

UNIVERSITY OF CALGARY

Small Tourism Business Development: A Developing Country Perspective

by

Weibing Zhao

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ABSTRACT

The thesis examines small tourism business development from a developing country perspective. It consists of four interdependent studies. Drawing upon a conceptual model regarding the relationship between tourism development and poverty alleviation, the first study discusses the impacts of small tourism businesses on Third World destination development and the life of the poor.

The other three studies are empirical in nature and specifically investigate the small tourism business development in Guangxi, China. The first empirical study seeks to understand the characteristics and goals (pertaining to start-up, business operation, and family) of small and family-owned businesses serving in the rural tourism sector of Guangxi. In order to unveil the unique features of developing countries, it is basically designed as a comparative study of the research by Getz and Carlsen (2000), which surveyed rural tourism business owners in Western Australia. Systematic comparisons of the two regions have identified a number of statistically significant differences.

The second empirical study investigates the economic impacts of small tourism businesses, as perceived by business owners themselves. To serve this research purpose, a set of indicators have been developed. The result shows that the economic contribution of a small tourism business to the owner and the owner's family is substantial and well

recognized, affording strong support to the positive roles of small tourism businesses in rural economic development and poverty alleviation.

The third empirical study applies the concept of social capital to the analysis of the entrepreneurial process, and attempts to give a more complete explanation of why a certain segment of the residents in an impoverished rural destination seeks to establish and operate a small tourism business, while many others living in the same place choose not to pursue this option. A review of the literature on social capital and entrepreneurship generates three hypotheses, which are mainly tested through a binary logistic regression model. An overall, robust effect of social capital on the decision making relating to business start-up has been found, although the effect varies across different dimensions and indicators of the variable and is not as strong as that of human capital.

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CHAPTER ONE: INTRODUCTION

1.1 Research Context

In the latest decade tourism has arisen as an innovative development tool for the developing world. From PPT pilots (Pro-poor Tourism) to the UNWTO-led ST-EP program (Sustainable Tourism - Alleviating Poverty), and then to a wider range of regional and national initiatives, this tourism-based approach to poverty alleviation has kindled intense interests among governments and development organizations, and begun exerting notable influences on their development policy and priorities (Scheyvens, 2007). For example, inspired by the promising role of tourism in the fulfillment of the United Nations Millennium Development Goals, the World Bank has dramatically increased its support to tourism-related work since 2000 (Hawkins and Mann, 2007). Tourism projects are currently spread throughout the agency with a total active portfolio of over \$3.5 billion. The Asia Development Bank also has been actively involved in a large-scale, multi-country development program in the Greater Mekong Sub-region, in which tourism is an emphasis (ADB, 2004).

In these emerging campaigns, indigenous small enterprise development is commonly promoted as a gateway to economic independency, community empowerment, and capacity-building. In the ST-EP program (UNWTO, 2002), establishment and running of small enterprises represents one of the most important mediums for the poor to participate

in, and share the benefits of, tourism development. Among the seven recommendations for the implementation of ST-EP, four are relevant to local enterprises (UNWTO, 2004, 2006). In addition, UNWTO (2005a) has worked closely with microfinance institutions, studying the possibilities of adapting microcredit to the specific needs of small and micro businesses. In PPT strategies, although donor-assisted, community-based tourism is the traditional form of intervention, there is an ever-growing recognition that the private sector, which largely consists of local spontaneous microentrepreneurs, also has an important role to play and should be integrated into the holistic planning system (Harrison and Schipani, 2007; Spenceley and Goodwin, 2007).

Despite the practical significance of small businesses, academic research regarding the nature and roles of microentrepreneurs and their businesses in pro-poor tourism development is still conspicuously scanty and fragmented. A comprehensive review of extant tourism literature on entrepreneurship and small/family businesses reveals that research in this domain is predominantly built upon the realities of developed countries. As such, evidence and policy prescriptions have limited applicability in other parts of the world. Brown (1998) reviewed the experience of African tourism development, cautioning that due to a variety of historical, cultural, and political differences, western models were probably more problematic than reliable in the context of developing countries. It was thus suggested that each nation should explore a form of tourism appropriate for itself, and equivalently important, learn from the good practices and bitter lessons of other developing countries.

Among a few exceptions that have treated developing countries (e.g. Hitchcock, 2000; Rogerson, 2003; Roberts and Tribe, 2005; Manyara and Jones, 2007), findings reported primarily draw on case studies and small samples, and thus are not widely generalizable. As suggested by Page *et al.* (1999), a large-scale, baseline study should be more appropriate when existing knowledge of tourism and business activities is scarce. An inadequate understanding of the characteristics, dynamics, and socioeconomic milieu of small tourism businesses has to a great extent constrained policymakers and assistance organizations' competency in the accomplishment of economic growth and poverty alleviation through small tourism business development.

1.2 Research Issues

The thesis represents one of the initial attempts to address the research needs indicated above. In general, it is intended to contribute to the emerging research interests in the nature and roles of indigenous small tourism businesses in the least developed areas, and explore effective and efficient ways to expedite their development and growth. In accordance with this overall research objective, the thesis first provides a conceptual discussion on the linkage between tourism development and poverty alleviation, with particular attention paid to the significance of small tourism businesses for Third World destination development and poverty alleviation. Drawing upon the evidence of rural Guangxi, China, it then empirically investigates the characteristics and goals of small

tourism businesses, evaluates the perceived economic impacts of the business on the owner and the owner's family, and beyond that, examines the antecedents or constraints that may affect the start-up decision of each business entity. These lines of enquiry form four relatively independent research projects, as detailed below.

1.2.1 Small Tourism Business and Poverty Alleviation

Development interests in the tourism-based approach to poverty alleviation have quickly gained in popularity around the world over the past decade. However, the relationship between tourism and poverty alleviation largely remains *terra incognita* among academics. Until very recently, poverty alleviation and related issues have only attracted a small cohort of researchers within tourism. The extant literature is basically case study driven and considerably in the form of gray literature (a body of materials that cannot be found easily through conventional channels such as publishers), thus failing to explicitly contribute to methodological development in this field of research. Due to the lack of theoretical foundation, anti-poverty tourism development projects are mostly implemented on an experimental basis. The current poor understanding of the relationship between tourism and poverty alleviation also has greatly constrained the development of small tourism businesses, as their impacts on the life of the poor have not been critically examined from theoretical perspectives.

The first research project is directly intended to address the above research gap. An

integrative research framework will be introduced in order to specify the mechanism by which tourism development contributes to poverty alleviation. The framework also facilitates the conceptual evaluation of the significance of small tourism businesses in anti-poverty tourism development.

1.2.2 Business Characteristics and Goals: Guangxi versus Western Australia

The second research project seeks to reveal the profile of local entrepreneurs and small businesses serving in the rural tourism sector of Guangxi. Considerable research efforts are devoted to understanding a diversity of goals that entrepreneurs wish to achieve through their business, particularly those relating to start-up, business operation, and family. In order to highlight the special features of small tourism businesses in the developing world, cross-cultural comparisons will be conducted wherever appropriate. In this regard, the research by Getz and Carlsen (2000), which surveyed rural tourism business owners in Western Australia, will be the premier reference. This research project is basically designed as a comparative study of their seminal work.

The contribution of this research project can be examined from three aspects. Firstly, it will to some extent rectify a western bias in extant tourism literature regarding entrepreneurship and small/family businesses. As pointed out earlier, not much attention has been paid to the vast developing world, and evidence reported in the literature is far from adequate. Focusing on the poorest areas and employing a survey approach, this

research project is expected to greatly advance the current poor understanding of the entrepreneurial activities of some marginalized people.

Secondly, comparative analysis has proved to be a very effective research method for establishing the baseline data in the research of small tourism businesses, as illustrated by Andersson *et al.* (2002) and Getz and Petersen (2005). However, comprehensive comparisons between developing countries and developed countries are not seen before. The survey items of this research project are largely replicated from those used in New Zealand (Page *et al.*, 1999) and Australia (Getz and Carlsen, 2000), thus making the comparison more meaningful and systematic.

Thirdly, the family dimension of small tourism businesses is not yet specifically treated from a developing country perspective. Although the characteristics of small and family businesses in the tourism sector overlap in substantial ways, Getz and Carlsen (2005) emphasized the necessity to examine family businesses separately for additional, important theoretical and practical insights. This research project shares this view, and designs a number of questions to understand the influence of family as a factor of consideration in defining the nature and goals of each business.

1.2.3 Perceived Economic Impacts

The impacts of tourism, in all of the economic, sociocultural, and ecological domains,

have been a significant issue under close examination because their nature and intensity inherently determine the success of any tourism-based development efforts. The third research project is specifically concerned with the impacts of small tourism businesses, and aims to evaluate their economic impacts on the owner and the owner's family. In the context of pro-poor tourism development, the evaluation of economic impacts, especially on poverty alleviation, is always a concern worthy of focus.

The usual approach to studying tourism impacts is to survey the local population in order to understand their perceptions of the changes tourism has brought to the host community, as well as their personal life. A weakness of this approach is that many respondents who are not involved in the tourism sector may be unable to accurately evaluate the impacts of tourism due to poor knowledge of tourism and local development activities. By comparison, the research subjects of this research project – business owners, not only directly deal with tourists, but as community members they also have daily interactions with other locals; so they can provide much more relevant information.

1.2.4 Antecedents to Business Start-up

Any enterprise development programs contain at least one of the two development processes – to foster the birth of new businesses or to enhance the performance of existing ones. The fourth research project focuses on the first development process. It attempts to give a more complete explanation of the phenomenon concerning why a

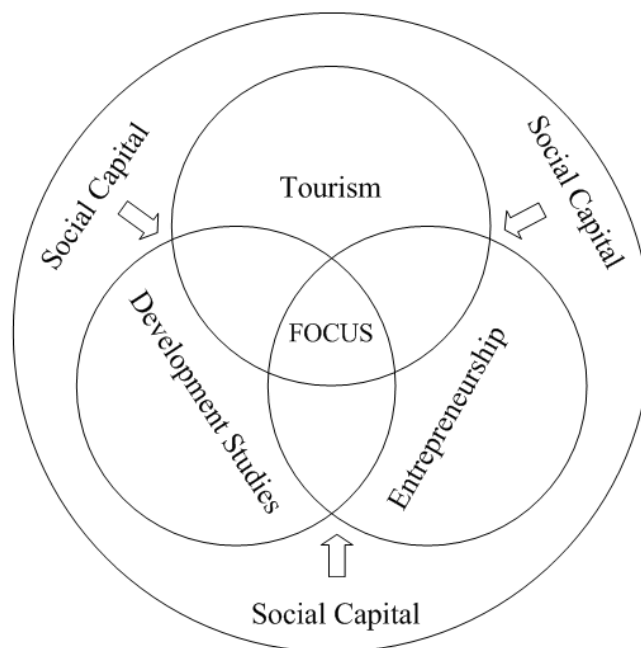
certain percentage of residents in an impoverished rural destination would like to establish and operate a small tourism business, while many others living in the same place choose not to pursue this option. Admittedly, there are a variety of antecedents that may affect the start-up decision. This research project is especially interested in the role of social capital, and its importance relative to some other major factors identified from the literature, such as human capital and financial capital.

In development studies, researchers have traditionally placed too much emphasis on politics and institutional arrangements while largely neglecting the issues related to individual entrepreneurs and businesses (Harper, 1984; Bhatt, 1997); as such, the application of business principles and analytic techniques is limited. On the other hand, in the field of entrepreneurship, the business activities of the poor, a broadly defined social group that is economically vulnerable and risk averse, are seldom accorded special attention, even though small businesses are widely believed to play an important role in poverty alleviation (Peredo and Chrisman, 2006). This research project tries to unite the insights from both fields in the study of entrepreneurs and small tourism businesses in the poorest areas.

The interdisciplinary nature of this research project is illustrated in Figure 1.1. As described above, it primarily involves three fields of research, namely tourism, entrepreneurship, and development studies. Social capital in the figure represents an innovative approach that has great potential to advance the theoretical development of all

the three fields, and is a central variable for examination in this thesis research.

Figure 1.1: The interdisciplinary nature of the research



The introduction of the variable “social capital”, a concept that is shaping the paradigm of contemporary social sciences, adds on both theoretical soundness and practical relevance to the research of microentrepreneurs and small tourism businesses. Past development experience has indicated that addressing the needs of vocational training or financing alone often fails to reach and make a notable impact on the poorest in that poverty in nature is entrenched in the social fabric of local communities (Fairley, 1998). A social capital perspective, which assumes that the resources embedded in one's social relationships could be mobilized upon the rise of need, greatly enriches the mix of development strategies.

Another noteworthy feature of this research project is that it investigates both entrepreneurs and "non-entrepreneurs" (that is, the part of residents who never attempt to establish a tourism business). Understanding the differences of the two groups of population will produce valuable information about the constraints or barriers to the entrepreneurial participation of locals at the grassroots level, which could be used by governments and assistance agencies to improve their practices in enterprise incubation.

1.3 Organization of the Content

The remaining part of the thesis is structured into five chapters.

Chapter 2 provides the broad research background of the entire thesis research. It commences with a concise overview of the emerging research interests in the relationship between tourism and poverty alleviation. An integrative research framework is then presented, which, from a theoretical perspective, attempts to specify the underlying mechanism of the tourism-based approach to poverty alleviation. Guided by the framework, the roles of small/family tourism businesses in destination development and poverty alleviation are evaluated.

Chapter 3 reviews the previous research on small/family tourism businesses, with the emphasis on characteristics, goals, and the context of developing countries. In addition,

drawing upon the literature of entrepreneurship and social capital, this chapter also discusses the effects of social capital in the entrepreneurial process, leading to three hypotheses. In order to better measure the effects of social capital, an analytic framework is constructed, with the inclusion of several traditional major variables.

Chapter 4 describes the research methodology, specifying the research setting, design of the questionnaires, variables and measures, sampling procedures, and techniques employed in data analysis. Although the three empirical studies of this thesis research examine slightly different types of research subjects, they largely follow the same research process. Despite this, the special considerations of each research project are appropriately highlighted and explained.

Chapter 5 presents the research results, organized in terms of the themes of the research projects, namely business characteristics and goals, perceived economic impacts, and antecedents to business start-up. Chapter 6 summarizes the major findings of the thesis research, followed by discussions on their managerial and theoretical contributions. Issues, lines of research, and a few specific hypotheses are also suggested for theory development and policy formulation.

The main content of the thesis is compiled from four research papers, with necessary minor changes. Two of the papers have been published in *Current Issues in Tourism* (Volume 10, Issue 2&3, 2007) and *Tourism Recreation Research* (Volume 33, Issue 3,

2008). As for the other two papers, one has been accepted by *Asia Pacific Journal of Tourism Research*, and the other is currently under review. For co-authored papers, each author has made an equal contribution.

CHAPTER TWO: SMALL TOURISM BUSINESS AND POVERTY ALLEVIATION

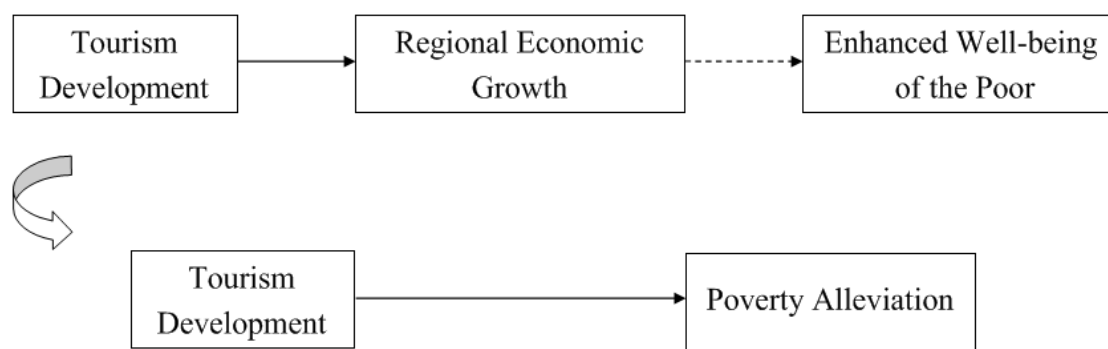
2.1 Tourism as a Development Tool

Several features of tourism are frequently cited in the literature to support the candidacy of tourism as a development tool (Deloitte & Touche *et al.*, 1999; UNWTO, 2002). With wide linkages with other economic sectors, tourism can produce a high level of multiplier effects. The tourism sector is service-oriented and labor-intensive; thus its role in job creation is quite substantial. Moreover, in many developing countries there exists a geographical overlapping of tourist resources and the occurrence of poverty. For example, the majority of poor people in China live in remote areas surrounding mountains, reservoirs, deserts, or other geographical peripherals where industrial or agricultural economy is fragile. However, the physiographic characteristics of these places, which have basically led to poverty, have great potential for the development of nature-based tourism and ethnic tourism (Bowden, 2005).

The confluence of tourism and poverty, previously two separate domains (Scheyvens, 2007), reflects an essential change in the philosophy of tourism development and poverty alleviation, which is illustrated by Figure 2.1. Traditionally, regional economic growth is predominantly set as the primary target of local tourism development, while poverty alleviation is either considered a subgoal or a logical outcome of regional economic

growth (Ashley *et al.*, 2000; Deloitte & Touche *et al.*, 1999). A commonly held belief is that as long as the region gets wealthier, the benefits brought about by economic growth will eventually trickle down to the local poor through multiple channels, such as employment, public welfare and family network (Zeng *et al.*, 2005). Thus, policymakers usually pay considerable attention to the expansion of the tourism sector, but much less to the real issue, that is, to what extent tourism development in practice contributes to poverty alleviation (Christie, 2002). As a result, the impact of tourism on poverty alleviation has been indirect and thus relatively insignificant. In contrast, contemporary approaches, for example pro-poor tourism and ST-EP, aim to establish a direct link between tourism and poverty alleviation and emphasize the voices and needs of the poor in tourism development. The poor become the focus of concern; whether they can reap net benefits from tourism now is the primary criterion for justifying any tourism-based development initiative. Such a new philosophy is believed to greatly enhance the chance of the poor to benefit from tourism.

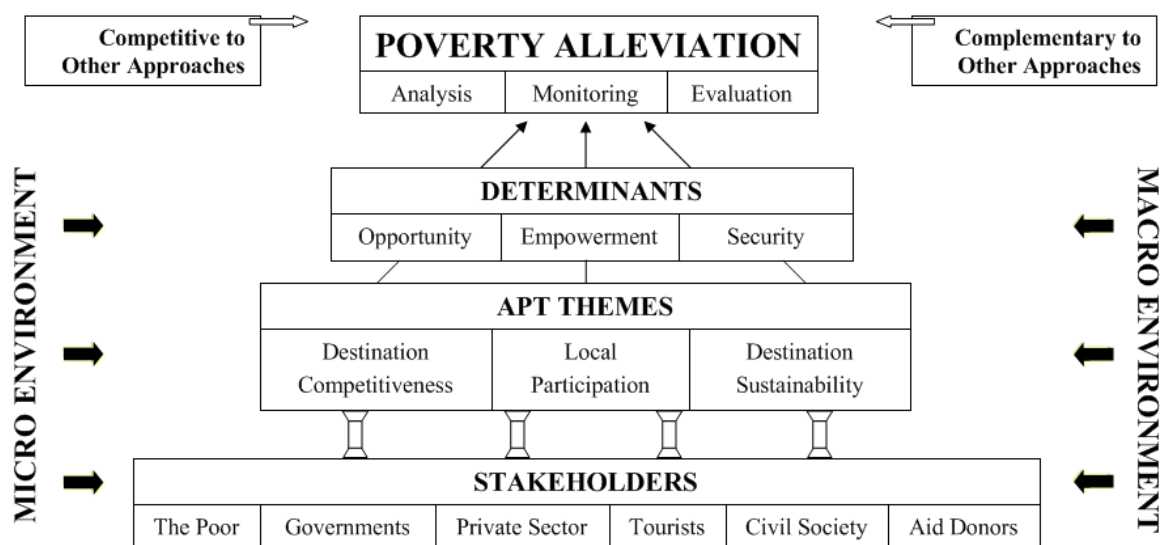
Figure 2.1: A change in the philosophy regarding tourism development and poverty alleviation



2.2 Tourism and Poverty Alleviation: An Integrative Research Framework

Zhao and Ritchie (2007) proposed an integrative research framework to understand the relationship between tourism and poverty alleviation, as shown in Figure 2.2. The unique value of integrative frameworks lies in their strength in offering "both a general overview of the field and a means of putting specific studies and problems in context, so as to understand better the existing interrelationships, to develop a sense of direction and common purpose, and to provide more integrated solutions to problems that may arise" (Pearce, 2001: 928). As such, integrative frameworks are especially useful for the formation and maturing of emerging research topics or fields.

Figure 2.2: An integrative framework for anti-poverty tourism research



2.2.1 An Overview of the Framework

The central part of the framework – the ladder, is basically concerned with the process and mechanisms as to how tourism development can contribute to the reduction of poverty. It consists of four levels – "poverty alleviation", "determinants", "APT (anti-poverty tourism) themes", and "stakeholders", each of which is further specified as a cluster of several interrelated components. "Poverty alleviation", being the convergent point of the whole framework, represents the ultimate objective of any development initiative.

"Determinants" in this framework refers to those prerequisites that must be met in order to achieve the objective of poverty alleviation in a sustainable manner. Specifically, three generic determinants – "opportunity", "empowerment", and "security" have been identified (World Bank, 2000), forming a triad model of poverty alleviation. Any development effort or approach, to be justified and successful, should contribute to at least one of these determinants.

The third level of the ladder is a list of three crucial themes that require serious consideration in anti-poverty tourism development. To effectively reduce poverty, an impoverished destination needs to build up its competitiveness, ensure adequate local participation, and follow the principles of sustainable development; deficiency in any aspect may severely weaken the positive impacts of tourism on the life of the poor. Given the close relevance of each theme to tourism policy, planning and development, their meaning and important sub-issues will be further detailed in a separate section.

The three levels – "poverty alleviation", "determinants" and "APT themes", together with the links among them, holistically communicate a central proposition that in anti-poverty tourism development, the increase in destination competitiveness, local participation, and destination sustainability can enhance the opportunity, empowerment, and security of the poor, and further contribute to the reduction of poverty. Although the validity of this proposition is pending upon empirical testing, it serves as a useful roadmap that can help guide the exploration of the theoretical foundations for the tourism-based approach to poverty alleviation.

The integrative framework also includes six salient stakeholder groups deemed most relevant to APT. The upper parts on both sides of the ladder address the relationships of APT to other poverty alleviation approaches. Research on these relationships will provide information on the comparative benefits and costs of APT, which can be used as the basis for fitting APT into broader poverty alleviation initiatives. The overhanging parts, namely "macro environment" and "micro environment", highlight the facts that tourism is an open system and APT is thus subject to various influences and pressures that arise within and outside the system.

2.2.2 The Three APT Themes

2.2.2.1 Destination Competitiveness

Destination competitiveness emphasizes the importance of commercial viability of the impoverished destination under development, given that the poor do not have a sufficient asset base to risk engaging in initiatives which do not have strong links to demonstrably viable markets for their goods and services (UNWTO, 2004). Although it is less likely for a newly developing, still fragile tourism economy to build up its competitiveness in a manner that could overpower leading competitors, appropriate competitiveness is still required in order to survive and thrive, at least to differentiate itself from the most immediate competitors.

In terms of Ritchie and Crouch (2000), destination competitiveness is determined by comparative advantages and competitive advantages. The former is associated with the endowed resource base that, either natural or built, makes a destination attractive to visitors, while the latter refers to the ability of the destination to mobilize and deploy this resource base. In comparison to wealthy and established destinations, which have accumulated abundant resources in all or most aspects over the years, impoverished destinations usually only have comparative strength on a very limited number of destination attributes. Under the circumstances, seeking competitive advantages by wise deployment of the limited resources available may be a more productive strategy for these destinations to achieve success in the global tourism market.

Competitive advantages are highly dependent upon the efficiency and effectiveness of destination management on a daily, operational basis, and destination policy, planning and

development in the long term. Due to the difference in the quality of human resources, there could exist an even larger gap in these managerial functions between wealthy, established destinations and impoverished destinations. Reducing the gap requires strategic, consistent commitment from the government in human resource development and the presence of an education and training-conscious private sector (Esichaikul and Baum, 1998; Liu and Wall, 2006). However, before the establishment of a strong human resource base, which evidently takes time and demands huge financial input, it is necessary to procure external technical assistance in order to meet immediate needs in search of appropriate competitiveness, especially in the initial planning phase.

Seeking competitiveness in a smaller geographical scope and among reachable markets, rather than simply targeting at the global, continental or national level, has been suggested as an effective competitive strategy for impoverished destinations to overcome their resource constraints (Ghimire, 2001; Saayman *et al.*, 2001). Implementation of such a strategy inherently requires a change of focus from dependency on inbound tourism to parallel development of domestic tourism. Domestic tourism relatively has much less resource demand on the destination, and thus helps accumulate competitive elements in a gradual, manageable manner (Seckelmann, 2002; Sindiga, 1996). Another well-founded competitive strategy for impoverished destinations is to promote certain forms of tourism that are largely built upon or have wide linkages with resources locally available and distinct, such as cultural tourism (UNWTO, 2005b), agrotourism (Torres and Momsen, 2004), and rural tourism (Briedenhann and Wickens, 2004). Embedded in local features,

these forms of tourism can be organized without intensive investment and development. A logical extension of this strategy is to focus on attracting non-institutional (Cohen, 1972) or allocentric-oriented (Plog, 1973) tourists, the tourists who have intense interests in experiencing authentic local lifestyle but do not care much about the physical built environment.

2.2.2.2 Local Participation

Despite the significance of destination competitiveness, it cannot be taken for granted that poverty will be automatically alleviated as a destination becomes more competitive in the tourism market. If the poor, the target beneficiaries, remain outside of the tourism economy, the impact of tourism on their life would be very marginal. Therefore, the second theme – local participation, demonstrates the need to ensure the adequate involvement of low-income households in the tourism development process, which can create larger and balanced economic opportunities for the poor, increase local tolerance and positive attitudes to tourism, and facilitate the implementation of sustainable tourism principles (Tosun, 2005).

There are two basic forms of participation for the poor in local anti-poverty tourism development: to be engaged in public decision making and/or to pursue tourism-based economic activities. The second form of participation can be further divided into wage/paid work and self-employment. Public participation not only serves to protect and

promote the holistic well-being of the community to which the poor belong, but also contributes to democracy, equity and equality by making the voice of the poor heard and in full consideration (Keogh, 1990; Simmons, 1994). By comparison, participation in the form of employment is mainly driven by individual endeavors to reap economic benefits tourism brings, and thus has more direct impacts on the life of poor households. Given the critical importance of job creation, employment traditionally has attracted much research attention, but self-employment, particularly the entrepreneurship of the poor in the tourism sector, remains largely under-researched (Echtner, 1995). Research on public participation is also scanty and fragmented. Tosun (2005) attributed this to the short history of the participatory tourism development approach in the developing world.

Some researchers have questioned the applicability of local participation in the context of the developing world (Dahles and Keune, 2002; Tosun, 2000; Zimmerman, 2000). Anti-poverty tourism development in nature is not charity; rather, it just provides economic opportunities for the poor to exploit. So, to what extent the poor can realistically benefit from tourism is still basically dependent upon their personal initiatives and capabilities. However, disadvantages in human capital and assets have greatly constrained the ability of the poor to identify and pursue well-rewarding employment opportunities in the tourism sector (Liu and Wall, 2006). In many Third World destinations, it is not uncommon that most well-remunerated management positions are occupied by foreign professionals. In addition, faced with the competition from multinationals and other better-standing competitors, local small enterprises and vendors are hardly viable (Brohman, 1996;

Brown, 1998). Public participation of the poor is also not encouraging. According to Tosun (2000), due to a variety of operational, structural and cultural barriers embedded in impoverished areas, real mass public participation actually seldom happens to the poor.

The above discussion has indicated a gap between the theoretical soundness and practical relevance of the principle of local participation in the context of the developing world. To bridge the gap, it is necessary to change from the traditional top-down approach to a bottom-up approach in research and policy making (Altieri and Masera, 1993; Murray and Greer, 1992). That said, more considerable attention should be paid to the participatory behaviors of the poor at the grassroots level.

2.2.2.3 Destination Sustainability

The third theme – destination sustainability, highlights the need to view anti-poverty tourism development from a long-term perspective. In recognition of the fundamental importance of sustainability to the ongoing competitiveness of a destination, Ritchie and Crouch (2003: 33) pointed out that "a destination which, for short-term profit, permits the rape and pillage of the natural capital on which tourism depends is destined for long-term failure".

Ample evidence has indicated an overlap between unsustainable actions and poverty (Dasgupta *et al.*, 2005). Poorer households are more resource dependent than are the rich.

Environmental degradation lowers agricultural and other incomes of the poor, and conversely the poor become even more reliant on natural resources, furthering the process of environmental degradation and increasing poverty (Duraiappah, 1998). Such a poverty-environment trap has been seen in many developing areas.

The risk of unsustainable development in anti-poverty tourism is further intensified by the fact that tourism is an economic sector heavily built upon natural capital (Collins, 1999). Although tourism can make a direct contribution to sustainability by providing rationality and funding for conservation and by replacing certain resource extraction economies like mining, hunting and logging, a wide variety of economic, social and ecological problems resulting from poor planning and management of tourism should not be underestimated (May, 1991; Romeril, 1989). The tourism products or services of impoverished destinations are mostly nature-based. In addition, their sociopolitical and legal environments are often characterized by incompleteness, ineffectiveness and poor governance, thus counterproductive to sustainability (Mowforth and Munt, 1998). Based upon the experience of Turkey, Tosun (1998, 2001) concluded that unsustainable tourism development in the developing world is largely attributed to inappropriate economic policy, backward development approaches, ineffective public administration, over commercialization, and unfavorable international tourism system.

Hence, although the general principles and approaches of sustainable tourism development are applicable to impoverished destinations, the above-mentioned issues and

problems associated with impoverished destinations should be accorded special consideration.

2.2.3 Using the Framework

As a tool to inspire future enquiries and stimulate methodological development in anti-poverty tourism research, the framework can be utilized in three major ways. The most straightforward one is to focus on each of its components or "boxes". As illustrated by the discussion of the three APT themes, each component actually represents a relatively independent research domain with their own distinct research problems and issues. If research efforts are systematically oriented to the investigation of the same component, a deep understanding of the nature and roles of that component in anti-poverty tourism development could be achieved.

In recognition that there are frequent information, resource, and other kind of exchanges or interactions occurring among the components, the other two ways are primarily concerned with the various linkages in the framework, and correspondingly the focus of research interest shifts from individual components to the relationships of two or more components. One of the two ways is to examine the horizontal linkages of the components belonging to the same level or dimension. The first area in which such an approach may lead to productive findings is the stakeholder dimension. In anti-poverty tourism development, primary stakeholders are intricately interconnected through a range of geographical,

sociocultural, economic, and political nexus. It is these nexus that have influenced or even shaped the behaviors and performance of individual stakeholders. Therefore, a close examination of these nexus is expected to result in more insights with respect to stakeholder management.

The same approach can be equally employed to understand the levels of APT themes and determinants. For example, research can be conducted on the interrelationships of the three APT themes, namely destination competitiveness, local participation, and destination sustainability. Both the linkage between destination competitiveness and destination sustainability and that between local participation and destination sustainability have been well addressed in extant literature (e.g. Tosun, 1998; Ryan, 2002; Ritchie and Crouch, 2003). By comparison, the linkage between local participation and destination competitiveness largely remains unexplored. A positive correlation between these two themes cannot be taken for granted since local participation in many impoverished destinations is characterized by low level of investment, inexperience, and lack of expertise, all of which are counteractive to competitiveness. The involvement of foreign companies and professionals thus might be necessary in order to build up destination competitiveness in a short period of time (Ashley and Jones, 2001; Endo, 2006). However, researchers also have expressed critical concerns with a variety of risks deriving from excessive reliance on foreign capital and human resources (Zhao and Li, 2006). Further research is required to refine the nature of the relationship between the two themes.

Another major way to research linkages is to examine the vertical linkages of the components in different levels or dimensions. With multiple levels or dimensions involved, this approach is instrumental in revealing the dynamics and operating laws of anti-poverty tourism development. Probably the most important research question following such an approach is to test the proposition concerning the causal relationships of APT themes, determinants, and poverty alleviation, as specified in the overview section. Similarly, the approach can be applied to understand the roles of primary stakeholders in the building or enhancement of destination competitiveness, local participation, and destination sustainability. Any combination of two components from the theme and stakeholder dimensions could be a distinct research topic. As an illustration, research can be conducted to investigate how civil society can contribute to local participation, or how the private sector can be more effectively mobilized to help build up destination competitiveness. In this way, many more significant research issues will emerge.

2.3 Small Tourism Business and Poverty Alleviation

The integrative research framework on the tourism-poverty nexus (see Figure 2.2) provides a broad theoretical context for the evaluation of the nature and roles of small and family tourism businesses in poverty alleviation. In the following discussion, the relationship between small and family businesses and poverty alleviation will be mainly examined from their impacts on each of the three APT themes.

2.3.1 Impacts on Destination Competitiveness

"Enterprise" is an important attribute of destination competitiveness (Ritchie and Crouch, 2003). Butler (1980) viewed local entrepreneurial development as occurring spontaneously in response to growth in tourist demand at a destination. Being the "chaos maker" (Russell and Faulkner, 1999), entrepreneurs play an active role in shaping and advancing the destination by continually innovating tourist services and experiences. In poor areas where to increase income is a priority for most local families, the private sector might be dominated by classic, growth and profit-oriented entrepreneurs. The scale and performance of their businesses thus basically define the nature and evolution of the destination, especially in the early phases of development.

The simple organizational structure of small and family businesses creates an intimate environment conducive to close host-guest interaction, hospitality, and authenticity. Large firms usually aim at a high-end market but neglect the needs of budget travelers. Small and family businesses can fill the gap by providing a wide range of good value products and services. These features are all particularly attractive to non-institutional (Cohen, 1972) or allocentric-oriented tourists (Plog, 1973), a market segment that may represent the mainstream of future demand.

Getz and Nilsson (2004) investigated the small and family businesses on the Danish Island of Bornholm, noting that these businesses could readily adjust the extent of involvement

in terms of investment and time. In low seasons many business owners chose to terminate the operation temporarily and pursue other livelihoods, while in high seasons they might resume or even expand the business in order to absorb the surplus of demand. This kind of flexibility is important for a destination to mitigate the impacts of extreme seasonality.

Admittedly, high rates of failure, poor service quality, and safety and security concerns have largely constrained the contributions of small and family businesses to improving destination competitiveness in developing countries. However, as the backbone of the tourism economy, they are obviously worth more careful planning and management.

2.3.2 Impacts on Local Participation

Small and family businesses play a leading role in promoting local participation in the tourism development of developing countries. Relatively low entry barriers in terms of technology and capital make it possible for many poor households to start up a business. The business not only meets the owner's need for employment, but also provides direct employment opportunities for the owner's family and other locals. Although the jobs created by a single business are limited, the aggregate effect could be substantial due to the large number of small business entities within a destination.

In many developing countries, economic leakage and an unequal income distribution system caused by excessive use of expatriates, especially at the executive level, have led

to the failure to realize most of the benefits from tourism development (Britton, 1982; Brohman, 1996; Brown, 1998; Zhao and Li, 2006). Compared with large firms and multinationals, small and family businesses have closer linkages with the local economy because they usually employ locals and choose domestic suppliers. Therefore, the prosperity of local businesses can effectively prevent the dominance of the tourism sector by foreigners, retain revenues in the destination, and ensure tourism benefits to reach the largest possible proportion of the local population.

However, as mentioned earlier, the development of small and family businesses is confronted with a variety of operational, structural, and cultural barriers associated with developing countries (Tosun, 2000). Tosun (1999, 2006) noted that spontaneous community participation in tourism seldom happened among the poorest; induced and coercive participation only brought limited managerial responsibility and authority to local entrepreneurs and the host community. This implies that community empowerment must be a long-term development objective for impoverished destinations, and that leadership on the part of the government is essential.

2.3.3 Impacts on Destination Sustainability

Without cooperation from the private sector, sustainable destination development would be an impossible objective (Curtin and Busby, 1999). Unlike large corporations which are usually under the close surveillance of the government, small and family businesses in

developing countries remain largely unregulated; being "green" is often practiced on a voluntary basis (Horobin and Long, 1996).

Although limitations in resources and expertise have prevented many businesses from effective environment management, lack of environmental awareness and poor understanding of the importance of sustainable tourism for the destination in general and the business in particular might account for most ecological impacts or problems resulting from business operation. In the Mundo Maya region, Thomlinson and Getz (1996) found that foreigner-owned ecotour operators were much more concerned with the ecological system than were local business partners and competitors. Le and Hollenhorst (2005) investigated the perceptions of Vietnamese tour companies towards adopting sustainable tourism principles, revealing that the majority of businesses were reluctant to invest in environment-friendly practices because not many visible benefits were anticipated from this kind of investment. Curtin and Busby (1999) also noted that any attempt by individual operators would put them at a commercial disadvantage because tourists were not prepared to adequately pay for the cost of a sustainable product. This suggests that commercial success is the primary concern of most small businesses (Morpeth, 2004); incentives should be established in order to encourage them to shoulder more responsibilities in sustainable destination development.

What is probably most crucially needed for Third World destinations is a fundamental change in planning and decision-making from a short-term, money driven mind-set to a

long-term, future-oriented vision. The vision should be not just applicable to the private sector, but must be shared by the entire destination system. As pointed out by Tosun (1998, 2001), unsustainable tourism development in the developing world is mostly attributed to inappropriate economic policy, backward development approaches, ineffective public administration, over commercialization, and an unfavorable international tourism system. To address these constraints is obviously beyond the scope of the private sector, and essentially requires multi-stakeholder collaboration.

CHAPTER THREE: LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

3.1 Small/Family Tourism Businesses

3.1.1 Characteristics and Significance

Research on small and family tourism businesses has traditionally placed an emphasis on their contribution to job creation and economic revitalization (Wanhill 2000; Fleischer and Felsenstein, 2004). This has stimulated a worldwide interest in business development programs. In recent years, many more roles of small and family businesses have been identified. One of the important advances in this regard is to associate these businesses with entrepreneurship and destination development. Small/family business owners or entrepreneurs are now believed to be the fundamental driver of destination dynamics (Russell and Faulkner, 1999; Tinsley and Lynch, 2001). A comparative study on two Australian destinations, for example, showed that entrepreneurship was a major factor resulting in one destination being more successful than the other (Russell and Faulkner, 2004). Scott and Laws (2004) also found that the formation of a whale watching market was mainly due to the initiatives of several local small firms. Small and family businesses are especially dominant in rural and peripheral areas because of traditional land-owning patterns and the impracticalities of operating larger corporations in marginal economies (Page and Getz, 1997). Assuming that capital can be raised, a major challenge for

destination planners is to assist, attract, and hold entrepreneurs that can help develop and stabilize remote areas.

A synthesis of the evidence reported in the literature has unveiled a number of key features that characterize small and family businesses, such as shortage of skilled staff, limited access to business expertise, little management training, and lack of financial resources (Page *et al.* 1999; Becton and Graetz 2001; Augustyn 2004; Ateljevic and Doorne 2004; Getz, Carlsen and Morrison, 2005). Most small and family businesses maintain a simple “owner-manager” organizational structure, so managerial practice is quite informal, deeply shaped by the owner’s personal thinking process. Both King *et al.* (1998) and Friel (1999) noted that strategic marketing activities in small tourism firms were neither regular nor sophisticated. These weaknesses or constraints account for most of the problems and difficulties in business operation, resulting in poor performance and a high rate of business failure.

Running tourism businesses places considerable strain on families, especially women who do most of the work and have to balance business and family needs (Getz, Carlsen and Morrison, 2004). Although the business provides important economic support and employment opportunities to the family, it is almost inevitable that privacy and family life will be affected since delivering tourism and hospitality services inherently requires close contact with customers and considerable time commitment (Stringer, 1981; Lynch, 2005). In the businesses run by a married couple or “copreneurs” (Sharma *et al.*, 1996), it is often

regarded as a spiritually rewarding process that the couple can work and spend time together (Getz and Carlsen, 2000). However, internal family conflicts may also arise when they disagree on decision making or feel unfairness in shouldering business responsibilities and household chores.

Portfolio entrepreneurship, a mode of operation in which the entrepreneur owns and manages several businesses at the same time (Carter and Ram, 2003; Carter *et al.*, 2004), has become an important theme in the small business literature. Multiple business ownership or “plurality” is commonly used as a mechanism for reducing business risk and diversifying income, and in the context of rural development it is often encouraged as a strategic response to the continuous decline of the farm sector (Carter, 1998, 1999). In tourism and hospitality research, the concept of portfolio entrepreneurship has not yet been formally introduced, although the phenomenon has been noticed for some time. It is observed that tourism and hospitality enterprises are often secondary to other sources of income, such as farming (Sharpley, 2002; Fleischer and Tchetchik, 2005). The degree of plurality may be closely related to the maturity level of the destination. For example, Canoves *et al.* (2004) found that Spanish rural tourism generally went through three stages of development, namely from supplementary lodging services to “leisure farm” and then to tourism professionalism.

3.1.2 Entrepreneurs and their Goals

There exist a multiplicity of economic, social, and personal reasons for establishing and operating a tourism business, but two broad types of entrepreneurs can be defined. One consists of those classic entrepreneurs who are ambitious for business growth and profitability, while the premier concern of the other type of business owners is to pursue autonomy and an appealing lifestyle (McGehee and Kim, 2004; Hall and Rusher, 2005; Domenico, 2005; Ollenburg and Buckley, 2007). It is widely recognized that the second form of entrepreneurship is much more prominent in tourism and hospitality than in most of other economic sectors (Getz, Carlsen and Morrison, 2004).

Being one's own boss, especially when combined with doing something one enjoys, is a top motivator of lifestyle entrepreneurs (Ateljevic and Doorne, 2000). Many of them may simply want to have hands-on control of their business, which of necessity means keeping it small. Also, it is kind of a trend in western and industrialized countries that individual and family investors are increasingly drawn to rural and peripheral areas or small towns for specific amenities and leisure opportunities. Mowl and Blackwood (1999) surveyed the small business owners in southern Spain, noting that expatriate owners were predominantly driven by non-economic motives and were prepared to work incredibly long hours in order to reap intrinsic rewards. However, in developing economies there might be little or no alternative to self-employment, and for immigrants running a small business can often be the best way to make a new start.

Ateljevic and Doorne (2000) contended that the rejection of an overtly profit-driven

orientation did not necessarily result in financial suicide or developmental stagnation in that lifestyle entrepreneurs were often instrumental in the creation and introduction of innovative products for niche market consumers. This view was shared by Shaw and Williams (2004), who found that certain lifestyles of business owners were closely related to new forms of tourism consumption. However, Getz and Petersen (2004a, 2005), along with many others (Ioannides and Petersen, 2003; Johns and Mattsson, 2005), highlighted the importance of growth and profit-oriented small firms, and argued that they were more constructive to destination development and competitiveness building.

3.1.3 Research on Developing Countries

Entrepreneurship and small/family businesses in the vast developing world have been paid far from adequate attention in tourism research. Only a few developing countries such as Indonesia (Dahles and Bras, 1999; Hitchcock, 2000), South Africa (Rogerson, 2003, 2004, 2005), Ghana (Gartner, 2004), Tobago (Roberts and Tribe, 2005), Vietnam (Le and Hollenhorst, 2005), Kenya (Manyara *et al.*, 2006), and Tanzania (Sharma, 2006) have been examined. Although the importance of small businesses for local participation, community empowerment, and poverty alleviation was well recognized, these studies highlighted the necessity to pay more attention to various constraints on these roles. Rogerson (2005) found that rural tourism in South Africa was dominated numerically by informal sector enterprises functioning at the barest levels of survival; public support services in marketing, infrastructure, supply chain, business association, and information were all

desperately needed.

According to Harrison (1992), structures inherited from the colonial period might act against entrepreneurial activity by residents, or restrict them to specific sectors. In-migrants (often retiring in a new location) or returning migrants often dominate the entrepreneurial class, while local elites are favored in developing business links with international tourism firms. Manyara and Jones (2007) examined the development of community-based tourism enterprises in Kenya, revealing that support agencies preferred partnership approaches involving white investment, which inadequately addressed community priorities. Through foreign resource control and excessive reliance on donor funding, these businesses actually promoted neocolonialism and reinforced dependency.

Smith (1998) noted that powerful incentives existed for the establishment of small tourism enterprises in the Third World, namely taking local control over development, acquiring status, gaining access to clubs and business networks, building equity for a family legacy or retirement, hiring family members who might otherwise be unemployable, and being one's own boss. But Smith also pointed out that employees of larger firms might very well be better off than the self-employed, owing to easier work and higher pay.

In general, the evidence and prescriptions reported so far on developing countries primarily draw on case studies and small samples, resulting in limited generalizability. In addition, it is noticed that the family dimension of tourism-based businesses is not yet

specifically treated from a developing country perspective. Although the features of small and family businesses in the tourism sector overlap in substantial ways, it is still highly recommended to examine family business separately for important theoretical and practical insights (Getz and Carlsen, 2005).

Another possible weakness of current literature is that little is known about the small and family businesses in the tourism and hospitality sectors of China. With a population of more than 1.3 billion, China is not only the largest developing country in the world, but also is expected to become the second favorite tourist destination by 2010 and number one by 2020 according to the forecast of UNWTO (2006). The rise of China in the global tourism market would not have been possible without the sustained expansion of its private sector that has occurred since the adoption of economic reform and open-door policy in 1978; primarily comprised of small and family-owned businesses, the private sector has played a crucial role in driving the transition of China's tourism sector from a planned economy to a market one (Zhang *et al.*, 2002; Zhang and Morrison, 2007).

Therefore, this research contends that any generalization in small/family business research without referring to this country context should be made with caution.

3.2 The Entrepreneurial Process

The preparation of a new business inevitably involves a lot of time, commitments, and physical and emotional supports. The question, “why some individuals can successfully

launch a business, whereas others cannot, even if they desire to”, is always interesting and paramount from both theoretical and practical perspectives (Shane and Venkataraman, 2000). Extant literature on this topic can be generally categorized into three streams of enquiry. The first stream of research focuses on “the person”, namely an entrepreneur’s propensity and ability to establish an enterprise. Research on propensity to enterprise is primarily concerned with the psychological and behavioral characteristics of entrepreneurs, while research on ability to enterprise emphasizes the importance of human capital and availability of resources. The second stream mainly deals with the influences of “the environment”, such as accessibility of market, favorability of policy, and macroeconomic status quo. The third one pays particular attention to “the process” – the behaviors and events that lead to the creation of a new venture. The process is usually divided into several relatively inter-independent, dynamic stages or activities, such as “opportunity identification, concept development and refinement, resource mobilization, and implementation” (Morris, Lewis and Sexton, 1994). It is posited that entrepreneurs who are able to establish a business undertake different behaviors (or sequences of behaviors) in the start-up process than those who fail (Carter, Gartner and Reynolds, 1996).

In tourism research, business gestation has not yet been treated as a complicated phenomenon for close examination. Research efforts so far are mostly devoted to understanding the characteristics and business practices of established firms; as such, policy prescriptions are often oriented to solving managerial problems (Thomas, 2004;

Tassiopoulos, 2008). One specific research issue that relates to business gestation and that has attracted a relative amount of attention is to explore the motivations or goals for entrepreneurship (e.g. Getz and Carlsen, 2000; McGehee and Kim, 2004; Loureiro and Jervell-Moxnes, 2005; Ollenburg and Buckley, 2007). An important finding in this regard is that besides financial goals, a large number of entrepreneurs in tourism and hospitality sectors are simultaneously motivated by an appealing lifestyle associated with running a small tourism business, such as living in the right environment, meeting interesting people, and supporting personal leisure interests. Although research on motivation or goals reveals information on personal inclination towards entrepreneurial participation in tourism, it provides little direct guidance for the development of new enterprises. In fact, many residents may feel stimulated by the same set of motivations or goals and in a similar way, but obviously only those who have sufficient competence can translate their business idea into a reality. To address this shortcoming, it is vital to understand the differences between entrepreneurs and the general public, from which key constraints or factors affecting entrepreneurship might be identified.

3.3 Social Capital

Social capital, as a versatile theoretical construct, has now taken root in primary social science fields, such as families and youth behavior, schooling and education, community life, work and organizations, democracy and governance, public health and environment, crime and violence, collective action, and economic development (Coleman, 1988;

Putnam, 1993; Woolcock, 1998). Although important differences persist among scholars in the conceptualization and operationalization of this concept (Foley and Edwards, 1999; Adler and Kwon, 2002), a broad consensus has been achieved on the point that one's network of social relationships constitutes a valuable asset, which can be called upon in a crisis, enjoyed for its own sake, and leveraged for material gain.

The value of social capital mainly stems from the norms of trust and reciprocity, which, embedded in the social network, are often the result of obligations, threat of censure and exchange. It is mutual familiarity and recognition that encourage people with various interests to work together and to help each other without expending effort on measures to avoid moral hazards and opportunism. In a general sense, a high level of social capital is believed to help ensure good governance, improve management of public resources, diffuse information, bring access to resources, and lower transaction costs. As a corollary, those entities endowed with a diverse stock of social networks are in a stronger position to confront vulnerability, resolve disputes, and take advantage of new opportunities.

Few deny that social capital is multidimensional, but there exist huge divergences as to its specific dimensions across disciplines and researchers. In this research, the framework proposed by Nahapiet and Ghoshal (1998), which is well accepted in the business/management domain (e.g. Tsai and Ghoshal, 1998; Totterman and Sten, 2005; Inkpen and Tsang, 2005; Liao and Welsch, 2005; De Carolis and Saporito, 2006; to name only a few), will be used to guide the subsequent discussion. Nahapiet and Ghoshal (1998:

243) defined social capital as “the sum of the actual and potential resources embedded within, available through, and derived from the network of relationships possessed by an individual or social unit”. Based upon this definition, they decomposed social capital into three dimensions, namely structural, relational and cognitive. The structural dimension concerns the overall pattern of connections within a network of social relationships. Among the most important facets of this dimension is the presence or absence of network ties between actors and network configuration – that is, *who you reach* and *how you reach them*. In contrast, the relational dimension focuses on the nature and strength of social relationships, and deals with the question – *how well you know them*. Important indicators of this dimension include trust, norms, obligations, and identification. The cognitive dimension refers to those resources providing shared representations, interpretations, and systems of meaning among parties, like shared languages and codes and shared narratives.

In tourism research, applications of social capital and social capital theory are conspicuously absent. Most of what does exist has explored the implications of business networking for destination development (Tinsley and Lynch, 2001; Pavlovich, 2001, 2003). The studies by Oigenblick and Kirschenbaum (2002) and Lew and Wong (2004) treated social capital as a driving force for travel behaviors. The former investigated the linkage between social capital and the probability of a tourist making an immigration decision, and the latter described how social capital, formed and embedded in the culture of overseas Chinese, has contributed to the rise in visits back to their homeland of origin. Ross (2005) examined the contribution of cyber-tourism from the perspectives of social

capital, ethics, and trust, finding that people had a diversity of views on the perceived benefits and concerns. Based on his work, Ross suggested that both the bonding and bridging social networks associated with cyber-tourism should be modified and monitored for the benefit of all stakeholders.

The roles of social capital in regional and community tourism development also have been identified. Fallon and Kriwoken (2003) advocated a full consideration of local values, culture and social capital in the process of community consultation so as to ensure a high degree of community involvement. Macbeth, Carson and Northcote (2004) expressed a similar view, pointing out that community needs for social, political and cultural capital should be factored into planning and development strategies. Specifically, Macbeth *et al.* (2004: 507) recommended a social capital prescriptive agenda, which involves “telling communities and individuals to build up their networks so they can look after themselves – in the face of globalization, relative powerlessness and institutional/governmental abrogation of responsibility”. Jones (2005) examined the processes of social change leading to and resulting from the development of a community-based ecotourism venture in the Gambia, finding that social capital was instrumental in its formation.

3.4 Hypothesis Development

A growing body of research in entrepreneurship has accorded special attention to the role of social capital in new venture formation (e.g. Anderson and Miller, 2003; Weisz, Vassolo

and Cooper, 2004; Liao and Welsch, 2005; Marshall and Oliver, 2005). De Carolis and Saporito (2006: 43) have suggested that "in the context of entrepreneurship, social capital is the goodwill and resources that emanate from an individual's network of social relationships, and its effects flow from the information, influence, and solidarity available to the entrepreneur". According to Davidson and Honig (2003), social capital not only facilitates the discovery of opportunities, but also assists with the exploitation process through the identification, collection and allocation of scarce resources and information essential to entrepreneurial activities.

In rural and peripheral settings, the phenomenon of economic embeddedness is prominent, and informal contacts of family, friends, and colleagues are often the main source of assistance (Birley, 1985; Jack and Anderson, 2002; Lyons, 2002). Leff (1979) also pointed out that in the environments of incomplete information and weak economic markets, social capital makes a huge difference in individual economic outcomes. The importance of a social network for the poor is even more straightforward: due to a weak asset base and inadequate education, they must largely rely on their intra-community relationships to cope with various crises and to meet contingent needs (Honig, 1998; Woolcock and Narayan, 2000). Bennett and Robson (1999) found that small enterprises are particularly dependent upon the advice of friends and relatives in order to retain confidentiality and personal control.

In the following, in order to unveil the specific mechanisms through which social capital

affects the start-up decision of entrepreneurs in tourism, the nature and roles of each dimension in the entrepreneurial process will be examined respectively. After that, a framework informing the empirical analysis will be constructed and explained.

3.4.1 The Structural Dimension and Entrepreneurship

The structural dimension of social capital is basically concerned with the patterns of an individual's social network (Nahapiet and Ghoshal, 1998). Since ties are the cell of social interaction or social exchange that is closely associated with the flow of information and resources, they collectively form an extension of personal resource stock that could be activated when necessary. As a corollary, the broadness and diversity of social relationships are in some sense equivalent to the broadness and diversity of potentially usable resources embedded in those social relationships. In other words, the structural component to a great extent defines one's potential or ability to access information, resources, and other kind of external support that are critical to venture creation (Liao and Welsch, 2005).

Entrepreneurship, by definition, involves venturing into an unfamiliar domain that is characterized by ambiguity and risk (Morrison *et al.*, 1999). A farmer with no experience in tourism may hesitate to transfer from the traditional agricultural economy to a farm-based tourism business, even if the ROI (Return on Investment) of tourism is expected to be higher than that of agriculture. Sourcing new knowledge in that domain is thus a crucial

part of the decision-making process, especially in the concept development and refinement stage. Gathering sufficient, reliable information can dramatically enhance the ability of the potential entrepreneur to perceive an emerging opportunity, to evaluate its feasibility, and beyond that, to initiate a series of activities that lead to venture creation. Information benefits deriving from the structural dimension, such as access, timing, relevance, and referrals, have been frequently mentioned in the social capital literature (Hoang and Antoncic, 2003). Being central in a network, for instance, is believed to confer one with differential access to information because the actor has relatively broader opportunities to communicate with other network members. Information may simply be shared from a few key informants, say those who are operating a tourism business, or synthesized from multiple sources, so as to achieve a higher level of understanding. Granovetter (1973) highlighted the strengths of weak ties with acquaintances, arguing that individuals with few weak ties will be deprived of information from distant parts of the social system and will be confined to the provincial news and views of their close community. Consistent with this view, Burt (1992) reasoned that “structural hole”, a network structure in which different clusters of interconnected actors are sparsely connected to one another, enables individuals who hold the few connecting positions between clusters to capitalize on non-redundant information that exists in one cluster but not in another. Nahapiet and Ghoshal (1998) claimed that network ties and configuration have direct and positive effects on the combination and exchange of intellectual capital, and further knowledge creation. From a social cognitive perspective, De Carolis and Saporito (2006) postulated that accessibility to a multitude of information sources can lead to overconfidence, illusion of control, and

optimistic estimation of the risk involved, thus contributing to the start-up decision.

Besides information benefits, the structural dimension of social capital also has a conspicuous impact on the availability of valuable resources, such as capital, space, facilities and equipment, and labor. For example, capital has been one of the most constraining factors on the poor's ability to pursue entrepreneurial activities. Commercial banks are often unwilling to loan to poor entrepreneurs because of their weak collateral and asset base. Scared away by "loan sharks", a large proportion of poor entrepreneurs must naturally rely on their social network to secure venture capital. Whether the social network stocks a sufficient amount of spare money to meet a poor entrepreneur's needs largely determines his/her potential and ambition to enterprise. In impoverished communities, most of the local social ties of an entrepreneur are expected to lead a similar miserable life, and each single one usually has very meager valuable resources that can be provided. To access and accumulate enough resources, the entrepreneur may need to seek assistance from most, if not all, of his/her social relationships. As such, the broadness or quantity of ties has a clear differentiating effect.

The above discussion demonstrates that individuals with more structural social capital enjoy an advantage in overcoming the resource and information barriers to venture creation. Therefore, it is hypothesized that:

In a rural tourist destination, an individual's structural social capital

is positively associated with his/her ability and probability to start up a tourism-related business (H₁)

3.4.2 The Relational Dimension and Entrepreneurship

The relational dimension of social capital refers to the quality or strength of social ties, which is usually a reflection of the length of the ongoing relationship, degree of emotional intimacy, and frequency of reciprocal behaviors (Nahapiet and Ghoshal, 1998). While the structural dimension is closely associated with the number of opportunities that an entrepreneur has for obtaining external support, the nature and amount of support that those opportunities can realistically bring are eventually dependent upon the relational dimension. This is because personal experience and the quality of past interactions to a great extent determine whom the entrepreneur is likely to approach and successfully engage (Moran, 2005).

Among the many factors that make a tie “strong” or “weak”, relational trust plays a pivotal role. It can be understood as mutual feelings of reliability and positive expectations that both sides care about the interests of each other and will act beneficially. Trust and trustworthiness alleviate the necessity of safeguarding against moral hazards and opportunism, and thus facilitate the flow of resources and information and engagement in cooperative behaviors (Putnam, 1993). In many (if not most) cases, people would like to compromise some visible benefits and share their scarce, valuable resources and

information with others because they expect with much confidence that their favors will be reciprocated sooner or later. Specifically, with respect to information benefits, a great advantage of strong ties over weak ties is that they are more conducive to the transfer of fine-grained information and tacit knowledge, which is usually more valuable and critical for entrepreneurial activities (Inkpen and Tsang, 2005). Because fine-grained information and tacit knowledge cannot be easily codified or understood, their transmission essentially requires close and repeated interactions. For instance, certain traditional handicraft skills are only passed on to family or very intimate friends, and in addition, to master them often demands hand-holding instruction and takes several months or even years. Also, entrepreneurs who pursue informal economic activities will be very vigilant while talking about their business experiences to non-trustworthy people. So, an actor with a higher degree of relational trust with the source of information will find it more convenient and less costly to access and absorb its information and knowledge. In some sense, it is exactly this kind of differential accessibility that accords the market value to the fine-grained information and tacit knowledge. In comparison with the sharing of information and knowledge that leads to no loss of the original information and knowledge for the source, sharing private property and other concrete resources means temporary or permanent deprivation of the use value for the owner, making him/her subject to uncertainty and vulnerability. As a simple example, lending something to others inevitably involves the risk of having it not returned. Therefore, the strength of the relationship arguably has a more direct impact on the transfer of resources.

Similar to the structural dimension, the relational dimension also influences an entrepreneur's subjective perception of the difficulties and problems that may arise in the start-up process. Having someone whom the entrepreneur can trust in and rely upon materially and emotionally will enhance his/her feeling of security, even if no immediate assistance or support is available. That said, close social ties form a reliable safety net for the entrepreneur, as he/she believes with confidence that they will go all out to help him/her when in trouble. Such a belief will downplay the threat of risks and failure, encourage aggressive behaviors, and thus strengthen the propensity to enterprise (De Carolis and Saporito, 2006). Another, in pursuing economic opportunities, co-entrepreneurship is a common strategy to address resource scarcity and diminish risks. A team of entrepreneurs not only bring much more information, resources and wisdom, but also help shield off an individual's fear of failure in that any loss will be collectively shouldered. Considering that business partners are usually sought from strong ties, it is logical to expect that entrepreneurs endowed with more relational social capital will have a broader pool of partner options, and are more likely to choose to start up a business.

The conceptual discussion above leads to another important hypothesis:

In a rural tourist destination, an individual's relational social capital is positively associated with his/her ability and probability to start up a tourism-related business (H₂)

3.4.3 The Cognitive Dimension and Entrepreneurship

The cognitive dimension of social capital, as proposed by Nahapiet and Ghoshal (1998), highlights the reality that in any social system, people are not immune to various external influences or constraints; rather, interactions with other actors are often socially defined by the normative and mimic forces that exist in their network environments. For example, social norms, either formal or informal, must be obeyed in order to gain basic respect and recognition from other members in a social circle. Developing a productive relationship not only requires time and emotional commitment, but is also largely contingent upon whether both sides mentally share something in common, such as values, attitudes, beliefs, and vision (Tsai and Ghoshal, 1998). The congruence of these cognitive attributes facilitates the understanding of each other's thinking processes, activates information and knowledge diffusion, and fosters supports for certain social actions (De Carolis and Saporito, 2006).

Liao and Welsch (2005) specified two mechanisms through which the cognitive dimension exerts an influence on entrepreneurship, namely organizational legitimacy and entrepreneurial culture. Organizational legitimacy means that the business should be generally recognized and accepted by the society, or in a narrow sense, by other members of the owner's social network; lack of it may incur broad antagonism and social pressures, thus dramatically reducing the opportunity of obtaining external information and resources.

Having organizational legitimacy is especially paramount for rural tourism businesses

because tourism inherently involves tourists traveling to the host community and local residents' attitude towards tourism and their perception of its impacts can largely determine the business development environment (Pizam, 1978; Long, Perdue and Allen, 1990). For example, certain controversial forms of tourism business like sex tourism and gaming, even if they are legally permitted, may be strongly resisted in some communities. In many cultures of the developing world, it is also not uncommon that "serving others" or employment in the service industry is socially disdained, an ideology making operating a tourism enterprise unattractive (Kreck, 1998). Therefore, if tourism development is not welcomed by the community, it will be difficult for an entrepreneur to pursue any tourism-based business activities. Admittedly, there exists a counteracting effect when one's social network generally takes a standpoint distinct from that of the community as a whole. The influence of social ties may be so powerful that some social norms or ideologies against tourism at the community level could be breached.

The entrepreneurial spirit of one's social network also has an impact on his/her tendency to enterprise. Much research has indicated that in communities where the culture of entrepreneurship is prevalent, people would be more understanding of risk-taking behaviors and tolerant of failure, encourage financial independence of younger generations, and advocate self-employment, thereby forming a favorable environment for the access and exchange of resources for private business development (Davidsson, 1995; Dahles and Bras, 1999). Not surprisingly, an entrepreneur bestowed with this kind of culture will be more likely to obtain both spiritual and material support from his or her

social relationships and successfully go through the start-up process. Conversely, when the social network is generally risk averse and resists any “crazy” idea, the possibility for its members to pursue entrepreneurial activities would be low, because everyone are concerned with the costs of being isolated due to cognitive divergence. In the rural setting, especially in the majority of remote communities that are struggling with worsening emigration and disintegration, indigenous businesses are hardly viable due to weak local purchasing power. In addition, farming, though declining over the years, is still being widely practiced as a natural livelihood option; by comparison, other economic activities are often considered to be non-traditional and complementary. For these reasons, the mindset is popular among rural residents that doing business is not only poorly rewarding but socially unattractive as well. As a corollary, in rural areas, having a pro-entrepreneurship social network would be indeed an advantage for a potential entrepreneur when any enterprising opportunity arises.

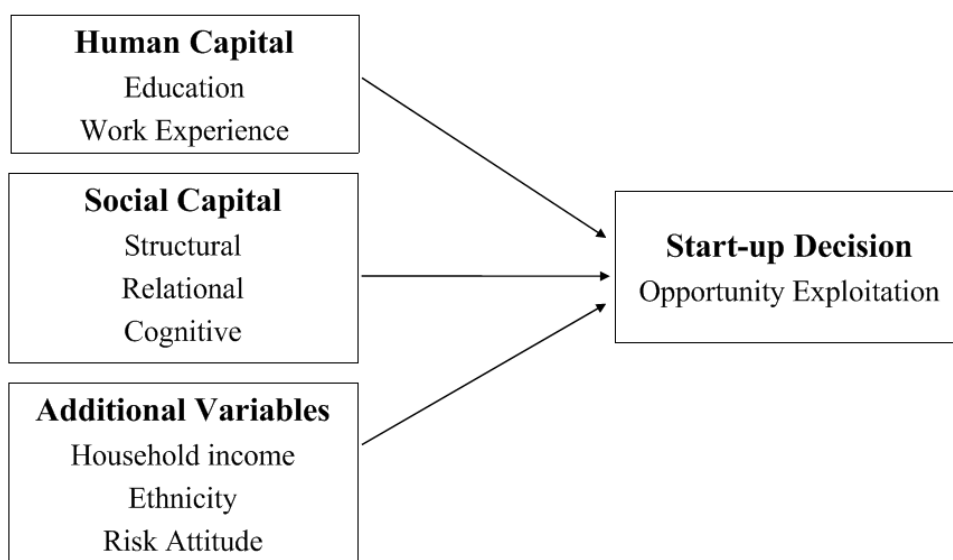
In short, it is hypothesized that:

In a rural tourist destination, an individual's cognitive social capital is positively associated with his/her ability and probability to start up a tourism-related business (H₃)

3.4.4 An Analytic Framework

The significant linkage between social capital and the start-up decision of rural entrepreneurs in tourism and associated hypotheses can be collectively represented by a binary logistic regression model, as illustrated in Figure 3.1. In this analytic framework, social capital has been identified as a premier antecedent that is supposed to exert a decisive influence on the entrepreneurial participation of rural residents in the developing world.

Figure 3.1: An analytic framework of the antecedents to business start-up



To fully evaluate the importance and impact of social capital, human capital and several other variables are also included. The relevance of human capital to the pursuing of entrepreneurial opportunities is well established in literature. Robinson and Sexton (1994) found that the probability of becoming self-employed is positively related to the number of

schooling years. Shane (2000) identified a strong positive influence of personal prior knowledge on the discovery of entrepreneurial opportunities. Financial capital, as represented by household income in the framework, is another factor that is commonly considered essential to entrepreneurial activities (Bruno and Tyebjee, 1985). Limited access to capital not only prevents numerous potential entrepreneurs from pursuing their innovative ideas, but also accounts for the high rate of failure in many start-up attempts. Therefore, to stimulate business development, policy makers usually pay substantial attention to the constraints on human and financial capital. It would be both theoretically and practically interesting to test the effects of these two factors on business gestation in the context of a rural and underdeveloped economy and in comparison with that of social capital.

In addition, Clark and Drinkwater (1998, 2000) found that ethnic minority groups were more likely to enter self-employment rather than paid-employment. Hitchcock (2000) researched the entrepreneurship patterns in Java and Bali, revealing that ethnic networks had boundaries that could enable a group to maintain control over resources in an uncertain economic climate by excluding outsiders. So, ethnicity as a possible contributor to the start-up decision was examined. The inclusion of this factor is further justified by the fact that the research setting of this study is a multi-ethnic region. The connection between personal risk attitude and entrepreneurial behaviors is also widely recognized since risk taking is often conceptualized as an innate quality of entrepreneurs (Cramer, Hartog, Jonker and Van Praag, 2002).

CHAPTER FOUR: RESEARCH METHODOLOGY

4.1 Research Setting

Data were primarily collected through a questionnaire-based survey in the rural destinations of Guangxi Zhuang Autonomous Region, P. R. China. Guangxi hosts a population of 46.6 million, with more than 66.4% living in the countryside where poverty is prevalent (Guangxi Statistics Bureau, 2006). Of the 109 counties in this territory, up to 41 counties are officially designated as “poor” by the government. Agriculture and labor exports are the traditional sources of household income for most rural residents. However, the return from farming is miserable and has been on the decline due to the arid climate and mountainous landform, while many years’ labor exports and concomitant emigration have also led to a series of socioeconomic dilemmas not uncommon to other underdeveloped areas, such as escalating disintegration of communities, loss of cultural identity, and desertion of farms. Tourism provides a promising solution to these problems since it helps diversify the agricultural economy on one hand and can retain relatively younger generations on the other.

Although rural Guangxi is endowed with numerous attractive karst caves, plus diverse ethnic cultures, its potential for tourism largely remained untapped until the rise of China’s domestic demand for outdoor recreation and ethnic tourism in the late 1990s. Over the past decade, indigenous small and family-owned enterprises have mushroomed across the

territory out of a spontaneous response to the demand. These businesses, though small-scale and fragmented, basically constitute the private sector of Guangxi's current rural tourism market. In very recent years, in line with the "new socialist countryside" campaign launched by the central Chinese government, the Guangxi provincial government has expressed an intense interest in rural tourism development and intends to embrace it in formal planning. Meanwhile, Guangxi has joined the Greater Mekong Sub-region initiative (ADB, 2004), which is a multi-destination collaborative project that seeks to magnify the role of tourism as a development tool in the region. This multi-pronged progress has led to a shift in the strategic focus of the government from simply expanding the tourism cake to advocating local participation and indigenous rights, and within that process, small business development has been placed at the top of the agenda. Nonetheless, no concrete decision for public intervention in the private sector has been made at this stage in that the government wants to first comprehend the nature and roles of those indigenous businesses. Notably, because external influences at the macro level on Guangxi's rural enterprise development are still weak, the evaluation and explanation of individuals' entrepreneurial initiatives should be more reliable.

4.2 Questionnaires

Two questionnaires were used for data collection (see Appendices A and B). Their design, as detailed in the section of "measures", was founded on deliberate literature review and twelve in-depth interviews with small tourism business owners. As a necessary procedure,

each questionnaire in English was first translated into Chinese and then back-translated into English by two independent translators. This process was intended to ensure the equivalence of the questionnaire in Chinese to the original English version. In order to validate the usefulness and completeness of the questionnaires, a small-scale pilot survey was also conducted.

The first questionnaire (Appendix A) was distributed to "nonentrepreneurs" (hereafter referred to as "NE"), namely the part of rural residents who were neither operating a tourism business nor preparing the start-up of such a type of business. Besides demographic information, all of the variables in Figure 3.1, which represented the primary antecedents affecting the start-up decision, were also covered. Being the counterpart of entrepreneurs or business owners in the tourism sector (hereafter referred to as "EN"), the NE sample served a variety of comparative purposes.

The second questionnaire (Appendix B), which was more comprehensive, was distributed to entrepreneurs. It consisted of three parts. Part 1 was almost the same as the questionnaire designed for NE respondents. Data in this part, combined with those from the NE sample, formed the database for the testing of the three hypotheses made in Chapter 3. In Part 2, in addition to business characteristics, the economic impacts of the businesses were investigated. Since the evaluation of the economic impacts has not been reported previously, the set of questions was quite exploratory in nature. However, each question was straightforward to interpret.

Part 3 sought to understand the goals of the businesses. The majority of items in this part were adapted from a similar study by Getz and Carlsen (2000), in which the objectives of business owners in Western Australia, pertaining to start-up, business operation, and family, were examined. The preliminary study, comprised of twelve interviews and a pilot survey, accorded support to the applicability of the original instruments used in the study of Getz and Carlsen (2000), although there were some differences between Guangxi and Western Australia noted. A few start-up goals (for example, to provide a retirement income) seemed to be of minor importance because no interviewee was conscious of them. However, they were still maintained for comparison. Meanwhile, the preliminary study suggested four additional motives or reasons for business start-up, which might be highly relevant in the context of developing countries (see M13-16 in Appendix B).

4.3 Measures

4.3.1 Goals

The question, "How important were the following goals to you when getting started in this business?", was used to investigate business owners' start-up goals. Respondents were asked to tick one box of five beside each of 16 statements, with the anchors being "not at all important" and "very important". As for business operation goals, respondents were asked for their level of agreement or disagreement with 16 statements, most of which

pertained to goals for operating their business, while several related to the nature of the business. Regarding family-related goals, respondents were asked, "How important were the following family-related goals for you?", using a five-point scale from not at all important to very important.

4.3.2 Perceived Economic Impacts

The evaluation of economic impacts consisted of two components. The first component was the evaluation of the employment effect of the business, which was done by analyzing the composition of employees.

The second component was to evaluate the income effect of the business. Four questions were used in this regard. The first question asked respondents to indicate their previous (that is, before the business start-up) and current household income. Changes in household income can reflect the nature and degree of the income effect of the business. The common sensitivity of Chinese people to enquiries on financial matters raised a critical concern with the accuracy of the information sought from respondents. To address this problem, household income in this research was not expressed as specific figures or value ranges; rather, respondents were just asked to indicate their level of income relative to middle-income families of the same place, ranging from "very poor" to "very rich". From a slightly different angle, the second question explored similar information. Specifically, it asked respondents to indicate the level of satisfaction with their current household income

in comparison with before. Results from these two questions can be cross-validated.

The third question concerned the percentage of the revenue from the business relative to entire household income. The higher the percentage, the more significant the income effect. The fourth question was more comprehensive, asking respondents to self-evaluate the quality of their start-up decision, or the extent of overall satisfaction with their current life of running the business. Although income was not the only factor affecting the level of satisfaction, it was possibly the most important one for poor entrepreneurs. Thus, this question may also reveal much information regarding the income effect.

Besides the above, two other questions were developed to understand business performance (Wood, 2002). One was concerned with business growth, asking respondents to indicate the level of satisfaction with their business performance in comparison with previous years. The second question examined business performance from the perspective of competitors. That is, respondents were asked to indicate the level of satisfaction with their business performance in comparison with local business competitors.

4.3.3 Start-up Decision

“Start-up decision” was expressed as a dichotomous dependent variable - opportunity exploitation (OE). OE measured whether the respondent had taken any concrete action to actively pursue a tourism-related business opportunity, with 1 for yes and 0 for no.

Respondents in the EN group were automatically assigned the value 1 and those in the NE group given 0 for this variable.

4.3.4 Human Capital

Human capital was examined from two aspects. The first aspect was educational attainment, which is the most widely employed indicator of an individual's overall qualification. It was measured by years of formal schooling, in five categories: 0 (illiterate), 1-6 (primary), 7-9 (junior high), 10-12 (senior high), 13 and above (postsecondary). Echnner (1995) has suggested that vocational training, especially that relating to tourism/hospitality and business management, should be another important part of human capital. However, it proved to be a negligible factor in rural Guangxi because very few respondents reported any training experience.

Another essential component of human capital was work experience. Its measurement drew on the experience that was supposed to be directly associated with one's entrepreneurial capabilities in the tourism sector. Specifically, respondents were asked to indicate whether they had any previous start-up experience, managerial/supervisory experience, and tourism/hospitality experience. The positive effects of the first two kinds of work experience on business venturing behaviors are well established in entrepreneurship studies (Robinson and Sexton, 1994), while the third one, as an industry-specific factor, is obviously pertinent. The value for each kind of work experience was

coded as either 1 or 0.

4.3.5 Social Capital

The operationalization of social capital is far from standardized, and is largely contingent upon the issue and context in question (Foley and Edwards, 1999; Adler and Kwon, 2002). In this research, the instrument was designed in accordance with the three dimensions as described in Chapter 3. Specific items were derived from a comprehensive consideration of the 12 pre-study interviews and relevant literature. Emphasis was put on collecting data regarding one's social relationships that, comprised of family and friends, could provide information, resources, and other kind of support important for establishing a rural tourism business.

The structural dimension was measured by the number of social ties with business start-up experience (S1), with work experience in the tourism sector (S2), and being village leaders (S3), coded into five defined intervals (none, 1-2, 3-5, 6-8, 9 and above). The significance of "knowing other entrepreneurs" in kindling a proclivity for self-employment is well documented in entrepreneurship studies (Davidsson and Honig, 2003; Arenius and Minniti, 2005). Knowledge about tourism, embedded in the social network, could also be a precious asset that can facilitate opportunity identification and exploitation. Besides, the pilot study indicated that in rural Guangxi people with some family and friends being village leaders might enjoy a competitive advantage in business start-up and operation

because village leaders were well informed of government policy and regulations. They also had the richest managerial/supervisory experience among locals.

The relational dimension was evaluated by a group of indicators on trusting and reciprocal interactions (Nahapiet and Ghoshal, 1998; Tsai and Ghoshal, 1998) using a 5-point Likert scale. Respondents were asked to indicate the extent to which they and their social ties were willing to exchange employment and investment information (R1), and willing to lend money and other kind of assets to each other (R2). Also, they were asked to what extent they believed they could rely on their family and friends for strong support when they got entangled in a crisis (R3). Furthermore, respondents were asked to self-evaluate their overall trustworthiness in the eyes of their family and friends (R4).

Three items were employed to represent the cognitive dimension. Two of them were adapted from Liao and Welsch (2003, 2005), and both related to the entrepreneurial culture among one's social network. Specifically, respondents were asked to express their extent of agreement on a 5-point Likert scale with respect to these two statements: (1) "My family and friends encourage young people to become independent by operating their own business" (C1); (2) "My family and friends pay a lot of attention to and even admire successful entrepreneurs" (C2). The third one was concerned with the general attitude of one's social relationships towards employment in the tourism sector. Respondents were asked to indicate the extent to which their family and friends considered hosting and serving tourists a desirable job (C3).

4.3.6 Additional Variables

As noted earlier, due to the sensitivity of respondents to questions on financial matters, household income was not gauged by an absolute number or value range. Respondents were just asked to indicate their income class relative to other families of the same place. The answer could be “very poor”, “poor”, “middle-income”, “rich”, or “very rich”. Ethnicity, either “local majority” or “local minority”, was coded into 1 and 0 respectively. Risk attitude was determined by asking respondents about the extent of their willingness to do things bearing uncertainty on a 5-point Likert scale, given that risk and return are proportional to each other (Cramer *et al.*, 2002). The higher the value is, the more risk adverse the person should be.

4.4 Sampling

Respondents of the survey not only included small business owners serving in the rural tourism sector of Guangxi, but also involved other local residents who, at least 18 years old, had no experience of establishing a tourism business. As nascent entrepreneurs had initiated the start-up process, they were included in the EN sample for the testing of hypotheses.

Consistent with the European Commission (2003), a small enterprise is defined as a

business entity that is operated on a continuous basis and employs fewer than 50 persons, and a microenterprise or micro-business is one with a size of employment below 10. Following Getz and Carlsen (2000: 548), a family business is determined by asking respondents to answer this question: “Is your business family owned (that is, owner-operated, or one family owns controlling interest)?”

With the support of Guangxi Tourism Administration (GXTA), the agency responsible for province-wide tourism policy, planning and development, a complete list of rural communities that had a visible tourism economy was first obtained. Each community council was then contacted in order to achieve an overview of the local enterprise development. Since this research was concerned with individual entrepreneurship, those communities without any private-owned tourism businesses were deleted from further consideration. Small tourism businesses in the remaining communities formed the base for sampling the EN group.

Four research assistants who were familiar with Guangxi were recruited from the department of tourism management at a major local university to facilitate the data gathering process. All of them, two being lecturers of the department and the other two master’s students, had good knowledge of tourism and were experienced in research skills.

Sampling via postal mail or telephone was impractical in rural Guangxi because a large proportion of small businesses functioned in the informal sector, a phenomenon very

common in developing countries (Richardson, 1984). These kind of businesses were not officially registered, and very little had membership in any trade association, so their contact information was not publicly available. To reach this population, it was imperative that researchers personally visit each rural tourist destination and administer the survey in a face-to-face manner. With the assistance of knowledgeable local guides, the research team had been quite successful in identifying and seeking cooperation from businesses in the informal sector. Another great advantage of this approach, as pointed out by Neuman (2005), lay with its ability to produce a high rate of response and quality data in that researchers had the opportunity to employ interpersonal skills, provide small gift incentives, and obtain referrals in order to encourage additional participation. Perhaps more importantly, they were also able to supervise the structured interviewing process and provide timely instruction or clarification when required.

Page *et al.* (1999) have suggested that any analysis of small businesses should be founded on a deliberate consideration of the sample size, research resources, and the need to gather as representative sample as possible. Although it was not possible to randomly select participants due to a large number of informal sector firms, the representativeness of the sample was adequately ensured by following alternative sampling methods. For one thing, the survey covered a wide range of rural tourist destinations in Guangxi (see Table 4.1), which were diverse and representative in terms of their geographical distribution, phase of destination life cycle, and level of regional economy. For example, as for destination life cycle, four of the 16 regions surveyed were still in their infancy, six in rapid growth, and

six close to mature. With respect to local economy, seven regions were among the poorest in Guangxi, five at the middle level, and 4 relatively rich. Second, at each place visited, great effort was made to compile a directory of local eligible businesses, especially those in the informal sector. Approximately fifty percent of small tourism businesses were randomly invited to participate.

Table 4.1: A list of sampling regions and their primary features

Regions surveyed	Location in Guangxi	Life cycle phase	Economic level in Guangxi
Xingping, Guilin	Northeast	Mature	High
Yangshuo	Northeast	Mature	High
Gongcheng	Northeast	Mature	High
Lingui	Northeast	Infant	Middle
Lingchuan	Northeast	Growing	Middle
Longsheng	Northeast	Growing	Low
Ziyuan	Northeast	Infant	Low
Leye	Northwest	Infant	Low
Huanjiang	Northwest	Growing	Low
Tiandong	West	Infant	Low
Tianyang	West	Growing	Low
Jingxi	West	Growing	Low
Silver Beach, Beihai	South	Mature	High
Dongxing	South	Growing	Middle
Yangmei, Nanning	Central	Mature	Middle
Wuming	Central	Mature	Middle

The sampling of the NE group participants was conducted shortly after the EN group participants had been selected. A full list of households living in each community was first obtained from the community council. A certain percentage of the households were then randomly selected and visited to administer the survey. For each household, usually only one representative was asked to fill in the questionnaire. In terms of sample size the EN-to-

NE ratio was controlled at one to one.

Following the above procedures and methods, the survey eventually obtained 233 valid responses for the EN group (including 229 business owners and four nascent entrepreneurs) and 249 for the NE group. Therefore, there were 482 valid responses available for binary logistic regression analysis, a size sufficient to meet the requirements for statistical analysis (Demidenko, 2007, 2008). The evaluation of perceived economic impacts was based upon the responses of the 229 business owners. Since three of the businesses under investigation were not family businesses, the size of the sample for the comparisons of business characteristics and goals was reduced to 226.

4.5 Data Analysis

The profile of respondents, business characteristics, and perceived economic impacts were mainly summarized by descriptive statistics such as frequency, percentage, and mean. An independent samples (unpaired) t test was employed to compare the means of goals between this research and that of Getz and Carlsen (2000). From a statistical perspective, the t test is powerful in its ability to discern whether or not the differences between two independent samples are real or merely those resulting from sample error. As such, it has been one of the most widely applied statistical tests in tourism research (Palmer *et al.*, 2005). An immediate example is the study by Getz and Petersen (2005), in which family business owners in Canmore, Canada, and those in Bornholm, Denmark, were compared

using this statistical technique. With the sample size, standard deviation, and mean known for each item in two samples, the t value and corresponding p value can be calculated (Norusis, 2006). The large samples (226 for Guangxi and 198 for Western Australia) largely ensure the validity of the analysis. In addition to the t test, other statistical techniques like ANOVA and correlation analysis were also used to facilitate certain discussions.

Two steps were followed to evaluate the effects of social capital and other antecedent variables on the start-up decision of entrepreneurs in tourism. The first step was to make comparisons on each variable between the EN group and the NE group by using the chi-square test or independent-samples (unpaired) t test, contingent upon whether or not the variable in question was categorical (Norusis, 2006). The variables included in Figure 3.1 were identified primarily from the review of relevant literature. Statistical comparisons in this step would further screen out those variables that demonstrated discriminating effects in the empirical sense as well. Particularly, in terms of the hypotheses formulated in Chapter 3, the stock of social capital for the EN group was expected to be significantly richer than that for the NE group, on all three dimensions.

Binary logistic regression analysis was then conducted, with OE being the dependent variable. Odds ratios showed the likelihood of identifying or exploiting a tourism-related entrepreneurial opportunity under the influence of a selected variable, controlled by others (Hair *et al.*, 2005). The most interesting part in this step was to examine the relative

importance of social capital in comparison with other independent variables.

The statistical tool employed in all of the three research projects was SPSS 16.0 for Windows, and statistical significance was defined as $P < 0.05$.

4.6 An Introduction to the Western Australia Study

The second research project of the thesis, which seeks to understand the characteristics and goals of small tourism businesses in Guangxi, is basically designed as a comparative study of the research conducted in Western Australia by Getz and Carlsen (2000). To more accurately evaluate the results of the comparison between the two regions, it is meaningful to provide a brief description of the Western Australia study, especially the research method employed.

Western Australia is a large, predominantly rural state in which tourism opportunities abound in small-town, beach, farm, and wilderness settings. Based upon a sample drawn from a survey in rural Western Australia, Getz and Carlsen (2000) investigated goals pertaining to start-up, operations, the family, and ultimate disposition of the enterprise by family and owner-operated businesses in the rural tourism and hospitality sectors.

Questionnaire design was informed by prior interviews with 12 family and owner-operated businesses. In these interviews the researchers asked respondents to relate their

background, motives for entering their current tourism and hospitality businesses, and goals for the business and the family. The final postal questionnaire incorporated questions on reasons for starting the business, operational goals, succession goals, the nature of the business, and family-related issues and goals. Major items have been specified in Tables 5.3-5.5, or in Part 3 of Appendix B.

The sample was derived from a combination of three sources, namely Farm and Country Holidays Association Inc., the Royal Automobile Club 1997 Western Australia Touring and Accommodation Guide, and the entire membership of the Augusta-Margaret River Tourist Association. The first two sources provided 455 businesses for sampling, and the remaining one provided 357. Random sampling was found to be impossible, owing to the lack of a suitable database in Western Australia on rural, family businesses in tourism and hospitality. In addition, it was difficult to determine in advance what businesses were owned and operated by families. The total number of usable responses was 210 (for an overall response rate of approximately 26 per cent), but included only 198 family or owner-operated businesses which have been used in the analysis.

CHAPTER FIVE: RESULTS

5.1 Business Characteristics and Goals: Guangxi versus Western Australia

5.1.1 Respondents

Two hundred and twenty-six family business owners in the rural tourism sector of Guangxi answered the questions regarding their business characteristics and goals. Table 5.1 presented a summary of their demographic information. The counterpart information on Western Australia, which was directly cited from the study of Getz and Carlsen (2000), was also listed in the table for comparison. When the counterpart information of a certain item was not available on the part of Western Australia, it was denoted by "n/a".

The Guangxi sample included more males than females (52.7% versus 47.3%). This imbalance was obviously not trivial if compared with the study of Getz and Carlsen (2000) in which females dominated (59%). The under-representation of females in the Guangxi sample to some extent reflects the prevailing of traditional gender roles in rural Guangxi: financial matters are still deemed primarily to be the responsibility of the husband, while the wife is supposed to stay at home taking care of children and elders.

Table 5.1: The profile of the respondents

Demographic information	Guangxi		Western Australia	
	Frequency	%	Frequency	%
Gender	n = 226		n/a	
Female	107	47.3%	n/a	59%
Male	119	52.7%		41%
Age	n = 226		n/a	
18-24	20	8.8%	n/a	1%
25-34	66	29.2%		5.8%
35-44	80	35.4%		24.1%
45-54	37	16.4%		41.4%
55-64	18	8.0%		19.4%
65+	5	2.2%		8.4%
Married	n = 226		n/a	
	205	90.7%	n/a	82.2%
Education	n = 225		n/a	
Illiterate	9	4.0%	n/a	0
Primary	62	27.6%		0
Junior high	99	44.0%		0
Senior high	44	19.6%		42.2%
Post secondary	11	4.9%		57.8%
Work experience	n = 226		n/a	
Start-up	111	49.1%	n/a	n/a
Tourism/hospitality	80	35.4%		
Management	57	25.2%		

The sample of this study was much younger. The percentage of respondents in Guangxi aged below 35 was 38%, while in Western Australia the percentage was 6.8%. Two other surveys on rural family business owners in tourism and hospitality (Getz and Petersen, 2005), which were conducted in Bornholm, Denmark, and Canmore, Canada, yielded consistent findings – Only 6.3% of the respondents in Bornholm and 10% in Canmore were less than 35 years old. The distinctly higher proportion of young and middle-aged business operators in Guangxi was probably a reflection of the central importance of the

business as a livelihood to the owner and his/her family. In developed countries, a fairly large number of business owners in tourism and hospitality actually have had an established career in other fields before taking up the business, and a shift towards tourism and hospitality is often driven by a desire to pursue autonomy and lifestyle-related goals (Ateljevic and Doorne, 2000; Shaw and Williams, 2004). Not surprisingly, these entrepreneurs are in general much older.

In both samples, the overwhelming majority of respondents were married. As for schooling, the largest group of respondents (44%) had junior high school qualifications, followed by the primary school category (27.6%). Only 4.9% of respondents reported that they received post-secondary education. By comparison, the lowest level of educational attainment for the Australian sample was senior high school, and most had some advanced training (57.8%). In Bornholm and Canmore, there were even more family business owners with post-secondary education, 76.3% and 66% respectively. Admittedly, insufficient formal education is a national, chronic problem for China, not specific to the rural entrepreneurs of Guangxi. Nevertheless, it does largely constrain Guangxi or China's ability to compete in the international tourism market, and at the micro level causes difficulties in business operation, management, and the delivery of quality services.

Previous relevant work experience may have an impact on the decision of rural residents to participate in tourism as an entrepreneur. In this study, nearly half of the respondents (49.1%) had operated other businesses before embarking on the current one, 35.4% had

worked in the tourism/hospitality sector, and 25.2% reported some managerial experience. Moreover, only 31% of the sample had none of these three kinds of work experience. These figures indicated that in terms of experience and skills the threshold for running a small tourism business in developing countries might not be as low as commonly imagined. This was somewhat supported by the study of Getz and Pertersen (2005), which showed that 31.2% of business owners in Bornholm and 43.4 % in Canmore had previous business ownership, both lower than the level of Guangxi.

Further to the above analysis of work experience, it was interesting to develop a better understanding of the fact that up to 35.4% of the respondents reported work experience relating to tourism and hospitality. The percentage was evidently not low, especially considering that tourism was a very recent phenomenon to most places investigated. Follow-up communication with this category of respondents revealed that most gained the experience by working for hotels or restaurants in the city. Very few gained it through their own family businesses or other local businesses.

5.1.2 Business Characteristics

Businesses in Western Australia usually pursued a single type of business operation. The majority of the sample were accommodation operators, such as guest ranches or farm stays (47 = 25.1%), campground/resort/self-catering (42 = 22.6%), bed and breakfast (40 = 21.4%), and hotels or motels (7 = 3.7%). Other types of operations included food or retail

(13 = 7%), tour operation (12 = 6.4%), winery (12 = 6.4%), tourist attraction (7 = 3.7%), other services (6 = 3.2%), and manufacturing (1 = 0.5%).

By comparison, up to 157 out of the 226 family businesses (69.5%) in Guangxi involved multiple business activities. More specifically, 94 involved two types of business operations, 55 three, 6 four, and 2 five. The top three types of business operations were food and drink (171), accommodation (155), and retailing (64). The most popular mix was accommodation plus food and drink, which defined 146 businesses. This meant that 94.2% of accommodation providers also served food and drink simultaneously. The extremely high percentage of portfolio entrepreneurs to some extent reflected the immaturity of Guangxi's rural tourism sector. The tourist flow to most rural destinations of Guangxi, though rapidly growing, was still rather small and unstable, forcing small business owners to cast a broad net to compete for a limited number of customers. However, this undifferentiated market strategy often led to fierce competition and poor service quality.

Table 5.2 presented the principal features of the businesses under investigation.

Table 5.2: The characteristics of the businesses

Business characteristics	Guangxi		Western Australia	
	Frequency	%	Frequency	%
Origin of the business	n = 226		n/a	
Started up	224	99.1%	n/a	83%
Inherited	1	0.45%		4.2%
Purchased	1	0.45%		12.8%
Length of operation	n = 226		n/a	
Less than one year	62	27.4%	n/a	5.7%
1-5 years	121	53.6%		54.6%
6-10 years	34	15%		23.2%
More than 10 years	9	4%		16.5%
Size of employment	n = 226		n/a	
Sole proprietor	29	12.8%	n/a	14.4%
2-5	183	81%		80.6%
6-10	13	5.8%		4%
11-50	1	0.4%		1%
More than 50	0	0		
Employees	n = 226		n/a	
Spouse	164	72.6%	n/a	66.2%
Children	37	16.4%	46	23%
Parents	24	10.6%	n/a	n/a
Others	48	21.2%	n/a	n/a
Investment (RMB)	n = 222		n/a	
1,000 and below	68	30.6%	n/a	n/a
1,001-50, 000	60	27%		
50, 001-100, 000	33	14.9%		
100, 001-150, 000	21	9.5%		
Above 150, 000	40	18%		
Use of technology	n = 210		n/a	
None	3	1.4%	n/a	n/a
Telephone	207	98.6%		
Computer	10	4.8%		
Online advertising	8	3.9%		

Notably, unlike the bed and breakfast operation – a widespread form of accommodation in developed countries, accommodation providers in Guangxi prepared all daily meals for

guests, including breakfast, lunch and dinner. Actually, their home-grown green food itself was a big attraction to visitors. Local transportation service was a very important segment of China's rural tourism sector because few Chinese families could afford to buy a private car.

Almost all businesses in Guangxi (99.1%) were established by their current owner, which possibly reflected the short history of tourism development. This point was enhanced by further analysis on the length of operation: only 4% of the businesses had been operated for more than 10 years, and up to 81% were started within 5 years. The Guangxi sample had a significantly higher proportion of businesses started within one year than its Australian counterpart (27.4% versus 5.7%).

As for employment, not much difference was found. More than 95% of the businesses in both samples hired less than 11 employees. Involving family members in the operation of the business was common to both Guangxi and Western Australia. The percentage of businesses jointly run by married couples or "copreneurs" was quite high, 72.6% for Guangxi and 66.2% for Western Australia. Notably, in rural Guangxi family "employees" often included not only the business owner's spouse and children, but sometimes his or her parents as well. The involvement of parents might be much less frequent in developed countries since it is uncommon to find several generations living together in a family. The average contribution of these family businesses to job creation was limited; only 21.2% of the businesses had some non-family employees.

An examination of the investment put into each business revealed that most businesses were small-scale in the financial sense. For example, the level of investment for 72.5% of the businesses was not more than 100,000 RMB (approximately 15,000 USD), 57.6% not more than 50,000 RMB (7,500 USD), and 30.6% not more than 10,000 RMB (1,500 USD). However, considering that the majority of the regions surveyed were stricken by poverty, even the lowest level of investment probably could be a big challenge for many households.

Although nearly all businesses set up a business phone, the use of IT technology was close to zero. In contrast, 49.8% of small tourism businesses in the UK (Thomas *et al.*, 1997) and 59% in New Zealand (Page *et al.*, 1999) had employed a computer to facilitate business operation. Considering that both surveys were conducted about ten years earlier, the actual gap between Guangxi and developed countries must be even wider. Computers might be still a luxury for most rural families in Guangxi; in addition, computer skills, even if very basic, were probably too advanced to master. Notably, about 3.9% of the businesses did online advertising, primarily with the assistance of several non-profit websites. However, this kind of free resource was basically unknown to other businesses, most of which may also not understand the importance of internet in connecting potential customers.

5.1.3 Start-up Goals

Understanding start-up motives is not only theoretically interesting, but will also provide useful information to guide the successful business development in a destination (Ateljevic and Doorne, 2000; McGehee and Kim, 2004). Table 5.3 showed the results of a comprehensive investigation in this regard. Respondents were asked to indicate, on a 5-point Likert scale, how important each motive was to them when they considered taking up the business. The strongest goal was making lots of money (M7, 4.35), with 57.1% of the respondents rating it as “very important” and another 27% as “important”. In striking contrast, it was one of the least important start-up goals in Western Australia, with a flat mean of 2.88. Statistical analysis, either ANOVA or *t* tests, were performed to see if there were any significant differences between this goal and demographic, business and ownership variables. Previous start-up experience made a difference. It was revealed that business owners without experience were more ambitious with respect to making money than those who had previous experience. Experienced entrepreneurs probably had a better understanding of the difficulties associated with running a small business, and thus their expectations were more realistic.

Table 5.3: Independent samples *t* tests on start-up goals between Guangxi and Western Australia (Getz and Carlsen, 2000)

Start-up goals		Guangxi (n = 226)		Western Australia (n = 198)		Gap	P value
		Mean	SD	Mean	SD		
M1	To be my own boss	3.92	1.287	3.94	1.28	- 0.02	>0.05
M2	To keep my family together	3.98	1.294	3.71	1.38	0.27	<0.05*
M3	To keep this property in the family	2.57	1.577	3.45	1.57	- 0.88	<0.01**
M4	To live in the right environment	3.97	1.066	4.51	0.86	- 0.54	<0.01**
M5	To support my/our leisure interests	3.72	1.186	3.57	1.38	0.15	>0.05
M6	To enjoy a good lifestyle	3.78	1.080	4.37	0.89	- 0.59	<0.01**
M7	To make lots of money	4.35	.912	2.88	1.24	1.47	<0.01**
M8	To gain prestige by operating a business	2.92	1.232	2.16	1.28	0.76	<0.01**
M9	To meet interesting people	3.96	1.181	3.96	1.13	0	>0.05
M10	To provide a retirement income	2.73	1.428	3.56	1.34	- 0.83	<0.01**
M11	To provide me with a challenge	3.54	1.143	3.93	1.16	- 0.39	<0.01**
M12	To permit me to become financially independent	3.75	1.212	3.97	1.24	- 0.22	>0.05
Additional goals							
M13	To pursue a low-risk, manageable investment	3.94	1.272	n/a		n/a	
M14	To try a different way to improve living	3.98	1.000				
M15	To fill a market gap	3.66	1.190				
M16	To earn extra money in slack season of farming	3.72	1.403				

* means the gap is significant at the 0.05 level, and ** means significant at the 0.01 level.

A closer scrutiny of the 7 highest-ranked goals demonstrated that both economic and lifestyle-related concerns affected the start-up decision. The three goals M7 (making lots of money), M13 (pursuing a low-risk, manageable investment), and M14 (trying a different way to improve living) all emphasized the financial aspects of the business, whereas M1 (being my own boss), M2 (keeping my family together), M4 (living in the

right environment), and M9 (meeting interesting people) were oriented to personal and family interests. The synchronous prominence of these two dimensions in the Guangxi sample challenges the conventional assumption that entrepreneurs in developing countries are dominated by those desperate for money. This study implied that a desirable lifestyle also meant a lot to them, although to meet economic needs was urgent and thus might be given more weight. This point was directly supported by examining the summated means of lifestyle-related and business-related goals in terms of the factor analysis in Getz and Carlsen (2000). The summated mean for the “lifestyle” factor, which included M2 (keeping my family together), M3 (keeping this property in the family), M4 (living in the right environment), M5 (supporting my/our leisure interests), M6 (enjoying a good lifestyle), was 3.6. It was a bit lower than 3.92 based upon the Western Australia sample, but was obviously high enough. By comparison, the summated mean for the “money” factor, comprised of M7 (making lots of money), M10 (providing a retirement income), M12 (permitting me to become financially independent) was 3.61, higher than its counterpart 3.47.

The least important start-up goals in the mind of Guangxi’s business owners were keeping this property in the family (M3), gaining prestige (M8), and providing a retirement income (M10). In addition, independent *t* tests showed that there existed significant differences in all of these three goals between Guangxi and Western Australia. Two reasons might account for the low ranking of M10 in Guangxi. In East Asian culture, traditionally there has been high social expectation on filial duties on the part of children toward their parents

and elders (Coontz, 1999). So, the living after retirement is often not a big concern since people have great confidence in their children. Another possible explanation was that the respondents of Guangxi were generally young, so for many of them it might be too early to think about the retirement life. Keeping the property in the family (M3), was also a very minor goal largely because within the socialist system of China the most cherished component of rural household property, the farmland, is not privately owned; the value of the business property was often minimal in the financial sense. Further statistical analysis revealed a significant positive correlation at the 0.01 level between this goal and the amount of investment put into the business, which was straightforward to interpret. In fact, over the past two or three decades migrating to cities has been a dominant trend among Chinese rural households. The goal M8 was rated low by both samples, specifically 2.92 for Guangxi and 2.16 for Western Australia, indicating a weak link between operating a small business and the sense of prestige.

5.1.4 Business Operation Goals

Besides start-up motives, operation-related goals and some other important elements of the business were also investigated in detail. The results were summarized in Table 5.4.

Table 5.4: Independent samples *t* tests on business operation goals between Guangxi and Western Australia (Getz and Carlsen, 2000)

Business operation goals		Guangxi (n = 226)		Western Australia (n = 198)		Gap	P value
		Mean	SD	Mean	SD		
B1	It is crucial to keep the business profitable	4.24	1.095	4.51	0.90	- 0.27	<0.01**
B2	I want to keep the business growing	4.42	1.048	4.24	1.16	0.18	>0.05
B3	Enjoying the job is more important than making lots of money	3.18	1.287	4.05	1.02	- 0.87	<0.01**
B4	In this business customers cannot be separated from personal life	2.67	1.538	2.97	1.34	- 0.30	<0.05*
B5	This business currently meets my performance targets	2.69	1.366	3.43	1.10	- 0.74	<0.01**
B6	It should run on purely business principles	3.89	1.067	2.95	1.25	0.94	<0.01**
B7	I would rather keep the business modest and under control than have it grow too big	2.64	1.485	4.21	1.07	- 1.57	<0.01**
B8	My personal/family interests take priority over running the business	2.97	1.238	3.61	1.22	- 0.64	<0.01**
B9	Eventually the business will be sold for the best possible price	2.12	1.501	2.80	1.61	- 0.68	<0.01**
B10	This business is highly seasonal	4.55	.790	3.63	1.32	0.92	<0.01**
B11	I come into daily contact with customers	3.79	1.397	3.92	1.40	- 0.13	>0.05
B12	It is hard to separate work and family life in a tourism business	3.09	1.320	3.59	1.24	- 0.50	<0.01**
B13	I want to present a good public/corporate image	4.32	.889	4.57	0.82	- 0.25	<0.01**
B14	Delivery of a high-quality product or service is a high priority	4.43	.741	4.83	0.46	- 0.40	<0.01**
B15	This business runs on high moral standards	4.63	.576	4.79	0.63	- 0.16	<0.01**
B16	It is not necessary to have formal business goals	3.40	1.458	2.59	1.36	0.81	<0.01**

* means the gap is significant at the 0.05 level, and ** means significant at the 0.01 level.

When asked if it was necessary to have formal business goals (B16), 55.1% of the respondents in Guangxi answered not necessary or not at all necessary, while in Western Australia only 27.6% disagreed or strongly disagreed with their importance. On the other hand, an examination of the item B5 showed that business owners of Western Australia in general felt much more satisfied with their current business performance than those in Guangxi, namely 3.43 versus 2.69. A correlation analysis was then conducted, revealing a significant negative relationship between B16 and B5 at the 0.05 level. This result indicated that preparing a formal business plan was by no means an unimportant practice to small businesses. Interestingly, despite the absence of formal business goals, business owners in Guangxi did have some broadly defined objectives or guidelines in mind. For example, there was a common recognition of the necessity to pursue a good public/corporate image, provide quality products/services, and comply with high moral standards, as manifested by the prominent ranking of B13 (4.32), B14 (4.43), and B15 (4.63); all these three elements were critical to establishing the legitimacy and reputation of the business.

The Guangxi sample exhibited an overt inclination for profits and business growth. Up to 77% of the respondents agreed or strongly agreed that “it is crucial to keep the business profitable” (B1, 4.24), and 84.1% expressed a desire to keep the business growing (B2, 4.42). Conversely, there was a very low level of agreement with the statement “I would rather keep the business modest and under control than have it grow too big” (B7, 2.64).

Furthermore, the responses to the statements “enjoying the job is more important than

making lots of money” (B3, 3.18) and “my personal/family interests take priority over running the business” (B8, 2.97) were also quite neutral. These consistent findings indicated that for entrepreneurs in developing countries, a success in generating income might be much more important than supporting family and lifestyle goals. Although previous analysis on start-up goals had revealed that both were equally paramount, it seemed that the economic side would naturally take precedence when a tension arose in the practical operation of the business. In contrast, for the Western Australia sample, the contradiction between growth and enjoyment persisted; goals regarding profits and business growth (B1 and B2) and those regarding family and lifestyle (B3, B7, and B8) were simultaneously highly rated. A survey of the business goals in the small-scale accommodation sector of New Zealand also found that chasing perceived gains in lifestyle often made the business owner liable to more risks and responsibilities (Hall and Rusher, 2005).

Seasonality in demand was a problem intrinsic to rural tourism. In this study, 90.2% of the respondents agreed or strongly agreed that their business was highly seasonal (B10, 4.55). Getz and Nilsson (2004) examined the responses of family business owners in the Danish Island of Bornholm to extreme seasonality and identified three major strategies, namely coping, combating, and capitulating. It was found that coping, that is, temporary closure of the business plus the absence of attempts to expand, was the most widely practiced one in Guangxi. Because the business was often not the sole livelihood activity, closing it in low season did not affect the owner’s family too severely.

Close contact with customers was almost inevitable (B11, 3.79). However, as indicated by B4 (2.67) and B12 (3.09), respondents in general did not think that serving customers had negatively interfered with their personal and family life. This finding was in accordance with the start-up goal M9, where 90.2% of the respondents considered interacting with new people important or very important to them.

5.1.5 Family-related Goals

Table 5.5 showed the results of a comparison on family-related goals between Guangxi and Western Australia. An overall finding was that business owners in Guangxi attached much more importance to family-related goals – The means of Guangxi on seven items were significantly higher than those of Western Australia. This to some extent mirrored the cultural differences regarding family values and obligations. Generally speaking, oriental families are more traditional, conservative, and characteristic of Confucianism than western families (Reher, 1998). So are rural families in comparison with urban ones. Confucianism, a philosophy that has a far-reaching influence on the minds of Chinese people and their way of life, considers family to be the foundation of the society and provides an important moral system of family relationships (Ames, 1999). For example, it advocates that spouses should treat each other with respect and loyalty, parents should show care and love to their children, and children should have filial piety to their parents. The value of harmony is especially emphasized in Confucianism, and it is suggested that

conflicts should be avoided insofar as is possible. Thus, for Chinese people, the quality of family life (not limited to marriage) is a critical indicator of personal happiness and achievement.

Table 5.5: Independent samples *t* tests on family-related goals between Guangxi and Western Australia (Getz and Carlsen, 2000)

Family-related goals		Guangxi (n = 226)		Western Australia (n = 198)		Gap	P value
		Mean	SD	Mean	SD		
F1	Prevent disharmony among family members	4.18	1.015	4.04	1.37	0.14	>0.05
F2	Share all key decisions with the spouse or family	4.26	1.119	4.34	1.09	- 0.08	>0.05
F3	Train the children for future ownership of the business	3.25	1.498	2.72	1.50	0.53	<0.01**
F4	Provide family members with jobs	3.92	1.245	2.44	1.45	1.48	<0.01**
F5	Share the work equally with my spouse	3.98	1.299	3.58	1.44	0.40	<0.01**
F6	Pass on the family business to children/family	3.24	1.615	2.60	1.46	0.64	<0.01**
F7	Earn enough to support the family	4.15	.992	3.86	1.41	0.29	<0.05*
F8	Elevate our family position in society	3.36	1.191	1.83	1.18	1.53	<0.01**
F9	Ensure the family has lots of free time together	3.87	1.159	3.39	1.33	0.48	<0.01**

* means the gap is significant at the 0.05 level, and ** means significant at the 0.01 level.

Ensuring the family has lots of free time together (F9) was the least important goal for Guangxi, but its mean was still rather high, up to 3.24 on a 5-point Likert scale. In contrast, four goals were valued below 3 for Western Australia. Also, except for F2 (sharing all key decisions with the spouse or family), all means for the remaining 8 goals in the Guangxi

sample were greater than those found in the Western Australia sample. Moreover, for 7 of the 8 goals, the gap between the two samples was statistically significant at the 0.05 level, and for 6 significant at the 0.01 level. The two largest gaps were observed on F4 (providing family members with jobs) and F8 (elevating our family position in society), respectively 1.48 and 1.53. A popular view among the Guangxi sample was that the employment opportunity created by running the business was of significant importance to the family. This in some sense reflected the weak competitiveness of most rural residents in the current harsh labor market of China. Better educated and protected by a more caring social security system, rural citizens in developed countries may feel much less worried about jobs. Similarly, the importance of the business for elevating family position in society was relatively more widely recognized in Guangxi. A possible explanation was that in China farmers had been traditionally labeled as an inferior social class, and running a business contributed to a shift of identity.

Interestingly, the four most highly rated goals and even their order (F2, F1, F7, F5) were the same for both samples. F1 (preventing disharmony among family members), F2 (sharing all key decisions with the spouse or family), and F5 (sharing the work equally with my spouse) all related to internal family relationships, especially the relationship with the spouse. This suggested that the central importance of emotional family themes like equality, mutual respect, and coherence might be universal across cultures, although the degree of importance varied. F7 (earning enough to support the family) was about the economic importance of the business to the family. The prominence of this goal in both

samples indicated that there was also a wide recognition among business owners that the family business had to be profitable. Due to the mixed nature of these major goals, it was evidently an ambivalent process for each family business to arrive at an optimum balance between family life and business operation.

The family business owners in Guangxi accorded the lowest priorities to the goals of F3 (training the children for future ownership of the business) and F6 (passing on the family business to children/family), although their absolute importance was still somewhat high. The relatively low scores for these two goals were expected given that only 16.4% of the businesses involved children on a daily basis (see Table 5.2). Similarly, in the study of Getz and Carlsen (2000), F3 and F6 were also rated low, 2.72 and 2.60 respectively. In addition, the percentage of businesses with children helping out was just 23%. In a separate question asking about business disposition plans, 39.8% of the respondents in Guangxi and 46.5% in Western Australia indicated uncertain. These consistent results implied that many (if not most) family business owners in tourism and hospitality did not have any clear succession planning.

Based upon a study of tourism-related businesses on the Danish Island of Bornholm, Getz and Petersen (2004b) have identified a number of barriers to within-family inheritance.

The absence of viable heirs is the most obvious challenge. Many family business owners have a vision or dream that leads them to establish or purchase their business, but it may be not shared by their children. The more remote the setting is, the less likely it is that

children want to remain there, at least early in their lives. The working conditions of operating a tourism and hospitality business (for example, long hours, messy and hands-on, and high level of contact with customers) also may be not preferred by children. In addition, parents desiring inheritance by children or other family members have to consider first the viability of the business. However, many family businesses in tourism and hospitality are small and often secondary, with low levels of profitability and growth potential.

5.2 Perceived Economic Impacts

The results of the analysis of the economic impacts as perceived by 229 business owners were summarized in Table 5.6. The composition of employees indicated that the employment effect of small tourism businesses seemed to be more relevant to the owner's family. Only 22.3% of the businesses under investigation hired some non-family employees, while businesses involving family members in daily operation were much more common, accounting for 77.7% of the total sample. Family "employees" most often were the owner and the owner's spouse, but sometimes also included children and parents. They worked for the family rather than themselves, and usually did not receive any form of salary. All profits from the business were counted as household income, which would be allocated in terms of family needs.

With the involvement of family members, a small business can dramatically reduce

overheads and ease financial pressures. This is particularly important in low seasons when the business is marginally profitable. Due to weak asset base, microentrepreneurs are in general risk averse; unless the market is very encouraging, they might be unwilling to hire wage workers. Despite this, small and micro tourism businesses do provide sizeable direct employment opportunities to entrepreneurs and their family, and through economic linkages, may have even more locals involved in tourism indirectly.

Table 5.6: The economic impacts of the businesses as perceived by business owners

Indicators	n = 229		Indicators	n = 229	
	Frequency	%		Frequency	%
Composition of employees			Satisfaction with income	Mean = 3.68	
Spouse	165	72.1%	Not at all satisfactory	7	3.1%
Children	38	16.6%	Not satisfactory	19	8.3%
Parents	24	10.5%	Neutral	59	25.8%
Others	51	22.3%	Satisfactory	100	43.7%
			Very satisfactory	44	19.2%
Previous household income			Satisfaction with start-up decision	Mean = 4.17	
Very poor	38	16.6%	Not at all satisfactory	0	0
Poor	82	35.8%	Not satisfactory	8	3.5%
Middle-income	67	29.3%	Neutral	40	17.5%
Rich	24	10.5%	Satisfactory	85	37.1%
Very rich	18	7.9%	Very satisfactory	96	41.9%
Current household income			Satisfaction with business growth	Mean = 3.10	
Very poor	7	3.1%	Not at all satisfactory	18	7.9%
Poor	29	12.7%	Not satisfactory	54	23.6%
Middle-income	119	52%	Neutral	67	29.3%
Rich	53	23.1%	Satisfactory	67	29.3%
Very rich	21	9.2%	Very satisfactory	23	10%
Percentage in household income			Satisfaction with business competitiveness	Mean = 3.14	
Less than 20%	15	6.6%	Not at all satisfactory	12	5.2%
20%-39%	42	18.3%	Not satisfactory	44	19.2%
40%-59%	44	19.2%	Neutral	88	38.4%
60%-79%	42	18.3%	Satisfactory	70	30.6%
80% and above	86	37.6%	Very satisfactory	15	6.6%

More than half of the respondents (52.4%) claimed that their family was poor or very poor in their home community at the time of business start-up, suggesting that in rural Guangxi

the poorest population had equitable opportunities for entrepreneurial participation in tourism development. However, in many parts of other developing countries, the poor are often kept out of the tourism economy due to the dominance of local elites and foreigners (Harrison, 1992). A comparison of previous and current household income revealed that running a small tourism business indeed played a positive role in upgrading the economic class of the owner and the owner's family. The percentage of the respondents who were rich or very rich climbed from 18.4% to 32.3%, while the percentage of those who were poor or very poor slumped down from 52.4% to 15.8%. To make the changes in household income clearer, a new variable, named "change in household income", was created. Its value could be 1, 0, or -1, all reflecting the comparative relationship of the current and previous household income. It was shown that 60.7% of the respondents' families advanced to a higher economic class, 29.3% largely remained the same, and only 10% became worse. Further analysis of the item "satisfaction with income" unveiled very similar facts. Up to 62.9% of the respondents indicated that they felt satisfied or very satisfied with their current household income, while there were just 11.4% having opposite feelings. The consistency in findings from these two different questions provided sound support to the accuracy of the information provided by respondents.

Since many entrepreneurs in rural Guangxi pursued multiple livelihoods, it was possible that the improvement in household income might be not mainly due the contribution of the business. Therefore, it was necessary to examine the percentage of the revenue from the business in one's total household income. As detailed in Table 5.6, for 55.9% of the sample

under investigation, the business was the premier source of the owner's family income (more than 60%); for an additional 37.5% of the sample, it was a major or very major source of household income (20%-59%). In terms of time commitment to the business, 81.1% of the respondents worked for 10-12 months each year, 7% for 7-9 months, 3.9% for 4-6 months, and 7.9% for 1-3 months. These two aspects of information strongly demonstrated that the business was the central part of the economic life for the majority of entrepreneurs and their family.

In addition, there was a wide recognition among entrepreneurs that starting up a small tourism business was a wise move. The average level of satisfaction with the start-up decision was extremely high, 4.17 out of 5. Particularly, up to 79% of the respondents indicated that they much more enjoyed their current life than that before the business start-up. Increase in household income was obviously a major contributor to the quality of life, but lifestyle-related benefits such as escaping from laborious farming and meeting interesting people might also have inspired many entrepreneurs (McGehee and Kim, 2004).

The performance of most small tourism businesses was neither good nor bad, as suggested by the means for the level of satisfaction with business growth and with business competitiveness, 3.1 and 3.14 respectively. Business growth was probably more of a macro issue than one at the individual level because the respondents with a high level of satisfaction and those with a low level of satisfaction clustered in different destinations and

no statistically significant differences in demographic and business characteristics were found between the two groups. This indicates that in pro-poor tourism development expanding the "cake" (that is, popularizing the destination) is still of paramount importance. The close to neutral evaluation of business competitiveness by the respondents was not surprising, given that the businesses in rural Guangxi provided quite similar products and services.

5.3 Antecedents to Business Start-up

5.3.1 Respondents

Four hundred and forty-two respondents, specifically 233 entrepreneurs (the EN sample) and 249 local residents (the NE sample), provided information on the antecedent variables affecting start-up decision. The majority of respondents were married, 91% in the EN sample and 89.5% in the NE sample. Regarding gender, despite the fact that traditional gender roles (for example, the husband being responsible for financial matters and the wife focusing on internal family functioning) still prevailed in rural China (Entwisle, Henderson, Short, Bouma and Zhai, 1995), up to 84.5% of the 233 businesses surveyed were owned by females, among which 13.7% were wholly operated by the female owner and 70.8% were jointly managed with husband. In comparison, the percentage of females in the NE group was only 46.2%. The result indicated a strong and positive effect of tourism on women's employment, especially self-employment (Kinnaird and Hall, 1994;

Sinclair, 1997; Apostolopoulos, Sonmez and Timothy, 2001).

The age of business owners at the time of start-up was on average much younger than the general public. The largest portion of the EN sample fell into the age category of "25-34" (33.8%), followed by "35-44" (32.5%), "45-54" (13%), "18-24" (12.6%), "55-64" (6.9%), and "65+" (1.3%). As for the NE sample, the interval "35-44" had the most respondents (30.5%), followed by "45-54" (24.1%), "25-34" (23.7%), "55-64" (8.4%), "18-24" (7.2%), and "65+" (6%). In each of the three junior age categories, the EN sample had a higher percentage of respondents than the NE sample, while the comparative relationship was reversed for all the three senior age categories. This probably reflected the newness of tourism development in rural Guangxi since younger people were relatively more willing to pick up novel ideas and challenges. Interestingly, in many western countries where tourism is established, a large proportion of business operators are late middle-aged or elderly, and their start-up is mainly driven by lifestyle-related benefits rather than economic opportunities (Getz and Carlsen, 2000; Getz and Petersen, 2005; Smith, 2006).

5.3.2 Statistical Comparisons of the Two Samples

5.3.2.1 Social Capital

Table 5.7 presented the results of statistical comparisons on social capital. The EN sample exhibited advantages over the NE sample on all items in the structural and relational

dimensions, thus providing support for H₁ and H₂. That said, people having more structural and relational social capital were more capable of establishing a tourism-related business in rural Guangxi. However, H₃ was poorly supported. Among the three items of the cognitive dimension, only C2 made one group significantly different from the other, indicating a weak effect of cognitive social capital on entrepreneurial participation.

Table 5.7: Statistical tests on the differences in social capital between the EN sample and the NE sample

Social capital		The EN sample (n = 233)		The NE sample (n = 249)		Statistical significance
Structural		Frequency	%	Frequency	%	
S1	0	20	8.6%	84	34.0%	P<0.001***
	1-2	28	12.0%	56	22.7%	
	3-5	22	9.4%	28	11.3%	
	6-8	36	15.5%	34	13.8%	
	9+	127	54.5%	45	18.2%	
S2	0	48	20.7%	119	47.8%	P<0.001***
	1-2	33	14.2%	63	25.3%	
	3-5	26	11.2%	31	12.4%	
	6-8	38	16.4%	19	7.6%	
	9+	87	37.5%	17	6.8%	
S3	0	85	36.5%	124	49.8%	P<0.001***
	1-2	38	16.3%	59	23.7%	
	3-5	28	12.0%	32	12.9%	
	6-8	22	9.4%	15	6.0%	
	9+	60	25.8%	19	7.6%	
Relational		Mean	SD	Mean	SD	
R1		3.52	1.411	2.71	1.502	P<0.001***
R2		3.59	1.372	2.99	1.526	P<0.001***
R3		4.10	0.802	3.71	1.031	P<0.001***
R4		4.30	0.882	3.90	1.088	P<0.001***
Cognitive		Mean	SD	Mean	SD	
C1		3.98	1.058	3.98	1.095	P>0.05
C2		4.02	1.040	3.70	1.099	P<0.001***
C3		4.29	0.720	4.24	0.813	P>0.05

* means significant at the 0.05 level, ** at the 0.01 level, and *** at the 0.001 level.

Note:

S1: the number of social ties with start-up experience

S2: the number of social ties with tourism/hospitality experience

S3: the number of social ties being village leaders

R1: willingness to exchange employment and investment information with each other

R2: willingness to exchange money and other assets with each other

R3: confidence in family and friends for strong support in a crisis

R4: trustworthiness to family and friends

C1: encouraging young people to become independent by operating a business

C2: paying close attention to and admiring successful entrepreneurs

C3: attitude towards employment in tourism/hospitality

5.3.2.1.1 The Structural Dimension

The EN sample had a larger body of social relationships with start-up experience (S1). For example, 91.4% of the respondents in the EN sample had at least one family or friend who had owned and operated a business, and 70% had at least 6. The counterparts in the NE sample were much lower, 66% and 32% respectively. Also, the EN sample personally knew more people with tourism-related work experience (S2). Up to 47.8% of the respondents in the NE sample indicated that none of their family and friends had worked in the tourism and hospitality sectors, while only 20.7% in the EN sample claimed so. In addition, the gap between the two groups regarding the number of respondents within the categories of "6-8" and "9+" was huge, namely 53.9% versus 14.4%. An examination of the third item (S3), revealed a similar comparative relationship: the EN sample had more family and friends who were village leaders. These pieces of evidence implied that entrepreneurs in the rural tourism sector of Guangxi at the time of start-up were endowed with a significantly richer stock of structural social capital than the general public.

Previous start-up experience, work experience, and managerial/supervisory experience are all critical to the success of start-up activities in tourism and hospitality (Morrison *et al.*, 1999). Although the EN sample relatively had a larger proportion of respondents reporting having these three kinds of experience than the NE sample (see Table 5.7), only 8.2% actually had gained all of the experience before they undertook their current business. Up to 61.1% of respondents were lacking in certain experience, plus 30.7% had no experience

at all. For these two groups in the sample, which totaled 91.8%, social capital represented a very important source of information and knowledge that could be leveraged to offset their weakness in experience and capabilities. That said, social capital could serve as a valuable supplement to, or extension of, personal human capital, thus contributing to their ability to enterprise. In this sense, the advantage of the EN sample over the NE sample in terms of structural social capital reflected the reality that respondents in the EN sample had much more useful human capital embedded in their social network and available for mobilization. This to some degree explained the different outcome of the two groups with respect to entrepreneurial participation.

5.3.2.1.2 The Relational Dimension

Similarly, respondents in the EN sample were endowed with a much richer stock of relational social capital than their counterparts in the NE sample. The gap between the two groups on each indicator ranged from 0.4 to 0.81, all of which were statistically significant at the 0.001 level.

The items R1 and R2 sought to understand reciprocity among one's social network. As explained earlier, a higher level of reciprocity and mutual trust can greatly facilitate the transfer of valuable information, knowledge, and resources between social relationships and do so in a timely, cost-saving way, thus enhancing the ability to exploit entrepreneurial opportunities. R1 revealed that the social ties of the EN sample in general were very

willing to share employment and investment information (mean=3.52). Up to 59.7% of the respondents rated this item 4 or 5. It was also very common for them to exchange money and other assets with each other, as indicated by R2 (mean=3.58). By comparison, R1 and R2 were only rated 2.71 and 2.99 respectively for the NE sample.

R3 and R4 investigated the level of mutual trust between the respondents and their social relationships. As indicated by the large means of the NE sample (3.71 for R3 and 3.90 for R4), people in rural Guangxi were generally very trustful of each other. Despite this, the entrepreneurs in the rural tourism sector of Guangxi still enjoyed a significantly higher level of mutual trust than the general public. The means of R3 and R4 for the EN sample were both well above 4. Specifically, 79.8% of respondents in the EN sample believed that their social network was dependable when they encountered a crisis situation (R3), and there were also 80.7% who indicated that their family and friends put a lot of trust in them (R4).

5.3.2.1.3 The Cognitive Dimension

The high rating of the items C1 and C2 by both groups of respondents (minimum 3.70) revealed that there existed an intense entrepreneurship culture in rural Guangxi. People in this region not only paid a lot of attention to successful entrepreneurs, but also commonly encouraged youngsters to be self-dependent by starting up a business. The formation of this entrepreneurship culture can be interpreted from two aspects. On one hand, despite the

fact that education is widely recognized as the best way for younger generations in impoverished rural areas to upgrade their social and economic status, in practice only a small portion of them can advance to college due to the heavy burden of education expenses beyond the phase of 9-year obligatory education. On the other hand, agriculture and labor export, two traditional primary sources of household income, are characterized by poor compensation and physical hardship, also providing little possibility for upward social mobility. Therefore, running a small business becomes a natural choice for many rural families that aspired to a change of life.

The social network of the EN sample and that of the NE sample both held a very positive attitude towards employment in the tourism and hospitality sectors, as illustrated by the large means of C3 (4.29 and 4.24 respectively). Only 3.3% of the respondents in the NE sample considered working in tourism and hospitality unattractive, while those taking an opposite standpoint made up 84.1%. This suggested that tourism was well accepted as a good career option in rural Guangxi, but a variety of barriers might have constrained many residents' ability to pursue the employment opportunities created by local tourism development.

The t test analysis identified a significant difference in C2 between the EN sample and the NE sample, showing that the social network of the EN sample paid even more attention to successful entrepreneurs than did that of the NE sample. In the daily interaction with family and friends, respondents in the EN sample were thus more likely to hear, talk about,

and get inspired by the success stories of other entrepreneurs. As such, successful entrepreneurs might serve as the role model that had stimulated these business owners to establish their own business.

However, no statistical difference was found in C1 and C3 between the two groups, making the overall effect of cognitive social capital quite moderate. The insignificance of the cognitive dimension indicated that external influence on the perception and thinking of entrepreneurship in tourism was not strong enough to motivate locals to start up a business; rather, concrete resources and assistance might be more important.

5.3.2.2 Human Capital

As shown in Table 5.8, the EN sample consistently exhibited advantages over the NE sample on all items in the domain of human capital. Although both groups were poorly educated, the EN sample relatively received more education. Both the median and mode of the EN sample were the category "junior high" (7-9 years), while a lower category "primary" (1-6 years) was the median and mode for the NE sample. In addition, the proportion of respondents in each of the three higher categories ("junior high", "senior high", and "postsecondary") was larger in the EN sample.

Table 5.8: Statistical tests on the differences in other variables between the EN sample and the NE sample

Variables	The EN sample (n = 233)		The NE sample (n = 249)		Statistical significance
	Frequency	%	Frequency	%	
Education	Frequency	%	Frequency	%	P<0.001***
Illiterate	9	3.9%	40	16.1%	
Primary	63	27.2%	103	41.4%	
Junior high	101	43.5%	83	33.3%	
Senior high	47	20.3%	23	9.2%	
Post secondary	12	5.2%	0	0%	
Work experience	Frequency	%	Frequency	%	
Start-up	114	49.4%	56	22.5%	P<0.001***
Tourism/hospitality	82	35.5%	36	14.5%	P<0.001***
Management	58	25.1%	9	3.6%	P<0.001***
Ethnicity	Frequency	%	Frequency	%	P<0.001***
Local majority	203	87.9%	235	95.1%	
Local minority	28	12.1%	12	4.9%	
Risk attitude	Mean	SD	Mean	SD	P<0.001***
	3.31	1.27	4.13	1.014	
Household income	Frequency	%	Frequency	%	P>0.05
Very poor	38	16.4%	45	18.1%	
Poor	82	35.3%	67	27.0%	
Middle-income	69	29.7%	104	41.9%	
Rich	25	10.8%	31	12.5%	
Very rich	18	7.8%	1	0.4%	

* means significant at the 0.05 level, ** at the 0.01 level, and *** at the 0.001 level.

Similarly, the two groups showed significant differences at the 0.001 level on all the three kinds of work experience. The most striking contrast occurred on managerial/supervisory experience: 25.1% versus 3.6%. Further analysis of the “experience mix” exposed more interesting gaps. The proportion of respondents with at least one kind of work experience was 69.3% for the EN sample versus 33.7% for the NE sample; with at least two kinds of experience it was 32.5% versus 6%; and with three it was 8.2% versus 0.8%.

The above comparisons between the EN sample and the NE sample in human capital demonstrated that small business owners in the rural tourism sector of Guangxi clearly stood out at the local level in terms of education and work experience. Human capital thus might be a major impediment to local participation in rural tourism development, and there must exist an urgent need for vocational training relating to establishing and running a small tourism business (Echtner, 1995).

5.3.2.3 Additional Variables

Ethnicity also made a significant difference between the two groups. The percentage of entrepreneurs belonging to local majority was lower in the EN sample than in the NE sample. A crosstabs analysis on ethnicity and previous start-up experience also showed that 52.5% of local minority respondents had previous start-up experience, considerably higher than the percentage 33.7% for local majority respondents, indicating that minorities were more likely to choose self-employment. The preference of ethnic minorities for entrepreneurship is often explained as a rational response to a variety of disadvantages they face in the paid labor market (Clark and Drinkwater, 1998, 2000). In the case of rural Guangxi, since it was a common phenomenon that majority and minority ethnic groups had differential access to land and other valuable natural resources, the life would be very harsh for minorities if they only lived on traditional livelihoods.

Both groups of respondents were risk adverse, as illustrated by the above-neutral means, 3.31 for the EN sample and 4.13 for the NE sample. The overall high levels of risk aversion can be explained by the weak asset base of most rural households in Guangxi, which had to a great extent determined their vulnerability to various threats or crises. However, the t test showed that the EN sample was relatively more in favor of risk taking than the NE sample. Specifically, up to 22.8% of the respondents in the EN sample indicated that they were willing or very willing to do things bearing uncertainty, while there was only 5.6% for the NE sample. This result confirms the popular belief that entrepreneurs can tolerate a higher level of risk in order to pursue an opportunity (Cramer *et al.*, 2002). In fact, risk attitude not only greatly defines people's tendency to undertake risky behaviors, but also can influence their extent of commitment to those behaviors. Correlation analysis has revealed a significant relationship between this variable and the level of investment.

Unexpectedly, household income failed to distinguish between the two groups. However, this did not necessarily mean that financial capital was a negligible factor for pursuing entrepreneurial activities in tourism. Follow-up interviews with small business owners revealed that they always made full use of the limited resources in hand to establish and run the business, thus dramatically reducing the financial need. For example, nearly all accommodation providers investigated in this study used their own house as the place of business operation, avoiding the expenses of renting or new constructions. In addition, the initial investment of many businesses was often tentative in nature and small in amount

(see Table 5.2). Contingent upon business performance, the entrepreneur would choose to increase investment or terminate the business. Moreover, when personal savings were not sufficient, it was also quite common to borrow money from family and friends to fill the gap. These strategies effectively overcame the financial constraints.

5.3.3 Logistic Regression Analysis

Fourteen variables showing significant differences between the two groups had both theoretical and empirical rationale for further consideration in the binary logistic regression model. As summarized in Table 5.9, forward stepwise method had resulted in six variables entering the final equation, all of which had statistically significant associations with the dependent variable. The overall hit rate improved from 51.6% to 74.9%. To validate this solution, backward stepwise method was also applied. The same six variables appeared in the final equation, hereby supporting the accuracy of the forward stepwise solution.

Table 5.9: Logistic regression analysis (odds ratios for the relationship between selected factors and opportunity exploitation)

Method: Forward Stepwise

Variables	Opportunity Exploitation (OE)	
	B	Exp(B)
Management experience	1.579***	4.852
Tourism/hospitality experience	0.675*	1.964
Start-up experience		
Education	0.317*	1.373
S1	0.248**	1.282
S2	0.365***	1.441
S3		
R1		
R2		
R3		
R4		
C2		
Risk Attitude	-0.350***	0.705
Ethnicity		
Constant	-1.732**	0.177
Overall hit rate	Improved from 51.6% to 74.9%	
-2LL	473.364	
Cox & Snell	0.310	
Nagelkerke	0.414	
Hosmer & Lemeshow	Chi-square: 9.985 df: 8 Significance: 0.266	

* means significant at the 0.05 level, ** at the 0.01 level, and *** at the 0.001 level.

Note:

S1: the number of social ties with start-up experience

S2: the number of social ties with tourism/hospitality experience

S3: the number of social ties being village leaders

R1: willingness to exchange employment and investment information with each other

R2: willingness to exchange money and other assets with each other

R3: confidence in family and friends for strong support in a crisis

R4: trustworthiness to family and friends

C2: paying close attention to and admiring successful entrepreneurs

Of the four items measuring human capital, three appeared in the equation and their estimated coefficients (that is, the B value) were all positive, indicating that human capital had very robust effects on the probability of starting up a small tourism business. The most prominent item in the component of human capital was previous managerial/supervisory experience. It was also the top one among all the variables in the equation, as indicated by its coefficient (1.579) which was well above that of the others. The $\text{Exp}(B)$ value, 4.852, was the antilog of the B value, and in the statistical sense meant that the likelihood of undertaking entrepreneurial activities in tourism for residents with previous managerial/supervisory experience was 4.852 times of that for residents without the experience, with the effects of other variables controlled. Second to previous managerial/supervisory experience was work experience in tourism and hospitality. This variable produced an $\text{Exp}(B)$ value of 1.964, almost doubling the probability of making a start-up decision. Formal education, which is usually the most important source of one's explicit knowledge, also was a statistically significant predictor of opportunity exploitation, although its effect was not as strong as the above two (1.373). Previous start-up experience was the only human capital indicator not entering the equation.

As for social capital, the structural dimension exhibited positive and significant effects on the start-up decision, with two items entering the equation. In terms of the coefficient, the item S2 (the number of social ties with work experience in tourism and hospitality) had a relatively larger impact on the dependent variable than did S1 (the number of social ties with business start-up experience), 0.365 versus 0.248. Interestingly, a similar comparative

relationship existed in the component of human capital; as revealed in the last paragraph, previous tourism/hospitality experience was more influential than business start-up experience. Therefore, this study suggests that familiarity with a specific business domain, whether it is gained directly from personal experience or indirectly from social relationships, might be more important for triggering the entrepreneurial process in that domain than general business experience. The third item in the structural dimension of social capital, namely the number of social ties being village leaders (S3), turned out to be a minor factor in the prediction of entrepreneurship in tourism.

None of the items in the relational and cognitive dimensions were included in the equation. The insignificance of relational social capital in the logistic regression solution indicated that this dimension had a weak impact on the probability of enterprising in tourism. As stated in the theoretical section, the benefits of relational social capital are largely associated with its ability to bring fine-grained information and tacit knowledge. However, starting up a small tourism business might not involve much complicated information or knowledge, thus downplaying the role of relational social capital. Another often mentioned advantage of relational social capital, namely facilitating business partnership, was also of minor importance in rural Guangxi since non-family businesses only accounted for 2.2% of the total business sample.

An additional variable appearing in the final logistic regression model was risk attitude. It had a negative coefficient of -0.350, indicating that the more risk averse an individual was,

the less likely he or she would choose to enterprise in tourism. The $\text{Exp}(B)$ value further revealed that a unit increase in risk aversion would reduce the probability of starting up a tourism business to 70.5%, and vice versa. Since personal risk attitude is an innate element of personality that develops out of one's life experience, there is little possibility of changing or manipulating it. However, from a policy perspective, much can be done to influence people's perception of risk specific to running a tourism business. For example, the government can create a favorable business development environment by setting up business assistance programs, investing in the superstructure and destination marketing, and providing low-interest loans to local residents, all of which are helpful to alleviating the fear of business failure and stimulating optimistic anticipation.

CHAPTER SIX: CONCLUSIONS

6.1 Summary of Findings

6.1.1 Characteristics of Entrepreneurs and their Businesses

Both samples, Guangxi and Western Australia, consisted of mostly very small businesses, with over 95% having less than 11 employees. The firms were typically established by their current owner, run by couples or “copreneurs”, and few involved children on a daily basis. The length of operation was short; the majority of businesses in both samples had been operated for less than six years. In addition, the percentage of respondents who were married was high, 90.7% in Guangxi and 82.2% in Western Australia. Given that the two samples were selected in distinctly different economic, sociocultural, and political contexts, these common characteristics may be generalizable to family businesses in other rural areas.

Several significant differences are worth special mention. First, business owners in Guangxi were found to be much younger than those in Western Australia. An important implication of this finding is that business owners in developing countries possibly regard the business as a more serious investment or career, while many of those in developed countries primarily want to enjoy a desirable life and thus usually undertake a tourism/hospitality business in their late career or after retirement. Second, this research

revealed a huge gap in formal education between the two samples. Up to 72% of the respondents in Guangxi had only junior high school or primary school qualification, while 4% were illiterate. A large percentage of rural entrepreneurs in developing countries might have been pushed to choose self-employment since poor education makes it impractical for them to find a well-paid job in the city. However, this does not necessarily mean that formal education is not important to the operation of a tourism/hospitality business. Rather, in the case of rural Guangxi, most business owners had gained quite rich relevant work experience before the start-up, which to a great extent overcame their weakness in schooling. This suggests that it might be especially effective for the government to provide vocational training opportunities to local residents in order to promote wider entrepreneurial participation (Echtner 1995). Third, portfolio entrepreneurship as a strategy to reduce business risk and diversify income may be a prevalent phenomenon in developing countries, as illustrated by Guangxi's rural tourism sector. As explained earlier, this phenomenon was probably closely related to the short history of tourism development. As a destination becomes more mature, it will be necessary for local businesses to adopt the strategy of market specialization in order to cope with the escalating competition and attain above-average profitability.

6.1.2 Start-up Goals

Overall, economic and lifestyle-related benefits had nearly equally attracted business owners in Guangxi to undertake a tourism/hospitality business, as indicated by the seven

most highly rated start-up goals (at least 3.92) in which both aspects were well represented. This finding challenges the conventional assumption that money is the premier concern of entrepreneurs in developing countries. In contrast, the Western Australian sample demonstrated a clear preference for lifestyle-related goals. For example, the mean for the goal “making lots of money (M7)” was only 2.88, while for the goals “living in the right environment (M4)” and “enjoying a good lifestyle (M6)” it was 4.51 and 4.37 respectively. An explanation for the difference between the two samples, which is subject to empirical testing, is that the rural tourism and hospitality sectors of developed countries may have a large number of in-migrated entrepreneurs who are more possibly to be attracted by the rural environment and associated lifestyle, whereas in developing countries indigenous businesses may dominate because security/safety concerns, lack of public facilities and services, and cultural discrimination often prevent lifestyle entrepreneurs from choosing to invest and live in the rural setting.

6.1.3 Business Operation Goals

An interesting finding was that although economic and lifestyle-related start-up goals were of almost equal importance to the business owners of Guangxi, in the practical operation process business performance and growth were accorded higher priorities. The inconsistency mirrored the reality that most business owners in rural Guangxi were confronted with an immediate need to improve living standards, and the success of the business in generating income was thus more critical to them and their family. That said,

when a conflict of interest arose between the pursuit of lifestyle-related and business-related goals, lifestyle-related goals were usually compromised in order to ensure the achievement of business-related ones. By comparison, in the case of Western Australia, family and lifestyle-related benefits were the primary factors that had driven the business owners to start up the business, but in daily operations business-related goals gained substantially in importance, as indicated by the high rating of B1 (it is crucial to keep the business profitable) and B2 (I want to keep the business growing). In brief, it seems that balancing business and lifestyle-related goals is more possibly a dilemma for entrepreneurs in developed countries than for those in developing countries.

6.1.4 Family-related Goals

Family occupies a central position in the daily life of Chinese people, which is largely attributed to the everlasting influence of Confucianism. This was well illustrated by the fact that of the nine family-related goals, none was scored below 3.24. The comparative analysis also revealed that nearly all goals were rated higher by business owners in Guangxi. The largest gaps between the two samples were seen in F4 (providing family members with jobs, 3.92 versus 2.44) and F8 (elevating our family position in society, 3.36 versus 1.83). However, harmonious internal family relationships, especially with the spouse, were most highly valued by both samples. In addition, the economic significance of the business to the family was also commonly recognized.

6.1.5 Perceived Economic Impacts

This research suggested that the small tourism businesses in rural Guangxi had a distinct family orientation, and hired very few non-family employees. However, the direct employment opportunities they provided to entrepreneurs and their family were still sizable and important to the destination, given the large number of this type of business.

The contribution of the business to the increase in household income was substantial and well recognized. The majority of business owners were deeply involved in the operation of the business in terms of working hours, and most businesses were the economic pillar of the owner's family. Although business performance was not highly satisfying due to limited business growth and poor competitiveness, a large proportion of entrepreneurs still felt content with their current income and quality of life.

6.1.6 The Effect of Social Capital

A synthesis of the results of the statistical comparisons between the EN and NE samples and logistic regression analysis demonstrated that structural social capital contributed to an individual's ability to enterprise in tourism. It was also positively related to the individual's probability of establishing a business. The first hypothesis (H_1) was thus strongly supported. The second hypothesis (H_2) was partially supported. The t test showed that relational social capital had a positive impact on the ability to enterprise, but the logistic

regression analysis did not identify any significant association between this dimension and the probability of start-up. The third hypothesis (H₃) was not supported because both the *t* test and logistic regression analysis indicated that in the context of rural Guangxi cognitive social capital was quite marginal in terms of importance and impact. To sum up, an overall, robust effect of social capital on the exploitation of tourism-related entrepreneurial opportunities was found, even though the effect varied across different dimensions and indicators. This variable not only had close relevance to one's entrepreneurial capabilities, but also to a great extent influenced the person's start-up probability.

The importance of social capital relative to two traditional primary antecedents of entrepreneurship, human capital and financial capital, was also demonstrated by this research. Human capital emerged as the paramount factor. All of its four indicators were effective in distinguishing entrepreneurs from nonentrepreneurs. Three indicators entered the logistic regression equation, among which managerial/supervisory work experience and tourism/hospitality work experience had the largest coefficients. Second to human capital was social capital. As detailed above, significant differences were found between entrepreneurs and nonentrepreneurs in almost all of its indicators, and two indicators appeared in the logistic regression equation. Notably, the indicator S2 in the structural dimension had the third largest coefficient. By comparison, financial capital did not exhibit any substantial effect, indicating little relevance to the business start-up process in the context of rural Guangxi.

6.2 Implications for Rural Business Development and Poverty Alleviation

The evaluation of the perceived economic impacts has strongly shown that small tourism businesses do contribute very positively to the life of rural microentrepreneurs, thus according support to the role of business development programs in rural economic development and poverty alleviation. However, some common weaknesses have constrained the ability of current business incubation practices to produce a larger impact.

Firstly, a large number of assistance programs follow a very passive approach, with excessive emphasis on providing consulting services. Although such an approach can effectively reach and help those in immediate need, it mainly works on a case-by-case basis and fails to tap the potential of a larger population for entrepreneurship. A more proactive approach should be to "seek" needs rather than "await" needs. Secondly, assistance programs usually concentrate on addressing a single major obstacle to entrepreneurship in a regional scope. For example, microcredit programs are specifically devoted to meeting the financial need of entrepreneurs. There are also many other programs that specialize in training business skills, expanding the market demand, and improving the investment climate. However, the effectiveness of these single-focus programs has proved less desirable because the constraints or difficulties facing an entrepreneur are often multi-faceted. It is therefore expected that a composite approach that bridges different programs would bring about more significant impacts.

Thirdly, the optimal use of limited resources for small business development has been a challenging task for policymakers, especially when multiple programs are involved. The same puzzle also exists when a decision has to be made regarding the locale for launching business development programs. So far, there have been no well-established criteria or guidelines that can help determine priorities or indicate how to allocate the resources. Last but not least, the role of social networks (and the community in a broader sense) largely remains unnoticed.

The insights gained from this research are instrumental to the alleviation of the above weaknesses. Firstly, through the survey of the NE sample and by comparing it with the EN sample, this research has revealed much information on the constraints of the general public with respect to entrepreneurship in tourism, which makes it possible for governments and development agencies to set up more proactive programs. That said, when the constraints to entrepreneurship are known, finding out ways to overcome them is a straightforward option of policy intervention. Previous poor understanding of the general public and their differences from entrepreneurs has restrained many programs from serving a larger population. Secondly, fully recognizing that the capability and probability of entrepreneurship is affected by multiple factors, this research has proposed a composite approach to small tourism business development, and has examined a wide range of pertinent variables. It is suggested that each variable demonstrating significant effects in the statistical comparisons, particularly those entering the logistic regression equation, should be given appropriate attention. Contingent upon the availability of resources, an

assistance program could independently address part or all of the variables, or collaborate with other programs.

Thirdly, this research provides some initial but important clues as to the optimal allocation of resources in enterprise development. The logistic regression analysis has identified the variables that can best predict the probability of start-up, and the importance of each variable is also indicated by its coefficient in the equation. The larger the coefficient, the bigger impact a change in the variable will have on the start-up probability. So, to increase the probability of entrepreneurship, it should be more effective to first improve the variables that have the largest coefficients. In the case of rural Guangxi, for example, vocational training on management skills and tourism knowledge should be given priority in resource allocation because the two human capital indicators, managerial/supervisory work experience and tourism/hospitality work experience, had the largest coefficients in the logistic regression equation. The equation also can be employed to evaluate the overall potential of the population in a given destination for entrepreneurship when the average level of each variable is known.

The contribution of this research to the fourth weakness is direct. Extensive discussion has been devoted to specifying the role of social networks in business start-up activities. The empirical analysis not only supported the functioning of social capital, but more importantly, produced some very pragmatic suggestions for small tourism business development in rural Guangxi. For instance, entrepreneurial culture and local residents'

attitude towards tourism-related employment were found of minor importance, so it might be less worthwhile to invest resources in both aspects. In contrast, it was revealed that knowing other entrepreneurs or people with tourism/hospitality work experience could dramatically increase the probability of someone pursuing business opportunities brought by local tourism development, thus justifying the input of more resources.

In summary, this research provides much useful information for business development, particularly in the rural tourism sector. Although most of the findings are specific to rural Guangxi and might not be generalizable to other populations or areas, the methodology has wide applicability and could significantly advance the effectiveness and efficiency of current business incubation practices.

6.3 Research Implications

6.3.1 Social Capital in Tourism Research

Tourism as a growing field of study has never stopped in its quest to absorb and adapt new concepts, theories, and thoughts from the outside. In fact, "learning from others" has been considered a precious tradition of tourism, although some, based upon the same point, may assert that tourism lacks a distinct disciplinary identity (Echtner and Jamal, 1997; Tribe, 1997). The rise of social capital as a social sciences paradigm is very recent, but it has quickly penetrated into several mature disciplines, such as sociology, education, and

business/management. Treating social capital as the focus of investigation, this research makes a notable contribution to an emerging, but still quite fragmented body of literature employing the concept to examine and help understand tourism phenomena.

With respect to tourism business development, social capital has been demonstrated very useful in advancing our understanding of the venture creation process. A meaningful extension of the current research might be to explore the role of social capital in business growth and sustainability. According to the resource-based view (Barney, 1991), the competitiveness of a firm is essentially determined by resources that are characterized by value, scarcity, non-imitability, and non-substitutability. Social capital possesses all of these four features. For example, social capital is valuable because it can bring a diversity of physical and intellectual resources. It is non-imitable because the formation and accumulation of social capital are built upon long-term interactions between the parties concerned. The competitiveness deriving from social capital further affects business performance. Thus, a specific hypothesis generated is that the competitiveness of a tourism business entity is not solely a function of internal resources and capabilities; the richer the stock of social capital, the more competitive the business might be, and eventually the more profitable the business is likely to be.

In addition to the benefits in the form of concrete information and resources, the trust and reciprocity attached to social capital are also instrumental to the management of multi-stakeholder relationships, especially in the context of destination planning and

development. Nowadays, destination management organization (DMO) has become probably the most important non-profit agent of a destination, and its performance to a great extent determines the competitiveness and sustainability of the destination it represents. To ensure effective destination management, a DMO should deal with a wide range of internal and external stakeholders. It not only has the direct responsibility to yield the expected rewards for funding providers (typically the governments and hotels), but also needs to consider and balance the interests of other destination stakeholders who may affect, or are affected by, local tourism development. At destinations where the DMO does not have a government affiliation, funding is often not guaranteed and the amount not always need-based. In fund-raising campaigns the DMO has to convey a strong ethical, capable, and responsible image and must convince the sponsors that it will use the funds to serve the purposes they desire. Also, to smoothly fulfill the mission of the DMO, its organizational legitimacy and leadership in coordinating interests and promoting collaboration should be widely recognized by destination stakeholders. These discussions indicate that the level of support or cooperation that a DMO can seek from destination stakeholders is closely associated with the confidence and trust they have in the DMO. It is thus hypothesized that the richer the stock of social capital a DMO has, the better it will do in destination management, and the more successful the destination will become.

A major barrier affecting the application of social capital has been the inconsistency in the operationalization of this concept. Although the past decade has seen a proliferation of research on social capital, the instrument is far from standardized. This problem is

definitely not trivial because it makes it difficult to compare and interpret the findings of different studies. In addition, inappropriate measures of the concept may also result in confusing and even misleading findings. Before a unanimous consensus on the operationalization is achieved among academics, which is not realistic in the short run, it might be more practical to first unify the measures in terms of research topic or theme. As an illustration, this research developed a set of indicators to understand the role of social capital in entrepreneurship in tourism, which proved to be effective. It is thus suggested that future research addressing the relationship of social capital and tourism-related entrepreneurial behaviors use the same set of indicators so that evidence can be compared and validated. A more general approach is to develop measures based upon several pre-defined dimensions. For example, this research followed Nahapiet and Ghoshal's (1998) framework and organized the indicators into three parts. Another popular conceptualization was to decompose social capital into bonding and bridging social capital (Putnam, 1993). Bonding refers to the social relationships between homogeneous groups of people, while bridging is concerned with those between socially heterogeneous groups. Since dimension is universally applicable, it greatly facilitates the evaluation of social capital across different studies and disciplines.

Once the positive effect of social capital is identified, it is necessary to consider building up social capital. The analysis of this research on the effect of social capital was mainly at the individual level, but it is imperative that more research emphasis be put on the community or destination level if social capital is to be a regional development vehicle.

The current practices of governments and development agencies in social capital building are mostly small-scale and experimental, so the research method of case study would be very appropriate for establishing the baseline data. There is also a need for longitudinal research, considering that social capital (particularly relational and cognitive social capital) is founded on long-term interaction and changing it takes time. In addition, both researchers and policymakers should be aware that social capital building is not without cost, even though it might require substantially less physical and financial resources than some other options. In conclusion, it is emphasized that cost-benefit analysis should be conducted as an integral component of the design and evaluation of any social capital building program.

6.3.2 Entrepreneurship in Tourism Research

The contribution of this research to entrepreneurship and small/family business literature is manifold. Firstly, the absence of theoretical constructs has to a great extent determined the descriptive nature of contemporary research on small and family businesses in tourism and hospitality. This research suggested that in order to expedite the maturing of this field of research, it is imperative that theories from other established disciplines should be introduced, and that advanced variable-based statistical analysis be encouraged.

Secondly, entrepreneurship research in tourism has been criticized for paying insufficient attention to developing countries, despite the facts that the developing world hosts a much

larger number of small/family businesses and that the significance of the business as a livelihood is more prominent to the entrepreneur and his/her family. Dominant reliance on western realities may not only cause theoretical incompleteness, but in the practical perspective also provides few prescriptions for small business development in developing countries. Through a systematic comparison of Guangxi and Western Australia, this research demonstrated that significant discrepancies did exist between developing countries and developed countries across a number of important aspects.

Thirdly, much research, including this one, has consistently revealed that the tourism and hospitality sectors breed a large number of lifestyle entrepreneurs. Since these entrepreneurs' perception of business success might be quite distinct from that for growth and profit-driven entrepreneurs, performance measures should not be designed only from the economic angle. Rather, level of satisfaction with life and other subjective indicators should be developed and included in the evaluation system. The characteristics of lifestyle entrepreneurs and their roles in destination development also require more research efforts because disagreement still exists among researchers.

Fourthly, the design of this research, which focused on “the person” and “his/her ability to enterprise” in order to understand the business gestation process, proved to be appropriate in the context of rural and impoverished areas. In rural Guangxi, for example, tourism was widely considered an attractive alternative means of livelihood, indicating that non-participation in this economic sector might be largely due to insufficiency in ability rather

than lack of interest. This point supports the emerging pro-poor tourism development initiatives around the world, in which tourism is promoted as a means of subsistence that is more desirable than traditional livelihoods. In future research, the entrepreneurial process can be divided into relatively discrete start-up steps or activities for more detailed analysis. For example, research can specifically examine the generation of the business idea, the source of the resources mobilized, or the difficulties or challenges facing the entrepreneur.

Fifthly, this research enhanced the current poor understanding of the differences between entrepreneurs and nonentrepreneurs in rural tourism development. The systematic comparison of the two groups of research subjects was not seen in previous tourism literature. The comparison, plus the investigation of each entrepreneur's start-up goals, produced a more complete explanation of the phenomenon regarding why a certain percentage of residents in a rural destination choose to establish and operate a tourism business, while many others living in the same place do not.

6.4 Limitations and Future Research

This research was exploratory in nature, and its limitations should be considered while interpreting the research findings.

6.4.1 Business Characteristics and Goals: Guangxi versus Western Australia

A key assumption of this research project was that the two samples for comparison - the Western Australia sample and the Guangxi sample, respectively represented the realities of rural small/family business development in Australia and in China, and the differences between the two samples thus mirrored the cultural differences between the two countries. However, as acknowledged by Getz and Carlsen (2000), taking a random sample of rural family tourism businesses in Western Australia was impossible, owing to the lack of a suitable database. In Guangxi, this also could be a problem since a large number of businesses belonged to the informal sector. If the representativeness of the two samples under analysis was not adequate, any significant gaps identified through the statistical comparisons might just have reflected the sample differences, rather than cultural differences. Given that the two samples were quite distinct in terms of demographic information and business characteristics (see Table 5.1 and Table 5.2), such a concern was evidently relevant in this research project.

Although it was practically challenging to attempt random sampling in the strict sense, the above-mentioned concern had been well addressed for the Guangxi sample. As detailed in Chapter 4, the sampling process was rigorously designed and the techniques employed were probably the most appropriate under the circumstances of Guangxi. The sample from Western Australia covered the whole state, and in addition, the three sources of contacts that the researchers had used for sampling conjointly formed a quite complete picture of the research population (Getz and Carlsen, 2000). Furthermore, the sample size was fairly large, also according support to the representativeness of the sample.

This research project only provided some initial insights on the differences between developed countries and developing countries. Due to the severe lack of empirical research on developing countries, it was largely unknown to what extent Guangxi represented the developing world. Similarly, the Western Australia study (Getz and Carlsen, 2000) revealed little information regarding which kind of business characteristics and goals were common to other developed countries and which were specific to Western Australia. Smith (2006) replicated the Western Australia study in four Middle America states, finding that the two regions were very similar. However, some significant differences were also identified. A comparative study on Bornholm, Denmark, and Canmore, Canada, also revealed both similarities and differences (Getz and Petersen, 2005).

The above discussion raises the need for more cross-cultural comparisons in the study of entrepreneurship and small/family tourism businesses. In this regard, meta-analysis, a method that seeks to integrate the results of multiple independent studies from a statistical perspective (Hunter and Schmidt, 2004), may be especially instrumental in achieving a more objective and holistic understanding. Nevertheless, limited evidence reported so far about small and family tourism business development in this world makes it difficult to apply this analytic technique.

Comparisons also can be made to explore the differences between “family” and “non-

family”, and “rural” and “urban”. Non-family business owners might just regard their business as a source of income, so they are expected to be more ambitious in seeking business growth and profits than those of a family business. Since rural environments are more natural and peaceful, rural destinations may attract a higher proportion of lifestyle entrepreneurs than do urban destinations. Even businesses in different sub-sectors of tourism and hospitality can be compared. For example, Reichal and Haber (2005) and Haber and Reichal (2005) divided the small tourism ventures of Israel into three types (active recreation, sites of interest/tourist attractions, and accommodation), and compared their performance.

6.4.2 Perceived Economic Impacts

In evaluating the economic effects of small and family tourism businesses, this research only focused on business owners and their family. However, it is inevitable that the economic activities of small businesses will bring impacts to the broader local community, either directly or indirectly. Therefore, to make a more complete evaluation of the economic effects of small tourism businesses, it is necessary to investigate the perceptions of other locals. In this regard, it is especially valuable to compare entrepreneurs in tourism and those in other economic sectors.

In rural Guangxi, physically less demanding careers, above-average profitability, and time flexibility which allows for a plurality of economic activities are the most frequently cited

benefits that account for the establishment of a tourism business rather than other types of business. However, it remains unknown how entrepreneurs in other economic sectors perceive their business in comparison with the possibility of running a tourism one. This kind of information will mirror the attractiveness of, and barriers to, entrepreneurship in tourism.

Besides, as suggested in Chapter 2, the effects of small tourism businesses are not merely in the economic domain. Rather, sociocultural and ecological effects also should be considered.

6.4.3 Antecedents to Business Start-up

To make the EN and NE groups truly comparable, the value of each variable under investigation for the EN group should be the value at the time when the entrepreneur made the start-up decision, rather than that at the moment of the survey. This is because the value of many variables could change over time. For example, it is almost certain that a person will get to know more friends with start-up experience after he or she becomes a business owner. However, a memory decay problem might arise, as respondents of the EN group might feel it difficult to accurately recollect the past. To address this problem, the Panel Study of Entrepreneurial Dynamics (PSED) advocates studying “nascent entrepreneurs”, namely those who were actively preparing for the birth of a new venture (Shaver *et al.*, 2001).

However, the approach adopted in this research project is the most practicable one given the research context and subjects under investigation. The PSED initiative has suggested that nascent entrepreneurs make up approximately 4% of the adult population, and the cost of generating a representative sample is about \$40 per person identified. In the rural Chinese setting, the percentage is expected to be even lower and the cost much higher. As an immediate illustration, this research identified just four eligible nascent entrepreneurs out of 253 randomly selected local residents (approximately 1.6%). Therefore, neither research resources nor the time required to achieve a sufficient sample of nascent entrepreneurs were manageable.

Social capital exists in a specific environment or group of people, so the findings revealed in this research project may have limited generalizability. The same analytic framework can be applied to a more diverse range of research settings, such as urban destinations, developed countries, and other cultures. These settings have certain key features distinct from rural Guangxi, which may modify the effect of social capital.

A number of hypotheses can be made in this regard. In an urban setting, for example, the effect of relational social capital is expected to be more significant than that found in this research because the general level of mutual trust among urban people is low and having a social network full of trust should be a notable advantage. The effect of cognitive social capital also might be stronger, given that urban areas have a more heterogeneous system of

values and lifestyles. However, the effect of structural social capital might be relatively weak since urban destinations have a much higher density of tourism businesses and local people thus have easy access to required information and resources.

In developed countries, entrepreneurs may be less dependent upon social capital because more formal support from governments and the private sector is available, making it less necessary to seek assistance from the social network. In addition, culture may also have a direct impact on the effect of social capital. Collectivist cultures put considerable emphasis on group membership and other-dependencies, so social relationship is well accepted as an important facilitator of actions (Hofstede, 1997). China basically belongs to this type of culture. By comparison, individualist cultures value individual initiatives and other-independency, and one who leverages on social relationships might be considered incapable or even unethical. In this type of culture, social capital might be of minor importance for entrepreneurship.

To conclude, the thesis has examined small tourism business development from a developing country perspective. Despite a variety of research limitations that have been discussed above, the insights gained from this research have important managerial and theoretical implications. It has established an important base of empirical knowledge regarding entrepreneurs and small businesses in impoverished destinations, including characteristics, goals, economic impacts, and antecedents to start-up. The systematic comparison between developing countries and developed countries and the application of

the concept "social capital" both represent innovative approaches to understanding entrepreneurship in tourism and hospitality. Moreover, it is one of the few exploratory primary studies that have directly investigated the nature and roles of small tourism businesses in development and poverty alleviation. Future research on small tourism businesses should continue to pay close attention to developing countries, encourage survey-based empirical studies, and make more cross-cultural comparisons.

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APPENDIX A: THE QUESTIONNAIRE FOR NONENTREPRENEURS

The intent of this questionnaire is to gather information to advance our understanding of small tourism business development in rural areas.

All responses will be kept strictly confidential. Information will only be used in aggregate and for academic and educational purposes.

Gender: male female

Age: _____ 18-24 25-34 35-44 45-54 55-64 65+

Marital status: married unmarried

Compared with other families in this place, your family is:
 very poor poor middle-class rich very rich

Ethnicity: local majority local minority

Years of schooling: 0 (illiterate) 1-6 (primary) 7-9 (junior high)
 10-12 (senior high) 13 and above (postsecondary)

Please indicate if you have gained the following three kinds of work experience:

Business start-up experience yes no

Work experience relating to tourism and hospitality yes no

Managerial/supervisory experience yes no

Risk attitude:

Assuming that return is proportional to risk, please indicate your extent of agreement or disagreement with this statement: "I prefer to do things under my control or with high degree of certainty".

1 (strongly disagree) 2 (disagree) 3 (neither agree nor disagree)

4 (agree) 5 (strongly agree)

Social capital: structural dimension

Please indicate the number of persons among your family and friends who have each kind of the experience concerned.

S1: _____ (the number of social relationships with business start-up experience)

S2: _____ (the number of social relationships with work experience relating to tourism and hospitality)

S3: _____ (the number of social relationships with the experience of being village leaders).

Social capital: relational dimension

Please indicate your extent of agreement or disagreement with the following statements. 1 = strongly disagree and 5 = strongly agree

Code	Statements	Extent of agreement				
		1	2	3	4	5
R1	My family and friends are willing to exchange employment and investment information with each other.					
R2	My family and friends are willing to lend money and other kind of assets to each other.					
R3	When I get entangled in a crisis, my family and friends are dependable for strong support.					
R4	My family and friends trust me.					

Social capital: cognitive dimension

Please indicate your extent of agreement or disagreement with the following statements. 1 = strongly disagree and 5 = strongly agree

Code	Statements	Extent of agreement				
		1	2	3	4	5
C1	My family and friends encourage young people to become independent by operating their own business.					
C2	My family and friends pay a lot of attention to and even admire successful entrepreneurs.					
C3	My family and friends consider hosting and serving tourists a desirable job.					

APPENDIX B: THE QUESTIONNAIRE FOR ENTREPRENEURS

The intent of this questionnaire is to gather information to advance our understanding of small tourism business development in rural areas.

All responses will be kept strictly confidential. Information will only be used in aggregate and for academic and educational purposes.

PART ONE

Gender: male female

Age: _____

18-24 25-34 35-44 45-54 55-64 65+

Age when you started up your current business: _____

18-24 25-34 35-44 45-54 55-64 65+

Marital status: married unmarried

Compared with other families in this place, your family is currently:

very poor poor middle-class rich very rich

At the time of business start-up, compared with other families in this place, your family was:

very poor poor middle-class rich very rich

Ethnicity: local majority local minority

Years of schooling: 0 (illiterate) 1-6 (primary) 7-9 (junior high)

10-12 (senior high) 13 and above (postsecondary)

Please indicate if you had gained the following three kinds of work experience before embarking on your current business:

Business start-up experience yes no

Work experience relating to tourism and hospitality yes no

Managerial/supervisory experience yes no

Risk attitude:

Assuming that return is proportional to risk, please indicate your extent of agreement or disagreement with this statement: "I prefer to do things under my control or with high degree of certainty".

1 (strongly disagree) 2 (disagree) 3 (neither agree nor disagree)

4 (agree) 5 (strongly agree)

Social capital: structural dimension

Please recollect the facts BEFORE YOU EMBARKED ON YOUR CURRENT BUSINESS, and indicate the number of persons among your family and friends who had each kind of the experience below.

S1: _____ (the number of social relationships with business start-up experience)

S2: _____ (the number of social relationships with work experience relating to tourism and hospitality)

S3: _____ (the number of social relationships with the experience of being village leaders).

Social capital: relational dimension

Please recollect the facts BEFORE YOU EMBARKED ON YOUR CURRENT BUSINESS, and indicate your extent of agreement or disagreement with the following statements. 1 = strongly disagree and 5 = strongly agree

Code	Statements	Extent of agreement				
		1	2	3	4	5
R1	My family and friends were willing to exchange employment and investment information with each other.					
R2	My family and friends were willing to lend money and other kind of assets to each other.					
R3	When I got entangled in a crisis, my family and friends were dependable for strong support.					
R4	My family and friends trust me.					

Social capital: cognitive dimension

Please recollect the facts BEFORE YOU EMBARKED ON YOUR CURRENT BUSINESS, and indicate your extent of agreement or disagreement with the following statements. 1 = strongly disagree and 5 = strongly agree

Code	Statements	Extent of agreement				
		1	2	3	4	5
C1	My family and friends encouraged young people to become independent by operating their own business.					
C2	My family and friends paid a lot of attention to and even admire successful entrepreneurs.					
C3	My family and friends considered hosting and serving tourists a desirable job.					

PART TWO

Is your business family owned (that is, owner-operated or one family owns controlling interest)?

yes no

The services/products provided by your business include:

accommodation (farm-stay, B&B, motel or hotel)
 food and drink transportation tourist attraction tour operation
 others (please specify: _____)

Length of business operation: _____ (years)

Origin of the business: started by yourself purchased inherited from your family

The initial investment of the business: _____ RMB

Size of employment: _____

If applicable, is your spouse involved in the business on a daily basis? yes no

If applicable, how many children are involved in the business on a daily basis? _____

If applicable, how many parents are involved in the business on a daily basis? _____

If applicable, how many others are involved in the business on a daily basis? _____

Do you have business phone? yes no

Do you use computer in business operation and management? yes no

Do you provide the service of online reservation? yes no

The business generates ____ (%) of your annual household income?

less than 20% 20-39% 40-59% 60-79% 80% and above

Do you agree that it was a wise decision to start up this business?

1 (strongly disagree) 2 (disagree) 3 (neither agree nor disagree)

4 (agree) 5 (strongly agree)

Are you satisfied with current household income in comparison with the days before the start-up of the business?

1 (very unsatisfied) 2 (unsatisfied) 3 (neither unsatisfied nor satisfied)

4 (satisfied) 5 (very satisfied)

Are you satisfied with current business performance in comparison with previous years?

1 (very unsatisfied) 2 (unsatisfied) 3 (neither unsatisfied nor satisfied)

4 (satisfied) 5 (very satisfied)

Are you satisfied with current business performance in comparison with your competitors?

- 1 (very unsatisfied) 2 (unsatisfied) 3 (neither unsatisfied nor satisfied)
 4 (satisfied) 5 (very satisfied)

PART THREE

Start-up goals

How important were the following goals to you when getting started in this business? 1 = not important at all and 5 = very important

Code	Start-up goals	Extent of importance				
		1	2	3	4	5
M1	To be my own boss					
M2	To keep my family together					
M3	To keep this property in the family					
M4	To live in the right environment					
M5	To support my/our leisure interests					
M6	To enjoy a good lifestyle					
M7	To make lots of money					
M8	To gain prestige by operating a business					
M9	To meet interesting people					
M10	To provide a retirement income					
M11	To provide me with a challenge					
M12	To permit me to be financially independent					
M13	To pursue a low-risk, manageable investment					
M14	To try a different way to improve living					
M15	To fill a market gap					
M16	To earn extra money in slack season of farming					

Business management goals

Please indicate your extent of agreement or disagreement with the following statements. 1 = strongly disagree and 5 = strongly agree

Code	Statements	Extent of agreement				
		1	2	3	4	5
B1	It is crucial to keep the business profitable.					
B2	Enjoying the job is more important than making lots of money.					
B3	I want to keep the business growing.					
B4	I would rather keep the business modest and under control than have it grow too big.					

B5	I come into daily contact with customers.					
B6	In this business, customers cannot be separated from personal life.					
B7	It is hard to separate work and family life in a tourism business.					
B8	This business currently meets my performance targets.					
B9	It should run on purely business principles					
B10	My personal/family interests take priority over running the business.					
B11	Eventually the business will be sold for the best possible price.					
B12	This business is highly seasonal.					
B13	I want to present a good public/corporate image.					
B14	Delivery of a high-quality product or service is a high priority.					
B15	This business runs on high moral standards.					
B16	It is not necessary to have formal business goals.					

Family-related goals

How important were the following family-related goals to you? 1 = not important at all, 5 = very important

Code	Family-related goals	Extent of importance				
		1	2	3	4	5
F1	Prevent disharmony among family members					
F2	Share all key decisions with the spouse or family					
F3	Train the children for future ownership of the business					
F4	Provide family members with jobs					
F5	Share the work equally with my spouse					
F6	Pass on the family business to children/family					
F7	Earn enough to support the family					
F8	Elevate our family position in society					
F9	Ensure the family has lots of free time together					