

## **Determinants of Growth in Small Tourism Businesses and the Barriers They Face: The Case of Cappadocia**

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### **Abstract**

*The study aims to identify the factors that play a significant role on the growth of small and micro tourism businesses and the barriers of growth. Owners and managers of tourism businesses in Cappadocia, Turkey were surveyed. “Owner/Manager’s age”, “number of years since the business has a new owner/manager”, “creativity and innovation”, “frequent provision of trainings and English level of employees” found to be important business growth determinants. Growth barriers and their solutions were also discussed. Overall the study argues that business growth is important for destination and regional development and the topic requires future research.*

**Keywords:** growth determinants; growth barriers; tourism entrepreneurship; small businesses; Cappadocia

### **1. Introduction**

Today, most of the tourism literature and research seems to agree that tourism is an effective tool for successful economic development (Schmallegger & Carson, 2010). From a wide perspective it can be stated that tourism is foremost an economic activity (Ateljevic & Li, 2009) and to all intents and purposes it is a huge industry consisting of various scales of businesses. Hence, looking at tourism from an economic perspective, the topic of entrepreneurship becomes highly important. The contribution of small tourism enterprises to the development of regions has been assessed and researched by several scholars (e.g. Andriotis, 2002; Johns & Mattsson, 2005; Sharma, 2006; Tinsley & Lynch, 2001). It would be too simplistic to say that tourism entrepreneurship always has a positive contribution to a destination. For example, Ateljevic & Doorne (2000) highlight several studies where small businesses and the lifestyle motivations of entrepreneurs (not having economic growth as a main motivation) are considered as constraints for regional economies. However, many small tourism businesses just like any other businesses are willing to grow which create competitive market in the destination and facilitate regional development. Hence, the links between business growth and regional development becomes evident.

The topic of ‘entrepreneurship and small businesses’ has not received the same attention in tourism research as in others. Naturally, the economy and business disciplines have quite thorough research on the topic of business growth suggesting various types of theories (suggested literature: Dobbs & Hamilton, 2007). However, despite the importance of the topic, the volume of entrepreneurship research in tourism has not been increasing for the last two decades (Ateljevic & Li, 2009). Tourism scholars seem to agree that the entrepreneurship and small businesses is a ‘fruitful’ field to research and there are many untouched or slightly touched topics to be investigated (Blackburn & Kovalainen, 2009; Thomas et.al, 2011). One of such areas in the field that has received poor attention is associated with growth of small tourism businesses. As Thomas et al. (2011:972) highlight, in their recent literature review, the research still knows very little “...about, why some small businesses in the sector that seek growth, achieve their aspirations while others do not”.

To the best of our knowledge one of few articles in tourism that focused on identifying the determinants of the growth came by Altinay and Altinay (2006) in the case of immigrant restaurants in England. The article provided important knowledge to the field, however, “future research that examines growth for other types of tourism businesses should be given more prominence” (Thomas et.al, 2011:966).

Taking this gap in the research into consideration the study aims to add new knowledge to the literature focusing on the factors that affect business growth of tourism enterprises in rural regions and the challenges associated with growth. The study introduces two research questions.

- What are the factors that positively affect growth of micro and small tourism enterprises (MSTE)?
- What are the barriers that hinder business growth in MSTEs?

Based on previous research, the study argues that tourism entrepreneurship is important for regional development. From scientific perspective, the outcomes of the study will mainly serve as groundwork for future research that are believed to come up with more exact models for business growth. From social and political perspective, highlighting growth determinants and barriers will provide knowledge to governments, policymakers and tourism planners to prepare and implement strategies that will facilitate success of small businesses which leads to local empowerment and regional development. To answer the proposed research questions, the study will survey owners and managers of small business in Nevsehir, Cappadocia region – the rural tourism destination in Turkey.

## **2. Background for Research Area**

Nevsehir province is geographically located in the central part of Turkey (figure 1). It is possible to define the region to be rural as 341,593 ha of its total area of 546,693 ha is a farmland (Tanrıvermiş & Şanlı, 2007). The province consists of 8 districts (Ajjgol, Avanos, Derinkuyu, Gulshehir, Hajibektash, Kozakli, Urgup and Nevsehir Merkez) which on their turn are divided into smaller subdivisions. Just like many other rural Turkish regions the province is dependent on agricultural economy but in addition to that, recent years, tourism is also starting to play an important role in its economy (Tanrıvermiş & Şanlı, 2007). Critical turn in tourism industry of the province occurred in 1985 when Goreme Open Air museum received a status of UNESCO World Heritage Site and the surrounding area became Goreme National Park (Tucker & Emge, 2010). Figure 2 shows the increase in tourist numbers during the last two decades (T.C. Nevsehir Bakanligi, 2008). The recent numbers indicate that there have been approximately 1 million foreign and around the same number of local tourists in Nevsehir in a year, which makes it an important tourist destination for a rural region. Particular the districts of Nevsehir Merkez, Urgup and Avanos are the most important tourist destinations. Whilst the main attraction of Goreme – the town in Nevsehir Merkez district - is its national park, Avanos district is famous for its carpet manufacturing and pottery. Generally, what makes Cappadocia unique and a popular tourist destination is its culture and heritage (Tucker & Emge, 2010).

## **3. Theoretical Background**

As tourism literature lacks a comprehensive literature review about the topic, the question whether general theories from other disciplines can be applied to the growth of tourism businesses is worth an attention. Hence, along with tourism literature, other disciplines will also be used to be able to provide comprehensive theoretical background. First of all, it is important to mention that there have been many approaches and theories towards business growth in the literature. Not going deep into details of all these approaches it is possible to mention the two edge lines of these approaches. On the first edge stands a rather simplistic approach known as “Gibrat’s Law” (Gibrat, 1931) which argues that the growth rate of a firm doesn’t depend on its size or on any other definite variable(s). This view was further developed to state that growth rate depends on the enormous number of variables and each of them plays some small role in growth or decline rate, hence, distinguishing any set of variables to determine growth is not possible (Dobbs & Hamilton, 2007). And at the other edge stands as Dobbs & Hamilton (2007) call it “deterministic approach”, in our opinion rather positivistic approach where researchers try to identify the very specific variables that business growth is mainly dependent on and suggest exact models for explaining business growth. The approach taken in this study is relatively inclined to deterministic approach as we try to identify the factors that positively affect business growth. However, it is only ‘relatively inclined’ because the study will not come up with a model or an equation that will explain the growth but rather aims to suggest all the variables that play important role in business growth. The reason is that proposing exact model has a higher risk to eliminate important factors but analysing each and every factor and its relationship with growth is more appropriate for the purpose of setting groundwork for future research.

### **3.1. Defining Business Growth**

Before discussing the factors that affect business growth it is important to clearly define what business growth actually is or how it is measured.

Of course the answer is subjective and different scholars used various measures for growth. Reviewing the literature, it is possible to highlight the most popular factors used in previous research to measure business growth. One of the factors used by scholars is sales (e.g. Basu & Goswami, 1999; Del Monte & Papagni, 2003; LeBrasseur et al., 2003; Littunen & Tohmo, 2003; Sadler-Smith et al., 2001) and another popular measurement in research is employment (e.g. Altinay and Altinay, 2006; Chaganti et al., 2002; Davidsson et al., 2002; Freel & Robson, 2004; Hoogstra & van Dijk, 2004; Kangasharju, 2000). It should be mentioned that though less frequently but `revenues of businesses` were also used in research several times as a measurement for growth (e.g. Kelley & Nakosteen, 2005; Orser et al., 2000). In this context, it wouldn't be right to forget about the studies that preferred not to focus on only one of the mentioned measures and used several of them at the same time (e.g. Barringer et al., 2005; North & Smallbone, 2000; Reichstein & Dahl, 2004; Wiklund & Shepherd, 2003). After such a review, it is not possible to say that one particular of these measures is absolutely better from a growth perspective. All of them have their own practical and theoretical advantages and disadvantages. The approach taken in this study is the employment approach. A justification for this approach is that, it is more important from a regional development perspective to have an increase in employment rate than in sales. As Dobbs and Hamilton (2007: 297) state "the most cited public benefit of small business growth ... is the contribution made by these firms to employment". And local geographical benefit of growth is mainly the increase in employment rather than in turnover. Just like many other tourism studies this research also is more interested in regional development rather than in individual development; hence taking employment growth as a measurement tool is more reasonable. Practical perspective is another reason to use employee numbers as measurement. As Kloosterman et al. (1999) suggests, not every business owner is willing to provide information about their sales and revenues. So from a practical side, it becomes easier to get data about the number of employees of businesses rather than their turnovers.

The equation (1) that is used to define the growth is adopted from Altinay and Altinay (2006) and is named 'compound employment growth'.

$$E_i = E_j(1 + r/100)^a \quad (1)$$

Here,  $E_i$  is the number of people that firm employs today – the year of 2012,  $E_j$  is the number of employees at the year when the respondent (owner or responsible manager) took over his/her position,  $a$  is the number of years since the owner (manager) has this business (position), and finally  $r$  stands for the dependent continuous variable – compound employment growth.

### 3.2. Introducing Possible Determinants of Business Growth

Previous literature has highlighted several factors that play significant role in business growth. Several of them were chosen and adapted to the study as predicting variables. The factors can be grouped under two broad categories of (i) 'characteristics of owner (or manager)' and (ii) 'business and business activities'. The suggested variables are available in table 1.

#### 3.2.1. Characteristics of Owner/Manager

*Age.* Several studies mentioned that the age of the owner/manager plays a significant role in growth. Storey (1994) suggests several theories for the relationship of age and business growth. The two controversial ones are that, business growth and the age of owner at business entry has (i) positive or (ii) negative correlation. The first approach is based on the idea that the older business owner is more experienced he/she becomes and hence, the firm has more chances to grow. The second view is that the younger business owner is more active and energetic he/she which is good for business growth. And in addition to that, younger entrepreneurs are believed to have more passion and motivation to grow their businesses as they have larger career aspirations. The second view is more dominant in the literature. For example, Kangasharju (2000) in his study of various business sectors in Finland found that businesses with younger owners are growing more rapidly. And he also mentions that it might be affected by higher education level of younger business owners as well.

*Education level.* Generally, it is believed that education level of business owner/manager has a positive impact on business growth (Dobbs & Hamilton, 2007; Smallbone & Wyer, 2000). First of all because education gives skills and knowledge required for business enhancement.

On the other hand, people with higher education level are more confident with finding relatively well-paid job. Hence, in own businesses their income expectations are higher than those who are less confident with finding a well-paid job (Dobbs & Hamilton, 2007; Storey, 1994).

A review by Storey (1994) shows that many studies also confirm this approach. Not confirming this, he suggests another view about the correlation between education level of owner and business growth. According to him, it is reasonable to assume that business ownership is not necessarily an intellectual activity and conversely is an opportunity for less educated people to earn profits. Interestingly it is possible to find a study (LeBrasseur et al., 2003) which confirmed negative correlation between education level and business growth. Finally, another approach suggested in this study is that it is not 'higher education level in any subject/program' that affects growth of tourism businesses but a degree in tourism. To the best of our knowledge 'education level appropriate to the business sector' was not analysed in previous studies, the exception being the study by Barringer et al. (2005). Giving example of a civil engineering graduate student that starts his/her pipeline building business, the authors mention that college education is important especially if the business is started in technically oriented sectors. Hence, two variables were added to our tests, namely university degree and tourism degree of business owners/managers.

*Gender.* Traditional view on gender differences between entrepreneurs was that due to several reasons female entrepreneurs are less successful. Some of the reasons to have this assumption lie behind the idea that women has less time for working because of their commitments to their children and family (Storey, 1994). However, many studies (e.g. Orser et al., 2000; Johnsen, & McMahon, 2005) suggest that gender is not a significant variable for business growth. In the Finnish case, the exception was the 'recovery period of businesses' where female entrepreneurs were less likely to survive in the business (Kangasharju, 2000). An interesting finding came by Jones (cited in Storey, 1994: 127) according to whom females are more likely to own successful businesses than males. The assumption is that different societies might show different results with regards to role of gender in business growth, therefore the gender was also added to our variables to be investigated.

*English level.* Of course, it is hardly possible to find articles from economic and business disciplines that consider English level of the entrepreneur to be a significant variable that affects business growth. However, research by Altinay and Altinay (2006) showed that fluency in English is one of the predictors of business growth. Of course, as their research subjects were immigrant restaurants in UK, this makes it reasonable. On the other hand, because of the nature of tourism industry, owners/managers and other employees frequently talk to tourists in English. Hence, it was decided to add the English levels of both (i) owners/managers and (ii) employees working with customers to the analyses.

*Origin of the owner/manager.* This is very common at least in tourism industry that businesses of a destination are owned mainly not by local people but other entrepreneurs. For example, according to the popular theory suggested by Butler (Butler, 1990) as destinations grow and become popular, the more 'outsiders' appear in the destination for business purposes and after certain time in the development cycle, locals become less powerful than outsiders who own most of the businesses by that time. It is not surprising that the role of this factor with regards to growth is not given much attention in economic and business disciplines. Altinay and Altinay (2006) mentioned sojourning – the concept which is similar but more complex - as a possible predictor of growth. Taking into consideration the role of outsiders in tourism destination development, this variable was also added to the analyses.

*Business motivation.* This is of course logical that for a business to grow first of all it needs to have an owner/manager who wills to grow. In fact there are a lot of cases where it is non-financial aspirations of the entrepreneurs that motivate them to start their businesses (Zhao and Getz, 2008). Research about the lifestyle entrepreneurship and their motivations is wide in this context. However, it is not possible to say that motivations of entrepreneurs will not be changed over time (Dutta & Thornhill, 2008) which makes the issue even more complex. Several studies (e.g. Hamilton & Lawrence, 2001; Storey, 1991; Wiklund & Shepherd, 2003;) mention motivation to be a significant factor for growth. On the other hand Storey (Storey, 1994: 128) shows some studies where researchers do not find any positive or negative relationship between the two variables. Taking previous research into consideration 'motivation at start up' was added to the analyses as well.

*Previous experience.* Previous experience is another factor that literature suggests to affect growth (Storey, 1991; Basu, 2004). In this study it is decided to focus on previous ‘entrepreneurship experience’ and its effect on growth. Three possible assumptions can be suggested. The first one is that the reason to start a new business is previous unsuccessful entrepreneurship experience of the owner. Hence there should be a negative correlation between previous experience and growth. The second assumption is that previous entrepreneurship – successful or unsuccessful – provided the entrepreneurs with important skills to gain success in their current businesses.

And finally the last assumption is that previous entrepreneurship experience may be good or bad, hence the experience itself will not be able to explain the growth. In this context, two variables, namely, (i) ‘previous entrepreneurship experience’ and (ii) ‘entrepreneurship as a family tradition’ were tested.

*Financial sources.* And finally the last factor that was tested from the perspective of the characteristics of owners is financial sources that they used for funding the start-up of their businesses. Finance in general is regarded as an important factor for business growth (Dobbs & Hamilton, 2007). Availability of external finance was found to be significant by Becchetti & Trovato (2002). Whilst Carpenter & Peterson (2002) suggested internal finance to be an important factor for growth, Wiklund & Shepherd (2003) found general access to financial capital to be significant variable. In this study it was tested if businesses that use different types of financial sources at start-up have significant differences in growth rates.

### **3.2.2. Business and Business Activities**

*Business age.* One of the most mentioned characteristics of businesses that affect growth is its age. There are quite many studies (e.g. Becchetti & Trovato, 2002; Davidsson et al., 2002; Delmar et al., 2003; Orser et al., 2000; Reichstein & Dahl, 2004) that found important relationship between the age of the business and its growth. Most of the studies suggest that the correlation between the two variables is negative and younger businesses are likely to grow more rapidly than older ones (Dobbs & Hamilton, 2007; Storey, 1994). The most popular rationale suggested in the literature is that the most risky years of a business is their first five years, hence when the entrepreneurs start their businesses they put all their efforts and energy to achieve success and not fail. And after certain years they usually either fail or reach a satisfactory level of operations and become less cautious about failing. Once one reaches the level where he/she earns satisfactory amount of money and “doesn’t have a risk to fail”, he/she becomes less passionate about growing his/her business more. However, as respondents of this study were not only the business owners but also managers as well, it was decided to have ‘number of years since the business have a new owner or manager(whoever our respondent was)’ as a substitute variable for business age assuming that it will also have a negative correlation with business growth.

*Location.* Another factor that was suggested to play an impact on growth is location of the business. According to Storey (1994) some studies show that businesses in rural areas grow more rapidly than businesses in urban regions. Talking about location, the study by Hoogstra et al. (2004) should be emphasized. With a sample of 35.000 enterprises they examine the impact of a range of location characteristics on business growth. Their conclusion is that many variables associated with location have significant relationship with business growth and hence, the location of a business overall has a significant impact on business growth. Several other studies (e.g. Glancey, 1998; Reichstein & Dahl, 2004) have also found significant relationship between business location and its growth. Two variables were added to the analyses in this context. The first is the municipal location of businesses and the second is the distance they have from the closest touristic attraction.

*English level of employees.* As already mentioned in previous paragraphs, this is not common to test the English level as a predicting variable for growth. However, because of the nature of tourism jobs, correlation between English level of employees working with customers and business growth was also tested.

*Creativity and Innovation.* One of other another most highlighted growth predictors in the literature is creativity and innovations. In this context, it is possible to highlight the article by Freel and Robson (2004) who found positive relationship between various types of innovations and employment growth. It should be highlighted that innovation can be seen in different ways such as product innovation, management innovation, technology innovation and others. For example, North and Smallbone (2000) found (i) product/service innovation and (ii) process technology innovation to be significant variables affecting growth. In this study, the focus is to test if owners/managers that used any innovative creative approaches when they came to their business are more successful than those who didn’t.

*Sector.* Literature also shows that the industry sector that business operates in can be a predictor of business growth (Storey, 1994). Firms in one business sector may be more successful than in others. For example Davidsson et al. (2002) found that knowledge intensive services (including computer services), technical consultants, and education and healthcare are the industries where firms have more growth rates. Different sectors within tourism industry were also added to the list of the independent variables.

*Networks.* Various networks can be used in firms for various purposes. Having more networks might be good for example to reach more customers or solve issues that firm faces. Littunen & Tohmo (2003) and Pena (2002) found networks to be a significant variable affecting business growth. Networks were added to the analyses from two perspectives. The first is how businesses reach their customers and the second is how they find employees. It will be tested whether any of the specific networks in this context have an impact on business growth.

*Training.* And finally the last predicting variable that was tested is the provision of training. Storey (1994) acknowledged several studies that found training to be significant factor for growth. However he has questioned whether it is really training that affects growth or other variables such as the business size that training is dependent on. A study by Bryan (2006) is also interesting in this context. Among many other findings, his results show that there is no significant relationship between frequency of trainings and employment growth, however it has an impact on sales growth. Our assumption is that tourism and service sectors are more sensitive in this context and success – even from the perspective of increase in employees - of tourism businesses is highly dependent on frequent trainings. Hence respondents were asked how frequently they provide training to their employees.

### **3.3. Barriers of Growth**

Besides the important question of what contributes to growth, research has also focused on the topic of what hinders it (Parry, 2010). Astrakhan & Chepurenko (2003) examined the differences between levels of entrepreneurship in Russia and Europe and concluded that Russia has worse development rates and barriers are one of the reasons. Hence, some scholars regard the research on barriers as alternative way to explain growth (e.g. Storey, 1994). It should also be acknowledged that today research on barriers to entrepreneurship has many problems as well (Doern, 2009). Doern (2009) criticizes today's research stating that literature needs to move beyond describing what are the issues of businesses and see what these barriers actually mean and how they affect business growth. However, taking into consideration differences, namely the volume of research, between tourism and entrepreneurship disciplines we find it satisfactory to introduce descriptive analyses of issues of tourism businesses that in our opinion will provide useful groundwork for future research.

Previous literature on the topic of barriers was browsed and significant factors were added to the analyses. Most of the highlighted barriers for growth highlighted in most of the studies were economic and financial issues (Doern, 2009; Storey 1994) which obviously was added to the questions. In addition to financial barriers the study by Bohatá & Mládek (1999) found shortage of qualified workers and managers to be an important barrier for SMEs in Czech Republic. As already mentioned qualified personnel are important for any firm but becomes especially important in tourism sector. Three questions in this context were added to the survey, first asking about the education level of personnel and second about the quality. And the third problem, the respondents were asked about is if business owners/managers frequently have to change their employees which can be especially true for rural regions. Another highlighted problem in the literature is legislative and institutional issues (Barth, 2004). Those issues can be approached from many perspectives but for the purpose of this study it is satisfactory to ask respondents if they have any regulative/legislative issues and if yes what kind of. Taking into consideration the differences of tourism sector from other industry sectors, it would not be right to forget about the seasonality issue. Seasonality barrier lies in the heart of tourism businesses and is especially problematic for those that operate in rural regions (Getz & Carlsen, 2000). Another factor that is considered as barrier that exists in many sectors but especially in tourism businesses is the loyalty issue. Hence, respondents were asked if they are working with mainly new or loyal customers. Whilst these were the only barriers that the survey particularly asked about, one question asked if there are any issues that are not mentioned and respondents perceive to be barriers for growth.

### **4. Methodology**

One of the most commonly used methods in tourism research is questionnaire based surveys.

There are several reasons for this and among them it can be highlighted that studies are willing to be able to state generalized and quantified statements about the issue (Veal, 2011). Reviewing the literature it is possible to identify several studies (e.g. Basu and Goswami, 1999; Bryan, 2006; Morrison et al., 2003) that use surveys for gathering the data to examine business growth. Hence, taking into consideration the previous literature and the aims and purpose of the study it was decided that questionnaire based survey is more appropriate to be able to gather data from relatively large number of firms in a short period of time.

Respondents of the survey were either business owners or managers. Hence, two types of structured questionnaires were designed, one to be addressed to owners and one to managers. The context of the questions in both questionnaires was nearly the same. The difference was mainly on approach. For example, whilst owners were asked about the year that they started their businesses, the managers were asked about the year when they started to work in their current position. The main contextual difference was that two questions were excluded from the questionnaire that was designed for managers. The first one about the financial sources used at start up and second one asking if the entrepreneurship is a family tradition. Those questions could not be responded by managers.

#### **4.1. Data Gathering**

As a first step, Nevsehir Provincial Directorate of Tourism and Culture was contacted for the data of tourism businesses in the province. The received data included the total number of 537 businesses. Some business sectors in data had an insufficient number of firms (e.g. there were only 2 cafes, 2 pastries and 3 restaurants in the list). Though we are not sure what the reasons for that are, our assumption is that, the list included only restaurant and cafes that had work certificates/permits from tourism directorate. Business sectors with insufficient number of enterprises were excluded from analyses (total number of 50 businesses from 10 sectors). The data also included information about the location of the businesses. The majority (447 out of 487) of businesses were situated in three districts, namely Merkez, Urgup and Avanos. Hence the mentioned three districts of Nevsehir with their 447 tourism businesses were decided to be the exact study area. Businesses were then divided into 4 wide sectors of having 215 of them in accommodation sector, 15 in balloon business, 128 in souvenir/gift shop (including carpet and jug ceramic shops) and 89 businesses in tourism agency/operator sector.

When it comes to the approach of how to contact the businesses, there were not many options. Most of the firms didn't have contact email addresses in the data. This could be expected due to the rural context of the destination. However, nearly all had phone numbers in the data. Hence, it was decided to make phone interviews based on the structured questionnaire. On the other hand, online survey form was also available for those who preferred to respond via internet. Due to the time constraints it was not possible to call all 447 businesses. Hence the following steps were made. Taking into consideration their limited number, all 15 balloon businesses were called. As the other sectors had relatively larger number of businesses only half of them in each three sectors were chosen randomly to be called. Response rate was lower than expected. Hence, it was decided to call enterprises initially excluded by randomizer, focusing on business sectors where respond rates were lower. Interestingly, the main issue was not that respondents were not willing to participate in the study, but that most of the potential respondents could not be reached by phone as well. At the end around 250 phone calls were made and only 38 usable responds were gained (around 15%). The response rate is lower than expected but yet higher than 12 % response rate that was achieved by some of the previously mentioned studies (Bryan, 2006; Morrison et al., 2003). To comprehend the reasons of low response rate in this study, it is assumed that seasonality could be the problem. Due to seasonal nature of tourism jobs many small businesses might be either closed or work only part time during March-April period which is when the calls were made.

#### **4.2. Analysing Techniques**

The analyses consist of two parts according to the research questions. First part investigated the relationship between business growth (the continuous variable defined in equation (1) as  $r$ ) and its possible predicting variables (which were introduced in table 1). One of the most popular techniques to measure the dependency of a set of variables on one continuous variable is multiple regression analyses. Though the initial purpose of the researcher was to make regression analyses, limited size of the sample made it not appropriate for such analyses. Many scholars suggest that regression analyses require the sample size to be at least over 50 cases (Pallant, 2005). When the probability distribution of the sample is poor - which is the case in this study - it is suggested to perform non parametric tests to examine relationship between two variables.

These tests will show if there are significant differences between the categories of any predicting variable in relation to the business growth. Whilst these tests were performed for categorical and dichotomous predicting variables, relationship between the business growth and continuous variables could be measured with correlation analyses. And taking into consideration the sample size of the study and its distribution, Spearman's correlation test was found to be more appropriate for this study.

Second part of the analyses examined which barriers exist in firms and to what extent. And here as well sample size didn't allow the researcher to make reliable and accurate quantitative analyses stating percentages.

Hence, rather simplistic descriptive techniques such as tables are used to indicate the extent to which barriers are perceived by business owners/managers.

## **5. Results and Analyses**

The results of nonparametric and correlation tests showing relationship between business growth and predicting variables are presented in table 2 and table 3. Their implications are also discussed in following paragraphs.

### **5.1 Predictors of Growth**

As it is evident from table 2, the study could not find relationship between any variables of owner/manager characteristics and business growth except their age. And even in the case of age variable, the finding is not consistent with previous findings and shows positive correlation between age of business owner/manager and business growth. Two assumptions lie behind this finding. The first is that tourism businesses require more experience than energy from the owner/manager and older owner/managers are more successful in this sector than their younger colleagues. The second assumption is that, the results are affected by analyzing characteristics of owners and managers together. Though younger owners may be more successful, older managers have more chances to lead the business to success. Taking into consideration that, no other variable in this group showed significant relationship with business growth it is suggested that the second view is more reasonable and that results are highly affected by analyzing characteristics of business owners and managers together. The two groups should have different effects on business growth and should be analyzed distinctively.

When it comes to the relationship between business and business activities, several variables appeared to have relationship with growth. As it is evident from table 3, the variable 'number of years since the business has a new owner/manager' has the strongest correlation with growth having significance level of 0.006. The negative correlation coefficient of '-0.438' shows that businesses with new owners and managers grow more rapidly than others. This confirms previous findings that younger businesses are growing more rapidly. And in addition indicates that having a new manager may also lead business to growth. Location of the business also appears to have important relationships with its growth. P value of 0.038 significance level shows that businesses in Uchisar and Goreme towns (both situated in Nevsehir Merkez district) are growing more rapidly than others. Though it is not possible to confidently explain its reasons, we may assume their proximity to Goreme National Park and Goreme Open Air museums could lead the businesses in these towns to grow more rapidly. The continuous variable of English level of employees working with tourists showed weak correlation with business growth with a significance level of 0.089. Though its strong relationship with growth cannot be proven with this study it deserves future consideration. The analyses also revealed that owners and managers that used creative and innovative approaches in start up were more successful than those who followed traditional way of business. The finding did not come as a surprise and is in the line with previous research. And finally the provision of training also showed interesting results. P value of 0.017 shows that businesses that provide frequent training to their employees grow more rapidly than businesses that provide training only once when they employ an employee or do not provide training at all. Taking into consideration Storey's (1994) argument that it is the size of businesses that affect these findings, correlations between current employee numbers and business growth were also tested. It showed high correlation with significance level of 0.000 and correlation coefficient of 0.68. Hence, it is not possible to confidently state whether it is the size that affects business growth or training.

### **5.2. Barriers of Growth**

Table 4 includes information about issues that business owners and managers were asked about. Economic issues was highlighted most of all by respondents. Some of them regarded economic issues as the nature of small firms. Low qualified personnel and having employees with low education level were perceived as an issue by relatively lower number of respondents.



However, it is not possible to say whether the problem doesn't exist or it is the respondents that don't see this problem as an important barrier for growth. Only 3 businesses mentioned that they are obliged to frequently change their employees every year. Legislative issues were perceived by 7 of 19 respondents. High tax was the main highlighted issue.

"As we continuously have daily and monthly financial problems we cannot keep up what kind of legislations there are. In any way we have never seen any legislation that is for the benefit of the agencies. In the base of all legislations lie the structure that works for filling the registers of the government or the registers of the institutions and the people that government supports. Shortly, I don't trust. Foremost, how successful can you be with 18 % of VAT..."

To the question about customer loyalty 29 of 37 respondents claimed to work with new customers and only 8 worked mainly with loyal customers. However this is hard to say to what extent this can be considered as a barrier for growth. When it comes to seasonality issue, the results are illustrated in table 5. The table shows decrease percentage in the number of customers in the lowest season in comparison to the season with highest number of employees. As it is evident 11 person out of 28 indicated that in the lowest season they deploy more than half of their employees. And 10 people indicated that they are not affected by seasonality and work with the same number of employees year round. It should be mentioned that taking into consideration the methodological issue that was already mentioned, it is possible to assume that most of the businesses that could not reached were "less successful" businesses and that many of them had to close their operations during winter. If the argument is true, these will of course increase the percentage of all perceived problems especially seasonality issue. The results show that most of the problems highlighted in theory, exist in the region to a certain extent, the exception being the issue with not having long term employees. The most identified issues were economic and customer loyalty issues the first confirming previous findings.

And the last question asked if there are any other issues that were not mentioned but respondents see as an obstacle to growth. The responds were very various and were grouped under 4 categories (table 6). As it is evident, the majority of respondents complained about the capitalistic nature of market and unjust competition. Some of the quotes from respondents are as follows:

"Due to capitalistic politics of the government, big companies negatively affect small companies..."

"...large companies are leading to monopolization"

"... I sell carpets... and if you want to have many customers, you need to have agreement with tourism agencies to bring you customers. They on their turn, require too high commissions... You don't get any profit from that"

As it is evident, respondents mainly complain about travel agencies and other larger companies negatively affecting their businesses. This has been acknowledged in Butler's (1980) theory as well that by time, as larger companies come, it becomes harder for smaller companies to function; and the large companies - which usually are not owned by locals - gain control over the destination. Another highlighted issue by respondents was general economic problems of Turkey and World such as crises. And finally three people also perceived political problems to affect their businesses.

"... and the rebellions in Middle Eastern countries have resulted with a serious decrease in the number of tourists coming to our country..."

There were 9 other reasons as well that were very distinct in nature and could not be categorized into groups. But most of them were general in nature and did not have to do with business itself. Hence, taking into consideration the barriers examined and suggested by respondents we can conclude that most of them are not those that individual firms have but has to do with the region. And individual businesses alone cannot overcome those issues.

## **6. Concluding Discussions**

The study argued that business growth of small enterprises is important for regional development for several reasons and hence it is important to investigate what growth of tourism enterprises are mainly dependent on and what kind of barriers for growth there are. It was decided to define growth as the increase in the number of employees which is more appropriate from regional development perspective.

Due to the lack of research in tourism studies, the literature from other relevant disciplines was also reviewed to be able to suggest possible growth predicting variables and barriers. Business owners/managers of small and micro tourism enterprises in Cappadocia were surveyed. Correlation and non-parametric analyses were performed to explore the relationship between growth and suggested variables.

The findings show that businesses owned by older owners/managers are growing more rapidly which are controversial to previous findings. It is suggested that having managers as respondents is affecting results. It might also be the different nature of tourism sector that requires even owners to be more experienced to be able to succeed. Surprisingly no other variables of characteristics of owners and managers showed significant relationship with growth. Hence it is suggested for future studies to analyse characteristics of owners and managers separately.

Analysing them together hindered the study to say much about the relationship of the variables with growth. However, this opened an interesting topic for future research suggesting that age of managers may have positive correlation with growth.

Business age was found by most of previous studies to play an important role in growth which is confirmed by this research as well. However, the interesting case in this study is that our predicting variable is not just the number of years business has started its operations or has a new owner but also includes the number of years since the business has a new manager as well. Hence it is suggested for future studies to investigate in more detail the effect that new managers have on business growth. It can be argued that once the business reaches its satisfactory level of income, its future growth depends on employing a new manager every certain period of time; and the new manager will be more passionate about growing the business. Business location was also found to play an important role in growth. However, the question of 'what the specific factors in certain locations that facilitate growth are' is a wide and important topic and requires separate research. English level of employees working with customers showed some relationship with growth. Hence it is suggested to include the variable to future studies as well. The nature of tourism jobs requires its personnel to have good level of English. If the findings are confirmed, from the perspective of local government, in order to be successful tourist destinations, it should be interesting to offer free or low fee English courses to residents. Creativity and innovative approaches at start up were also found to affect growth. However this topic is also wide and future research can focus on different types of innovations (such as, product innovation, continuous innovations, approach innovation) and identify what exact type of innovation is more important for growth. Generally it can be acknowledged to local governments that destinations with innovative people are more likely to develop hence there is a need to achieve creative community. And finally businesses that provide frequent training also found to grow more rapidly than others. Communities that are focusing to develop tourism might be interested in providing frequent training to small enterprises who cannot afford it. However this is not clear whether these results are affected by size of enterprises that actually affects growth or not.

When it comes to the topic of growth barriers, most of the issues that literature suggests exist in tourism enterprises as well. The study does not claim to solve the issues that have been present in tourism destination for decades such as seasonality or loyalty issues. However several strategies can be offered. It is suggested to start a network or community for SMEs to be able to solve some of the issues at least partly. It can be a good way for example to gather together and minimize commissions that are given to tourism agencies. Such networks can be a good tool to struggle against monopolization. Local government can play an important role in starting such a network but it should be mainly in the interests of entrepreneurs themselves to start it. Some other general issues such as low qualified personnel can also be solved by governments as already mentioned.

It is concluded that the study provided an important groundwork for future research both by reviewing the literature and examining each of the variable literature suggest separately. Several strategies were also suggested to governments however it is highlighted that more accurate and specific research is needed before implementing strategies. The study concludes that the topic of entrepreneurship is very important for tourism and stimulates scholars to research the field further.

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**Table 1: Suggested Predicting Variables**

<i>Variable name</i>	<i>Variable type</i>
<i>Characteristics of business owner/manager</i>	
Age	Continuous
Have university degree	Dichotomous
Have tourism degree	Dichotomous
Gender	Dichotomous
English level	Continuous
Being outsider	Dichotomous
Have business growth motivation at start-up	Dichotomous
Previous entrepreneurship experience	Dichotomous
Entrepreneurship is a family tradition	Dichotomous
Financial sources used for start-up	Categorical
<i>Business and business activities</i>	
Number of years since the business has a new owner/manager	Continuous
Business Location	Categorical
Distance from the main closest touristic attraction	Continuous
English level of employees working with customers	Continuous
Creativity and Innovation	Dichotomous
Business sector	Categorical
Networks used for reaching customers	Categorical
Networks used for recruiting employees	Dichotomous
Provision of training	Categorical

**Table 2: Relationship between Business Growth and Characteristics of Business Owner/Manager**

<i>Variable name</i>	<i>Rel. type</i>	<i>Sig. level</i>
<b>Age</b>	+	<b>0.050</b>
Have university degree	x	
Have tourism degree	x	
Gender	x	
English level	x	
Being outsider	x	
Business growth motivation at start-up	x	
Previous entrepreneurship experience	x	
Entrepreneurship is a family tradition	x	
Financial sources used for start-up	x	

Note. + have positive relationship with growth  
 x relationship with growth is not confirmed

**Table 3: Relationship between Business Growth and Business and Business Activities**

<i>Variable name</i>	<i>Rel. type</i>	<i>Sig. level</i>
<b>Number of years since the business has a new owner/manager</b>	-	<b>0.006</b>
<b>Business Location</b>	+	<b>0.038</b>
Distance from the main closest touristic attraction	x	
<b>English level of employees working with customers</b>	+	<b>0.089</b>
<b>Creativity and Innovation</b>	+	<b>0.046</b>
Business sector	x	
Networks used for reaching customers	x	
Networks used for recruiting employees	x	
<b>Provision of training</b>	+	<b>0.017</b>

Note. + have positive relationship with growth  
 - have negative relationship with growth  
 x relationship with growth is not confirmed

**Table 4: Commonly Highlighted Barriers**

<i>Issue/Barrier</i>	<i>count</i>	<i>Total N</i>
economic/financial issues	16	27
low qualified personnel	10	27
low education level personnel	8	27
new employees every year	3	35
Legislative issues	7	19
mainly have new customers rather than loyal	29	37

Note. count – the number of people who confirmed the barrier to exist  
 Total N – the number of people responded the question

**Table 5: Seasonality Issue (n=28)**

<b>Change in employee numbers</b>	<b>count</b>
<b>75-100 % less</b>	5
<b>50-70 % less</b>	6
<b>25-40 % less</b>	7
<b>No change</b>	10

**Table 6: Barriers Introduced by Respondents (n=22)**

<b>Issues</b>	<b>Count</b>
Capitalist nature of market/ unjust competition	7
General Economy	3
Political Problems	3
Other	9

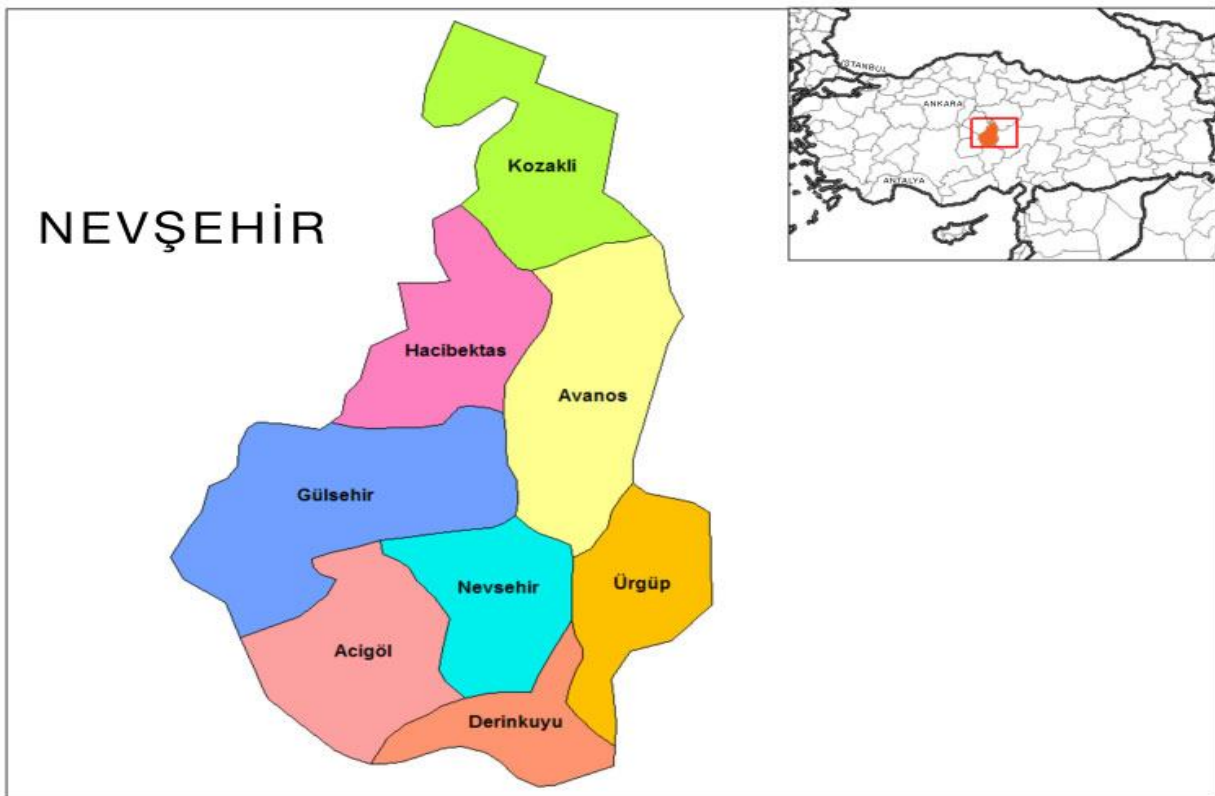


Figure 1: Map of Nevshehir

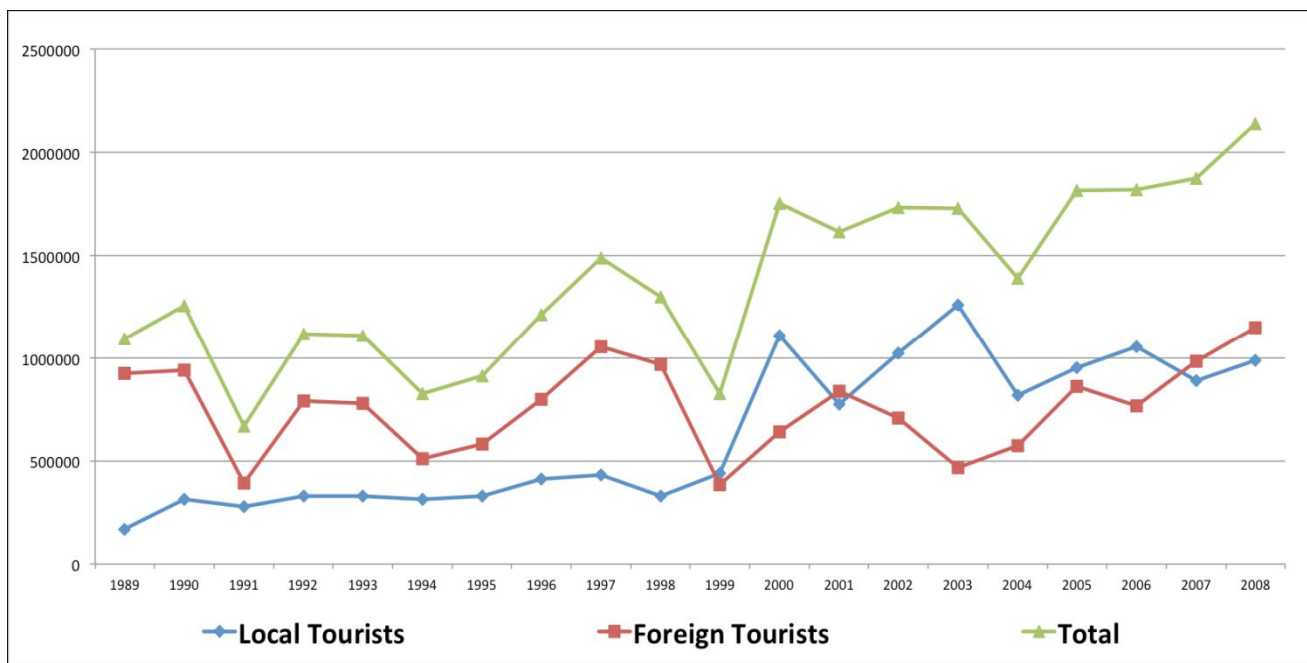


Figure 2: Number of Visitors