

SMALL IS (STILL) BEAUTIFUL: A SYNTHESIS OF RESEARCH ON SMALL TOURISM FIRMS

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Abstract

Small tourism firms are symbolic of new trajectories of tourism development. On one level they represent spatial and sectoral spread of tourism within society and economy and on another level they represent a developmental counter balance to the globalised concentrations of the multinational tourism sector. Research on small tourism firms is reflective of the sector itself in terms of its diversity and scope to the extent that specialised attention challenges opportunities for conceptual engagement. This paper responds to arguments calling for more coherent theoretical development of research by providing a synthesis of literature which conceals an implicit logic reminiscent of the subject itself.

Key Words: Small tourism firms, new trajectories, tourism development, sectoral spread, counter balance, multinational tourism sector.

Introduction

The small tourism firm (STF) is without doubt a dynamic agent of tourism development and growth. The STF is represented in virtually all traditional activity sectors, accommodation, attractions, transport, as well as focused market areas such as adventure tourism, heritage, eco-tourism, and hospitality, as well as a diversity of service support sectors including information technologies, consultancies, catering supplies and so on. The STF is present in the remote rural periphery, the urban context and as local flavour 'clip on' enterprises supporting and differentiating the global corporate entities. Indeed the STF is nothing if not ubiquitous in nature of operation. From the research perspective the most challenging and absorbing dimension of the STF is that this diversity of context is matched by an internal complexity which straddles the full spectrum of not only business and socio-cultural interest but also their corresponding disciplinary arenas.

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The nature of the STF demands a level of analytical thinking which juxtaposes and integrates the macro and the micro at every turn.

Recent decades have seen a sustained interest in research fuelled by the dynamic growth of STFs across the range of tourism sectors, cultures and continents. Collectively this interest represents a broad research agenda which is often highly integrated with the policy and institutional environment (Mugler, 1997; Wanhill, 2000). Encouragement of growth of the STF sector from central and local governments also reflects increasing demands for more sustainable forms of tourism production. The assumption that STFs are naturally integrated with communities both socially and economically remains a moot point although the capacity of STFs to deliver a geographically dispersed form of economic development is undeniable. STFs are normally associated with low levels of economic leakage, comparatively low barriers of entry, high levels of local networking leading to linkages between society and economy at the local level.

In recent years the encouragement of small business sectors, as well as small tourism sectors specifically, have emerged as core areas for policy support and donor assisted funding across the developing world (See for example, Overton & Scheyvens, 1999; Dahles and Bras, 1999; Muma, 2002). The emphasis on STFs has been spurred by an abundance of literature extolling the development opportunities to be derived from alternative tourism forms particularly in the 1980s and 1990s (Sharpley & Telfer, 2002; Scheyvens, 2002).

The overwhelming characteristic of the STF is its integrative nature. This inherent internal 'coherence' is however both its strength and weakness. On the one hand the STF articulates a more sustainable tourism in its most cliched sense, on the other hand the increasing need for 'master of all trades' management presents significant challenges to managers, owners and entrepreneurs in what are frequently highly competitive local environments (see for example, Russel and Faulkner, 1999; Yusof and Aspiwall, 2000; Piso et al., 2002). The vernacular characteristics of the STF however specialise research attention to an extent that challenges opportunities for comparability either in terms of analysis or methodologies. Despite the diversity of roles and functions within STFs, research trajectories reflect a tendency to focus on specialist elements of STF activity and often favouring analysis across sectors or regions. As Thomas (2004), Morrison (2002); Morrison and Teixeira (2002) argue, our understanding of the issues facing the STF environment would be greatly enhanced by more sophisticated conceptual thinking facilitated by greater levels of integrative analysis and contextualisation.

This paper represents an initial response to these calls by providing a synthesis of literature on STFs. The discussion I present provides an overview of research focusing on four research domains: firstly, I explore research which highlights the emerging significance of STFs and their multifaceted roles in the context of the broader dynamics of the tourism industry; secondly, I examine the relationship between studies in entrepreneurship and the STF; thirdly, I discuss studies following the emerging relationship of STFs with their institutional environments; and fourthly, I review the attention paid to management issues in terms of theory and practice. Following this I attempt to distil these themes in order to identify opportunities and challenges for the conceptualisation of research which correspond with emerging issues on the STF horizon. I argue that the strength of research on STFs is precisely its diversity and breadth and as such I should take opportunities to cross fertilise conceptual and methodological perspectives where relevant in a manner reflective of the STF environment itself

From SMEs to STFs: The Structural Context of the 'Small Tourism Firm'

In the late 1970s small firms emerged as a feature of development across the industrialised world. Following decades of economic and structural instability which characterised the 1970s through to the 1990s the dominance of traditional manufacturing sectors and large corporate industrial entities began to be questioned as reliable generators of socio-economic development (Freeman & Perez, 1988; Dicken, 1998). Reviving Schumacher's (1973) well worn arguments Sengenberger and Pyke (1992) observed that a healthy small firm sector is essential for country's seeking to encourage economic development opportunities. Their observations echoed an awakening within the OECD who noted that, 'small firms are particularly important in net job growth' (1985:80).

Drucker (1992:110) observes that this transformation reflects the growth of small and medium enterprises (SMEs) generally during 1980s, a process which can be attributed to the decentralisation strategies of large firms (Sengenberger and Pyke, 1992). The corresponding shift from labour-intensive to knowledge intensive industries together with technological and management changes precipitated significant social and economic change within western democratic countries. The shift of manufacturing production/assembling to developing countries for cheaper labour and the restructuring of developed economies in turn, led towards service based economies and the resurgence of local and regional economies featuring a dynamic small firm sector (Frank & Landstrom, 1997).

The implications of these changes are not confined to commercial organisations. They also have affected the social context coincidental with a 'cultural turn' and the realignment of social groups (gender, ethnicity, vocation, education level), changes which in turn inform the context of entrepreneurship, consumer practice and regional development. In other words structural economic forces provide a basis for small business start-up and facilitate an environment in which entrepreneurial opportunities are possible. An increasing number of individuals have been attracted to enter the small business environment for economic reasons, employment opportunities and in opposition to the increasingly competitive and 'soulless' corporate environment in which many individuals 'have found it almost impossible to work' (Carter & Jones & Evans, 2000:4).

While traditional labour-intensive manufacturing jobs have shifted into the lower-wage economies the 'developed world seeks to compete in the higher value-added service industries - marketing, distribution, media, communications and leisure' (Morgan & Pritchard, 2000:126). New modes of production based on technological advancement and new organisational/management strategies have created a range of additional products and services. Flexible production characterised by market differentiation, increasing levels of integration between the different production process and importance of innovation are key to providing the small firm with a fundamental competitive advantage over its large, less flexible competitors (Piore & Sable, 1984; Storey, 1994, Stokes, 2000). One of the advantages that small firms have over larger competitors is their more unified culture that provides a good foundation for change (Ghobadian & Gallear, 1997).

One of the central characteristics of this restructuring has been the declining mass production manufacturing sector, itself a result of globalisation and leading in turn to broader processes of economic, social and cultural change (Montanari & Williams, 1995, Dicken, 1998). Indeed, this global transition is seldom more apparent than in travel, tourism and leisure sectors. Particularly with the progress in transport and information technology, international tourism has spread rapidly around the globe, rising from 25 million to more than 700 million travellers between 1950 and 2004, (WTO, 2004: 1).

As the range of tourism products has expanded rapidly (Pearce, Morrison and Rutledge, 1998) it has created opportunities world wide for a wider array of specialised small-scale tourism firms. In the context of this shift, and a corresponding demand for differentiated, 'tailor-crafted' tourism products, the importance of small-scale businesses has been widely recognised (Buhalis & Cooper, 1998; Thomas, 1998; Page et al., 1999). This is not to say

that demand for standardised tourism products provided by large businesses is in decline. Indeed evidence suggests that demand is growing, however, as Scase (2000:38) observes, 'outside this, there also niches of consumers who, in return...want to purchase more personalise itineraries' offering opportunities for business start-ups particularly in depopulating and economically depressed peripheral areas.

The small firm and the small tourism firm (STF) has come to assume a strategic significance in the development aspirations of developed, transitional and developing economies across the globe and their importance is reflected in various government initiatives (policy adjustment, grants schemes, training programs, research) (Devins 1996; OECD, 1999; Klasik & Heffner 2001). A recent example on the global level is the Global Enterprise Monitor (GEM), an international research program examining the relationship between the entrepreneurial activity in small business and economic growth. Consistent with the discussion above the monitor suggests a strong correlation between the two in most of the 37 members countries (see Fitzsimons, O'Gorman & Roche, 2001).

At the turn of the millennium sustainability has also become a core discourse against a backdrop of cycles of economic crisis (see Stokes, 2000; Kao et al., 2002). It has been argued that the increasing globalisation of the economy will bring about a demise of local production systems, under pressure of new global large firms to the extent that the decline of primary sector agricultural and food-production industries has been accompanied by increases in service employment, especially in tourism. In this context also the STF has gained significant support in representing the local interest and has become a symbol of sustainable and regional development (Shaw & Williams, 1998).

The exchange of tourism activities in a locality 'extends far beyond the narrowly economic' (Montanari & Williams, 1995:7). Small-scale tourism production is argued to have an inherently 'sustainable' character in respect to socio-cultural, environmental and economic values when compared to multinational corporate interests (e.g., Deegan, Donal & Dineen, 1997). Indeed one of the main characteristics of small tourism firms is their significance to host communities. Most small-scale operations are characterised by ownership which favours local, often family owned businesses. Through this structure small firms and local communities are often integrated into the entire local economic and social fabric (Ruisi, M. & Faldetta, G., 2002; Scott, Park & Cocklin, 2000). A typical enterprise, such as the bed-and-breakfast establishment, for example, is perceived as having low barriers to entry; employing existing, underutilized (fixed and human) capital; and placing modest demands on public assistance. On the other

hand, the small-scale of these operations may render them impotent in terms of efforts to improve local welfare. Indeed as Slee et al., argue institutional support of STF's may only serve to cannibalise existing enterprises as demand is redivided among more operators.

Despite their emerging significance and level of representation in many world economies, small firms face a raft of challenges quite unlike those of larger concerns (Scase & Goffee 1989; Story, 1994). More than ever, small firms must simultaneously deal with continuous change and build securely for the future. Yet there are numerous barriers to achieving these goals: short-term horizons affecting investment and business development; difficulties in securing financial facilities; insufficient skills and adaptability of the work force; barriers to market entry, and a regulatory environment inhibiting business growth and new entry (Gomes-Cassers, 1994). As a result they often experience a high fail rate; some empirical evidence suggest that about 40 percent of small tourism firms fail in the first 3 years of operation (Buhalis, 1996), and only a small percentage of them remain in operation for more than 10 years (Stokes, 2000). A study from the UK reveals even more striking results indicating that as many as 50 per cent of new firms survive only 1-5 years (Boer, 1998). According to Chell & Pittaway (1997), 80 per cent of restaurants and cafes in Newcastle (the UK) had failed within three years of operation. Similarly, in Finland, Juutilainen (2002) revealed that the vast majority of small tourism firms are not successful in accordance to financial criteria.

Clearly, the small tourism firm has been much lauded in the context of regional development, sustainable development and economic diversification. As the preceding discussion illustrates there may be a significant disparity between the theoretical potential of STF's and their ability to deliver that potential. The research above also illustrates the extent to which entrepreneurship is often implicitly associated with discussion of small firms in general and STF's in particular. The following sections seek to unravel the myriad of challenges facing STF's, challenges which at times clearly overwhelm their operation. Specifically, the discussion focuses on examinations of entrepreneurship, management capacity and the institutional environments which surround STF operations.

Reinterpreting Entrepreneurship and the Small Tourism Firm

Research in the small business sector generally has traditionally been closely associated with entrepreneurial behaviour and entrepreneurial studies (Shaw, 2004). As such the multifaceted nature of the theoretical context noted above is further complicated by the diversity of theoretical and

methodological approaches which inform perspectives on entrepreneurship. For example, as Jones and Coviello stress, entrepreneurship literature 'is less easily categorised due to significant cross-fertilisation of ideas from multiple disciplinary perspectives' (2002:4). While, for example, economists are primarily concerned about the role of small firms and entrepreneurialism in an economy (Schumpeter, 1973; Stanworth & Gray, 1991), psychological perspectives have focused on the personalities of individuals involved in the small sector and the implications for the entrepreneurial process (Chell et al., 1991). Management as well as tourism studies frequently adopt multidisciplinary paradigms (Shaw, 2004), however, this amalgamation of perspectives has tended to frustrate theoretical cross fertilisation and thereby opportunities to better integrate research on small firms and entrepreneurship.

*A diversity of definitions of 'small firms', as well as what is meant by entrepreneurship/entrepreneur have presented significant challenges for researchers. For example, Drucker is very strict about the notion of entrepreneurship claiming that although it is not associated with small venture is fully associated with innovation ...'they *Entrepreneurs* create something new, something different; they change or transmit values' (1977: 20). In the tourism context, notions of 'lifestyle' entrepreneurship which attempts to integrate a range of values and perspectives beyond the economic environment have found currency within the tourism literature (Williams et al., 1989; Morrison et al., 1999; Andrew, Baum & Morrison, 2001).*

The level of heterogeneity of the small business sector, and particularly within tourism and hospitality, can be seen as partly responsible for the apparent absence of theoretical continuity noted earlier. In the tourism and hospitality industry 'small businesses' account for a wide diversity of product and services across the various sectors of the industry. More than a decade ago Burrows and Curran (1989) called for more attention to be paid to these differences, as Thomas observes:

'...it is unlikely that a corner shop which employs full-time and some part-time employees will share the same outlook, encounter similar difficulties and engage with the economy in the same manner as an owner-manager of a high tech electronics firm employing ten well-qualified people or a farmer with two employees supplemented by occasional casual labour' (1998:4).

These conceptual challenges surrounding STF's are also in part the result of the peculiarities of the owner/manager environment (cultural, social, economic, political, technological) and the relationship between the individual's values and behaviours in relation to the performance of the firm and the sector. Hendry et al., (1995) argues that the tendency of management theory to draw on the perspectives of large firms has to some

extent distorted the picture of the STF sector and its organisational and managerial challenges. Rosa, et al., (1996), acknowledge this argument through their observations of criteria for small business performance in two ways, 1) primary performance in terms of economic criteria, and 2) subjective values including the ability of the business to meet both business and domestic needs. Rosa at al., also identify that these imperatives inform the individual's entrepreneurial performance and the desire to expand towards the ownership of multiple businesses, a characteristic particularly notable in the rural context (see also Komppula, 2004). In institutional environments where a firm's success is typically measured in terms of competitive, financial and market position, investigation of entrepreneurship in the STF sector demands recognition of alternative value positions; that the entrepreneur's personal definition of success frequently includes a range of less empirically identifiable criteria.

Internal factors related to the world of entrepreneurs and their managerial capacity, as distinct from innovative capacity, are considered as the major pillar to determine the existing competitive position of the firm and the change in this position over time. Indeed the extent to which 'performance' has been a central concern of STF research has focused attention on management practices and behaviour (Thomas, 1998) largely due to significant business failures in the sector. Many commentators perceive a directly proportional relationship between a firm's performance and the formal management and business skills of the owner/manager (Jennings & Beaver, 1997). Sitkin (1992), for example, see the cause of failures lying in the apparently non-rational behaviour and decision-making of the entrepreneur who does not conform to the rules of classical management theory. By contrast Jennings and Beaver (1997:365) argue that, 'money and the pursuit of personal financial fortune are not as significant as the desire for personal involvement, responsibility and the independent quality and style of life which many entrepreneurs strive to achieve'.

Life-style opportunities can be identified as significant motivators for involvement in small tourism businesses. Shaw and Williams were among the first to recognise this phenomenon (Williams et al. 1989; see also Ateljevic and Doorne 2000, Morrison and Teiheira, 2002). However the concept of lifestyle entrepreneurs in tourism remains without clear definition; and is shaped, as Thomas (2004:10) observes, by different factors i.e., the nature of the tourism activity, national culture, location and domestic/family circumstances. Nevertheless, life style motivations combined with economic imperatives and an increasing desire by women in particular can be observed as an articulation of the desire for 'independence' (Ateljevic, 2002; Hall & Rusher, 2004). This motivation provides further opportunities to analyse

management behaviour and provide insight into risk tolerance, the management of uncertainty, and business entry and exit strategies, (see Busenitz, 1999). Jennings and Beaver (1997) further argue that the attainment of these personal objectives becomes one of the principal criteria for success as defined by entrepreneurs. As such they conclude that many firms survive at sub-optimal levels of performance or indeed result in business failure as entrepreneurs exhibit apparently non-rational behaviour and decision-making outside the rules of classical management theory. In the wider literature it is widely interpreted that these 'managerial weaknesses' or human 'resource poverty' contribute to frequent business failures (Stanworth & Gray, 1991; Nayak & Greenfield, 1994; Morrison & Teixeira, 2002).

Closely related to these issues, the cultural context of entrepreneurship and the small business sector has received particular attention particularly with respect to understanding the performance characteristics of STFs. The persistent difficulties of establishing viable STF sectors in some societies has led to a focus on the cultural environment and values which condition the behaviour of the entrepreneur (Dahles, 1997; Ateljevic & Doorne, 2003; Haahti & Elbe, 2003). As well these issues have informed reinterpretation about the basic elements around which an individual exhibits entrepreneurial behaviour. Whereas in the West the basic components of entrepreneurship revolve closely around core business elements (e.g. skills, capital, technology) in less developed countries cultural, ethnic and social constraints as well as structural conditions (e.g. bureaucracy, corruption, crime) may be more influential (Dahles & Bras, 1999; Cukier, 2002).

Research into the performance of the sector and challenges it faces identifies a number of 'shortcomings' common to STF operations. Beyond the initiation of entrepreneurial activity Buhalis & Cooper (1997) observe a lack of planning and strategic vision, to the extent that tactical and operational decisions dominate decision-making. In other words, creativity and innovation can only go so far in an increasingly competitive environment. They note that STFs are often weakly managed and marketed, since they lack the resources and skilled personnel to promote themselves adequately. These factors combined with an absence of basic business information result in many STFs adopting a production led rather than market led approach (Buhalis, 1996).

Similar pressures emerge in terms of distribution channels where large integrated travel organisations increasingly dominate the tourism industry (Bywater, 2001; Ioannides & Debbage, 1998). In Europe in particular these organisations display significant vertical growth, by integrating tour operating and business transportation services (charter airlines) with travel retailing chains (O'Brien, 1998). More recently this activity has expanded to

destinations through the acquisition or development of accommodation establishments and incoming tour and coach operators. These large consortiums compete for market share and leadership through the standardisation of packages following a high volume-low cost-low profit strategy. Against this structural backdrop the strategic and operational weaknesses of STFs, along with intense competition produce distinct dependency relationships to the extent that market leaders place downward pressure on the operational and profit margins of the STF thus jeopardising their viability.

Thus the conditions of the internal and external environments such as lifestyle motivations and the dynamics of a vertically integrating global industry can be identified as significant constraints to regional economic development and the instability of the sector as a whole (Williams et al., 1989; Shaw & Williams 1990; Morrison et al., 1999). It has been argued that small firms require institutional help to overcome their intrinsic disadvantages and avert failure (Lee-Ross, 1994; Baum, 1999; Smeral, 1998; Thomas & Thomas, 1998) particularly in terms of policy structures. Yet how the relationship between STFs and the institutional sector is articulated remains unclear (Emerick & Emerick, 1994; Buhalis, 1996; Thomas et al., 1997). Indeed as the following discussion illustrates structural environments present significant challenges to STFs and to the facilitation of their development potential.

Structural Pressures, Development Agencies and the STF

As noted above the ‘external’ structural environment has a significant impact on small firm performance and managerial practice. One of the major weaknesses specific to STFs, for example, is the industry’s seasonal nature and highly volatile demand. Seasonality and the small size of businesses often provide little opportunity to employ ‘professionals’ to carry out different operational tasks, hence the dependence on the owner/manager’s often limited range of skills (Buhalis, 1996, Morrison, 1996; Page & Getz, 1997).

A further observation from wider business research is that small enterprises face particular challenges during market disruption in which small firms are less able to adjust to change, are disadvantaged by lack of economies of scale, influenced by asymmetric information, and have limited financial, human and technical resources. In this context small firm resilience to economic change requires the ability to access a range of skills in management, production, strategic marketing, finance and law. In the tourism context these disadvantages present barriers to successful tourism development particularly in isolated areas dominated by small family owned

business. Wanhill (2000) observes responses of government and specific agencies in such situations in the form of identifying good practices, benchmarking, providing financial support, and investing in the skills of the labour force.

Public sector support programs in the STF sector are essentially designed to prevent ‘market failure’. In tourism there are normally three prime drivers of intervention: the inability of private markets to provide public goods; the creation of externalities; and when information asymmetries occur (Hartley & Hooper, 1993). The latter is particularly characteristic of the rural tourism sector where the persistence of an information gap produces discrimination against STFs largely because they are invisible to the institutional gaze of banks and credit providers (Binks, Ennew & Reed 1992). Market failure occurs when these enterprises are rejected by private market institutions in favour of other businesses or sectors displaying a similar risk profile. Prohibitive costs of addressing this asymmetry have been observed to lead to apathy, and a self-perpetuating cycle, which eventually produces market failure (Thomas et al., 1997).

It should be noted that support mechanisms are frequently designed, implemented and evaluated in short time frames. Wanhill (1996) for example observe that insufficient patience is exercised when evaluating the outcome of European Union targeted rural programs which feature a variety of support instruments. Further issues emerge in respect of the focus of evaluation. It is worth noting that if personal and subjective elements characterise the motivation and definition of success of the entrepreneur then evaluative criteria should similarly reflect the internal as well as external context of their development role (Fleischer & Felsenstein, 2000).

At the destination level, the business environment and political context often ignores or is hostile to tourism development. Public sector support for local tourism businesses at this level is normally poorly organised (see Baum, 1999; Sharpley & Telfer, 2002). For example, Buhalis (1999) argues that remote and insular destinations suffer from strategic weaknesses that affect the competitiveness of STFs (see also Fleischer & Felsenstein, 2000). These weaknesses are identified as mainly structural, associated with public sector policies and planning processes on the one hand, and lack of private sector strategic vision and professionalism on the other. This creates a number of specific weaknesses within individual businesses in management and marketing, information technologies, financial management and resource allocation. Moreover, the STF sector lacks a ‘strong lobbying voice within the matrix of stakeholders at the destination’ to influence political groups in destination planning and management (Buhalis & Cooper 1998:17). Yet as Smeral (1998) notes, highly integrated global suppliers (acting horizontally,

vertically and diagonally) put additional pressure on local small tourism businesses. In turn, these local enterprises depend on the public sector to set effective protection measures through holistic destination management, particularly in the area of marketing, to facilitate and encourage networking.

The most common concern for STF's is related to direct costs such as high rent and rates, government compliance costs, cost of labour and a lack of access to financial resources (Smallbone, 1990; Moutinho, 1990; Thomas et al., 1997; Page et al., 1999). In a national survey of tourism and hospitality firms in the UK, Thomas et al., (1997:28) identified a clear link between compliance costs and reduced performance, noting the 'regressive nature of the costs of compliance with regulations'.

Regional tourism organisations (RTOs) are one of the most important government or semi-public agencies for both the local tourism businesses and the region/destination. They play a vital role in marketing/promotion activities for small tourism businesses (Pearce, 1990; Middleton, 1998) yet these organisations often suffer from limited funding. It is common that in marketing and promotion initiatives STF's are required to contribute to funding. Increasing dependence on public funding can however put RTOs into conflict with local government authorities that lack an understanding of tourism particularly in the areas of marketing and destination promotion (Holloway, 1985; Pearce, 1990, 2001). On the other hand STF's often share the burden of responsibilities for ineffective destination marketing through avoidance of collective action.

Instead STF operators devote considerable energy to penetrating niche demand. The ability to position products in a highly segmented marketplace is dependent on the creative and innovative capacity of individual entrepreneurs to identify and to colonise new 'green' niches (Ateljevic & Doorne, 2001). One area that can enhance the marketing presence of STF's is networking to overcome the competition-collaboration dilemma. For example, flexible operating networking, particularly on a local/regional level, have considerable potential to meet tourism demand and to compete with global interests.

In terms of promotion it can be argued that much of the tourism industry is the recipient of public sector subsidy given that national tourism organisations and frequently regional tourism organisations are funded through the public purse to deliver marketing services from which industry benefits directly. Laws (1995) argues that STF's, because of their size and lack of buying power, are dependent on the locality in which they operate as well as upon the marketing activities of the national tourism organisations or other similar agencies.

While governments may take actions that are expressed through specific tourism policies they are frequently implemented by agencies operating at the regional and local level. Pearce (2001) for example, argues that in terms of implementation there are often no clear cut responsibilities and well developed policies for tourism planning and development. Instead, the public sector gets involved in tourism in a variety of ways, at different levels and through many agencies and institutions often lacking co-ordination. This confusion becomes apparent when considering the multitude of participants a government may have to work with to formulate and implement policy. Many disparate interest groups vie for the power to influence government policy at various scales simultaneously. Therefore, small tourism firms will not possess the ability to influence public policy regarding tourism unless they act collectively. Power and the ability to influence policy are intimately linked (Hall, & Jenkins, 1995) presenting an additional challenge for small business to lobby their interests.

Non-government institutions also play a critical role in creating the broader environment for STFs. The decline of government intervention in the state economy since the early 1980s has stimulated the rise of governance and the exercise of authority by non-government institutions (see Painter & Goodwin, 1995). This transfer of power has major implications at the local level and the small tourism sector where both public and private institutional infrastructure have become more complex and interconnected (Ateljevic, 2002, Pearce, 2001).

STFs are often on the receiving end of policy when affirmative action is taken to support them in the name of development. In recent years there has been a global interest in programmes supporting small firm development generally and STFs in particular. The LEADER programme in Europe, for example, provides significant opportunities for the encouragement of entrepreneurship through small tourism enterprises, principally as agents of regional and rural development. Similarly across many regions in the developing world small tourism incentive and funding programmes have been put in place largely supported by donor agencies either bilaterally or operating through multilateral channels (Van Hove & Solignac Lacomte, 1999; Butkeviciene et al, 2002).

Much of this activity is centred on the expectation that small firm activity encourages positive development outcomes with the capacity to engage otherwise marginal socio cultural groups in activities by offering comparatively low entry barriers and socio-economic structures which facilitate a broad distribution of benefits geographically and demographically. Despite these opportunities to access funds either for start up investment or to support particular development strategies, their input to

the shape the focus of policies and programmes is seldom sought. As such there are numerous examples of poorly directed programmes supporting poorly conceived ventures resulting from centrally determined development planning (Telfer, 2002).

Direct policy initiatives are part and parcel of a broader, indirect, shift towards a more competitive financial environment. With respect to the private sector, small firms, especially those from the service sector, have been largely disregarded by financial institutions (Ang, 1991). High rates of business failure, lack of formal managerial practice, and lack of financial awareness have often discouraged banks from dealing with them (Nayak & Greenfiel, 1994; Keasey & Watson, 1994; Taylor, Simpson & Howie, 1998). The lack of management skills of applicants seeking finance remains one of the main concerns for most lending institutions. As well, the high incidence of cash sales in the small tourism and hospitality sector makes micro financial management a critical area (Atkinson, Berry & Jarvis, 1995; Ateljevic, 2002). Hence the emerging interest in public sector support for small tourist ventures.

The preceding discussion illustrates that initiatives to facilitate STF stability, generate investment, innovation and entrepreneurial activity through structural mechanisms and policy support must supported by capacity building initiatives which address managerial constraints alluded to earlier. The following section addresses these constraints in detail and discusses observations and arguments emerging from research internal to the STF.

Management and the STF: Theory meets Practice

Over the three decades since Schumacher's (1973) arguments extolling the virtues of small businesses it is apparent that the establishment of a coherent, viable and sustainable small business environment exposes a considerable gulf between theory and practice. At the heart of the challenges to implementing small firm sector strategies are challenges faced by business operators themselves and their capacity to successfully manage their way around them.

Although there are a number of commonalities between small firms from different sectors, the specifics of the context of tourism should be acknowledged (Thomas, 2004:10). Included under this rubric are personal characteristics such as inflexibility and a narrow focus (e.g. market or industry awareness), networking, and task delegation, under-capitalisation as well as challenges to operational robustness. Small tourism firms are not only different from large firms but they are distinctive within the wider small business sector. The complex distribution networks for tourism products

differ significantly from, for example, the manufacturing sector. Here the STF frequently becomes the 'weakest link' within the distribution channel, and a level of dependency on intermediaries becomes inevitable (Bastakis, Buhalis & Butler, 2004).

Managerial weaknesses have been identified in a number of key areas: business capitalisation structure (Hall, 1989; Davidson & Dutia, 1991); planning (Chell et al., 1991); marketing (Dewhurst & Burns, 1993; Friel, 1998); human resource management (Goss, 1988; Bacon et al., 1996); use of information technology (Thong, Yap & Raman, 1996); and business networking (Aldrich and Zimmer, 1986; Curran and Blackburn, 1994). Others argue that managerial shortcomings of entrepreneurs in particular are largely influenced by their personal characteristics (Daly 1991; Kirby, 2002). Such is the prevalence of these issues they are often taken as defining characteristics of small firm performance in the tourism industry (e.g., Dewhurst & Horobin, 1998; Boer, 1999; Buhalis, 2000).

Although we can identify numerous different conceptions of what constitutes business failure (Watson and Everett, 1993; McGrath, 1999) the most frequently cited reason for small firm failure is management incompetence, or more sympathetically, limited managerial capacity. As Drucker reminds us: 'Every achievement of management is the achievement of a manager. Every failure is a failure of a manager...' (1977: preface). Most small firms are characterised by strategic weaknesses which the shape managerial strategies of small businesses and expose them to failure (O'Gorman, 2000; Stokes, 2000). In this sense the STF appears little different to small businesses across a diversity of sectors.

Despite the significant differences that exist between the small firm sector and large organisations the majority of research on small firms is based on traditional management literature (e.g., Robbins & Mukerji, 1994; Morgan, 1990; Mintzberg, 1994; Drucker, 1985). A common misconception here is the assumption of the existence of formal organisation and management structures (see Yusof & Aspinwall, 2000). Regardless of obvious differences in scale an obsession with 'competitive strategies' dominates management literature for both large and small firms as O'Gorman notes:

'The owner-manager must choose where to compete, and then, given a particular environmental or industry context, the owner-manager must choose how to compete (McDogall and Robinson 1990). These choices have a significant and lasting effect on the organisation and its performance (Mintzberg and Waters 1982; Quinn and Cameron 1983). The choice of competitive strategies within the market determines the financial performance of the organisation...however, most owner-managers of small business adopt a 'me-too' or 'copy-cat' strategy....' (2000:285).

For small firms however the ‘competitive strategy’ often bears little resemblance to the formal, institutionalised and systematic processes of the large business organisation. Questions arise about the extent to which such concepts can be transposed to the small firm environment which typically uses personalised, informal approaches to all aspects of business. Indeed, the simplicity of the management structure is one of the most critical characteristics of the majority of small firms particularly those employing fewer than 20 staff.

The fact that many small firms frequently have little ability to organise their operations formally through recognised management functions (Davies, 1990) has been often used as starting point by researchers when seeking to understand small business challenges (Cameron & Massey, 2002). While large organisations have formal management structures and employ experts to carry out different organisational tasks, the small business management team is commonly incomplete. Small firms’ owner-managers tend to have high management visibility and closeness to the point of delivery. Therefore, ‘the strategic process is invisible, hidden in the daily activities and operations but its elements can be found’ (Juutilainen, 2002:15). While in large organisations the firm’s internal environment is related to the entire management team and management structure (Ansoff, 1990), in small firms this environment is strictly associated with the owner/manager’s personal attributes, his or her goals, interests and motivations, and most importantly, their own definitions of success (Williams et al., 1989; Morrison et al., 1999; Ateljevic & Doorne, 2000). Indeed, not only must researchers clearly distinguish managerial issues between small and large firms, they must also pay attention to differences within the small sector itself (Ateljevic & Doorne, 2003).

Generally, there are two theoretical perspectives that place varying importance on the manager’s decision-making and their ability to affect the firm’s future. The omnipotent view of management argues that managers are directly responsible for an organisation’s success or failure where the environment and organisation interface. The core argument is that the boundary between the organisation and the external environment need not be beyond the manager’s control (Ansoff, 1990). However, the symbolic approach holds that ‘managers have only limited effects on substantive organisational outcomes because of the large number of factors outside managers’ control’ (Robbins et al., 2000:87).

As discussed earlier this ‘environment’ identifies institutions and forces outside of the firm that potentially may affect its performance (see Robbins et al., 2000). In general, however, the relevance of these factors to the firm’s performance is not always clear. Also different external factors affect

organisations differently depending on their size, activity and the geographical location. Political, economic, socio-cultural, technological and ecological elements (PESTE) each affect businesses in various ways depending on a range of variables (Stubbart, 1982; Baker, 1992). It should be noted that management responses to the external environment are more predictable in large organisations due to their 'rational' choice behaviour (see for example, Keuning, D., 1998). Consistent with our arguments above, interpreting the 'rationality' of the small business manager raises complex and sometimes contentious issues.

The analysis of STF management when placed against its external context (structural and institutional) effectively raises the potential variables exponentially to the point where conceptual coherence is little more than a mirage on the theoretical horizon. The discussions above do however identify a range of commonalities and a number of emerging issues which will shape the scope and nature of research in this area. These are identified and discussed in the following section.

The Research Horizon: Conceptual Journey or Empirical Destination?

The need for conceptual development of STF studies identified by Shaw and Williams (1998) must first be supported by attention to specific limitations of the research agenda. In particular, Williams (2000) identified the following issues: limited primary data; few longitudinal studies to explore goods capacities and innovation developments; limited studies examining the reliability and security of firm structure and labour relations; and spatial dynamics $\text{\textcircled{D}}$ within and between destinations/resorts and beyond single firm analysis (see also Getz and Carlson, 2000). Comparative research using temporal and spatial factors in contrasting tourism environments provides significant opportunities to inform conceptual understanding of STF's particularly in relation to global structures and processes. In light of the preceding discussion noting the global nature of small tourism firm activity attention to different cultural and economic backgrounds is also needed to balance the current concentration on Western Europe, particularly the UK, and Australasia (Thomas et al., 1997; Shaw and Williams, 1997, 1998; Smeral, 1998; Ateljevic and Doorne, 2003; Juutilainen, 2003).

The prevalence of STF's in the rural and farm tourism sector sees a corresponding level of academic attention particularly in relation to firms themselves. Naturally the rural STF research focus emphasises the accommodation sector in line with the centrality of these establishments in the industry (see, for example, Evans & Ilbery, 1992; Oppermann, 1995; Pearce, P.L., 1990; Lynch, 1998; Rusher & Hall, 2003). In particular bed

and breakfast operations feature strongly (see for example, Lanier and Berman, 1993; and Kaufman & Weaver, 1998), as do social and psychological studies focusing on the economic and social impacts on the host community and the social dynamics of the host-guests encounter (see for example, Pearce, P.L., 1990; Lynch, 1998). Despite the apparent saturation of interest Busby and Rendle (2000) identify further opportunities for research on gender relations, entry barriers and other factors determining participation in tourism activities. Given the centrality of STF's in the development of rural tourism generally opportunities to examine the nature, development and management of rural tourism with emphasis on individual enterprises and operators abound. This focus also allows for integration of institutional and structural environments such as the role of support schemes for the sector and their articulation within the firm (Page & Getz, 1997; Dolli & Pinfold, 1997).

The relationship between policies and performance has been argued to take place in a management context (Dewhurst & Horobin, 1998; Thomas et al., 2000) yet as Thomas (1998:ix) observes: 'until now, there has been no single point of reference for those interested in issues associated with the management of small tourism and hospitality firms'. Thomas (2004) also identifies the need for more attention to the sectoral peculiarities of tourism and issues crucial to understanding the entrepreneurial behaviour and development of STF's.

At the human level, tourism literature is characterised by a prevalence of tourist typologies. The fragmentation and dislocation of life associated with post-modernism can be seen reflected in the endless descriptors needed to capture the essential attributes of the new tourist (see, for example, Urry, 1990; Edensor, 2000; Franklin & Crang, 2001). While the tourist has been analysed from a variety of perspectives, the individuals associated with small tourism firms struggles for visibility despite the emerging significance of STF's for product innovation and regional development. Entrepreneurship, as noted earlier, is often taken as a natural bedfellow of STF studies (Williams et al., 1989, Williams & Shaw, 1990), and in recent years there have emerged policy imperatives to quantify the economic impacts of small firms and their contribution to national and regional economies (Morrison et al., 1999). But as Thomas (2004) argues, the seemingly insignificant scale of many operations trivialises concerted sectoral support leaving STF's to 'scratch around for the crumbs from the table of their wealthier counterparts' (2004:2).

Entrepreneurship does not operate within a vacuum but is highly sensitive to the social and business systems (Carson et al., 1995). Relationships developed with other participants within these systems have been identified as

crucial to the survival of the STF (Morrison et al., 1999). In the same way that tourist studies have come to focus on the psycho-social context of individual behaviours, understanding the STF owner's perspective holds the key to understanding the sector as a whole.

Analysis of business failure and 'management incompetence' demands that the investigation of personal characteristics, values and the socio-cultural context of individuals receive continued research attention. Insight into the small firms' complexity regarding their formation, development, management practices and entrepreneur's understanding of the environment, is dependent on an understanding of the human context of entrepreneurship (Ateljevic and Milne, 2003).

This issue has significant implications for methodological development of research. In small firms research the self-completion questionnaire has been the mainstay for gathering broad-based information delivering the regional coverage favoured by policy analysts. The sampling of units of analysis based on either convenience or utility has considerable impact on the quality of data produced and the comparability of that data to other environments. The diversity of the sector and its close relationship with vernacular cultural and economic landscapes renders calls for uniformity of methods inappropriate. The pursuit of analytical comparability must therefore be focused at the conceptual level.

As the examination of research in this paper illustrates the STF shares much in common with small firms in other sectors. Care should be given therefore to the disaggregation of STF research from these broader discussions despite the obvious need to embed STF analysis firmly within touristic, structural and cultural contexts. Rather than arguing for some sort of unified theory around which STF research can be situated we regard the breadth and scope of STF research as its greatest strength. Indeed as research responds to the changing environments we observe the contemporary structure of research is a true reflection of its subject.

Viewed at a metaphorical level the small tourism firm environment clearly does not resemble a linear intellectual reality but is characterised by dynamic diversity. Conceptual unity is challenged by the object of discussion whilst a new type of coherence is apparent within the subject based on substantive multiplicity. Between the research we discuss here a plane of consistency is already apparent, a plane which increases in dimension the more connections are made to its interiority or exteriority. In other words the research agenda for STF's possesses seemingly infinite opportunity to explore similarity and change. In this sense, at its most abstract, the STF conceptualisation agenda begins to resemble Deleuze and Guattari's (1983) profoundly radical rhizomic social politics in which, like the spread of a weed

on a lawn, there is no core, no tap root of evolutionary logic, but a collective entity where every element is intimately linked to every other element.

Specifically, and on a less abstract level, the research we have discussed exposes a need for the continued exploration of the following: Firstly, the need to share lessons learned across a diversity of cultural contexts combined with the development of conceptual methodologies which will facilitate the integration of cross cultural/sectoral analysis, and comparative studies. Secondly, the need to examine the effects and implications of funding schemes and support programmes beyond the immediate interest in the success or failure of the firm and with particular attention to the facilitation of entrepreneurship. Thirdly, the need to explore specific issues, from the perspective of the owner/manager/entrepreneur as the starting point of analysis. And lastly, in apparent contradiction of the previous point, to seek to contextualise developments in a touristic context against its structural backdrop and against the dynamics of small firm development in other economic and cultural environments.

These concerns by no means represent a comprehensive research agenda, instead they represent areas where contextualisation and integration of research perspectives can greatly facilitate the cross fertilisation of theoretical awareness. In this sense specific attention to contemporary issues which feature strongly in the contemporary dynamics of the STF such as the integration of information technologies, employment and service quality, competition and collaboration networks need to be conceptualised against the multiplicitous the nature of the small firm itself. Only when these connections are realised can the meanings of the whole be articulated. The conceptualisation of the sector is therefore under our noses, so to speak, the core principal(s) of understanding being the opposing trajectories of specialisation and contextualisation. In order to conceptualise there needs to be demonstrated awareness of the context(s) in which the subject is embedded.

A conceptual response is already emergent, in much the same fashion as the development of the subject itself, through a gradual and incremental process of trial and error which in turn gives form and function to its whole. Like researching a virus, every scope of magnification reveals constant movement, modification, and multiplicitous (mani)festation. As such we should be cautious of habitual interpretations which seek to impose a genealogy of knowledge upon a subject which conforms to fundamentally different realities.

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