prednjace Austrija i Italija sa malim obiteljskim hotelima, rade cudesa. I u kvaliteti i u fleksibilnosti, u svemu imaju ogromnu prednost. Mene je tomotiviralo jer sam se uvijek pitao 'zasto mi kao turisticka zemlja i imamo sve	The entry seen as a purely spotted opportunity where the entrepreneur's judgement, vision, idea is emphasised. Although the building bought was very old and destroyed and in the dangerous part of the city at that point, the respondent did not have any doubt that should be a hotel. An entrepreneurial instinct. He heard that the building is on sale. And when he saw that building, in that second he told me that is a perfect thing, that is a perfect thing to build a hotel. So he did not prepare himself for that, it just came naturally, he just has an instinct, excellent instinct. A clear decision, willing to take the risk. Opportunity, spotted opportunity definitely. The respondent stresses the importance of spotted opportunity. An opportunity to buy cheaply and earn a lot.

	performance da budemo brand turisticki na svijetu i europi, zasto ne bi isli u tome smjeru.**(H4, 376-383)**	
	H5 I onda sam krenija u taj posa, a kako Vrgorac nikad hotel nije ima i kad sam ja 1988 da ideju da cu napravit hotel u Vrgorcu maltene su me proglasili ludim, jer kao 'nije niti drzava napravil hotel, a di ce on' **(28-30)** krenija sam s tim, da nesto ostane iza mene, da nesto poslije covjeka ostane. Krenija sam bez ikakvog straha jer gdje je god velika kalkulacija i puno racunanja oko tog ai kolebanje veliko tu ce covjek naici na puno vece probleme i pitanje je hoce li to moci zavrsit. Vi trebate u vas projekt virovat, znaci da bi ga dovei do kraja trebate vjerovati u njega tako da ostvarite uspjeh **(66-70)**	The city did not have a hotel, saw a lifetime opportunity. No fear from investment, completely sure in his decision.
	H6 A slusaj, bila je licitacija i ja sam se javija i pobjedija na toj licitaciji za ovaj prostor, <u>a da napravim hotel to mi inicijalno nije bio plan, ja sam inace po struci inzinjer strojarstva, a zena mi je odvjetnica</u>. Ja sam inace zivija sedam godina u Chicagu, pa u Parizu, bija sam inace lutalica, ali sam se smirija (laugh). Eto onda dosa ode, javija se na tu licitaciju i vjerovali ili ne pobjedija. I onda je nekako krenula ideja da to bude hotel **(17-22)** <u>Pa to je dosta intuicija..evo sad se pitam i sta sam isa u to jer novca imam</u>, to mi nije potrebno, a sta ja znam..**(306-307)**	Bough an old building and did not consider it for a hotel (<u>to build a hotel, that was not my plan at the first. I an an engineer, my wife is a lawyer)</u>. The idea came later, when realised that the city is lacking accommodation capacities and it would be lucrative investment although he already has well established businesses (<u>that was a sort of intuition, I did not need a new business, I have money and established companies)</u>.
	H7 ta je cijela prica dosla je iznenada. Gospodin Pites se bavi veleprodajom pica i drzi ducane, dakle u trgovini je 15 godina. I on je isao na ovome mjestu raditi kao da u podrumu bude pekara a gore da bude velika samoposluga i stanovi za njega i njegovu djecu. I vec je napravija kostur podruma, grubi radovi su bili skoro pa gotovi za pekaru i samoposlugu i onda je u tome periodu uz svoje prijatelje, ideje, ne znam mozda i banku dosao na ideju zasto ne jedan hotel **(18-24)** A uz to dole ispod hotela se pravi ACI marina ?, tako da to vec, dajkle nije na ledini i vodila ga je ta ideja.**(25-27).**	Portfolio entrepreneur who wanted to built a bakery shop and flats for his family. The object was already in construction and he decided to open a hotel instead of bakery and flats. The idea came when he talked with other entrepreneurs from the environment and also saw that the marina will be built (meaning that there are plans to promote tourism in that area). The place is also lacking accommodation capacities.
	H9 Znaci moji su 1979 otvorili kafic kada su svi govorili	Family tradition in tourism,

	da nece uspit, da ce propast, i onda je radio kafic bolje nego sta danas radi dico club. To je bilo sve do 1990 kada su moji napravili apartmane i onda je poceja rat. **(21-23)** [after the war] I onda je sinula ideja, imali smo zemlju di su bila dva objekta, onda je otac tijaradit jedan dva kata. Onda sam reka da necu, ostavit cu sve kako je ili cu radit nesto drugacije. I onda smo, u Splitu je bio najboji hotel Split sa tri zvjezdice, nismo imali boljeg hotela. Nakon toga su se otvorili Globo, President, ali do tada nije bilo. I onda je meni pala ideja, ajmo bit najbolji dok se moze **(33-37)**	even during the communism. An idea to exploit current market trends in the city/region – the lack of accommodation capacities (hotels), and the good quality ones.
	H10 u Splitu tada nije bilo malih hotela, klima je bila pogodna. **(26-27)**	General lack of small hotels in the city and favourable environment. Paid manager, portfolio entrepreneurs.
	H11 Mi sada radimo jednu pricu, nastojat cemo objedinit ta tri hotela pod ist kapu,odnosno nastojat to sve plasirati kao zajednicki proizvod i onda bi se ova nova firma trebala zvati Brac hotels. Znaci tu bi bila tri hotela pus jedno obiteljsko gospodarstvo, cija glavna proizvodna funkcija bi bilo masline, malsinovo ulje,vocarstvo, znaci pokusali bi stvorit taj, kako se sada kaze cluster od cetiri objekta. To je sada prica koja je u tijeku. **(18-24)** Iz Splita, iz Splita. Jedan je od vlasnika i iz Postira. A ako se pitat zasto su dosli vamo, to vam je cisti poslovni interes, prilika za iskoristit, a imaju i dobre mogucnosti. **(98-100)**	Owners do not have any experience or education in tourism and have already profitable and established firms. It was a spotted opportunity, with the aim to create another business with long term plans (to form a cluster). The owners are from Split, and one is from Postire. If you are wondering why they came here, that is a pure business interest, an opportunity to exploit, and they had money as well.
	H12 Ovo je bila zgrada odmaralista, koju kada sam je vidija odmah sam ima viziju maloga hotela. Bas ovoga trenda sta je aktuelan po svitu, ali u nas to tesko sazivljava jer se kod nas drzavni aparat tesko uzivljava u tu problematiku. **(50-53)**.	Returning migrant from the USA. Owned an agency in Chicago a saw a growing trend for small hotels (This was an old building, it was a sort of cheap accommodation from former Yugoslavia. When I saw the building I immediately had a vision of small hotel. And this trend is popular all around the globe as well). Came back and wanted to early enter into the market to exploit all benefits of early entry.
	H15 Ima sam restoran u Njemackoj i reka sam doci cu ja do izrazaja. I sada se ne bih mijenjao za nijedan posa, ova investicija je bila najbolji pothvat. U Drnisu	Returning migrant. Opened a hotel after owning restaurants in Germany.(If I thought that I

	nema hotela, radimo cijelu godinu, jesu veliki troskovi ali je i profitabilno. Da sam mislija da necu zaradit ne bih ni otvara. **(46-50).**	wont make money with this business I would not invest in it.)
	H17 evo ovako, poto sam ja diplomira hotelijerstvo, ekonomist au hotelijerstvu uvik mi je bila zelja da imam svoj hotel. I vidija sam priliku, da je hotel inace na dobroj lokaciji i zato sam se odlucio. Medutim da sam znao na sto cu naici danas nikada ne bih to napravio. Ali jednom kada se krene tesko je vise stati. Stvar je u tome bila da smo se odlucili da napravimo ovaj hotel jer je situacija bila jos ratna, kako samo rekao bile su i izbjegllice, ali ja kako sam radija u hotelijerstvu uvik sam se nada da ce turizam ponovo krenuti a ja sam inace rodom iz Omisa tako da jednostavno sam zelio u svome gradu nesto napraviti a sam grad omis nije imao pravi hotel i zato sam se odlucio na hotel sa cetiri zvjezdice.**(60-68)**	Returning migrant. Bought an old hotel but could not move out refugees. Decided to open a hotel despite the war because he perceives a tourism sector as the one who will always be the most important for the economy, hotel was on good location and also because he wanted to do something for his city. (it was still war and the hotel served as a home for refugees. As I have educational background in tourism and I have worked in the sector, I knew that tourism will rise again. And I am originating from this city, I wanted to do something here and it was a good opportunity because Omis did not have a hotel)
	H18 Hotel je pod grupacijom Potestas, to je grupacija na razini Hrvatske koja nema veze sa turizmom, to je banka, brokersko poslovanje, posredovanje. **(32-34)**	Hotel with paid manager. Owners perceived tourism sector as lucrative opportunity and bought the oldest hotel in the city.
	H19 Onda smo kupili ode zemljiste sa starom kucom i gledali smo se vratit. Meni je uvik bija problem da ce meni dica ostat gori. Jer znam od drugih svojih prijatelja, oni vam narastu, upoznaju momke ili cure i to bude gotovo. Onda meni muz kaze turizam bi bija dobar, to je jaka grana kod nas i tako smo se odlucili za hotel. **(29-33)**	Returning migrants. EM both SO (tourism as the most important sector – my husband use to say that tourism is the most important sector and we will definitely make a good business)) and LM (do not want that their children stay abroad, wanted to came back, nostalgia- I always had a problem thinking that my children will stay abroad). Calculated risk.
	H20 Prvo smo poceli s restoranom i to jos u 1980 im. Rastao je promet, vidjeli smo da turisti traze smjestaj i da Trogir postaje poznat, imali smo tu kucu i odlucili otvoriti hotel. **(17-19)**	Owned a restaurant and saw that market is becoming bigger, the city is attracting more tourists and consider it as a 'purely profit' opportunity.

	H21 I tako smo napravili zgradu, ode ima 7000kvadrata i bilo je glupo to sve stavit u zgradu jer ko zna kako ce ova trgovina ici, dolazi kina, hoce li se roba prodavat, a mi smo se oducili da radimo kvalitetniju robu. Ali je tendencija da ima hotela sa cetiri pet zvjezdica i mi se tome prilagodavamo. I onda racunamo da nasu ponudu orijentiramo na kvalitetnije hotele. A nasa sezona kratko traje da bi mi zivjeli od svega toga.. **(189-194)**	Portfolio entrepreneur. First business started because he and his family lost jobs in public owned company. This EM were combination of both necessity and spotted opportunity (analyzing market…) Hotel business – saw a market trends, lack of hotels, good opportunity and also as a diversification from trade business.
	H22 I onda smo mi dosli na ideju, znaci to je deset godina rada, a o svakome segmentu se moze napisat doktorat i onda smo razmisljali sta cemo radit. Maloprodaju nemamo sanse da cemo uspjet, distribuciju i veleprodaju smo shvatili da ne mozemo odigrat utakmicu, u maloprodaji su drzavni igraci zauzeli pozicije i ovaj, sa samostalnom trgovackim radnjama nema jer smo vezani uz Konzuma i tak. Ti ti kazu mozes zivjet na kapaljku dok ti mi dajemo, a kada ti ne damo onda umires. Onda smo mi shvatili da idemo mi nesto radit sta mozemo se barem u jednoj mjeri tuci sa, doslovce, sa uslugama a to je hotelijerstvo. **(50-58)**.... I onda sam shvatija da se jdino tu mozemo tuc. Tako smo poceli radit taj mali hotel. **(62-63)**	In the 90s left without job and start with the private business in wholesale sector. That business failed because of the political games, late payments… Tourism sector seen as the only one where 'we can fight and succeed'.
	H23 Da, da, zavrsija sam srednju ugostiteljsku skolu u Splitu i ovaj bavio se ugostiteljstvom. Otvorio sam restoran 1979 Trogirski Dvori i onda se to lagano razvijalo, lagani razvoj, kako se god zaradivalo i kako smo stjecali neki profit tako smo malo po malo prositivali objekt i vamo tamo iz toga dugogodisnjeg obiteljskog rada iznikao je hotel koji je bio medu prvim privatnim obiteljskim hotelima u Trogiru 1994 godine je otvoren taj hotel. Sve sa sredstvima koja su zaradena dugogodisnjim radom i tako razumite. **(22-28)**	Firstly started with restaurant in 1979 and later on expanded. Investment into the hotel came naturally, as the growth strategy.
	H24 Da skratim pricu, evo ode sam prvo poceja s konobom, pa sam se prosirija, dobija sam terase, uvik sam prilicno dobro radijo, dobiva sam i nagrade medutim ponukalo me jos da se prosirim i tu sam kupija cetiri stare kuce u koje se sada nalazimo. **(36-39)** Tako sam 1997 ima grupu Spanjolaca i u restoranu i u tu i predlozili su me za nagradu Zlatni Bik i to me jos vise potaklo da se jos vise sirim i da prosirim djelatnost koja je ipak moja struka ali ipak **(46-48)**	A chef who owns restaurants since 1960s. Numerous awards gave him an incentive to expand and investment into the hotel came naturally. (When I got that prize in Spain it just motivated me to expand more, and idea about hotel came as natural, normal)

	H25 Meni je otac otvorija tu konobu 1988 godine u obiteljskoj kuci moga dide i babe, to je nasa didovina. **(56-57)** Znaci otvorili su konobu i imali su sobe za iznajmljivanje i mi smo tu zivili. I onda smo tamo 1999/2000 poceli, pocela se ta ideja razvijat i bilo je interesantno otvorit hotel s obzirom da nama ulaganja sta se tice nekretnine nisu velika, dakle trebalo je napravit rekonstrukciju objekta, renovirat ga a nije bilo u Trogiru nekog velikog broja hotela. **(58-61)**	First started with konoba (restaurant) on the same place. Entry motives combination of spotted opportunity and favourable conditions (already have an old house, IFS, inadequate number of accommodation capacities in the city...)
	H26 znaci uvidjeli smo da se taj turizam stavrno siri, da se grade apartmani a s druge strane seget je mal mjesto koje do prije 5-10 godina je bilo toliko zaostalo i sad smo dosli na tu ideju da bi stavrno mogli nesto napravit posebno pogotovo s tom kucom koja je usla pod zastitu spomenika. **(51-54)**	Family tradition in tourism sector. Invested into the hotel because they saw that tourism sector is 'growing rapidly' and that investment opportunities are favourable.
	H27 tata je dugo radio u njemackoj, a vec imamo otvorene zlatare u splitu. Onda smo akumulirali novac, i moj tata je to tija, imali smo zemlju i tako smo krenuli. Inace mi smo iz Livna i dolsi smo vamo vec prije ali smo se kada je krenuo rat definitivno preselili, a tu smo kupili zemlje po trogiru i kastelima. Tata je to htio, a i brat je bio za to, vidili su neku priliku, dobru priliku za ulozit novac, i tako se brat ukljucija s njim. **(54-59)**	Portfolio entrepreneurs in other sectors. Invested the surplus of money into the hotel because they thought it is a good opportunity to invest money (we saw an opportunity, and excellent opportunity to invest our money).
	H28 I onda smo mi uvik putovali po svijetu i gledali kako to rade Talijani, Austrijanci, bilo nam zao toga motela (laugh) i onda smo samo sanjali kada ce doci vrijeme da cemo to ponovo moci, kada ce se to dopustit. **(41-43)** Kako je bio dobar restoran, moji su ponovo napravili ode di smo sada, ovo je stari dio restorana uz rijeku i tu je bila velika potreba, od izletnika, do s obzirom da je trilj bio glavni tranzit sa sjevera na jug hrvatske onda je puno ljudi ostajalo kod nas uz rijeku i spavanje, isto tako turisticke grupe i prirodno je bilo da mi napravimo hotel. I cim je 1989 poceo onaj Markovicev zakon onda smo mi krenuli u poduzetnistvo **(46-51)**	Entrepreneurs (family) even during communism (trade sector and restaurants). They noticed increased demand for accommodation capacities in that area and decided to invest. Needed to wait for the law from 1989 (Markovicev law) which enabled private investments. (it was so natural that we build a hotel)
	H29 Za razliku od gradjevinarstva, hotelijerstvo trenutacno u Hrvatskoj bolje posluje i stvara manje poduzetnicke komplikacije. A turizam je kod nas najaca grana, to ne moze propast, fali hotela, odlicna poslovna prilika. **(60-63)**	Returning migrant from Canada. Had small business in construction sector but decided to invest into the hotel because contrary from construction sector, hotelier business brings

	H30 Poceo sam 1993, jos je bilo ratno vrijeme ali sam uocio da nema pekara i da je to dobra prilika, a ima sam svoj novac. **(19-21)** Pa cinilo mi se kao dobra prilika. Hotel je poslovni hotel a mislim da je njegova pozicija upravo ono sto ce nam donjeti dobro poslovanje i profitabilnost. **(31-32)** **H31** Nasa prica pocinje od 1963 godine kada su moji pokojni roditelji, Miljenko i Marija poceli prvo sa pansionom pa ga pretvorili u intervju. Pansion, sadasnji hotel je izgraden na zemlji moga djeda i bake. Moji su se odmah opredijelili za turizam i pansion je izgrađen u prvo vrijeme kreditom koji smo dobili za kuću srušenu u onom velikom potresu koji je uništio Makarsko primorje. Negdje u to vrijeme izgrađena je i Jadranska magistrala i počeli smo s turizmom, a kad se čovjek za nešto zaista opredijeli, onda se tom poslu preda dušom i tijelom i tako smo sstigli do hotela s četiri zvjezdice.**(19-26)**	better results. Tourism is the most important sector for Croatian economy, we lack accommodation capacities, that was a great business opportunity. Main activity is bakery business. Investment into hotel was perceived as 'a great business opportunity, which I could exploit having extra money and I did not have to take the loan.' Family tradition in tourism. Owned rooms to let and expanded (hotel). In that time (1968) the main road which connects the whole coast was built and they perceive it as a push factor for tourism sector and their business.
EM: LM	**H2** Evo ovako. To je bila zelja moga oca da se realizira. Znači od 1941 postoji plan i projekat da je to trebala bit parela s restoranom. Znas kakva je bila situacija, komunizam, nepodobnost, ništa se nije moglo. Otac je jednostavno odusta a on i mama su u Njemačkoj inače, imaju svoj restoran već godinama **(19-22)** Ja sam se tome usprotivija i reka da ću to ja radit. Reka sam to ocu, užasno ga je to obradovalo. **(25-26)** Kad sam završija faks, 2003 godine već sam to počeja realizirat. Dobija sam i pondu za Zagreb, odličan posa, čak sam i proša cilu obuku. Ali sve sam to ostavija i vratija se ode, jer mislim da sam za ovo i da mogu dosta napravit.**(27-30)** **H4** Ovo je bila nekad Vila Dvor izgradena 1937 godine i ja sam tako, bila je dosta u derutnom stanju a na drugoj strani rijeke sam ima restoran pa smo tako gledali pomalo to derutno stanje i ja sam uvik govorija 'jednog cu dana ja to rekonstruirati u hotel' tako da je ta ideja stara vise od 20 godina. I neke su se okolnosti poklopile **(25-29)** A ja sam na jedan nacin zelija zaokruziti neki svoj zivotni ciklus i ima sam uvijek u nekom planu da bi generira jedan obiteljski biznis jer ono sto nama, generalno u Hrvatskoj fali je obiteljski business **(123-**	Father's wish but he would not do it if he did not see the opportunity to earn money. He left a paid job (top position) and decided to do only this job. Not only lifestyle motives, combination of SO and LM. Combination of both (LM and SO), an old desire (one day I will build a hotel at this place), waiting for all peaces of the puzzle to combine in order to take the investment.

<table>
<tr><td></td><td>125).

H8
Ovo je bio neki vrhunac (17)....Kada smo se vratili iz Njemacke drzali smo jedan restoran ode i pansion, dvi tri godine, pa smo otvorili kafic. Ali cilo vrime bila je tu neka zelja i taj sami slijed dogadanja je doveja do ovoga. U stvari cilo smo vrime zamisljali da bi jednoga dana mogli imat, mozda ne hotel, nego restoran jer sam ja po struci kuhar, i vise me je to vukle. Ipak su se te zelje ispunile i malo vise nego smo mi to zamisljali..(20-25)
Niti je moj plan uopce bija da to ovako izgleda (79-80)
<u>Ja sam napravija objekt tu di sam se rodija ali da sam gleda mozda sa pametnije strane, mozda bi napravijau Trogiru ili splitu, ali mene to nije interesiralo, ja sam tija to napravit tu, di sam roden, da pokusam.</u> (587-589)
Ali ovo je bila moja zelja, ne odustajemo, idemo dalje, ovo je po meni samo pocetak. (631-632)
<u>Ovo je meni vrhunac rada i zivotnog iskustva</u>. (642-643)

H16
<u>Bilo mi je dobro, ne mogu rec da mi je bilo lose ali se jednostavno nisam mogla naci u toj sredini, zbolg ljudi, zbog nacina njihova razmisljanja. U svemu tome neke su se stvari poklopile u mome razmisljanju da bih ipak i ja radila nesto samostalno, za sebe. Isto tako sam podrijetlom sa hvara i uvijek me je nesto vuklo, svi smo volili otic, djeca moja i to i u obitelji su se neke stavri poklopile, da mi je otac dosao do nekoga novca i ja sam pocela razmisljat o tome da zajednicki pokrenemo posao, obiteljski posao u turizmu..</u> (24-30)
<u>Ovako, dugo mi je to bila zelja</u>, znaci barem obiteljsku kucu sa nekoliko mozda apartmana koje bi iznajmljivali onako, neprofesionalno. Ali kako su se te neke stavri poklopile, ja sam moram reci bila i <u>nezadovljna u ovoj firmi di sam radila, vidila sam da me iskoristavaju za svoj racun.</u> A ja sam vec htjela ako cu bit iskoristena, ako cu puno radit da cu to radit za sebe i to mi je bio motiv i to i je bil stalno na pameti. I onda smo jos dobili te novce s kojima sam imala hrabrosti krenit i onda je bila takva klima u drzavi da se potice poduzetnistvo. (226-233)</td><td>Returning migrant. Wanted to establish his own business but did not aim firstly for the hotel, just for the restaurant because he is a chef. Owning a hotel is a <u>top of carrier</u> for them.

The location of the object was lead with his origin, he wanted to do something in his birth place, that was his desire. But he is aware that the urban city centres would be more profitable

Unsatisfied with the job in state owned insurance company, feels that she is used and her work not appreciated. The origin from the island also played the role when deciding about the location.

An old desire.

Combination of several factors: an old desire, dissatisfaction with the job, sold property and a desire to earn something and leave a business to children.</td></tr>
<tr><td>EM:
PBLC</td><td>H13
Kuca je bila rusevna, cetiri zida, krov se urusio, a kuca pod zastitom kulturne bastine, grdnja 15 i 18 stoljece. Nisam imala naprosto srca prodati tu rusevinu, naprosto sam htjela nesto napraviti jer sam borac, fighter u zivotu, i tako to. <u>Kao visi konzervator i restaurator te akademski slikar ja sam se bavila restauriranjem godinama. Moja zamisao je</u></td><td>Inherited an old house dating from 15 century, could not sell it, it is in family from centuries. Wanted to establish an art academy but no one gave her support (institutions, banks…). Decided to open a small</td></tr>
</table>

	bila prva da napravim konzervatorsko-restauratorsku radionicu, da povezem moje slikarstvo sa kamenarstvom. Tu bi bila jedna prekrasna skola, skola [izvorskog?] kamena. Ali nitko ziv mi nije dao potporu, financijsku, o kreditima nije bilo govora. **(42-49).** Nisam dobila nista drugo nego jedino sta sam mogla dobit je bio kredit za turizam. To je jedino sto su davali i to sa velikom sumnjom. **(56-57)**. Dakle, u najlude vrijeme sam otvorila poduzece, jer nisam mogla radit vise na drugi nacin, sve vas neke situacije tjeraju da nesto uradite sta mozda ne bi inace u zivotu, ne bi mislili da ce te radit. **(118-121)** I ovaj, tako su mi rekli otvori poduzece, ja ga otvorila da bi ogla radit (laugh). **(125-126)**. **H14** Kada sam dosao ode nazad u Split uhvatio sam se niskogradnje, radio sam za Cestara Split koje je medu prvima po onim pretvorbama kupila Montmontaza. I taj direktor, rukovodioc Cestara mi kaze da mi 150 milijona kunanece platit nego da dignem materijal, gradevinski i da ga mogu ulozit di hocu. ja sam bio u tolikoj nevolji, ne znam sta cu sa kapitalom, ili nista ne dobit ili dignit taj materijal. Odlucio sam se da dignem materijal, kupio sam zemlju, i tako sam poceo gradit ovaj hotel. **(25-31)** drustvo mi pomoglo, drustvo me unistilo. **(75)** I ja sam cili zivot radija, radija i kad sam toliko dugo radija drustvo mi nije platilo. I prisililo me da gradim ovo. **(135-137)**	heritage hotel because that was the only project she could get a loan. The same situation happened with another business (restaurateur) – she established a business to be able to work (situation in 90s – war, privatisation, corruption..) Worked as a constructionist, owning small enterprises. During the privatization process the state firms did not pay him for the work (millions of EUR) but told him that he has an option – take the construction material or forget about the money. The state/society has forced me to build this.

APPENDIX 14 AN EXAMPLE OF THEMATIC CHARTING: MATRIX: EM:SO

RESPONDENT	Thematic code EM: SO (Entry motives/Spotted Opportunity) Coded text segment, meaning interpretation and transcript reference
H1	• Portfolio entrepreneur • Entry seen as a purely opportunity, emphasis on the entrepreneur's judgement, vision (86-99) • A clear decision, willing to take the risk (275-277)
H3	• Portfolio entrepreneurs • '<u>This was an opportunity, definitely spotted opportunity</u>' (60-66)
H5	• The city did not have a hotel, the entrepreneur saw a lifetime opportunity (28-30) • No fear for investment, sure he will succeed (66-70)
H6	• Portfolio entrepreneur • An initial idea was not connected to hotel (17-22) • Emphasise intuition as crucial in decision to run a hotel. '<u>It was a sort of intuition, even right now I am thinking why I did this..I already have</u> <u>money and established businesses</u> (206-307) • Lack of accommodation capacities in the city made the decision even stronger (an opportunity to make a good profit) (phone interview)
H7	• Portfolio entrepreneur • Perception of opportunity in the last moment. Almost used the building for another business (18-24) • Conditions in the environment as crucial in changing decision (lack of accommodation capacities, construction of huge ACI) (25-27)
H9	• Portfolio entreprenur • Family tradition in tourism, even during the communist period (21-23) • An idea to exploit current market trends (lack of accommodation capacities, importance of tourism) (33-37)
H10	• Portfolio entrepreneur • General lack of the hotels in the city and favourable environment to invest (26-27)
H11	• Portfolio entrepreneur • Owning firms in different sector, invested the surplus of money (18-24) • <u>If you are wondering why they came here, that is a pure business interest, an opportunity to exploit, and they had money as well.</u>
H12	• Returning migrant • <u>'This was an old building, it was a sort of cheap accommodation from former Yugoslavia. When I saw the building I immediately had a</u>

	vision of small hotel. And this trend is popular all around the globe as well (50-53)
H15	• Returning migrant • 'If I thought that I won't make money with this business I would not invest in it.' (49-50)
H17	• Returning migrant • Perception of tourism sector as the most important, the one which will never fail (60-66) • 'It was still war and the hotel served as a home for refugees. As I have educational background in tourism and I have worked in the sector, I knew that tourism will rise again. And I am originating from this city, I wanted to do something here and it was a good opportunity because Omis did not have a hotel (66-68)
H18	• Portfolio entrepreneurs • Owners perceived tourism sector as lucrative opportunity and bought the oldest hotel in the city. (32-34)
H19	• Returning migrants • Perception of tourism as the most important sector. 'My husband use to say that tourism is the most important sector and we will definitely make a good business' (32-33) • Presence of lifestyle motives. 'I always had a problem thinking that my children will stay abroad, I wanted to come back' (29-30)
H20	• Portfolio entrepreneur • Owned a restaurant and constantly observed what is happening in the sector. 'We saw that market is becoming bigger, the city is attracting more tourists and consider it as a 'purely profit' opportunity'. (17-19)
H21	• Portfolio entrepreneur. • Spotted opportunity (lack of hotels, good opportunity and also seen as a diversification strategy from trade business). (189-194)
H22	• Owned a small business which failed, the owner constantly observed market trends to bring a decision where to invests (lack of hotels, good opportunity). • Tourism sector seen as the only one where 'we can fight and succeed'.(62-63).
H23	• Portfolio entrepreneur (restaurant) • Investment into the hotel came naturally, as the growth strategy.
H24	• Portfolio entrepreneur (A chef who owned restaurants) (36-39) • Motivation to expand as a reflection of good business results. Idea to expand and investment into the hotel came naturally. (When I got that prize in Spain it just motivated me to expand more, and idea about hotel came as natural, normal) (46-48)

H25	• Portfolio entrepreneur • Entry motives combination of spotted opportunity and favourable conditions (58-61)
H26	• Portfolio entrepreneur (tourism) • Invested into the hotel because they saw that tourism sector is 'growing rapidly' (51) and that investment opportunities are favourable (51-54)
H27	• Portfolio entrepreneurs in other sectors • 'We saw an opportunity, and excellent opportunity to invest our money' (58-59)
H28	• Entrepreneurs even in period of former Yugoslavia (41-43) • 'It was so natural that we build a hotel' (50)
H29	• Returning migrant (owned a construction company) • 'Contrary from construction sector, hotelier business brings better results. Tourism is the most important sector for Croatian economy, it can not fail, we lack accommodation capacities, that was a great business opportunity'.(60-62)
H30	• Portfolio entrepreneur, bakery business. • Investment into hotel was perceived as 'a great business opportunity, which I could exploit having extra money and I did not have to take the loan.'
H31	• Family tradition in the sector since 1963 (19) • Influence of push factors in these times (construction of the main road) (19-26)

MATRIX EM: LM

RESPONDENT	**Thematic code EM: LM (Entry motives/Lifestyle Motives)** **Coded text segment, meaning interpretation and transcript reference**
H2	• Father's wish but would not be realised if the entrepreneur did not see an opportunity to earn money (19-22) • Rejected a well paid job in the capital city (27-30) • Combination of LM and SO
H4	• An old desire. 'One day I will build a hotel at this place.'(27) • Waiting for all peaces of the puzzle to combine in order to take the investment. (25-29) • Combination of both (LM and SO)

H8	• Returning migrant (a chef) • Owning a hotel is a top of carrier for him • Location of the object was lead with the owner's origin. 'I wanted to build a hotel where I was born..but if I watched this from the more logical side, I would do it in the city. But I was not interested in that.'(587-589)
H16	• Unsatisfied with the job in state owned insurance company (24-30) • The origin from the island was crucial in determining hotel's location (24-30) • A desire to earn something and leave it to the children (226-233)

MATRIX EM: PBLC

RESPONDENT	**Thematic code EM: PBLC (Entry motives/Pushed by Life Circumstances)** **Coded text segment, meaning interpretation and transcript reference**
H3	• Inherited an old house dating from 15 century, could not sell it, it is in family ownership from centuries.(42-45 • Invested into a small heritage hotel because that was the only project she could get a loan. (45-49)
H14	• Worked as a constructionist, owning small enterprises. During the privatization process the state firms did not pay him for the work (millions of EUR) but told him that he has an option – take the construction material or forget about the money.(25-31) • 'The state/society has forced me to build this' (135-137)