FACTORS INFLUENCING THE SUCCESSFUL
DEVELOPMENT OF HOSPITALITY SMEs: A STUDY
OF INDEPENDENT HOTELS IN NORTH CYPRUS

by

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ABSTRACT

In the field of business growth, most research has focused on the entrepreneur’s characteristics and formulation of growth paths for business. In recognising this, the research presented in this thesis aimed to explore and evaluate the key factors controlling hotel growth in the tourism industry. More specifically, the thesis is concerned with entrepreneurship in two specific contexts – island tourism and socio-economic uncertainty. Islands are a feature of the tourism industry, and they may present special characteristics which influence small business growth (capacity constraints, lack of infrastructure, etc.). Likewise, much tourism is undertaken in contexts of socio-economic uncertainty due to political instability – which might also affect how small businesses function and grow.

From an extensive review of the entrepreneurship literature, a number of different approaches to growth were identified and their propositions for achieving successful growth were evaluated. In addition, this review identified common key factors from different sectors and business variables which were further categorised into four groupings: entrepreneur/personality attributes, business, external influence and entrepreneur orientation.

A qualitative case study approach was employed in order to develop a richer and deeper understanding of the key growth factors for hotel entrepreneurship. The key factors of growth were investigated in five successful hotels in North Cyprus. Data was collected from any person who was related to the activities of the hotel: entrepreneurs, family members, managers, employees, customers and friends. A series of in-depth semi-structured interviews and observations were carried out involving respondents in Kyrenia, North Cyprus. Relevant documents for analysis were collected from the five case study hotels and official bodies like the Tourism Ministry.

The literature related to the growth of hotels indicated that the hotel business is complex and requires a different management style and personal skills compared to any other business sector, which makes forming strategies to pursue growth complicated for entrepreneurs.

Of 25 key factors investigated, sixteen influences on the growth of hotels in North Cyprus were found. These are desire to succeed, active risk taker, education, family history, network of contacts, other business interests of the owner, age of founders, state support, location, family friends, key employees/partners, customer concentration, autonomy, innovativeness, proactiveness and competitive aggressiveness. Each growth factor is related to the others and the factors create the path of growth for the entrepreneurs. However, the entrepreneur’s intention to grow also plays an important role in making the developments successful. It is therefore suggested that it is the entrepreneurs’ decisions that lead them to see the opportunities and use them with the combination of factors to pursue successful growth.

It was found that the key factors were primarily related to the entrepreneur’s characteristics and leadership. The findings from the case study hotels further suggested that location, loyal customers and loyal employees played a key role in achieving growth. An entrepreneur’s ability and skills to develop and manage a hotel with the combination of good networking, leadership, and seeing opportunities and adapting to changes in time, appear to depend very much on the country’s circumstances and past life experiences of the entrepreneur.
DEDICATION

This thesis is dedicated to My Family and
My Beloved Grandmother “KERIME SAHIN”.
ACKNOWLEDGEMENTS

I would like to take this opportunity to thank all the people and organisations who made this thesis possible. Many sincere thanks to Prof Peter Jones as my principal supervisor, for his supervision and support that has gone well beyond the call of duty. I am proud that I have had the opportunity of working with him and I hope that he can be proud of the final product. His invaluable comments and advice have been instrumental in making sure that this thesis stayed on course. Special thanks to co-supervisor, Dr Spinder Dhillon was very helpful. Special thanks to Prof David Kirby who has been very supportive and helpful during the first two years of my PHD as my supervisor. I would like to express my heartfelt gratitude to Assoc Prof Dr Fevzi Okumus. He has been friend, philosopher, guide, supporter during my doctoral journey. I would like to thank to Prof Dimitrios Buhalis for his big help and his co-operation and support all the time. Special thanks to Dr Lew Perren for supporting my research and giving me advice, encouragement and direction. I would also like to express my appreciation to those people in the case study hotels who participated in and supported this research study. Their invaluable co-operation and experiences made this study possible. I also want to thank the TRNC Tourism Ministry for helping me to access of hotels and to use official data.

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ABBREVIATIONS

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>EU</td>
<td>European Union</td>
</tr>
<tr>
<td>SME</td>
<td>Small and Medium Enterprise</td>
</tr>
<tr>
<td>TRNC</td>
<td>Turkish Republic of Northern Cyprus</td>
</tr>
<tr>
<td>UN</td>
<td>United Nations</td>
</tr>
<tr>
<td>UNDP</td>
<td>United Nations Development Programme</td>
</tr>
<tr>
<td>WTTC</td>
<td>World Travel Trade Council</td>
</tr>
<tr>
<td>WTO</td>
<td>World Tourism Organisation</td>
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1. CHAPTER: INTRODUCTION

1.1. Rationale

Entrepreneurship has gained significant interest from academic researchers in the last decade. The worldwide economy and altered perspectives on society account for many changes. Changes have meant the opening of new companies, investment of money in new areas, discovery of new products and creation of new ideas (Morrison et al., 1999; Zimmerer and Scarborough, 2001; Kirby, 2003). Entrepreneurship is related to the social and practical achievements in people’s lives and their countries’ development.

The tourism industry has become one of the most complex and dynamic sectors in the world. Claver et al. (2006) revealed that the tourism industry combines many different types of entrepreneurship. Every establishment within the industry bears different characteristics in terms of industrial differences. Thompson (1999) stressed that the tourism system is a big chain with businesses interrelated to each other directly or indirectly, and is dominated by small firms.

Shaw and Williams (1998), Morrison and Thomas (1999), Getz and Carlsen (2005) and Middleton (2001) studied the hospitality industry and the concept of entrepreneurship. They agreed that hotel businesses are small but it is difficult to define “small” for this sector. On the other hand, Page et al. (1999) mentioned that only very limited studies have
focused on small hotels because of the time involved, difficulty in accessing data, the cost of generating data, and a lack of theoretical and empirical data for small hotels.

Moreover, despite this shift towards the importance of hotels in the economy, very little research has been carried out into the area of growth processes. Surveys carried out by Shaw and Williams (1998), Saayman and Saayman (1998), Ateljevic and Doorne (2000) and Morrison (2006) investigating the difficulties of achieving successful growth in the hotel business, interviewed tourism entrepreneurs about key research areas in the hospitality and entrepreneurship field; all identified growth as the most important area for future research inquiry. These studies revealed that there is a lack of knowledge on growth in the hotel industry and therefore more empirical research is needed to help both academics and practitioners. Given the apparent lack of research into this area, this study seeks to fill this gap by examining the growth process in successful hotels.

1.2. **Scope and Focus of the Research**

Cyprus is the third largest island in the Mediterranean Sea, covering an area of about 3500 square miles. The island was divided after the 1974 war with the Greek Cypriots settling in the South and the Turkish Cypriots settling in the North. The Republic of Cyprus continued to be held by Greek Cypriots after 1974. The Turkish Republic of Northern Cyprus declared itself a Turkish-held area and as a result faces an international embargo (Sharpley, 2003). This has affected many areas like tourism and trade. The only way to travel is via air transportation, which has also faced difficulties because of the embargo. That was not the only impact of the isolation on Turkish Cypriots. They have been living in the northern part of island without any connection to the rest of the world. There were no jobs, developments, technology, or network improvements around the island. It had a real effect
on establishing a business or investing money and taking a risk for people who pursued being an entrepreneur on the island. Turkish Cypriots have been faced with many difficulties in their lives which have resulted in identity problems and in becoming socially dislocated from the rest of the world (Ayres 2000; Sharpley 2001; Sharpley 2002; Sharpley 2003; Webster and Timothy, 2006).

The hospitality industry has become one of the largest industries in the world employing 10.7 percent of the global workforce and producing 10.9 percent of the world’s GDP (WTTC, 2006). The hospitality sector is the main component of the North Cyprus tourism industry, and there were 130 accommodation establishments (hotels, motels and holiday villages) with a bed capacity of 15,816 in 2007. In 2007, the annual occupancy rate for hotels was 25.9 percent. Out of 435,528 visitor entries to North Cyprus in 2007, only 139,642 stayed in hotel (TRNC Tourism Ministry Statistical Year Book, 2007). This is shown that hotel industry had improved much since the division. In 2007, the tourism industry contributed $376.2 million to the GDP of North Cyprus and created 8208 jobs (TRNC Tourism Ministry Statistical Year Book, 2007). This is indicating that hotels are playing an important role in North Cyprus Economy.

North Cyprus gained independence 32 years ago; tourism is still at a young and immature level. Turkey is the only country to politically recognise North Cyprus. Thirty-two years down the road, it is important to note that the hospitality industry has faced serious problems. These include seasonality, low occupancy rates, transportation difficulties, inadequate infrastructure, pollution, high prices, a shortage of qualified staff, insufficient supplementary facilities and services, poor service quality and political uncertainty (Okumus et al., 2005).
In 2004, the Republic of Cyprus became a member of the European Union. A referendum on the “Annan Plan”, a United Nations proposal for reunification, was placed before both communities in April 2004. The plan was rejected by the Greek Cypriots while approved by the Turkish Cypriots but required the approval of both sides to succeed (Webster and Timothy, 2006). However, other good developments happened between the two parts of the island. They decided to open the borders and allow free passage to both sides except for those of Turkish nationality. All other nationalities, especially tourists, can now travel between the two parts without any limits or problems (Webster and Timothy, 2006).

There are new encouragements in the form of development programmes run by the UN and European Union to make changes and work for peace on the island. The EU is working with both governments closely and has funds available for small business developments especially in the tourism industry (see UN development programmes at www.undp.org).

The above discussion has shown the main issues associated with being an entrepreneur under the difficult circumstances in North Cyprus. This research will aim to find out about the development of hotel businesses by identifying the entrepreneurs who achieved successful growth and the entrepreneurs who failed to grow or did not continue in the hotel business in North Cyprus. As a result, this research is not only looking at the hospitality sector development, but also focuses on the interrelations of complex factors controlling growth in the hotel business.

As such, the scope of this study is primarily aimed at identifying factors which influence the growth of hotels. The researcher’s interest and experience lies in hotel management and
achieving successful growth patterns. North Cyprus hotels were chosen because it was believed that their special circumstances could be unique other hospitality firms located in stable economic and social environments, and they could therefore provide good insight and understanding into this under-researched area.

1.3. The Role of the Researcher and Background

I was born in 1975 in Nicosia, Cyprus, to a Cypriot mother and Turkish father. I have lived in many different cities since then including Istanbul, Famagusta, Guildford, Bracknell, London and Nicosia. In 1998, I completed my undergraduate degree in Tourism and Hospitality Management at Eastern Mediterranean University, North Cyprus. In 1999, I finished my Masters degree in Tourism Management at the School of Management, University of Surrey.

My family and I opened a travel agency with two other partners in 1998 in Istanbul. After I finished my degree, I decided to return to Cyprus and open my own company. From 1999 until 2001 I was the general manager and shareholder of my travel agency. I found it was very different running a tourism company compared to just working in one. It was not easy managing a travel agency and was the most challenging thing that I have ever done in my life. The timing of my business venture was very poor. Unfortunately, in 2000 Turkey was hit by one of the biggest economic crises it has faced. My travel agency was small and not strong enough to survive this crisis, and I had to sell the company.

It was not easy to find a job, but luckily I was accepted as a lecturer in a private university. I started my academic career as a lecturer in Tourism and Hospitality Management at
Yeditepe University in Istanbul, Turkey, in 2001. I was soon promoted and became the head of the department until 2004.

After spending three years in the academy, I realised that lecturing and being an academic was what I really wanted to do. I was always keen on studying purely tourism. I resigned from my position to move back to Guildford and started my PhD in Tourism in 2005. I wanted to combine my entrepreneurship experience with my tourism background. I also realised that the North Cyprus Tourism Industry was an important and under-researched area. I had knowledge and experience here as well as my heritage.

I started my PhD on a part-time basis and worked in order to pay for my study. I worked as a travel advisor for Citalia/First Choice Holidays and Lastminute.com during the first two years of my PhD. I decided to stop working at the end of 2006 and concentrated full time on my research. This enabled me to go back to Cyprus to collect the data. I signed an agreement with the North Cyprus Tourism Ministry granting access to the hotels and also received financial aid for data collection expenses. I decided to stay in Cyprus and watch developments in the tourism industry in North Cyprus after I collected the initial data.

In 2007, I started teaching tourism subjects at Near East University in North Cyprus on a part-time basis. I continued working on my research and had many advantages being a lecturer in a local university while gathering data for the case studies. Two years ago, I became a full-time lecturer in the School of Tourism and Hospitality at Near East University. My PhD has taken five years and has been a memorable time. My definition of a PhD would be: “many long and lonely times, lots of reading and writing, but still a very interesting, exciting and great learning experience”.

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I started looking for answers to questions that came from my previous entrepreneurship experience. I always wondered what more I could have done to save my company. I always believed that people have choices and there must be a reason and meaning behind these. Numbers did not reflect the truth of that moment, which may change on the basis of many different circumstances. Moreover, I tried to look for the meaning behind the actions; this is not always easy.

After completing my literature review and methodology chapters, I was clear about my epistemology and my role as a researcher in this field. I am an interpretivist because I believe that the world is highly subjective. It is commonly agreed that interpretivists share certain beliefs about the notion of knowledge and reality of the world. Cohen and Crabtree (2006) explained that an “interpretivist assumes that we cannot separate ourselves from what we know. The person and the object of investigation are linked such that who we are and how we understand the world is a central part of how we understand ourselves, others and the world”. It was obvious that a person who holds the beliefs of the interpretivist paradigm cannot stay away from the issue of personal belief.

Moreover, one of my aims was to understand the perspective of entrepreneurs by looking at their personality and intentions towards the growth of their companies in relation to a number of factors. However, as many researchers have different understandings on how to do the research, Perren (1999a) mentioned that there is always a risk of getting too involved during the process of data collection and creating sympathy towards the entrepreneur and as a result finding it hard to develop any criticism. As long as the researcher is clear about the objectives, this should not be an issue, especially for the
researcher who holds the interpretivist paradigm. Cohen and Crabtree (2006) agreed that the researcher adds value in all phases of the research process and tries to find the truth through dialogue (words, sentences).

Interpretations may differ based on the moment, situation and time. Interpretivists could also have a different viewpoint and explanation at a particular moment among themselves; this is the reason other people see the world differently from each other and interpret the results differently. From the interpretivist point, I am only interested in collecting data in a particular moment, context and time frame. I also discuss the findings on the basis of my own observations inside and outside the entrepreneurial environment. This was done to make this thesis more valuable and unique. I used my own entrepreneurial perspective and analysis of the findings as a contribution to this thesis.

1.4. **Aims and Objectives of the Research**

The focus of this research is to contribute the knowledge of tourism entrepreneurship and entrepreneurs by finding the factors that drive growth and successfully achieve growth.

Therefore, the overall aim of the research is:

"To investigate and explore the factors which influence the growth of hotels in the Turkish Republic of Northern Cyprus (TRNC)".

The objectives of the research are to:

- Explore the structure of the TRNC hotel industry and evaluate how TRNC hotels grow.
- Identify the common factors that influence entrepreneurial growth.
• Evaluate how many hotels successfully achieved growth in the TRNC.
• Determine the most important factors which drive to growth of successful hotel entrepreneurs and by doing that contribute to the knowledge and practice of the growth strategy for Small Island hotels with special circumstances.

These objectives were achieved through a number of distinct phases. In the first phase the literature on growth in the field of entrepreneurship was reviewed. In the second phase, using multiple qualitative data collection methods, survey data was collected about the structure of the hotel industry and the number of hotels that achieved growth, and five case studies were produced out of the total number of TRNC hotels. A more detailed explanation about the research methodology employed for this study is given in Chapter 3. In the third phase, the empirical research findings are discussed comparing them with the findings of previous research studies.

1.5. Structure of the Thesis

This thesis is divided into three main sections with eight chapters. The first part consists of three chapters (Chapter 1, 2 & 3). This first chapter outlines gaps in the existing entrepreneurship and tourism literature and states the objectives of this study. Chapter 2 critically identifies and reviews a range of different approaches to entrepreneurship and tourism and the link between the two, especially relating to the growth of small firms. Both disciplines are wide ranging and complex phenomena. Moreover, the underpinning theory is relatively undeveloped as these topics have been studied for only three decades. Organisational theory, managerial models are examined to find out the meaning of "growth of the firm" and the factors affecting growth, such as
owner's or entrepreneur's characteristics. The literature review continues to examine a specific sector (tourism) and island tourism (North Cyprus) in terms of entrepreneurship.

Chapter 3 describes and justifies the research methodology chosen for this study. It explains the research aims, questions and research design. Appropriate methods are explored and the case study method selected. It provides information about data collection methods employed for this thesis and explains in some detail how the data from each case study hotel group were collected and analysed.

The second part consists of three chapters (Chapter 4, 5 & 6). Chapter 4 presents the exploratory study findings with archival statistical data. The literature review chapters have demonstrated that the resources available for making generalisations about the North Cyprus tourism industry are very limited. It is important to examine secondary data like archival data, statistics and other data which give inside information about North Cyprus tourism. The exploratory study findings from the growth questionnaires and GET Tests (Durham, 1988) are analysed in order to understand the structure of the industry. The results presented show the hotel establishments' growth levels and the number of hotels that achieved successful growth.

Chapter 5 presents background information about the successful hotels and presents the research findings of the five case studies. This chapter offers a rich description of how growth was successfully achieved by entrepreneurs and its outcomes. Chapter 6 pulls together the research findings through identifying similarities and differences between the case study hotels and influencing factors.
Part three (Chapters 7 & 8) offers an analysis of the research findings. Chapter 7 evaluates several key themes emerging from the exploratory and main research of this thesis and compares them with previous research findings. It will also include the general findings of this research. It discusses the relationship of the research findings to the existing studies. It also examines the combination or factors to archive successful growth in the hotel industry.

Chapter 8 which is the final chapter states the limitations of this thesis. It is also include conclusion and final points of the research findings. The chapter will provide recommendations for practice and further research at the end of this final section of the thesis.
2. CHAPTER: LITERATURE REVIEW

2.1. Introduction

This chapter reviews the previous conceptual and empirical research on the growth of firms in the entrepreneurship and hospitality management fields. It starts by identifying and evaluating a range of approaches to growth and stages of growth. It then critically reviews the existing managerial growth models, and attempts to identify the key factors that influence growth. Further to this, the chapter discusses and evaluates the hospitality industry, and tourism entrepreneurs and their relationship to growth. Finally, the chapter ends by examining networks and networking, small island tourism and post-war tourism.

2.2. The Growth of Firms

The Bolton Report (1971) identified that small and medium sized enterprises (SMEs) make a significant contribution to economic growth with job creation, innovation and the encouragement of entrepreneurship.

Davidsson et al. (2004) agreed that "growth is the very essence of entrepreneurship". It would seem obvious that growing companies provide a huge contribution to the country’s economy as well as the social life of the people. But, it has been a difficult task to define growth because of people’s changeable perceptions. One of the legends in entrepreneurship studies, Edith Penrose (1959), illustrated the phenomenon of growth as follows:

"The term 'growth' is used in ordinary discourse with two different connotations. It sometimes denotes merely increase in amount, for example, when one speaks of 'growth' in output, export, and sales. At other times, however, it is used in its primary meaning implying an increase in size or improvement in quality as a result of a process of development, akin to natural biological processes in which an
interacting series of internal changes leads to increase in size accompanied by changes in the characteristics of the growing object.”

She explained that growth did not only mean increasing the numbers of sales and outcomes. Growth could be based on the size and improvement in the quality, especially in the service sectors. This is one of the oldest explanations in the literature on growth and it stands up well even today. The growth of small firms has not been adequately explained and developed as a theory (Gibb and Davies, 1990; Smallbone et al., 1995; Gibb, 2000). Many disciplines and theories have been used to understand and explain the growth of firms. Delmar and Davidson (2000) stated that “despite increased research efforts, our knowledge about high-growth business is still very limited”. Lechner and Dowling (2003) raised the two key questions on growth: “How and why do entrepreneurial firms grow?”

Additionally, it has been an issue to find out the factors influencing growth. For example, entrepreneur’s characteristics were found to be a factor of growth (Storey, 1994). Some research results have shown that entrepreneurs do not wish to grow (Storey, 1994; Aldrich and Martinez, 2001). Storey (1994, p. 112) pointed out that “the numerically dominant group of small businesses are those which are small today and, even if they survive, are always likely to remain small-scale operations”. Aldrich and Martinez (2001) also found that many firms never add more employees, and of the minority that do grow, only 3 percent add more than 100 employees. Tilley and Tonge (2003) argue that entrepreneurs are looking to day-to-day survival, which causes them to stop expanding, and developing new services or products.

However, it does not mean that SMEs start small and stay small. The average American firm is growing at a rate of 3.5 percent per annum (Gilbert et al., 2006). Most of the growth
rate measurement is based on the number of employees or sales. According to the National Commission on Entrepreneurship, rapid growth companies are defined as a company which grows at 15 percent per year by employment rate (Gilbert et al., 2006). Despite this, growth is not easy to achieve and maintain. It involves challenges and requires encouragement (Barringer and Greening, 1998; Barringer et al., 2005).

Davidsson et al. (2004) mentioned that there are two ways that firms achieve growth: organic (with sales) or through acquisitions (merging with other companies). This research is only focused on organic growth in small and medium enterprises in the hospitality sector. The following literature review will give more in-depth information on the growth of firms. Organisational theory, stages of growth and managerial models of growth will help to understand the context for growth of firms.

### 2.3. Organisational Theory

Organisational theories are the backbone of the field of organisational studies, which has as its objective the investigation of organisations, particularly human organisations, in order to better understand their structures, functions and properties for the purpose of enhancing productivity and satisfaction. Organisational theories are interdisciplinary, based on knowledge including from fields such as psychology, political science, economics, anthropology, sociology, geography, marketing and management etc.

The history of organisational theory starts from the “Classical School” to the “Contingency approach”. Classical theorists of the field put forth that there is a single, generally-applicable way in which to create and operate an organisation (Perren, 1999a). However,
the contingency approach takes a different way, believing in the unique nature of each organisation and, therefore, in the need to seek personalised solutions, taking into account elements such as its size, technological requirements, environment, nature of the industry, etc.

The “contingency approach” is the most relevant to this thesis in order to understand the context of growth with the many factors of the internal and external environments of small and medium enterprises. The next section will examine growth stages under the umbrella of the contingency approach.

2.4. Life-Cycle of Firms and Models

As mentioned above, the “contingency approach” focuses on the influences of the age and size of the firm, which is determined to be a significant part of this thesis and will be looked into in more detail as follows.

Life-cycle, or stage, models present the life span of an organisation (Davidsson et al., 2004). These models provide a dynamic view and understanding of firm growth (Davidsson et al., 2004). The main variables in stage models are size and age of the firm (Perren, 1999a). Davidsson et al. (2004) believed there are significant differences between life-cycle and stage models as:

“...life-cycle models abstractly represent a cycle of emergence, growth, maturity, and decline whereas stage models frequently focus on the generic problems organizations encounter during growth. Firms are assumed to grow in distinct stages, each stage concluded by a set of typical problems and organizational responses.”

There have been many life-cycle models developed over the years such as Greiner’s model (1972), Kimberly’s model (1980) and Flamholts’s model (1986). Three of them will be examined here. These are the Churchill and Lewis model (1983), which is the most well
known model; the Tyebjee, Bruno and McIntyre model (1983), which is a model focusing on the marketing point of view; and the Irwin model (2000), which is the most recent and has a different view of the model and growth stages.

One of the most well known life-cycle models of entrepreneurship was developed by Churchill and Lewis in 1983. It is shown in exhibit 2.1. Churchill and Lewis (1983) critically analysed previous models and found that other models were inappropriate for understanding small business life stages because they are typically used to measure only two dimensions, namely, company size and company maturity.

Exhibit 2.1: Growth phases of a firm

<table>
<thead>
<tr>
<th>Large</th>
<th>Stage I</th>
<th>Stage II</th>
<th>Stage III</th>
<th>Stage IV</th>
<th>Stage V</th>
</tr>
</thead>
<tbody>
<tr>
<td>Existence</td>
<td>Survival</td>
<td>Success</td>
<td>Take-Off</td>
<td>Resource Maturity</td>
<td></td>
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</table>

Churchill and Lewis (1983, p 32) argued:

"The models are inappropriate for small business on at least three counts. First, they assume that a company must grow and pass through all stages of development or die in the attempt. Second, the models fail to capture the important early stages in a company's origin and growth. Third, these frameworks characterize company size
largely in terms of annual sales and ignore other factors such as value-added, number of locations, complexity of products or production technology.”

The Churchill and Lewis (1983) model proposes that firms have a different management style, organisation structure, major strategy and relationship between business and owner at each stage. They have created the model by looking at many different angles and dimensions in order to find out how firms grow. The Churchill and Lewis (1983) model has five stages, namely, stage I: existence; stage II: survival; stage III: success (stage III-D Success-Disengagement and stage III-G Success-Growth); stage IV: take-off; and stage V: resource maturity.

Stage I is the start-up of the business with a limited number of employees working for the owner (entrepreneur). It is also emphasised that the entrepreneur is the centre of the business.

In Stage II owners are heavily involved with their businesses. Entrepreneur and business cannot be separated. In other words, the business is their life, and vice versa. Entrepreneurs are in the survival stage and concentrating on surviving in the market.

Stage III is the decision of the entrepreneur about whether to keep the company stable and profitable (substage III-D) or create a platform for growth (substage III-G). If the company reached the substage III-D, it had gained economic freedom, sufficient size, market power and profits. The interesting developments start in substage III-G which is called Success-Growth. According to the model, firms start to think about development and growth in that stage if they have enough financial resources and entrepreneurial ability. The entrepreneur will start to think strategically and employ more managers who will take the company to
further stages in the future. The entrepreneur also requires the business to stay profitable and uses the financial power to borrow money and take risk for growth. The substage III-G could be a trial stage before the entrepreneur is actually convinced that all the resources are available for the next stage, which is called the take-off stage.

In stage IV the entrepreneur starts to get involved with growth and internal problems arise, namely delegation and cash control. The most important factors are the employment of key managers to decentralise the organisation and handle the complex business environment. This is the stage at which the entrepreneur and business separate. The entrepreneur must show the ability to manage the growing company financially and managerially.

The final stage V is resource maturity, which means the company comes to the point where growth is established. The company structure has completed decentralising the management. All the systems are in place and run well. The company has the power of the market, size and managerial talent with a competitive advantage.

The entrepreneur’s characteristics always play a crucial role in growth at each stage of development, as illustrated in exhibit 2.2. In the early stages, the entrepreneur is at the centre of the business, in direct supervision with a simple organisation.

Exhibit 2.2: Characteristics of small business at each stage of development

*Smaller circle represents owner. Larger circle represents business.
Source: Churchill and Lewis (1983)
The owner’s characteristics and talents give life to the business. It is important that the entrepreneur has good selling, producing and inventing skills in the early stages. As the company passes through the stages the entrepreneur must change his management style, strategy and organisation structure. In stage II the owner’s life is the business’s life and vice versa. The business is dependent on the entrepreneur more than ever.

The entrepreneur’s decisions are a crucial part of the survival stage. Any wrong decision could end the life of the business as well as the entrepreneur’s venture. After stage III, the entrepreneur plays an important role in the whole perspective of the business with the changing organisational structure, management style, operational and strategic plans, and business-owner relationships as the company grows and expands.

However, Perren (1999a) argues that the Churchill and Lewis model could not be an appropriate model to understand the growth stages of firms. He wrote that: “While their model does not necessarily entail growth it is nevertheless preoccupied with an upward movement through the stages of growth. It is mainly concerned about transition, with the successful management of each stage pre-empting the next.” (Perren, 1999a, p35) This model is still explaining that every company needs to have experience and good entrepreneurial decisions to pass to the next stage. The model may not be appropriate for companies in a stable economy and with modern developments, especially technology. Hence it is a powerful tool to understand and examine companies in an unstable economy in underdeveloped countries as well as complex industry structures like tourism.

The second model was adopted by Tyebjee, Bruno and McIntyre in 1983. They developed a stage model based on a marketing perspective of growth as an alternative approach. The
model is shown in exhibit 2.3. They identified important marketing issues, where each stage shows different levels of marketing behaviour at each stage of the firm life-cycle.

Exhibit 2.3: The evaluation of marketing function based on firm life-cycle

<table>
<thead>
<tr>
<th>Stage 1</th>
<th>Stage 2</th>
<th>Stage 3</th>
<th>Stage 4</th>
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</thead>
<tbody>
<tr>
<td>Entrepreneurial Marketing</td>
<td>Opportunistic Marketing</td>
<td>Responsive Marketing</td>
<td>Diversified Marketing</td>
</tr>
<tr>
<td>Marketing Strategy</td>
<td>Market niche</td>
<td>Market penetration</td>
<td>Product–market development</td>
</tr>
<tr>
<td>Marketing Organisation</td>
<td>Informal, flexible</td>
<td>Sales management</td>
<td>Product–market management</td>
</tr>
<tr>
<td>Marketing Goals</td>
<td>Credibility in the marketplace</td>
<td>Sales volume</td>
<td>Customer satisfaction</td>
</tr>
<tr>
<td>Critical Success Factors</td>
<td>A little help from your friends</td>
<td>Production economies</td>
<td>Functional coordination</td>
</tr>
</tbody>
</table>

Source: Tyebjee et al. (1983)

It could be argued that good marketing might be the most appropriate means to achieve growth based on this model’s approach. It is obvious that marketing could be very important in increasing sales, which means a growing company in many cases. However, it is not clear about the relationship between the stages of growth and the entrepreneur. Another problem is with the stage achievements and criteria. Customer satisfaction is in stage 3 for the marketing goals. But customer satisfaction must be important in stages 1 and 2 for the continuation of the company, which will give power to the growth. Although the Churchill and Lewis model has some problems, especially on the application side, the Tyebjee, Bruno and McIntyre model has the same problems. Another problem is the model is so focused on marketing that other important issues can be easily overlooked. Helms and Renfrow (1994) stressed that the major components that determined the life-cycle of growth in a firm were ownership, activity of sales, market share, capital assets/equipment, financing and outside sources. They concluded that change is necessary for all companies who wish to grow. They argued the main factor that influenced the life-cycle was not marketing, it was sales.
A third model and more recently, research conducted by Irwin (2000) mentioned that “not every owner-manager wants to grow their own business and, irrespective of desire, not every business is able to grow. Successful growth requires considerable change and effective change management”. It is obvious that the entrepreneur's characteristics and desire to grow play an important role. It might be the reason that the old models were not effective in explaining the growth stages of firms. Irwin (2000) offers a very different view of growth, which is shown in exhibit 2.4.

Exhibit 2.4: The seven ages of entrepreneurship

Stage 7: Proactive networker
Stage 6: Seek professional support
Stage 5: Flying solo
Stage 4: Just do it
Stage 3: It's too difficult - external barriers
Stage 2: People like me don't - cultural pressures
Stage 1: It's not for me - internal barriers

Source: Irwin (2000)

The model has very basic concepts, which clearly identify what entrepreneurs go through personally if they desire to grow. “Cultural Pressure – People like me don’t” is the first stage and it occurs during start-up. It also counts as a first barrier to becoming an entrepreneur. Irwin (2000) argued that entrepreneurship is not seen as a “real job” in a society, which discourages people from starting their own business.
If an entrepreneur passes the social and psychological barrier of becoming an entrepreneur, the second stage, which is called “It isn’t for me”, occurs. People are afraid that the examples are too big and their achievements unreachable. In other words, potential entrepreneurs are in the middle of thinking about whether they can find a successful idea and continue their dream venture as a self-employed person.

The third stage is called “It’s too difficult”. After the entrepreneur encounters problems and barriers, many of them give up instead of seeking resources or help (Klapper et al., 2006). The characteristics of entrepreneurs become more important in this stage. If an entrepreneur has the desire to succeed, persistence, determination and commitment, they continue to find ways to solve the problems.

Stages one, two and three are directly related to the entrepreneur. There are personal, psychological and social issues to be solved by the entrepreneur. The only question is that Irwin has every entrepreneur pass these stages easily. Many real life cases have shown that entrepreneurs are risk takers and the first three stages are related to taking different types of risks. Another way of saying this is that the entrepreneur must take risks to pass the stages. If the entrepreneur does not take risks he or she will stop making progress between the stages. This is again showing that the entrepreneur plays an essential role at the very heart of the stages, especially while passing through stages over the years. Additionally, an owner must possess the entrepreneurial skills to be able to pass the stages and growth is related with those skills and abilities needed to achieve this.

The next stage, which could be the biggest step for the entrepreneur, is “Just do it”. Irwin (2000) explained that stage as “…nothing should hold you back; don’t worry about what
others think; don’t worry about the threats and just consider the opportunities”. In this stage, the entrepreneurial spirit is more clearly shown than in the first three stages. In reality, this is the stage where the company starts officially and the entrepreneur starts to feel the pressure of being an entrepreneur by facing challenges.

Stage five is called “Flying solo” where the entrepreneur is actually in the business. The main problem that occurs at this stage is that entrepreneurs are either too proud or too embarrassed to seek further support. Irwin (2000) suggests that “those entrepreneurs who can overcome their pride or embarrassment will go on to seek support, either externally, or by additional staff with the required skills and expertise. The best entrepreneurs are those who recognise their own shortcomings and address them”.

Stage six is called “Support seekers”. In this stage, entrepreneurs are aware of what they need and the business requirements such as employing people, exporting, introducing total quality management, or raising equity. It is very important that the entrepreneur recognises this and seeks advice to address the gaps in their knowledge.

The last stage is “Active networking”. This is the last stage where entrepreneurs recognise support and advice are vital elements to business growth. Irwin (2000) argues that growth could be achieved by good networking. He suggests “…that management development is not only the development of ‘know-how’ but also of ‘know who’. Networking is something that a lot of people do without ever thinking about it but, if it is carried out as a deliberate activity, it is much easier to control the results”.

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Stage five and six are problematic in terms of growth achievement and modelling. It looks like entrepreneurs could fail at stage six if they cannot find enough support or choose the right support. It is very obvious that the entrepreneur must complete certain psychological achievements and be accepting until the level of growth desired is reached. However, there is a conflict between the stages and business growth. The first five stages are related to internal issues of the entrepreneur. The last two stages are related to external issues and the actual start-up process happening. In other words, the business does not start until the entrepreneur reaches stage six. Basically, there is no relation of the model to small firm growth between the stages.

Another problem that comes up is the length of time entrepreneurs need to be in each stage. There is no specific time period given for that. The main reason may be that every entrepreneur is likely to psychologically overcome all the stages in a different way. Some people are sensitive and they cannot deal with the stress; stage two would be the only stage they reach. However, Irwin (2000) pointed out that of all the psychological changes an entrepreneur must go through, networking is the most vital element for growth in the end. This is the part that is open to discussion. An entrepreneur must pass all the stages psychologically and be ready for entrepreneurship at the last stage. But there is nothing in the stages relating growth and the small business itself. In the last one of the seven stages the entrepreneur finally reaches the point of growth and the vital element of growth, networking. One way of looking at it is that networking is the most important factor of success but it must be started from the first day of opening the company and continued throughout the stages of growth. It again shows the problems of modelling growth stages and the links between them.
Whilst Irwin's (2000) model has explained the stages entrepreneurs go through personally it does not give much insight into growth and how it is achieved. Its major contribution is that it emphasises two key elements that might affect growth – the entrepreneur and networking.

2.4.1. Stages of Growth

There are many arguments on the key elements and usefulness of stage or life-cycle models. Chell and Haworth (1992) identify three stages as "post start-up, established and professionally managed". They found the key elements during the stages lie under the headings of entrepreneurial attributes, characteristics, lack of planning and lack of foresight.

O'Gorman (2001) argued that growth life-cycle models are useful because they simplify the complexity allied with growth. However, she argued that the models are inadequate for several reasons:

- "A company must pass through all stages of development or die in the attempt.
- Many also fail to allow for alternative growth paths (for example, skipping stages or progressing through stages in a different order to that specified in the model).
- Many of the models fail to capture in detail the important stages in the company's early development and growth. They progress rather simplistically from 'birth' to 'growth', offering little explanation as to why the characteristics of a particular stage emerge.
- The determinants of a firm's position in a particular phase of growth and the factors that cause it to shift from that stage to another one are, at best, implied.
- Most models fail to take into account the role of industry, technology and other situational variables. Their proponents imply that they can be applied to all organisations, regardless of context.
- Many of the models characterise growth in terms of sales (although some mention number of employees) and fail to consider value added, complexity of the product line, production technology or the number of locations."

O'Gorman (2001) stated that "barriers to growth" occur when the companies encounter difficulties while passing from one stage to another. The main responsibility lies with the
managers or owners to overcome these barriers in order to determine the growth potential of the company. O’Gorman (2001) identified these barriers as: finance; industry factors such as the level of demand and the intensity of competition; the cost of labour and labour legislation; internal factors such as the managerial skills of the entrepreneur; and the personality and managerial style of the entrepreneur.

Hill, Nancarrow and Wright (2002) conducted case study research to investigate the life-cycle and crises points in SMEs in the UK and USA. They found relationships between the crises points and entrepreneurial characteristics, ability, skills and intention, which either positively or negatively affected the growth of the venture. The other factors are listed below:

- "A good location was also a key factor that brought customers, initial marketing activity to create sales or in terms of delivery of services did not present major problems.
- Having come through the initial growth stage in their businesses, the owner-entrepreneurs appeared more confident in seeking advice and financial support from their banks, to take on the additional risks of expansion of premises to boost sales. However, marketing expertise, in the form of external consultants, was still not sought.
- The companies were suffering the side-effects of rapid early growth. The companies had grown too fast and had not had time to build a structure to support this growth.
- The companies’ crises were exacerbated by poor general management skills. The owners had no conception of how to cope with a rapidly growing enterprise. Not surprisingly, the companies had serious problems with sales. In the main, the first signs of decline were rooted in sales figures.
- Entrepreneurs learn they cannot ignore their customer needs or the changes in their markets. Marketing is born from the need to specialise as businesses grow and entrepreneurs learn to home in on management skills." (Hill et al., 2002, p 362-364)

LeBrasseur, Zanibbi and Zinger (2003) carried out an empirical study of 145 new venture start-ups to explore the life-cycle model of growth as measured by sales. Their findings supported the view that sales were critical to growth at the pre-start-up phase and extending beyond. Nevertheless, if the entrepreneur only engaged in day-to-day operating issues and
did not turn his/her attention to building a base of managerial capabilities, it did not allow the growing firm to adapt to the demands of the marketplace (LeBrasseur et al., 2003).

In summary, life-cycle or stage models of SME growth have been studied by many researchers. But some common problems have been pinpointed (Irwin, 2000; O’Gorman, 2001). The most common problems occur during the changing of stages. The entrepreneur is faced with challenges like adapting to new management systems, know-how, and finding new strategies. The entrepreneur could feel ready for the next stage in capability as well as business structure. However, passing to the next stage would be disastrous if taking on unexpected responsibilities and risk. It requires entrepreneurial abilities and talents to have smooth changes between stages. Entrepreneurial initiative or motivation also affects the decision to choose to either enter the stages on the path of growth or not to continue onwards and stay in the same stage forever. Besides these well known life-cycle growth models, there are other approaches which have helped to analyse and understand SME growth. The next section will examine managerial growth models.

### 2.4.2. Managerial Growth Models

Perren (1999a) explained the managerial models as “...attempts to describe the multitude of factors that impinge on the small firm as it emerges and develops”. These models provided more understanding of firm growth as an integrative model rather than simply itemising factors or concentrating on one specific aspect of growth (Perren, 1999a; Tilley and Tonge, 2003).

Perren (1999a) and Tilley and Tonge (2003) identify seven such models. These are:
Perren (1999a) found four significant problems with these models. The first problem was size of the firm, as each of these studies defined SME in different ways. Hence, none of these models may be applied across any type or size of business (Curran, 2000). Gibb and Scott (1985) developed a model based on firms under 50 employees that were about to pursue the next stage of growth. Bygrave (1989) adapted Moore’s (1986) model in order to develop an entrepreneurial process model which is driven by innovation, but the size of firm was not specified. Covin and Slevin (1991) targeted “larger established firms” in their model. Naffziger et al. (1994) and Jennings and Beaver (1997) were not clear about the size of the firm in developing their models. Keats and Bracker’s (1988) model was focused on larger-scale small firms (Perren, 1999a; Tilley and Tonge, 2003).

The second problem was the lack of empirical evidence in the existing models. Five of the proposed models relied on existing literature without any empirical evidence (the Keats and Bracker, Bygrave, Covin and Slevin, Naffziger et al. and Jennings and Beaver models). Perren (1999a) mentioned that three models are very difficult to test empirically, namely: Keats and Bracker; Bygrave, and Covin and Slevin. The Davidsson (1991) entrepreneurial growth model and Gibb and Scott (1985) models were empirically tested. Davidsson

The third problem was the factors that influence the growth of the firm. Gibb and Scott, (1985), Bygrave (1989) and Jennings and Beaver (1997) included the full range of factors influencing a firm's development, whereas the Keats and Bracker (1988), Covin and Slevin (1991), Davidsson (1991), and Naffziger et al. (1994) models considered the interaction of influences on the entrepreneurial process and behaviour (Perren, 1999a; Curran, J. 2000).

The fourth problem was how the various factors identified actually interact together to influence the development of the firm. The next section addresses this issue.

2.5. The Factors Influencing Small Firm Growth

Small and medium sized enterprises are affected by different factors while achieving growth. The factors can be wide ranging, and both external and internal. Some external factors may not be under the entrepreneur’s control but internal factors are directly influenced by owner-managers.

Barkham et al. (1996) stressed that external factors could come from the economic environment like “growth of the demand for the company’s product, the prices of competitors, cost of suppliers or labour, interest rates. External factors are influenced by national governments”. Barkham et al. (1996) focused on a single country where the factors influenced the growth of companies. But external factors have clearly varied between countries, cultures and other aspects, and some factors may be more important than others in different regions (Smallbone et al., 1995).
The main factors that influence the growth of a company in terms of the region could be location of the firm, governmental financial support of a specific area, cost of labour, properties, etc. After 1990, many factors were found for the growth of firms by researchers. The same types of studies were conducted in different countries. The results showed that factors varied based on country, culture, economical and political structure and the entrepreneur (Pasanen 2006). Many researchers tried to put the factors into some kind of framework, group categories or listed them under a specific approach. The main reason was to generalise and find the common factors which might affect all types of entrepreneurs in the world. One of example is Gibb and Davies (1990), who grouped the factors that influenced the growth of firms into four main types:

- **Personality dominated approach**, which focus on the impact of the entrepreneur’s personal characteristics;
- **Business management approaches**, which emphasize the factors affecting the firm’s performance in the marketplace, particularly its financial performance;
- **Sectoral and broader market-led approaches**, which emphasize the influence of external factors rather than individual form characteristics;
- **Organizational development approaches**, represented by the so-called “life-cycle” or “stages of growth” model (Churchill and Lewis, 1983)."  

One of the most extensive studies on growth was published by Storey in 1994. Storey (1994) broadly examined the understanding of SMEs and the factors that influence the growth of firms. The findings showed that the growth process in small firms is driven by a combination of three basic components, which is shown in exhibit 2.5. Storey (1994) explained the three components as:
"... there are three key influences upon the growth rate of a small independent firm: the background and access to resources of the entrepreneur(s), the firm itself, and the strategic decisions taken by the firm once it is trading".

Exhibit 2.5: The Concept of firm growth

Source: Storey (1994)

Storey (1994) founded the concept of firm growth based on a significant literature search to outline the conceptual framework for finding factors that influence growth. Table 2.1 shows the list of factors concerning the entrepreneur/owner and the empirical studies that have been done to support these. An entrepreneur component contains 15 variables which either positively or negatively influence the growth of SMEs. The factors are motivation, unemployment push, education, management experience, number of founders, prior self-employment, family history, social marginality (ethnicity), functional skills, training, age, prior business failure, prior sector experience, prior firm size experience, and gender.

One of the interesting points was that gender did not show any significant role in influencing growth from many of the studies listed in table 2.1. Another point was that studies have used different factors to understand the level of influence. Basically, many
factors are irrelevant for the other studies. Some common factors were given attention by many authors in different years like education, management experience, age and gender.

Table 2.1: Factors influencing firm growth related to the entrepreneur

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<td>1 Motivation</td>
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<td>14 Prior firm size experience</td>
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</tbody>
</table>

Key: + Positive relationship between the element and growth of the firm    - Negative relationship between the element and growth of the firm
() Relationship present in a univariate context, but weak in a multivariate context    x Element not shown to be significant in influencing growth

Sources: Storey (1994); Barkham et al. (1996)

The second component of Storey’s (1994) review was the firm itself. The six company factors examined for their impact on the growth of small firms were: age of the firm, sectors/markets, legal form, location, size and ownership, which are shown in Table 2.2. These are counted as “control” elements in understanding the process of small firm growth. The sector or market factor was the most widely studied factor. The majority of the studies have found it to positively influence growth of companies. Age of the firm was the one factor that was found to have no relation to growth in the majority of the studies. There are
only four studies that looked at location as a factor and all found it had a positive impact on growth.

Table 2.2: Factors influencing firm growth related to the firm

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<td>2 Sector/Markets</td>
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<td>3 Legal form</td>
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<td>4 Location</td>
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<td>6 Ownership</td>
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</table>

Notes:  
* Dunne and Hughes measure growth in terms of net assets  
** Kalleberg and Leicht measure growth in terms of business earnings

Key:  
+ Positive relationship between the element and growth of the firm  
- Negative relationship between the element and growth of the firm

() Relationship present in a univariate context, but weak in a multivariate context  
| Element not shown to be significant in influencing growth

Sources: Storey (1994); Barkham et al. (1996)

The last component was called “Strategy”. Storey (1994) explained the strategy as “the actions which are taken by the small business owner once in business”. Storey (1994) identified 14 factors to understand the range of business development strategies and their influence on small firm growth. The strategy factors shown in Table 2.3 are workforce training, management training, external equity, technological sophistication, market positioning, market adjustments, planning, new product introduction, management recruitment, state support, customer concentration, competition, information advice, and exporting.
Table 2.3: Factors influencing firm growth related to the strategy

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<tbody>
<tr>
<td>Workforce training</td>
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<td>Management training</td>
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<td>External equity</td>
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<td>Technological sophistication</td>
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<td>Market positioning</td>
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<td>Planning</td>
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<td>New product introduction</td>
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<td>Management recruitment</td>
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<td>State support</td>
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<td>Customer concentration</td>
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<tr>
<td>Competition</td>
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<td>Information and advice</td>
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<td>Exporting</td>
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</tbody>
</table>

Key: + Positive relationship between the element and growth of the firm  - Negative relationship between the element and growth of the firm  x Element not shown to be significant in influencing growth
0 Relationship present in a univariate context, but weak in a multivariate context

Sources: Storey (1994); Barkham et al. (1996)

The strategy component has many factors like the entrepreneur component. It is one of the reasons that strategy and its subareas have had attention from researchers. Many of the factors have been examined or used by many researchers as seen in table 2.3. However, many of them have been found to be irrelevant in relation to the process of growth. Three studies found technology to be positive and two of them showed no relation; the rest did not use it. This reinforces the view that certain factors only affect certain environments and sectors. This suggests that individual studies carry their own unique perspective, which may not be useful in general terms of growth.
Storey (1994) drew attention to the fact that rapidly growing companies constitute a very small number among the small firm population. He stated:

"Most firms, even in 'ideal' macroeconomics circumstances, do not wish to grow in employment. However, the firms which exhibit low or negative growth have significantly higher death rates than fast-growth firms."

Storey (1994) strongly argued that all three components, the entrepreneur, the firm and strategy, must be combined appropriately in order for the firm to achieve growth. It is obviously seen that every component is related to other factors. The list of factors influencing growth under the three components is shown Table 2.4 at a glance.

Table 2.4: Factors influencing the growth of the firm from all three components

<table>
<thead>
<tr>
<th>THE ENTREPRENEUR</th>
<th>THE FIRM</th>
<th>STRATEGY</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 MOTIVATION</td>
<td>1 AGE</td>
<td>1 WORKFORCE TRAINING</td>
</tr>
<tr>
<td>2 UNEMPLOYMENT</td>
<td>2 SECTOR</td>
<td>2 MANAGEMENT TRAINING</td>
</tr>
<tr>
<td>3 EDUCATION</td>
<td>3 LEGAL FORM</td>
<td>3 EXTERNAL EQUITY</td>
</tr>
<tr>
<td>4 MANAGEMENT EXPERIENCE</td>
<td>4 LOCATION</td>
<td>4 TECHNOLOGICAL SOPHISTICATION</td>
</tr>
<tr>
<td>5 NUMBER OF FOUNDERS</td>
<td>5 SIZE</td>
<td>5 MARKET POSITIONING</td>
</tr>
<tr>
<td>6 PRIOR SELF-EMPLOYMENT</td>
<td>6 OWNERSHIP</td>
<td>6 MARKET ADJUSTMENTS</td>
</tr>
<tr>
<td>7 FAMILY HISTORY</td>
<td></td>
<td>7 PLANNING</td>
</tr>
<tr>
<td>8 SOCIAL MARGINALITY</td>
<td></td>
<td>8 NEW PRODUCTS</td>
</tr>
<tr>
<td>9 FUNCTIONAL SKILLS</td>
<td></td>
<td>9 MANAGEMENT RECRUITMENT</td>
</tr>
<tr>
<td>10 TRAINING</td>
<td></td>
<td>10 STATE SUPPORT</td>
</tr>
<tr>
<td>11 AGE</td>
<td></td>
<td>11 CUSTOMER CONCENTRATION</td>
</tr>
<tr>
<td>12 PRIOR BUSINESS FAILURE</td>
<td></td>
<td>12 COMPETITION</td>
</tr>
<tr>
<td>13 PRIOR SECTOR EXPERIENCE</td>
<td></td>
<td>13 INFORMATION AND ADVICE</td>
</tr>
<tr>
<td>14 PRIOR FIRM SIZE EXPERIENCE</td>
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<td>14 EXPORTING</td>
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<td>15 GENDER</td>
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</tbody>
</table>

Source: Storey (1994)
In the late 90s, entrepreneurship and growth gained huge attention from academics, especially after Storey’s study. Perren (1999c) conducted research to determine the factors that influence growth in micro-sized enterprises. He explained the aim of his research as to:

"...produce an empirically verified framework that explains how the multitude of independent factors identified actually interact to influence the gradual growth of micro-enterprises".

In order to achieve his aim, he developed a model to analyse and understand the cases based on growth in micro-sized enterprises, which is shown in exhibit 2.6. The model has been developed to provide the basis for a semi-structured questionnaire and to help with case analysis. As mentioned earlier, the characteristics of the entrepreneur are not the only factors influencing growth but are one of the most significant factors which play an important role. The model brought many factors together to understand a company’s growth process. Perren (1999c) strongly stated that this was not a model for the development of growing companies. He stressed that the model would provide a coherent platform for case analysis in growth and entrepreneurship research.

In the model, 16 independent factors in four groups have been identified from the literature which link to growth drivers that cause a small business to grow (exhibit 2.6). Furthermore, Perren (1999b) empirically studied the factors that influence the growth of firms by using the model. The results show both the positive and negative influences of the factors on the growth of the firm (exhibit 2.7).
The reason Perren (1999a) devised a model is understandable from the point of view of understanding the growth of firms. However, this and other models do not give any insights into how these factors create the growth of firms. Furthermore, the question is, does this model explain how to achieve growth like a road map? More importantly, can all models be applicable to any type of industry or company? Perren (1999a) had provided a good approach and empirical study in terms of the growth literature. He categorised the level of
growth of a business into three categories: non-growth, little-growth and successful growth. Non-growth means that no growth has occurred at all since the beginning of the company. Little growth means the business attempted to grow but was not successful. Successful growth means the business achieved a level of growth and expanded the company in terms of sales and many other ways.

In general, Perren (1999a) grouped the factors which influence growth as shown in exhibit 2.7. This shows the positive and negative influence of factors on the growth of the firm. The same factors could cause negative or positive growth. It is then important to look more into the other conditions of the company at the time of growth, like the environment (Lordkipanidze et al., 2005). It will then tell us the number of factors that influence growth. Otherwise, the factors’ influence is so open to misinterpretation, either negative or positive. This is not very clear from his study. The model cannot be applicable to any type of business, especially the tourism industry (This issue will be examined in the tourism section of this chapter). The tourism industry is very different from other sectors.

Personality attributes is the first factor in the Perren model. The analysis showed that the desire to ‘be ones own boss’ could have negative and positive influences. Owners may seek to be self-employed (positive); however, they may be forced into being self-employed (negative). The entrepreneurs may sacrifice their own personal lives to help the firm grow or they might be unwilling to do that. Many entrepreneurs are ready to take a risk personally and financially, but some entrepreneurs are unwilling to accept and take risk (Busenitz, 1999). Entrepreneurs seek to find new products and services. On the other hand, some entrepreneurs do not like changes and would like to stick to the ways that they perform business (Busenitz, 1999; Gray, 2002).
### Exhibit 2.7: Positive and negative influences of factors on the growth of the firm

<table>
<thead>
<tr>
<th>Indicative exhibition of positive influence of factor on the growth of the firm</th>
<th>INFLUENCING FACTORS</th>
<th>Indicative exhibition of negative influence of factor on the growth of the firm</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Personality Attributes</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The owner-manager pro-actively sought self-employment. The owner-manager displayed high commitment to remain self-employed and retain personal control.</td>
<td>1. Desire to 'be one's own boss'</td>
<td>The owner-manager was forced into being self-employed. The owner-manager displayed low commitment to remain self-employed and was not concerned about retaining personal control.</td>
</tr>
<tr>
<td>The owner-manager was willing to make personal sacrifices to help the firm. The owner-manager was very disappointed if tasks are not completed successfully.</td>
<td>2. Desire to succeed</td>
<td>The owner-manager was unwilling to make any real personal sacrifices to help the firm. The owner-manager was not particularly disappointed if tasks are not successful.</td>
</tr>
<tr>
<td>The owner-manager was prepared to accept personal and financial risk to help the firm.</td>
<td>3. Active risk taker</td>
<td>The owner-manager was unwilling to accept personal and financial risk to help the firm. The owner-manager was very cautious and worried about risk.</td>
</tr>
<tr>
<td>The owner-manager actively sought new products/services or novelty in expressing existing offerings. The owner-manager actively sought improvements in the way tasks were performed.</td>
<td>4. Innovator</td>
<td>The owner-manager did not seek new products/services or novelty in existing offerings. The owner-manager was content with the existing ways of performing tasks.</td>
</tr>
<tr>
<td>The owner-manager had high levels of transferable personal wealth at the start of the business. The owner-manager is willing to use personal assets to help the firm grow.</td>
<td>5. Transferable personal capital</td>
<td>The owner-manager had low levels of transferable personal wealth at the start of the business. The owner-manager is unwilling to use personal assets to help the firm grow.</td>
</tr>
<tr>
<td>The owner-manager had high previous experience of the tasks which were where to become core to the primary operation of the firm.</td>
<td>6. Transferable primary skills</td>
<td>The owner-manager had low previous experience of the tasks which were required as core to the primary operation of the firm.</td>
</tr>
<tr>
<td>The owner-manager had previous experience of supervising.</td>
<td>7. Transferable support skills</td>
<td>The owner-manager had low previous experience of supervising. The owner-manager had low previous experience of administration appropriate to supporting the firm's core activities.</td>
</tr>
<tr>
<td>The owner-manager had high levels of personal contacts who have the potential to help the firm.</td>
<td>8. Transferable network of contacts</td>
<td>The owner-manager had low levels of personal contacts who have the potential to help the firm.</td>
</tr>
<tr>
<td><strong>Stakeholder Patronage</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Family and friends have been very supportive to the owner-manager and the firm. Family and friends are willing to offer 'low cost' or very flexible labour or finance to the firm.</td>
<td>9. Family, 'investing friends', etc</td>
<td>Family and friends have been unhelpful to the owner-manager and the firm. Family and friends who have been reluctant to offer 'low cost' or very flexible labour or finance to the firm.</td>
</tr>
<tr>
<td>Key employees have been prepared to offer a special level of skill or commitment to the firm, often at un-economic pay.</td>
<td>10. Key employees, partners</td>
<td>An absence of key employees who have been able or willing to offer a special level of skill or commitment to the firm.</td>
</tr>
<tr>
<td>Professional advisors who have done more than offer the basic service and have pro-actively engaged in trying to help the firm.</td>
<td>11. Active professional advisors</td>
<td>Professional advisors who have offered only a basic service and who have merely reacted to specific requests by the owner-manager.</td>
</tr>
<tr>
<td>Key creditors demonstrated faith in the firm, perhaps through offering resources beyond those normally available under strict commercial relationships. Customers who settled their accounts quickly and generally supported the firm's cash flow situation. Overall, a positive financial and cash flow situation for growth, supported by debtors and creditors.</td>
<td>12. Debtors and creditors</td>
<td>An absence of creditors who demonstrated faith in the firm. Customers who settled their accounts slowly and generally damaged the firm's cash flow situation. Overall, a negative financial and cash flow situation hindered by debtors and creditors.</td>
</tr>
<tr>
<td><strong>External Influences</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Societal and other 'outer' changes offered opportunities in the firm's specific market place or the way the firm operated. Society's positive attitude to people setting up on their own and 'being successful' spurred the owner-manager on.</td>
<td>13. Societal and other 'outer' factors</td>
<td>Societal and other 'outer' changes did not offer opportunities in the firm's specific market place or the way the firm operated. Society's negative attitude to people setting up on their own and 'being successful' de-motivated the owner-manager.</td>
</tr>
<tr>
<td>The economy was growing through an upturn or expansionary phase. The firm received support from government schemes and grants.</td>
<td>14. The state of the economy and its management by government management</td>
<td>Overall, the economy was declining through a peak-out or down-turn phase. Government legislation and regulation hindered the growth of the firm.</td>
</tr>
<tr>
<td>The firm's product/market had significantly growing. There is a high level of opportunity for targeting specific niches, through the nature of the general product/service and broad market.</td>
<td>15. Product sector and market segments</td>
<td>The firm's product/market segment was significantly shrinking. There is little opportunity for targeting specific product/service through the nature of the general product/service and broad market.</td>
</tr>
<tr>
<td>The firm faced levels of competition in its specific product/geographic area from which it was able to distant itself.</td>
<td>16. Competitive dynamics</td>
<td>The firm faced levels of competition in its specific product/geographic area from which it had difficulty in coping.</td>
</tr>
</tbody>
</table>

Source: Perren (1999a)
The second factor was transferable experiences. The entrepreneur may have a good amount of personal wealth and assets to use to promote company growth. Alternatively, the entrepreneur may not have enough money to start the business and be unwilling to use personal assets. The entrepreneur may have previous experience of the task, supervising, networks and administration of the business. On the other hand, the entrepreneur may have not enough experience to run a business and handle situations.

The third factor was stakeholder patronage. The entrepreneur may have very supportive family and friends, key employees, and professional advisors. In other words, the entrepreneur has easy access to internal and external resources in order to achieve success. In contrast, the entrepreneur may not have support from family and friends. It might be really difficult to access creditors. It takes time to build good customer relations and it may affect the company's cash flow.

The final factor was external influences. The entrepreneur copes with market, economic and outside changes and uses them as an opportunity to develop the firm. The entrepreneur may be able to use governmental schemes and grants. The opportunities may also open up niche markets and product varieties which result in growth of the firm. On the other hand, market changes may not offer any opportunities for the firm. Government and heavy rules and regulations may demotivate the entrepreneur.

Perren (1999b) examined the factors from the literature but changed the way they were grouped. The most important part could be the second part of the framework (interim growth drivers), which shows the interactions of factors and outcomes, and at the end
growth occurs. In other words, the model shows the relationship of cause and effect between the independent factors and growth drivers.

Storey (1994) and Perren (1999b) argued that all factors and components must be integrated and it is this simultaneous combination that leads to growth. Integration and combination of the factors is a hard job for entrepreneurs and those who do not have the ability to do so may have problems pursuing growth both in the short and long term. In the next section, entrepreneurial environment, the entrepreneur and entrepreneur orientation will be examined more in-depth to understand the changes and developments of the growth.

2.5.1. Entrepreneurial Environment

Gnyawali and Fogel (1994) explained the meaning of “entrepreneurial environment” as: “a combination of factors that play a role in the development of entrepreneurship”. Entrepreneurship is influenced by many different environmental factors like governmental policy, customer profile, and changes in the nature of economic, social and individual circumstances (Dyer and Gibb, 1994).

In the literature, many studies have focused on entrepreneurial environments. Table 2.5 shows these studies and others related to the subject area of entrepreneurial environment.

Table 2.5: Entrepreneurial environment studies in the literature

<table>
<thead>
<tr>
<th>Subjects:</th>
<th>Articles:</th>
</tr>
</thead>
<tbody>
<tr>
<td>To play a role in developing entrepreneurship in a country or region</td>
<td>Tyebjee, Bruno and McIntyre, 1983; Gartner, 1985; Manning, Birley &amp; Norburn, 1990</td>
</tr>
<tr>
<td>To show “what is out there” in a particular country or region</td>
<td>Davidson, 1991; Swanson &amp; Webster, 1992</td>
</tr>
<tr>
<td>To focus on what governments can do or have done to develop entrepreneurship</td>
<td>Mokry, 1983; Vesper, 1983; Birley and Westhead, 1990</td>
</tr>
<tr>
<td>The relationship between environmental conditions and new venture creation</td>
<td>Keeble &amp; Walker, 1994; Reynolds, Storey, &amp; Westhead, 1994</td>
</tr>
<tr>
<td>Business survival</td>
<td>Romanelli, 1998; Steams, Carter, Reynolds, &amp; Williams, 1995</td>
</tr>
<tr>
<td>Business closure</td>
<td>Keeble &amp; Walker, 1994; Westhead &amp; Birley, 1994</td>
</tr>
<tr>
<td>The competitive strategies</td>
<td>Romanelli, 1999</td>
</tr>
</tbody>
</table>

Sources: Adapted from Gnyawali and Fogel (1994) and Ucbasaran et al. (2001)
Environmental conditions can be examined under four dimensions. These are government policies and procedures, socioeconomic conditions, entrepreneurial and business skills, and financial support to businesses. Each dimension affects the entrepreneurial firm differently. The combination of all of them changes the growth strategy of the firm (Young and Welsch, 1993).

2.5.1.1. Government Policies and Procedures

Governmental policies and procedures can be the most significant factor for entrepreneurs. For instance, the European Union has developed policies, regulations and rules in the member countries concerning entrepreneurial activities which need to be considered by entrepreneurs pursuing business relations among member countries (Samitas and Kenourgios, 2005). Besides that, governments have also supported privatisation, globalisation, new start-ups and growth of firms to increase the economic contribution of SMEs.

All start-ups are important for the country's economy; therefore Gnyawali and Fogel (1994) state that "governments can also create an 'enterprise culture' that enables firms to take reasonable risks and seek profits". There is obviously a risk to starting a business but a stable economic and social environment can reduce this. However, Young and Welsch (1993) argue that entrepreneurs may be discouraged from starting a new business if there is over regulation, many different government agencies to deal with and too much bureaucracy.

Davidsson (1991) stressed that "tax and other start-up incentives have a greater impact when people have greater motivation to go into business". Some examples which directly
affect entrepreneurial companies could be electricity and water prices, exchange rates, and
taxes. But governmental policy and regulations may vary country by country. The question
arises of whether governments need to deregulate and encourage entrepreneurship or
whether SMEs need to be kept under control with tight rules. It again depends on the
country's political and economic perspectives. However, entrepreneurship is at the heart of
a country's economic wealth and governments need successful entrepreneurs to ensure a
healthy economic structure for their country. Entrepreneurs, therefore, have a role in
government economic and social policy as they support and balance the economy by
creating employment, profits and improving standard of living.

It is obvious that government rules, regulations and support can play a crucial role in the
beginning and development of companies. However, there is no evidence that governments
can take all the credit for growth and increase the growth level of firms in general. The
relationship between growth and government policy is not clear in the literature. Gnyawali
and Fogel (1994) stressed that entrepreneurs are essential parts of a healthy economy and
development of countries. They mentioned that new start-ups and their growth are
important, but many entrepreneurs could continue their existence without any growth
achievement.

2.5.1.2. Socioeconomic Conditions

It is argued that if the society shows no interest in entrepreneurship, people will not be
willing to become entrepreneurs. Society has to show a favourable attitude towards, and
public support for, entrepreneurial activities. If there is availability of loans, technical
assistance, physical facilities and information, it will provide a good infrastructure for potential entrepreneurs (Thompson, 1999).

Society could mean any person who might play a key role in encouraging entrepreneurs, such as family members, friends, colleagues or supportive institutions. Mokry (1988) suggests that “close relatives can help entrepreneurs seek out solutions, locate resources, and assemble a team of willing people to address the entrepreneur's problems”. Additionally, Gnyawali and Fogel (1994) propose:

“The presence of experienced entrepreneurs and successful entrepreneurial role models in a community or country conveys a message to the potential entrepreneurs that business is an attractive career option. Conversely, negative public attitude towards entrepreneurs coupled with the lack of role models may discourage people from going into business.”

Motivation from society is a key component of entrepreneurship. McClelland (1961), who has looked at psychological perspective of entrepreneurship, stated that, “The need for such motivational factors is generally higher in countries where entrepreneurial awareness is low than in countries where such awareness is high”. In some countries, social perceptions are more important than individual needs. This could be a very unique case for small communities like islands. Many business ideas depend on the society’s acceptance and perception. Tourism has a very interesting position in terms of motivation and society acceptance. In many places, tourism is the only income for families and it is a job for generations. They are born into tourism and they do not know anything else. In some cases, tourism activities increased in developing areas and created new potential entrepreneurs without taking into consideration society, especially the ones who came from outside the region. This is more related to economic situations and looking for opportunities in other places.
Socioeconomic situations are also a crucial factor for becoming an entrepreneur. Gnyawali and Fogel (1994) stressed that, “Economic factors such as proportion of small firms in the population of firms, extent of economic growth, and diversity of economic activities also influence the rate of new venture creation and growth.” Phillips (1993) has shown that if there is a growing number of SMEs, it means a growing number of jobs in those industries. On the other hand, Kirchhoff (1991) believed that the growth of firms is more related to highly innovative industries. He argues that the most supportive step for future potential entrepreneurs is to encourage innovation in schools and amongst young people. Other research has shown that most of the big cities, where economic development programmes are available, achieve a higher growth rate in new entrepreneurial establishments than small cities where such programmes are smaller in number (Feiock, 1987). Porter (1990) argued that development programmes help to improve some factors which might be key components for starting a new business or the growth of the firm. These factors include a high sophistication of buyers, strong distribution channels, and intense rivalry among existing firms which in turn encourages innovation.

2.5.1.3. Entrepreneurial and Business Skills

As discussed in Appendix B, Low and MacMillan (1988) described entrepreneurship as the “creation of new enterprise”. The definition shows that entrepreneurs are different to other people because they need skills to create something different. Such entrepreneurial and business skills make entrepreneurs different to other managers. Anybody could learn these skills, either during their education or from experience. In many countries, universities are offering entrepreneurship courses or programmes. The main aim is to teach entrepreneurial
and business skills to potential entrepreneurs (Hjorth, 2007). MBA programmes in the universities are very useful for learning entrepreneurship and practice with many case studies. Although, Lynch et al. (2005) advised that in some institutions, educators must also know the needs of small firm owner-managers. They suggested that small firms must be taught with a different approach, course content, assessments, etc. This is also proof that small businesses do not fit in to the general concept of businesses or companies.

Thompson (1999) discusses 100 business success-story entrepreneurs published in Enterprise magazine in the UK in 1998. The results showed that half of the entrepreneurs had a degree or professional qualification; there were only three MBAs, two of them from Harvard. The other half of the entrepreneurs only had experience from the “University of Life”. Those with qualifications tended to be in technical sectors such as computing, software and biotechnology, whereas most of the successful retail entrepreneurs were non-graduates (Thompson, 1999).

This research has shown that many entrepreneurs can improve their business skills without having any degree. The problem is, learning these skills might take too long and require a lot of money, which decreases the motivation level of entrepreneurs to start a new venture. As a result they might be afraid to tackle an unknown or challenging job (Davidsson and Wiklund, 2001).

Gnyawali and Fogel (1994) argue that entrepreneurs should take private or governmental training/certificate programmes to gain expertise in business plan preparation, planning, decision making, negotiation, pricing, market penetration, organisation and management, management of the workforce, and handling of cash flow. If they had such technical and
business skills, they might more easily get over the various problems they might encounter at different stages of their business development.

2.5.1.4. Financial Support to Businesses

Gnyawali and Fogel (1994) explained the need for financial support to business as:

“Generally, entrepreneurs require financial assistance for at least one of three purposes: to diversify or spread the start-up risk, to accumulate start-up capital, and to finance growth and expansion” (p48).

Typically entrepreneurs seek money from commercial banks, development banks, venture capital firms, and angels (Gregory et al., 2005). In many cases, the biggest problem is finding and accessing financial support. Even if sources are identified, entrepreneurs might face high interest rates.

On the other hand, some enterprises might need special assistance due to the nature of their business. Vesper (1990) suggests that small entrepreneurs have special needs and most bankers lack the relevant kind of experience and capability to assist them.

Financial support does not come from outside the company all the time. Relatives and friends are the main sources of money. Financial support varies depending on the level of growth. Many successful entrepreneurial examples started with money that has been given by relatives or from savings (Thompson, 1999).
2.5.1.5. Combination of Environmental Factors

If entrepreneurs find their environment supportive, it will be relatively easy to explore their ideas, get support and be able to start or grow their firms. The environment of entrepreneurs must be well organised and all information must be within reach of the entrepreneurs for them to find the successful path in their venture.

Above all, discussion in the literature shows that government and society plays an important role in increasing awareness of entrepreneurship and encouraging new ventures. Gnyawali and Fogel (1994) stressed the importance of environmental factors on entrepreneurs:

"The foregoing discussion shows that the existence of various environmental conditions increases the chances of emergence and growth of businesses in a country. Though a single factor may have less significant impact, the interaction of various factors may considerably increase the impact on entrepreneurial development in a country."

Lordkipanidze et al. (2005) referred to entrepreneurial environmental factors as "Climate Elements". Entrepreneurs could get support privately to find capital, professional services and business support in order to compete in the free enterprise market. Public climate elements could also help to develop policies for entrepreneurial ventures based on the governmental regulations of macro policies, R&D, physical infrastructure, public safety and business policy. The shared climate elements for all entrepreneurs are culture, education and quality of life. These are illustrated in exhibit 2.8.
Exhibit 2.8: Entrepreneurship climate elements

Accordingly, the environmental climate elements might help the expansion or growth of the firm (Lordkipanidze et al., 2005). However, Gnyawali and Fogel (1994), Ucbasaran et al. (2001) and Davidsson (2001) argued that having all the opportunities in the environment may still not be enough to create a successful entrepreneurial venture. If they start a new venture or would like to grow the firm, they are likely to fail. Finally, as Van de Ven (1993, p. 211) argued, “the study of entrepreneurship is deficient if it focuses exclusively on the characteristics and behaviours of individual entrepreneurs, on the one hand, and if it treats the social, economic, and political factors influencing entrepreneurship as external demographic statistics, on the other hand.”

So other factors need to be explored in order to understand what is behind the successful growth or failure of entrepreneurs by looking at entrepreneur types, characteristics and entrepreneurial orientation.
2.5.2. The Entrepreneur

In this section, three key issues related to the entrepreneur will be examined. These are entrepreneur types, characteristics and measuring the entrepreneurial characteristics.

2.5.2.1. Entrepreneur Types

Recent research has focused on differences between the types of entrepreneur (Westhead and Wright, 1998); characteristics of nascent entrepreneurs (Delmar and Davidsson, 2000); the entrepreneurial cycle and nascent entrepreneurs (Aldrich and Martinez, 2001); types of entrepreneurs (Ucbasaran et al., 2001); becoming an entrepreneur (Alstete, 2002) and differences among entrepreneurs (Haynes, 2003).

Types of entrepreneurship may be a useful starting point to understand how to achieve successful growth. It could also show if different types of entrepreneur pursue different growth paths (Ucbasaran et al., 2001). Alstete (2002) argues that if researchers better understand the attitudes of different types of entrepreneur, this can give them a better understanding of how to help them achieve their business dreams. It could also help with the development of new strategies by schools of management, governments, private foundations, and the financial services industries (Alstete, 2002).

Ucbasaran et al. (2001) identified five types of entrepreneur which are shown in Table 2.6. Nascent is commonly defined as individuals considering the establishment of a new business (Ucbasaran et al., 2001). It means either they have an intention to start a new business or are about to start (Aldrich and Martinez, 2001; Westhead et al., 2001). Many researchers have concentrated on nascent entrepreneurs in order to find out about the pre-
venture creation stage and its relationship to venture success rates (Westhead and Wright, 1998; Delmar and Davidsson, 2000; Aldrich and Martinez, 2001; Ucbasaran et al., 2001; Alstete, 2002). Morrison (2001) mentioned that nascent entrepreneurs' motivations are independence, the wish to make money and to achieve business growth.

Table 2.6: Types of entrepreneurs

<table>
<thead>
<tr>
<th>Type</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>NASCENT</td>
<td>i.e., individuals considering the establishment of a new business</td>
</tr>
<tr>
<td>NOVICE</td>
<td>i.e., individuals with no prior business ownership experience as a business founder, an inheritor, or a purchaser of a business</td>
</tr>
<tr>
<td>HABITUAL</td>
<td>i.e., individuals with prior business ownership experience</td>
</tr>
<tr>
<td>SERIAL</td>
<td>i.e., individuals who have sold/closed their original business but at a later date have inherited, established, or purchased another business</td>
</tr>
<tr>
<td>PORTFOLIO</td>
<td>i.e., individuals who have retained their original business but at a later date have inherited, established, or purchased another business</td>
</tr>
</tbody>
</table>

Sources: Ucbasaran et al. (2001). Adapted from Westhead & Wright (1998); Delmar & Davidsson (2000).

Westhead and Wright (1998) found that nascent entrepreneurs are not different based on educational level from other types of entrepreneurs. They also found nascent entrepreneurs are generally male, of older age, experienced, and traditional (staying in the same industry).

Delmar and Davidsson (2000) conducted a very unique study with a large random sample of business start-ups using three different countries: Sweden, Norway and USA. The main purpose was to analyse and compare the characteristics of nascent entrepreneurs from different countries. They found that the occurrence of nascent entrepreneurs was lower in the Nordic countries than in the USA; current and previous business ownership-management experience as well as previous involvement in discontinued business efforts was also lower in Sweden than in the USA; nascent male entrepreneurs were far more dominant than female entrepreneurs in all countries.
Aldrich and Martinez (2001) pointed out that many new businesses not only start small but also change little, never adding more employees, and it is only the minority that do grow over their lifetimes. They also mentioned that many nascent entrepreneurs use their own savings and personal assets in creating their new start-up. An entrepreneur's strong financial assets may not be enough, though, to allow him/her to successfully achieve his/her goals, which may result in a negative judgment and cause many entrepreneurs to fail. Ucbasaran et al. (2001) strongly argued that the characteristics of the founder or entrepreneur may influence several outcomes and closure or "failure" could be one of them.

Alstete (2002) came out with a very interesting point about nascent entrepreneurs:

"Many individuals who were considering entrepreneurship, particularly during last year's Internet e-business boom, sought fast money. Some participants in this study perceive that entrepreneurs in the e-business boom were merely an unnatural spike in the number of entrepreneurs causing a supposed decline that is not indicative of other entrepreneurial opportunities."

As discussed above, most of the authors focused on nascent entrepreneurs. Westhead and Wright (1998) examined the differences between novice, habitual, serial and portfolio entrepreneur characteristics. They found no major differences between habitual and novice founders.

The proposition that portfolio entrepreneurs were more growth oriented than novice entrepreneur could not be supported. The reason given by the authors for this was:

"Although not in a statistically significant direction, both types of habitual founders were somewhat more likely than novice founders to be optimistic that their business would expand over the next 2 years. To a lesser extent founders wanted to increase the total employment sizes of their businesses. Although not in a statistically
significant direction, slightly fewer novice founders reported that they wished to grow employment, whereas both types of habitual founders expressed similar levels of positive support for increasing the number of employees in their businesses.” (Westhead and Wright, 1998; p191)

As Ucbasaran et al. (2001) described, novice entrepreneurs are individuals with no prior business ownership experience as a business founder, an inheritor, or a purchaser of a business. On the other hand, Westhead and Wright (1998) pointed out a very important characteristic of novice entrepreneurs. They mentioned that “current novice entrepreneurs will become portfolio or serial entrepreneurs, who may blur the distinction between types”.

It is interesting that two types of entrepreneur, nascent and novice, are confusing the concepts: the former means to think about becoming an entrepreneur, whereas the latter has already started in business. All nascent entrepreneurs become novice entrepreneurs if they can find the money (capital), motivation and opportunity.

Ucbasaran et al. (2001, 2003) defined habitual entrepreneurs as individuals with prior business ownership experience. The definition is again confusing when compared with other types of entrepreneur. If they are thinking of starting a business then they become a nascent entrepreneur; if they have already started, they need to be called a novice entrepreneur. The only differentiation of a habitual entrepreneur from the others would be the “experience” factor.

As mentioned in one of the definitions above, a habitual entrepreneur could continue their venture either as a serial or portfolio entrepreneur. Serial entrepreneurs are those who have sold/closed their original business but at a later date have inherited, established, or purchased another business (Rosa, 1998; Westhead and Wright, 1998; Ucbasaran et al., 2001). Portfolio entrepreneurs have retained their original business but at a later date have
inherited, established, or purchased another business (Westhead and Wright, 1998; Ucbasaran et al., 2001). Portfolio entrepreneurs are the only category to have more than one business at a time, either in the same industry or a different one.

In contrast, there is an argument that the identified five different types of entrepreneur may not include all types. Woo, Cooper, and Dunkelberg (1991) argued that there may be other types of entrepreneur which have not been found yet. For example, family owner companies could be hard to place in one of the existing categories (Hoy and Verser, 1994).

2.5.2.2. The Characteristics of Entrepreneurs

Many research studies on the personality characteristics of entrepreneurs were conducted in the 1980s and 1990s (Byers et al., 1997). If every human being has a unique personality, attributes and behaviours, entrepreneurs might be different from other people who live in and share the same environment, culture and socioeconomic life. In other words, personality traits could explain people's behaviour, and help to explain why different people react differently to the same situation (Llewellyn and Wilson, 2003).

Chell et al. (1991) identified the distinguishing characteristics of entrepreneurs as opportunistic, innovative, creative, imaginative, ideas-people, proactive, restless, adventurous, and agents of change. Barkham et al. (1996) found that the main characteristics of the entrepreneurs/founders of rapidly growing small firms can be described as: motivated by market opportunities, well educated, has past experience-managerial position, and middle-aged. Timmons (1994) analysed more than 50 studies and found a consensus of around six general characteristics of entrepreneurs: commitment and determination; leadership; opportunity obsession; tolerance of risk, ambiguity and
uncertainty; creativity, self-reliance and ability to adapt; and motivation to excel. The results of these studies show that common entrepreneurial characteristics have been found by researchers, e.g. creativity, risk taking, etc. However, it is important to understand which characteristics differentiate an entrepreneur from a non-entrepreneurial person.

Coulter (2000) explained that the characteristics of an entrepreneur fall into three main categories. These categories also help to identify the true entrepreneur. Each approach may change in relation to an individual personality.

The first approach is the demographic profile of an entrepreneur, which includes family birth order, gender, work experience, education, and other entrepreneurial family members. Each factor is important in understanding the behaviour of the entrepreneur. All factors might differ from person to person or country to country.

The second approach is a personality profile that covers individual skills and behaviours, e.g. risk taking, long-hour working, initiative and self-confidence. Researchers, however, have not agreed on a common list of characteristics out of a total of 1848 (Coulter, 2000). Kirby (2003) found that an entrepreneur's personality is a challenge to identify because there is no accepted model. Research has identified a number of patterns of behaviour or characteristics of the entrepreneur. Kirby (2003) pointed out that each study came up with different numbers of attributes, for example Hornaday (1982) – 40 traits; Gibb and Davies (1990) – 12 traits; Timmons et al. (1985) – 19 traits.

The third approach is a fixed profile of entrepreneurship. This is a more helpful way to understand the true entrepreneur, and explain why he or she adopted this career. Coulter
(2000) explained that entrepreneurship is a well-planned strategy and that very little happens by chance. Individual intentions play an important role in the entrepreneur's career. However, Coulter (2000) stressed that the inclination to become an entrepreneur is not enough. There are contextual factors (economic, social and political) as well as personal factors that influence the entrepreneurial process. Moreover, entrepreneurial types and characteristics are dependent on personality types (Kirby, 2003).

Each entrepreneur might show different personality attributes. According to Lessem (1986) "Leader-type" entrepreneurs have authority of personality. Their attributes are direction, responsibility, structure and control (Kirby, 2003). Littunen (2000) examined entrepreneurship and the characteristics of the entrepreneurial personality. The aim was to "investigate whether becoming an entrepreneur involves such a profound change in the entrepreneurial individual’s life that it affects her or his personality characteristics". The results of the study showed that, in a changing action environment, the entrepreneur’s personality was affected by the learning process during start-up and earliest actions.

Begley (1995) argued that entrepreneurs who start a business (start-up stage) will be more growth oriented because they do not have an adequate income, customer base and profits to support the business and owner. Another important aspect for new ventures would be the knowledge, skills, and contacts of the entrepreneurs. On the other hand, if the entrepreneur is buying an existing company, it will be less risky and have some advantages compared to a new start-up. The advantages are existing location, set of customers, mode of operation, and a history of revenues and (possibly) profits (Begley, 1995).
Brandstatter (1997) examined entrepreneurial personality differences based on four categories of people. These were: entrepreneurs who had taken over a business, usually from their parents or relatives or by marriage; entrepreneurs who had set up their own business; men and women interested in setting up their own business; employed managers. He explained that the reason for using the categories was to make comparisons between the groups of people in order to understand the relationship between business type and the personality structure of the entrepreneurs. One of the main findings of his study was the compatibility of the personality structure, motives, interests, and life situation of the entrepreneurs with their plans for setting up a business. Another result showed that many entrepreneurial attempts fail within five years. The reason for this was misfit of personality structure and task structure (Brandstatter, 1997).

One of the most important research studies on listing the characteristics of entrepreneurs was conducted by Chell et al. (1991). They highlighted certain behaviours characteristic of entrepreneurs:

- have a propensity to create business organisations
- proactively scan business environments in search of new opportunities
- seek innovative solutions to problems and opportunities
- take an autonomous and strategic role in identifying, marshalling, and organising resources to convert opportunities into marketable goods or services
- vigorously strive to achieve profit and business growth

In many studies, characteristics of the entrepreneur have been strongly related with achieving profit and business growth (Morris and Paul, 1987; Moran, 1998). Therefore, Morris and Paul (1987) stated that "entrepreneurial firms actively scan their environments, constantly seek innovative solutions to problems, and tend to be aggressive in searching for growth opportunities for the business".
Moran (1998) researched personality characteristics of the high-growth-oriented small business entrepreneur. He listed the characteristics as:

- Strongly leadership-oriented, like to be in control and set the direction for the business, thrives under challenge and pressure, makes decisions quickly and firmly;
- "Learning-by-doing" orientation involving a combination of active experimentation and practical application of existing tools, techniques and principles;
- Not "system-oriented" or concerned with the more "implementing" and "progress-chasing" role of management; would probably prefer to delegate these and concentrate on initiating and driving-through innovations and strategic developments;
- Also indicates a liking for variety and change, an external focus, a preference for openness and flexibility over rigidity and order, and a preference for taking a "strategic overview" rather than taking care of the nitty-gritty details.

In general, Perren (1999a) mentioned that research findings specified the following characteristics for a successful entrepreneur:

- "Psychological traits: a high need for achievement, belief in control of the future, willingness to accept risk, creativeness and ability to cope with stress.
- Tangible characteristics: an active decision to start-up, a higher level of education, some prior management experience and being middle aged."

However, Perren (1999a) argued that the characteristics of the entrepreneur, although important, were not the only determinants of the growth of the firm. If the entrepreneur has all the characteristics mentioned above, it does not mean that the company's growth is guaranteed to succeed (Perren, 1999c).

### 2.5.2.3. Measuring the Entrepreneurial Personality

It has been discussed previously that an entrepreneur may or may not want to grow his/her business. Kirby (2003) stressed that researchers often concentrated on finding winners who were successful in the business and achieved growth. Therefore, the successful
entrepreneur is different among the other entrepreneurs in terms of personality, and measuring the personality of entrepreneurs became a more important aspect for identifying entrepreneurs who succeed (Kirby, 2003). Conversely, there were disagreements about the most appropriate methods and instruments to be used in assessing entrepreneurial tendency (Cromie, 2000; Kirby, 2003). Two theories have been well developed for understanding and measuring entrepreneurial characteristics, namely: McClelland (1961) – Need for Achievement; and Rotter (1966) – Locus of Control.

First, McClelland’s (1961) theory proposed that entrepreneurs are individuals who have a higher ambition to achieve on specific business issues, like solving problems themselves, set targets, and strive for these targets through their own efforts (Littunen, 2000). This theory is known as "Need for achievement (n Ach)". Littunen (2000) advised that if entrepreneurs have a strong need to achieve, they become more successful entrepreneurs among the others. Reimers-Hild et al. (2005) also agreed that a high need for achievement (n Ach) could be counted as a key entrepreneurial trait and a recognised leadership characteristic of entrepreneurs. They suggested that entrepreneurs who have a high n Ach would be closely related with entrepreneurial leadership. These people have the following characteristics: self-confidence, the ability to take calculated risks, the need to research their environment, and the desire for feedback about their performance (Reimers-Hild et al., 2005).

The second theory, known as "the locus of control (LOC)", was developed by Rotter in 1966 (Littunen, 2000). The theory examined individuals who could be affected by other’s control either internally or externally. Internal control happened when an entrepreneur’s life is controlled by others. In other words, the entrepreneur’s decisions depend on other
people's behaviour and attitudes, which might have a positive or negative effect on the entrepreneur's personality characteristics. If entrepreneurs have a high external LOC, they believe that their lives depend on forces which they may not control such as luck, fate or change (Littunen, 2000; Reimers-Hild et al., 2005). Moreover, Reimers-Hild et al. (2005) mentioned that "People with a higher internal locus of control (LOC) believe that they influence the outcomes of their lives. They believe that they have more control over life events, including their own success or failure."

Researchers have used these two theories in order to find ways to identify and analyse an entrepreneur's characteristics. After conducting other studies about entrepreneurial tendency, researchers found more characteristics of the entrepreneurial personality. One of them is known as "Risk taking propensity (RTP)". It has been accepted as a third characteristic of entrepreneurs and a key entrepreneurial behaviour (Busenitz, 1999; Reimers-Hild et al., 2005). Olson (2000) mentioned that "Risk Taking" was one of the components of the definition of entrepreneurship and entrepreneurs. In many research studies, entrepreneurs were found to be more risk taking than non-entrepreneurs (Olson, 2000; Reimers-Hild et al., 2005).

Cromie (2000) has compared two different measurement aspects of personality traits, namely, Koh's (1996) approach and the Durham University Business School (DUBS) GET Test (1988) to identify which was the best method to use. Both are shown in exhibits 2.9 and 2.10. Koh (1996) used the two theories and added three more psychological characteristics. These were: need for achievement, locus of control, propensity to take risk, tolerance of ambiguity, self-confidence and innovativeness.
In 1988, Durham Business School developed the General Enterprising Tendency (GET) Test as an alternative method to find out the characteristics of entrepreneurs by using the following personality characters: need for achievement, locus of control, need for autonomy, creative tendency, calculated risk taking.

Cromie (2000) found the GET Test was one of the most useful, comprehensive, and accessible tests and was easy to administer and score (Kirby, 2003). The GET Test was designed to be used in a variety of situations. DUBS GET Test guidance notes mentioned that there are many different institutions or organisations who may use the test to measure the enterprise of personnel involved in providing support to business, social and community enterprises, such as: the enterprise of those wishing to set up in business; employers concerned with fostering enterprising individuals within their own organisations; the recruitment and selection of personnel; to identify changes that have taken place as a result of training or exposure to certain structured situations designed to encourage enterprise.

Exhibit 2.9: Koh (1996) approach

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>A high need for achievement</td>
<td>It is believed that individuals with a high need for achievement have a strong desire to be successful and are consequently more likely to behave entrepreneurially. Of all the psychological characteristics presumed to be associated with entrepreneurship, need for achievement has the longest history.</td>
</tr>
<tr>
<td>An internal locus of control</td>
<td>It represents an individual's perceptions about the rewards and punishments in his/her life. While individuals with an internal locus of control believe that they are able to control life's events, individuals with an external locus of control believe that life's events are the result of external factors, such as chance, luck or fate.</td>
</tr>
<tr>
<td>A moderate orientation towards risk taking</td>
<td>A person's risk-taking propensity can be defined as his/her orientation towards taking chances in uncertain decision-making contexts. It is believed that entrepreneurs prefer to take moderate risks in situations where they have some degree of control or skill in realising a profit.</td>
</tr>
<tr>
<td>A high tolerance for ambiguity</td>
<td>When there is insufficient information to structure a situation, an ambiguous situation is said to exist. The manner in which a person perceives an ambiguous situation and organises the available information to approach it reflects his/her tolerance of ambiguity.</td>
</tr>
<tr>
<td>A good deal of self-confidence</td>
<td>Given the general notion of an entrepreneur as one who prefers to go into his/her own business, it can be expected that an entrepreneur must believe that he/she is able to achieve the goals that are set. In other words, an entrepreneur is expected to have a perceived sense of self-esteem and competence in conjunction with his/her business affairs.</td>
</tr>
<tr>
<td>Innovation</td>
<td>Innovativeness relates to perceiving and acting on business activities in new and unique ways. It is one of the recurring themes in defining entrepreneurship.</td>
</tr>
</tbody>
</table>

Source: Koh (1996)
Exhibit 2.10: DUBS (1988) approach

<table>
<thead>
<tr>
<th>Need for achievement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Locus of control</td>
</tr>
<tr>
<td>Need for autonomy</td>
</tr>
<tr>
<td>Creative tendency</td>
</tr>
<tr>
<td>Calculated risk taking</td>
</tr>
</tbody>
</table>

Source: Durham University Business School (DUBS) (1988)

The GET Test has a 54-item questionnaire for measuring five personality traits in order to find out the entrepreneur’s personality: 12 items for Need for Achievement, 6 items for Autonomy, 12 items for Drive and Determination, 12 items for Risk Taking and 12 items for Creativity. Each item is a statement which the entrepreneur is asked to either agree or disagree with. Each personality trait is scored between 0–12 points, except autonomy which is 0–6, giving a complete test score out of 54 points.

Based on the guidance notes, each section assesses a particular attribute. A high score in any category means that you have many of the qualities which that particular section has been measuring (max score 54 over five sections). If the entrepreneurs have scored well in any particular attributes, the entrepreneurs have many if not all of the qualities listed in exhibit 2.11.
Exhibit 2.11: DUBS (1988) GET Test analysis

<table>
<thead>
<tr>
<th>SECTION 1 Need for achievement</th>
<th>Forward looking, Self sufficient, Optimistic rather than pessimistic, Task orientated Results orientated, Restless and energetic Self confident, Persistent and determined, Dedication to completing a task</th>
</tr>
</thead>
<tbody>
<tr>
<td>Score – Max 12 Aver 9</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>SECTION 2 Need for autonomy/independence</th>
<th>Likes doing unconventional things, Prefers working alone, Need to do their 'own thing'; Needs to express what they think, Dislikes taking orders, Likes to make up their own mind, Does not bow to group pressure, Is stubborn and determined</th>
</tr>
</thead>
<tbody>
<tr>
<td>Score – Max 6 Aver 4</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>SECTION 3 Creative tendency</th>
<th>Are imaginative and innovative, Have a tendency to daydream, Are versatile and curious, Have lots of ideas, Are intuitive and guess well, Enjoy new challenges, Like novelty and change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Score – Max 12 Aver 8</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>SECTION 4 Moderate/calculated risk taking</th>
<th>Act on incomplete information, Judge when incomplete data is sufficient, Accurately assess your own capabilities, Be neither over nor under-ambitious, Evaluate likely benefit against likely costs, Set challenging but attainable goals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Score – Max 12 Aver 8</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>SECTION 5 Drive and determination</th>
<th>Take advantage of opportunities, Discount fate, Make your own luck, Be self confident, Believe in controlling your own destiny, Equate results with effort, Show considerable determination</th>
</tr>
</thead>
<tbody>
<tr>
<td>Score – Max 12 Aver 8</td>
<td></td>
</tr>
</tbody>
</table>

Source: Durham University Business School (DUBS) (1988)

Stormer et al. (1999), who used the GET Test, suggested two possible weak points in using the GET Test to measure the personality of entrepreneurs, especially in growing companies:

"First, the poor reliabilities of the subscales of the GET Test coefficients indicate that the items on the subscales need to be revised to form more coherent, single aspects of personality. Secondly, the total GET Test had reliabilities that were acceptable for research purposes. However, it too, was poor at predicting small business success."

There are many other reasons to determine the characteristics of entrepreneurs and to find appropriate methods to do so. The findings of these research studies could help to further understanding of career guidance as a tool for students or potential entrepreneurs. The findings can be used to select the right people for institutions who offer entrepreneurship programmes (Koh, 1996). Therefore, Koh (1996) suggested that psychological characteristics could be taught on entrepreneurship programmes to help train successful entrepreneurs for growing companies.
The GET Test may or may not be the best way to measure entrepreneurial personality. However, it is one of the tests that has been used extensively and validated empirically in academic and practical research (Cromie, 2000; Kirby, 2006).

2.5.3. Entrepreneurial Orientation

In the literature, researchers have tried to identify entrepreneurial characteristics, how entrepreneurs are different to other people, the types of entrepreneur, and the factors which influence the growth of the firm (Ucbasaran et al., 2001; Wiklund and Shepherd 2005). However, many of them focus on the entrepreneur rather than the business in terms of growth. Storey (1994) believes that the firm is one of the components of growth. How can we understand that the firm is also counted as entrepreneurial? It is easy to identify psychological characteristics of an entrepreneur and obviously differentiate entrepreneurs in the population. It is also quite important to determine the identity of the entrepreneurial firm compared to any other firm in the industry. Obviously, all firms cannot be entrepreneurial in the industry. As mentioned early in the chapter, just as all business owners are not necessarily entrepreneurs, all firms cannot be counted as entrepreneurship ventures. The "entrepreneurial orientation" concept has been newly developed to understand what makes a firm entrepreneurial and an owner an entrepreneur.

Lumpkin and Dess (1996) are one of the pioneers of the study of entrepreneurial orientation. They explained the relation between "Entrepreneurship" and "Entrepreneurial Orientation (EO)" as "... new entry explains what entrepreneurship consists of, and entrepreneurial orientation describes how new entry is undertaken". New entry does not necessarily mean a new start-up company. New entry could be accomplished by entering
new or established markets with new or existing services or products. New entry, which refers to actions that may be initiated by an individual, a small firm, or the strategic business unit of a large corporation, is the essential act of entrepreneurship and primarily a firm-level phenomenon. Therefore, entrepreneurial orientation focuses at the firm/business-unit level. In the stage models, the entrepreneur separated from the firm after reaching the mature/growth stage. Then, the small business firm is simply an extension of the individual who is in charge or owner (Lumpkin and Dess, 1996). Schumpeter (1942) believed that entrepreneurship eventually would be dominated by firms that were capable of devoting more resources to innovation. On the other hand, Covin and Slevin (1991) emphasised the role of entrepreneurship as firm behaviour.

Lumpkin and Dess (1996) have defined EO as “the processes, practices, and decision-making activities that lead to new entry. The key dimensions that characterise an EO include a propensity to act autonomously, a willingness to innovate and take risks, and a tendency to be aggressive toward competitors and proactive relative to marketplace opportunities”.

The factors – autonomy, innovativeness, risk taking, proactiveness, and competitive aggressiveness – could be important when a firm engages in new entry. Lumpkin and Dess (1996) argued that some individual factors could be enough to achieve successful new entry. This is in comparison to Perren’s and Storey’s studies, who believed all factors must be combined and integrated in order to achieve successful growth. However, external factors, such as the industry or business environment, or internal factors, such as the organisation structure (in the case of an existing firm) or the characteristics of founders or top managers, still have strong relations with the EO factors for achieving successful entry.
(Wiklund and Shepherd 2005). It is quite important to clearly understand the EO dimensions of autonomy, innovativeness, risk taking, proactiveness, and competitive aggressiveness in terms of growth factors.

2.5.3.1. Autonomy

The entrepreneurs differentiated themselves by being self-determined, having a unique, new idea – a better idea – and made a business out of it. In many cases, entrepreneurs are independently-minded people who prefer to work for themselves rather than in secure positions. Lumpkin and Dess (1996) suggested that "an important impetus for new-entry activity is the independent spirit necessary to further new ventures". Therefore, autonomy has been accepted as a key dimension of an entrepreneurial orientation.

Autonomy can be defined as "the independent action of an individual or a team in bringing forth an idea or a vision and carrying it through to completion" (Lumpkin and Dess, 1996). In other words, autonomy refers to the ability and will to be self-directed in the pursuit of opportunities. However, this is for individuals. When the organisations or firms come to the point of autonomy it means they can take actions free of stifling organisational constraints.

The level of autonomy in firms could be different in terms of function, size, management style, or ownership. If the organisation depends on the owner/manager to make decisions, and they are the primary decision maker, autonomy is understood at the level of ownership. On the other hand, autonomy is more effective when the level of centralisation or the extent of delegation changes during the life-cycle of the firm (Lumpkin and Dess, 1996). The nature of autonomous behaviour is examined by looking at leadership centralisation and
delegation of authority by the entrepreneurs (Miller, 1983). Miller (1983) argued that “the most entrepreneurial firms had the most autonomous leaders”. It is obvious that entrepreneurs have a crucial role in creating the autonomy of the firm. Lumpkin and Dess (1996) stated that “high levels of entrepreneurial activity were associated with top management who maintained strong central authority and also acted as the firm’s knowledge leader by being aware of emerging technologies and markets”.

2.5.3.2. Innovativeness

Innovation has been accepted as playing a very important role during the entrepreneurial process from Schumpeter’s original 1934 study to today. Many researchers concentrated on innovation as one of the main factors of growth (Freel and Robson, 2004). Schumpeter (1942) explained that the process of the entrepreneurial firm is changed by the introduction of new goods or services that cause new firms to grow.

Innovativeness is defined as “a firm’s tendency to engage in and support new ideas, novelty, experimentation, and creative processes that may result in new products, services, or technological processes” (Lumpkin and Dess, 1996). As described above, innovativeness does not depend only on technological developments. Innovations could be classified in many ways for a firm and entrepreneur. However, entrepreneurial research has mainly concentrated on two distinctions of firm innovativeness: product-market innovation and technological innovation (Barkham et al., 1996; Barringer et al., 2005). Technological innovativeness means product and process development and research (R&D), industry knowledge or know-how (Barringer et al., 2005). On the other hand, product-market innovativeness emphasises product design, market research, and advertising and promotion.
Innovativeness could be counted as one of the most important components of EO, because it directly affects the new opportunities and means of growth.

Firm innovativeness can be seen in many different ways, such as creating a new product or coming up with a new advertising idea. However, Hage (1980) argued that all innovations depend on good human resources, such as engineers and scientists within the firm, which provides the high level of innovation. In many companies, R&D became the most important department in terms of the firm strategy. Companies hold the competitive advantage by using the power of innovations in new products or services (Porter, 1990).

2.5.3.3. Risk Taking

Risk taking has been studied as an entrepreneur's personal risk from wanting to be boss rather than working for someone else for wages (Shane, 1994). All entrepreneurs are defined as a person who takes risk to do things their own way without knowing the outcome of the act (Lumpkin and Dess, 1996). Risk has many meanings and mostly depends on the context of the way it is applied, such as strategic risk, financial risk, personal risk, social risk, psychological risk, etc. (Gasse, 1982; Baird and Thomas, 1985). All the meanings of risk consist of external and internal uncertainty (Wang, 2008).

The risk-taking firms with an entrepreneurial orientation are often characterised by risk-taking behaviour (Lumpkin and Dess, 1996). However, many studies of risk in an entrepreneurship context suggested that risk taking needs to be examined in individuals rather than firms (Shane, 1994; Lumpkin and Dess, 1996). One way of looking at this point is that it is true that it is the entrepreneurs who take risk, either low or high, but not the
whole organisation. However, the outcome may reflect the operation of the whole company positively or negatively.

2.5.3.4. Proactiveness

Proactiveness means “acting in anticipation of future problems, needs, or changes” (Lumpkin and Dess, 1996). In terms of the entrepreneurship context, Venkatraman (1989) stated that “proactiveness means processes aimed at anticipating and acting on future needs by seeking new opportunities which may or may not be related to the present line of operations, introduction of new products and brands ahead of competition, strategically eliminating operations which are in the mature or declining stages of life cycle”.

Proactiveness is also directly related to the entrepreneur. Penrose (1959) argued that entrepreneurial managers are important to the growth of firms because they provide the vision and imagination necessary to engage in opportunistic expansion. If the growth is all about the future, the entrepreneur is the one who needs to see the future and seek the opportunities.

Lumpkin and Dess (1996) argued that “a proactive firm is a leader rather than a follower, because it has the will and foresight to seize new opportunities, even if it is not always the first to do so”. Proactiveness can be seen in the firm’s relationship with market opportunities in the process of new entry. Therefore, EO involves proactiveness in pursuing opportunities and responding aggressively to competitors (Wang, 2008).
2.5.3.5. Competitive Aggressiveness

Entrepreneurial process may not be long, especially for young firms among strong competitors. Entrepreneurs need to understand that an aggressive stance and intense competition are critical to the survival and success of new entrants (MacMillan, 1982; Porter, 1990). Lumpkin and Dess (1996) defined competitive aggressiveness as "a firm's propensity to directly and intensely challenge its competitors to achieve entry or improve position, that is, to outperform industry rivals in the marketplace". Porter (1990) recommended three approaches for aggressively pursuing existing firms: "doing things differently which means reconfiguration; changing the context which is redefining the product or service within the market channels or scope and outspending the industry leader". Therefore, the fifth factor of EO is competitive aggressiveness, which plays an important role in being strong and continuing in business.

2.6. The Tourism Industry

Tourism is one of the most complex and dynamic fields. In many countries, tourism ventures provide the main economic incomes. Tourism and tourism entrepreneurs are playing a significant role in the world economy. Based on the World Travel and Tourism Council statistics, in 2007 travel and tourism demand was expected to generate some US$7,060 billion of economic activity worldwide, growing to US$13,231 billion by 2017.

The world's travel and tourism industry was expected to contribute 3.6 percent to gross domestic product (GDP) in 2007 (US$1,851 billion), rising in nominal terms to US$3,121.7 billion (3.4 percent of total GDP) by 2017. The broader perspective of the travel and tourism economy, which includes the direct and indirect impact of the industry,
was expected to account for 10.4 percent of global GDP (equivalent to US$5,390 billion), rising by 0.7 percent (US$9,781 billion) over the next 10 years (WTTC, 2006).

In addition, 231.2 million people work in the industry, which represents 8.3 percent of total employment worldwide. The global travel and tourism industry expected to produce 2.5 million new jobs in 2006 over its 2005 level to a total of 76.7 million jobs or 2.8 percent of total world employment (WTTC, 2006).

From a broader perspective, the travel and tourism economy (directly and indirectly) is expected to create nearly 10 million new jobs for the world economy making a total of 234.3 million jobs dependent on travel and tourism, or 8.7 percent of total employment.

Moreover, the WTTC Annual Report for 2006 reveals that demand encompasses all components of travel and tourism; consumption, investment, government spending and exports were expected to grow by 4.6 percent (in real terms) and by a total of US$6.5 trillion in 2006 (WTTC, 2006). The 10-year annualised growth (2007–2016) forecast is 4.2 percent per annum illustrating the outlook for strong long-term growth (WTTC, 2006).

Tourism is also recognised as the world’s largest industry and one of the fastest growing sectors of the global economy, as supported by WTTC statistics (Lerner and Haber, 2000; Reiser, 2003). This may be the reason that researchers have given much attention to researching and understanding the tourism industry.

However, there are difficulties in defining tourism (Reiser, 2003; Claver et al., 2006). Claver, et al. (2006) mentioned that one of the problems of defining the tourism is:
"It becomes clear that this sector is formed by a number of heterogeneous activities belonging to the service sector but not necessarily to the tourist sector, since their labelling as "tourist activities" depends on whether the person demanding them can be considered a tourist or not".

Reiser (2000) argued that it is difficult to have clear, distinct definitions that differentiate tourist activity from other sectors. Additionally, it is not easy to tell where the tourist sector starts and where it finishes, since its limits are becoming increasingly blurred. Tourism could be said to start with travel outside the usual environment. But the World Tourism Organisation (WTO) (1998) explained that tourism does not mean just travel and all travel is not tourism. An individual who has to travel may use any means of transportation, even by foot. It is quite important to find the right definition in order to understand and analyse the sector. The WTO (1998) defines tourism as follows:

"It comprises the activities of persons travelling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes not related to the exercise of an activity remunerated from within the place visited".

Tourism is service sectors divided into sub-sectors with different characteristics, for example, transport, accommodation, travel agencies, etc. Exhibit 2.12 shows a schematic description of the structure of the entrepreneurial tourism industry. The structure of enterprises consists of three main areas: suppliers, primary producers, and intermediaries. There are many different groups of operators that form the tourism system which reflects the different types of enterprises (Claver et al., 2006). It might be the only sector which includes many different enterprises within itself.
2.6.1. Small Business in the Tourism Industry

Many studies have focused on the tourism industry and support that it is very important for a country's economy, job creation and entrepreneurship. Morrison et al. (1999), Thomas et al. (1997) and many other authors strongly argued that most of the established tourism enterprises were dominated by small firms which remain small. The critical question is: can the general small business firm definition be applied in the same way to tourism industry establishments? The answer is difficult to determine.

If the European Union (EU) Entrepreneurship Commission's definition takes into consideration tourism, almost all tourism establishments will be categorised as small and medium-sized enterprises (SME). SMEs can be categorised into three different sizes: micro enterprises which employ less than nine people; small enterprises which employ less than 49 people; medium enterprises which employ less than 249 people (Wanhill, 2000). SMEs gained huge amounts of attention in the late 80s after the European Union started to support small firms. The new financial assistance and projects helped to improve and make SMEs more attractive. The European Union saw that the SME might be the best
way to increase regional development, job creation and the power of the economy (Wanhill, 2000).

As mentioned previously, tourism entrepreneurship has resulted in many different business types, e.g. restaurants, hotels, travel agencies, etc. Each business requires a different workload and personnel numbers. A travel agency could be run with two people but at the same time, a bed and breakfast hotel can also be run by 2–3 people. There are two definitions that have been found for the small business in tourism. Morrison (1996) defined a small business as being “financed by one individual or small group and is directly managed by its owner(s), in a personalised manner and not through the medium of a formalised management structure...it is perceived as small, in terms of physical facilities, production/service capacity, market share and number of employees”. Thomas et al. (1997) defined it as “one which employs fewer than 50 people. This represents a conflation of the European Commission’s very small (or micro) enterprises (fewer than 10 employees) and small enterprises (between 10 and 49 employees)”.

Thomas et al (1997) used employee numbers to define a small business in tourism. However, it is not enough to define a very complex industry just by employee numbers. There is also the issue of seasonality and changing employee numbers during the seasons. Morrison (1996) defined in more detail many aspects of small businesses, including in the definition market share, service capacity and facilities, among others. This is the reason why defining a small business in the tourism industry is not an easy job to do. On top of that, the tourism industry is so dynamic and changeable; one definition may not be useful in a short period of time. New concepts and developments may not fit into the defining area in the tourism industry.
In the tourism industry, the business performance and volume has shaped the firm size (Snepenger et al., 1995, Morrison et al., 1999, Lerner and Haber, 2000). After the 90s, the tourism industry expanded and grew fast (WTO annual report, 2000). Many tourism companies have also grown fast, and based on their performance, small companies have become larger in the tourism industry. Accordingly, the management of the firms also changed to the structure and characteristics of large tourism businesses. Exhibit 2.13 shows the management differences between small and large firms.

Morrison et al. (1999) mentioned that the tourism industry is dominated by small businesses which are run following the small business management style. Tourism establishments face the same difficulties, such as management or organisational structure, as small firms in any other industry or sector. Page et al. (1999) stated that the key characteristics of small businesses fall mainly in three categories. These are: the owner(s) of the business; the business and key individuals in the management team; and the enterprise financial power.

Exhibit 2.13: Management differences between small and large firms

<table>
<thead>
<tr>
<th>Small Firms</th>
<th>Large Firms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term planning horizon</td>
<td>Long-term planning horizon</td>
</tr>
<tr>
<td>React to the environment</td>
<td>Develop environmental strategy</td>
</tr>
<tr>
<td>Limited knowledge of environment</td>
<td>Environmental assessments</td>
</tr>
<tr>
<td>Personalized company objectives</td>
<td>Corporate strategy</td>
</tr>
<tr>
<td>Communication informal</td>
<td>Formal and structured communication</td>
</tr>
<tr>
<td>Informal control systems</td>
<td>Formalised control systems</td>
</tr>
<tr>
<td>Loose and informal task structure</td>
<td>Job descriptions</td>
</tr>
<tr>
<td>Wide range of management skills</td>
<td>High specialist/technical skills demanded</td>
</tr>
<tr>
<td>Income directly at risk in decision making</td>
<td>Income derived from wider performance base</td>
</tr>
<tr>
<td>Personal motivations directly affect company performance</td>
<td>Broader based company performance</td>
</tr>
</tbody>
</table>

Source: Carter (1996)
Exhibit 2.14 shows the model of organisational structures and entrepreneurial characteristics in four main types of firm from self-employed through to owner-director companies. The entrepreneur has different managerial characteristics based on the category of firm (Page et. al, 1999).

### Exhibit 2.14: Organisational structures and entrepreneurial characteristics

<table>
<thead>
<tr>
<th>Category</th>
<th>Entrepreneurial Characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Self-employed</td>
<td>Use of family labour, little market stability, low levels of capital investment, tendency towards weakly developed management skills</td>
</tr>
<tr>
<td>Small employer</td>
<td>Use of family and non-family labour; less economically marginalised but shares other characteristics of self-employed group</td>
</tr>
<tr>
<td>Owner-controllers</td>
<td>Use of non-family labour, higher levels of capital investment, often formal system of management control but no separation of ownership and control</td>
</tr>
<tr>
<td>Owner-directors</td>
<td>Separation of ownership and management functions, highest levels of capital investment</td>
</tr>
</tbody>
</table>

Source: Goffee and Scase (1983)

### 2.6.2. Tourism Entrepreneurs

A new concept of “tourism entrepreneurship” emerged in the late 90s (Koh, 1996). Saayman and Saayman (1998) have defined tourism entrepreneurship as:

“... activities related to creating and operating a legal tourists enterprise. Legal enterprises refer to those businesses that operate on a profitable basis and seek to satisfy the needs of tourists and visitors. These enterprises include, among others, hotels, guest houses, travel agencies and tour operators. This means that persons who have goods or services, such as arts and crafts, to tourists are also tourism entrepreneurs, but are more often referred to as street vendors”

In recent years, tourism entrepreneurship studies have become very popular. As mentioned earlier, tourism entrepreneurs establish themselves in many different ways because of many different forms of organisation that make up the tourism industry. Recent research has focused on many different subjects in entrepreneurship and tourism. Most of the research
has focused on the hospitality industry and the factors which influence entrepreneurship in the tourism industry.

Some of the articles (up to 2006 from 1995) are listed below:

- Travel-stimulated entrepreneurial migration (Snepenger et al., 1995);
- Entrepreneurship in the small hotel sector (Glancey and Pettigrew, 1997);
- Small business development and tourism (Page et al., 1999);
- The future of small firms in the hospitality industry (Morrison and Thomas, 1999);
- Entrepreneurship: what triggers it? (Morrison, 2000);
- Ethnicity and tourism entrepreneurship in Java and Bali (Hitchcock, 2000);
- Performance factors of small tourism ventures (Lerner and Haber, 2000);
- Small and medium tourism enterprises (Wanhill, 2000);
- Lifestyle entrepreneurship in tourism (Ateljevic and Doorne, 2000);
- Competing in the service sector – the entrepreneurial challenge (Rodie & Martin, 2001);
- Entrance into tourism entrepreneurship (Szivas, 2001);
- Entrepreneurs transcend time (Morrison, 2001);
- Small and medium tourism enterprises on Bornholm, Denmark (Ioannides, 2003);
- Entrepreneurship, chaos and the tourism area lifecycle (Russell and Faulkner, 2004);
- Small business performance (Morrison and Teixeira, 2004);
- Entrepreneurial skills in small tourism business (Peters, 2005);
- Family business in tourism (Getz and Carlsen, 2005);
- Growth and profit-oriented entrepreneurship (Family business owners) in the tourism and hospitality industry (Getz and Petersen, 2005);
- Productivity in small island hotels (Kilic and Okumus, 2005);
- Entrepreneurship factor in tourism (Lordkipanidze et al., 2005);
- A contextualisation of entrepreneurship (Morrison, 2006);
- Entrepreneurial orientation in the hospitality industry (Jogaratnam and Tse, 2006);
- Factors influencing hotel investment (Newell and Seabrook, 2006).

Snepenger et al. (1995) and Lerner and Haber (2000) mentioned that the tourism industry contributes many economic processes, such as the fostering of regional development, the creation of new employment, the diversification of the national economy, increasing public revenue, improving income levels, and the balance of payments.

On the other hand, Shaw and Williams (1998) pointed out the problems in the tourism entrepreneurship literature as a "lack of strong conceptual thinking towards integration of
understanding the nature of small-scale tourism entrepreneurship in destination and industry development”. For many tourism enterprises “the limited capital, lack of skills, lifestyle motivations and the acceptance of suboptimal profits, constrain regional economies and create problems for firm survival” (Morrison et al., 1999; Ateljevic and Doorne, 2000).

Another issue for tourism entrepreneurs is the level of sustainability (Saayman and Saayman, 1998; Hitchcock, 2000; Ateljevic and Doorne, 2000). Saayman and Saayman (1998) stated that different types of tourism enterprises may suffer from a low level of sustainability. In general, micro and small enterprises in the tourism industry are known as less sustainable than medium-sized business establishments. Exhibit 2.15 shows the different classifications of small, micro and medium-sized tourism enterprises and their relationship to sustainability.

Sustainability for arts and crafts, tour guides, street musician, artists, and street vendors is variable. Sustainable enterprises are more likely to be guest houses, hotels, tour operators, game farms and reserves, transport, and providers. Based on the sustainability level in the market, medium-sized tourism enterprises create more job opportunities than small and micro-enterprises (Saayman and Slabbert, 2001).
Exhibit 2.15: Classification of small, micro and medium-sized tourism enterprises

<table>
<thead>
<tr>
<th>Small and medium enterprises</th>
<th>Medium-sized enterprises</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arts and crafts, tour guides, street musicians, artists, vendors etc.</td>
<td>Guest houses, hotels, tour operators, game farms and reserves, transport, providers etc.</td>
</tr>
<tr>
<td>Sustainability varies</td>
<td>Sustainable enterprises</td>
</tr>
</tbody>
</table>

**CHARACTERISTICS**

- **Small and medium enterprises**
  - Entry requirements are limited
  - Easily accessible
  - Low funding requirements
  - Requires specific skills based mostly on natural talents
  - Needs little if any infrastructure

- **Medium-sized enterprises**
  - Lot of entry requirements for example guest houses and B&B
  - High cost and funding requirements
  - Requires managerial skills
  - Requires specific marketing skills
  - Dependent on other specific skills, such as chefs, professional hunters etc.
  - Needs specific infrastructure

Source: Saayman and Slabbert (2001)

In general, local people tend to become tourism entrepreneurs of either small or medium size enterprises. Recent developments in the travel and tourism industry have changed tourism entrepreneurship from a local perspective to a more international one. The situation has created “travel-stimulated entrepreneurs” which are becoming a very popular type of entrepreneur.

They have been described as a person who started the journey as a tourist but may end up as an entrepreneur at the end of the holiday or business trip (Snepenger et al., 1995). Snepenger et al. (1995) defined travel-stimulated entrepreneurial migration as:

“Entrepreneurs participating in travel-stimulated entrepreneurial migration are those who visit a region and then choose to live and do business there for lifestyle reasons.” Tourism creates an
opportunity to find and see the potential for entrepreneurship in another country while either on holiday or on business trip

Snepenger et al. (1995) argued that travel-stimulated entrepreneurial migrants have increased the awareness of tourism in terms of job creation and growth, especially in tourism-dependent countries. It is also important to understand new entrepreneurial methods and to understand the complex economic relationships and changes in the tourism destination life-cycle. Snepenger et al. (1995) has claimed that attracting new tourists to the region or destination will open up new business opportunities for potential travel-stimulated entrepreneurs. It might change the way of looking at holidays for individuals as the level of entrepreneurial migration increases.

The variety of businesses may expand the formation of traditional consumer services and governmental policies towards tourism investment. Snepenger et al. (1995) stated that travel-stimulated entrepreneurial migration plays an important role in the economic growth of tourism regions.

2.6.3. Entrepreneurship and the Hotel Business

Cragg and King (1988) suggested a model of small firm performance, which is shown in exhibit 2.16. The entrepreneur's characteristics determine the entrepreneur's objectives, which are also influenced by financial performance. The entrepreneur's objectives in turn determine the markets in which the firm operates, and the managerial practices. The entrepreneur's objectives could change or stay the same based on the dynamic elements of the model.
Based on the model above, the characteristics of the entrepreneur were found to be one of the main initiators of an entrepreneurial venture. There have been many studies conducted on the characteristics and factors which influence entrepreneurship (Chell and Haworth, 1992; Barkham et al., 1996; Coulter, 2000).

One of the early studies on the characteristics of entrepreneurs was conducted by Smith in 1967 (Haynes, 2003). He subdivided entrepreneurship based on the characteristics into two categories namely; "craftsman" and "opportunistic" (Haynes, 2003). Ronstadt (1985) expressed "craftsman" as the "lifestyle entrepreneur who has gained experience through the particular application of skills". He defined "opportunistic" as the "high growth entrepreneurs who may tend to be less dissatisfied with previous paid employment" (Haynes, 2003).

Alstete (2002) supported Ronstadt’s characterisation of the "high growth" entrepreneur and suggested that the factors of education, industry experience, and a parental entrepreneurial
role model might be reasons to establish high growth potential ventures. Storey (1994) defined the differences between craftsman and opportunistic entrepreneurs as:

"... [craft entrepreneurs] are noted by their working-class, blue-collar background, low level of education and paternalistic management styles. To craft entrepreneurs, self-employment represents a livelihood, with the primary motivation provided by intrinsic factors such as lifestyle and job satisfaction, rather than economic objectives. Opportunistic entrepreneurs, however, are characterized by their middle class, white collar background, higher level of educational attainment and professional management style".

Lifestyle entrepreneurs balance both commercial and lifestyle goals and strategies. A lifestyle entrepreneur's values are social and cultural rather than focused on the development and growth of the business (Ateljevic and Doorne, 2000). Morrison et al. (1999) identified lifestyle entrepreneurs as those with "the need to create a chosen lifestyle in which the needs of family, income and a way-of-life are balanced". However, lifestyle entrepreneurs face some problems such as long-term economic survival.

The concept of entrepreneurship has generally been focused on the dynamic element of economic performance. Dewhurst and Horobin (1998) pointed out that tourism entrepreneurship has its unique characteristics which make it difficult to apply a similar economic perspective as in other small business industries. The results of their study showed "...that a picture is emerging of entrepreneurs who are not motivated by a desire to maximise economic gain, who operate businesses often with very low levels of employment, and in which managerial decisions are often based on highly personalised criteria" (Ateljevic and Doorne, 2000).

There are number of motivations and aspirations driving a person to enter into tourism entrepreneurship. Szivas (2001) stated that one of the reasons to start a business in the tourism industry was "way of life" or lifestyle motivations. The research, which was
conducted in coastal areas of the UK and New Zealand, found that many of the businesses were run by lifestyle entrepreneurs, and their objectives were not aimed at achieving profit or growth of the firm (Shaw and Williams, 1987; Ateljevic and Doorne, 2000).

When the business has settled into a routine, it is important to know if there is any potential for growth. Some entrepreneurs do not wish to grow and some businesses grow despite the entrepreneur's objectives (Storey, 1994). Entrepreneurship has been defined as job creation and adding value to the economy (Getz and Petersen, 2005). Therefore, a growing business means more jobs and more contribution to the economy. In the literature many reasons behind successful growth have been proposed. Entrepreneurs play a key role in the growth of the firm. Katz (1995) defined “growth entrepreneurs” as “those who measure their success by business size and growth”, and contrasted these people with “autonomy-seeking” business owners, the “kind who want to be their own boss or occupy their own place”.

Some entrepreneurs who are categorised as “craftsman or lifestyle entrepreneurs” do not like to take risk. In general, family business ventures have been found to grow less, and operate in a comfort zone making just enough money (Morrison et al., 1999; Ateljevic and Doorne, 2000; Getz and Petersen, 2005). Getz and Petersen (2005) stressed that the reason behind this could be the family security needs and wants come first, rather than any potential growth of the company. The growth of the business is referred to as the wealth or profitability of the business. In the hospitality industry, growth means increasing demand – volume of tourists and yield – and tourist expenditure at the destination (Getz and Petersen, 2005).
One study on tourism entrepreneurs has shown that entrepreneurship activities including growth cannot necessarily be applied to the hospitality industry (Shaw and Williams, 1998). The main reason was the conclusion that many owners in the hospitality industry were "non-entrepreneurs". In the hospitality sector, business failure or bankruptcies happen more often than in any other business. Shaw and Williams (1998) explained the reason for business failure as:

"...having little or no formal qualifications; using mostly family resources and labor; lacking business planning and growth strategies; doing little if any marketing, and possessing non-economic motives. Typically such owners moved to resorts for semi-retirement and other lifestyle reasons. 'True entrepreneurship' was associated with non-personal sources of capital and innovative management skills".

The motivation of tourism entrepreneurs goes back to their lifestyle preferences. Getz and Carlsen (2005) and Middleton (2001) conducted research on family businesses and micro businesses in tourism. Both studies proved that people who became tourism entrepreneurs wished to change their standard city life by moving to a rural area. Middleton (2001) stated that these types of entrepreneurs intend to keep their lifestyle and do not wish to grow.

Getz and Petersen (2005) searched the motivation of entrepreneurs by looking at lifestyle, autonomy goals and growth-oriented perspective in two resort environments in two countries (Denmark and Canada). They found that a minority of entrepreneurs desired to grow and the majority of entrepreneurs were identified as "lifestyle and autonomy-oriented" entrepreneurs. The results have shown that life-cycle stage and seasonality could be one of the impactors on entrepreneurial opportunities and behaviour. They argued that all-season resorts have higher levels of profit-oriented entrepreneurs. Another factor found, which differentiated the growth-oriented from the lifestyle entrepreneurs, was related to the number of the people or family members in the venture. Getz and Petersen (2005) argued that having children could change the achievement of the business. They stated that,
"owners with children working in the business were more growth oriented, and copreneurial owners (couples owning and operating the business together) were more growth oriented than sole proprietors."

2.6.4. Growth and Hotel Entrepreneurs

There were only a very limited number of studies which focused on the small hotel business conducted prior to the late 80s (Page et al., 1999). Glancey and Pettigrew (1997) argued that the reason for this was that although many tourism establishments are small businesses, they were not treated like small businesses in other sectors. Page et al. (1999) identified the reasons as: lack of theoretical and empirical data on small firm based tourism research; inadequate information and analyses of the needs of the small business sector; and the cost of generating primary data on small tourism businesses at the information generating stage. Many researchers have concentrated on large or chain hotels because these hotels are more dominant and stronger than small hotels (Glancey and Pettigrew, 1997). Studies on small tourism enterprises increased after the 90s, especially in the hotel business (Morrison, 1996; Glancey and Pettigrew, 1997; Morrison et al., 1999; Morrison, 2000; Claver et al., 2006; Morrison and Teixeira, 2004).

Glancey and Pettigrew (1997) found that the existing literature on small hotel businesses was aimed at finding out the personal characteristics, motivations, objectives, and managerial practices of the key agent and entrepreneur. However, Newell and Seabrook (2006) looked at entrepreneurship in the hotel sector from a different perspective. They mentioned that the hotel sector had specific investment characteristics compared to other property sectors. These included:

- higher volatility than the other property sectors, resulting from unstable cash flows (from lack of long-term leases, out-dated management agreements and seasonal influences);
- low risk-adjusted returns;
- performing more like an operating business than property;
- low institutional investor support; and
- specialised industry-specific features.

The hotel investment sector seems to be a mixed asset class, including both business risk and property risk (Newell and Seabrook, 2006). As a result, the entrepreneur’s motivation weakens and it gets harder to be successful in the short term. Newell and Seabrook (2006) listed the key factors in the hotel industry as:

- high trading volatility from unstable cash flows;
- poor past performance;
- higher risk than other property sectors;
- poor alignment of hotel owner and hotel operator objectives; and
- lack of understanding of hotel sector.

These key factors highly influence an entrepreneur’s decision to enter the hotel business. They might be one of the reasons for starting with a small hotel establishment as it reduces the high risk involved in the business and property. Wanhill (2000) identified that tourism enterprise could be divided into three scales based on social and economic effects. These are “large industrial”, which are international hotels of 100 rooms or more, “small industrial to economy class hotels” and “craft tourism”, which includes “home stays”.

Hankinson (1990) conducted research on small hotels in the late 80s. His study included 30 small hotel entrepreneurs in Bournemouth. His results indicated that many of the entrepreneurs were family-oriented rather than business-oriented and they were at the survival stage based on the business life-cycle. The hoteliers aimed to survive in the market by using local newspaper advertisements offering reasonable rates. There was no evidence of growth strategies or plans.
Glancey and Pettigrew (1997) argued that entrepreneurs who owned a small hotel were more “lifestyle entrepreneurs” enjoying a comfortable way to do business in the late 80s. On the other hand, Morrison et al. (1999) stressed that the entrance of competition from new large hotels with professional management styles and objectives in the late 80s resulted in the forcing out of the “amateur” small independent hotels.

Glancey and Pettigrew (1997) conducted a study with 40 small hotel entrepreneurs in St Andrews. They compared their results with Hankinson’s (1990) results. The main differences were found in the marketing strategies of the small hotel entrepreneurs. Glancey and Pettigrew’s (1997) results showed that the entrepreneurs were between 30–49 years old and were the ideal type of opportunistic entrepreneurs who carried the following attributes:

- high levels of educational attainment;
- previous managerial experience;
- pulled into business;
- pursuing business objectives;
- employing a clear marketing strategy.

The entrepreneurial attributes and behaviours could affect the management of the hotel and business growth and development strategies in the long term. Morrison et al. (1999) stated that there were considerable management issues in small hospitality firms. These are: the role of the marketing; quality management; the value and application of information technology; the relationships of business planning and small firm success; strategic management; growth and entrepreneurship. If small firms have all these problems, how
could they survive and apply their general business knowledge to overcome them? This also shows the complexity of the structure of the tourism industry.

All of the above management issues carry a similar importance for small hospitality firms. However, entrepreneurship issues could be the most significant indicator of the hotel entrepreneur’s success as the entrepreneurs are the people who create the business and deal with a number of challenges such as uncertainty, risk taking, decision making and investing money (Morrison et al., 1999; Ateljevic and Doorne, 2000; Joyce and Woods, 2003). Morrison et al. (1999) identified the key elements of entrepreneurship in the hospitality industry as:

- **Change initiation**: capability of identifying an opportunity for creation or innovation, and ability to turn it into a reality.
- **Commitment to employees**: application of appropriate management practices and reward systems designed to exact employee loyalty, retention and efficiency.
- **Creative resourcing**: ingeniously marshalling resources, of both a financial and managerial nature, from a complex set of sources in order to mobilise and realise the opportunity.
- **Entrepreneurial learning**: motivation to acquire the necessary knowledge and expertise through relevant exploration and reflection, in order to excel.
- **Innovation and creativity**: renewal of products or services by adding value through application of expertise and imagination.
- **Knowledge leadership**: development of sources of management information to enable first mover capability, and effective strategy formulation and implementation.
- **Opportunity alertness**: continuous focus on emerging trends and opportunities to be captured and realised.
- **Relationship management**: maintenance of effective teams, networks, and flexible management structures.
- **Timing of action**: acting within a limited window in which an opportunity can be optimised.
- **Vision and strategic orientation**: formulation of ambitions, and strategies to realise them.

These key entrepreneurial elements help the entrepreneur to see the future and identify a growth strategy for the firm. Claver et al. (2006) explained that the growth must happen in a natural way if the firm is to keep its position amongst the competition. They also argued that “enterprises must seek continuous growth with the aim of increasing or simply maintaining their sales and profits levels, so that their survival can be guaranteed". They
studied Spanish hotel establishments and found that the highest percentage of hotels were 2-star and 3-star establishments, and that the hotel entrepreneurs ran predominantly small and medium-sized and family businesses.

Their study focused on the growth strategies of the hotels which had come to the point where growth "is something natural and inherent to the existence of the enterprises". They believe that entrepreneurs plan and organise the firm's growth. The determining growth factors were found to be:

"...initial levels of profitability and risk, their indebtedness ratio, their liquidity ratio, as well as their size and age. Hotel firms with fewer years of operation are more clearly supposed to concentrate on improving their efficiency in their current fields of activity, and only after having achieved a strong competitive position should they start thinking of growth towards other business activities. Finally, if the hotel firm also happens to have an excess of financial resources, because they are seen as the least specific ones for its activity, we could also expect growth to be directed further away from the firm's current business." (Claver, et al. 2006)

One of the significant points was the massive responsibility of hotel owners. They need to look after many different issues within the company. However, it would not be enough to concentrate only inside the company; the environment of the company is also important on the path to growth. In the next section, issues outside of the hotel will be examined based on the concept of entrepreneurial networks and networking.

2.6.5. Networks and Networking in Tourism and Entrepreneurship

Financial support is not the only need for successful new ventures from the external environment. There are non-financial requirements and support which will help to improve entrepreneurial ventures. Entrepreneurs mostly need to know about market
studies/research, business plan preparation, and dealing with procedures and regulations. They could get this information from consultants, friends, family or other resources. But it might be very costly, give the wrong information/direction and be time consuming (Gnyawali and Fogel, 1994). In some cases, networks might be the only way of connecting actors, resources and activities, especially for people who do not have any experience in the business area (Holmlund and Tornross, 1997).

Non-financial support is called networking. Any entrepreneur will need to have a good network of contacts. In other words, they will need to find customers and suppliers in order to create a demand and supply chain for their product and services (Aldrich and Martinez, 2001). However, the meaning of networks and networking is not very clear and is even more complex these days because of the terminology (Tinsley and Lynch, 2001; Morrison et al., 2004). The meaning of networks is changing, for example: sociological study has become social relationships (Tinsley and Lynch, 2001), marketing has become relationship management (Holmlund and Tornross, 1997), destination development has become development and promotional activities (Gibson et al, 2005). Gibson et al. (2005) found that a network is “a mixed organization in order to reflect its dual community-commercial loyalties”.

Holmlund and Tornross (1997) believed that one way or another, a network means the connection and relationship among people, activities and resources. Some researchers looked at networks from a specific area of interest like entrepreneurship. Manning et al. (1989) showed that networks provide four essential ingredients to entrepreneurship, namely, support and motivation; examples and role models; expert opinion and counselling; and access to opportunities, information and resources.
Entrepreneurs may get this kind of network by attending trade fairs or entrepreneurial fairs, or by becoming a member of associations and clubs. Swanson and Webster (1992) researched Czech and Slovak entrepreneurs. The results showed the lack of information about and access to international markets. They stated that:

"... [m]any entrepreneurs expressed a need for better information services, especially in rural areas, including most of Slovakia. They lacked basic economic information such as forecasts, business directories, legal notices, and data on the foreign sector ... they also wanted advice on how to become more competitive, deal with banks, and find trade and investment partners abroad." (p 6)

Networks of entrepreneurs are one of the most important parts of the journey. However, it gets the least attention from entrepreneurs. They have got it wrong that networks come after they have opened and been in the business for a long time. Swanson and Webster (1992) agreed that weak networks also stop developments, growth and being part of the international market.

Some researchers focused on the benefits and the way of using networks in a specific industry (Tinsley and Lynch, 2001; Gibson et al, 2005, Miguens and Mendes, 2008). One of the industries which has gained attention in terms of networks and networking research is travel and tourism. There are many specific reasons like the movement of tourists, promotion and distribution channels, increased awareness, etc. (Gibson et al, 2005, Miguens and Mendes, 2008).

Tinsley and Lynch (2001) agreed that networks have one of the most complex relations in tourism. There are many numbers of people, organisations and activities creating networks in tourism (Lemmetyinen and Go (2009). The network of tourism also includes the
community council, the local schools, the local tourist association and many others at the
destination (Tinsley and Lynch, 2001). As Miguens and Mendes (2008, p. 2964) stressed,
"a large variety of real-world systems are structured in the form of networks, from social,
biological, economic, infrastructure and information networks". This statement explains
how much networks are a part of life and cannot be separated from the personal and social
life of people.

In the literature, networks have been analysed and examined on the basis of tourism
destination and tourism marketing from the development perspective (Gibson et al., 2005;
Shih, 2009). However, the literature does not address the relationship of networks and
small business growth.

If networks play an important role in every person’s life, it should be very important to
understand this concept within the tourism industry. Morrison et al. (2004) found that
multiple ranges of network types exist, which may cause people a problem when finding
the right one for them. Some of them are classified as "organisational types, inter-
organisational configurations, relationships between members, functions, etc.". Finally,
Morrison et al. (2004, p. 202) concluded that the new definition of network is:

"A set of formal, co-operative relationships between appropriate organizational
types and configurations, stimulating inter-organisational learning and knowledge
exchange, and a sense of community and collective common purpose that may
result in qualitative and/or quantitative benefits of a business activity, and/or
community nature relative to building profitable and sustainable tourism
destinations."

This definition is more detailed and understanding of the coverage area in explaining the
meaning of a network. It very specifically describes a network in the tourism industry but it
was necessary to have this definition in order to avoid confusion among the other industries.

2.7. Small Island Tourism

Islands have a number of significant characteristics which seem to make them particularly vulnerable within the tourism sector. Some of them are remoteness, perceived “difference”, smaller size, slower pace of life, distinct culture, and unspoiled nature (Lockhart and Drukakis-Smith, 1997). On the other hand, these characteristics also tend to attract tourists to islands (Lopez and Baum, 2004).

Lim and Cooper (2008) stated that the unique characteristics of islands, like vulnerability, isolation and peripherality, link the sustainability of island tourism to carrying capacity, community involvement, the local political environment and special interest activities. Lemon (1993) stated that in today’s situation, island tourism is unstable, which is often linked to economic problems that can cause domestic, social and political upheaval. However, the potential contribution of island tourism to economic diversification, employment generation and in overcoming developmental disparities has been recognised (Lockhart and Drukakis-Smith, 1997).

Island governments have realised the importance of tourism and are trying to introduce it as a major economic impactor (Lopez and Baum 2004). Croes (2006) agreed that economic development in small islands is positively affected by growth in tourism. There are many islands that use tourism development as a growth strategy to achieve greater economic and development performance, for example the Caribbean islands (Read, 2001). However, small islands are considered to be powerless compared to other countries, and are
politically and economically fragile and unstable. Royle (2001) mentioned that many small islands have been abused in so many ways that they have lost their political and economic identity. Lim and Cooper (2008, p. 91) stated that “islands tend to be in a position of political and economical subordination to the mainland or external forces, and islanders rarely have the power to control these situations alone. Many examples can be given of island states that demonstrate a clear connection between their colonial past and present foreign dependency”.

Most scholars have concentrated on tourism development, like the dynamics of tourism, the sector’s impacts on destinations, planning and policy, and sustainable development on islands (Lockhart, 1994; Ayres, 2000; Diamantis, 2000). However, not many of them have looked into the effects of ethnic strife, sociopolitical tension, or war on islands, although in many destinations like Fiji, New Caledonia and Sri Lanka, tourism development has been periodically affected by such circumstances (Ioannides and Apostolopoulos, 1999).

Another issue for island tourism is dual governance and internal politics. There are many examples around the world where islands have two nations, governments, and cultures, like Cyprus, Ireland, and Trinidad and Tobago. McLeod and Airey (2007, p. 218) stated that “based on a framework of dual governance, the influences on tourism development potentially leads to conflict rather than collaboration, particularly if the two governments are of differing ideological positions. In such an environment, the development of the tourism industry is most likely to be constrained”. Hence, conflicts can be a major problem that people face in island tourism. In the next section, conflicts and island tourism will be examined.
2.7.1. Tourism: Post-War Conflicts

In many countries, war and conflicts have directly affected tourism and the economy over many years such as Korea, Bosnia and Herzegovina, Sri Lanka, Lebanon and Cyprus. There are limited studies on the influence of war on tourism development (Ladki and Dah, 1997; Ioannides and Apostolopoulos, 1999; Lee 2006, Alipour and Dizdarevic, 2007; Lim and Cooper, 2008; Thompson, 2010).

Smith (1998) examined the touristic impact of World War II. His study is one of the pioneers on this topic because many studies were concentrating on contemporary topics rather than the relation between the past and the present situation. The world did not have another war like World War II, but civil wars and cold wars have been an issue over the years. Wars and conflicts have become of increased interest to people because of live broadcasts on television (Vietnam War, Iran and Iraq War, etc, 9/11 Twin Towers, etc) (Lisle, 2007). Although some people may be deterred from visiting war-affected countries, others wish to visit the former war zone to go to sites to collect items related to the war and to show other friends that they have been to the war zone (Stone and Sharpley, 2008). Media is the strongest reason for the increase in demand for this kind of dark tourism (Lisle, 2007). As a consequence, post-war countries have recently gained the attention of academic researchers because of the increasing demand from tourists to visit war sites.

Conflict and tourism are also related to security issues. If the country is known as a secure place, people wish to go there (Lisle, 2007). If it is not, people do not travel. Lisle (2007) created the post-war model of conflict and tourism, which is shown in exhibit 2.17.
Exhibit 2.17: The post-war model of conflict and tourism

<table>
<thead>
<tr>
<th>SECURITY</th>
<th>Peace</th>
<th>Conflict</th>
<th>Peace</th>
</tr>
</thead>
<tbody>
<tr>
<td>TIME</td>
<td>→</td>
<td>→</td>
<td>→</td>
</tr>
<tr>
<td>TOURISM</td>
<td>Tourism</td>
<td>No Tourism</td>
<td>Tourism Again</td>
</tr>
</tbody>
</table>

Source: Lisle (2007)

Lisle (2007) explained that the model has a very basic logic as “there is an unambiguous demarcation between conflict and peace, and tourist practices are always subservient to this division”. Basically, if there is a conflict, there should not be any tourism activities. However, there are countries like Cyprus where the conflict has not been resolved for over 35 years, yet tourism is the biggest income for people and the economy (Lindley, 2007). So, there is a conflict, but there is security and tourism at the same time in Cyprus.

Ioannides and Apostolopoulos (1999) mentioned that Cyprus is a unique example of this type of situation. They found that the South has become one of the most prosperous Mediterranean states with over 2 million tourist arrivals, while the Turkish Cypriot North is dependent on Turkey and remains internationally isolated but still has tourism activities. The two sides of Cyprus followed different paths and tourism development. Cyprus has been a closed box for many years to the world. Recently, Cyprus has gained huge attention because of the reunification and negotiation talks between the parts. Media is playing a huge role again, as well as other countries like the USA, UK, Turkey and Greece.

Ladki and Dah (1997) have examined the case of Lebanon, which is one of the unique cases in the world. Lebanon is located in the Mediterranean and played a very crucial role in the Middle East. They had 16 years of civil war and lost nearly all their tourist demand over the years. In 1994, the government and other bodies worked on many projects to support the development of tourism (Ladki and Dah, 1997). They have argued that the development of tourism cannot be done by the government itself and it requires attention.
from private investors and entrepreneurs. However, it should not be forgotten that people had just emerged from the war and many had lost their lives and beloved ones. It could be a problem going back to normal life after a long time at war and being a soldier (Ladki and Dah, 1997; Thompson, 2010).

South Korea is another country in the cold war and faced with post-war conflict. Lee (2006) stated that South Korean people had been affected by war. It was also mentioned that the government realises that tourism means a good opportunity for bringing in foreign currency. Tourism is a way of rebuilding the post-war society and increasing the wealth of the people. It is a way of seeing the opportunities and turning them to the benefit of the local people.

As mentioned earlier in this chapter, economy and tourism are bonded to each other and everything connects to them. Thompson (2010) stated that “the economic crisis has not stifled people’s desire to travel but it has affected what people are willing to spend on travel. Post war countries like Lebanon and Sri Lanka that offer value for money with favourable exchange rates will have the advantage as price becomes a key issue”. This is a very important issue for world tourism trends because travellers would like to buy cheap but many experiences at the same time. Often, post-war countries are rich in nature, unspoilt, underdeveloped, full of history and real (recent) war sites (Lisle, 2007; Thompson, 2010).

This new concept has been named “dark tourism”, which means visiting war zones, battlefields, mass graves, camps, etc. with full tour packages (Douglas et al. (2001). This was a new concept in tourism which was started in 1992 by Italian travel agent Massimo
Beyerle (Lisle, 2007). He offered two weeks' holiday at the battlefield of the "October War Zone" in Bosnia. The new developments in transport and communications, making distances shorter and easier to travel, created new entrepreneurs who see opportunities and find new experiences for their customers. Dark Tourism is just the result of recent war experiences combined with the media and changes in people's perception and curiosity.

Dark Tourism and Post-war Tourism has gained huge attention after Lennon and Foley (2000) published their book under the name of “Dark Tourism: the attraction of death and disaster”. Academic opinions are divided over this point and there have been arguments about post-war conflicts having a positive and negative relation to tourism up until today (Ashworth, 2002; Lisle 2007; Stone and Sharpley, 2008, Sharpley and Stone, 2009). However, dark tourism is not a new concept for people who have been travelling to the old memorial sites or war castles, etc. (Lennon and Foley, 2000; Stone and Sharpley, 2008) People have been travelling extensively around the world to visit “death, disaster and atrocity” (Lisle, 2007).

Pyramids, tombs, graveyards or famous sites of celebrity death are always counted as valuable and important tourist attractions (Lisle, 2007). It is then a question of timing to visit the sites (Stone and Sharpley, 2008). Lennon and Foley (2000) argued that the term dark tourism can only be applied to the recent war sites that are visited after the incidents. However, it it is not clear what is and what is not included in dark tourism. As Lennon and Foley (2000) wrote, travelling to north part of Cyprus has been classified as dark tourism but the south has not. However, both sides had the same war and sites are the same in the north or south. Both sides of the island are carrying the scars of the conflict and psychological trauma (Ioannides and Apostolopoulos, 1999). However, the south is
recognised internationally and the north is not. In one way of looking at this situation, it
could be annoying that the north is counted as a dark tourism destination and the south is
not. Both sides were engaged in the war and they have similar sites and an inaccessible UN
border between the two nationalities. The war between the Greeks and Turks happen in
1974 and it has been an unsolved issue since than (Lindley, 2007). Cyprus will be the
location with the oldest and longest period of “dark sites” for the traveller based on the

Dark tourism is known as a niche market for entrepreneurs and travellers. However, there
are no studies on the public opinion about dark tourism development in their country and
society. Are they proudly showing these sites or do they try to forget and put the war
behind them and live a new life (Lisle, 2007)? How does war affect people and their future
dreams? What is the conflict that will affect local people in post-war life? Tourists will
come to see the graveyard which could contain their relatives. There are many questions
like those which still need to be examined. Smith (1998) stated that war has an impact on
people who have been in the war in the form of bad memories. This will create a problem
in people’s lives and the businesses they are in to. Smith (1998, p. 205) explained the
relationship between tourism and conflict as:

“War breeds more war, in vengeance, restitution and reciprocity, and it is the memories as
well as the realities that make war so drastic and so feared. Wars are without equal as the
time-markers of society. Lives are so irrevocably changed that culture and behavior are
marked by three phases: ‘before the war’, ‘during the war’, and ‘after the war’. These
temporal states are marked by rites of passage: one ‘trains for war’, ‘prepares for war’,
‘goes to war’, ‘fights in the war’, ‘comes home from the war’.”

This has some similarities with the stages of the life-cycle in the entrepreneurship chapter.
In every incident of human life there are the stages of beginning, middle and end. The
people who are in the young age group trained for war and are expected to stand up and
continue their lives as normal after coming home from the war. There are not many studies on how war affects people’s lives after they return from being a soldier after long years in the army (Ioannides and Apostolopoulos, 1999; Lennon and Foley, 2000; Lisle, 2007).

2.7.2. Island tourism: Case of North Cyprus

After the 19th century the Mediterranean islands became the most popular destinations for the European tourist market (Ayres 2000). Diamantis (2000, p. 427) expressed the importance of island tourism in the Mediterranean: “The Mediterranean coastal strip accommodates 140 million permanent inhabitants, a figure that increases by almost 200 million as a result of tourists, mainly from Central and Northern Europe.”

There are more than 34 islands in the Mediterranean coastal area. The biggest islands are Crete, Sicily, Sardinia, Corsica, Malta and Cyprus. Cyprus is the third largest island in the Mediterranean Sea, being 9,251 square kilometres (3,572 square miles) in area (Okumus et al., 2005). The island encompasses citrus and olive groves, pine forested mountains, and some of Europe’s cleanest beaches. Cyprus is approximately 105 km (60 miles) west of Syria, 75 km (47 miles) south of Turkey and 380 km (200 miles) north of Egypt (exhibit 2.18). The name of the island comes from the metal copper (see appendix C).
Cyprus represents an interesting case of a large, heterogeneous island tourist destination that is at an intermediate level of development. It has a historically strong and regionally diverse economic base, a strategic position, abundant natural and cultural resources, a spatio-temporally differentiated pattern of tourism development and a unique value system.

Ioannides and Apostolopoulos (1999) stated that there is a need to examine the interconnection of politics and tourism with regards to the effect of socio-political turmoil on the sector’s growth in small island nations. They found Cyprus is a unique example of this situation for studying tourism’s evolution, and in particular paying attention to the way in which the industry’s long-term fortunes have been affected by periodic internal political and ethnic instability, war, and the island’s ensuing partition.

Tourism development started in 1960 after the island gained its independence from British rule (Ayres 2000; Sharpley 2001; Sharpley 2002; Sharpley 2003). Sharpley (2003) pointed out that there are two distinct phases after 1960 for tourism in Cyprus. Phase 1 was from 1960–1974 and Phase 2 was from 1974 up to today. This is because the island was divided into two parts, changing tourism totally for both parts, after 1974 (see appendix C).
Lockhart (1993) examined Cyprus tourism developments and mentioned that “Cyprus is unique, because it has witnessed periodic dislocation of its tourist industry for more than thirty years. Civil unrest during the 1950s and 1960s was accompanied by downturns in arrivals and it has had to reconstruct much of its tourist infrastructure following the coup d'état against the government in July 1974 which was followed by Turkish military intervention.”

In 1974, Greek and Turkish Cypriots were divided as shown in exhibit 2.17 (Altinay et al., 2002a; Scott, 2003). The southern part of the country is under the control of the Republic of Cyprus and the northern part under a Turkish Cypriot government. The Turkish Republic of Northern Cyprus declared itself a Turkish-held area and as a result faces an international embargo (Sharpley, 2003).

In 2004, the Republic of Cyprus became a member of the EU. North Cyprus became a problem for the world again. The most recent attempt (the UN’s Annan Plan) to unite the two sides in a federal government failed (Webster and Timothy, 2006). In simultaneous referenda nearly 75 percent of the Greek Cypriots rejected the Annan Plan, whilst 66 percent of the Turkish Cypriots approved it. On 1 May 2004 the whole of Cyprus became, in theory, part of the EU, but in practice this does not apply to the TRNC, which continues to assert its independence.

Both communities took radical decisions and the rules relating to border crossings in Cyprus have slightly changed. The borders opened to allow crossings by both Greek and Turkish Cypriots on 23 April 2003 (Webster and Timothy, 2006). After 30 years, this was the first time many from both sides had been able to visit their home towns and homes, meet with their friends, neighbours, and even for some people, find their lost son, daughter
or husband. EU, Turkish and Greek Cypriot nationalities may now cross the border freely in either direction, but not Turkish nationalities (from mainland Turkey). Tourists who are visiting the South are able to visit the North either as an excursionist or to stay for a couple of days. They can travel by rented car from the South to the North but not North to South (Webster and Timothy, 2006).

Today, the non-recognition of North Cyprus is still an unresolved problem. However, there have been many changes and attempts to increase awareness of the issue. In the last five years, Turkish Cypriots opened many tour operating companies to support North Cyprus tourism (Altinay et al., 2002b). The TRNC Tourism Ministry is working hard to increase tourist arrivals. There were some suggestions to solve the transportation problem by starting direct flights between North Cyprus and Europe, but this has not been approved by any authority. Tourism is dependent on transportation, especially island tourism (Altinay et al., 2002a).

There are only two ways to reach the island, either by air or sea transportation. As Warner (1999) mentioned, North Cyprus tourism is totally dependent on air transportation. North Cyprus is still an unrecognised country which creates the problem of being unable to directly fly to it from other countries. All flights must land in Turkey before coming to the Turkish Cypriot airport, Ercan. The TRNC cannot compete with other mass tourism markets because there are no direct flights. Warner (1999, p. 128) explained the difficulties of entrepreneurial activities in TRNC: “Political uncertainty over the future of Cyprus means that North Cyprus is a relatively risky place to invest. So investors look for a higher rate of return from hotels in the TRNC, thus putting up prices to holidaymakers.”

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2.8. **Key Findings and Summaries from the Literature**

The review of the literature has focused on three areas in the two complex fields of entrepreneurship and tourism, namely, growth of firms, the tourism industry and island tourism. The main findings emerging from this review are given as follows:

One of the key findings is that a number of factors have been identified in the literature from the two specific points of view of business growth and tourism-hotel growth. Table 2.7 presents all the common factors from different studies and different years. It is very important to note that the literature has shown that there are many independent lists of factors in terms of growth of firms for small and large companies.

Table 2.7: List of the business and tourism growth factors emerging from the literature

<table>
<thead>
<tr>
<th>BUSINESS GROWTH FACTORS</th>
<th>TOURISM - HOTEL GROWTH FACTORS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Storey (1994)</strong></td>
<td><strong>Glancey and Pettigrew (1997)</strong></td>
</tr>
<tr>
<td>Motivation</td>
<td>Personal Characteristics</td>
</tr>
<tr>
<td>Unemployment</td>
<td>Motivation</td>
</tr>
<tr>
<td>Education</td>
<td>Objectives</td>
</tr>
<tr>
<td>Management Experience</td>
<td>Managerial Practice</td>
</tr>
<tr>
<td></td>
<td>Key Agents and Entrepreneur</td>
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<tr>
<td>Number of Founders</td>
<td></td>
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<tr>
<td>Prior Self-Employment</td>
<td></td>
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<tr>
<td>Family History</td>
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<tr>
<td>Social Marginality</td>
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<tr>
<td>Functional Skills</td>
<td></td>
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<tr>
<td>Training</td>
<td></td>
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<tr>
<td>Entrepreneur Age</td>
<td></td>
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<tr>
<td>Prior Business Failure</td>
<td></td>
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<tr>
<td>Prior Sector Experience</td>
<td></td>
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<tr>
<td>Prior Firm Size Experience</td>
<td></td>
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<tr>
<td>Gender</td>
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<td>Firm Age</td>
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<td>Sector</td>
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<td>Legal Form</td>
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<td>Location</td>
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<tr>
<td>Size</td>
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<tr>
<td>Ownership</td>
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<tr>
<td>Workforce Training</td>
<td></td>
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<tr>
<td>Management Training</td>
<td></td>
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<tr>
<td>External Equity</td>
<td></td>
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<tr>
<td>Technological Sophistication</td>
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<tr>
<td>Market Positioning</td>
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<td>Market Adjustments</td>
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<tr>
<td>Planning</td>
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<tr>
<td>New Products</td>
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<td>Management Recruitment</td>
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<tr>
<td>State Support</td>
<td></td>
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<tr>
<td>Customer Concentration</td>
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</table>
The literature review further suggests that factors must be combined in a way that achieves successful growth. However, it is obvious that sectoral differences created huge gaps in the
literature in terms of factor numbers. There are some common factors identified in both areas. Table 2.7 is explaining very clearly the point that growth has not been an extensive research area in terms of tourism growth and factors.

Moreover, many other factors were not identified in the previous empirical research studies. Entrepreneurial environment and entrepreneurial orientation are the areas that have not been looked at in detail as factors that influence growth. Entrepreneurial environment covers an extensive area that affects the entrepreneur and venture directly no doubt. The literature review supported the view that the entrepreneur lives in a complex relationship within society and business wise. Entrepreneurs are also affected by many dynamic and changeable environments with or without any direct connection. Examples are governmental issues and decisions, socioeconomic conditions, entrepreneurial and business skills, financial support, etc. The growth literature is counted as relatively mature, but it is obvious that it is very new in certain areas and disciplines. Tourism industry growth literature is mixed in with business growth literature, which may cause some misunderstanding and misconceptions when interpreting the results.

On the other hand, entrepreneurial orientation is very new in the literature of entrepreneurship. There are many arguments for and against this area, especially its relationship with the growth of the firm. However, the studies proved that entrepreneurial orientation plays an important role in the growth of firms and understanding of the concept.

The tourism industry was the second part of the literature review. This is the part that revealed the importance of small tourism enterprises in the industry and their economical impact. The tourism industry covers many different types of business ventures like hotels,
travel agencies, restaurants, etc. The entrepreneurship and tourism literature was examined together, which has shown that having many entrepreneurial ventures within the industry has created huge complexity. The literature review also showed that growth is a very new research area for many different reasons. One specific reason was the industry consists of many small-sized companies which cannot be easily studied. As a result, the literature was based on the large-sized companies in the tourism sector. The findings of this type of research may not be very useful for understanding the small companies that carry specific characteristics and unique structures.

The review of the tourism literature indicated that tourism entrepreneurship plays an important role in a country's economy and social life. Equally, growing companies in tourism are also crucial for the wealth of the country. The literature has shown that this is the case for small islands where the economy is fully dependent of tourism and related activities.

Another important key finding from the literature was a very small number of studies focus on the history of the country and the affect it has on today's business life, especially in entrepreneurship. Small island tourism would be a key area for gaining a deeper understanding of tourism in the context of post-war conflicts. People could leave and live another life in another developed country; this would be a way of escaping from the past. However, it is very important to know about the past and its relationship with people's lives today. This part of the literature was very helpful for understanding the relationship between the entrepreneur's life and the decisions taken after war. Post-war conflict was not an area that many researchers looked into. However, there is a strong link with entrepreneurship and tourism, which are both directly affected by war. The literature
review indicated that if there is war there is no tourism. In contrast, there are countries where there has recently been a war, or one that passed some time ago and have post-war conflicts, that still have tourism activities.

Cyprus was one of the examples of this situation. Many studies have been done on the island and the separation, new developments, political conflict, right and wrong discussions, but none of them focus on this issue as an important influence on entrepreneurs and ventures.

Finally, the main conclusions of this literature review can be summarised as follows:

- The review of the literature indicates that the growth and tourism literature is still relatively new. There are small numbers of empirical research studies. However, the existing ones are not focused on finding growth factors in the hotel industry. In addition, previous studies have not put forward any research implications for growth and entrepreneurial success in the hotel industry.

- Looking at post-war conflicts and their relation with the small island tourism concept appears to be very useful and relevant in understanding and evaluating current thinking and debate on entrepreneurship and tourism. These debates are mostly based on conceptual literature rather than empirical research findings and therefore they do not appear to offer clear recommendations for influencing the growth path of firms and tourism entrepreneurs. Given this, in order to make valuable contributions to the entrepreneurship and tourism fields, there appears to be an essential need for further in-depth empirical research studies investigating and evaluating post-war conflicts and their relationship with entrepreneur's decisions.

- Small island economies are dependent on tourism. Growth is an essential part of the future and wealth of the people. However, there are certain issues which make it more difficult to conduct tourism and business on an island. The hotel business holds the
biggest portion of this industry and plays a critical role within the industry as well as the larger chain of the business world and economy. There would not be tourism without hotels. A bad experience could change the perception of tourists which might influence them not to come again. Hotels would not exist without tourists. The hotel industry must have taken on huge responsibilities and risk to survive and be in business for a long time. In other words, the hotel industry is fragile and very sensitive. It is so easy to make mistakes, which will be the end of the entrepreneurs and business. Another point raised was that small island tourism carries very distinct characteristics and hotels must be able to cope with that among with other issues. This is a very complex area that needs to be examined to find out about hotels and other issues which may change the business of the hotel industry.

• The literature review indicates that the entrepreneur plays an important role during the stages of growth. It is also suggested that every person does not carry the characteristics and skills of an entrepreneur. There are many tests which can find out the tendency level of an entrepreneur. However, the GET Test is the most empirical test and has been used extensively in the research of Durham University. This test will be very useful to use to understand the characteristics of entrepreneurs in this research.

• Perren’s (1999) study suggests there are three categories which indicate the level of growth achievement of firms. These are no real attempt, little growth, and successful growth. Most of the growth studies were conducted in developed and stable countries. In most cases, the economy was also stable and did not affect the study results. However, generally in the world many countries do not have the same conditions as the research countries. This may create confusion and a difficulty in applying a similar approach where the whole situation is different. There is not any list or official document which listed a company’s growth category level. However, this is one of the important issues for academics and industry sector people to analyse to understand the structure of the industry for the future. Therefore, this research will use this approach to analyse the industry and evaluate the situation of the industry today.
2.9. Conclusion

The first part of the literature review chapter examined the understanding of the research arena which was the growth of the firm. The chapter started by looking at the meaning of growth for firms. The second important part of the literature review was to understand the stages of the growth of firms. The section on the life-cycle of firms gave more information on how the firms grow and survive in their venture throughout the life of the firm. This was followed by looking at the managerial models of growth. Storey (1994) examined the extensive literature in order to find out the factors which influence the growth of firms. Storey's study was examined in order to understand the existing factors governing firm growth. Entrepreneurial environment was examined to find out outside affects on entrepreneurship. Based on the Storey study, one of the main components affecting the growth was the entrepreneur. The last part of the growth literature review chapter focused on entrepreneur types, personality and measurement methods of entrepreneurial personality, and entrepreneurial orientation.

The second part of the literature review chapter examined the understanding of the tourism industry and the island tourism of Cyprus. The tourism industry was deeply examined in order to find out the importance of the sector, both economically and socially. Tourism entrepreneurs were defined. Hotel establishments and management issues were analysed. Hotel entrepreneurship and its unique characteristics have been examined in relation to how it influences growing firms. The last part focused on the issues of post-war conflicts, networks and networking, and island tourism and its development.
3. CHAPTER: RESEARCH METHODOLOGY

3.1. Introduction

This chapter outlines the methodology employed for this research. It begins by evaluating alternative research philosophies and justifies the adoption of a qualitative research strategy and case study approach. Furthermore, it explains the reasons for the choice of data collection methods and provides a detailed explanation of how the sample hotels were selected and how access into them was facilitated and maintained. This chapter details how data from the participant hotels were collected and analysed. It ends by explaining how the research findings are presented.

3.2. Differing Approaches to Research

The positivist and interpretivist paradigms are two main research philosophies in the social sciences. Positivism focuses on uncovering truths and facts using experimental or survey methods, whereas interpretivism aims to develop a deeper understanding of ambiguous and multidimensional concepts through exploratory techniques.

In other words, interpretivism asserts that experimental and survey methods impose a view of the world on subjects rather than capturing, describing and understanding these world views (Gephart, 1999). Table 3.1 summarises the key points of each paradigm.
Table 3.1: Management research paradigms

<table>
<thead>
<tr>
<th></th>
<th>POSITIVISM</th>
<th>INTERPRETIVISM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assumptions</td>
<td>Objective world which science can 'mirror' with privileged knowledge</td>
<td>Intersubjective world which science can represent with concepts of actors; social construction of reality</td>
</tr>
<tr>
<td>Key Focus Or Ideas</td>
<td>Search for contextual and organisational variables which cause organisational actions</td>
<td>Search for patterns of meaning</td>
</tr>
<tr>
<td>Goal Of Paradigm</td>
<td>Uncover truth and facts as quantitatively specified relations among variables</td>
<td>Describe meanings, understand members' definitions of the situation, examine how objective realities are produced</td>
</tr>
<tr>
<td>Nature Of Knowledge Or Form Of Theory</td>
<td>Verified hypotheses involving valid, reliable and precisely measured variables</td>
<td>Abstract descriptions of meanings and members = definitions of situations produced in natural contexts</td>
</tr>
<tr>
<td>Criteria For Assessing Research</td>
<td>Prediction = Explanation Rigor: internal &amp; external validity, reliability</td>
<td>Trustworthiness Authenticity</td>
</tr>
<tr>
<td>Unit Of Analysis</td>
<td>The variable</td>
<td>Meaning; symbolic act</td>
</tr>
<tr>
<td>Research Methods And Type(S) Of Analysis</td>
<td>Experiments; questionnaires; secondary data analysis; quantitatively coded documents Quantitative: regression; Likert scaling; structural equation modelling, grounded theory testing</td>
<td>Ethnography; participant observation; interviews; conversational analysis; grounded theory development Case studies; conversational and textual analysis; expansion analysis</td>
</tr>
</tbody>
</table>

Source: Gephart (1999)

Furthermore, positivism assumes an objective world hence it often searches for facts conceived in terms of specified correlations and associations among variables. Hence the positivist focus on experimental and quantitative methods used to test and verify hypotheses have been complemented to some extent by an interest in using qualitative methods to gather broader information outside of readily measured variables (Gephart, 1999). On the other hand, interpretivism is concerned with meaning and it seeks to understand social behaviour. Interpretivism assumes that knowledge and meaning are acts of interpretation and there is no objective knowledge which is independent of thinking, reasoning humans. Interpretivism often addresses essential features of shared meaning and understanding.
Moreover, interpretivism is characterised by seeing the social world from a highly subjective viewpoint. It places the emphasis of explanation in the subjective consciousness of the social participants instead of the objective observer (Cope, 2005). Under interpretivism, general rules and external structures of society do not exist and the aim of social research is to investigate the meanings and interpretations of social actors in specific situations. Because of the highly subjective nature of the interpretive research, studies tend to be small in scale and emphasis is placed on the validity and insight of the research, rather than simply the outcomes or results (Gephart, 1999).

It appears that there has been much philosophical debate about which of these research philosophies is superior and more appropriate for research in the social sciences. However, Gephart (1999) and Cope (2005) suggest that both positivism and interpretivism have advantages and can also be used jointly. These authors also mentioned that the choice of research methodology derives from the nature of the phenomena being studied and there are a number of factors that determine the choice of the research strategy. These include the extent of the existing knowledge in the researched area, the research question (or problem), the researcher's skills, time and available resources (Hollinshead, 2006). Depending on these factors, researchers may choose either one or both of these methodological approaches.

In light of the above discussion, the main part of this research was undertaken using the interpretivist paradigm; the positivist paradigm was used to explore the structure of the hotel industry in North Cyprus and then the interpretivist paradigm used to draw conclusions about the factors influencing growth in the successful hotels.
The thesis concentrated on the two complex fields of entrepreneurship and tourism. Both fields are considered sophisticated and important for the life and economy of a country (Thompson, 1999; Morrison, 2006). This could be one of main reasons why many researchers have focused on entrepreneurship and tourism research and this subject is increasingly attracting more scholars (Thomas et al., 1997; Morrison et al., 1999; Wanhill, 2000; Lerner and Haber, 2000; Davidsson and Wiklund, 2001; Getz and Petersen, 2005; Jogaratnam and Tse, 2006; Newell and Seabrook, 2006).

Patton (2002) emphasised that entrepreneurship researchers prefer to use qualitative methods because of the complexity of the field. Furthermore, Fillis (2006) stated that qualitative methods are being adopted in entrepreneurship research in response to the failure of quantitative techniques to address new theory development. Gartner and Birley (2002) also supported the view that quantitative methods are not useful in terms of substantive issues in entrepreneurship, which are rarely addressed, and the important questions in entrepreneurship can only be asked through qualitative methods.

Likewise, tourism carries special characteristics, especially the hospitality industry. Lugosi et al. (2009, p 1467) stated that “hospitality management research tends to be dominated by quantitative research and positivist epistemologies” and he advocates changing this approach to a more reflexive and critical path. It is an industry purely focused on people as customers or employees and their conceptions, perceptions, expectations, etc. Hollinshead (2006, p 54) argued that tourism studies need to be carried out from an interpretivist point of view and the reason is:

“...tourism studies, those who work from interpretivist and phenomenological standpoints in the domain can generate much more penetrative reconnaissance of the way in which ‘difference’ matters in particular communal/group contexts of being, time, and setting – and of the related ways in which the world is already pre-
normalized and pre-naturalized before those understanding are adopted within the narratives and significations of ‘tourism’.

It is obvious that two complex and unique fields can only be combined and researched by using the interpretivist point of view. The interpretivist paradigm comes with a particular set of ontological, epistemological and methodological assumptions.

In terms of ontology, the interpretivist paradigm presumes reality is local, contextual, and constructed. There are multiple realities and they cannot be separated from a person, which means that there is no one single reality that exists for everyone. This thesis is concentrating on the reality of today’s situation in hotel growth and entrepreneurship.

The epistemological assumptions of interpretivism, or the assumption of what counts for knowledge, mean the structure of actions, the physical behaviour of a person and the interpretation of meaning they ascribe to this behaviour. Findings are created which do not just exist in the world waiting to be discovered. Additionally, the meaning one actor might assign to a particular behaviour might be very different from the meaning given to the behaviour by a different actor, even in the same situation or amongst close family members. Growth is very subjective from sector to sector, management to management and entrepreneur to entrepreneur. Therefore, every entrepreneur may wish to pursue a different path or attitudes for their entrepreneurial venture (Storey, 1994). This thesis will perform a more in-depth investigation to understand the behaviour, attitudes and characteristics of successful entrepreneurs.

The methodological assumptions for each paradigm refer to different methodological perspectives. Positivistic methodological characteristics are: tends to produce quantitative
data, uses large samples, concerned with hypothesis testing, data is highly specific and precise, the location is artificial, reliability is high, validity is low, generalises from sample to population (Collis and Hussey, 2003). On the other hand, the interpretivist paradigm has different methodological characteristics which are: tends to produce qualitative data, uses small samples, concerned with generating theories, data is rich and subjective, the location is natural, reliability is low, validity is high, generalises from one setting to another (Patton, 2002).

Coviello and Jones (2004) recommended that because entrepreneurship is complex and dynamic and many issues are dependent on the entrepreneur's decisions and characteristics, it can be fully examined through a reconciliation of positivist and interpretivist methodologies. Miles and Huberman (1994, p. 277) examined this integration and argued that "a 'realist' approach to investigating social phenomena is possible". In the study of entrepreneurship, the main aims of the researchers are to find an individual or social process, a mechanism, or a structure at the core of events that can be captured to provide a causal description of the forces at work by reconciling the need for interpretative insight with positivist measurement (Miles and Huberman, 1994).

Collis and Hussey (2003) stated that case studies stand at the heart of the qualitative method. Interpretivism uses case study research for many reasons. Hunt (1991, p282) explained that was because "case study research efforts usually involve the collection of perceptions of 'unobservable' external world phenomena such as perceptions that are 'unobservable'." Perry (1998) supported this view stating that "positivism requires that only observable phenomena can and should be researched, so interpretivism rather than positivism is a more appropriate epistemological guide for case study research".
The above authors suggest that when researching entrepreneurship, a reliance on quantitative research methods will not be enough when dealing with a sequence of events and developments over a long period of time where many actors are involved, their roles change and their attitudes and behaviours may be recast. Therefore, following these authors' suggestion it was decided that rich, descriptive and factual data needed to be collected to cope with the dynamic perspective of entrepreneurship.

For this in-depth research project, it was decided that the most appropriate research strategy would be to follow the interpretivist research philosophy by using qualitative techniques since the overall aim of this research is to develop a better understanding of the complex area of the entrepreneurship and the hospitality management field.

Quantitative research techniques would not be able to provide sufficient in-depth and detailed information when researching the complex and the evolving nature of entrepreneurship and the growth of hotels. However, quantitative data will provide the number of hotels which have developed successful growth patterns. In addition, the research project does not seek to validate or prove any theories. Rather it is aimed at exploring and evaluating the reasons for and a number of factors behind hotel growth.

3.3. Research Design

This thesis is laid out under six chapters not including the introduction and conclusion chapters, which are shown in exhibit 3.1. The literature review chapters will examine the growth and tourism literature, which will lead on to the methodology chapter. The
exploratory study chapter will give more details of the findings of the quantitative study and secondary data. In this chapter, growth questionnaire results will identify the hotels with positive growth and the GET Test (Durham UBS, 1988) will identify the entrepreneurial tendency of hotel owners in the North Cyprus hotel industry.

In the main study chapter, five hotel case studies will be presented as the qualitative study. This chapter will focus on the factors that influenced the growth of the most successful hotels in North Cyprus. The findings chapter will give details of the outcomes from the case studies. The discussion chapter will examine the relationship between the findings and the literature review. Finally, the conclusion chapter will investigate the contribution of this thesis to our understanding of tourism entrepreneurship and make recommendations for further research.

Exhibit 3.1: The structure of thesis
3.4. Methodology

This thesis will use both quantitative and qualitative methods to find out the most valuable and understandable outcomes of the research aim. Perren (1999a) and Barkham et al. (1996) examined the growth of firms in the UK. In both studies, national databases were used to finalise the sample and population for the study. In the case of North Cyprus, there was not an official database or information about hotels in the literature. Therefore, the methodology for this thesis required the creation of a personal database.

The methodology is divided into two sections. First, the researcher needs to find out the structure of the hotel industry. Perren (1999a) and Barkham et al. (1996) have categorised the growth level of firms based on their categories as: “non-growth, attempt to grow and successful growth companies” by using official database. The quantitative method of a questionnaire will be useful to create such a kind of database, which will be explained in more detail in the next section. Then, the database results will be categorised by non-growth, attempt to grow and successful growth for hotels in North Cyprus. The GET Test (Durham UBS, 1988) will be used to understand the entrepreneurial tendency level among the hotel owners.

Second, the methodology requires choosing the best method to satisfy the objectives of this research. The main aim of this research is to find out the factors which influence successful hotel growth. The first part of the methodology will help to identify the number of hotels showing successful growth (exploratory study). The case study method was found to be the best method to examine in-depth the factors behind the successful hotels in the case of
Table 3.2 shows the research process including challenges and issues during the data collection and timing of the entire thesis.

### Table 3.2: The research process and timings

<table>
<thead>
<tr>
<th>YEAR</th>
<th>MONTH</th>
<th>ACTIVITY</th>
<th>DATA COLLECTION</th>
<th>CHALLENGES/ISSUES</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004-2006</td>
<td>March-July</td>
<td>To do literature review and write first draft</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>July-August</td>
<td>Growth questionnaires sent to hotel entrepreneurs by post, email or fax.</td>
<td>Contact details</td>
<td>To find correct 73 hotel web addresses. 29 hotels no website – no emails so post to mailing address. 28 hotels found only an email address. Challenge to find contact details.</td>
</tr>
<tr>
<td>2006</td>
<td>September-November</td>
<td>Researcher to visit all 130 hotels to collect growth questionnaire and conduct GET Test face to face (approximately 2-4 hotels a day, depending on the distance between hotels)</td>
<td>Total active hotel numbers (sample size) Bed capacity Employee numbers Occupancy rates</td>
<td>15 hotels found not to be active as a hotel, either closed or used for other purposes. Some entrepreneurs could not fill in the growth questionnaire by themselves so waited for me to do it with them. Some entrepreneurs did not understand the purpose of the study in the beginning so it was quite challenging to get the appointment but at the end I used the old way of doing business: just pop in to the hotel and they could not run away. One entrepreneur asked me to keep it short then he talked for 3 hours nonstop. 92 hotels were found to be active and participated in the growth questionnaire. Only 2 hotel owner did not want to do the GET Test out of 92.</td>
</tr>
<tr>
<td>2007</td>
<td>February-May</td>
<td>Writing up literature and methodology chapters second draft</td>
<td>Exploratory study</td>
<td>66 hotels found to have no growth. 21 hotels found to have little growth. 5 hotels found to have successful growth. And the same 5 hotels scored the highest in the GET Test results.</td>
</tr>
<tr>
<td>2007</td>
<td>November</td>
<td>Writing up literature third draft and data analyses and findings</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2007-2008</td>
<td>October-January</td>
<td>To prepare transfer document</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>February</td>
<td>Submit the transfer document</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>April</td>
<td>Transfer exam</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>September</td>
<td>To write up a new methodology based on finding of exploratory study</td>
<td>To find articles on epistemology and case study methods</td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>September</td>
<td>To start to visit case study hotels. First</td>
<td>Case study method – interview, open-ended</td>
<td>Entrepreneur was helpful and informative all the time. But he could</td>
</tr>
<tr>
<td>Date</td>
<td>To visit</td>
<td>Observation method</td>
<td>Description</td>
<td></td>
</tr>
<tr>
<td>--------</td>
<td>-------------------</td>
<td>---------------------------------------------------------</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------</td>
<td></td>
</tr>
<tr>
<td>October</td>
<td>hotel – Altinkaya</td>
<td>interview, open-ended questions, focus group, archival documents and observation</td>
<td>Entrepreneur was the youngest one in the case study, 28 years old, and second generation. He was not so happy about doing this research and letting it happen but the father who was the founder said to do it and they did all the interviews with me. This was the only hotel, the owner had 3 sons and all of them were into the management and all aspects of the hotel as the second generation and were having a huge problem with the third generation who are coming right after them. Three times, the researcher spent 3 hours sitting in the lobby to observe the general activities and the entrepreneur around the hotel and conduct more interviews. Researcher spent more than these hours at different times but this is the minimum time spent at the hotel. Altinkaya Hotel owners and other family member interviews took 1.5 weeks to complete and 28 hours spent interviewing the entrepreneur and his family members, observing and doing the focus group with 10 people in 1 focus group.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Hotel owners and other family members</td>
<td></td>
<td>It was straightforward because they were ready to give a speech as they always want to talk.</td>
<td></td>
</tr>
<tr>
<td>November</td>
<td>To visit World Travel Trade in UK</td>
<td>Observation and interview with business partners in UK</td>
<td>It was straightforward because they were ready to give a speech as they always want to talk.</td>
<td></td>
</tr>
<tr>
<td>2009 January</td>
<td>To visit case study hotel – Rocks Hotel</td>
<td>Case study method – interview, open-ended questions, focus group, archival documents and observation</td>
<td>Entrepreneur was always busy and took the appointment a bit late and started in January. He was the only one; his dad, who was the first generation founder entrepreneur, passed away. He was very welcoming and introduced the general managers and other managers to help me. Twice in each week on different days, the researcher spent 4–5 hours sitting in the lobby to observe the general activities and the entrepreneur around the hotel and conduct more interviews. Researcher spent more than these hours at different times but this is the minimum time spent at the hotel. First hotel Pia Bella took 3 weeks to complete with 47 hours spent interviewing the entrepreneur and his family members, observing and doing focus groups with 42 people in a group format of up to 10 people a day (4 focus groups).</td>
<td></td>
</tr>
</tbody>
</table>

Note: The table contains information about case study methods and observation times for different hotels and dates.
<table>
<thead>
<tr>
<th>Year</th>
<th>Month</th>
<th>Activity Details</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>February</td>
<td>To visit case study hotel – Acapulco Hotel owner appointment and draft case study</td>
<td>Researcher spent more than these hours at different times but this is the minimum time spent at the hotel. Rocks Hotel took 3 weeks to complete with 66 hours spent interviewing the entrepreneur and his family members, observing and doing focus groups with 34 people in a group format of 6 people a day (6 focus groups). The reason was the busy schedule of the employees.</td>
</tr>
<tr>
<td>2009</td>
<td>March</td>
<td>To visit case study hotels – Oscar Hotel owner appointment and draft case study</td>
<td>Entrepreneur was the oldest and the most experienced entrepreneur in North Cyprus and he is a well known businessman. He was so welcoming and spent more hours than the researcher expected. Three times he took her to the new hotel construction site and talked while looking around. Twice, the researcher spent 3 hours sitting in the lobby to observe the general activities and the entrepreneur around the hotel and conduct more interviews. Researcher spent more than these hours at different times but this is the minimum time spent at the hotel. Acapulco Hotel owners and other family member interviews took 2 weeks to complete and 24 hours were spent interviewing the entrepreneur and his family members, observing and doing focus groups with 17 people in a group format, 6 people a day (3 focus groups).</td>
</tr>
<tr>
<td>2009</td>
<td>April</td>
<td>Sent the 2nd draft of successful five hotel case studies</td>
<td>Entrepreneur was the only portfolio entrepreneur and owns 3 hotels and in the process of opening another hotel. He was the second generation who was sharing responsibility with his father. Only one of his hotels showed successful growth so researcher focused on the Oscar Hotel only but did some visits to the other hotels. Six times, the researcher spent 1 hour sitting in the lobby to observe the general activities and the entrepreneur around within the three hotels. Oscar Hotel owners and other family member interviews took 3 weeks to complete and 37 hours were spent interviewing the entrepreneur and his family members, observing and doing focus groups with 17 people in a group format, 6 people a day (3 focus groups).</td>
</tr>
</tbody>
</table>
### 3.4.1. Exploratory Study

A search of the literature has revealed that the hospitality industry is a fairly new area in the research on growth of businesses (Thompson, 1999). Very little research has specifically focused on hospitality establishments, with most concentrating on general business enterprises or large businesses (Morrison, 2006). The hospitality sector has unique characteristics which affect the management of the business and entrepreneurial venture (Lockhart, 1994). Another issue found is that there are a very limited number of studies on entrepreneurialism in countries with special political, social or economic circumstances compared to other countries (Storey, 1994).

Cyprus has a very old history (see appendix C); however, the recent history of the 1974 war between Turkish and Greek Cypriots changed every person’s life on the island. After 34 years, Cypriots still have the political and social impact of the separation of the two sides reflected in their businesses.

North Cyprus has a unique situation politically and socially compared to any other island in the Mediterranean Sea. There has been good, but not enough, attention paid to North Cyprus issues, especially tourism. Tourism is the main income source and asset of the economy for North Cyprus. As mentioned in the literature review, embargoes were a huge barrier in the development of the island.

<table>
<thead>
<tr>
<th>2009–2010</th>
<th>May–March</th>
<th>To write up findings, discussion, conclusion and introduction chapters</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>March</td>
<td>To submit thesis</td>
</tr>
</tbody>
</table>

123
Based on this argument, this research will focus on the tourism industry of North Cyprus and the factors which influence the growth of its hotels. Unfortunately, North Cyprus was an unknown country in terms of the structure of tourism, the number of hotels, entrepreneurial activities and so on. There are only a very limited number of research studies done on the tourism and hotel industry in North Cyprus that have been published in academic journals (e.g. Witt 1991; Lockhart, 1994; Akis and Warner 1995; Warner, 1999; Altinay et al., 2002b; Arasli, 2002; Scott, 2003; Altinay and Hussain, 2005; Kilic and Okumus, 2005). But none of the studies took as the sample group the whole of the North Cyprus hotel industry.

For example, Kilic and Okumus (2005) focused on the productivity level of 4 and 5 star hotels. Arasli (2002) looked at quality readiness in 4 and 5 star hotels in North Cyprus. Haktanir and Harris (2005) researched performance measurements at 5 star hotels in North Cyprus. In conclusion, there was no research which covered the whole hotel industry with all categories of hotel included. Therefore, there was no data which showed the real status of the hotel industry to enable the drawing of a generalisation or to compare with other studies.

Perren (1999a) suggested that every country holds business statistics and a database which helps to understand the structure and performance of the firms, sectors and type of business, and which can be used as quantitative data for analysing the structure of the sample group. However, in the case of North Cyprus, there are no data or statistics so the researcher needed to create a survey and find out the structure of the hotel industry. The only statistical data that were available from the tourism ministry statistical yearbook were
the number of tourist arrivals, hotels, restaurants, travel agencies, bed nights, occupancy rates, etc. This statistical book is examined under the archival documents of the secondary data section.

Perren (1999a) used his framework in the UK, which is an extensively studied country, especially in the entrepreneurship field. It is obviously important to identify the growth level of firms. However, the North Cyprus hotel industry needs to be explored in order for the key issues and concepts to be identified. As a result, the aim of the exploratory study is to find out the general situation of the North Cyprus hospitality industry and determine the growth level (non-growth, attempt at growth and successful growth) of the hotels by using secondary data, archival documents and a questionnaire. This will help to achieve one of the objectives of this thesis by finding the level of the hotels in terms of growth.

3.4.1.1. Population and Sample

The country of North Cyprus has been chosen for this study for many reasons. The two main reasons were that Cyprus is the third largest island in the Mediterranean and is one of the unique cases in the world of being divided 35 years ago into two parts due to differentiating political positions, resulting in a different social and economic situation in North Cyprus compared to other countries.

The population of North Cyprus is 264,000 and it has an economy which is dependent on tourism. The North Cyprus Tourism Ministry official records show that 130 hotels were established and in operation since 1974 (TRNC Ministry of Tourism and Economy Tourism Planning Office Statistical Yearbook of Tourism, 2006). Therefore, the exploratory study will be carried out on the 130 hotels (population) within North Cyprus in
order to evaluate the extent influences on small firm growth has varied geographically and to control for unspecified regional effects on firm growth.

There are five main cities and tourist regions which are namely, Nicosia (Lefkosa), Kyrenia (Girne), Famagusta (Gazimagusa), Morphou (Guzelyurt) and Trikomo (Iskele). Table 3.3 shows the number of hotels and their location cities in North Cyprus in 2005. The two coastal areas of Kyrenia and Famagusta are the cities where the majority of the hotels are located.

Table 3.3: Number of hotels in North Cyprus by city

<table>
<thead>
<tr>
<th></th>
<th>Kyrenia-Girne</th>
<th>Famagusta-Gazimagusa</th>
<th>Nicosia-Lefkosa</th>
<th>Morphou-Guzelyurt</th>
<th>Trikomo-Iskele</th>
</tr>
</thead>
<tbody>
<tr>
<td>5 star</td>
<td>5</td>
<td>2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4 star</td>
<td>6</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 star</td>
<td>13</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>2 star</td>
<td>6</td>
<td>2</td>
<td></td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>1 star</td>
<td>16</td>
<td>2</td>
<td>2</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>50</td>
<td>2</td>
<td>1</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>96</td>
<td>10</td>
<td>3</td>
<td>3</td>
<td>10</td>
</tr>
</tbody>
</table>


This research will exclude the retirement and no star rating accommodations. The rest of the hotels, which have been rated by stars or categories by the North Cyprus Tourism Ministry, will be included. However, all hotels are licensed by the North Cyprus Tourism Ministry, and those that have not registered with the Tourism Ministry will also be excluded.

The TRNC Tourism Ministry changed the rating system in 2006 and the hotel numbers do not match up. A possible explanation could be that the three hotels in the closed category
were not added to the 2005 list plus five new hotels added to the 2006 list. This research will use the latest announced categories of hotels and numbers for 2006. Tables 3.4 show the number of hotels and hotel category in North Cyprus.

Table 3.4: Tourist establishments in North Cyprus by category

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>NO of HOTELS</th>
<th>BED CAPACITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>*****</td>
<td>11</td>
<td>6,274</td>
</tr>
<tr>
<td>****</td>
<td>6</td>
<td>1,536</td>
</tr>
<tr>
<td>***</td>
<td>17</td>
<td>2,183</td>
</tr>
<tr>
<td>**</td>
<td>15</td>
<td>979</td>
</tr>
<tr>
<td>*</td>
<td>23</td>
<td>785</td>
</tr>
<tr>
<td>II Class Holiday Village</td>
<td>6</td>
<td>1,005</td>
</tr>
<tr>
<td>Boutique Hotel</td>
<td>1</td>
<td>42</td>
</tr>
<tr>
<td>Special Hotel</td>
<td>1</td>
<td>34</td>
</tr>
<tr>
<td>Touristic Bungalow</td>
<td>31</td>
<td>1,690</td>
</tr>
<tr>
<td>Apart Hotel</td>
<td>7</td>
<td>416</td>
</tr>
<tr>
<td>Traditional House</td>
<td>1</td>
<td>24</td>
</tr>
<tr>
<td>Unclassified</td>
<td>5</td>
<td>348</td>
</tr>
<tr>
<td>Closed</td>
<td>6</td>
<td>500</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>130</td>
<td>15,816</td>
</tr>
</tbody>
</table>

Source: TRNC Tourism Ministry Reports 2006

One of the main issues is ease of access to the sample and population for the research (Perren, 1999a). The hotel owners or managers may or may not wish to be part of the research. The researcher asked for help to access all the hotel owners from the TRNC Tourism Ministry. After the protocol was signed, the research project was officially approved and supported by the TRNC Ministry and TRNC Hotel Association.

The TRNC Ministry wrote a letter to all hotels asking for participation and cooperation during the conduction of the research. The growth questionnaire was sent and collected from all hotels which were categorised by the TRNC Tourism Ministry in 2006. The results of the growth questionnaire shows that the total number of active hotels was 115 and 15 hotels were either closed, listed but not active or unclassified, so have been excluded from the research.
All hotels (115) were selected as the sample and the growth questionnaire was sent to all by fax, email or post. The return rate was successful; 80 percent (92 hotels) returned a fully completed questionnaire. The rest of the 23 hotel owners did not want to contribute to the research even though they had received the letter from the Ministry. The researcher contacted them by phone, but they rejected the request for an interview and to complete the questionnaire. Common reasons were too busy, not willing to answer, never done it before so do not know what to do, etc. The researcher visited the hotels willing to participate in the research and collected the completed questionnaire during the visit. The participants requested that their names, data and information be kept confidential and not published or given to any person. The visits were completed in two months (September–October 2006).

### 3.4.1.2. Data Collection

The study data was collected by using an exploratory questionnaire. Barkham et al. (1996) expressed that questionnaires are an inexpensive way to gather data from a potentially large number of respondents. It is considered the only feasible way to reach a number of reviewers large enough to allow statistical analysis of the results. Busenitz et al. (2003) mentioned that many entrepreneurship research studies use questionnaires, surveys and interviews to effectively collect the data from a large number of respondents. A questionnaire is a powerful evaluation tool which is versatile, allowing the collection of both subjective and objective data through the use of open or closed format questions (Busenitz et al., 2003).

There are three types of questionnaire: structured, unstructured and semi-structured. Structured questionnaires are based predominantly on closed questions which produce data
that can be analysed quantitatively for patterns and trends. Unstructured questionnaires, whilst still having a structured sequence and focus predetermined by the evaluator, are based on open questions, allowing respondents the freedom to answer in their own words and therefore to provide greater qualification in their response. Semi-structured questionnaires take a mixed approach (Perren, 1999a).

Based on the above discussion, a formal questionnaire was found to be the best method of collecting data. There was no wish to interrupt the flow of conversation during the interview and therefore a semi-structured questionnaire was used. This provided the degree of consistency needed across the various categories of firm (background, other business). In the exploratory study, two questionnaires were used, namely a growth questionnaire and GET Test questionnaire.

The first questionnaire was adapted from the Barkham et al. (1996) and Perren (1999a) studies and modified according to hospitality industry wording and understanding of the concepts. All hotels received a growth questionnaire by fax or email. The questionnaire took between 30–45 minutes to complete. The researcher visited each hotel after sending the growth questionnaire and collected the results from the hotels. The questionnaire was divided into four main sections (see Appendix D):

**A) Hotel Information:** This section sought data on the background characteristics of the hotel in terms of its age, ownership, and legal structures, the number of owners/partners and their role in the management of the firm, bed capacity, employee numbers, and turnover.
**B) Previous Hotel Experience:** This section sought data on the number of previous hotel business experiences, categories, star rating, location, bed capacity, dates and reasons for closure.

**C) Other Entrepreneurial Ventures:** This section sought data on the other entrepreneurial ventures of the entrepreneur in terms of sector, year in operation, location, and country.

**D) Information About the Entrepreneur:** This section sought data on the background characteristics of the entrepreneur in terms of age, education, nationality, etc.

Secondly, the researcher asked the GET Test questions face to face with every hotel owner during the visits to the hotels in order to find out the personality profile of the entrepreneurs in the North Cyprus hotel industry.

The GET Test (with permission from Durham University), was used to understand the level of entrepreneurial personality among the hotel owners under the five categories of need for achievement, need for autonomy, creative tendency, calculated risk taking, and drive and determination. This helped to find out the number of entrepreneurs that carry entrepreneurial characteristics who scored between the maximum and average. The GET Test takes 10–15 minutes to complete. There are no right or wrong answers (Durham UBS, 1988). The researcher explained the process of the GET Test to the hotel owners and asked the questions.

**3.4.1.3. Data Analysis for Growth Questionnaire**

Hotel owners filled out the growth questionnaire which was adapted from Barkham et al. (1996) and Perren (1999) (Appendix D). The results were analysed using Excel to find out the number of hotels which grew or failed to grow. Successful hotel growth levels were
assessed by looking at statistical data such as bed capacity, employee number and occupancy rate between 2003 and 2006.

**Bed Capacity:** This is the number of beds for each hotel and the changes between 2003 and 2006.

**Occupancy Rates:** This is the percentage calculation for number of nights tourists stay on a yearly basis.

**Employee Numbers:** This is the summer season total personnel numbers for the hotels.

All hotels data were added on excel sheet categorise of bed capacity, employee numbers, and occupancy rates. It will than examined and counted based on the information of yearly bed capacity changes, employee number changes and outperformance of occupancy rates. The exploratory study data results all hotels were categorised based on the growth level as:

- Those that made no real attempt at growth nor had any declared interest in future growth. In this category, hotels were counted that have not changed bed capacity since their opening, as well as no change in employee numbers, and also have a 30 percent occupancy rate within the year of market.
- Those while attempting to grow had been unsuccessful at achieving their goal. In this category, hotels were counted that showed very little increase in bed capacity, that is a less than a 100-bed increase, and very little increase in employee numbers (2–5). They have also not rated a high performance in yearly occupancy rates.
- Those who had achieved success at growth. In this category, the hotels were counted that had an increase in bed capacity over three years of more than 100 beds.
and employee numbers increased by 10 or more, and they are the top ranking hotels that outperform the competition each year relative to the market.

At the end of the exploratory study, the growth questionnaire and the GET Test results showed the number of hotels that have achieved no growth or failed to grow and those with successful growth between 2003 and 2006. This will be first part of the main research and understanding of the structure of the North Cyprus hotel industry. The results will help to select and write up the case studies on the successful hotels to find out the main aim of this research, which is the factors that influence the growth of hotels in North Cyprus.

3.4.1.1. Data Analysis for GET TEST

The second questionnaire (GET Test) was completed with the researcher and the owners/managers of the hotel during the visits. In the test there are 54 different statements. The owner-manager answered by agreeing or disagreeing with the statements. On the answer sheet, the owner-manager circled A in the box which corresponds to the statement if they agreed with the statement and D if they disagreed with the statement.

The results are calculated starting with box 1 in the top right-hand corner of the owner-manager answer sheet and, working across the sheet to the left, awarding one point for every D that they have circled in the shaded boxes. Similarly one point is awarded for every A that has been circled in the unshaded boxes (Appendix E). Now the scored numbers are added up to give a total score for the top row, which is written in the margin. The same procedure is followed for the remaining eight rows scoring in the same manner.
Each section assesses particular attributes. A high score in any category means that the owner-manager has many of the qualities which that particular section has been measuring (see Appendix E).

3.4.2. Main Study

The general direction of the research has been identified and it is important to clarify the case study method is the right approach for the main research (Perren and Ram, 2004). This section will cover the reasons for choosing the case study method and the design of the case studies. The main study was conducted at the end of 2008. The main study sampled the hotels determined from the survey at the end of 2007.

3.4.2.1. Choosing a Case Study Approach

The history of case study research started in the early 1900s (Tellis, 1997). Many years down the road, case study research has gained significant attention from sociological researchers (Tellis, 1997).

A case study approach was chosen for this study as it was noted to be useful for exploratory studies of this kind (Yin, 1994). It was thought that this approach would provide an opportunity to explore and understand issues in some depth through the systematic piecing together of detailed evidence in their context (Stake, 1995; Yin, 1994). It was further believed that the case study approach would be useful in researching the growth of the firm where there has been little theory available (Eisenhardt, 1989). As the aim of the research was to provide detailed analysis and understanding of growth factors for the hotels, in order to take a real in-depth approach, therefore, the survey findings suggested focusing on a
limited number of cases. It is worth noting that case studies have been used widely in the entrepreneurship field (e.g. Thompson, 1999; Davidsson et al., 2004; Morrison, 2006).

The most powerful part of a case study is the multi-perspectival analyses. This means that the researcher does not only review the perspectives of the individual people, but also examines the relevant groups of people and the interaction between them (Tellis, 1997). However, employing this approach requires considerable resources and several years of access and data collection in the participant business. For the present study there was not enough time and resources to spend on data collection over several years. It was therefore decided to collect retrospective and real time data about the investigated growth factor cases from the selected hotels and stay at the hotels as long as possible within the time and resource limitations.

Following Pettigrew (1997), it was further decided that the data about the design and implementation of the chosen hotels’ growth strategies would be collected from five hotels and from all levels of employees and people connected to the hotel: general managers, supervisors, general employees, family members and friends. It was believed that collecting data from multiple locations would provide a richer database for the analysis.

Yin (1994) identified several elements that should be included in the design of a case study:

A conceptual background of the study: This has been examined under the literature review chapters on the growth of firms and hospitality fields separately.

A research question and objectives: These have been discussed in the introductory chapter.

A sampling strategy: This is described below.
**Choice of data collection and analysis methods:** These are outlined in the next section.

### 3.4.2.2. Main Study - Nature and Purpose of the Case Studies

According to the literature available on the subject areas (entrepreneurship and the tourism-hospitality sector), there are many gaps and a lack of knowledge because of insufficient research, data and interest; this has been examined in the literature review chapters. Hoteliers would improve themselves if they know where the problems are. For example, a hotel owner may not be aware of what and how his/her company is influenced by specific factor(s). Problem areas may include the environment, society, and politics. If new technology and developments cannot be used properly, even this might directly affect the hotel business’s productivity and future, which may hold invisible threats for the growth of the firm.

A single case study may not be able to give the in-depth view of the factors which influence the hotels in North Cyprus. Multiple case studies must be used to gather more information to determine the factors. As mentioned earlier in the literature review, factors might differ based on the location of the premises, types of entrepreneur characteristics or environmental effects (Kisfalvi, 2002). The exploratory survey research findings have proved that a number of hotels achieved growth under the same conditions as other hotels. Each hotel case study will give an overview of their growth success story. Generalisations would also be difficult to do based on one single case study. Jensen and Rodgers (2001) supported the use of a comparative study to identify cross-unit differences.
3.4.2.3. Case Selection

The growth questionnaire and GET Test results were used to finalise the growth levels of the hotels based on the bed capacity, employee numbers and occupancy rates between 2003 and 2006 for North Cyprus:

- 66 hotels were found to make no real attempt at growth nor had they any declared interest in future growth between 2003 and 2006.
- 21 hotels were found to have little growth between 2003 and 2006.
- 5 hotels were found to have achieved success at growth between 2003 and 2006.

Only five hotels with successful growth were found, which is quite a small number compared to the population of hotels in North Cyprus. The survey results showed that overall growth was almost non-existent in the hotel sector. There were a small number of hotels that had grown and outperformed the rest. So the main study was designed as an in-depth case study into these owners and their hotels, in order to identify the reasons for their exceptional performance. If those hotel owners were more successful than others then what makes them different? It is basically to seek the factors which influence those hotels and make them grow.

The study has been supported by the North Cyprus Tourism Ministry since the beginning of the research. Access to firms was fairly straightforward because the Ministry asked hoteliers to help in writing. During the survey research, they willingly participated in the research except for a very small number of hotel owners. The main study was concentrated on five selected hotels. All of them agreed to be a part of the main study and continue to support this research.
3.4.2.4. **Successful Growth Cases**

The secondary research data and growth questionnaire results have shown that there were five hotels in the successful growth category. The size of the firm is based on the Morrison et al. (1999) definition of “100-bed capacity and over known as large hotels” and the rest, which are less than 100, are classed as small and medium-sized hotels.

Rocks Hotel has been in the hotel business for 21 years and is now a large business with a 310-bed capacity. Acapulco Hotel and Oscar Hotel were also founded as large hotel businesses with respectively 912- and 490-bed capacities, and have around 25 years’ experience in the industry. Pia Bella Hotel and Altinkaya Hotel started one year after each other about 20 years ago and are categorised as large businesses with respectively 260- and 138-bed capacities. All the hotels, however, started as small hotel establishments with a less than 60-bed capacity. They have all shown successful growth and became large-sized hotel establishments between 2003 and 2006 (Table 3.5). However, the EU SME definition does not categorise the hotels as large businesses based on the employee number (see Appendix A).

**Table 3.5: The five hotels that achieved success at growth between 2003 and 2006**

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Pia Bella Hotel</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee no</td>
<td>30</td>
<td>38</td>
<td>45</td>
<td>47</td>
</tr>
<tr>
<td>Occ rate</td>
<td>87.3%</td>
<td>81.4%</td>
<td>76.2%</td>
<td>73.2%</td>
</tr>
<tr>
<td>Bed capacity</td>
<td>132</td>
<td>152</td>
<td>152</td>
<td>260</td>
</tr>
<tr>
<td><strong>Altinkaya Hotel</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee no</td>
<td>30</td>
<td>48</td>
<td>48</td>
<td>48</td>
</tr>
<tr>
<td>Occ rate</td>
<td>60.9%</td>
<td>72.0%</td>
<td>80.0%</td>
<td>65.0%</td>
</tr>
<tr>
<td>Bed capacity</td>
<td>88</td>
<td>138</td>
<td>138</td>
<td>138</td>
</tr>
<tr>
<td><strong>Rocks Hotel</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee no</td>
<td>110</td>
<td>110</td>
<td>140</td>
<td>150</td>
</tr>
<tr>
<td>Occ rate</td>
<td>55.2%</td>
<td>62.5%</td>
<td>63.8%</td>
<td>70.0%</td>
</tr>
<tr>
<td>Bed capacity</td>
<td>128</td>
<td>310</td>
<td>310</td>
<td>310</td>
</tr>
<tr>
<td><strong>Acapulco Hotel</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee no</td>
<td>150</td>
<td>180</td>
<td>200</td>
<td>200</td>
</tr>
</tbody>
</table>
The main research data was collected starting from September 2008 to March 2009. The researcher used different methods such as interviews, focus groups, and observation to collect detailed data for the case studies. Exhibit 3.2 shows the location of the hotels on the map. All the hotels are located in Kyrenia.

Exhibit 3.2: Map showing the location of the five successful hotels

3.4.2.5. Case Study Data Collection

There are many different ways to access sources of data. Yin (1994) stated that six sources of evidence could be used in case studies which are: documents, archival records, interviews, direct- and participant-observation.
Documents are always stable and easy to review repeatedly. The researcher can use a variety of documents such as letters, memoranda, agendas, announcements, progress reports and internal documents. The researcher can also try to get as many external documents related to the hotel and entrepreneurs like newspaper articles, reports, etc.

Archival documents are always useful for gathering information on the background of the firm and the situation of the sector. Many different documents can be used like documents germane to the investigation, service records, organisational records, lists of names, survey data, personal records and other such records. The most important factor when using archival documents is the accuracy of the records. Archival documents were collected from the hotel and Ministry where available.

Interviews are the most important way to access information for case studies (Yin, 1994). Interviews can be in many forms: open-ended, focused, and structured or survey. The case studies were created by using an unstructured interview. Key respondents like the entrepreneurs, employees, etc, were asked to comment about certain events, key words, past experience, and certain changes over the years following Perren (1999a).

Direct observation means visits to the sites and a chance to observe directly (Yin, 1994). It can be in many different forms from casual data collection activities to formal protocols to measure and record behaviours. It always adds value with additional information about the topic being studied. If the observation is conducted with two observers, the reliability will be enhanced. Participant-observation gives more chances to be an active rather than a passive observer (Perren, 1999a). It provides unusual opportunities to collect data. In this
research the researcher was the key to doing direct observation at the hotel. The researcher also tried to spend a day with the entrepreneurs to observe them in their day-to-day environment and their relationship within the business concepts. The researcher visited the hotel at different times of the day to do some observations, which was also agreed by the entrepreneurs.

The study, therefore, has been designed to use a rich data collection strategy including interviews, archival documents and direct observation. There are certain purposes to collecting data from different sources: these multiple perspectives ensure reliability and validity of the research.

The most important purpose of the data collection will be to understand the perspectives of the entrepreneurs. However, Perren (1999a) mentioned there is risk that in being involved too much with the entrepreneur you may become sympathetic and it could be difficult to develop criticism. Moreover, the researcher might become some kind of advisor. Therefore, the ongoing research relationship must be checked to reduce that effect and the researcher can remain passive. During the main study, data collection focused more on detailed information collection through an unstructured interview with all the people who are involved in the growth process of the hotel.

All interviews were done face to face with the entrepreneur(s) and tape recorded with their permission. It is important to capture everything from the interview and tape recording is a necessary tool to do that. Some people may not be comfortable with a microphone so the tape recorder machine was used, eliminating the need to make them speak into a microphone.
The researcher has been used open questions during the interviews with entrepreneurs. Owners have been interviewed more than two-three times within the natural environment during any time in a day. The interview has been started with the question of how their venture start and reasons for all entrepreneurs. Questions were asked more or less similar to all entrepreneurs without any order. While entrepreneurs were explaining their stories, no interruption made by researcher and let them to say everything about their journey and success of their hotel in their way. Some of the questions were asked to the entrepreneurs in the interview listed below:

- What were you doing in the year of 1974? And how old were you?
- How did you decide to start up your business?
- What was the reason to open your hotel? What were you doing before start hotel business?
- How did you finance hotel developments?
- Could you tell me more about yourself and family members?
- How did Annan Plan affect your business and tourism industry?
- What happen after the borders open between south and north?
- How do you describe yourself comparing other hotel owners in North Cyprus?
- Could you explain the developments of your hotel business between 2003 and 2006?

The entrepreneurs also agreed to have unscheduled visits for observation and during those visits the researcher kept notes and did not use a tape recorder. The structure of the case studies required doing interviews with other people who are involved or related to the entrepreneurs, like family members, friends, employees, etc. This was done with permission of the owner and during the normal visits. Similar questions have used during
the other people’s interviews. The researcher had asked their opinion about entrepreneurs, general business, performance, reputation etc.

In each case study hotel, different levels of employees, managers and owners were interviewed. In Acapulco Hotel, interviews were done with three owners (entrepreneur and two children), two general managers and 15 employees. In Pia Bella Hotel, interviews were done with one owner, six managers (also family members) and 42 employees. In Altinkaya Hotel, interviews were done with four owners (entrepreneur and three children) and 10 employees. In Rocks Hotel, interviews were done with the entrepreneur, one general manager, one financial coordinator, five managers and 28 employees. In Oscar Hotel, interviews were conducted with two owners (entrepreneur and son), two general managers and 15 employees. Other people like tour operators, travel agencies, and close friends also talked with the researcher and gave their opinion in various places, like the Tourism Fair in World Travel Trade in the UK. The employee interviews were done using the focus group method to enable data collection from a large number of people in a short period of time. In the focus group, researcher used key words to open the group discussion and make sure every person attending the focus group study with the expression of their opinion. Some of the key words were name of the entrepreneur, important events, 2003 to 2006, other hotel names (comparison), growth, embargo, casino, market, success etc.

3.4.2.6. Analysing the Case Study Data

Data analysis can be the most difficult and least developed part of case study research (Yin, 1994). The actual data is examined to find linkages between the research objective and the outcomes. The case study method, with its use of multiple data collection methods and
analysis techniques, provides researchers with opportunities to triangulate data in order to strengthen the research findings and conclusions (Yin, 1994, Tellis, 1997).

Yin (1994) suggested the following pinpoints for the data analyses stages in order to make every effort to produce the highest quality case studies:

- Show that the analysis relied on all the relevant evidence
- Include all major rival interpretations in the analysis
- Address the most significant aspect of the case study
- Use the researcher’s prior, expert knowledge to further the analysis

Perren (1999a) stressed that the researcher must be selective with the amount of data and consider the significant points. The important part of the data analyses will be to not lose the flavour of the context in which the data was collected and the statements made by the entrepreneurs.

Miles and Huberman (1994) explained that there are many ways to analyse qualitative data and coding is one of them. Miles and Huberman (1994, p 56) defined coding as: "Coding is analysis. To review a set of main study notes, transcribed or synthesized, and to dissect them meaningfully, while keeping the relations between the parts intact, is the stuff of analysis. Codes are tags or labels for assigning units of meaning to the descriptive or inferential information compiled during study."

This study analysed the case study data using coding which was decided upon based on other published studies. The growth factors of Storey (1994), Barkham et al. (1996) and Perren (1999a) were taken into consideration and the most common ones used here.
3.4.2.7. Coding the Case Studies

To help analyse and discuss the outcomes of the case studies, the hotels have been coded with one or more of the common factors that influence growth determined from the literature review (chapters 2 and 3). Gibb and Davies’ (1990) study suggested that the factors need to be grouped based on personality of the entrepreneur, business management, market and organisational developments. Storey (1994) strongly argued that individual factors are not meaningful for understanding the growth of firms. He also stressed that all factors must come together in a good relationship to create growth. Gibb and Davies (1990), Storey (1994) and Perren (1999a) tried to group many factors to understand the path of growth. Based on these three studies, the most common factors have been identified and grouped into four categories: entrepreneur/personality attributes; business; external influences; and entrepreneur orientation. Table 3.6 shows the codes with the supporting studies and definitions that were chosen for this study from the literature.

Table 3.6 Definitions of selected codes

<table>
<thead>
<tr>
<th>FACTORS</th>
<th>Definition</th>
<th>Supporting Studies</th>
</tr>
</thead>
<tbody>
<tr>
<td>ENTREPRENEUR / PERSONALITY ATTRIBUTES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Desire to be ones own boss</td>
<td>A strong belief by the owner-manager that he/she can have control over his/her commercial life (Perren, 1999a)</td>
<td>Gibb and Davies (1990); Lockhart (1994); Warner (1999); Littunen (2000)</td>
</tr>
<tr>
<td>Desire to succeed</td>
<td>A strong drive and will to succeed (Perren, 1999a)</td>
<td>Storey (1994); Littunen (2000); Pasanen (2006); Reimers-Hild et al. (2005)</td>
</tr>
<tr>
<td>Active risk taker</td>
<td>A willingness by the owner-manager to accept risk in pursuit of commercial success (Perren, 1999a)</td>
<td>Gasse (1982); Baird and Thomas (1985); Gibb and Davies (1990); Chell et al. (1991); Timmons (1994); Shane (1994); Barkham et al. (1996); Olson (2000); Newell &amp; Seabrook (2006); Wang (2008)</td>
</tr>
<tr>
<td>Motivation</td>
<td>To categorise why the business was established and to relate that to whether or not the business grows AND what keeps the entrepreneur in the business, his/her behaviour, attitudes and beliefs (Storey, 1994)</td>
<td>Timmons (1994); Barkham et al. (1996); Morrison (2001), Ucbasaran et al. (2001)</td>
</tr>
<tr>
<td>Education</td>
<td>Education level of the entrepreneur in influencing business growth (Storey, 1994)</td>
<td>Barkham et al. (1996); Westhead and Wright (1998); Thompson (1999); Davidson (2001); Coulter (2000); Lordkipanidze et al. (2005)</td>
</tr>
<tr>
<td>Management Experience</td>
<td>Entrepreneur’s past managerial position experience in other companies (prior experience as a manager)</td>
<td>Barkham et al. (1996); Delmar and Davidson (2000); Coulter (2000)</td>
</tr>
<tr>
<td><strong>Number of founders</strong></td>
<td>(Storey, 1994)</td>
<td>Number of people who are part of the establishment of the company (Storey, 1994)</td>
</tr>
<tr>
<td>------------------------</td>
<td>-----------------</td>
<td>--------------------------------------------------------------------------------</td>
</tr>
<tr>
<td><strong>Family History</strong></td>
<td>Refers to family business, generations, self employed family members, working with members of the family together in the firm (Storey, 1994)</td>
<td>Leach (1991); Brandsatter (1997)</td>
</tr>
<tr>
<td><strong>Age of founders</strong></td>
<td>Refers to young entrepreneurs (have the energy and commitment to work long hours) and older entrepreneurs (lack of physical energy for such hard work with modest objectives and ambitions) (Storey, 1994)</td>
<td>Barkham et al. (1996); Glancey and Pettigrew (1997); Coulter (2000)</td>
</tr>
<tr>
<td><strong>Prior sector experience</strong></td>
<td>It refers to previous work in the same sector (Storey, 1994)</td>
<td>Delmar and Davidsson (2000)</td>
</tr>
<tr>
<td><strong>Gender</strong></td>
<td>It refers to female and male entrepreneurs and the dominant gender in the company ownership (Storey, 1994)</td>
<td>Delmar and Davidsson (2000); Coulter (2000)</td>
</tr>
<tr>
<td><strong>Network of contacts</strong></td>
<td>The owner-manager's business and maybe social contacts which can help to launch the business and help it grow (Perren, 1999a)</td>
<td>Manning et al. (1989); Swanson and Webster (1992); Gnyawali and Fogel (1994); Irwin (2000); Aldrich and Martinez (2001)</td>
</tr>
<tr>
<td><strong>Other business interest of the owner</strong></td>
<td>Other new establishments related or unrelated to the sector of the previous firm (Barkham et al., 1996)</td>
<td></td>
</tr>
<tr>
<td><strong>FIRM/ BUSINESS</strong></td>
<td><strong>Age</strong></td>
<td>Refers to the number of years it has traded in the industry (young or old firms) (Storey, 1994)</td>
</tr>
<tr>
<td></td>
<td><strong>Location</strong></td>
<td>Refers to the place and environment of the property of establishments (urban/rural/city centre) (Storey, 1994)</td>
</tr>
<tr>
<td></td>
<td><strong>Size</strong></td>
<td>Size of the firm based on the EU definitions for micro, small, medium and large firms (Storey, 1994)</td>
</tr>
<tr>
<td>Family investing friends</td>
<td>The owner-manager's relatives and friends that support him/her because they have a strong commercial or emotional stake in the business's success (Perren, 1999a)</td>
<td>Mokry (1988); Hoy and Verser (1994); Perren (1999); Coulter (2000); Getz and Carlsten (2005); Getz and Petersen (2005)</td>
</tr>
<tr>
<td>Key employee partners</td>
<td>Employees of the owner-manager's firm who also have a personal stake in seeing the business succeed (Perren, 1999a)</td>
<td>Morrison et al. (1999)</td>
</tr>
<tr>
<td><strong>EXTERNAL and INTERNAL INFLUENCE</strong></td>
<td><strong>State of support</strong></td>
<td>The influence of the trade cycle and government macro-economic policies including management through fiscal, monetary, interest rate, exchange rate and supply/demand interventions (Perren, 1999a)</td>
</tr>
<tr>
<td></td>
<td><strong>Customer concentration</strong></td>
<td>Refers to the customer focus of the firm, loyalty of the customer and relationship with the firm (Storey, 1994)</td>
</tr>
<tr>
<td></td>
<td><strong>Planning</strong></td>
<td>The decision-making process by which the owner-manager decides the future of the firm. This process may vary between owner-managers. (Storey, 1994)</td>
</tr>
<tr>
<td><strong>ENTREPRENEUR ORIENTATION</strong></td>
<td><strong>Autonomy</strong></td>
<td>The independent action of an individual or a team in bringing forth an idea or a vision and carrying it through to completion (Lumpkin and Dess, 1996)</td>
</tr>
<tr>
<td></td>
<td><strong>Innovativeness</strong></td>
<td>A firm's tendency to engage in and support new ideas, novelty, experimentation, and creative processes that may result in new products, services, or technological processes (Lumpkin and Dess, 1996)</td>
</tr>
<tr>
<td></td>
<td><strong>Proactiveness</strong></td>
<td>Processes aimed at anticipating and acting on future needs by seeking new opportunities which may or may not be related to the present line of operations, introduction of new products and brands ahead of competition, strategically eliminating operations which are in the mature or declining stages of life-cycle (Lumpkin and Dess, 1996)</td>
</tr>
<tr>
<td></td>
<td><strong>Competitive aggressiveness</strong></td>
<td>A firm's propensity to directly and intensely challenge its competitors to achieve entry or improve position, that is, to outperform industry rivals in the marketplace (Lumpkin and Dess, 1996)</td>
</tr>
</tbody>
</table>
3.5. **Conclusion**

This chapter has explained the research design, methods and aims of the research. It has detailed the research rationale, design and procedure for the thesis. For this study a mixed methodology of quantitative and qualitative research strategies was followed and a case study approach was adopted for the main study. It was believed that through utilising this research strategy it would be possible to develop a richer and deeper understanding of the process of growth in hotels. Five successful hotel case studies were investigated in the North Cyprus hotel industry. Data was collected from all management levels through multiple data collection methods including in-depth semi-structured interviews, observations and documents. The collected data was analysed through employing coding of the cases. The exploratory and main study research findings are presented in the following chapters.
4. CHAPTER: EXPLORATORY STUDY

4.1. Introduction

This chapter reviews the exploratory study findings starting from archival-statistics data. Further to this, the chapter presents the findings of the growth questionnaire survey. It then evaluates the findings of the GET Test results. Finally, the chapter ends by highlighting the structure of the North Cyprus hotel industry.

4.2. Secondary Data: North Cyprus Tourism Statistics

The following tourism statistics reveal the situation of North Cyprus tourism. They record tourism arrivals, earnings, and bed capacity by years. They also show the changes in the industry. A number of statistics will be examined in this chapter. The tourism statistics were published by Turkish Republic of Northern Cyprus (TRNC) Tourism Ministry in 2006.

Table 4.1 shows the number of tourists, bed nights, average length of stay, and occupancy rates for TRNC tourist establishments in 2006. The peak season was the summer months especially July to September. August had the highest number of tourist arrivals which was 45,342 in total. The main bulk of TRNC tourists were Turkish people, who travelled from Turkey every month in 2006.
Table 4.1: TRNC number of tourists and bed-nights, average length of stay and occupancy rate in tourist accommodation establishments by months (Turkey, Foreign and TRNC) (2006)

<table>
<thead>
<tr>
<th>MONTHS</th>
<th>TRNC (Turkey)</th>
<th>FOREIGN (Foreign)</th>
<th>TOTAL (Total)</th>
<th>TRNC (Turkey)</th>
<th>FOREIGN (Foreign)</th>
<th>TOTAL (Total)</th>
<th>TRNC (Turkey)</th>
<th>FOREIGN (Foreign)</th>
<th>TOTAL (Total)</th>
</tr>
</thead>
<tbody>
<tr>
<td>JULY</td>
<td>16.217</td>
<td>8.692</td>
<td>24.909</td>
<td>24.866</td>
<td>9.293</td>
<td>34.159</td>
<td>18.4</td>
<td>9.293</td>
<td>27.702</td>
</tr>
<tr>
<td>AUGUST</td>
<td>24.175</td>
<td>9.918</td>
<td>34.093</td>
<td>34.084</td>
<td>16.646</td>
<td>50.730</td>
<td>18.4</td>
<td>16.646</td>
<td>35.056</td>
</tr>
<tr>
<td>SEPTEMBER</td>
<td>20.643</td>
<td>10.995</td>
<td>31.638</td>
<td>31.69</td>
<td>12.618</td>
<td>44.308</td>
<td>18.2</td>
<td>12.618</td>
<td>30.826</td>
</tr>
<tr>
<td>NOVEMBER</td>
<td>21.496</td>
<td>13.964</td>
<td>35.460</td>
<td>35.489</td>
<td>18.518</td>
<td>54.006</td>
<td>18.4</td>
<td>18.518</td>
<td>56.036</td>
</tr>
</tbody>
</table>


However, the average length of stay for Turkish tourists was less than for foreign tourists. Turkish tourists’ average length of stay was 3.0 days and foreign tourist average length of stay was 5.8 days. The figures have shown that tourists who come long distances prefer to stay longer. One of the reasons could be that foreign tourists come on package holidays and must buy a 7 or 14 day package. By looking at the average length of stay, Table 4.1 also suggests that the purpose of travel for Turkish tourists is to use the casino facilities at the hotels. In 2006, the figures showed that 368,891 tourists stayed in tourist accommodation. The total number of tourist arrivals was 893,984 in 2006 so only 1/3 of the total tourist arrivals preferred to stay in hotels. Where the rest of the tourists preferred to stay and the decisions governing their choice is a good question.
In North Cyprus, there are five tourist regions, namely, Kyrenia (Girne), Famagusta (Gazimagusa), Trikomo (Iskele), Nicosia (Lefkosa), Morphou (Guzelyurt). Table 4.2 shows the most popular region was Kyrenia and its surrounding area in 2006. Kyrenia region hotels hosted 273,912 tourists from a total of 368,891. Famagusta came second, attracting 47,670 tourists. Trikomo is another sea side resort and accommodated 23,550 tourists. The capital of North Cyprus – Nicosia received 22,781 tourists in 2006. Morphou had the lowest tourist arrivals compared to the other region which was only 978 tourists in the 12 months of 2006.

Table 4.2: Number of tourists, bed-nights and occupancy rate in tourist accommodation establishments by regions and months (2006)

<table>
<thead>
<tr>
<th>MONTH</th>
<th>KYRENIA</th>
<th>GAZIMAGUSA</th>
<th>TRIKOMO</th>
<th>LEFKOSA</th>
<th>GUESELYURT</th>
<th>TOTAL (TOTAL)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B/N</td>
<td>G/C</td>
<td>B/N</td>
<td>G/C</td>
<td>B/N</td>
<td>G/C</td>
</tr>
<tr>
<td>Jan</td>
<td>27,872</td>
<td>47,778</td>
<td>20,1</td>
<td>2,896</td>
<td>16,365</td>
<td>26,1</td>
</tr>
<tr>
<td>Feb</td>
<td>26,756</td>
<td>51,013</td>
<td>15,3</td>
<td>2,666</td>
<td>5,766</td>
<td>24,8</td>
</tr>
<tr>
<td>Mar</td>
<td>24,578</td>
<td>75,306</td>
<td>21,0</td>
<td>4,900</td>
<td>6,673</td>
<td>22,0</td>
</tr>
<tr>
<td>Apr</td>
<td>18,251</td>
<td>75,306</td>
<td>19,1</td>
<td>4,511</td>
<td>6,498</td>
<td>20,5</td>
</tr>
<tr>
<td>May</td>
<td>22,721</td>
<td>75,306</td>
<td>20,1</td>
<td>4,511</td>
<td>6,498</td>
<td>21,0</td>
</tr>
<tr>
<td>Jun</td>
<td>29,937</td>
<td>96,424</td>
<td>14,5</td>
<td>5,346</td>
<td>1,026</td>
<td>20,3</td>
</tr>
<tr>
<td>Jul</td>
<td>25,358</td>
<td>100,764</td>
<td>18,1</td>
<td>5,512</td>
<td>1,047</td>
<td>21,3</td>
</tr>
<tr>
<td>Aug</td>
<td>30,635</td>
<td>125,614</td>
<td>16,4</td>
<td>5,680</td>
<td>9,231</td>
<td>20,9</td>
</tr>
<tr>
<td>Sep</td>
<td>27,872</td>
<td>141,265</td>
<td>20,1</td>
<td>2,896</td>
<td>16,365</td>
<td>26,1</td>
</tr>
<tr>
<td>Oct</td>
<td>26,756</td>
<td>112,120</td>
<td>15,3</td>
<td>2,666</td>
<td>5,766</td>
<td>24,8</td>
</tr>
<tr>
<td>Nov</td>
<td>24,578</td>
<td>75,306</td>
<td>21,0</td>
<td>4,900</td>
<td>6,673</td>
<td>22,0</td>
</tr>
<tr>
<td>Dec</td>
<td>18,251</td>
<td>75,306</td>
<td>19,1</td>
<td>4,511</td>
<td>6,498</td>
<td>20,5</td>
</tr>
</tbody>
</table>


In North Cyprus, each region has different numbers of hotels established either by the coast or in rural areas. The Kyrenia region has been the most important tourist region since tourism began on the island. Kyrenia has 107 tourist accommodation establishments compared to other regions: Famagusta 10; Trikomo 15; Nicosia 4; and Morphou 3 (Table 4.3). It is quite an interesting point that there are 107 tourist accommodation establishments
in Kyrenia which received 273,912 tourists. However, Famagusta has only 10 hotel establishments but attracted 47,670 tourists. The other regions were Trikomo with 15 hotels and 23,550 tourists; Nicosia with 4 hotels and 22,781 tourists; and Guzelyurt with 3 hotels and 978 tourists in 2006. The reason for this could be variable, and include factors such as better marketing, regional attraction, purpose of travel, etc.

Table 4.3: Number of tourist establishments by regions and categories (2006)

| KONAKLI | TESTİLERI | GİRNE | GERMANYİA | ĐALE | LAFKOTA | GEZELİYURT | TOPLANAM
|---------|-----------|-------|-----------|------|---------|-----------|-----------|
| 1 YÜZÜLTE HOTEL (5 STAR HOTEL) | 17 | 540 | 2 | 122 | 3 | 104 | - | - | 2 | 50 | 14 | 86
| 2 YÜZÜLTE HOTEL (4 STAR HOTEL) | 7 | 312 | 2 | 104 | - | - | - | - | 1 | 42 | 10 | 58
| 3 YÜZÜLTE HOTEL (3 STAR HOTEL) | 12 | 1,933 | 2 | 202 | 2 | 110 | 3 | 300 | - | - | 18 | 1,227
| 4 YÜZÜLTE HOTEL (2 STAR HOTEL) | 6 | 1,284 | - | - | - | - | - | - | - | - | - | 1,104
| 5 YÜZÜLTE HOTEL (1 STAR HOTEL) | 5 | 1,446 | 2 | 146 | - | - | - | - | - | - | - | 1,004
| GÜZELİYURT (SPECIAL CLASS HOTELS) | 1 | 54 | - | - | - | - | - | - | - | - | - | 54
| MİZMET TESTİLERİ (MINI MOTOR HOLIDAY VILLAGE) | 5 | 307 | - | - | 1 | 101 | - | - | - | - | 6 | 1,095
| BOYALİ HOTEL (BOUTIQUE HOTEL) | 1 | 42 | - | - | - | - | - | - | - | - | - | 42
|も多くミニバンクル (MOTOR HOLIDAY BUNGALOW) | 10 | 1,470 | 3 | 49 | 2 | 138 | - | - | - | - | - | - | 1,068
| APART TESTİLERİ (APART HOTELS) | 7 | 164 | 1 | 27 | 1 | 42 | - | - | - | - | - | 9 | 548
| DÜZTEPE (TRADITIONAL HOUSE) | - | - | - | - | - | - | - | - | 1 | 24 | - | 1 | 24
| SİLESİNYUTE (MOTOR HOLIDAY BALDAVU) | 9 | 911 | - | - | 1 | 116 | 1 | 46 | - | - | - | 11 | 1,073
| TOPLANAM (TOTAL) | 390 | 18,827 | 59 | 1,046 | 13 | 372 | 13 | 326 | 3 | 122 | 127 | 13,853
| PANOŞİON (GÜZELİYURT) | 7 | 162 | - | - | 4 | 98 | 1 | 44 | - | - | - | 11 | 361
| GÜZELİYURT (GRAND TOTAL) | 397 | 18,989 | 59 | 1,046 | 15 | 962 | 4 | 170 | 3 | 122 | 129 | 13,915


TRNC tourist accommodation establishments are classified and categorised by the Tourism Ministry. The categories are either a star rating or type of establishment. The Ministry categorised hotels with international star ratings of between 1 star and 5 star. If the accommodation has more facilities to offer their clients, or the type of establishment has a different structure, it is categorised as a Second Class holiday village, touristic bungalow, special class hotel, apart hotel, traditional house, boutique hotel, or not classified. Table 4.4
shows the customers' preferences based on the different categories of tourist accommodation in 2006.

Table 4.4: Number of tourists and bednights, average length of stay and occupancy rate in tourist accommodation establishments by categories (Turkey, Foreign and TRNC) (2006)

<table>
<thead>
<tr>
<th>(CATEGORY)</th>
<th>(NUMBER OF TOURISTS)</th>
<th>(BEDNIGHTS)</th>
<th>(AVERAGE LENGTH OF STAY)</th>
<th>(OCCUPANCY RATE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>5 STARS</td>
<td>30,918</td>
<td>54,100</td>
<td>9.2</td>
<td>55.5</td>
</tr>
<tr>
<td>4 STARS</td>
<td>20,270</td>
<td>33,890</td>
<td>8.5</td>
<td>45.1</td>
</tr>
<tr>
<td>3 STARS</td>
<td>15,800</td>
<td>28,500</td>
<td>7.0</td>
<td>35.0</td>
</tr>
<tr>
<td>2 STARS</td>
<td>11,310</td>
<td>20,200</td>
<td>6.0</td>
<td>25.0</td>
</tr>
<tr>
<td>1 STARS</td>
<td>7,160</td>
<td>12,200</td>
<td>5.0</td>
<td>15.0</td>
</tr>
<tr>
<td>APART HOTEL</td>
<td>30,700</td>
<td>45,000</td>
<td>10.0</td>
<td>65.0</td>
</tr>
<tr>
<td>3 STARS</td>
<td>17,700</td>
<td>26,500</td>
<td>8.0</td>
<td>45.0</td>
</tr>
<tr>
<td>4 STARS</td>
<td>12,400</td>
<td>19,800</td>
<td>7.0</td>
<td>35.0</td>
</tr>
<tr>
<td>5 STARS</td>
<td>8,100</td>
<td>12,200</td>
<td>6.0</td>
<td>25.0</td>
</tr>
<tr>
<td>1 STARS</td>
<td>4,100</td>
<td>6,200</td>
<td>4.0</td>
<td>15.0</td>
</tr>
</tbody>
</table>


A large proportion of foreign tourists preferred to stay in 3 star accommodations where 24,046 tourists stayed in 2006. However, the most attractive category was 5 star hotels for all nationalities. The numbers of tourists staying at 5 star hotels were: 30,918 foreign tourists, 127,427 Turkish tourists, 17,125 Turkish Cypriot tourists in 2006 (Table 4.4).

On the other hand the average length of stay changes by category of establishment. The tourists who preferred Apart Hotels stayed for an average 9.2 days for all nationalities. In contrast, the 5 star hotels, which had the highest tourist numbers, had a 3 day average...
length of stay for all nationalities. It shows that tourists who wish to use the hotel facilities, especially the casino, stayed for less time than tourists who come for holiday purposes.

Moreover, the statistics show another interesting point which also gives an idea about the hotel industry structure in North Cyprus. The types of hotels are also categorised based on their characteristics and service quality. There are three categories, namely, Boutique hotel, Traditional House and Special Class Hotel which have only one hotel establishment in each category in North Cyprus. The Boutique Hotel has 42 beds and 978 tourists stayed there in 2006. The Traditional House has 24 beds and 2635 visitors in 2006. The Special Class Hotel has 34 beds and 742 tourists stayed there in 2006 (Tables 4.4 and 4.5). The average length of stay was different for each category: 1.6 days for the Boutique hotel, 1.7 days for the Traditional House and 6.8 days for the Special Class Hotel.

It is quite important that these three small hotel establishments received significant numbers of tourists compared to other categories. Tourists were staying one or two days in these accommodation types which is questionable considering the main tourist numbers were foreign tourists. The basic conclusion for this situation might be either the statistics were wrong or there are other reasons. In contrast, there were 33 establishments in the touristic bungalow accommodation category which had a total 1868 bed capacity and 14,583 tourists stayed for on average 6.3 days. The comparison of categories and tourist numbers indicates that there are significant differences in the preferences of tourists staying in the different categories of establishments based on satisfaction, service quality, size of the establishments, location, and other reasons.
4.3. Growth Questionnaire Analyses

On the growth questionnaire, 58 hotels reported that they are open the whole year and 34 hotels were only open for the summer season. It is important to mention that North Cyprus has very special weather and the summer season starts in mid April and ends around November. It is a very long summer season compared to many other destinations. The time the hotels are closed has changed from 2 months to 6 months.

Only one hotel reported that they had a quality certificate, ISO 9000. The rest of the hotels have no quality certificates. Another interesting point on the quality issue was found in the hotel classification. The classifications show the level of service and facilities of the hotel. However, many of the hotel owners were not aware of their hotel category or classification. They had difficulty saying what their category was. Many of them needed to look at the licence document in order to answer the question.

Another problem noticed during the visits to the hotels was that the hotels’ classification signs were not hanging in places where the tourist could see them easily. An owner said “I did not want to have a licence and classification for my hotel. The only reason I took it is because tour operators do not work with me without Ministry classification. I still do not believe that the Ministry could give the star ratings in fair ways. They have decided just by looking without checking the criteria they had. That is the reason many hotels are not worth the category they give.”

Many of the hotels were found to be owned by a sole proprietor. The big hotels or 5 star hotels were limited companies. The majority of the hotels were family businesses (78).
There were two hotels which belong to a Government Trust. The rest of the 12 hotels were also limited companies.

Many owners reported that the hotel business was not the only business they had. Eighty-one percent were involved in many other business activities. The other business activities included restaurants (outside the hotel premises, in another region), real estate, retail shops, a travel agency, construction company, laundry company, rent a car company, export-import companies, fuel station, electronic shop, furniture shops, farm, etc. It is quite a unique situation that 45 percent owners reported that the hotel business was their second job and the other business their main occupation.

On the other hand, some owners (20 percent) were retired either from governmental jobs in North Cyprus or other businesses in the UK which meant they have other incomes in addition to business earnings. One of the owners stated: "I do not earn money from the hotel. I earn from my other business and pay the expenses of the hotel." Three main sources of finance were used by the hotel owners in the sample, these were: own funds (5 percent); governmental development bank lending (80 percent); a combination of both (15 percent).

The respondents of the questionnaire were the owners of the hotels. The results have shown that the majority (85 percent) of the owners are aged between 45 and 70, and the remaining 15 percent between 30 and 45. Thirty-seven percent of the owners had graduated from university. The rest of the owners had either a high school diploma or none. The majority of the owners (80 percent) were of Turkish Cypriot nationality. The other nationalities who owned hotels were Turkish and British (20 percent). For experience in the industry, 16
owners had 31 years', ten, 26 years' and 66, less than 15 years' experience in the industry. Three hotels were owned by women entrepreneurs but the majority of the owners (89 of the hotels) were owned by male entrepreneurs, showing a very small proportion of the entrepreneurs are women. The reasons could be cultural or social. It is an area that requires more attention and further research.

4.4. Owner Characteristics: Get Test Results

The main aim was to find out the business characteristics as well as entrepreneurs' characteristics in the North Cyprus hospitality industry. From the literature review, the GET Test created by Durham University Management Team was found to be the most appropriate method for measuring the entrepreneurs' characteristics. The researcher has been in contact with Durham University Management Centre and asked their permission to use the GET Test. Durham University Management Team approved the use of the GET Test in this research. The GET Test has therefore been chosen to measure the enterprising tendency of North Cyprus hotel owners.

The GET Test was sent to all hotel owners with the growth questionnaire. There was a positive attitude while completing the GET Test. However, some owners declined to complete the test. The number who completed the GET Test was 90 out of 92 hotel owners. Two entrepreneurs who declined gave their reasons as: "You cannot measure my personality and I do not want to answer GET Test questions," and "I do not believe that kind of test works. If you don't mind, I have no time to spend answering personality test question, but you can ask questions about my hotel."

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The GET Test has been analysed using the GET Test guidebook Assessing Your Score section. The calculation was completed and transferred to Excel. The results for the 90 hotel owners are shown in exhibit 4.1.

Exhibit 4.1: GET Test results for 90 hotel owners

The first section in assessing the score was Need for Achievement. Owners who score between an average of 9 and the maximum score of 12 have the following qualities: “forward looking, self sufficient, optimistic rather than pessimistic, task orientated, results orientated, restless and energetic, self confident, persistent and determined, dedication to completing a task”. The results show that in the Need for Achievement section, 34.4 percent of the sample scored over the average of 9 points, meaning a quite high number of owners scored less than the average of 9. This suggests that many of the entrepreneurs do not carry these qualities; of course it may reflect in their business performance.

The second section was Need for Autonomy/Independence of which 34.4 percent of the sample scored over the average of 6 points. The owners who achieved a high score on this section carry the following qualities: “likes doing unconventional things, prefers working alone, need to do their ‘own thing’, needs to express what they think, dislikes taking orders,
likes to make up their own mind, does not bow to group pressure, is stubborn and determined”. The same number of entrepreneurs scored highly in Need for Achievement and Need for Autonomy/Independence. It is arguable that entrepreneurs who want to be successful also think about being independent. One of the owners said “I was fed up with my boss and started my own business.”

In the third section, which was Creative Tendency, 31.1 percent of the sample scored over the average of 8 points. In this section, entrepreneurs who scored higher than the average of 8 have many of following qualities: “are imaginative and innovative, have a tendency to daydream, are versatile and curious, have lots of ideas, are intuitive and guess well, enjoy new challenges, like novelty and change”. The test results show that the entrepreneurs were not creative in solving business problems and challenges, or generating new ideas. One of the owners admitted that “We never be creative and innovative people. We are lazy and wait for everything to come from somewhere else. We like to copy things. If one hotel opens a spa centre others do exactly the same, nothing new. They always follow each other and try to find what others do. This is the main reason; we do not have original ideas or concepts. If you visit all the hotels, you will see the same style of rooms and even the same furniture.”

The fourth section was the Moderate/calculated risk taking section. Twenty percent of the sample scored over the average of 8 points. In this section, owners who scored higher than 8 points have the following qualities: “act on incomplete information, judge when incomplete data is sufficient, accurately assess your own capabilities, be neither over nor under-ambitious, evaluate likely benefit against likely costs, set challenging but attainable goals”. This is the lowest scoring section compared to the other sections. Risk is one of the
most important aspects of being an entrepreneur. It indicated that the entrepreneurs are not taking risk or attempting to achieve ambitious challenges if they carry any possibilities of losing. One of the owners explained that “We are war children. We have not forgotten 1974. I still cannot sleep and watch my back all the time. One day, I will wake up and find myself moving my home again. I have left everything in the South. I came here and started again from zero. I have enough to live and survive. However, I have feelings that none of this belongs to me. Why should I take risk to lose it again?” Another owner mentioned that “We had booty after 1974. Some people came from the South with nothing. The government gave them a house, job and land. They did not earn it or make it over the years. Me, I was here more than decades. I did not move. We were farmers. I had land at the seaside. We were not allowed to engage in tourism before 1974. I always wanted to have a hotel. I started up my hotel construction with a development bank loan. I trusted Asil Nadir and his vision. After 2000, everything has gone bad and we lost our clients because of the competition and embargo on flights. Why should I take risk? I cannot see a future. We live for today and never think about tomorrow. Who knows what will happen for North Cyprus.”

However, the last section, Drive and Determination shows 46.6 percent of the sample scored over the average of 8 points. This is the highest scoring section compared to the other sections. In this section, entrepreneurs have the following qualities: “take advantage of opportunities, discount fate, make your own luck, be self confident, believe in controlling your own destiny, equate results with effort, show considerable determination”. It was very interesting that the entrepreneurs were not willing to change, or take risk but they have a high trust in fate controlling their destiny and opportunities for the future. They have not given up their hope for the future. One of the owners explained that “I know I can
do better than now for my business. The problem was not me or my business ability, the whole problem occurs from the government and the unknown situation of Cyprus. I was a very successful entrepreneur in the UK. I have sold all my businesses and came to North Cyprus. This is my country and I need to do something so I started a hotel business. However, I believe that I am still doing fine and waiting for the opportunity. One day, direct flights will start and my business will grow fast.”

The results of the GET Test have shown that 18 hotel entrepreneurs scored the average and above in all sections. Six hotel entrepreneurs out of the 18 scored almost the maximum for all sections (table 4.5). This was one of the very interesting findings of the GET Test. These six were very excited to learn the results. This was kind of proof for them that they were good. People will tell the entrepreneurs that they are good. The researcher explained in detail that this test is for measuring the entrepreneurial tendency level of entrepreneurs. Unfortunately, the entrepreneurs’ perception of the test was different. All of them wanted to have the highest results, but it was impossible. This also proved that the test is well designed for determining the characteristics of entrepreneurs easily and effectively.

Table 4.5: Entrepreneurs maximum scored for all sections

<table>
<thead>
<tr>
<th></th>
<th>Need for achievement</th>
<th>Need for autonomy/independence</th>
<th>Creative tendency</th>
<th>Moderate/calculated risk taking</th>
<th>Drive and determination</th>
</tr>
</thead>
<tbody>
<tr>
<td>Section 1 Max 12 Aver 9</td>
<td>Section 2 Max 6 Aver 4</td>
<td>Section 3 Max 12 Aver 8</td>
<td>Section 4 Max 12 Aver 8</td>
<td>Section 5 Max 12 Aver 8</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>11</td>
<td>6</td>
<td>11</td>
<td>9</td>
<td>10</td>
</tr>
<tr>
<td>2</td>
<td>11</td>
<td>6</td>
<td>11</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>3</td>
<td>11</td>
<td>6</td>
<td>11</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>4</td>
<td>11</td>
<td>6</td>
<td>11</td>
<td>10</td>
<td>11</td>
</tr>
<tr>
<td>5</td>
<td>11</td>
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<td>11</td>
<td>10</td>
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</tr>
<tr>
<td>6</td>
<td>11</td>
<td>6</td>
<td>11</td>
<td>11</td>
<td>11</td>
</tr>
</tbody>
</table>
The overall results have shown that many of the entrepreneurs carry the characteristics of an entrepreneur. However, it is difficult to say which sections are more important than others and how many skills each person must carry in order to have an entrepreneurial personality. Besides this argument, the test was used to understand if Cypriot tourism entrepreneurs carry any entrepreneurial characteristics and the level of this in the North Cyprus tourism industry. This result has supported that the five successful hotel entrepreneurs are among the six that possess an entrepreneurial personality based on the GET Test. The sixth hotel owner scored the highest but he was the general manager of a hotel that belongs to the government which had not shown any growth over the years and was not included in the section of hotels with successful growth. (Two years after this research, he started to run his own hotel.) This result also shows that the five successful entrepreneurs have unique and different characteristics from the other hotel owners in North Cyprus. It is another factor that differentiates their role and position in the industry among other entrepreneurs.

4.5. Hotel Industry Structure

The number of hotels established over the years gives an overview of the industry structure. It is important to analyse the changes over the years in the number of hotels in order to find out the factors which influenced the entrepreneur's motivation for opening a hotel in North Cyprus. The figures can help to find out these factors by comparing them with environmental, political, social and financial developments in a specific year (Table 4.6).

After 1975, Turkish Cypriots took over the hotels which were either empty or half constructed buildings. The 19 hotels built before 1975 started to be managed by Turkish Cypriots. There were no developments or investments between 1975 and 1982. In 1983, the
Turkish Republic of Northern Cyprus was declared independent. President Rauf Denktas invited Turkish Cypriots who were living abroad to come back to their country and set up business. The invitation did not attract tourism investments for Turkish Cypriots.

Table 4.6: Hotels Established by year in Turkish Republic of Northern Cyprus – TRNC

<table>
<thead>
<tr>
<th>Hotel Establishment Year</th>
<th>Number of hotels</th>
<th>Hotel Establishment Year</th>
<th>Number of hotels</th>
</tr>
</thead>
<tbody>
<tr>
<td>1963</td>
<td>1</td>
<td>1996</td>
<td>4 (5)*</td>
</tr>
<tr>
<td>1975</td>
<td>16 (19)*</td>
<td>1997</td>
<td>5 (6)*</td>
</tr>
<tr>
<td>1982</td>
<td>1</td>
<td>1998</td>
<td>6 (7)*</td>
</tr>
<tr>
<td>1987</td>
<td>1</td>
<td>1999</td>
<td>7 (9)*</td>
</tr>
<tr>
<td>1988</td>
<td>2 (3)*</td>
<td>2000</td>
<td>2 (3)*</td>
</tr>
<tr>
<td>1989</td>
<td>4 (5)*</td>
<td>2001</td>
<td>4 (6)*</td>
</tr>
<tr>
<td>1990</td>
<td>7 (8)*</td>
<td>2002</td>
<td>1 (2)*</td>
</tr>
<tr>
<td>1991</td>
<td>7 (10)*</td>
<td>2003</td>
<td>6</td>
</tr>
<tr>
<td>1992</td>
<td>8 (9)*</td>
<td>2004</td>
<td>1</td>
</tr>
<tr>
<td>1993</td>
<td>3 (8)*</td>
<td>2005</td>
<td>5</td>
</tr>
<tr>
<td>1994</td>
<td>3</td>
<td>2006</td>
<td>8</td>
</tr>
<tr>
<td>1995</td>
<td>3</td>
<td>TOTAL SAMPLE</td>
<td>92</td>
</tr>
<tr>
<td></td>
<td></td>
<td>TOTAL POPULATION</td>
<td>130</td>
</tr>
</tbody>
</table>

*Hotels who did not want to be part of the research and excluded from analysis; data about these hotels is used from Ministry data.
Source: TRNC Ministry of Tourism and Economy Tourism Reports (2006)

The big developments are seen between 1989 and 1994 when 40 hotels were established. Based on the information gathered from the entrepreneurs’ interviews, the main reason was because of the famous entrepreneur Asil Nadir’s business developments in North Cyprus. He established many different business investment opportunities, including tourism investments. He opened an airline to solve the transportation problem between the UK and North Cyprus. He opened two hotels and started another hotel construction. He was acting as a tour operator in the UK and negotiated with other travel agencies to sell North Cyprus holidays. Other entrepreneurs who saw Asil Nadir’s business developments and investments started to enter the business. It is quite interesting that these entrepreneurs started in the hotel business only after they had seen the demand increase.
After 1994, there was a steady increase in the number of hotel establishments until 1997. However, there were three significant developments which changed the whole structure of tourism and the hotel business in North Cyprus between 1997 and 2003. First, Turkey closed the casino facilities at hotels and privately-owned casinos. This directly affected North Cyprus because the government willingly gave permission to open casinos in North Cyprus. All casino owners came to North Cyprus and had agreements with some hotels to open casinos. Some of them came and bought the large hotels with the permission of opening a casino. Second, the UK small tour operators who were concentrating on Turkish holidays changed their marketing and started to sell North Cyprus separately as a package tour.

The demand was unexpected and many Turkish Cypriots seized the opportunity and opened their own travel agency or tour operation companies in the UK. After they set up their business in the UK they came to North Cyprus to find hotels. This increased the number of hotel start-ups for North Cyprus especially in the Kyrenia Region. The last development happened when the national flagship carrier Cyprus Turkish Airlines (CTA) management changed. CTA started big promotions in the UK and other countries. Metin Sahinoglu who was advisor of biggest party for tourism, (2006) mentioned that CTA promotions and marketing activities also helped to increase the number of tourist arrivals in North Cyprus.

In 2003, North Cyprus faced a new challenge to solve more than 30 years of problems on the island of Cyprus. The United Nations General Secretary, Kofi Annan, offered a new solution plan for both sides. The solution plan was part of European Union policy because South Cyprus was a candidate for EU membership and the entrance date was 1 May 2004.
The EU and UN aimed to solve the problem before the Republic of Cyprus became a member of the EU. According to the plan, both sides must have a referendum in order to accept the plan. The referendum was held in April in 2004. Turkish Cypriots voted “yes” for the plan but Greek Cypriots voted “no”. The plan was dismissed because both sides needed to accept it in order for it to take action. The situation affected the tourism industry directly in two ways (Turgut Muslu Interview, 2006).

Turkish Cypriots were hoping for many changes with the Annan Plan. The main expectation was changing the means of transportation to North Cyprus. They expected direct flights to start very soon and increase the tourist arrivals. However, it did not happen. But another significant change occurred between the South and North. Both sides opened the border for day trips. Nowadays, there are no restrictions on passing to either side or on the duration of stay. In the beginning, opening of the borders positively affected North Cyprus tourism. South Cyprus has no casino facilities at hotels and it is forbidden to have a casino in the South. A total of 634,373 people passed from South to North in 2006 either to play in the casinos or for a day excursion (TRNC Ministry of Tourism and Economy Tourism Reports, 2006).

One more unexpected development that affected the hospitality industry after the Annan Plan was the boom in the construction business. North Cyprus had a lot of land which was unspoiled and undeveloped. Many construction companies started to build houses and villas, especially around the Kyrenia Region. Before that, hotel owners were the ones who encouraged people to have a house in North Cyprus and acted as a constructor of the buildings for their clients (interviews with owners of hotels, 2006).
One of the owners of the hotel stated that: "Many foreign tourists came from the South and sought the possibility of having a house in the North. I had land behind my hotel. I offered that I can build a nice villa the same as mine. We agreed on the price and started the construction. Tourism was going so badly and I needed the money. They said it is cheaper to buy a house in the North rather than the South and other Mediterranean countries. They really believed the Annan Plan would be accepted and their houses would be worth double after the solution for both sides."

Another owner said: "The demand on the second house or villa increased at the end of 2004. We have been in the hotel business more than 20 years. I saw the opportunity and set up my own construction company. I have earned more money than in the last 20 years in the hotel business. I will never give up my hotel business. I am running both. I put the construction company brochure in the rooms. Many people are interested in my properties and some of them buy one at the end of their holiday."

Many of the hotel owners had been complaining about the villa constructions. They argued that they have lost their clients because of villas. One hotel owner indicated that: "Tourists do not want to stay at hotels anymore. They are staying at villas either owned by themselves or friends. They are finding their own customers, when they are not staying. There are not any rules and regulations for villas. The government is not controlling them as they do us. We pay tax but they do not pay anything. The last two years, the government said that our tourist arrivals increased but they are not staying at hotels."

Besides the different expectations and disappointment, nine hotels opened after 2003. The interview with the Tourism Ministry planning director showed that the government
changed its hotel investment policy after 2003 (Turgut Muslu Interview, 2006). The government started to support large establishments and open new financial resources to those willing to invest in large hotel investments in North Cyprus. As a result, five new large hotels have been built between 2003 and 2006.

The North Cyprus hotel industry structure will be examined by looking at bed capacity, employee numbers, occupancy rates, turnover and profit figures between 2003 and 2006. Table 4.7 shows the category of hotels, establishment year, bed capacity, and added bed capacity with year and total bed capacity at the end of 2006 for 92 sampled hotels in North Cyprus.

Table 4.7: Number of tourist accommodation establishments and beds and categories (2006)

<table>
<thead>
<tr>
<th>Category</th>
<th>Establishment Year</th>
<th>Bed Capacity</th>
<th>Total Bed Capacity (2006)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 3*</td>
<td>1963</td>
<td>120 (1963)</td>
<td>120</td>
</tr>
<tr>
<td>2 1*</td>
<td>1975</td>
<td>26 (1975)</td>
<td>32</td>
</tr>
<tr>
<td>Tourist Bungalow</td>
<td>1975</td>
<td>100 (1975)</td>
<td>144</td>
</tr>
<tr>
<td>4 1*</td>
<td>1975</td>
<td>44 (1975)</td>
<td>66</td>
</tr>
<tr>
<td>5 3*</td>
<td>1975</td>
<td>80 (1975)</td>
<td>86</td>
</tr>
<tr>
<td>6 3*</td>
<td>1975</td>
<td>96 (1975)</td>
<td>180</td>
</tr>
<tr>
<td>7 3*</td>
<td>1975</td>
<td>114 (1975)</td>
<td>114</td>
</tr>
<tr>
<td>8 4*</td>
<td>1975</td>
<td>340 (1975)</td>
<td>320</td>
</tr>
<tr>
<td>9 1*</td>
<td>1975</td>
<td>50 (1975)</td>
<td>82</td>
</tr>
<tr>
<td>10 3*</td>
<td>1975</td>
<td>102 (1975)</td>
<td>102</td>
</tr>
<tr>
<td>11 5*</td>
<td>1975</td>
<td>120 (1975)</td>
<td>216</td>
</tr>
<tr>
<td>12 3*</td>
<td>1975</td>
<td>180 (1975)</td>
<td>180</td>
</tr>
<tr>
<td>13 5*</td>
<td>1975</td>
<td>98 (1975)</td>
<td>310</td>
</tr>
<tr>
<td>14 5*</td>
<td>1975</td>
<td>960 (1975)</td>
<td>960</td>
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<tr>
<td>15 5*</td>
<td>1982</td>
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<tr>
<td>17 4*</td>
<td>1988</td>
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<td>490</td>
</tr>
<tr>
<td>19 Apart Hotel</td>
<td>1989</td>
<td>22 (1989)</td>
<td>22</td>
</tr>
<tr>
<td>20 III Class Holiday Village</td>
<td>1989</td>
<td>70 (1989)</td>
<td>198</td>
</tr>
<tr>
<td>21 3*</td>
<td>1989</td>
<td>32 (1989)</td>
<td>122</td>
</tr>
<tr>
<td>22 Apart Hotel</td>
<td>1989</td>
<td>20 (1989)</td>
<td>40</td>
</tr>
<tr>
<td>24 2*</td>
<td>1990</td>
<td>88 (1990)</td>
<td>88</td>
</tr>
<tr>
<td>25 3*</td>
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<td>1990</td>
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<td>250</td>
</tr>
<tr>
<td>27 III Class Holiday Village</td>
<td>1990</td>
<td>48 (1990)</td>
<td>266</td>
</tr>
<tr>
<td>28 3*</td>
<td>1990</td>
<td>54 (1990)</td>
<td>144</td>
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<tr>
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<td>4*</td>
<td>1991</td>
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<td>Special</td>
<td>1992</td>
<td>18 (1992)</td>
</tr>
<tr>
<td>34</td>
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<td>1992</td>
<td>24 (1992)</td>
</tr>
<tr>
<td>35</td>
<td>Touristic Bungalow</td>
<td>1992</td>
<td>36 (1992)</td>
</tr>
<tr>
<td>36</td>
<td>Touristic Bungalow</td>
<td>1992</td>
<td>60 (1992)</td>
</tr>
<tr>
<td>42</td>
<td>2*</td>
<td>1993</td>
<td>46 (1993)</td>
</tr>
<tr>
<td>43</td>
<td>2*</td>
<td>1993</td>
<td>36 (1993)</td>
</tr>
<tr>
<td>44</td>
<td>1*</td>
<td>1993</td>
<td>30 (1993)</td>
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<tr>
<td>45</td>
<td>3*</td>
<td>1993</td>
<td>22 (1993)</td>
</tr>
<tr>
<td>46</td>
<td>Touristic Bungalow</td>
<td>1994</td>
<td>16 (1994)</td>
</tr>
<tr>
<td>49</td>
<td>1*</td>
<td>1996</td>
<td>28 (1996)</td>
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<tr>
<td>51</td>
<td>2*</td>
<td>1996</td>
<td>78 (1996)</td>
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<td>52</td>
<td>2*</td>
<td>1996</td>
<td>28 (1996)</td>
</tr>
<tr>
<td>53</td>
<td>Touristic Bungalow</td>
<td>1997</td>
<td>52 (1997)</td>
</tr>
<tr>
<td>54</td>
<td>II Class Holiday Village</td>
<td>1997</td>
<td>100 (1997)</td>
</tr>
<tr>
<td>56</td>
<td>1*</td>
<td>1997</td>
<td>24 (1997)</td>
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<td>57</td>
<td>1*</td>
<td>1997</td>
<td>22 (1997)</td>
</tr>
<tr>
<td>59</td>
<td>3*</td>
<td>1998</td>
<td>68 (1998)</td>
</tr>
<tr>
<td>63</td>
<td>Touristic Bungalow</td>
<td>1999</td>
<td>38 (1999)</td>
</tr>
<tr>
<td>64</td>
<td>Touristic Bungalow</td>
<td>1999</td>
<td>29 (1999)</td>
</tr>
<tr>
<td>65</td>
<td>2*</td>
<td>1999</td>
<td>44 (1999)</td>
</tr>
<tr>
<td>66</td>
<td>Touristic Bungalow</td>
<td>1999</td>
<td>40 (1999)</td>
</tr>
<tr>
<td>68</td>
<td>3*</td>
<td>1999</td>
<td>82 (1999)</td>
</tr>
<tr>
<td>69</td>
<td>Touristic Bungalow</td>
<td>1999</td>
<td>44 (1999)</td>
</tr>
<tr>
<td>70</td>
<td>5*</td>
<td>2000</td>
<td>444 (2000)</td>
</tr>
<tr>
<td>71</td>
<td>Touristic Bungalow</td>
<td>2000</td>
<td>30 (2000)</td>
</tr>
<tr>
<td>72</td>
<td>Touristic Bungalow</td>
<td>2001</td>
<td>41 (2001)</td>
</tr>
<tr>
<td>73</td>
<td>2*</td>
<td>2001</td>
<td>42 (2001)</td>
</tr>
<tr>
<td>74</td>
<td>Touristic Bungalow</td>
<td>2001</td>
<td>48 (2001)</td>
</tr>
<tr>
<td>75</td>
<td>1*</td>
<td>2001</td>
<td>24 (2001)</td>
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<tr>
<td>76</td>
<td>3*</td>
<td>2002</td>
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<tr>
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<td>II Class Holiday Village</td>
<td>2003</td>
<td>60 (2003)</td>
</tr>
<tr>
<td>78</td>
<td>Traditional Houses</td>
<td>2003</td>
<td>22 (2003)</td>
</tr>
<tr>
<td>80</td>
<td>1*</td>
<td>2003</td>
<td>26 (2003)</td>
</tr>
<tr>
<td>81</td>
<td>Touristic Bungalow</td>
<td>2003</td>
<td>100 (2003)</td>
</tr>
<tr>
<td>82</td>
<td>5*</td>
<td>2003</td>
<td>200 (2003)</td>
</tr>
<tr>
<td>84</td>
<td>Touristic Bungalow</td>
<td>2005</td>
<td>56 (2005)</td>
</tr>
<tr>
<td>85</td>
<td>Boutique</td>
<td>2005</td>
<td>42 (2005)</td>
</tr>
<tr>
<td>86</td>
<td>1*</td>
<td>2005</td>
<td>20 (2005)</td>
</tr>
<tr>
<td>87</td>
<td>1*</td>
<td>2005</td>
<td>32 (2005)</td>
</tr>
</tbody>
</table>
The bed capacity is one of the criteria which shows the growth and development of the hotel industry. This research has found that 43 hotels did not show any growth in terms of the bed capacity between 1975 and 2006. Another 23 hotel establishments increased their bed capacity by between 1 and 50; 16 of the hotels increased their bed capacity by between 50 and 100; and a final group of 10 hotels raised their bed capacity by 100 or more between 1975 and 2006.

Morrison et al. (1999) defined small hotels as having less than 100 rooms or less than a 200-bed capacity. The research results found 13 hotels had more than 100 rooms and a 200-bed capacity in 2006. There were five hotels defined as large from their establishment and eight hotels had improved their business by increasing the bed capacity to over 200. The rest of the 79 hotels have a less than 200-bed capacity.

An owner of a hotel said, "I do not want to grow or expand bed capacity. There is no point in that. I always wanted to have a small hotel and opened my hotel with a 38-bed capacity. I want to keep it that way." Another owner stated that, "I want to increase bed capacity but I do not trust the government. There are no tourist demands so why should I take a risk."

Another interesting point mentioned by another owner is that, "I will expand my business and increase bed capacity, if the government gives me another piece of land free of charge and financial credit with 10 years non-repayable. They must forgive my old debts in electricity, tax, etc."

<table>
<thead>
<tr>
<th>No.</th>
<th>Name</th>
<th>Year</th>
<th>Bed Capacity 2005</th>
<th>Bed Capacity 2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>88</td>
<td>Apart Hotel</td>
<td>2005</td>
<td>162 (2005)</td>
<td>162</td>
</tr>
<tr>
<td>89</td>
<td>Touristic Bungalow</td>
<td>2006</td>
<td>36 (2006)</td>
<td>36</td>
</tr>
<tr>
<td>90</td>
<td>1*</td>
<td>2006</td>
<td>22 (2006)</td>
<td>22</td>
</tr>
<tr>
<td>92</td>
<td>5*</td>
<td>2006</td>
<td>272 (2006)</td>
<td>272</td>
</tr>
</tbody>
</table>

Source: TRNC Ministry of Tourism and Economy Tourism Reports (2006)
The second important indicator of the industry size was employee numbers. The research has found that the hotels were mainly family-owned businesses. Employees are members of the family plus a small number of employees from outside. The EU small and medium-sized business definition takes into consideration employee numbers, annual turnover or annual balance sheet total. A medium-sized business must employ less than 250 people. Small businesses must have less than 50 people. Micro businesses employ less than 10 employees.

The research has found that 13 hotels employed between 50 and 200 people in 2006. One of the owners reported that, "We could not make North Cyprus a whole year tourist destination. North Cyprus is still a summer season holiday destination. That is the reason our employment rate changes over the winter and summer time. We always employ more temporary employees between June and September. After September, we downsize employee numbers, sometimes half of the summer time number".

Many hotel owners indicated that the summer season employee numbers are always higher than the winter season. This research was conducted in the summer season and the employee numbers were based on their report. The results show that 59 hotels employed a total of less than 10 employees, and are therefore categorised as micro businesses. Another 20 hotels have less than 50 employees, so are small-sized businesses between 2002 and 2006. The hotel owners stated that the employee numbers did not change over the five years. The main reason is that tourism was unstable and going badly. One owner stated that "They only employed the minimum number of employees depending on the demand. Of course, the employee turnovers affect the customer satisfaction and we lose existing customers every year. Another reason is we do not have new customers. The tourists who
come and stay at hotels are always the same people, in other words repeat customers. If you look, the tourist arrivals have increased over the last two years but they are not staying at hotels. They are staying at villas that are owned by their family, relatives, friends or their customers. Our problem is as a hotelier we cannot attract new customers and try to please repeat customer with a very small number of uneducated employees.”

Another owner said: “I cannot afford to employ university graduates. They ask too much money and I do not have enough business to pay them. The tax and social security are too high. I prefer to employ people who come from South East Turkey or Asia. They do not know the business but it does not matter; I need work power and cheap labour.”

The third variable which indicates the growth rate of the hotels was occupancy rates over the years. Tourism Ministry of North Cyprus has been accepted that a hotel must exceed a 30 percent occupancy rate in order to be profitable. In general, 56 hotels have shown a decrease in occupancy rates from 2003 to 2006. Twenty-four hotels were stable and did not change greatly during those years. On the other hand, there were 12 hotels which have shown an increase in the occupancy rates over the last three years.

The research has found that occupancy rates are very dependent on the star ratings of the hotels especially for the year 2006. There were 16 hotels with 1 star ratings and the occupancy rates were found to be less than 30 percent, except for two hotels which had over 30 percent in 2006. One of the hotels has a 1 star rating but announced itself as a boutique hotel on their websites and is designed very much as a traditional house in the heart of Kyrenia. Another hotel had a regional advantage as there were not many hotels
around. In other words, the hotel is the only option for people wanting to stay in that region.

There were eight hotels rated 2 stars. The occupancy rates for six of them were less than 30 percent and more than 30 percent for two of them. Two hotels that had higher occupancy rates had a location advantage. One of them is located in the city centre and the other one is located at a very attractive sea side with not many competitors in 2006.

Eighteen hotels which were categorised as 3 star hotels had very different occupancy rates compared to the other categories. Seven of them were under 30 percent occupancy but 11 of them were higher than 30 percent occupancy in 2006. Many of these hotels were located at the sea side or close to city centres, suggesting that tourists are more likely to prefer to stay at 3 star hotels, especially if they come for sun, sea, and sand holidays.

The five hotels which had 4 star ratings had over 50 percent occupancy rates, which is very high compared to the other star ratings. There was only one 4 star hotel with a 19 percent occupancy rate and compared to the previous years had not changed dramatically, though it had decreased from 32 percent in 2003 to 19 percent in 2006. All seven 5 star hotels had occupancy rates starting from 38 percent to 70 percent between 2003 and 2006.

The four apart-hotels had occupancy rates of less than 11 percent. There were three special class hotels and their occupancy rates were between 35 percent and 52 percent. The category of second class holiday village had occupancy rates of less than 30 percent in three hotels and more than 30 percent in three hotels in 2006. The occupancy rates were lower than 28 percent for 20 tourist bungalow accommodations out of 24.
The last two indicators of the overall size of the industry were turnover and profit figures. Unfortunately, none of the owners were willing to give their figures. The researcher therefore had to exclude these parts from the research. The common reasons were:

- “I do not want to share my financial figures with you. This is my confidentiality and North Cyprus is too small. How could I trust that you will keep it to yourself?”
- “I have no idea about my financial figures. I never look at them.”
- “I cannot give them to you because I have problems with the Development Bank.”
- “Are you sure you are not working with tax collectors?”

Hotel owners/entrepreneurs were very helpful in answering all the questions until the financial figure part came up. All of them refused to give any information on their financial position. They may have been afraid to give the real financial figures because of development bank loans, tax and other debts.

4.6. Conclusion

In conclusion, the research has looked at employee numbers, establishment years, bed capacity and occupancy rate changes between 2002 and 2006 for 92 hotels in North Cyprus. The results supported that the North Cyprus hotel industry is dominated by small and micro sized establishments.

The exploratory study chapter was divided into two parts for findings and data analyses. The first part examined the secondary data of statistics which have been published by North Cyprus Tourism Ministry for the accommodation industry. It shows the changes
between years of the number of tourists staying in hotels, bed capacity, occupancy rates
and average length of stay, etc.

The second part of the chapter, the growth questionnaire, analysed an overview of the
North Cyprus hotel industry structure, the hotel business, and the characteristics of the
hotel entrepreneurs by using the GET Test. Finally, the exploratory study suggested that a
number of cases will be used for the main study.
5. CHAPTER: THE MAIN STUDY

5.1. Introduction to the Cases

In the literature review, Perren's (1999) study divided the growth level of firms into three categories. Cases from each of these, namely, no real attempt at growth, small or little growth, and achieved success at growth, will be studied. Successful growth cases show an increase in occupancy rates, bed capacity and employee numbers between 2003 and 2006. Little growth cases had attempted to increase either bed capacity or occupancy rates but could not successfully continue and declined at some point. No growth cases comprise the hotels that never showed any increase in either bed capacity or employee numbers between 2003 and 2006.

The growth questionnaire and GET Test results were used to finalise the growth level of the hotels based on the bed capacity, employee numbers and occupancy rates between 2003 and 2006 for North Cyprus:

- 66 hotels were found to make no real attempt at growth nor had they any declared interest in future growth between 2003 and 2006.
- 21 hotels were found to have little growth between 2003 and 2006.
- 5 hotels were found to have achieved success at growth between 2003 and 2006.

In the GET Test, 6 hotels owners scored close to maximum for all sections and so possess an entrepreneurial personality. The GET Test results support the objective of this study that the growth of the hotel has a direct link with the owner's characteristics.
5.2. **The Case Studies**

5.2.1. **Case Study: Pia Bella Hotel**

The first case-study hotel is Pia Bella (PA) Hotel, which is owned by the Caginer and Tuncar families. Pia Bella is a 4 star hotel. It was established in 1989. It is located in the heart of Kyrenia, which is the most popular tourist destination in North Cyprus. Pia Bella is within walking distance of the city centre and many restaurants, tourist attractions, bar and pubs.

5.2.1.1. **Pia Bella Hotel and the Entrepreneurs**

PA Hotel Management is a limited company with two shareholders: Gunay Caginer and Mehmet Turcan. The shareholders are not actively involved in the management of the hotel as they have their own businesses. Both owners run markets in different places in Kyrenia. Ali Caginer, the son of Gunay Caginer, is automatically also an owner and is the general manager who manages and runs the hotel.

Gunay and Mehmet have a family relationship as Mehmet married Gunay's sister. Gunay has six children: five sons and one daughter. Mehmet has three children, all girls. The two families' children work in Pia Bella Hotel. Gunay’s youngest son and daughter were involved in the hotel management from the beginning. Two of Mehmet’s daughters joined the hotel management team after 2000.

Ali Caginer said “We are a small family hotel. I am the one who is responsible for the decisions and day-to-day business at the hotel. However, I always discussed important
issues with my father and uncle all the time. They do not get involved in the business and management of the hotel.”

Ali Caginer was born in 1966 in Cyprus. He was an electrical engineer and never had any experience in the hotel business, or of running his own company before. He had relatives who were involved in the tourism business but, as he explained, he did not get much help in the beginning. Gunay Caginer’s three brothers are involved in many different aspects of tourism. One owns a hotel, another has a restaurant, and the other has a beverage supply company.

Ali Caginer studied at one of the reputable universities in Istanbul. He graduated from the Electronic and Electrical Engineering Department and worked as an engineer in Alcatel (one of the biggest telecommunications companies). He decided to return back to Cyprus in 1987 where he worked as an engineer in BRT Television (national television of North Cyprus) for two years.

His uncle said “He is the only one who graduated from university in the family. After we turned the shops into the hotel, we needed someone to look after the business. He was the only one who had the capability to run the hotel. So the family decided on him to be the one who would control and run the business.”

Ali Caginer mentioned that working at BRT was the biggest opportunity for him to get to know the sector and people. He expanded his business network and got to know the news firsthand.
Ali Caginer agreed to be the general manager of the hotel. The only rule he set was that no one from the family could be involved in the decisions of the day-to-day running of the business. He only employed his sister in the accounting department from the family. He also mentioned that everybody could help from time to time but could never be involved in the business decisions. He had some discussion with his father and uncle who were shareholders in the hotel. However, they never questioned his decision and supported him all the time.

He was the only one who managed the hotel for over 12 years as a general manager and was known as the owner of the hotel. One of his staff said “I very much appreciate working here. Our general manager is the best manager I have ever had. He is a boss and friend at the same time. I am happy to work with him.” Another employee said “I admire his passion and ambition in his work. I always want to be like him. He is my example and I am very glad to work with him.” Many of them said it is not so easy to work with him but in the end all the management team is there because of him. The assistant manager mentioned that Ali’s ambition inspires others and keeps them at the PA Hotel.

Many of the members of the management teams have been working with the general manager for more than 10 years. One of the department managers said “I would not be here if the PA general manager was not here. He is the one who keeps our motivation up all the time. I learned everything from him and we have worked hard. He was there with us all the time, day and night. I would say that PA Hotel is his life, wife and children to him. He cannot live without PA Hotel, so I would say.” Another manager said that he is the best manager and continued “He always cares about staff and talks to them all the time; he is like a friend. You can see him any time in the day walking around the hotel.”
During the interview, Ali Caginer mentioned his systems. He said “I believe in systems, you create it and it continues. I have to control everything every single day without getting bored. We are running a 24-hour hotel and anything could happen at any time.”

After a while, the business started to grow and he needed someone to help him with some of the issues. In 2004, he finally found an assistant manager who had recently graduated from the Tourism Department and had worked in a restaurant for four years in the UK. Ali Caginer delegated many day-to-day business tasks to his assistant manager after that year. However, one of the department managers said that he followed up every single detail and wanted to know everything that was going on at the hotel. In particular, he was involved all the time when complaints happened and in the process of resolving them.

Ali Caginer has an office but you hardly ever see him sitting down in his office. He walks around the hotel all the time and checks everything, said the assistant manager. Ali Caginer said “I need to be around and check if our customers are happy or not. I also check how the business is going every day. I talk to customers and employees. I must make sure that everything goes smoothly and if there is any problem I can solve it before it gets out of hand.”

Ali Caginer also mentioned “I needed an assistant who would help with the ongoing business while I am not there. The hotel grew and our problems also increased. I must keep a balance inside and outside of business at the same time. We have to follow the government policy personally. Doing business in North Cyprus depends on a personal network and good relations. I am not a person who sits down in the office to obey the rules
of government or tour operators. I visit them frequently and discuss the features, and new policy. I keep good contact in order to be aware of the situation in tourism as well as changes that might affect my business."

PA Hotel's employees' main motivation is their connection with the owner and their feelings about him. They all love to work and be a part of the PA family. They also like very much their jobs and working conditions. They have strong feelings of belonging and wanting to be at the PA Hotel. This might be the one of the reasons why many staff have worked for many years in the same hotel. The owner has managed the hotel by himself. The oldest employee said "He is always there to talk and discuss the problems. He motivates and solves our problems. He listens to us carefully and has relations with us like a friend rather than a boss."

The employees also admitted that they have learned everything about tourism and hotels from their owner. PA Hotel is like a school for all employees. Many of them knew customers personally. They are encouraged to talk to the customers and take care of the customers at all times. The main focus at PA Hotel is to make sure all customers are happy and leave satisfied.

All employees are well aware of the owner's motivation and hotel objectives. They have been working long hours, but they are all happy that they can see the results in the success of the hotel at the end of the long journey.

Many of the employees mentioned that "we would do everything again if the owner asked us to do it". They believe in the owner and always follow his dream. Some of the
employees said they will never leave and they have a bond with him like a close relative. They have given everything they can to make sure the hotel is successful. One of the managers said that "everyone loves to be here and work with the owner".

One of the managers described Ali Caginer as ambitious, a hard worker, always wanting to be number one and successful. She also added that Ali Caginer is working as a general manager with wages like the others and all the shareholders have to spend all the money they earn on development of the hotel.

In 2003, the construction business expanded suddenly because of the Annan Plan. The demand for summer holiday homes (villas) to buy increased, particularly from UK, Dutch, German and Jewish customers. They were all coming to North Cyprus to buy a house as an investment.

The idea was to buy a house in advance and sell it after the agreement of the Annan Plan, said Ali Caginer. He added "We could not understand what was going on in the construction business. One day we heard about the Annan Plan and everybody was talking about this is the end of 32 years of separation and peace for both sides. However, we were isolated for 32 years and did not have any developments. Many people started to build houses and flats because it was cheap compared to other Mediterranean countries. All the buyers were expecting that house prices would double after the plan was accepted. We had many customers and they were asking our advice. I and one of my friends decided to start our own construction company. We would build a house (villa) and sell it to our customers who wanted to have a second home in North Cyprus. This was my first own company
started up without any family members involved. We successfully managed to sell large numbers of houses and earned good money with my partner.”

The construction company was the first entrepreneurial venture for Ali Caginer owned separately from the family. After the construction business collapsed in 2005, Ali Caginer and his partner decided to start a new business. They opened the largest disco club in Kyrenia. (His partner is his closest friend and he also owns another hotel which is one of the case study hotels in this research.)

Ali Caginer said “I needed to have another business because the hotel did not belong to me entirely. I had achieved what I needed to and came to the point that it was not satisfying to me in terms of the earnings. In 2005, I became a shareholder in the largest club in the Kyrenia. I wanted to earn money and show that I could be successful in other businesses, especially my own business rather than my family business. We are a big family and new generations (hotel shareholder’s children) are coming behind us. They have started to demand the management of the hotel. I thought, I am getting old and I need to do something while I can still do it. However, I have never stopped working for my hotel. I continued all my other businesses at the same time.”

5.2.1.2. Background and History of Pia Bella Hotel

The land for Pia Bella (PA) Hotel was originally planned in 1989 to be used for three shops with rooms on the top as a single unit apartment. Ali Caginer said “My father was running a small market in Kyrenia city centre. The building plot was empty and belonged to the government. We rented that area to invest in three small shops. The land was on the main
road to the city centre and everybody needed to pass that road. We thought it was a good opportunity for the future when the city expanded."

After 1985, the government needed to develop the country in terms of its infrastructure and superstructure facilities all around the country. They also needed new businesses which improved the economy. A new business opportunity was seen in the education sector. Two private universities opened in Kyrenia at the end of 80s. One of the private universities opened just 500 metres away from PA shop premises.

New universities also opened up new opportunities for entrepreneurs like the PA owners. Many students came and needed accommodation, food and other facilities while they were studying. The government encouraged and gave money to entrepreneurs to open private dormitories around the universities.

The PA hotel owners saw this as an opportunity to use the empty shop premises in a different way. They built 18 rooms on the top of the shops and rented them to students. They had never used the shops and turned them into the lobby and restaurant. The owners emphasised that the students only rented a room with a meal and housekeeping facilities. It was not like a normal dormitory but they offered more luxury and a full service to students like a hotel guest. In the meantime, they started to accommodate Istanbul Airways crew (one of the biggest airlines based in Turkey). Ali Caginer said it was the first real hotel experience they had with new customers who were not students.

Ali Caginer stated that: "I did not study tourism or work in the tourism industry before owning my hotel. I am an engineer. I found myself painting the walls of the first 18 rooms in my hotel in 1990. After we opened our small hotel, I sat down in the back garden and
looked around. I dreamed about a big PA hotel with new rooms, restaurants and garden. I imagined what needed to be placed where and built it the same as my dream. I started small but always wanted to have a successful and big hotel in North Cyprus. My dream came true after 16 years.”

In 1992, the room number increased from 18 to 24. The owners decided to turn the 24-room premises into a hotel and applied to the Tourism Ministry for an official hotel business licence. After the examination by the ministry, they got a 2 star rating and opened the hotel officially in 1992. Another 12 rooms were added in 1993.

Ali Caginer mentioned “We started to work with tour operators. They were very helpful at the beginning of our journey. We did not know what to do or how to do it. One of the tour operators who was my closest friend told me we needed a swimming pool because we are far away from the sea. The customers who come here for a holiday prefer a pool most of the time.” The first outdoor swimming pool was completed in 1994.

Another milestone for the PA Hotel was deciding to build a second building in the hotel premises. Another shareholder of hotel explained that “The tourism industry was growing so fast and demand had doubled after 1995. We could not deal with the demand with 36 rooms with a 72-bed capacity. So we decided to increase the room number of hotel.” The backyard land was purchased and construction of a second annex building of the hotel was started in September of 1998.

Ali Caginer said that “it is important to do construction off season and finish before the next season”. Many tour operators did not believe him that he would finish on time and put
on sale the new rooms, said the assistant manager. However, 15 rooms of the second annex building were finished in 1999 just before the season started and a second 15 rooms were completed the year after.

A second bigger outdoor swimming pool was completed in 2002. Ali Caginer said “We increased the room numbers and redesigned the back garden. The old swimming pool was not enough when the hotel was fully booked. We decided to have another and bigger pool, not for now but for the future. I started to believe that business would go better so I needed to keep thinking two to three years after today’s investments about new developments for the future.”

In 2003, the fourth floor of the second annex building was completed with 10 more rooms. The owner said that the original hotel building needed renovation after 10 years down the road, so they renovated the first building in 2003.

They also applied to change the hotel star rating with the new number of bedrooms and facilities. After the examination by the ministry office, they got a 3 star rating. In 2004, everything changed for Turkish Cypriots. The borders between the Turkish and Greek sides were opened. After 34 years, this was the first time both sides gained free access to the North and South.

The owner’s uncle explained that “opening the border of course affected us. Our business was good but it opened the second easy travel option of Larnaca Airport. Our clients used to use Ercan Airport with a stopover in Turkey. They started to prefer Larnaca because it is
non-stop and easy to access the North. We also provided a transfer from Larnaca Airport to our hotel”.

In the meantime, a third building was constructed next to the first building of the hotel in 2004. The assistant manager said that “there was a car park next to the main building. Our hotel was kind of limited for expanding into the surrounding area. Our location is one of the popular areas because we are very in the middle of the main port and city centre. We needed a place to expand and build new buildings. We were fully booked, especially during the summer season. Unfortunately, we turned away sales most of the time. We definitely needed more rooms to deal with the demand.”

Ali Caginer had another perspective and reason to build the new building. He explained “We were a small hotel with 66 rooms with limited facilities at the hotel. Customers were choosing us because of our service, fully newly furnished rooms, two swimming pools, a good location and the relaxing garden. Those were good for the customer who came for a holiday over the summer season. However, we were a hotel open for 12 months of the year and needed to cover our costs during the winter season. After 2000, casinos became more profitable and an easy way to cover the winter costs. We were a hotel with no casino facilities. I had many offers from people who owned casinos but I was worried about our existing customers. It may negatively affect our business because casino customers’ needs are totally different from what we used to have. I came up with an idea that building a new building with 10 rooms and a casino at the entrance level would be a solution to having both types of customers at the same time.”
It is quite interesting that most of the hotels that had a casino licence were 5 star and big hotels. Most of the small- or medium-sized hotels tried to survive without a casino. However, it is quite understandable that a casino provides cash money and a different kind of financial support to the hotels. After building the third building of the hotel, they rented it to a casino that was owned and managed by another company. The hotel management and casino management had an agreement that 10 rooms would belong to the casino and if they needed more rooms they would be used on the hotel side like a normal guest.

Another important point was that PA Hotel customers liked to have this facility but without it disturbing their relaxing holiday atmosphere. The entrance of the hotel and casino are separated and it looks like the casino is not part of the hotel, which is true in one way because it is managed by another company. Ali Caginer said “You could think about it as using all our resources to generate cash.” The casino licence could only be given to 4 and 5 star hotels before they changed the casino law in 2007.

PA Hotel had the casino licence before the new law came into force. They needed to be rated 4 stars to actually be able to open the casino so they applied to the ministry to change the star rating and after the examination it changed to 4 stars in 2003. The owner explained that “after 2000, casino licences were given to hotels. We applied and they said we needed to be a 4 star hotel. I promised that my hotel would meet all the criteria for 4 stars and got the licence. We kept our word and completed all requirements before the opening of the casino”.

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A fourth building plot was bought on the right side of the hotel premises and the construction of a new restaurant, 54 rooms, an indoor swimming pool, health centre and small conference rooms were finished in mid 2006.

The expansion of the hotel was not only about increasing the number of rooms; the hotel was also investing in changing the facilities, recreational areas and other additional car parking, etc. They rented the football arena owned by the government in front of the hotel building (across the road) and turned it into a sports centre for walking, jogging and other sport activities in 2006. (Construction of a tennis court and basketball ground was started in 2007 in the same area.)

5.2.1.3. Pia Bella Hotel and Business

PA Hotel’s first customers were Istanbul Airlines crew members until the airlines stopped flying to North Cyprus. Ali Caginer said “It was about time to decide where we were going as a hotel. We needed more customers and we were not able to do that ourselves. We were a too small and unprofessional family hotel that just tried to give the best service and make sure they all had a relaxed stay.”

He started to discuss a new way of selling the hotel with his friends and uncle. His uncle was running one of the biggest hotels in Kyrenia, so he always had a good example in front of him. He took some advice from his uncle and decided to make contact with tour operators in the UK.

In 1993, the UK was the biggest market for North Cyprus. Many tourists were coming for long holidays of about 14 or 21 nights. Ali Caginer made the first important decision for
the future and went to the UK World Travel Market in 1994. He wanted to make contacts with tour operators who were doing package holidays to North Cyprus. There were not many tour operators who concentrated on North Cyprus as a destination. However, he managed to find a couple and started to work with them.

In 1996, one of the biggest Turkish tour operators in the UK signed a contract with PA Hotel for two years. This was an exclusive contract and allowed them to sell all rooms. There were 36 rooms and the hotel was marketed as a small hotel, close to city centre. PA Hotel was the first page hotel in the tour operator’s brochure. The tour operator managed to fully sell out two high seasons. They became one of the most well known hotels in the UK market.

After 1997, the demand was doubled for the hotel from the UK market. People were not able to find empty rooms, especially in summer time. The reputation of the hotel has spread by word of mouth. Every person who stayed at PA Hotel had a wonderful time and was happy with the friendly and warm service. They started to recommend the hotel to friends and relatives back in their home country. The customers started to come every year again and again. The guest relations manager, who had worked at PA Hotel for 15 years, said “Our aim was to make them happy. We did all we could to make sure they had a wonderful holiday with us. Our guests started to keep coming every year. We have a customer who has been staying for one week every year since 1997. We have another couple who come and stay for six months every year for almost five years. They became part of the PA family.”
The reputation of the hotel was not being spread through the customers only; it also went to all the tour operators who did business with North Cyprus. Many of them came to the hotel for contracts. After 1997, they were working with five tour operators in the UK.

One of the department managers said “We had a really tough time after 16 years. Two main tour operators went out of business between 1996 and 2000 in the UK. We used to have big groups and it all stopped after 2000. However, our loyal clients never stopped coming to PA Hotel. It was not a big deal who was arranging the package. The only request of the customer was that the hotel must be PA Hotel.”

Customers did not mind the changes and they continued to buy their holidays from other tour operators for PA Hotel. Some of the customers stopped working with tour operators and directly contacted the PA Hotel reservation department after 2000.

The tourist demand doubled after 2001 and the existing number of rooms was not enough to cover all reservations. The reservation manager said “We were unable to cope with the demand. We did not have enough rooms available when we received reservations from tour operators. Luckily, we had started our new building construction which was good news for our clients and us.”

The biggest advertisement for PA Hotel was the oldest method of word of mouth. The business has grown with the dedication of its customers. The customer profile has not changed since the beginning. Their customers are from the UK and are 50+ in age. The referral systems worked in a very good way. Old customers brought friends and advised other people. The guest relations manager said “Every year we see it as a reunion with our
customers and they see it exactly the same way. They come here to see their holiday friends. We are like a family here. We know what is going on in their lives and they know us. We believe that PA Hotel is like an addiction. Once you taste it you never find the same anywhere else so you want to come again and again.” It is obvious that PA created synergy between the customers, employees and hotel management.

After 2001, the tourism industry had many ups and downs in a good way and bad way. The general manager said that he always tried to protect the hotel from the fluctuating changes and keep their work the same as usual.

The key way of doing that was simple. He kept very good relations with representatives of the tour operators in North Cyprus and owners in the UK. Another good point was that everybody who works in the tourism industry has known each other for quite long time. They are either childhood friends, army friends, or school friends. They see each other quite often. He invited them for a drink at the hotel or they had dinner together. In the meantime, he always kept an eye on the changes in the industry. One of the interesting points mentioned by the owner was that tour operators also came and told him when they went out of business. This is an example of the friendship and support people have for each other in North Cyprus. They had no secrets from each other. They were doing business like partners with tour operators. The owner said that PA Hotel did not belong to the owners; the customers and employees were keeping PA Hotel up and going and growing over the 16 years.

PA had solved an important issue in the tourism industry which is employee turnover. The biggest problem was the qualifications of employees when they started. The owner
mentioned that they could not find employees and family members who had worked for a long time in many different positions. The owner's sister, who is the accounts manager today, said that she had worked in the reception in the beginning of the hotel without any knowledge, but managed to do it. She also added that they were young and inexperienced in the hotel business, but it did not stop them from giving the best service to their clients.

PA Hotel employment statistics were also quite an interesting point. The majority of employees have worked there for more than 10 years: three people for 15 years; five people for between 10–15 years; 18 people for 5–10 years; 14 people for 2–5 years; and 10 people for 1–2 years out of a total of 50 permanent employees. They also employ seasonal employees when the season starts. Their educational levels were 10 percent university degree, 15 percent secondary school, and 75 percent primary school.

The customers knew all the employees by their names. They have shared many things while they're on holiday and keep asking for the same person on their next holiday. The owner said “Employees are the key in our business. We do care about their education level but on top of that we look at their characteristics, attitude and behaviour with our guest. We cannot be so closed and so distant from our guest. It is difficult to adjust sometimes. All employees know and learn that here. Our priority is to satisfy our guests with maximum effort and make sure they come again and again.”

The working conditions are hard and the hours long like in any other hotel. However, one manager mentioned that “working in PA hotel you feel you are human. Humanity is the most important thing here and it does not matter which level of job you have or your work load. We are all equal and share the same spirit of working for the great man". 
5.2.2. Case Study: Altinkaya Hotel

The second case study hotel is the Altinkaya (AK) Hotel which is owned by the Otcuoglu family. Altinkaya Hotel is a 4 star hotel. It was established in 1989. It is located just 10 minutes drive from Kyrenia which is the most popular tourist destination in North Cyprus. Altinkaya is close to the well-known tourist attraction of Bellapais Monastery and many others.

5.2.2.1. Altinkaya Hotel and the Entrepreneurs

Sami Otcuoglu was born in 1941 in Ozankoy, which is a small Turkish village close to Kyrenia. His family grew and sold young plants. He went to secondary school but he could not finish his education. The school was a private English college and they needed to pay a fee. He was the first child of his father's first marriage and had one step-sister and one step-brother from his father's second marriage. He started to work when he was 15 years old. He also sold young plants like his father until he opened his restaurant. Sami Otcuoglu came from a family of self-employed that were engaged in the farming business. He said that he wanted to go to school but the circumstances did not allow him to finish.

Sami's youngest son, Mustafa, said "My father was a strong man. He is a clever and hard-working person. I and my brothers were brought up with strict rules. We went to school in the morning and worked at the restaurant after school until late. I learned everything by doing. My father was a stubborn person. We were always afraid about doing the wrong things. He was also generous person. Money never was an issue between us. I remember he kept all the money in a small safe under the cashier's table at the restaurant. I used to go and get whatever I needed and he never asked how much I took it or what I did. I had never faced money problems. We were working hard and earning good money."
Sami Otcuoglu said “I had a difficult childhood. I never wanted to give the same experience to my children. My money was their money. None of my sons ever thought about money while they were working with me. We were earning cash and at the end of the day, or anytime they needed, I allowed them to go and get the money from the cash desk.”

Sami Otcuoglu also mentioned “My success did not entirely belong to me. Of course, I was working so hard. I always want to do the best and be successful in my life. However, my wife, sons and other members of the family always helped me and encouraged me. I would not have been able to achieve what I did without them. We were a team and a very good team to make the incredible possible with our power. And I always believed my luck. I was lucky most of the time. Luck is the most important factor for the successful business. I was brave.”

He decided to step down from the business entirely in 1994. He mentioned that there were many reasons behind that decision. However, he said the most important factor was “I grew up in a different environment to my sons. They were young, energetic and smarter than me. I thought it is time to step back and be in the background and look after my grandchildren. I have worked enough and it was their turn to show their achievement and success in the business life. Unfortunately, my decisions and the way of looking at the business were totally different from my sons’ ideas. If I stayed I would have fights and disagreements happening.”

The business was handed over to his three sons. Fahri was 28 years old, Tahir was 27 years old and Mustafa was 26 years old. Fahri was the decision maker and general manager of
the hotel for around 10 years. Sami Otcuoglu said “My eldest son was more like me. I have always seen my young self and ideas in my eldest son. I always trusted him and his decisions. My second son was not so good on business. He works but not like the others. He is more silent and passive compared to the others. My youngest son is very passionate, energetic and ambitious to be powerful and successful.”

Fahri was a member of the North Cyprus Hotel Association Board in 1993 for two years. He said “I was the youngest member on the board. No one was taking me seriously when I was talking or giving my opinion. However, it was so good and I learned a lot during those years. I worked with many people who had many years' experience in the tourism business.” He was also a SKAL member and represented North Cyprus hoteliers at many conferences and meetings. In 1997, he was advisor to one of the political parties in North Cyprus. The same year, the party was elected and became part of the government. The party ran the Tourism Ministry.

Mustafa was the youngest entrepreneur in the family. He started to work with his father when he was 7 years old like his brothers. When his father opened the restaurant he was 11 years old. Mustafa said “We were a small family restaurant. My father, mother and second brother were working in the kitchen. I and my big brother were in the front serving the food to the customers. Everybody had their own position and responsibilities. We used to go to school in the morning and come back to work at the restaurant at night. It was not easy but I would not be successful if I had not started to work at such a young age and held big responsibilities.”
Mustafa also additionally said “We opened the hotel in 1992. We continued to work the same as in the restaurant. Everybody had their own responsibilities and duties. We only employed five more people. The rest depended on the three of us. I have worked everywhere at the hotel: reception, restaurant, kitchen, bar, pool, serving breakfast, lunch, etc. I do not remember going home during those years. We were working so hard.”

After 10 years in the business, all the brothers decided to step back from the management and day-to-day business of the hotel. This was the same time that the elder brother started another business (a villa construction company). Mustafa also followed in his brother’s footsteps and opened his construction company too. The general manager said “They were busy dealing with other business. And the same year I returned [to Cyprus and the hotel] and took on the responsibilities of management. They have never left the hotel’s side but we created a system so that the three brothers could stay out of the day-to-day business and be involved more in strategic decisions like investments, contacts and networking.”

Mustafa explained the time when he made the decision to step down from the management: “I had sat down and thought about the future. A good entrepreneur uses his brain and is smart like us. We saw the opportunity to earn money from constructing villas and selling them to foreign tourists. We had capital and the power to do the job and the customer contacts from the hotel. The hotel business is not profitable, and what we could earn from other businesses we would not be able to earn from the hotel. However, the hotel was related to the other business we did. We also bought a rental car company. We always needed the hotel for our future and social status. In our society and culture, this is the way of showing your wealth and that you are a good businessman.”
Mustafa also mentioned that the other reason to step down from the management was to be free to follow his own dream. He said that he always wanted to show himself to be successful in being his own boss and earning his own money. Mustafa said that his father was ambitious and always wants to be the best. He also said that he had the same characteristics as his father.

A close friend of Sami Otcuoglu said "They come from a very good family. The father is very well known and a reputable person. He always keeps his word and is a trustworthy person. However, his sons were not the same as their father. They worked hard, I should say that, but they were also getting more in to gambling and nightlife. Of course, it affected their lives and business. I believe that was the main reason that the father stepped down."

All the owners of the hotel called themselves risk takers and driven by success. The general manager mentioned that "We have to take risks and follow the trends in the hotel business. We were young and different to others. We could see the opportunities and adapt ourselves easily. The owners of the hotel were like a big brother to me all the time. We have grown up together. They were my uncle's sons. I always felt like a part of the family even though I do not have any share, but I always felt this is my hotel. Our strengths came from every single one of us. They have trusted me and the way I managed the hotel. I always talked to them and we shared the risk altogether. In the end I believe that either we all win or lose. However, we need to be on the same ship and proceed the best way we can."

The general manager of the hotel has worked at the hotel since he was 12 years old. He mentioned that he worked all summer plus nights during the winter. He had worked in every position at the hotel. When he graduated from secondary school, he went in to the
army and then to the UK for six months. After he returned he started to work at AK Hotel as the general manager in 2001. He said “When I returned back, AK Hotel had already developed a lot in the last couple of years. I took over the management and continued the development. It is in my character that I must be successful and perfectly accomplish what I achieve. This was a family-owned hotel but at the same time I was the one in charge of the day-to-day business, customer satisfaction, and dealing with problems. I have also started to deal with the tour operator contracts and representing the hotel at tourism exhibitions.”

5.2.2.2. Background and History of Altinkaya Hotel

Sami Otcuoglu, the owner of Altinkaya (AK) Hotel started his first establishment in 1972 when he was 31 years old. He started a small restaurant establishment with his wife and three sons in their village of Ozankoy. They served kebabs and alcoholic drinks. The restaurant was the only one in the village. It was close to the city centre of Kyrenia, the historical attraction of Bellapais Monastery and some hotels in the surrounding area.

After one year, the restaurant became so famous and a well-known place, especially among tourists. The name of the restaurant was also interesting: “Heaven of God”. The owner said “We were so successful because we were serving delicious food and free drinks with a family atmosphere. One day, the Dome Hotel manager came and asked ‘What are you doing so that all my customers are here?’ I said that I was only showing my hospitality, providing fresh and delicious kebabs and friendship.”

The restaurant closed during the 1974 war between the Greeks and Turks. Sami Otcuoglu went back in to the army until the war ended. He decided to open a restaurant a second time
but in a different location outside Kyrenia where the first Turkish soldiers arrived on the island during 1974.

Sami Otcuoglu explained “I was a soldier/commander during the war. We lost our business and people were so poor; the situation was that no one was able to find food or anything. I was lucky because I earned and saved good money before the separation. I was holding cash money but in that chaos I did not know what to do. We felt insecure and the future was unknown. One day, I heard that the government had been leasing some land and buildings for 40 years around the Kyrenia area. I checked the land and found what I wanted. I rented the land and half the building premises outside Kyrenia from the government. Everything that was left behind by Greeks became the property of the new government. The land was just next to the beach which is called “Cikartma” because that was where the first soldiers stepped on to the island. I knew this place would be so important and many people would visit to see the history. I was a restaurateur before the war so I thought it would be a good opportunity to start again. I used my own money to start my business.”

Sami Otcuoglu worked with his wife and three sons together. In the beginning it was just serving meat and kebabs. He said “Our customers started to asked for fish. We did not have many fish restaurants around so I decided to change the restaurant to specialise in fish. I always had good contacts with customers who came to my restaurant; they always came again and again.”

The owner’s son Mustafa said “We were studying and working at the same time. We were fully booked all the time. Our customers were doctors, advocates, ministers and very
important businessmen like Asil Nadir. My father was very close to Dr Kucuk (vice president of the Republic of Cyprus in 1960–1974). They were like son and father. He supported us so much. Every week he used to come with his family and friends.”

Sami Otcuoglu and sons had run the restaurant successfully between 1972 and 1992. In 1992, Sami Otcuoglu decided to follow his childhood dream and create a tourist complex near to his village. He handed over the restaurant to one of his relatives who was similar in age to his eldest son and had grown up with him and was like his other son.

Sami Otcuoglu explained the first change in their lives as hoteliers: “It was my dream to buy Turkish land in Ozankoy and the surrounding area since childhood. (In North Cyprus, some lands have Turkish deeds and some Greek deeds.) This was my village and I wanted to have something. I bought two plots of land on the way to Bellapais Monastery in 1982. I wanted to build a hotel with a restaurant. However, I had started the construction of my and my sons’ houses. Therefore, I managed to start the hotel construction in 1989 and finished in 1991. My dream came true after 40 years. We first built 12 small bungalows with a 24-bed capacity, and a swimming pool with a bar and restaurant.”

AK Hotel was officially given an initial 2 star category licence from the Tourism Ministry in 1991. The opening ceremony was very successful said Sami Otcuoglu. Mr Denktas, who was president of North Cyprus, attend the opening ceremony of the hotel. Sami Otcuoglu said “Mr Denktas was so impressed with the way we built the hotel. He said AK Hotel is the most modern and elegant hotel in North Cyprus. I was so proud and happy.”
Two years later, eight bungalows were built and the bed capacity increased to 40. Sami Otcuoglu said “Just after the opening, we entered into business so fast. Luckily, our tour operator partner had supported us incredibly well and demand was increasing every year. We thought this is the sign for more rooms and to get bigger.”

In 1995, the three sons decided to continue the development of their hotel business. They bought the land just across the road and built 16 bungalows with a swimming pool and bar. In 1996, another eight rooms were added overlooking the swimming pool area. (The rooms are built with a simple construction not like bungalows, with no self-catering facilities.) The owners also decided to change their star rating. Mustafa explained this was “because many tourists were choosing their hotel based on star ratings in the tour operator’s brochure. We were in the 2 star hotel category but we were offering a totally different concept. It was more of a holiday village type”. After the Tourism Ministry examination, they received a 3 star rating.

After 2002, the business was going so well and demand was increasing every year said the owner. In 2003, the owners and general manager decided to change the concept of only self-catering bungalows to include a 4 star hotel. They started to build the main three floors of the hotel building at the end of 2003. The new main building was finished and opened for business in the summer season of 2004. This provided an additional 25 rooms and with a 50-bed capacity. With the new hotel building, AK Hotel reached a total 138-bed capacity at the end of the year 2003.

In 2005, they bought 6 acres of land behind the hotel and turned it into a garden area. The general manager said “We bought the land just behind the main building for future projects.
If we see the tourism demand will increase, we have a 5 star hotel complex project planned. However, we are holding the project just to see what will happen.”

In 2005, they tore down the first 12 bungalows and reconstructed them with a new structure and furnishings. In 2006, the Tourism Ministry changed the star rating system. Based on the new system, AK Hotel was categorised as a “II class holiday village”. The tourism planning manager explained that “We had many hotels with different structures like the AK Hotel. They have bungalows which are self-catering and one building with all hotel facilities. And hotel premises have bungalows on the right side and hotel buildings on the left side of the road. We decided to categorise it as a II class holiday village based on the type of buildings and services/facilities they offer.”

5.2.2.3. Altinkaya Hotel and Business

The AK Hotel has a unique location which is between two of the most important tourist attractions: Bellapais Monastery and the city of Kyrenia. Fahri said “Our location was superb compared to many other hotels. I believe it gave us a big opportunity to be successful in the business. Many tourists chose us mainly because of our location.”

However, location was not the only reason for their success. The AK-1 restaurant provided a good networking opportunity for the hotel. Mustafa explained “Asil Nadir was a repeat customer at the restaurant. One day we explained our hotel project. He owned a tour operation and airline company in the UK. We talked to many other tour operators but they said we were too far away from the sea and had no beach. The only support came from him and his team in the beginning. The next day, he sent his tour operation company manager to investigate the hotel. The manager examined the hotel and advised us to change a couple
of things. We started to work with them and they were the only tour operation company [Mozaic Travel] in the UK who were selling our hotel.”

One of the managers of Mozaic said “We worked with AK Hotel for quite a long time. Fahri used to come and sit down at our office every day. I believe he was successful in taking people out and making them happy. This was his way to do business. He used to take tour operators for dinner and drink with them.”

The demand increased every year after opening. They worked with Mozaic Travel for over three years until the company went bankrupt. They started to work with another company called President Tour. Fahri said “We had another successful operation with President Tour for over two years. I always tried to keep good contact with the tour operators. I believed they were our business partners, especially in our special circumstances [embargo and problems with direct flights] we would not have been able to survive or sell our hotels without them.”

In 1997, a new party was elected and changed the advertisement fund for tourism. It was originally £300,000 and was increased to £600,000 in the first half of the year and £1,200,000 in the second half. It helped to do more advertising in the UK and gave more incentives to the tour operators. Fahri explained “I was the advisor to the party before they became elected. We planned to increase the advertisement fund for tourism in the UK. The way we planned it worked and we started to get good business around 2000. The new advertisements and incentives worked so well, and it was reflected in our business, especially after 2000. We received many reservations and we were almost fully booked during those years.”
All the owners and general manager mentioned that AK Hotel had always been different from any other hotel business in North Cyprus. AK Hotel was the only hotel where the capital came from the family and they only used a small amount of credit from a private bank with high interest. It is quite interesting that many establishments had been started or their hotel businesses developed by using development bank credit with low interest or no interest. The general manager explained that “this was a political decision. We never had a chance to use development bank credit because their door was always closed to us. Fahri Otcuoglu was involved with one of the political parties [being an advisor] and everybody knew his political view. This did not help in terms of the development bank credit and again we faced political problems.”

The customer profile was middle-aged people or older from the UK. They had over 40 families who were coming every year for two weeks’ holiday between 1995 and 2005. The customers liked the quietness of the place, the atmosphere and being new in terms of furniture and construction of the new main building said the general manager. In 2004, the Annan Plan was a big issue for hoteliers and tourists. The general manager said that it was the time when tourist demand increased very suddenly. The location was so important for all tourists who came to North Cyprus. Many tourists who came to North Cyprus wanted to stay around the Bellapais area between 2003 and 2005. There were two main reasons. One was that is was the area for villa construction. Second, it was one of the most beautiful places around Kyrenia. The general manager said “Tourists who bought villas came and stayed with us until their villa was finished. They mostly preferred us because it was easy to access their villa construction for checking and they could have their holiday at the same time. And they preferred the newly built hotels with new and comfortable furniture. Many
hotels were using the same furniture and had no modern facilities or large swimming pools since 1974. AK Hotel took advantage of being new in 2004 and demand increased massively and we were overbooked for the summer season.”

After 2000, they started to work with one of the biggest tour operators in the UK. Fahri and the owner of the tour operator were close friends. The general manager said “The tour operator was pushing the promotions and sold the hotel. We had very good relations and the customers were happy.”

AK Hotel contacted other tour operators. All the tour operators had their representative office in North Cyprus. The general manager mentioned that “all tour operator representative office managers are our old friends or we had known them for a long time. This is a small community and we all have relations and contact each other. We do not do business like other countries. We go for coffee and talk business in the meantime. Or we watch a football game together. We go out for dinner together. This is the way we keep up good relations with our tour operators. Of course they always put us as a priority when it came time for the sales.”

AK Hotel is also very famous for organising wedding ceremonies, especially around the swimming pool. Wedding ceremonies are very important for Turkish Cypriots. The wedding season starts from January until the end of September. The general manager said “We organised wedding ceremonies, barbeque parties, and special night activities. This was another way to promote the hotel and earn money. We did that very successfully.”
The business has been managed by the general manager and the three sons as shareholders. The hotel was not professionally structured in terms of the management. The general manager is the only manager at the hotel. Everybody reports to him and he reports to the eldest son. Employees are not educated and many of them came from Far Eastern countries. Employee number changes in the summer and winter seasons.

One of the other case study hotel managers said “AK Hotel always copied us. I witnessed that many of their employees applied to us after working for six months there. If you looked at their last hotel building you will see everything is the same as us. I believe they only copy us and are jealous of our success. I know many customers came to us because they were not happy there in the middle of their holiday.” Another manager said “They are our sister hotel. Although, our boss is a partner of their boss [the eldest son], we are treated like we are in a fair competition. I do believe that they do what we do.”

5.2.3. Case Study: Rocks Hotel

The third case study is the Rocks Hotel, which was established before 1974 but the case study entrepreneur started to run the hotel in 1989. Rocks Hotel is a 5 star hotel. The hotel is located just next to the old harbour in Kyrenia city centre, which is the most beautiful and important tourist attraction in North Cyprus. The owner of the hotel, Sakir Vudali, who was a very famous entrepreneur in the UK, died in 2005. His son, Darren Vudali, took over the management of the hotel and family fortune before his father passed away.
5.2.3.1. Rocks Hotel and the Entrepreneurs

Sakir Vudali was a Turkish Cypriot entrepreneur who died in 2005 aged 76. He was born in Vudali village in Larnaca at 1929. He went to London when he was 18 years old in 1947. He worked in many different types of business back in London. When he was in his late twenties, he established his first entrepreneurial company. He had many entertainment and casino shops in Soho. Some people say he owned half of the Soho shops. He sold all his properties and business in Soho and returned back to his country in 1986.

The executive chef explained what it was like to work with Sakir Vudali: “I worked with Mr Sakir Vudali for more than 20 years. He was like my father. He employed me when he owned his restaurant in Kyrenia. We continued to work together after he bought Rocks Hotel. I would not say he was a boss to me. He was my father, friend even closer than my own family. He taught me everything he had learned back in London. He was a very good chef. He was a very intelligent person and very clever. He always gave good attention to the kitchen and restaurant side of the hotel business. He believed that we must serve good food, of good quality and have good standards. He used to spend time with me in the kitchen. We cooked together and talked all the time.”

The sales manager said “I knew Mr Sakir Vudali after he had a traffic accident and just one year before he died. He was an interesting person but very clever. I found him funny all the time. I used to go to his room to get some documents signed. He said to me “Do not walk like a soldier.” I realised he was so careful and noticed every single detail. He worked with his team all his life. He was a boss who protected and cared for his personnel. He chose every employee very carefully. He was sensitive about his employees’ loyalty. He had a strong personality and believed in himself very much.”
Mr Sakir Vudali stepped down from the business in 2001. However, “he was always around and watching us,” said Mr Orek who is a financial coordinator of Rocks Group investments. Mr Orek also added that “Mr Sakir Vudali was a different man. He trusted his son to handle the hotel management and other business. Actually, his son showed himself that he can manage the companies and business by opening Roxannes Bar and Club next to the hotel. Roxannes is one of the most successful club bars in Kyrenia since it was opened.

Mr Sakir Vudali was an open-minded person and a very good businessman. However, he laughed at my and his son’s decisions when we were building the new side of the hotel. We had decided to bring palm trees from Egypt and he said this is not going to work. But everybody copied us and planted palm trees in front of their hotel after we did. He took a risk when he bought the hotel. His son had a wider vision than him.”

The executive chef described Darren Vudali: “He is very charming and a good person on top of everything, very cultured. I would not meet anyone else like him all my life. He is very clever and never forgets anything. He has a good memory and the ability to see the future. He was different in terms of management. I believe he was very professional and we never had professional management in Cyprus. He kept a distance between him and the managers at the hotel. Some people thought he was very strong and tough. On the other hand, he had a very soft heart. If he got angry, it passed so quickly. He always had close friends and he trusted them, especially when they are doing business.”

In 2000, a new era started for the Rocks Hotel. Darren Vudali, who was 38 years old, took over the management of the business and hotel. The executive chef explained that time: “Everything changed and nothing changed. It is ironic. We continued to work like before
but with a new perspective and vision. Darren was young and full of new ideas. We saw him as new and fresh blood for the Rocks Hotel. He did not have a spoilt or arrogant attitude towards us. He always protected his family wealth and added more year after year.”

The Rocks Group owns many different types of business: the CIPRO cigarette import company, the Club Night Park disco, Roxannes club bar, the Cigar Shop at Akmerkez (one of the biggest shopping malls in Istanbul/Turkey), two duty free shops at Ercan Airport (North Cyprus airport), and the Blue Sky Construction Company. The Hotel and casino were started by Sakir Vudali. All the other businesses and companies were started by his son, Darren Vudali.

The Rocks Hotel managers and employees described Darren Vudali as “a gentleman”, “good businessman”, “funny”, “never forgets anything”, “professional”, “cool”, “enjoys life”, “a bit hard”, “never talks to employees directly but if he needs to he is always very polite”, “clever” and “intelligent”.

Mr Orek said “I have worked with Darren since he took over the hotel. We are very close friends but we also work in a very professional manner. We discuss and talk all the time. He does not stay in Cyprus most of time. He travels around the world. However, he always keeps in contact and gets the information about the business. And he follows up new ideas or opportunities. When he finds something he shares it with me and discusses the possibilities. He is relaxed because I am here. My responsibility does not end with being the financial coordinator of all the business; I am also the face of Darren here in Cyprus. He creates and I follow up.”
5.2.3.2. Background and History of Rocks Hotel

Rocks Hotel was one of the oldest hotels in North Cyprus and is located right in the heart of the coastal city of Kyrenia (within walking distance of the old harbour). It was built before 1974. After 1974, North Cyprus restructured all facilities, including tourism. The government established a division for tourism which was called the “Tourism Enterprises Trust” (TET). All hotels which were left by Greek owners became the property of TET. The hotel management was also continued by the same division. TET was running five hotels around North Cyprus. The Rocks Hotel was one of them. Mr Denktas, who was president of North Cyprus, called for all Turkish Cypriots to return back to their country and establish businesses, especially in the hotel business. He personally asked many successful businessmen to return back. At the same time, TET announced it would lease many of the hotels under their control.

An entrepreneur who came from London, UK leased the Rocks Hotel property and management from TET in the late 70s. The first owner ran the hotel until 1989 with professional general managers. Then he sold the hotel to another wealthy Turkish Cypriot family (the Vudali family) who came from the UK. (If the premises belonged to the trust called “TET - Evkaf”, the leaseholder could transfer its rights on receipt of “goodwill” money and the new tenant would have a new lease agreement with the same terms and conditions.) The first owner sold the hotel for £50,000 with two plots of land near to the new Kyrenia port in 1988.

Sakir Vudali was an entrepreneur who had many entertainment and casino shops back in Soho, London. In 1987, he returned back to his country and opened the Hirondelle restaurant and casino in Kyrenia. In 1988, he bought the Rocks Hotel. The hotel was in
very bad condition. The hotel renovation took one year before it was reopened in 1989. He sold his restaurant and casino after he bought the hotel. His closest friend said “Sakir spent 27 years in London. However, he never gave up on his country and village. He loved his village and always told us of his dream to settle back down in his village again. After he started to earn good money and expand his business in Soho, he invested all his savings in North Cyprus. When he decided to return back, he opened his restaurant in the most accessible and beautiful place in Kyrenia. He bought the Rocks Hotel and we never knew the reason at that time. The Rocks Hotel was in very bad condition in terms of furnishings, the building and other facilities. Nothing was stopping him from creating the most successful and the best hotel on the island. We are talking about the late 80s, the conditions were tough and we did not have professionals to set up a business. Even though we did not know anything about tourism, hotels and the restaurant business, I would say Sakir was the first professional entrepreneur who invested his own money to create a successful hotel business on the island.”

The Rocks Hotel manager continued to work under the new management of Sakir Vudali. He also brought the employees who had worked with him from his previous business. The Rocks Hotel was a single building which had a 104-bed capacity and 52 rooms between 1975 and 1991. The hotel has had a casino, swimming pool, and restaurant facilities since its establishment.

In 1991, the room number was increased by the building of an additional 12 rooms with a 24-bed capacity on the second floor of the casino side. The casino was very small at that time and was renovated and expanded in the late 90s. Mr Vudali had a casino management partnership with an old friend since he bought the hotel. In 1997, the hotel was renovated
for the second time since the Vudali family took over. Mr Orek said “This is the year that Turkey closed all casinos and many people started to come to Cyprus. We had a really small casino and demand was doubled in one night. The hotel and casino were renovated at the same time in 1997. We used a North Cyprus Development Bank loan.”

In 2000, empty land was bought next to an old building, which was used as public car parking. Sakir Vudali handed over the hotel business to his son and retired from all business in 2001. Darren Vudali started to manage all the businesses and wealth coming from the family.

Darren Vudali decided to build a new four-floor luxury hotel building next to the old one in 2002. The construction started in 2002 and was completed in 2004. Darren Vudali also owned a construction company and used all its facilities for the hotel construction until it was completed. After the building of the new part of the hotel, Rocks had an additional 91 rooms with a 182-bed capacity. The Rocks Hotel therefore reached a total of 155 rooms and a 310-bed capacity at the end of 2004. In the meantime, a very special architectural reception area with a management office was built in between the two buildings, which changed the appearance of the hotel. The car parking facilities were located at the back of the hotel premises. In the same year, the management of the hotel applied to the TRNC Ministry of Tourism to change the star rating. After the examination, the hotel’s star rating changed from the 4 star to 5 star category. There were only four hotels in North Cyprus with a 5 star rating in 2004 and one of them was the Rocks Hotel.

The Rocks Hotel has four different types of restaurant: an open buffet restaurant – Hirondelle; an A’la Carte Fish restaurant – Grida; a café and patisserie – Café Rocks; and
an Italian restaurant – La’ Habanera and Laguna beach bar. In 2004, the spa and health centre opened, which was the first time this type of hotel facility was available among Cypriot hotels. The Rocks Hotel also has meeting and banquet halls with a capacity of 100 to 600 people. An open-air swimming pool was built in front of the hotel with a private sea access. In 2006, the old building of 64 rooms was renovated and the furniture replaced, along with a renovation of the casino area.

5.2.3.3. Rocks Hotel and Business

The Rocks Hotel has always been managed by professional general managers. Mr Orek said “Darren never wanted to be a manager involved in the day-to-day running of the business like his father. Rocks always had professional managers. We wanted it that way. We also tried every possibility to hire the best manager for us. However, we were not very lucky and saw a change of seven general managers since the beginning. Darren and I decided on the general manager and we tried Turkish Cypriot and Turkish managers who had a good background. Every manager left good things behind them and helped us to improve our operation. However, many of them did not adapt themselves to the Cypriot way of life and returned back to their home country. I appreciated their work, and their effort brought lots of benefits for Rocks Hotel.”

On the other hand, many of the employees started their working life with their first job at the Rocks Hotel. One of them, the purchasing manager, said “This is my first job after I graduated. I am not the only one; we have many people who started their first job here at Rocks Hotel. The good part is you have a chance to plan your career and get promotion. In other words, we all have a future here. I started to work as a cost controller and in a couple of years I was promoted to the purchasing manager. I am happy and satisfied with the
Rocks Hotel owner and management. We are like a family here. That might be a reason why I never search or even need to look for another job."

The sales manager also added "When we opened a new building I started to work at Rocks Hotel as a receptionist. Everything was new and at the establishing stage. This hotel is like my baby. I have spent days and long hours working up to today. We are proud to work with Rocks Hotel."

Most of the hotel employees had worked for more than 10 years at Rocks Hotel. The executive chef said "I never look at this as a job where I need to work here. I always felt like this is my own business and like working for my self. I said before, Mr Sakir Vudali and I, were so close, like a father and son. He trusted me; I would never let him down. He gave me a chance to improve myself and learn every day and all the time. The Vudali family always care about their employees and their needs. I have never complained about my wages or working hours or conditions. This is my business and we did what we were supposed to do. And I am trying to be like my boss to all my employees. I am teaching them what I know and leading them with the spirit of Mr Sakir Vudali. I believe that he did not die and his vision and values continue with us."

The casino was one of the main facilities of hotel from the beginning. The hotel paid attention to the casino development and activities, especially during the last 15 years. The front office manager said "Every new idea and activity started at Rocks. Many hotels were concentrating on selling rooms only back then. However, Rocks became very famous with entertainment activities and a casino. We used to have a beauty competition [international] at our hotel."
In 1998, the Turkish government decided to close all casinos in Turkey. Many casino owners came to North Cyprus to open their casinos because North Cyprus was easy access from Turkey by plain only 1.5 hours flight, and tourism was not doing well at that time in North Cyprus. The authorities were looking to find a way of boots up the tourism. The North Cyprus government also supported this new development. The Rocks Hotel casino was owned and managed by a partnership of Mr Sakir Vudali and his close friend Mr Ertan. The Turkish casino closure development directly and positively increased the Rocks Hotel operation. The front office manager said “We were so busy at that time. We never expected that demand would increase because of the casino, but it did. We had only 64 rooms and many people were unable to find available rooms and needed to book a couple of months before. Our business was growing.”

Another manager said “Our casino always worked with top quality players and VIP customers. I remember that we had many nationalities who came to North Cyprus just to play in Rocks Casino. Mr Ertan is a very well known person in the casino world. He lived abroad and in Las Vegas. He is known as being one of the top three managers of casinos.”

Rocks Hotel has a very unique location which is in a busy street and close to all the shops, restaurants and old harbour in Kyrenia. Mr Orek said “Our location is always our biggest asset. We had many walk-in customers because of the location and casino. We never needed to find customers because of our casino and repeat customers. Although we had 64 rooms, it was not enough for the existing customers. We were aware of the demand and potential for the future. We needed to expand our bed capacity and facilities.”
In 2001, the TRNC government and Turkey signed a very important protocol. The Turkish Development Bank opened a 150 million dollar fund for new 5 star hotel developments. Many companies applied and only seven of them were found eligible and received the funding. Only three Turkish Cypriot companies used the funds; the rest were Turkey-based companies. Rocks Hotel was one of the original Cypriot companies who engaged in tourism and the hotel business. They requested 9 million dollars for a new 5 star hotel building construction.

Mr Orek explained that time: “Darren wanted to have a bigger hotel around 2000. We talked to his father and shared the idea. He supported us and we started our new building construction with our own capital. At the same time, we heard that the Turkish Development Bank had opened a fund for new hotel developments. We applied and received 9 million dollars. The credit was only given to projects where 40 percent of the capital was provided by investors and that had a Turkish deed. So getting the money was not that easy. Politicians decided and signed the protocol but without providing any legal framework. Our regulations were not suitable for receiving money from abroad for new investment and many other issues. Mr Serdar Denktas (the son of the first president of the TRNC, Rauf Denktas) was Minister of Tourism and the Economy. Serdar and Darren were very close friends. I worked like a government employee and sorted out all the bureaucratic problems and issues until the regulations were suitable. Most probably, no one knew that money was not enough to complete all of the hotel and we spent 15 million dollars to finish it. It would have cost 20 million if we did not use the power of cash money. This fund helped but we wasted so much time because of bureaucracy.”
Mr Orek also added “None of the hotel owners believed that the Turkish Development Bank would give the money to Turkish Cypriots. We believed and we were brave enough to take the risk without any thought. He never accepted the answer was no. We wanted to have a new concept hotel so it had to happen whatever it cost. We had already started our construction. We decided getting the development bank credit would only help us in the short term.”

The sales manager said “The casino worked like our hotel sales agent until Mr Aydin as general manager started to work at the hotel. We agreed to allocate a certain number of hotel rooms to the casino customers. It was around 2005–2006 that we actually started to work with tour operators and travel agencies. Although, our boss is the owner of the casino, you cannot separate the two operations totally. I must say that the casino activities and promotions always increased the hotel’s name and reputation.”

In 2005, the management of the casino signed an agreement with one of the famous primetime TV shows. The TV show took place at the pool side every night and was live. The front office manager said “That was the biggest advertisement and promotional activity for Rocks Hotel. They invited many famous stars and artists for the show. They stayed in Rocks Hotel. Our customers were mainly coming from Turkey. They preferred to stay where the famous singers and artists stay. We used this opportunity and increased our sales. We also organised many concerts (very famous world singers like ABBA). It all helped us to increase the awareness of our hotel.” Mr Orek added “A couple of years ago, we heard that one of the famous travel magazines did some research and asked ‘What is the first thing that comes to mind when you think about North Cyprus?’ The majority answered Rocks Hotel. Of course, the TV shows and famous singer nights played a significant role in
having this success. Again, we are the first hotel to arrange these kinds of activities and others followed us.”

Additionally, Rocks Hotel received many awards from tour operators. Saga, one of the well known tour operators in the UK, awarded Rocks Hotel “The Best Mediterranean Kitchen” out of the countries of the Mediterranean.

5.2.4. Case Study: Acapulco Hotel

The fourth case study hotel is Acapulco Hotel. It was established in 1982 and is located on 1 km of sandy beach, 15 minutes drive from Kyrenia city centre. It is owned by the Caginer family and is the first and only hotel complex in the surrounding area. Acapulco Hotel is rated a 5 star hotel.

5.2.4.1. Acapulco Hotel and the Entrepreneurs

Acapulco Hotel belongs to one owner, Unal Caginer. He has a limited company where the partners are his son and daughter. He said he never does business with partners outside of his family; they are always his children.

Unal Caginer was born in 1946 in Limasol. His family was engaged in the farming business. He completed his education to secondary school level in Limasol and went to Ankara/Turkey for his university education in 1965. He preferred to go to Turkey because it was cheaper to go to university there, but he said many of his friends preferred to go to the UK. He graduated from the political science academy in 1969 and returned back to Limasol the same year.
He explained what happened after he came back: "I was newly graduated and young. I got married right after I returned back. I had a daughter a year after. I needed to work but it was the most difficult time and I could not find a job. I applied to Greek-owned hotels and was turned down. One person from the job centre told me 'Do not apply because they do not trust you and you could sabotage the hotel because you are Turkish.' Luckily, I started to work at the British [army] base as a worker at the warehouse with the help of my friends. I worked for nine months and did packaging. One day a Greek employee resigned from his position and I took the exam to become the person responsible for the warehouse. I worked for one year there. Another exam came up for the meteorology department. I passed the exam and became a meteorology assistant. I trained for three months at the Nicosia airport. My wages changed tremendously. I used to earn 28–30 Cyprus pounds and I started to earn 100 Cyprus pounds from being a meteorology assistant."

In 1974, when he was working at the meteorology department, the war started. He joined the army voluntarily. He was in the prison camp for 97 days. The Greek and Turkish prisons exchanged prisoners near the end of 1974. His wife and daughter moved to the North while he was in the prison camp. They found a house and started to live there with other family members. His son was born in 1976. He described those years: "I had come home and I had a really bad time for the first three to four months. I remember that I could not sleep on the bed; I slept on the floor. My mother was looking at me and could not understand what happened to me. I was walking around like I am not there. People were talking to me and I was not responding to them. Ismet Tatar was the finance minister at that time and he was my closest friend. I went to him and started to work there for five months. Then Ismet Tatar asked for me to be promoted to a member of the housing department.
commission in Kyrenia and I accepted. I worked there for another 10 months. However, being a civil servant was not for me because I always wanted to run my own business.”

Mr Caginer established his first business with his two sisters’ husbands at the end of 1975. They rented a small shop and took a franchise of the Kooperatif Milk Factory for the Kyrenia region. In 1976, he opened his own company: Akgunler Tourism. He explained the reason for opening the travel agency: “We were working with hotels. We were a supplier of milk products, whisky, and cigars. But we could not get our money. I decided to open a travel agency so I could send customers to hotels and collect our money. My agency was located in the heart of the city centre of Kyrenia. I was running three businesses at the same time. I was a company franchisee of milk products, importer of whisky and cigars and a travel agent. In the meantime, I bought the land for Acapulco and started to earn money from beach entry fees in 1977. When the travel agency business started going well, I decided to leave trading and concentrate on tourism.”

He has been involved in many different businesses while he has had the Acapulco Hotel complex. He continued his travel agency business and also started a farm business raising sheep, cows and growing vegetables, which he did not sell but used in his own hotel. He also bought a ship to provide transportation between Mersin in Turkey and Kyrenia in North Cyprus. The ship carries many passengers from Turkey every day. He said sea transportation was another important way of travel for North Cyprus. Cyprus Turkish Airlines only had two planes flying from North Cyprus to the UK with a touch down in Turkey. Turkish Airlines were only doing flights between Istanbul/Ankara and Ercan. There was not a good connection with Turkey in terms of air transportation. Sea travel was the second way of getting out of North Cyprus.
His daughter (Icim Caginer) grew up and started to work as a general manager of Akgunler Tourism. Unal Caginer has been the only owner and manager of the hotel since the beginning. Icim Caginer said “Acapulco is my father’s baby. He moved to the hotel when I was a child. We used to come and see him at the hotel. He never leaves the hotel. He sits at the reception desk and controls everything all day. It is not easy to work with my father. He never lets me work in the hotel. I was the oldest child and my responsibility was taking care of the travel agency and ship company. I and my brother are shareholders of everything that my father owns. However, we cannot say anything related to the hotel management. My father is a dominant man and a bit of a nervous person. He is also stubborn in terms of business. He lived his own life. He worked every day of his life. I am not passionate like him. I have a family with two children. I also need to take care of them. My father never expects anything from me. He was more on to my brother.”

Dima Caginer, who is the son of Unal Caginer, is 33 years old and started to work with his father when he was a teenager. Dima’s partner said “He was 18 or 19 years old; he was carrying cash money to Germany in order to pay charter airlines. It was unbelievable a child of that age was taking control and responsibility for the German charter operation. Unal Caginer never trusts anyone, not even his son. He always wants things under control and he checks every single detail for himself. He decides every employee who is going to work at Acapulco Hotel. Dima Caginer became more of an entrepreneur than his father. He opened his own tour operation company. He opened his own restaurant. He ran many businesses separately from his father. I would say he has influence on his father but not too much. He worked hard for Acapulco Hotel to improve it. He convinced his father to install conference facilities, and the Aqua Park and Spa centre.”
Dima Caginer said "I have not got any active position at the Acapulco Hotel. I have my own companies and work with my father like any other business in North Cyprus. My father will never retire or leave the Acapulco. His whole life is Acapulco. I know he will give me the responsibilities of the hotel when he is ready. I do not ask anything from my father. I want to do everything by myself."

5.2.4.2. Background and History of Acapulco Hotel

Acapulco Hotel opened in 1982 with 60 rooms. The hotel has a 100,000 square metre area with a 1 kilometre-long sandy beach. Acapulco now has 263 hotel rooms, 139 luxury bungalows, 14 family bungalows, and 40 standard bungalows, with a total 912-bed capacity, the biggest bed capacity of North Cyprus hotels in 2006.

Unal Caginer, the owner of the hotel, moved from Limasol after 1974. He summarised the preceding years as: "I was 28 years old, young and newly married with one child just before the conflict started between Greeks and Turks. I was living with my family back in Limasol. I joined the Turkish Cypriot army as we all did. Greeks captured me and sent me to the prison camp for 97 days. My life changed in those days at the camp. I said to myself if I get out from the camp alive, I will establish a holiday complex in the North. It was my dream and kept me alive during those days."

Unal Caginer was released from the camp in 1974 on the exchange of prisoners from both sides. His family had already moved to the North and settled down in Kyrenia. He joined his family and his new life started. He said "We were just getting over the war and trying to adapt to our new home and life. I wanted to follow my dream and establish a hotel and
holiday complex but it was not easy because we lost everything moving from the South to the North. I did not have enough money to start a business but I was stubborn and believed in myself that I could do it."

Unal Caginer worked in a government job for more than a year before he started his business. In 1977, he found a plot of land outside the city of Kyrenia (20 minutes drive away) which was unspoiled seaside with no roads and no electricity or water infrastructure. The location seemed to be bad in terms of accessibility and development. This could be the reason why many people said Mr Caginer had lost his mind in wanting this land. He applied to a trust called evkaf, which owned the land after 1974. He requested the coastal land equivalent of the properties and land he had left back in the South. But a total of 100,000 square metres of coastal land could not be assigned to him as other people had also applied and got the land in the surrounding area. He said “When I requested land, I only got 1 km of sandy beach and a small portion of land. Years later, I had to buy other land from other tenants of the trust to expand my holiday complex. (The tenant transfers under his name his rights to the land on receiving “goodwill” money and the new tenant has a new lease agreement with the same terms and conditions.) Many people told me I am crazy because I paid more than what it is worth."

After 1977, he worked on cleaning the coastline and turning it into a public beach. The first thing the area needed was a road so he managed to convince the government to open a road. The main road was 1 km away from the entrance of the hotel complex and it was another 1 km to reach the beach. He started to charge for entry to the beach, and renting deckchairs, umbrellas, and serving snacks and drinks from a small kitchen. He had five summer seasons of good business managing the beach and serving cold drinks and snacks.
In Kyrenia, there were not many sandy beach areas and many coastal areas were rocky. The Acapulco beach became so famous demand was always high starting from the beginning of the summer season in April to the end of the season in October. The customer profile of the beach varied from locals to tourists coming from Nicosia and other cities and villages. In the meantime, Mr Caginer started to save money. He had enough money to start his dream holiday complex. The late 70s was the time tourism in North Cyprus was increasing and not enough accommodation or hotels were available for tourists.

Unal Caginer said “One day I and couple of my friend were sitting in an old restaurant next to the beach. We were talking about the name of the business. I remember that when I was at university I saw the brochure of the Acapulco hotel in New Mexico. I said I will use the name Acapulco. I actually used the same style and structure of that hotel. If you look at it on the internet you will see the Acapulco Cyprus is the small version of the hotel in Mexico.”

Unal Caginer decided to start construction of the first 60 bungalows in 1980. He said “It was not easy for us to do construction with limited resources. We did not have enough material and know-how. I had studied in Turkey and knew many people from that time. I always got help from my contacts in Turkey. I decided to start with bungalows because it was the trend in those years. Tourists were requesting self-catering small bungalows in natural environments. North Cyprus was unspoiled, natural and had clean seawater at that time. That was not the only reason I started. Many local people who used to come to our beach and spend a day there were asking for a place to stay overnight or the weekend. Our location was unique for people who live in Nicosia or areas surrounding the city (no sea there), but quite far. There was not good transportation and they could only travel with
people who had a car. At that time, the only social activity was going to the beach with the family and spending the day there.”

In 1982, Acapulco Hotel opened 60 bungalows with a total 120-bed capacity. The bungalows were located just 200 metres away from the beach on the upper side of the land. They had been built in a way to give privacy to each bungalow occupier and had a small garden at the front. One of his first employees said “In the summer of 1982, the first people who stayed in the bungalows were so happy and enjoyed the beach and staying with us. North Cyprus is a small place and word of mouth is the best way of communication and of spreading the news. Bungalows were new and many local people had come to just look. The curiosity of people increased our business. We had good business for years after that.”

Mr Caginer had five years’ break after he opened the first bungalows. He started to expand his business in 1988 by building another eight bungalows. He said “I wanted to earn money for my future investment. We had run 60 bungalows over five years plus the beach, and I wanted to wait and see the trends and developments in tourism and the governmental point of view. I graduated from Political Science so I always used my knowledge and predicted the future based on my experience. After 1985, the demand was increased and I saw it. The war had finished almost 10 years ago; many people were in a better situation economically and socially. Asil Nadir was playing an important role at that time. He was the first Turkish Cypriot entrepreneur who opened the doors to the world for us. We all trusted him, even more believed him. He established a tour operation company and airline just to bring more tourists from the UK. It of course affected my way of doing business. It was an opportunity and I saw it. I have never stopped expanding my business since then.”
Another 53 bungalows were completed and put on the market in 1989. In 1990, construction of 40 bungalows was completed and they started to sell in same season. In 1991, 52 bungalows were finished and started to sell. In 1992, a further 10 bungalows were completed and started to sell in the summer. Acapulco had 223 bungalows with a 446-bed capacity at the end of the 1992. Acapulco was known as one of the biggest holiday complexes at that time.

In 1993, Unal Caginer started constructing the main hotel building on the left side of the empty land. He completed the first part of the building with 58 rooms and a 116-bed capacity. Mr Caginer said “I was getting more experience in the hotel business. My way of collecting information is to talk to people around me, customers, politicians, and going to tourism exhibitions in the UK and Germany. I realised that self-catering bungalows were still in demand during those years but the customer profile had started to change. Tourists wanted to stay in hotels rather than self-catering, with meal arrangements. It was the time when new hotels started to open around Kyrenia. I had to follow the trend and compete with new-comers. I was almost 10 years in the business and I needed to do new developments to attract customers.”

The Acapulco Hotel complex started as a 3 star hotel in the beginning. After the new construction of bungalows and the hotel building with new facilities, the star rating changed to the 5 star category in the mid 90s. The Acapulco hotel building had been open a whole year. Acapulco opened the casino in 1993. Mr Caginer took a second break from hotel construction developments for another 10 years. He opened other related businesses: a travel agency, restaurant, ship company, farm, etc during those years.
In 2003, he continued to expand the hotel building. He completed another 149 rooms with a 298-bed capacity in a building extension. He said "It was the time when tourism demand increased incredibly. I knew it would be like that when we were in 2000. I have good contacts and we come together twice a week to discuss the issues of Cyprus. I know many people from government ministries, soldiers, politicians, businessmen. They always come to my hotel to have dinner with me and chat. I was aware that the Annan Plan would give us big opportunities for the future. In many ways, we started to be ready for that day. I always start constructions and developments when there are crises. It is always cheaper to do construction then than during normal times. I also knew the competition was getting stronger in Mediterranean countries. We were not competing only with South Cyprus; Turkey was also a threat to us because they had new and big hotels."

The final extension of the hotel building was completed in 2005. Acapulco had another 56 rooms with a 112-bed capacity. In the same year, 30 bungalows were started to be used as employee quarters, so were taken out from the total room number. Acapulco Hotel reached 456 rooms with a 912-bed capacity within the 100,000 square metre area at the end of 2006.

5.2.4.3. Acapulco Hotel and Business

Unal Caginer worked with many travel agencies and tour operators in the UK, Germany, Austria and Turkey. Akgunler Tourism played an important role in the marketing and promotion activities of Acapulco said Caginer.
His son said “My father does not trust anyone. He makes business but he needs to hold the control in his hand. Akgunler Tourism’s main responsibility was to find customers for Acapulco. He opened the company to find his own customers. He did not trust other agencies to fill all the rooms in Acapulco. On the other hand, he likes to play big. He had a reputation and he needed to keep his reputation in North Cyprus. He always wanted more and more.”

Acapulco had started business with Turkish-owned tour operators in the UK and Germany. Dima said “Most of the big tour operators did not want to work with us because of the embargos and Greek pressure. I decided to introduce my hotel to the Turkish-owned tour operators at the Berlin Tourism Fair. This was back in 1994. I had a good market from the UK since the beginning. I concentrated on the Cypriot people who had settled down in London. I created special promotions for them to spend their holidays in Acapulco. In the meantime, Austrian tourism started. They have used only two hotels during their five years of operation and one of them was Acapulco.”

In the mid 90s, a new law was passed for travel agencies. Any tour operator or travel agency who wanted to do business in North Cyprus had to go through one of the local agencies and could not deal with hotels directly. This was not a big problem for Mr Caginer because he also owned the local travel agency. On the contrary, it helped them increase sales and the reputation of the hotel.

In the same years, Acapulco started to work with big tour operators in Turkey. They have worked with Duru Tourism, Iremtour, ViTour and Elittour. Caginer said “I realised that operations from Europe were getting harder. I needed to find new customers and I started
to talk to tour operators in Istanbul. It was the time when Turkish people started to use their
ID cards to enter North Cyprus. They did not need a passport and we were using the same
language and money. North Cyprus was the best option for their holiday. We published
brochures and advertised in newspapers with tour operators. I must say, all the tour
operators we worked with in Istanbul made a huge contribution to promoting and selling
Acapulco.”

When the casinos closed down in Turkey, Acapulco became even more popular for Turkish
tourists in the late 90s. Acapulco was one of the biggest hotel complexes in North Cyprus
in 1997. But Caginer said “It was really difficult to find customers at that time. I and my
children were working from every angle to find the customers. The biggest problem was
transportation. I decided to charter an airline for the summer season and take the risk
myself. My son was carrying money to pay the charter company in Germany and my
daughter was taking reservations and I was managing the hotel. We had three successful
summer seasons. I set up a company in Germany. It did not work as I wished because we
still had transportation problems.”

Unal Caginer was trying to offer all services to their clients with his companies. Another
milestone for Acapulco was in 2000. Unal Caginer hired people to promote the Acapulco
Hotel at the airports. They had stands in the main airports in Turkey. He put advertisements
on duty free shop bags and anyone who bought anything from the shops was carrying an
Acapulco bag. It increased the awareness of the hotel name.

Acapulco was famous among the local tourists as well. Every year many families stayed at
least a week or spent their free times at Acapulco. The hotel offered many activities and
facilities to clients. Dima Caginer said "We always tried to satisfy our customers. It is not enough to find the customer and bring them here, you need to keep them happy and make sure they come back. We had return customers over the years. It could be one of the biggest reasons for our success. My father never looks at the hotel as only room sales. We managed to earn money from many different activities at the hotel. We organised wedding ceremonies around the pool area. It was very popular for couples to have their wedding at Acapulco; actually it still is like that. Our customers can spend one week in the complex without getting bored."

Dima's partner and tour operator partner of Acapulco said "There is one main reason why many tourists choose Acapulco; it is the food and restaurant facilities. Unal Caginer lives in the hotel. He has a home but he never goes there. He eats in the same restaurants as the customer. He insists on food quality and taste. You cannot find standard hotel open buffet menus or a la carte menus at the restaurants. He always says to the chef that 'If I do not eat your food then neither does my customer.' This is the reason why our customers always prefer to stay in Acapulco and if it is not available they wait weeks so they can stay there."

In 2005, one of the biggest London-based Turkish-owned tour operators announced their bankruptcy. Unal Caginer decided to buy the company. He said "I did not think twice about it when I heard the company was on sale. I never wanted to lose the customer database of the company. It was not only my hotel that lost, it was important for North Cyprus tourism. I also knew that I could manage the company better than old owners. Luckily, it worked well and we had another company to support our hotel from the UK market."
Acapulco Hotel has 500 employees. Unal Caginer’s companies provide jobs for more than 800 people in total. He said he interviewed every single one of his employees. Icim Caginer said “My father and his army. He does not have middle or top managers. He has supervisors and employees. There are many people who have been working with us for more than 15 years. We organise a personnel night every year to motivate them. I believe many of them are scared of my father. However, he is like a father to all of them. He knows everything about his employees. He tries to solve all their problems. He turned some of the bungalows into employee quarters to make sure they are staying in good conditions.”

Acapulco has a 9000-square metre congress centre with 10 different types of saloon and 14 workshop areas. Acapulco started a second 2500-square metre conference and meeting building in 2005. Unal Caginer is keen on having the biggest conference saloon on the Island. Construction of a new 80-room boutique hotel was started in 2006.

5.2.5. Case Study: Oscar Hotel

The final case study hotel is the Oscar Group Hotel. The first Oscar Hotel was established in 1987. The hotel is owned by the Oscar family. The hotel is located on the coast and just 10 minutes drive from Kyrenia city centre. Oscar Hotel is a 4 star hotel.

5.2.5.1. Oscar Hotel and the Entrepreneurs

Erdem Oscar was born in 1938 in Limasol. He graduated from the British college and went to London for university education. He graduated with a bachelor’s degree in farm management. He returned back to Cyprus and opened his first business of a rabbit farm. He also opened the first cinema, which was very important in the Turkish community because entertainment and tourism related-jobs belonged to Greeks (Turks used to run agricultural businesses). He also went into the vineyard/grape business and exported to other countries.
He opened a coke factory but he was not successful because the machines were second-hand and he closed the business. While he was running all his other businesses, he decided to enter into the tourism business and bought cars to start his rent a car business in 1958.

After 1974, the Oscar family left their village and settled down in Kyrenia. It was a new start for Erdem Oscar. He managed to bring 14 cars with him. He and his family were trying to adapt to a new life in the North, and they continued their rent a car business. Erdem Oscar’s youngest son, Huseyin Oscar said “My father was a strong and stubborn businessman. He always worked in his life. He never stops doing what he can do. He always sees the opportunities and turns them to profit. That I learned from him. While you have a chance you use it and get out of the business before it is too late. He is a stubborn person and it is especially not easy to convince him to do something new. He lost many things so he knew the value of keeping it in hand. My father worked with his closest and most trusted friends.”

He opened a gas station just after the start of the rent a car business. In the meantime, he established a textile factory with his Scottish partner in the late 80s. The business was very good until they had problems finding people who could do the finishing. They decided to close the factory and sell the machines to a company in Turkey.

Huseyin Oscar explained: “My father was having problems exporting textile products. It was the late 80s and embargos were increasing, especially on exporting products from Cyprus to Europe. He was so angry and closed down the factory. It was the same time that we had funny problems renting our cars. Some hotel managers requested very high commission. My father was thinking about starting a new business. It was the sign to open
a hotel. He did not know anything about hotels but he believed in himself and his inspiration.”

Erdem Oscar’s eldest son said “My father wanted to be the most important businessman and successful entrepreneur in North Cyprus. I always admired him for his discipline and his attitude. He wakes up very early and shaves every morning, wears his suits, and he looks after himself very well. He believes this is the way of respecting others and himself. It comes from his British college years. He studied in very tough times. His father was a strong person.”

Erdem Oscar and has wife have four children. He said that “I would not do anything without my family’s support. We worked as a family. I was running the business and contacting tour operators, my wife was responsible for reception, housekeeping and the kitchen. My eldest daughter got married and moved to London. My first son started to work with me at a very young age at the car rental and gas station business. My second daughter helped him. My youngest son also worked from an early age and went to study tourism at university. After he came back, we worked together.”

In 1995, Huseyin Oscar completed his education in the UK and returned back to the island. He was 25 years old and started to work with his father at the hotel. His closest friends said “That is the new era of the Oscar Hotel. Huseyin came back full of fresh hotel knowledge and a business background. Erdem Oscar is a good businessman but not a good hotelier. Huseyin had a tough time because his father did not step back from the business after he returned back. He continued to work and be involved in all the day-to-day business at the hotel.”
Huseyin explained that "I was 10 years old when I started to work with my father. I was washing cars. I got so angry working with him at that time. I was saying why do I have to work, we do not need to, we have money and I should play with my friends. However, I am so thankful to my father for what he did. I learned the business from scratch and his way of doing business. This must be the first reason I always wanted to be successful and achieve more in my life. My father never thought that I would be the one who would take on the responsibility of the business. It was not about trust or anything. He was thinking that I would not be a businessman like him. This idea was encouraged in me and I wanted to show everybody that I could be better than my father."

The general manager of the Vuni Palace Hotel (an Oscar Group hotel) described Huseyin Oscar’s characteristics: "We have been working together almost 10 years. He is my boss and my best friend. I would not be here if he was not supporting me. We worked 17-20 hours together. He always supports good ideas. He is a very open-minded person and teaches what he knows to others. He is a modest person. If you see him at the hotel you would not say he is the owner of the hotel. But, he is so optimistic and sometimes it is a bad side of him because he does not know how to say no to anybody. He always wants to solve problems in a smooth way and by talking."

The Oscar Hotel general manager said “After 1997, he was involved in the business more. He created a new management system for the departments. He changed the regular family hotel management approach to a more professional management.” Huseyin Oscar explained that “I believe in professional management. I cannot manage all departments in the hotel. I would not be able to be everywhere. I would not be able to think or create new opportunities if I do everything by myself. I always look at the positive side. I needed
managers who would control and manage the departments. I delegated my responsibilities to them. My father was not like that; we took the decisions together. I talk and do brainstorming with them. They are my friends not my employees. Everybody works here like it's their own business. I always worked to create this synergy between managers and employees. I believe that customer satisfaction is the key to successful hotel management. If my employees are happy they make the customers happy. They do not see me as a boss because I worked with them.”

The Vuni general manager added “We were doing the aqua park project in the front garden. Huseyin was in the construction area all day. He was talking to people, eating together and motivating them to finish on time. Huseyin cares about every single detail. He wants it perfect. He never gets angry or screams at employees. He has a good-humoured and humanitarian personality. For example, he never comes with his friends or family to the dining room for lunch or dinner without calling in first. He always calls us and finds out if we are available. He always puts his customers and employees first. He is a person who has not got an ego and ambitions to show other people he is boss. I remembered that one day we were so busy at the restaurant and I was F&B manager at that time. He came and helped me with the service. He was living at the hotel between 1995 and 2000 even though he had a home. Nobody believes that, but it is true.”

Huseyin Oscar is a person who does not accept the answer as no, said his closest friend. The Oscar Hotel went through a massive change after he started to manage the hotel. He said “I always worked with people I trusted and believed in them. It must come from my father, he was like that. I carefully choose people I work with. All my managers have started from scratch and worked for more than nine years with us. We never employed
It was not easy to make the change from a small family hotel to a large group of companies said Huseyin Oscar. He added “I have to admit that if we had followed my father’s way of thinking we would not have achieved our success today. He is a good businessman but thinks about money rather than customer satisfaction. We made so many changes and took decisions without saying anything to my father. He thought that we were doing things that he wanted but on the other hand we were doing things differently. After years passed, we found a responsibility for him. He became the face of Oscar Group to the industry. While he was busy talking on TV, and giving interviews to the press as a member of the Hotel Associations Board, I and my team worked on new developments without his approval. He learned about it after we had done it so it was too late to say anything. A good example of that happened a long time ago. In 1997, we were having problems with customer complaints. I was working hard to solve the problems but sometimes it was not easy and quick. One day I had to pay £1000 to a customer for him not to complain about the hotel when he returned back. Nobody knew that, even my father. I had to do that to save the future of the business and it worked. We decreased the number of complaints and increased the value of the hotel in the eyes of tour operators. We also worked on service quality and increased the customer satisfaction.”

In the last 10 years, Huseyin Oscar opened and become a partner of many other businesses. He opened a restaurant with his friend. He also established a real estate agency with another partner. He said “The philosophy comes from my father; you do business when you
can get profit and must know the time to get out of the business. I always followed that idea. Villa selling was so popular after 2000 and I opened a real estate agency with a British partner. When I saw the business was not going well I sold my share to my partner. You need to know when to get in and out of the business. The hotel was my first priority job but I did open many other entrepreneurial companies. The main reason was to earn money.”

5.2.5.2. Background and History of Oscar Hotel

Oscar Hotel started with 15 rooms with a 30-bed capacity in 1987, just 3 km outside of Kyrenia city centre. Twenty years down the road, Oscar has become a group of hotels spread around North Cyprus. Oscar Group owns the 4 star Oscar Hotel, Bellapais Monastery Village 3 star boutique hotel, Vuni Palace modern 5 star hotel, Oscar rent a car, Oscar gas station, Oscar water factory, restaurants, an estate agency, a construction company and under construction is a second luxury 5 star hotel, Kantara Palace.

Erdem Oscar was living in Limasol before 1974. He owned a rent a car company which opened in 1958 named Osman’s Cars. Huseyin Oscar, the youngest son, said that “after the conflict started between Turks and Greeks, my father had a difficult time in terms of the rent a car business. Greeks were damaging cars which belonged to Turks so my father decided to change the name of the company and put the new company name on the cars. The meaning of Oscar is a combination of Os (from Osman, his father’s name) and car (from rent a car).”
The Oscar family moved to the North and left everything behind in 1974. They only managed to bring 14 cars with them. Erdem Oscar continued his rent a car business with his five cars after they settled down in Kyrenia.

His son explained the interesting story behind the hotel opening in 1987: “My father was running our rent a car business. One day, he went to Maremonte Hotel located on the west side of Kyrenia [the hotel was run by the Tourism Enterprises Trust and today is closed]. The receptionist and managers requested a high commission to offer his car to their clients. He realised that they were asking for half of his profit. He got so angry he decided to open a hotel in order to rent his cars. He was saying I can do better than them. So our hotel venture started because of the persistence of my father.”

The Oscar family was a wealthy family back in Larnaca said the general manager. They had left behind properties, land, factories, fruit gardens, etc. When Erdem Oscar decided to open a hotel, he started to search for the best possible options around Kyrenia. He found an abandoned half-constructed building 10 minutes drive from Kyrenia city centre. He requested the land and the half-constructed building from the government (the land belonged to the government after 1974) equivalent to his properties left on the south side of Cyprus.

Huseyin Oscar described that time: “Oscar Hotel was left as a concrete skeleton of a building right after 1974. It was a hotel complex project that had belonged to a German company. They started before 1974 but were not able to complete it. The first president of the TRNC, Rauf Denktas, called for entrepreneurs and investors abroad to come back to their country and start businesses. They determined where all the half-finished concrete
skeletons of hotels were and allocated each one of them to the entrepreneurs. My father was looking for a hotel to buy or build. He saw this place (our location) and he applied to have the half-constructed building plus the land as announced. This place was too far away from the city at that time. No one wanted to have land or a house around this area. It was distant from the city, with dark roads, in a neglected area, and had a rocky seaside. I remember that people who were responsible for the allocation said ‘Let them have what they want, this place is useless; we will see what they will do.’ My father was engaged in the textile business at that time. He sold all his machines to a company in Turkey and started the hotel construction with the money he got from the machine sale. We got the half-finished building and the surrounding area but we invested our own capital and did not get any help in terms of financial aid in the beginning.”

Oscar Hotel construction started in 1984. In the meantime, Erdem Oscar continued his rent a car business. Oscar Hotel opened 15 rooms with a 30-bed capacity in 1987. Salih, general manager of Oscar, said “They finished 15 rooms on the first floor. They ran the hotel for over a year and started the second floor with the earnings from the previous year. Erdem Oscar continued the third and fourth floor room construction every year.”

Oscar Hotel was designed to be built as a hotel, apartment blocks and two swimming pool complexes. When Oscar took over the concrete skeleton, they completed the apartment blocks at the back of the hotel with a swimming pool and the first floor of the hotel with a complete building foundation.

In 1987, Oscar Group only rented out the hotel area with the sea front and swimming pool at the back. The apartment blocks were not rented by the Oscar Group. Huseyin Oscar said
We first completed the second floor with 15 rooms and the first floor with a reception area, restaurant and swimming pool in the front. We started to sell rooms in the 87 summer season.”

Oscar started the third floor construction of another 19 rooms in the winter of 1988. They completed it before the summer season and started to sell the rooms. A year after they completed the fourth floor with 19 rooms.

In 1990, mini villa construction started. Huseyin Oscar said “This was a different era for North Cyprus tourism. Tourists wanted to stay more in self-catering types of accommodation. We had noticed this and decided to build mini villas in the garden with self-catering facilities.” Thirty mini villas with a 60-bed capacity started to sell in 1992. All the villas overlooked the pool area and featured a veranda, garden, air conditioning, kitchen, fridge, equipment, etc. The second big swimming pool was completed in 1991.

In 1996, two more buildings were constructed which were named Pink Court and rooms went on sale in the summer season. The new three storey buildings were built next to the original building with 21 rooms each giving them a total 84-bed capacity. The rooms were designed as a studio and gallery type with a sea view and self-catering facilities. In the same year, they decided to open a private fitness centre with indoor swimming pool. (The swimming pool existed from the beginning at the back of the hotel but was not used until then.)

The Oscar Hotel with the main hotel, villa-bungalows and Pink Court building reached a total of 125 rooms with a 250-bed capacity at the beginning of the 1997. In 1999, another
75 rooms were started to be built on the left side of the hotel. The hotel was originally designed with a U-shaped building foundation. The extension of the building to the left side was completed with 75 rooms with a 150-bed capacity. The Oscar Hotel had a casino since the establishment of the hotel. The casino was managed by another company. It was located at the corner of the reception area in the beginning. After the side extension was complete, the entrance floor was designed as a casino area and it was moved to a new section.

Ibrahim, Vuni Palace general manager, said "We always tried to do new things. Most of our customers were young families with children. We wanted to offer more activities because we received many comments on the facilities. Huseyin Oscar decided to build an aqua park in the garden and pool area. It was a new trend at that time. We designed and started to build the first aqua park and pool in North Cyprus. It was so successful, not just for our clients but also was very popular with domestic tourists. The aqua park facilities opened the doors to the local tourist for either day visits or weekend stays."

In 2000, a seawater clarification system was installed – the first on the island. The interesting story behind that was explained by the Oscar general manager: "We had problems with the municipality about the water supply for hotel. They were charging double just because we were a hotel. Erdem Oscar got so angry and bought the water clarification system from Oh Canarias Company in the Canary Islands. The seawater clarification system was the first at that time. We have been using purified water since then."
In the same year, they also bought a train car for a shuttle service between the city and the hotel. The train car was bought from Italy. The train was so interesting that it increased the popularity of the hotel at that time, said Huseyin Oscar. Ibrahim, Vuni Palace general manager, said “The train was Huseyin Oscar’s idea. He went on holiday in Spain and saw the same train. He came back and talked to his father and they found the company who make this kind of train in Italy. They ordered one specially designed for the Oscar Hotel. It was so interesting for our customers and other people. It became part of the Oscar experience. We always tried to do things first.”

In 2003, another 45 rooms were constructed on the extension of the old building (the left side of the building). That was the last construction at the Oscar Hotel. The Oscar Hotel increased its star rating to a 4 star hotel and reached 245 rooms with a 490-bed capacity in total.

Huseyin Oscar said “We reached the maximum number of rooms, restaurants, different facilities like the aqua park, service quality, etc. at the end of 2003. However, it was not enough for us in terms of what success we can achieve. I was searching for new opportunities and the bank crisis happened in 2002. It turned out to be a good opportunity for us and we had a chance to open a very unique boutique hotel in the Bellapais area, which is close to one of the famous old monasteries. We had done our mission with the Oscar Hotel and we needed to keep it as it is with good quality but budget holidaymakers. We continued to do regular renovations but we have finished construction in the Oscar Hotel area.”
In 2003, Bellapais Monastery Village opened with 16 deluxe hotel rooms and 45 mini villas. Huseyin Oscar said “We entered the UK market with a different product and special offers. We had back our investment in three years. It was a very successful operation. We did it with high motivation and good team work. We knew the market and believed in our quality of service. We created different market segments and attracted new tourists to North Cyprus. Our unique point was to see the opportunities in the market. Hotels were getting old and no renovations were done for many years. Tourists were seeking new and different concepts. We just saw the opportunity and got into the business without thinking.”

In 2006, Oscar Group applied for a 5 star hotel development fund which was received from the Turkish Development Bank. They were found to be eligible and started the 5 star hotel construction in 2003. Vuni Palace was completed and opened in 2006 with 136 rooms.

5.2.5.3. Oscar Hotel and Business

In 1988, demand from British tourists increased, who were the main customers of the Oscar Hotel. Erdem Oscar said “We were a small family-owned hotel. Many people were choosing us because of our personal touch. We were like a family with our customers. We had many repeat customers back then. We were giving two services at the same time: the hotel and rent a car.”

Oscar Hotel started with 15 rooms and added other rooms every year. Erdem Oscar continued to improve the surrounding area and change the number of rooms. In the late 80s, Asil Nadir’s tour operator and airline company ran big promotions for package holidays aimed at the British tourist. Oscar Hotel was one of the hotels which were promoted by Asil Nadir’s companies in the UK. Oscar Hotel’s customers were mainly from
the UK. It was the same time a new tour operator started operating from Vienna to North Cyprus. Oscar Hotel worked with the new tour operator to accommodate Austrian tourists.

Huseyin Oscar explained the marketing activities: “We never sat down and waited for the customers. We always went to the tourism fairs, found the tour operators who can work with us. We found customers for the hotel.”

Oscar Hotel was offering different types of accommodation with many facilities in a large complex. Oscar customers got a chance to choose from many different types of accommodation in one big complex. One of the tour operators who has worked with Oscar for a long time said that “Oscar’s improvements were always continued which were a good impression in the customer’s eye. They offered many different types of accommodation and that even increased the repeat customer. Those who stayed at the hotel wanted to stay in a villa the next time. We always had good relations and working with Oscar was a pleasure. They know the business and put customer satisfaction as a first priority. They do everything to make it a happy and enjoyable holiday for our customers.”

Oscar Hotel was doing well in the British market but having some complaint problems said Huseyin Oscar. Oscar Hotel had worked with tour operators and travel agencies in the UK since the beginning. Huseyin Oscar explained that “when I came back from UK, I realised the complaints were increasing every year. We had an over 250-bed capacity and we needed to do something. I worked hard to change many things around the hotel from the service to the amenities in the rooms. My first priorities were to increase customer satisfaction and earn money. I had to prove myself to the tour operators. After 1996, they noticed the changes and developments at Oscar Hotel. We had a good reputation and word
of mouth advertisement among the tourists from the UK. Customers were demanding specifically the Oscar Hotel from their travel agents. Tour operators who did not want to work with us also started to work because of the demand. By the end of 1999, we were working with all tour operators in the UK.”

Oscar Hotel aimed to open for a whole year, summer and winter season, after 1998. Many hotels were working seasonally at that time. It was difficult to find a hotel that was open for the whole year. A tour operator named Armoni opened a new market for North Cyprus tourism. They convinced big companies to do their meetings and conferences in North Cyprus. Armoni was the first company who worked on meeting and convention packages. Oscar Hotel had an exclusive contract with Armoni Travel Agent for meeting and convention packages. Oscar Hotel became the only hotel contractor for Armoni customers. Huseyin Oscar said “It was one of the big successes in Oscar’s history. Armoni had a good business and provided good business to us. We accommodated very well known companies’ meetings and conferences like Ericsson-Turkey, L’Oreal, etc. Our hotel was full in the winter because of meetings.”

Oscar Hotel started to work with Bando Tour which was a Turkey-based outgoing tour operator. The Oscar general manager said “After 1999, Turkish people started to travel for holidays. North Cyprus was a good option for Turkish tourists because it is a short flight, we speak the Turkish language, and it has a long summer season.” Oscar Hotel was one of the newest hotels on the island. Bando was an exclusive sales agent for the Oscar Hotel in Turkey. This was another era for the hotel to open the doors to Turkish holiday tourists, which also helped to expand the business, said the owner of the hotel.
The casino was one of the original facilities. The casino was never managed by the owner of the hotels. They rented the area for the casino and allocated 25 rooms for casino customers. The Vuni Palace general manager said “The casino become so important after Turkey closed down the casinos. We never wanted to be recognised as a casino hotel. We always wanted to keep our holiday concept as the first priority. However, we were well known in the Turkish market and more people chose to stay with us. The casino was a reason to stay with us, but it is the minority of the customer profile. We still have a majority of holiday customers.”

In 1999, Oscar Hotel used a £1 million loan from the North Cyprus Development Bank for developments and new construction on the complex. Huseyin Oscar said “We only used a development bank loan once for some more changes and developments for Oscar Hotel. We always used our own capital and profits.”

In 2001, North Cyprus banking had a big crisis and many banks became bankrupt. Many people who put their savings into the banks lost them during the banking crisis. Erdem Oscar was also affected by the bank crises. He talked to bank management and requested one of the properties that belonged to the bank instead of his savings in the bank as cash. Huseyin Oscar explained: “My father had savings in the bank. He took me and Ibrahim (he was F&B manager at Oscar at that time) to see the property. It was used as a dormitory a long time ago and then sold to the bank. The place had been abandoned a long time ago. It has been auctioned many times and no one was interested in it. We had to make a tough decision about the property. My father asked me if we could turn it into a hotel. I and Ibrahim thought this was the biggest opportunity to show ourselves and our creativeness. We decided quickly. We spent £1 million on rebuilding and changing everything into a
boutique hotel. I wanted to expand more and earn more money. I realised I needed to leave
the Oscar as it is because our customers like it that way. We never want to change the star
or the concept of the hotel. I decided to have another hotel with a different concept and a
different profile of customer.”

In 2002, Bellapais Monastery Village (BMV) opened with 16 deluxe hotel rooms and 45
mini villas. The concept was a 3 star boutique hotel with a personal touch, said Ibrahim, ex
BMV general manager. Ibrahim, who was F&B manager at Oscar Hotel, became the
general manager at BMV. Huseyin Oscar said “We knew what we were doing. We entered
the market with the right product and at the right time. We got our investment back in three
years. It was hard work but worth every minute. Everybody was surprised when they saw
the abandoned place turned into a magnificent hotel. Many people followed in our
footsteps and opened similar concept hotels around us. We do not mind them copying us
because we and our customers always know we are first. Our philosophy is to create
something new and different; that is why our customers come back every year.” The BMV
market is concentrated on the upper level, over fifties, no children and a high quality of
service. Hotel customers come from the UK and Europe.

Huseyin Oscar said “It is not easy to run a hotel in North Cyprus. We have many
bureaucratic problems and political conflicts. It is really important who you are and how
you do business. This is a small place. Everybody knows everything. We cannot achieve
what we did without the good contacts and relations with our tour operators.”

In 2002, the Turkish Development Bank announced a fund of $150 million was available
for 5 star hotel developments. Three Cypriot companies were found to be eligible to use the
fund. One of them was Oscar Group. Oscar Group has used $7 million for new 5 star hotel constructions. The new 5 star hotel of Vuni Palace is located just next to the Oscar Hotel and opened in 2007. Ibrahim became the general manager after the opening of the Vuni Hotel. He said “We worked a lot to make BMV successful. We wanted to have more and different properties. We borrowed the money from the Turkish Development Bank and started our new hotel. We looked at customer demand and predicted trends for the next five years. Vuni is a 5 star and modern style of resort hotel with a casino. We never wanted to change any of our hotel concepts, instead we created new ones.”

Oscar Group has 500 employees in the three hotels and tourism-related businesses. Oscar Group has announced they will open a second 5 star luxury hotel in 2010.

5.3. Conclusion

This chapter first identified the successful hotel growth cases. It then explained the coding of the cases. Definitions of the codes were listed and linked with the literature. Five successful cases were individually presented.

Each case has been examined under three subtitles as entrepreneur, background and the business. All cases were expected to find in information about entrepreneur, business journey and growth pattern over the years. Having presented the five case studies, the next chapter will evaluate the overall research findings of this research.
6. CHAPTER: RESEARCH FINDINGS FROM THE CASE STUDIES

6.1. Introduction

The case studies and coding have been presented in the previous chapter. This chapter aims to pull together the findings from all the case studies by discussing the similarities and differences in the factors that influenced the successful growth of the hotels. The role of this chapter is to provide a synthesis of the research findings and therefore should be seen as a bridge from the empirical research findings to the final discussion part of this thesis.

6.2. Growth Factors in Relation to the Five Case Study Hotels

Five successful hotel cases have been coded under twenty five factors which were found in the literature. All factors were grouped in to four categories, namely; entrepreneur/personality attributes, the business, external influence and entrepreneur orientation. In the next section, each factor will be examined in the relation of growth and case hotels.

6.2.1. Entrepreneur/Personality Attributes

There are 13 factors under the entrepreneur/personality attributes category as identified in table 5.2 p.151. They are: desire to be ones own boss, desire to succeed, active risk taker, motivation, education, management experience, number of founders, family history, age of founders, prior sector experience, gender, network of contacts, and other business interests of the owner.
6.2.1.1. Desire to be one's own boss

Desire to be one's own boss was found to be an important motivation at the start of their business for entrepreneurs in all the case studies. All the case study hotel entrepreneurs’ backgrounds and past experiences have shown their desire to have their own business. Many of the case study hotel entrepreneurs tried to work in other businesses but after a short time they opened their own businesses. Many of the interviews identified that being one's own boss was a childhood dream for the hotel owners. All of them mentioned that they have never imagined working for someone else. Therefore, they worked hard to keep the business and be their own boss. One of the entrepreneurs said “I had difficult times in the hotel business but I could never leave the comfort of being my own boss and work for someone else for a monthly salary. And also where would I work? This is a small country; we have to choose to open our own company or work for the government as a civil servant.” (case interview with Ali Caginer)

Another experience that was common to all of the cases was that the original founders were assigned high ranks, such as commander, in the army (compulsory for all males in Cyprus) during the war. One of the owners strongly emphasised that he had learned how to manage people in the army, as well as the discipline of work. Therefore, army service experience had played an important role in developing the entrepreneurs’ attitudes in the course of their lives.

The case study entrepreneurs appear to look at running their businesses from this emotional perspective. The entrepreneurs mentioned that all the new developments, such as doing new things, adding more rooms, changing the concepts, etc, were really done to sustain their independence, rather than simply grow the business.
In general, this is a factor which is related to the motivation of the entrepreneur rather than being an individual factor of successful growth. Therefore, "desire to be one's own boss" factor is judged to have a weak effect on the growth of hotel.

6.2.1.2. Desire to succeed

In all the case studies, "desire to succeed" factor was an important issue in the personal lives and ventures of the entrepreneurs. Some of the entrepreneurs mentioned that their childhood or youth played a significant role in their making decisions for the future and becoming who they are today. The social life of the entrepreneurs also affected what they wanted to achieve in their lives. It is quite important that many of the first generation of entrepreneurs had a poor family background and had many sisters and brothers. Another important indicator was the relationship of the second generation with their fathers. The second generation of entrepreneurs had a strong and dominant father figure in their lives. They had social pressure on them to be even more successful and to achieve better things than their fathers.

There is also the small community perspective. Small communities create big responsibilities and expectations said many of the hotel entrepreneurs. They all agreed that society expected them to be successful in their business life to maintain the status of the family name. The case study entrepreneurs mentioned that when someone started to be known as successful and powerful, then everybody, from their family members to every person who knows the entrepreneur, expected the same performance all the time. Hence, all entrepreneurs had a kind of psychological and public pressure to be successful, driven by a fear of shame and embarrassment in the community. The first generation entrepreneurs created a reputation which needed to be maintained by the second generation.
Cyprus, the second generation entrepreneurs defined success as growth and emulating their fathers. The second generation are also under pressure to compare themselves with each other, as well as their fathers and other successful entrepreneurs, even though others are not in the same business. Therefore, the case study entrepreneurs' desire to succeed appears to have greatly influenced the hotels' growth.

6.2.1.3. Active risk taker

The entrepreneurs appear to be active risk takers who were willing to take risks and continue in the hotel business under difficult circumstances, like the embargo on direct flights. They also made investments during other times, and did not hesitate to borrow money from either commercial banks or the development bank. The problem of a divided Cyprus has not been solved yet, but the entrepreneurs have made their investments under these unknown, uncertain conditions.

In the hotel business, there is no way that new developments can take place without investing money. In some cases, growth requires huge amounts of money and effort to find the money. Therefore, the case study entrepreneurs' active risk taking appears to have greatly influenced the hotels' growth.

6.2.1.4. Motivation

Four of the founder entrepreneurs had been in the war and moved their homes to the North after 1974. Only one entrepreneur was not in Cyprus at that time but he was an entrepreneur before he settled down in Cyprus. None of the entrepreneurs had a hotel business before 1974. One of the main motivations was uncertainty and the opportunity in the market.
Moreover, all the entrepreneurs shared the same thoughts that they would continue their hotels and fight for them no matter what. None of them wanted to go back and they all say that their life has changed forever. They love their country and have fought for it. Therefore, they want to keep what they have and continue their lives with this motivation.

In the survey, many less successful entrepreneurs faced a similar situation. Their attitudes were different from the case study entrepreneurs. The majority of entrepreneurs had lost their hope after the war, but at least they wanted to keep everything as it is rather than pursue growth. Another issue was found to be that many of the entrepreneurs were retired and this was their job for their retirement years. They did not have any motivation to be better or get more; they only mentioned that they wanted to have a nice and easy life. It is clear that the founder entrepreneurs were more highly motivated than other hotel owners. Therefore, motivation factor appears to have weak effect on growth of the hotels.

6.2.1.5. Education

Three of the case study entrepreneurs went to a British college in Cyprus and continued their university education either in Turkey or the UK. Two of them did not have any secondary school education at all. However, amongst the second generation of entrepreneurs, four of them who are now in charge of the hotels went to university. One family did not send the second generation to university.

The case study hotel interviews have shown that the main developments and growth of the hotels were made when the second generation took over the management of the properties. The most significant changes happened with the new management approach of these second generation entrepreneurs, most of whom studied hotel and tourism management at
university. Therefore, it seems the entrepreneur's family education and second generation education play a crucial role in achieving successful growth.

6.2.1.6. Management Experience

Four of the case study entrepreneurs were very young when the war started between the Greeks and Turks. They had recently graduated, married and returned back to Cyprus. They did not have much time to gain work experience before their venture started. They joined the army until peace was declared by both sides and the UN buffer zone drawn up. They mainly gained their management skills in the army because they all completed army service as a commander. On the other hand, they had not had management experience in the hotel business before they opened their own hotels. The fifth entrepreneur was in the UK and came back to Cyprus after 25 years abroad. He owned his own restaurant back in the UK, so he had management experience before he opened his hotel.

The second generation of the owners were luckier than their fathers. They have grown up in the real hotel environment and experience in first hand. However, they were not involved in the management and decision process. They only had a chance to observe their fathers. When they took over the management, they were young as their father and never worked in the management level. Therefore, second generation did not have first hand management experiences but they were in the environment of their father and experiences of them.

Therefore, it is quite difficult to assess if this is an effective factor for growth. However, the cases have shown that it does not have much influence on the growth of the hotels because
none had previous hotel management experience. In the hotel business, management could be totally different from any other business.

6.2.1.7. Number of founders

In the survey, the majority of the hotel entrepreneurs indicated that their hotel business was a partnership. In all the case study hotels, the first generation entrepreneurs were the only founders. Their family played an important role but they all started by themselves without having partners or professional advisors. There is only one hotel where the ownership was split between two relatives, but they then left the active position and all the management responsibilities to one owner’s son, so it also counts as a single entrepreneur-run business. The case study hotels have shown that this factor did not have much influence on the growth of the hotels.

6.2.1.8. Family History

This was one of the interesting factors influencing the case study hotels. It needs to be explained from two different perspectives. First of all, the founder entrepreneurs did not have an entrepreneurial family background. All of the entrepreneurs had a poor father with many children, who engaged in farming. However, these family backgrounds had a positive impact on the hotel owners becoming an entrepreneur, earning money, and gaining a reputation.

Secondly, everything has changed for the second generation because they came from an entrepreneurial father. They have grown up watching their father and working with him. This situation pushed them to be self-employed and continue to own the hotel and inherited business. All the case study hotels came under the control of the second generation entrepreneurs half way through the venture. It is worth mentioning that all the major hotel
developments happened under the control of the second generation. This suggests family history is very influential in the hotels’ growth.

6.2.1.9. Age of founders

All the case study hotel owners started their own businesses when they were in their early thirties. It was a young age to be an owner of a hotel. The case study hotels were taken over by the second generation when they were in their early thirties also. However, four of the founder entrepreneurs have not totally stepped down from the hotel management even today. One passed away in 2005 and he stepped down before he died. The other four first generation entrepreneurs continue to work with their sons. The first generation entrepreneurs had achieved successful developments and growth in their younger years. The second generation of entrepreneurs who took on the control are the same age their fathers were when they started their businesses. However, all of them mentioned that their father was not brave enough to take risks like in the early years anymore. Fathers and sons faced conflicts on taking decisions and moving forward. Age would therefore be a critical factor in terms of taking risks and wishing to have more success and growth of the hotel.

6.2.1.10. Prior sector experience

None of the original entrepreneurs had prior sector experience. However, they all had similar or related sector experience. One entrepreneur had owned a rent a car business, another three had run restaurants, and another had owned a market. They were all in the service sector which provided them with knowledge of the customers and service sector. However, none of them had worked in or owned a business in the hotel industry. Therefore, prior sector experience does not seem to be an important factor of growth.
6.2.1.11. Gender

All the case study hotel entrepreneurs and second generation entrepreneurs are male. The tourism industry is a male dominated industry in North Cyprus. This is more related to cultural motives as women do not work and stay at home to look after the children. The case study hotels have not shown any relationship between gender and growth. Therefore, it was not strongly affecting growth.

6.2.1.12. Network of contacts

A network of contacts was found to be the most important factor for all the case study hotels. Networking played an important role in the beginning of the hotel ventures all the way up to today. Many of the entrepreneurs connected their success with their good networking and communication skills. This section needs to be examined under four different headings:

Network of suppliers: Suppliers play an important role in the hotel sector. All of the hotel entrepreneurs said that they always keep good relations with their product suppliers. One of the entrepreneurs said “I need to have good quality of food in order to increase customer satisfaction. My grocery supplier knows me well and always gives me the best product he has.” In a small country, there was not much choice of suppliers of products to the hotels. Therefore, they needed to have a continuously good relationship with their supplier to be able to offer good products to the customer. This is directly related to losing the business if the customer finds out the food served in the restaurant of the hotel is not of a good quality. All of the entrepreneurs mentioned that during the interview, and they all said that suppliers play a crucial role in keeping their business successful.
Networking with customers: Customers are the main assets of the hotels. Hotels would not survive a single day in business without customers. All the hotel entrepreneurs said that customers are the key to their development and successful growth. They need to keep in good contact with existing customers to keep them coming back and to find new customers for the future.

Networking with competitors: Cyprus is Small Island and people live so close to each other. Hotel entrepreneurs were known each other as from childhood friends, school friends or relatives. For example, Unal Caginer who owned the biggest hotel is an uncle of another hotel owner of Ali Caginer. During the interview, they mentioned that they are family and help each other but also aware of competing with each other. Unal Caginer said that he always try to help his nephew and advise him on the business decisions but he always follows his own instinct. Another hotel owner Fahri Otcuoglu and Ali Caginer had another business together. They are close friends. However, Fahri Otcuoglu mentioned that they always have competition each other’s hotels performance not between their friendships. The unique part of this finding, entrepreneurs were spying each other under the name of relatives, friends and known or learn in firsthand what they do plans. Huseyin Oscar, Unal Caginer and Sakir Vudali were known each other but no relation as relatives or close friends. They were purely competing against each other. However, Unal Caginer said that ten years ago competition was much better than now. He mentioned that they were known their competitors very well because it is a small community and known each other (characters, personality wise) and their family for years. Interestingly, entrepreneurs were using rumour to learn more about their competitors and what they do. Gossiping is a part of their life every person in the island. However, new competitors arrive from mainland or other countries and they were unknown as a person and business for them. To know the
competitors gave all entrepreneurs opportunities to create a strategy and be better than others.

**Networking with business partners:** Business partners are tour operators and travel agencies for the case study hotels. It was the most crucial factor in their successful growth. All the case study hotel entrepreneurs said that they would not have achieved what they have achieved without good relations and contacts with tour operators. All the hotels are doing direct selling to customers; however, this is never enough to have a full hotel in North Cyprus because of the population. All hotels depend on tour operators to send them customers. An important point mentioned by the entrepreneurs was that there are a limited number of tour operators that operate in North Cyprus. They need to keep in good contact for the future and to enable them to continue in the hotel business. They totally depend on tour operators because of the embargos and limited flights. The tourist demand is all in the tour operators' hands and the hotel owners must keep up good relations with the tour operators to do business in the highly competitive holiday market. Therefore, a network of contacts was found to be a very important factor in the hotels' growth.

### 6.2.1.13. Other business interests of the owner

The case study results have shown that all the entrepreneurs' other business interests aside from their hotel establishments, are related to the tourism industry. All of them mentioned that the hotel businesses do not make enough profit and having other businesses creates more potential to earn money, which is also used to development their hotels. They have opened restaurants, a travel agency, a tour operation company, night clubs and construction companies, etc. All the other businesses established by the entrepreneurs were related to the tourism industry. One of the entrepreneurs said that "You need to hold the power of the market, so we opened a tour operation company and travel agency. It was the strategy of
holding the market in our hand and not depending on other tour operators where we do not have control.” Another entrepreneur mentioned that “I am a businessman and when I see the opportunity I invest the money. I get in on time and out on time.”

The other business interests of the owners were a factor in the hotels’ growth, especially businesses established that were related to the tourism industry. Owning other tourism-related businesses gives more power in the market and adds to reputation. This factor was found to be strongly related to success and business growth for the case study entrepreneurs.

6.2.2. Business

There are five factors under the business category as identified in table 5.2 p.151. These are: firm age, location, size, family/“investing” friends and key employees.

6.2.2.1. Firm Age

Three of the case study hotels were started in almost the same year. The other two hotels were started not more than five years before the other three and have shown similar growth patterns over the years. Therefore, no relation has been found between firm age and the growth of the firms.

6.2.2.2. Hotel Location

Location has been mentioned as one of the most important factors in their success by the case study hotel entrepreneurs. They all specifically chose a certain location for their hotels. In the interviews, many people commented about the decision of the entrepreneurs
regarding the location of the hotels. All the case study hotels' locations were not actually tourist areas in the past. However, the entrepreneurs have all mentioned that they saw the potential of the location for the future and decided based on that.

All the case study hotels' locations are in the best, most easily reachable, unique and beautiful part of Kyrenia. There is only one hotel which is just 15 minutes drive from Kyrenia city centre. The rest are located within walking distance of the city centre (see Chapter 5, exhibit 5.1).

The owners mentioned their location's advantages. Many of them said that their location has provided a unique advantage over the competition and the choice of customers. Tourists choose their hotels by looking at the location, which can result in increase in demand and sales for hotels in the right locations. All the entrepreneurs were aware that location would give them a chance to increase sales and customer number.

However, the negative aspect of location was having a plot of land which did not have any space around the hotel area to enable the expansion of the hotel. All of the case study hotel entrepreneurs were thinking about that possibility and bought surrounding land year by year. Therefore, location is an important factor for the growth of the hotels, and has been found to be an influence on hotel performance.

6.2.2.3. Hotel Size

The three case study hotels were small at the beginning of their venture. Two hotels were large at the beginning. Table 6.1 is shown the years and sizes of the hotel. The case studies have shown no relation between the size and growth.
Table 6.1 Size of the case hotels

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<tr>
<td>Pia Bella Hotel</td>
<td>1989</td>
<td>36 SMALL</td>
<td>132 LARGE</td>
<td>152 LARGE</td>
<td>152 LARGE</td>
<td>260 LARGE</td>
</tr>
<tr>
<td>Altinkaya Hotel</td>
<td>1989</td>
<td>24 SMALL</td>
<td>88 MEDIUM</td>
<td>138 LARGE</td>
<td>138 LARGE</td>
<td>138 LARGE</td>
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<tr>
<td>Rocks Hotel***</td>
<td>1989</td>
<td>104 LARGE</td>
<td>128 LARGE</td>
<td>310 LARGE</td>
<td>310 LARGE</td>
<td>310 LARGE</td>
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<tr>
<td>Acapulco Hotel</td>
<td>1982</td>
<td>120 LARGE</td>
<td>502 LARGE</td>
<td>502 LARGE</td>
<td>800 LARGE</td>
<td>912 LARGE</td>
</tr>
<tr>
<td>Oscar Hotel</td>
<td>1987</td>
<td>30 SMALL</td>
<td>400 LARGE</td>
<td>490 LARGE</td>
<td>490 LARGE</td>
<td>490 LARGE</td>
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*** The Rocks Hotel was established before 1974 but the case study entrepreneur started to run the hotel in 1989.

6.2.2.4. Family, “investing” friends

All the hotel entrepreneurs started in business by trusting and getting support from their family in North Cyprus. The surveys revealed that the majority of the hotels are owned by family members. However, many of them mentioned that their children and other family members lost interest over the years and this caused difficulties for the business. Some hotel owners were having big problems because of trusting and expecting help from their children, but they could not get it when they had grown up. One of the entrepreneurs mentioned that he is the one who holds the business at the moment and if something happens to him, his family will sell the business and spend the money on luxury items instead of continuing the business. Some entrepreneurs were retired and their hotel business is their retirement project. They are old and away from their children or family members (especially people who retired in the UK and then returned back to Cyprus for retirement).

All of the hotels were counted as family-owned when the business was formed but in reality they do not get much help from their family.

The entrepreneurs who had been living abroad for many years and had returned back to their country faced cultural and contact problems. They expected to find Cyprus as they left
it 40 years ago. However, they have been away long enough to not have adapted themselves to the new way of life in North Cypriot society, and were also unable to continue or create the friendships they had before.

In the case studies, family provided the most important support for all the entrepreneurs when starting out in the beginning. Some entrepreneur’s family members worked together during the early years of business. This gave more power to the entrepreneurs to be strong and pursue their dreams. All the entrepreneurs have sons who are now the second generation of management and continue the business.

The case entrepreneurs mentioned that their family are the only people they trust and get the biggest support and sacrifices from in their lives. In all the case study hotels, family members had taken some critical roles in the management of the hotel. On the other hand, friends have also played an important supporting role for the entrepreneurs and hotels. All the entrepreneurs mentioned that this is a small community and they have all known each other either from childhood, school, etc. Everybody who lives in North Cyprus has a kind of close relationship. All the business partners, such as tour operators or suppliers, are close friends or relatives. They have known each other for 20 years or so. They have been sharing the same lifestyle and leisure time. One of the entrepreneurs said “None of my tour operators make an appointment. They come when they want and either we play backgammon, watch football or drink together while we are talking business. We do have a close relationship which creates boundaries and supports each other.”

Another interesting point was that the hotels’ lobby bars or restaurants are the places where the people come together and talk politics, socialise and drink with friends and the
entrepreneurs of the hotel. One of the entrepreneurs said it was the kind of culture that came from the old way of living in Cyprus. Friends mean everything in the Cypriot culture. They regularly come together and talk, drink and do business. Interestingly, a professional way of doing business in North Cyprus does not work. Entrepreneurs only do business with friends and the reason for that is trust. They know they will look at their faces everyday and there is no way to escape if they do something wrong. Therefore, the family/“investing” friends factor was found to be strongly related to the growth of the hotels.

6.2.2.5. Key employees, partners

In all the case study hotels, employees had a crucial role in the development and achievement of success. For most of the hotel employees it was their first place of work in a hotel and they have been working in the same hotel ever since. There are some employees who have been working with the entrepreneurs for 15–20 years or so. This is a long time in the tourism and hotel industry.

Employees are the key to the success of a hotel because of the human factor. Customer satisfaction is totally dependent on the employees’ attitude and behaviour in the case study hotels. Customers look forward to seeing the same employee over the years. This relationship between the customers and the employees creates the success of the hotels. In the hotel business, an employee could be the best asset of the hotel or could destroy everything that has been built up over the years. All the entrepreneurs were aware of this situation and tried to keep the key employees happy and satisfied. Many of them said that if they keep their employees happy, they keep the customers happy. So they have created a great relationship with their employees. Many of the employees look at their boss like a friend and close relation and are grateful to have the job. Many of the employees work like
it is their own business. All the hotel entrepreneurs mentioned that their success depends on their loyal employees and relationships with the customer. Therefore, the key employees/partners factor was found to be a very important factor during the years of development and growth of the hotels.

6.2.3. External Influence

There are three factors under the external influence category as identified in table 5.2 p.151. These are: state support, customer concentration and planning.

6.2.3.1. State support

The hotel entrepreneurs have used many different types of support from the government during their business developments. All the entrepreneurs have used low interest rate, long-term governmental development bank loans. The Turkish Development Bank released a large amount of credit loans for 5 star hotel development in 2001. Seven applications were accepted and two of them were case study hotels in this study (the other five credited were hotel companies based in Turkey). Two of the other case study hotels were not planning to open a 5 star hotel so did not apply. The last one was 5 star already when they announced the loans. In addition, all of them used a certain amount of other loans from local development banks during the new construction projects in the hotel.

Governmental support did not only involve helping entrepreneurs to access long-term loans. There were other issues which affected the hotel entrepreneurs such as policies, regulations and legislations. There was one party in North Cyprus who was in government for many years. Mr Rauf Denktas was the president of the party, and prime minister of the government.
It is again interesting that the government's relationship with the entrepreneurs was
different compared to the more usual ways in other countries. Denktas was a friend of
many of the entrepreneurs from childhood, the army or university. He supported them all
the time and tried to fulfil requests made by them. For example, Denktas used to go and
swim at one of the case study hotel’s beaches. The owner and Denktas were close friends.
The owner said that he can talk and tell his concerns or thoughts to him freely. He also said
that in all the ministries of the government there were also his friends or relatives. He never
had any difficulties in solving his problems on the governmental side. This is the same for
all the case study hotel entrepreneurs. They mentioned that they always keep good relations
with the political parties. At different times, the government cleared the debts of hotels,
such as electricity, water, VAT bills, etc. in order to help them during the crises and bad
times. Therefore, state support was found to be very influential in the growth of the hotels.

6.2.3.2. Customer concentration

All the case study hotel entrepreneurs felt that their success comes from their customers.
After the examination of the hotels, these unique points were found. First, most of
customers are repeat customers for more than seven years; there are even some customers
who have come every year for the last 15 years. Second, customers are of British
nationality and they all have some kind of connection to Cyprus, for example they used to
be a soldier in the British base before 1974; some customer’s families had been here before
1974 and so they visited again; and some customers have relatives who married Cypriots.
Third, customers feel like it is their home and relax at the case study hotels and so prefer to
come again. Fourth, all the customers have a good relationship with the hotel employees
and entrepreneurs who became like friends. All the entrepreneurs take care of their
customers individually even if they have a full hotel. They are around all the time and talk
to them. Customers like to know the owner and see him around, which creates more trust and loyalty. Customers know that their problems will be solved by the owners and they always get some treats from the owner. Some of the customers actually support the hotel and send more friends there because they feel some kind of responsibility for taking care of the hotel and it is a way of returning the favour. Some customers enjoy being treated like the owner of the hotel.

The case study hotel entrepreneurs are aware that the customer always plays an important role in the continuation of the business. The embargos also affected all kinds of promotional and marketing activities of the hotels in different markets. The situation has forced them to find different ways to keep customers coming to the hotel. They found the best way was to make the customers happy and satisfy them so they came back again and used the "word of mouth" method to spread the hotel name among other potential customers. The entrepreneurs also mentioned that they have learned many things from their customers' comments and requests. They said they continued to add more rooms because of demand. They added more activities because their customers wanted it. They were aware that without customers there is no hotel business. Therefore, customer concentration was found to be directly related to the hotels' growth.

6.2.3.3. Planning

Examination of the case study hotels has shown that there were no written business plans at all. However, all the entrepreneurs had plans for the future which were influenced by their past experiences and the lives they had before they started the hotels. All of the entrepreneurs were affected and lost many things after 1974. They therefore made plans not to lose anything in the future. However, the examination has shown that there is link between the planning and developments in a different way. The entrepreneurs were
following their dreams to make them real and plans were only made in order to create the dreams. Following that, they have not planned anything for 10–20 years. They planned to be bigger because it is the best way to have the power, reputation and lifestyle they wanted. They have not done any real planning which effect growth of the hotels. They have reacted based on the outcomes and results of social and economical conditions over the years. Therefore, planning has been found not affect the growth of hotels.

6.2.4. Entrepreneur Orientation

There are four factors under the entrepreneur orientation category as identified in table 5.2 p.151. These are autonomy, innovativeness, proactiveness and competitive aggressiveness.

6.2.4.1. Autonomy

The case study hotel entrepreneurs have been described commonly as leaders by friends, employees and partners. In many cases, people mentioned that they would not work there if their entrepreneur was someone else. Each entrepreneur has similar and different characteristics. They have the shared points of being independent, self-directed, and having a unique way of looking at the future. In one case study hotel, the entrepreneur said that he never shows his emotions or disappointment to his employees or friends and business partners. He believed that he must lead other people to accomplish their job satisfactorily by motivating them. In the other case studies, the situation was the same and the entrepreneurs have the responsibility of taking serious decisions about the future by themselves and being in control of them. All of the entrepreneurs said that they do not sleep and spend most of the time thinking up new ideas for their hotel.

In each of the case study hotels, all the entrepreneurs were found to be doing new, unique and unusual things in terms of adding interesting activities, changing the environment,
service style, food service quality, seasonal activities, etc. Each year, they have changed something at the hotel or added new things to the hotel concept. Therefore, autonomy has been found to be an important factor for growth.

6.2.4.2. Innovativeness

In the hotel industry, there are many ways to be innovator like creating a new way of service, different process etc. The case study hotel entrepreneurs have found many ways to express their innovativeness and create uniqueness for their hotels. In each hotel, the entrepreneur found a new way for their customers to experience staying at the hotel. One hotel created many different types of accommodation in one place, which gave the customers more options to choose from. Another hotel changed the traditional hotel service to a give a more personal touch. Another one created many different types of leisure activities from spas to water sports. Another hotel bought a train car for a shuttle service between the hotel and the city centre. All the entrepreneurs also thought that creative thinking and doing things differently gave them a chance to be more successful. Therefore, innovativeness was found to be an important factor for growth of the hotels.

6.2.4.3. Proactiveness

It was quite interesting that all the entrepreneurs showed their proactiveness by pursuing businesses related to the hotel business. It was another way of competing with others and getting more power. All the case study hotel entrepreneurs tried to concentrate on the future at every stage of their hotel business. The investments and developments were done based on the future needs. They have been competing with each other by giving different types of service, building brand new hotel rooms and creating new leisure activities. All the entrepreneurs have been leaders in the market in reaching and attracting customers. In
every case study, the entrepreneurs mentioned that other hoteliers always copied them when they have a new approach or method. Some of the entrepreneurs have described that competitors wait until they have something new, like an aqua park, and then they copy it if it is successful. Therefore, the proactiveness factor was found to be strongly related to hotel growth.

6.2.4.4. Competitive Aggressiveness

Competition was not an issue when the hotel entrepreneurs started their business. The main reason for this was that there were not enough hotels to compete with each other in the late 80s. The small numbers of hotels were only accommodating a certain number of tourists. However, some political and economic changes affected the competition in the hotel industry, which has been examined in the case studies. The case study hotels were the only hotels of their types when they opened. However, new-comers and a changing market have increased the competition in the hotel industry. They have found themselves in an aggressive competition not only inside Cyprus, but also in the surrounding countries. All case study hotels found ways to be market leaders and to control the competition. The entrepreneurs were aware that doing things differently would give them a competitive advantage. Therefore, competitive aggressiveness was found to be strongly related with growth.

6.3. Conclusion

In conclusion, this chapter has covered the main study findings from the selected five successful case study hotels. This chapter has shown the relation of each factor to the survey results, and identified the most and least important growth factors from the hotel
case studies. Having drawn these five case studies together, the next chapter will evaluate the overall research findings in the light of previous investigations into the literature.
PART 3
7. CHAPTER: DISCUSSION

7.1. Introduction

The research presented in this study set out to develop an understanding of the growth factors behind successful hotels through the analysis of empirical data collected from five hotels in North Cyprus. This chapter aims to discuss and synthesise the implications of the research findings in light of previous research studies into growth strategies. The thesis aim was: “To investigate and explore the factors which influence the growth of hotels in the TRNC.” Following that the set of main objectives of the research were to:

- Explore the structure of the TRNC hotel industry.
- Evaluate how many hotels successfully achieved growth.
- Identify the factors that influence entrepreneurial growth in hotels in North Cyprus.

Therefore, this chapter firstly evaluates the research findings in relation to the structure of the TRNC hotel industry and evaluates the growth level of the hotels. It then discusses key factors that influence entrepreneurial growth in hotels in North Cyprus. Finally, the combination of factors and entrepreneurial success will be examined.

7.2. The stages of growth and the structure of the TRNC hotel industry

It is obvious that the circumstances in North Cyprus are special in terms of the economic, political and social life compared to other developed and stable countries. However, the difference between what was expected to be found and the actual facts was quite
interesting. Regardless of the circumstances, every company or business has a life-cycle. There are many different stages the business passes through over the years.

In North Cyprus, the hotel industry is fairly new, starting just 35 years ago. In those years, less than five hotels have been closed and they were not sold on to other entrepreneurs to continue operating. The owners kept the hotels closed without taking any action. It was one of the most interesting points found. During the main study, some 25 other hotels also announced their closure, but again no action was taken for the future of the hotels. They all closed and started to wait. One of the closed hotel owners mentioned that “I am closing because I do not have enough money or energy to continue to run my hotel. But I will never sell it or keep it closed forever. I will wait until the solution comes and after that we will have tourists and I can open again. Or I will sell my hotel for over £2 million after the solution; that is worth the wait. I waited 35 years so I can wait another 35 years.” The most interesting part of this finding was that all the hotels which are closed are in the existence stage I based on the Churchill and Lewis life-cycle model (1983). They were roughly 10 or less than 10 years in the business and had less than 50 rooms with 10–15 employees.

Churchill and Lewis (1983), Tyebjee, Bruno and McIntyre (1983) and Irwin (2000) have their own models of life-cycle stages. However, none of the models actually fitted the hospitality industry exactly because it’s unique characteristics like heterogeneity, labour intensive and seasonality. Claver et al. (2006) found that tourism entrepreneurs and the hotel business have very unique characteristics which make it a more complicated structure to understand. The Churchill and Lewis model (1983) indicates that the standard characteristics of a small business at each stage of development must be same (exhibit 2.2, page 22). However, the application of this model to the hotel industry in North Cyprus was
almost impossible. In the model, critical issues were strictly differentiated at every stage of growth, such as managerial style, organisation, formal system, major strategy, and business and owner relationship. In the case of the TRNC hotels, the exploratory and main research findings have shown that the owners never separated themselves from their business whatever stage they were in. The owner is always the centre of the business even if they are in stage III of growth. The managerial style of the hotel businesses was the same in every stage, even if they had owners who are not actively involved in the day-to-day management. The general manager’s job is to take care of the business while the entrepreneur is not around but not to make any major decisions like firing or hiring employees.

On the other hand, the second model of Tyebjee, Bruno and McIntyre (1983) was closer to being applicable to the TRNC hotel industry. However, the main problem was not having a fair tourism market as in other countries. The embargos were a big issue and continue to constrain the marketing activities of the hotel businesses. Their argument for the main driving factor being what “influenced the life-cycle stages was not marketing it was sales,” though, is proven by the hotels in the TRNC. They have achieved continued business by using different sales tactics. The embargos created new business opportunities for Turkish Cypriots who were living in the UK. They opened their own tour operation companies which only sold tour packages and hotels in North Cyprus. All the hotel owners supported the Turkish tour operators and worked together to overcome the problems.

Finally, the Irwin (2000) model was more helpful in explaining the concept of the industry and the entrepreneurs in the industry. There are two different groups of entrepreneurs in North Cyprus. Group one entrepreneurs stayed and continued their lives just after 1974 in
North Cyprus. They were the first group of entrepreneurs in the hotel business. Group two were the ones who came back from other countries after leaving Cyprus a long time ago, and set up a hotel business. The first group did not have to get past the first three stages of the Irwin (2000) model. They found themselves in a fight for their lives and businesses and so entered stage four and so on (‘just do it’, ‘flying solo’, ‘seek professional support’ and ‘proactive networker’). All the barriers forced them to be a good networker and seek support. On the other hand the group two entrepreneurs who came to North Cyprus after 1990, had to go through all the stages starting from one (‘cultural pressures’, ‘internal barriers’, ‘external barriers’, ‘just do it’, ‘flying solo’, ‘seek professional support’ and ‘proactive networker’).

The findings also support that many entrepreneurs are stuck or stop in the middle of the stages with many different reasons like not wish to grow – own preferences; embargos; political problems. As a result, all the hotels are classified as being in the first level of the stage models in North Cyprus. However, the uncertain circumstances in the situation of North Cyprus make it more difficult for the entrepreneurs to pass the stages and pursue growth. In addition to this discussion, Morrison et al. (1999) and Thomas et al. (1997) suggested that most of the tourism establishments, like hotels, are small and do not pass the stages because of seasonality, lack of qualified employees, market conditions and the distinctive characteristics of service organisations such as intangibility, heterogeneity, and perishability.

The research has examined all hotels which are licensed by the TRNC Tourism Ministry. The exploratory study led to a number of key findings regarding the structure of the hotel industry in the TRNC which are listed below:
• The TRNC hotel industry is a fairly new construct. Turkish Cypriots started to engage in the hotel business after 1974 with very limited resources.

• Thirty-five years down the road, 115 hotels were actively operating based on the research results. A few hotels were owned by other nationalities (British, Turkish and German) and the rest of them were owned by Turkish Cypriots.

• Hotels were mainly owned and managed by families. In other words, many of them are family businesses.

• Large numbers of hotels were in the small hotel category starting from 10 rooms and five employees.

• There are three main entrepreneurial types among the owners of the hotels. They are mainly habitual, serial or portfolio. Some of them are also lifestyle entrepreneurs. Many of them were retired and opened their businesses just to keep themselves busy.

• Many of them are still in the survival stage on the life-cycle models. There are only a limited number of hotels that have achieved other stages or failed in the attempt. However, none of the failed hotel owners have sold or are renting the hotel to others, rather they prefer to keep it closed.

• One of the biggest problems was found to be in the management of the hotels. Many of the hotels are faced with a lack of good management and poor quality of qualified employees.

• The number of tourists has been increasing every year since 1974. However, the embargos and political problems are always an issue for all the hotel entrepreneurs. The problem of direct flights from European countries has not been solved yet, which is directly related to the marketing and promotion of TRNC tourism.
• The government has been supporting the industry by providing new grants, funding opportunities and changing regulations like tax etc.

• However, only five hotels were found to have successfully achieved growth over the years.

7.3. **Key Factors from Case Hotels**

The findings have shown that some growth factors are more influential than others. However, they have also demonstrated that the factors are interrelated to one another which means that one factor on its own cannot influence the growth of the hotels.

In the successful hotels, besides the relation of the strong effect or weak effect of the factors on the growth of the business, the relationship between the factors was found to be strongly influential on the pursuit of growth. Table 7.1 summarises the relationship of each factor's influence (either having weak effect or strong effect) on the hotels' growth.

Some factors directly influenced the growth of the firms and others did not. Under the category of entrepreneur/personality attributes, seven factors were found to be important. These are: desire to succeed, active risk taker, education, family history, age of founders, network of contacts and the other business interests of the owner. The second category of business has shown three important factors influenced growth, namely, location, family/“investing” friends, and key employees/partners. The third category of external influence shows that state support and customer concentration are the most important factors. In the last category, entrepreneur orientation, all the factors were found to be important for the growth of the business.
Table 7.1 The influence of the growth factors on the growth of the case study hotels

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<tr>
<th>GROWTH FACTORS</th>
<th>WEAK EFFECT</th>
<th>STRONG EFFECT</th>
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<td>Entrepreneur/personality attributes</td>
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<tr>
<td>Desire to be one's own boss</td>
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<td>Desire to succeed</td>
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<td>Age of founders</td>
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<td>Other business interest of the owner</td>
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<td>Key employees, partners</td>
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<td>Customer concentration</td>
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<td>Planning</td>
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<td><strong>Entrepreneur orientation</strong></td>
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<td>Competitive aggressiveness</td>
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7.4. Discussion of Important Factors for the Hotel Case Studies

The exploratory study suggested only five hotels had achieved growth in occupancy rates, bed capacity and employee numbers between 2003 and 2006 out of 115 hotels in Northern Cyprus. The main aim was to find what makes different those five hotels and able to achieve growth among others. The second part of the research, case studies for five hotels have been examined and analysed based on the 25 factors which pull out from the entrepreneurship literature affected growth of business. The case study results have found that sixteen important factors influences on the growth of hotels in North Cyprus out of 25 key factors. The next section will discuss sixteen key factors for case hotels.
7.4.1. Entrepreneur / Personality Attributes

Entrepreneur/ Personality Attributes were categorised 13 factors which have been examined for five hotels. The findings from the case study hotels have shown that some factors are more important than other factors in the growth of the hotels. The factors which did not affect growth were found to be desire to be one's own boss; motivation; management experience; number of founders; prior sector experience and gender. On the other hand, other factors such as desire to succeed, active risk taker, education, family history, age of founders, network of contacts, and other business interests of the owner were found to be the most important influences on the pursuit of growth and distinguish the case study entrepreneurs from other less successful hotel owners.

One of the highly important factors, "desire to succeed", was exhibited by the strong drive and will to succeed of the entrepreneurs. This was again relating back to the entrepreneurs’ past experiences and social influences. The society of Cyprus is so small and they do not accept failures among them. All the entrepreneurs are aware that getting the reputation and respect they desired starts with being known as successful in the society. They have already lost everything once. This was a big lesson for them. They wanted to be so successful that they would not lose anything again. Based on above findings, other studies never looked at an entrepreneur’s desire to succeed from this angle. Storey (1994), Perren (1999a), Pasanen (2006) and many others always concentrated on today’s issues, in other words normal life circumstances.

However, it is obvious that living through recent traumas and the experience of war changed the entrepreneur’s attributes and increased the desire of the entrepreneurs. Littunen (2000) found that entrepreneurs who have a strong need to achieve (nAch)
become more successful entrepreneurs. Reimers-Hild et al. (2005) agreed that entrepreneurs that carried a high need for achievement are most likely to have a high desire to succeed. They also argued that these people carry the following characteristics: self-confidence, a risk taker and desire to be well known as successful entrepreneurs to their circle of friends and acquaintances.

Smith (1998) has examined post-war conflict and people's behaviour at present and before the war. He supported the view that war has a huge effect on people's lives and behaviour. The "desire to succeed" factor was found to be very much related to the entrepreneur's past and present life and experience. Le (2006) also argued that tourism helped to create entrepreneurs in South Korea with a high desire for success because after the war they compared everything with North Korea.

Perren (1999a) and Olson (2000) mentioned that an entrepreneur decided whether to "take a risk" or not. In the case studies, the situation was totally different. It was the entrepreneur's decision but with no choice. They had lost everything and needed to start over again. They had nothing to lose because it was already gone. The situation made them stronger and they actively sought risk to get back their losses in a shorter time. Ladki and Dah (1997) supported the view that people who had experienced conflict and war would be more risk-taking than other people. They also argued that such entrepreneurs had already lost so much that there was nothing more to lose, so sought to get back everything through hard work.

Another point was the embargos on the Turkish Cypriots after 1974. The embargos forced them to take risks to survive and continue their lives. They were fighting to exist and do
business in fair conditions. Chell et al. (1991), Timmons (1994) and Barkham et al. (1996) found that the risk-taking factor came from the entrepreneur's characteristics. It is important that GET test results also supported that five case hotel owners carry the entrepreneur's characteristics which are risk taking, seeking opportunities, forward looking etc.

On the other hand, Shane (1994) found risk is part of entrepreneurs being their own boss rather than working for someone else for their wages. It was therefore more related to the personal life of the entrepreneurs rather than real risk taking. Gasse (1982) and Baird and Thomas (1985) agreed that risk can be interpreted in many different ways for entrepreneurs, such as strategic risk, financial risk, personal risk, social risk, psychological risk, etc. However, the most critical risk was not knowing what to expect the next day and in the future for the case study hotel entrepreneurs. Wang (2008) agreed that risk consists of external and internal uncertainty. Newell and Seabrook (2006) found that hotel investment is a mixed asset class including business and property risk. They also found that the risk level of hotel investment weakens the entrepreneur's motivation and it gets harder to be successful.

"Education" was one of the most interesting factors in this study. The first generation of entrepreneurs were found to have been educated in many different fields other than management or tourism. Thompson (1999) found that most of the successful retail entrepreneurs were non-graduates. One of the entrepreneurs said that university education was the only chance for Turkish Cypriots to differentiate their position in the society and gain power. It was arguable whether education in any field or education specifically in tourism could differentiate hotels in terms of business development. Storey (1994) argued
that education plays a crucial role in business success. He also argued that education varies from one study to another and one country to another. He found that educated entrepreneurs have more confidence in themselves and are more likely to pursue more income through development of the business. In the case study hotels, this was the case for the second generation who, after taking control of the business, achieved more developments than their fathers.

As discussed in the beginning, the second generation are educated in the tourism field, which also differentiates their role in the business and in taking the business forward. Barkham et al. (1996), Westhead and Wright (1998), Coulter (2000) and Lordkipanidze et al. (2005) agreed that education could be an important factor for entrepreneurs who wished to achieve success. Gnyawali and Fogel (1994) stated that entrepreneurs can achieve growth by educating themselves with private or governmental programmes in order to gain expertise in certain skills like planning, negotiation, market know-how, etc. They also argued that entrepreneurs who had technical and business skills passed the growth stages more easily and got over problems. However, Davidsson (2001) argued that learning skills could take a long time and money which decreases the motivation of the entrepreneurs.

The “family history” factor needs to be discussed in two parts for the first and second generations. The first generation of the case study hotel entrepreneurs did not have an entrepreneurial family background. All of the entrepreneurs’ families were engaged in farming and were very poor. However, they had grown up seeing other entrepreneurs around them and took them as an example. Some of them had a chance to start their own business before 1974 and some of them had a chance after. Their family backgrounds made them want to be better than their fathers and the conditions they had in their childhood. The
main motivation was earning more money because their perception was that the owners of hotels earn more money and live a very wealthy life. On the other hand, the second generation had totally different circumstances. They all came from families with an entrepreneurial background. Brandstatter (1997) suggested that an entrepreneurial personality could be stronger in a person who came from an entrepreneurial family. In the case study hotels, the second generation entrepreneurs never had any other choice except when the time came to take over control of the management. They had grown up in the business and the desire to be better than their fathers increased over the years. It was an expectation of the family and society. Storey (1994) found exactly the same reasons and issues for the second generation concept. However, there are no equivalent research findings for the first generation. He believed that an entrepreneur who comes from an entrepreneurial family had more chance of becoming an entrepreneur and pursuing growth. In addition, Leach (1991) mentioned the generational problems in transferring ownership in a family business. However, the study does not give any insight into the first generation's relationship with growth and their family backgrounds; it is again related to the business management after it is controlled by the second generation.

In the case study hotels, entrepreneurs started their businesses at a very young age, more or less in their early thirties. Consequently, the second generation also took control of the management at a similar age to their fathers. The starting age of the entrepreneurs shows that they had the energy and enthusiasm to create and pursue developments in their hotels. The hotels were doing good business and the entrepreneurs were seeing big opportunities to follow. Interestingly, the biggest developments in the hotels were found to happen under the second generations’ management who were young and educated in tourism. Storey (1994), Barkham et al. (1996) and Coulter (2000) agreed that age of the founder is an
important factor. He believed that young and middle-aged entrepreneurs have the experience, the credibility, the energy and access to resources. This is also related to family background as well. If the entrepreneurs were a very young age, their family could provide reputation, resources and experience for them, which is the case for the case study hotels. Glancey and Pettigrew (1997) agreed that small hotel entrepreneurs who were aged 30–49, were well educated and had management experience, were more likely growth oriented and interested in leading the company to a further stage.

"Network of contacts" was found to be the most significant factor which influenced the performance and developments of the case study hotels. An interesting point was that the hotel entrepreneurs’ networks were more complicated than in any other business. The hotel entrepreneurs’ networks needed to be wide ranging to include existing and potential customers, friends, politicians, business partners, suppliers, tour operators, travel agencies, employees, competitors etc. Holmlund and Tornross (1997) supported that finding and identify networks as the only way of connecting actors.

Perren (1999a) found a network was an important factor in terms of personal contacts for the entrepreneur that has the potential to help the firm. Aldrich and Martinez (2001) argued that networks are non-financial support for entrepreneurs, which can lead to improved financial performance. Many of the entrepreneurs in this study said that their networks helped them to develop their businesses. Moreover, Tinsley and Lynch (2001) argued that the meaning of “network” is not clear because of the terminology used. The findings of this study also support this as the way people understand networks created some confusion, especially in the tourism industry. As a result, in the hotel case studies, the networks are more complicated than just knowing contacts.
Miguens and Mendes (2008) argued that the networks carry more responsibilities than just being relationships with other people. Inappropriate networks could be very dangerous for the future of the firm or entrepreneur. But, the findings of this study have shown that entrepreneurs were not in a position to choose their network. The embargos created a new approach to networking in the TRNC. They only had an opportunity to do business with friends and relatives. So having been used to this, they became friends with business partners abroad to do more business. Friendship is very important in Cypriot culture. It represents important values like trust and loyalty.

Gibson et al. (2005) supported the view that networking can be a way of developing and promoting the destination, and Cypriot entrepreneurs used the same idea. The entrepreneurs preferred to create friendlier networks than purely professional ones. Actually, the findings have shown that there are no professional networks in the TRNC. Manning et al. (1989) agreed that networking provided essential ingredients to entrepreneurship, especially for motivation, role models, expert opinion, counselling, access to opportunities and information, etc. All the networks the entrepreneurs established were on the basis of good relations in North Cyprus. This was the best way to be aware of all the developments, changes and decisions in advance. The Irwin (2000) model agrees that active networking is a vital element in business growth. He suggested that the crucial part of development is not only “know-how” but also “know-who”. The case study hotel entrepreneurs created their networks using the know-who approach and their reputation in the society.

Aldrich and Martinez (2001) found that every entrepreneur needs to be good at networking in order to find customers and suppliers and to create a demand and supply chain. On the
other hand Gnyawali and Fogel (1994) found that networking could be very dangerous for entrepreneurs in terms of getting the wrong information and direction from friends, family and other resources. This was also an issue for case hotels. All successful entrepreneurs were rival each other. They were using gossips and informal chats for gathering information about their rivals. They did never know the level of truth of this kind of information. Entrepreneurs also had similar situation for international arena and getting right information from outside the world. Swanson and Webster (1992) found that lack of information and access to the international markets also affected the entrepreneur’s motivation and growth of the firm. This was the one of the main cases for the Turkish Cypriot hotel entrepreneurs because the embargos do not let them access the international market easily. The new technologies with the second generation provided more chances to reach real time information by using internet and other sources.

Tinsley and Lynch (2001), Gibson et al (2005) and Miquens and Mendes (2008) supported that in tourism it is important to use networks in the relationships between the actors, activities and business. Tourism is a very fast changing industry and inaccessible areas became accessible with the advances in transportation and technological developments.

Morrison et al. (2004) defined the networks within the many aspects of complex networks in the tourism industry. The results here also agree that the tourism industry must have been handling networks from many different angles like Morrison et al (2004). However, it is obvious that networks can only be created or destroyed by the entrepreneur. Networks are not a tool or tangible product so people cannot have same thing every time. The findings have shown that networks can be created over years with very hard work. It is easy to lose but hard to wait for long-term results.
The "other business interest of the owner factor" was found to be a positive influence on the business growth. The entrepreneurs had established other businesses while continuing their hotels. Interestingly, the other businesses were also related to the tourism industry. They also provided more benefits to their hotel businesses. The most important part was that the other businesses, like the tour operation company, made them more powerful in the industry. The entrepreneurs were able to control the customers and networks more easily by owning the intermediary travel companies. Barkham et al. (1996) agreed that other businesses played an important role in the company development. They mentioned that networks of small firms provided support for one another in tangible and intangible ways.

In the case studies, some factors were found to be less important in terms of growth achievement. The factors were still important in the start-up stage or continuation of the business but not in making decisions on the developments and growth strategy of the hotels. Perren (1999a) found that there are two aspects to "desire to be ones own boss" wanting to be self-employed (positive) and forced to be self-employed (negative). It was not so easy to identify which applied to the Turkish Cypriot entrepreneurs. In the case studies, the entrepreneurs emphasised that they wanted to be their own boss. However, they did not have many choices because of the situation in Cyprus. One way of looking at the situation is that the opportunities that arose after the war were seen by the entrepreneurs and then taken advantage of by them because they had wished to be their own boss before. Perren (1999a) stated that the entrepreneurs' motivation to be their own boss comes from personal needs and wants. Littunen (2001) agreed that desire to be ones own boss comes from wanting control of luck and fate. As discussed, Turkish Cypriot entrepreneurs always want to control their futures and be powerful to be able to deal with coming threats by
owning their own businesses. Lockhart (1994) and Warner (1999) found that Turkish Cypriots had started their entrepreneurial journey faced with a lack of local capital, expertise and qualified employees for the hotels. They also found that the only thing which was left in their hands was their freedom and dreams.

The thirteen important factors were discussed within the relation of case hotels. There were six other factors which found less important in terms of the achievement of growth. Storey (1994) found that "motivation" one of the main factors for establishing a business, was similar to desire to be one's own boss. Ucbasaran et al. (2001) stated that motivation was not only seen at the beginning of the business but was also important in keeping the entrepreneur in the business, and in determining his behaviour, attitudes, beliefs, etc. The case studies have shown that the motivation of the entrepreneurs comes from their past experiences as well. This also demonstrates the strong relationships between the factors. The main motivation of the entrepreneurs was found to be "look back and do not forget what you lost and always keep going". In the Storey (1994) study, four studies found a positive impact and three studies found no direct relation of motivation on growth. Storey (1994) pointed out that the reasons for the varying results were different sample size, sector, and periods of time. However, the culture, entrepreneur's characteristics and past experiences could be other reasons for the differences seen in the results. Chell et al. (1991), Timmons (1994), Barkham et al. (1996) and Morrison (2001) agreed that entrepreneur's attitudes and motivations differentiate them from non-entrepreneurs and others. Indeed, it could be said that a certain level of motivation is required by all entrepreneurs, but it was not found to be an important driver of growth. For example, in the survey findings one entrepreneur was highly motivated (verbal statement during interview) but did not wish to grow and believed that is enough for him.
On the other hand, the "management experience" factor was found to be unrelated to growth for the case study hotels. Storey (1994) found four studies indicated a positive relationship, six demonstrated no impact and one demonstrated a negative relationship of management experience to growth. Barkham et al. (1996), Delmar and Davidson (2000) and Coulter (2000) agreed that management experience from a prior business could help the entrepreneur to understand and complete the tasks easily for the new firm and achieve growth. Therefore, as all the case studies are not new subsequent firms, the study could not find any relationship between growth and management experience. Moreover, all the entrepreneurs' business life has started with their hotel business. They were very young to be in a position of manager in somewhere else. For the second generation of entrepreneurs, the situation was almost same. Their father did not let them be in the management until they took over from them. They were only observer and not in the management. In the case of hotel owners, the management experiences factor was not shown strong relation with the desire of growth. Moreover, entrepreneurs mentioned that they were clueless of what they need to do and less experience in tourism. They learnt everything by doing and learning from their mistakes.

In the case study hotels, the "number of founders" was mostly a single individual who owned the whole of the business. The shareholders of the companies are the family members, like the daughters or sons of the entrepreneurs. However, this was only on paper until they grew up and took control of the business as the second generation of entrepreneurs. Storey et al. (1987), Barkham (1996), Reynolds (1993) and Storey (1994) found that the number of founders has no affect on growth because it is the management of a business that requires a range of skills and a business having more than a single
individual manager is more likely to grow than a business owned by a single person. However, there are other issues that they are not taking in consideration like cultural differences and individual perception. In the case of the hotel entrepreneurs they have been working alone because they wanted to be alone. In the Turkish culture if you want to do business you need to do it yourself. Another important point mentioned by the entrepreneurs is that they do not trust anyone, which means they do not want any partners. This could be the reason why the hotel management can be done by only one person and if others are involved in the management they have conflicts on the decisions. In many of the hotel case studies, the general manager is the position which had a high turnover.

As described in the literature, "prior sector experience" would be gained from the same industry or from relevant industries (Delmar and Davidson, 2000). In the case study hotels, the entrepreneurs had many different types of prior sector experience. However, none of them accepted help in their hotel business. Many of them stressed that hotel management and development is totally different than any other business. They also mentioned that they have other businesses which are related to tourism and that required a different management approach, but are easier to run than a hotel. One of the hotel owners said the hotel is like your baby. It requires lots of attention, careful decisions, taking care of every day and being there to control everything. He also said that every day at the hotel was different from the day before. The entrepreneurs face a challenge from every new customer, employee and problem. In the case study hotels, prior sector experience was not a serious determinant of the development of the hotel. Interestingly, Storey (1994) found this is one of the important factors, but other researchers have found mixed results. Delmar and Davidson (2000) stated that an entrepreneur’s prior same-sector experience would give them more of an advantage as they could use their old experience and apply it to their new
business, which is likely to grow. Indeed, the case study hotel entrepreneurs are likely to have other business experiences, but not as a hotel employee or manager. This is one of the factors that again did not fit the background of the first generation of entrepreneurs in the TRNC.

"Gender" was not shown to be a significant factor in influencing growth in the case study hotels. It was interesting that the exploratory study showed that the majority of the hotel owners in the TRNC were male. There are only two women entrepreneurs but they did not start the businesses. One entrepreneur inherited the hotel from her father and the other took over from her ex-husband. Delmar and Davidson (2000) and Coulter (2000) suggested that the gender issue is also related to the culture of the society. For Turkish Cypriots, women are the ones who stay at home or work in a regular day job between 9 to 5. The hotel business is not an acceptable business in Cypriot norms for a woman. The role of Turkish Cypriot women in the family is to raise the children and look after the home. Basically, hotel entrepreneurism is male-dominated and it is a difficult place to be in as a woman. Storey (1994) agreed that the gender of the entrepreneur is not a key influence upon subsequent business performance.

7.4.2. Business

In this category five factors have been examined. The important factors were found to be location, size of firm, family/"investing" friends and key employees/partners.

Hakim (1989), Johnson (1989) and Jones (1991) agreed that location is one of the factors which affects the company’s performance. "The location" of the hotels is also a factor which influences the case study hotels’ performance. Every successful case study hotel has
its own unique location in North Cyprus compared to the locations of other hotels. It was very interesting that each hotel's location was not good in the beginning, being either outside the city centre or in a rural area. However, the case study entrepreneurs saw the opportunity and the locations of the hotels are in the best places in Kyrenia today. Over the years, the hotels' surrounding areas developed and became top attractions. Kyrenia was always very attractive for tourists and the demand increased year after year. Storey (1994) agreed that location does play a role; firms in accessible rural areas appear most likely to exhibit growth. In addition, location is the first reason for customers to choose a hotel, which increases room sales at the hotel and affects its performance (Hill, Nancarrow and Wright, 2002).

"Size of Firm" was found not to be an influential factor in the growth of the case study hotels. One of the main reasons was the seasonality of the hotels. Even though all the hotels opened for the whole year, it did not mean that business performance was the same for every month. Storey (1994) found that firm size was related to either employee number or business earnings. Neither of these was an issue for the hotel industry. The employee numbers and business earnings are very changeable in relation to the seasonality. Moreover, they are also changeable based on other effects on the market like terrorism attacks, wars, economical crises, etc. Storey (1994) found that firm size was a negative influence in another six studies. The one significant point on firm size was that all entrepreneurs started very small with less than 20 rooms. The hotel room numbers were increased after the demand rose with the expanding market. Snepenger et al. (1995), Morrison et al. (1999) and Lerner and Haber (2000) agreed that business performance and volume shaped the firm size in the hotel industry. However, they also mentioned that size is only an indicator of the firm growing from small to large.
Hoy and Verser (1994) and Perren (1999a) emphasised that families play a crucial role in the firm and its support mechanism. In the case study hotels, "families and friends" were actively playing an important role in the entrepreneurial venture. First of all, all the hotels were owned by family members. In other words, the hotels are family businesses in the TRNC. With the support from family members the entrepreneurs were able to achieve success during their venture. Perren (1999a) agreed that family support was a driver of growth. Coulter (2000) found that entrepreneurs gain power from their family and friends. Another finding was the close relationship between entrepreneurs and their friends. As mentioned in the network of contacts factor, relationships mean everything to the entrepreneurs. No matter what happens between them, they keep talking, doing business and continue the relationships. They have shown a large tolerance of each other. The main reason was that the population is too small and so they have been born, grown up and lived together with just a certain number of people. They do not have any other choice but to except and keep up good relationships with everyone and continue to get support from them. Getz and Carlsen (2005) and Getz and Petersen (2005) stated that bonding among the families and friends also creates a trusting and comfortable environment for the entrepreneurs, which also enables them to be more successful. Mokry (1988) also agreed that relatives and close friends play an important role in finding solutions, getting advice and accessing resources easily.

The influence of the "key employees" factor was one of the most important findings of this study. The level of employee turnover was the lowest in the case study hotels. Many employees started to work with the entrepreneurs at the beginning of the hotel start-up. In some cases, employees were working for 15–20 years with the same entrepreneur. The employees own the hotel more than the entrepreneurs. They feel and work like it is their
own company. The trust and loyalty were at a very high level and that also increased the quality of the service and customer satisfaction. Customers look forward to seeing the same employees over and over again each time they come. The entrepreneurs noticed that this has been a big advantage for their hotel development. They have been doing “investing in people” but in their own way. They became like a family with the employees. They were friends, and friends do not let each other down. It is very interesting the responsibility felt by the employees who had worked there for many years. They do not leave or want to leave alone their friend who is the boss. Similarly, Perren (1999a) found that key employees are a factor for growth. He stated that key employees are the people who offer a special level of skill or commitment to the firm. This is very similar to the findings of this study regarding the commitment part. However, there is a big issue in that the hotel could not be operated without employees in every department. So every person plays an important role in the chain of delivering the service to the customer. At the end, it is the outcome of working together that satisfies the customers. The entrepreneurs would not be able to achieve any success unless they created a good team who will deliver the service to customers. The hotel is a 24-hour business with no automation. Humans are the key to running a hotel business. Morrison et al. (1999) agreed that one of the key elements of entrepreneurship in the hospitality industry was commitment to employees in order to increase loyalty, retention and efficiency.

“Firm age” was not found to be a factor that influences the growth of the hotel businesses in the TRNC. The case study hotels were more or less started in similar years. None of them rapidly achieved growth. Storey (1994) agreed that firm age is not a factor for growth; an almost unanimous finding. Storey et al. (1987), Hakim (1989) and Dunne and Hughes (1992) found that firm age was not influential in the growth of firms. Young
companies could grow even faster than older companies in many cases, like technology-based companies (Kazanjian, 1988; Thompson, 1999).

7.4.3. External Influence

In this category three factors have been examined and all factors were found to be very important for growth, namely customers, state support, and planning.

"Customers" mean everything for hotel businesses. Actually, the success of a hotel rests on two important components: customers and employees. A hotel without customers looks like a ghost hotel. There is no way that any hotel can do business or continue to exist without customers. From the first day of opening the hotels need customers for the next day and thereafter. The biggest issue for the case study hotel entrepreneurs was to find customers, especially in the beginning.

However, the timing of the start of their businesses was good because they had customers but there were no hotels at that time. So their customers were there ready before they started their hotel businesses. But this situation did not stay like this for long and the embargos decreased the number of tourist arrivals to North Cyprus. That meant that every customer was very precious for the hotel. They never had a chance to choose their customers. Customers mean sales, occupied rooms, success, and continuation of the hotel business. They had to create two things: customer loyalty and satisfaction.

Lennon and Foley (2000) stated that Dark Tourism was a new type of tourism, which increases the tourist number at the destination. In Cyprus, tourists were former British Army personnel who returned again as civilians after 1974. A short time after, their
children came as tourists to see their fathers' war zone and experience the history told by their fathers.

As a result, the "word of mouth" method was the only way to promote their hotels and reach the new potential customers. A successful season with a full occupancy rate provided cash money that the entrepreneurs then had available to invest for the next year's developments. It was very obvious that a hotel business cannot be run without considering the value of the customers. The Bolton Committee Report (1971) identified that every business needs a customer and it's a key characteristic for small firms to be successful. This approach has never changed, especially in the hotel business. However, Storey (1994) found no relationship between customer concentration and growth based on the empirical studies he examined. This different result could be due to sector characteristics. Newell and Seabrook (2006) suggested that hotel industry characteristics, such as lack of understanding of the hotel industry, seasonality, unstable cash flow, market and profile of customers, etc could affect the business growth directly. The hotel business totally depends on customers. Here another important issue emerges: the choice of customer and finding customers is important. It links to the other factors like networking and location. It is obvious that one factor interlinks to other factors one way or another. Perren agreed that the entrepreneur has limited control over the customer factor but a big influence on the growth of the business.

Another external influence was "state support" for the entrepreneurial venture, which was found to be very influential in the growth; also this factor is related to the network of contacts factor and together leads the firm to the growth. The government of North Cyprus has supported the entrepreneurs, especially when under the control of President Denktas and the UBP political party. It is again interesting that the research has found that
friendships are crucial to the relationship between the government and entrepreneurs. All the case study entrepreneurs were a friend of Denktas. He encouraged them to become an entrepreneur and opened the way on the formal issues for many others. However, that was only the era for the first 10 years of business for the case study hotels. The main problems faced by the entrepreneurs were the amateur politicians and procedures during those years. Interestingly, the politicians and entrepreneurs learned everything together by doing. They needed to work on the laws and regulations constantly because tourism is a very dynamic concept. The entrepreneurs did not know the tourism industry well and neither did the politicians. It was the biggest problem between the entrepreneurs and politicians. Political problems like embargos have always been an issue for both of them.

Governmental support happened in many ways for the hotel entrepreneurs. They worked on superstructure, infrastructure, marketing and promotion. Gnyawali and Fogel (1994) stated that governments can create an “enterprise culture” to decrease the risk that entrepreneurs take and seek profits by stabilising economic parameters. On the other hand, the economy was dependent on the Turkish government’s support. The new development meant money and funds for the entrepreneurs. The local development bank, which was an extension of Turkey’s development bank, supported the entrepreneurs when they needed money. They only had an opportunity to find financial support from private banks and development banks. They never had a chance to get any support from foreign investors or banks, like EU funds, because of the embargos. Samitas and Kenourgios (2005) stated that the EU has played an important role in promoting SMEs and increasing the awareness of entrepreneurship by developing policies, regulations and grants. When the businesses were in a bad situation, the government wrote off their electricity, tax and water debts, and even money they had loaned. Entrepreneurs and politicians were always close and shared the
critical decisions for the sector. Davidsson (1991) agreed that governmental incentives (like tax reduction) would increase the motivation of entrepreneurs and help them continue their businesses.

The above discussion has shown that the relationship of the government with the entrepreneurs comes from a very different perspective in terms of the situation of North Cyprus. Perren (1999a) examined entrepreneurs and their ventures in a stable country’s economy (UK) with widely available governmental support, like schemes and grants. Even there, he found that governmental support for small firms had an absence of clear objectives and a lack of coherent schemes. This research also found the same situation occurred for the case study hotels after the elections in the mid 90s. After 1999, the governmental support to the hospitality sector changed. They never got the chance to have the same opportunities they had had before. The new government did not actually give much attention to the tourism sector. The hotel owners were left alone and had to make use of limited resources. However, Claver et al. (2006) found that hotel firms who have access to financial resources and other support from external resources could have more chance to achieve growth.

"Planning" is an internally influential factor, which means the decision-making process by which the owner-manager decides the future of the firm (Storey, 1994). Storey (1994) concentrated on the formal planning, such as strategies, written objectives and goals for the long term. He found that the evidence is less clear as to whether this is a factor which encourages growth or whether it is merely associated with a movement towards greater size and formality. Coulter (2000) also stated that successful entrepreneurship comes from a well-planned strategy rather than just chance. In the case study hotels, the factor was
examined based on the definition of future plans or decisions of the entrepreneurs, rather than formal written plans. In fact, the case study hotels could not show any written documents related to business proposals, plans or strategies at all. The entrepreneurs were planning but not writing down any of them or sharing them with other members of the team. Everything was in the minds of the entrepreneurs. They were afraid of other hotel owners stealing their ideas and plans so kept them secret in their minds. Everybody learns about the plan after it happens. Most of the developments happen after they have been travelling around the world to other countries and hotels. Many of the entrepreneurs mentioned that they had seen the same or similar things and wanted to have them in their own hotel. They planned and implemented them. The entrepreneurs always had plans in their minds, which again comes from their old experiences of war. They needed to be one step ahead all the time just in case something happened. However, this has been found to be more related to their personal life rather than hotel development. Pasanen (2006) believed that planning and a controlled strategy leads to business growth. Besides that, the entrepreneurs’ decision-making processes also affected developments such as changing the service style or putting in place a new idea, but it was not done in writing in a professional way.

7.4.4. Entrepreneur Orientation

In this category four factors have been examined. The case study hotel findings have shown that all the factors under the category of entrepreneur orientation were hugely important and significant factors in the hotel business growth.

“Autonomy” was found to be one of the most highly influential factors for the growth of the case study hotels. It was more related to the characteristics of the entrepreneurs and the organisational culture created for the hotel. In each case study hotel the entrepreneurs were
found to be self-determined, unique, ideas creators, as is required to make a business successful. Lumpkin and Dess (1996) mentioned that an entrepreneur's autonomy comes from their desire to be their own boss and work for themselves. They stated that autonomy is a key dimension of growth. Autonomy, as described for individuals (entrepreneurs), refers to the ability and will to be self-directed in the pursuit of opportunities and for firms to take action free of stifling organisational constraints. Therefore, autonomy starts from the entrepreneurs and spreads to the firm and becomes the spirit of the firm. In the case study hotels, every entrepreneur showed their autonomy through the implementation of their unique and new ideas in their hotels.

Miller (1983) also found that the nature of autonomous behaviour is leadership and delegation of the authority by entrepreneurs. All the entrepreneurs were found to be a leader in their respective hotels and environment and the centre of everything. However, the Churchill and Lewis (1983) life-cycle suggested that the owner separates from the centre of the organisation as they pass through further stages, like growth and maturity. In the case study hotels, the entrepreneurs were getting more central to the operation with every development of the hotel. The way of doing business in North Cyprus is to be in your business all the time, never leaving it to others and being in control of everything. They believed that this was the secret of being successful in the hotel business.

Another important influential factor was found to be the “innovativeness” of the firm and entrepreneurs. In the case study hotels, all the entrepreneurs tried to find ideas that were new and strategically competitive. Freel and Robson (2004) and Lumpkin and Dess (1996) found that innovation is one of the main factors of growth for firms. They also stated that innovation should be counted as a technological development. Lumpkin and Dess (1996)
stated that a new service or different approach could be innovative if it differentiates the market position of the company and results in an increase in awareness. Barkham et al. (1996) and Barringer et al. (2005) agreed that innovation helps to gain power through knowledge or know-how. In the case study hotels, all the entrepreneurs were alone in finding ways of doing business because of the embargos. This was the biggest reason for them needing to be more innovative in many different ways, like creating a new product, services or coming up with a new advertising idea. Another reason was the big competition from other Mediterranean countries in the tourism market. Other competitive countries were far ahead of North Cyprus in terms of hotel types and services. The entrepreneurs’ only chance was to be more creative and innovative to offer different services or ideas to attract tourists. In addition, Porter (1990) also agreed that the power of innovations in new products or services can create a competitive advantage for companies.

“Proactiveness” was another factor which was found to be highly influential in the growth of the hotels. Lumpkin and Dess (1996) defined proactiveness as “acting in anticipation of future problems, needs, or changes”. In the case study hotels, the entrepreneurs were born during conflicts and problems. In fact, the entrepreneurs were in a kind of situation where they had to be proactive all the time for the whole of their future lives. They had been raised to look towards the future and act in anticipation of future problems. It was one of the most surprising parts of the study. This was the first time entrepreneurs had shown high proactiveness and everything led back to the experience of their younger years of being at war. Venkatraman (1989) stated that entrepreneurs who act on future needs by seeking new opportunities, which may or may not be related to the present line of operations, introduce new products and brands ahead of the competition. So, the case study entrepreneurs always kept in mind the possibility of losing and actively sought developments. Based on the
above discussion, the case study entrepreneurs always tried to see the future and seek out the opportunities in North Cyprus. A very good example was the choice of location for their hotels.

One of the interesting points was recorded during the interviews with the hotel entrepreneurs. They individually said that they were the one that applied the new service or products in their hotel, like an aqua park, spa centre, etc. and that the other hotels would try to be like them. Lumpkin and Dess (1996) stated that a proactive firm is a leader rather than a follower. Wang (2008) mentioned that proactiveness is another way of responding aggressively to competitors. In the case study hotels, competition increased more aggressively after 1999. The entrepreneurs were facing the challenge of new hotels opening on the island. The only way of fighting with the competitors was to be a leader in the market and pursue new opportunities like new markets for potential tourists.

"The competitive aggressiveness" factor is also related to the proactiveness factor for growth. There is a strong link between the two factors. The case study entrepreneurs were getting more into the competitive market after 2000. The embargos were greater though because South Cyprus was becoming an EU member country in four years time. Turkey had a big jump in the development of the hospitality sector during the same years. Repeat customers who had been coming to the hotels for many years were not able to come back because they were too old to travel or had died. It was very interesting that they never noticed the decrease in tourist numbers from foreign countries. Hotel entrepreneurs have blamed the government for not doing good advertisements. The five case study hotel owners used this as an opportunity. They realised they needed to find new customers and new intermediaries like tour operators. The competition was so high, even finding new
customers was more difficult compared to other years. MacMillan (1982) and Porter (1990) stated that an aggressive stance and intense competition are critical to the survival and success of a business. Lumpkin and Dess (1996) also stated that a firm’s success is directly related to improvement in position and outperforming industry rivals in the marketplace.

7.5. **Hotel and Entrepreneurial Success – Combination of Factors**

Lockhart (1994), Middleton (2001), Morrison and Teixeira (2004) and Morrison (2006) agreed that the hotel industry is one of the most important businesses for a country’s economical and social development. Hotel businesses create jobs, economic wealth and tourist demand. Sharpley (2001) stated that island tourism was dependent on the hotel developments and growth.

Morrison et al. (1999), Thomas et al. (1997), Page et al. (1999), Wanhill (2000), and Lerner and Haber (2000) found the common characteristics of hotel establishments and entrepreneurs were: small-family-owned business; high fixed costs; requirement of managerial skills; dependent on other skills such as chefs, qualified employees; dynamic – changeable market conditions; lifestyle; good network; high motivation commitment; innovation; seasonality; sustainability; timing; creativity; and opportunistic. Those factors found in a general business, but seasonality, and changing market demand and profile of the customer have been found to be very unique to the tourism sector. None of the study actually supported that those factors influence growth of the hotel business or not (Thomas et al., 1997; Page et al., 1999; Wanhill, 2000).

The literature and main study findings have shown that theoretically and practically a new approach and kind of guidance is required to show the successful growth path for hoteliers.
Newell and Seabrook (2006) agreed that hotel investment and continuation of the business is not an easy job and specific problems increase the loss in the industry. Many hotels started small and hardly survived, as in the case of the TRNC hotels. The most significant point of this study is that it has been conducted with successful hotels operating under special circumstances like economical, political and social. Therefore, this study was found that there was not one specific factor influencing growth of hotel business. Moreover, this study also found that growth could not be explained easily for hotel business unless all the factors combined together in a way of achieve successful growth.

The combination of the factors is the responsibility of the entrepreneurs and their ability to do it. Chell et al. (1991) stated that the distinguishing characteristics of an entrepreneur can achieve growth and the future development of the business. Therefore, entrepreneur characteristics also play their part alongside the growth factors (Kisfalvi, 2002). An entrepreneur is the person who will use and apply the strategy of growth. However, some factors were related directly with the entrepreneur’s characteristics and ability to combine the factors and situations at the right time and right place. It will lead the entrepreneur successful growth.

Perren (1999a) drawn a conclusion as one factor does not affect the growth and many factors with growth drivers lead the firm to successful growth. It is obvious that growth could happen only if the selected thirteen factors work together for the hotel industry. In the survey, many other hotels were found to be less successful in terms of the growth pattern over the years. All the less successful entrepreneurs listed reasons depend on the support of government, embargos and economic problems. However, this study found that successful entrepreneurs who achieve growth also faced same problems as others. The
results suggested that many entrepreneurs did not know how to work and combine the factors to turn successful growth of their hotels. It has found that easy way of saying embargo was important factor for growth rather than to do the difficult job of focus on the important factors and combination of them.

The combination of factors for successful hotel entrepreneurship is shown in exhibit 7.2 to understand the important factors which influence the growth of hotels. Storey (1994) agreed that all the factors need to be combined appropriately in order for the firm to achieve rapid growth.

Exhibit 7.1: The combination of factors for successful hotel entrepreneurship
The combination of factors means that entrepreneurs use intensively all the factors for the developments and success of hotel business. There is not any order for the factors combination. Entrepreneurs could use all factors together in the same period or different times. Hence, sixteen important factors lead them to successful growth of their hotels. As discussed early on this part, tourism and hotel business carry very unique characteristics. Hotel businesses do not look like any other business. As a result, factors which influence hotel business growth found to be more complex and require more systematic and entrepreneurial ability to combine and turn it to the successful growth.

7.6. Conclusion

This chapter has sought to discuss and evaluate the empirical research findings of this study. First, the exploratory research findings discussed in relation to the structure of the TRNC hotel industry. The findings were examined in the light of literature and previous studies. This part followed by the discussion of each factor that influence entrepreneurial growth in hotels in North Cyprus. The important factors were discussed and examined based on the findings and related studies. Finally, the complexity of tourism and hotel industry examined. The combination of factors and entrepreneurial success was identified.

Based on the above discussion, the next chapter presents the conclusions of this research study and provides a number of recommendations for knowledge, practice and further research.
8. CHAPTER: CONCLUSION AND RECOMMENDATIONS

8.1. Introduction

The research presented in this study set out to develop a deeper understanding of the factors that influence hotel growth through the analysis of empirical data collected from five case study hotels.

The literature reviewed much emphasis on general factors which influence the growth patterns of the firms. The discussion in this chapter suggested that Sectoral differences could change the factors and the level and stage of growth achieved. It also suggested that the hotel industry carries unique characteristics which require a different management approach and market penetration strategy.

Special circumstances like embargos could change the life of an entrepreneur and their pursuit of growth. However, it was found that entrepreneurs were using embargos as an excuse for not be able to achieve success. On the other hand, successful entrepreneurs were sharing same circumstances and achieve growth. It was found that sometimes negative life conditions could be turned into the opportunities of a lifetime.

To sum up, these research findings are more in line with the propositions of the complexity view. Unlike other approaches, this view suggests that due to the complex and evolving nature of the hotel business, companies cannot often achieve and maintain growth easily unless they combine all the factors with good timing and recognising opportunities. The
selected factors have been supported by the literature. However, in the context of the hotel industry, there are sixteen factors have found more important out of twenty five factors.

This final chapter brings together the research findings and discusses their implications for the existing knowledge and practice. It also provides recommendations for industry practice and discusses the limitations of the research and further study.

8.2. The Growth of Small Firms in the Tourism Industry

The growth of small firms is an important issue for a country's economic and social development. In many small islands, tourism is the only way for residents to survive and achieve wealth. The tourism industry is dominated by small firms like hotels, restaurants and travel agencies. Tourism is a big chain and the growth of one business directly influences the other related businesses.

The drive of this study was to learn from successful hotel businesses operating under special political and economic circumstances and find the key factors that play an important role in the growth of small hotels. The findings of this study reveal that growth of small hotels is concerned with complex and dynamic activities, and that there is no easy solution to making things happen within a short period of time. There are multiple factors that interact with each other on an ongoing basis and the interactions between these factors determine the outcomes of the growth of the hotels. As described by Storey (1994), the growth of small firms is very much like a long and complicated journey and all factors must be combined in a way to achieve successful growth. There are no reliable maps or guidelines to achieve successful growth and there are often conflicting suggestions made.
from a general business context. However, in line with the findings of Storey (1994), Perren (1999c) and Barkham et al. (1996), this study’s findings suggest that experience of previous entrepreneurship ventures, learning from prior and current growth factors, and an understanding of the motivations, entrepreneurial characteristics and external environment of the business can all drive the business and entrepreneur to grow.

In addition, the research findings further indicate that hotel management carries special characteristics. This makes the hotel business difficult and complicated. This also indicates that other business management approaches to the growth of the firm cannot be applied in the same way for hotels. Storey (1994) found that sector differences could change a factor’s influence on growth either negatively or positively. This study revealed that some factors do not affect hotel businesses in the same way as other firms, for example management experiences, planning, gender, prior sector experience and number of founders.

The research findings also confirmed that entrepreneurs are at the centre of the achievement of growth. The GET Test results have shown that the entrepreneur’s characteristics are highly related to the perception of the entrepreneur’s business success. It was unexpected to find a very limited number of entrepreneurs who scored highly and a very small number of hotels that grew. It was a match in both test results. This is a very unique situation in that entrepreneurial tendency actually influenced the business success and in some cases stopped them from growing. All growth stemmed from the entrepreneurs and their characteristics. If the entrepreneurs did not wish to grow, the hotel never developed. It is important to note that a hotel starting with 10 rooms could only accommodate 20 people. If this is enough for the entrepreneur then new rooms are never added in order to attract new and more customers. This will result in that hotel staying
small and never growing. In the survey, many entrepreneurs mentioned that they do not want to grow even if they had a chance and money. One of the main reasons was the business of the hotel and their retirement plan; having a small size is the only way they can deal with it. On the other hand, entrepreneurs who have a vision and desire to expand will pursue opportunities and add more rooms to increase sales and attract more customers.

8.3. The Factors of Growth of the Hotel Business

The results of this study revealed some similarities and differences between the five case study hotels. The motivation to start a business took a similar path for all the entrepreneurs. They had very difficult childhoods and an economically poor environment. Their families were engaged in agriculture, so they were not from an entrepreneurial family background (this is the case for the first generation of entrepreneurs). All of them had a certain level of education and life experience. One of the common feelings was that their hotel business was their only way of surviving their social and economical situation back then. Risk taking was another similarity shared by all the entrepreneurs. However, they mentioned that this was not down to their choice and that they had to take risk under the circumstances of the political and economical situation in Cyprus.

There were also many differences between the case study entrepreneurs. Although their family backgrounds looked more or less the same, the loyalty of the families was totally different. The innovativeness and proactiveness factors revealed that many of them followed the path of growth differently. The second generation had the same type of lifestyle and pressures from their family and society. However, they had different educational backgrounds and work experiences. The second generation were in aggressive
competition with each other and today's market situation. This led them to try to be
different all the time and to find new ways to be different from each other as well as from
their fathers.

This research has found that the hotel entrepreneurs did not see growth as a big issue before
the solution on the island. They saw hotel growth investment as nonsense compared to any
other business and growth investments. In another word, hotel business makes not enough
money comparing to the other business like selling car or being real estate agent. The key
factors needed to pursue growth for the hotel entrepreneurs were found to be desire to
succeed, active risk taker, education, family history, network of contacts, other business
interests of the owner, age of founders, size if firm, state support, planning, location,
family/"investing" friends, key employees/partners, customer concentration, autonomy,
innovativeness, proactiveness and competitive aggressiveness. The combination of these
factors led all the case study hotels to grow over the years.

Moreover, this research also found that there were certain reasons behind each factor which
were important for entrepreneur. From the perspective of the entrepreneur, their
background and experiences of being in a high-ranking position in the army played an
important role in their lives and their decisions. The entrepreneurs had a very hard
childhood under the conflict between the Turks and Greeks, which caused them to grow up
under the added pressure of identity problems. The entrepreneurs wished to have a well
known and powerful position in society by having a successful business with a reputable
family name. In small communities power is associated with the family name and the way
other people talk about them. It also continues with the second generation. If there is no
second generation, which was the case for many hotel owners in this study, the
entrepreneurs don’t have the opportunity to continue to have the same respect and power in society when they get old.

The case studies have shown that the second generation of entrepreneurs played an important role during the growth of the business. Moreover, they were the key to making the big jump in growth after their father’s developments. The first generation entrepreneurs had taken the business to a certain point, but the second generation created the big step forward. The first and second generations were found to be portfolio entrepreneurs. All the entrepreneurs kept creating and opening new businesses related to tourism and hotels. Both generations had a very good relationship with the government. It also gave them a chance to be part of the big decisions and know in advance about many of them. All the entrepreneurs dedicated their lives to the business of the hotels. They worked long hours and hardly slept. Their life is their hotel and they are in the hotel all the time.

The hotel locations provided big opportunities and chances to pursue growth. More importantly, loyal customers and loyal employees created the growth of the business over the years due to their good relationship with the entrepreneurs. In the light of all these important drivers of growth, the entrepreneurs have tried to be market leaders and early entrants into the market. The second generation had grown up with technology and were more open-minded to the outside world. They had a chance to see more opportunities than their fathers. In summary, the entrepreneurs had to balance all the factors with good leadership to pursue growth.
8.4. North Cyprus – special circumstances and hotel business growth

There is clear evidence to say that North Cyprus' special circumstances make small business growth different to other places. These circumstances included the socio-economic level of the people, political uncertainty, identity and cultural differences. Any business might be affected by these situations in either a negative or positive way. However, some firms turn the situation into an opportunity and used it as a new challenge for future developments. As discussed earlier, many factors influence the growth pattern and achievement of success. A combination of factors was also mentioned that plays a huge role in the successful growth. Growth will be the result of long-term achievement and hard work, which was the case for North Cyprus hotel owners.

The above discussion has shown the findings in relation to the existing literature. It is obvious that hotel businesses carry specific industry characteristics which affect the business itself. The last objective of this study was to develop an understanding and knowledge about entrepreneurial growth for hotel businesses and by doing that to contribute to the knowledge and practice of growth strategies in the tourism and hotel industry.

Claver et al. (2006) stated that the tourism industry is complex and is difficult to determine in terms of entrepreneurial structure. In the tourism sector, there are many different types of business establishments with different roles and responsibilities creating a big chain for the tourism world. The hotel sector is just a part of this big chain with their role being one of a primary producer in the tourism industry.
This study has examined many factors which play an important role in the development of hotel businesses. The majority of the hotels in the TRNC were found to be small and facing many difficulties in growing and passing stages in the life-cycle models. Moreover, the “1974 War” has had a big impact on the development of entrepreneurship and the life of the entrepreneur and businesses in North Cyprus.

Ioannides and Apostolopous (1999) mentioned that tourism and any other businesses related to tourism were affected by the war. Before the war, tourism statistics had shown 150,000 tourist arrivals (Ayres, 2000). In 1975, this number dropped to 47,000 tourist arrivals (Ayres, 2000). As Lisle (2007) suggested, the post-war model of conflict and tourism appears to be very consistent with the numbers found in North Cyprus. The main idea of this model is if there is a conflict, than there is no tourism. However, this did not happen like this in Cyprus. The South has continued to rapidly recover right after the war. The North has struggled for a long time to have a position in the tourism market. North Cyprus was known as an area occupied by the Turkish army and not accessible to tourists for many years. On the other hand, many British tourists (or former soldiers) continued to have connections (a network) with Turkish Cypriots in the UK (who settled down in the UK before the war or right after the war). They travelled to the North via Turkey. Did they know that such tourism was called dark tourism back then? The answer is very simple “No”. The conflict has continued between the two sides of the island. As Lennon and Foley (2000) mentioned, the North of Cyprus is accepted as a Dark Tourism destination and at the same time the South is not.
This was the customer side-effect of the war. There is also the entrepreneur side-effect, which has not been studied enough in the literature. This research is providing a good insight and information about how war affected the people's lives, futures and business decisions. In the case study hotels, all the entrepreneurs had been in the war and lived in Cyprus before and after. They were hired as a soldier before the conflict started between the two communities. They were very young and inexperienced. They had to develop many skills during the army training. They needed to continue their normal life and train as a soldier secretly. They never had a chance to work in the tourism industry before the war. However, tourism business potential and popularity were increasing; it was a very promising business on the island. So, they were aware of this situation. Right after the war, they had to survive and built the cities, houses and business again. Many of them left their business and properties in the South. Basically, the war in Cyprus has affected people very deeply, not only business-wise but also psychologically.

One of the interesting parts of this study was that all the successful entrepreneurs were found to be high-ranking commanders during the war. This helped them to rebuild their life and business from scratch by using their skills, disciplines and survival methods. They had sacrificed many things in their life to protect their family and land. The entrepreneurs continued to fight in the business like they were in the war. They were bigger risk takers and braver than any other person. It is important to mention that all people were not like the case study entrepreneurs and could not overcome the traumas and side-effects of the war on them. They had many problems in their lives, which changed their way of looking at life. Some of them were not strong enough to recovery their losses. Again, it shows that being a commander or high-ranked soldier in the army was extensively important in the civilian life of those people. This could be because of responsibilities or their way of seeing things. As
Chell et al. (1991) explained, the behaviours characteristic of entrepreneurs are so different from other people, and this is the reason why some entrepreneurs are different. It is obvious that characteristics were not the only way to differentiate an entrepreneur from among others; the way those characteristics were created also made them different.

It is quite interesting that circumstances created successful entrepreneurs in North Cyprus. On the other hand, if the same entrepreneur could have the chance to have the same investment and business in another country, would the results remain the same? Another way to say it is that circumstances create entrepreneurs and a successful business or entrepreneur uses the circumstances and turns it into an opportunity.

In the case study hotels, the first generation were under the influence of “circumstances create entrepreneur”. They always believed that they have never had a chance. But it is very clear that every single person has a chance to choose their destiny, work and lifestyle. Hence, the second generation kept the same mentality and added on the concept of “use circumstances and turn it to opportunity”. Therefore, time has changed but the meaning of entrepreneurship has stayed the same as success, money and power.

The result of five hotel owners being found to be more successful than the other 115 hotel owners also indicates that these entrepreneurs do things and see things differently. All five of them were found to be portfolio entrepreneurs. This also indicated that they did not wish to be known as small hotel owners. They also tried and achieved successful entrepreneurial ventures abroad like in Germany and the UK. This means that they learned to see the opportunity and use it extensively for seeking of the success of the company. This would involve using networks and networking around them. Many people left the island either
just before the war or after the war. Those people settled down in UK. They had worked in a stable economy and accepted that they will not go home again. They worked hard and became powerful in terms of money and self-confidence. They created a good network and guidance for the people who were left on the island. This was an incredible opportunity for them to learn and understand the UK tourism market. There is not an exact number because many Turkish Cypriots became British citizens when they settled down 35 years ago, but it is believed that more than 150,000 Turkish Cypriots are living in the UK (Altinay, 2008).

In 2006, the population of North Cyprus was 264,000 and it has an economy which is dependent on tourism. It is a very important finding that only five successful entrepreneurs achieved growth over the special period of 2004 to 2006 in the history of the conflict between the Greeks and Turks. Some entrepreneurs were stuck in the past and could not adapt themselves to the new developments and technology. There was one more barrier for the development of Turkish entrepreneurs which is the language problem. Before 1974, the first generation of entrepreneurs had to educate themselves to differentiate their position in society. From their way of looking at this situation, they also wanted the same thing for their sons (second generation). When Turks and Greeks were living together, they were all speaking Turkish, Greek and English fluently. Time has passed, a new education system was adopted in the North and the new generations were not educated as well as before. This was indicated during the interviews with the entrepreneurs. This could be a small point but it makes a big change in terms of the entrepreneurial concept. After 1974, the new environment of North Cyprus has provided endless opportunities and options. However, that was useful only for the people who could get over of the traumas over the years.
Basically, the entrepreneurs did the same things entrepreneurs elsewhere do, plus had more advantages like learning from the past and the recent experiences from their life. In many countries, similar situations can be occurring in different ways. Most importantly, all the entrepreneurs had the same approach, encouragement and achievement at the end. However, although many entrepreneurs use the opportunities, many do not. This could be the success or growth factors affecting them more than the others who stayed in the past and live in the past. The case study entrepreneurs were connected with the past, present and future. Every success achieved has a meaning for the entrepreneurs.

Growth will be endless success story for the entrepreneurs in North Cyprus. There is no way of stopping it, nor a need to stop. In the case of North Cyprus, everything is young: governments, republic, business, companies and freedom. The findings and results of the growth level will be same within similar situations, countries and businesses anywhere in the world. There must be other countries that recently had similar experiences to the Turkish Cypriots. They may have similar traumas but different reasons. In the end, it will all change the environment of entrepreneurship, success of entrepreneurs and business growth. It will than change the economy and social life of the country.

8.5. Research Contribution to Knowledge

The aim of my PhD thesis is “to investigate and explore the factors which influence the growth of hotels in the Turkish Republic of Northern Cyprus (TRNC)”. It contributes to the bodies of knowledge in the entrepreneurship, tourism management, hospitality management, and business management disciplines by proving a methodology that finds out the growth factors and their relationship with the entrepreneur under the special
circumstances of an island environment. The mixed methodology has allowed the quantitative and qualitative examination of two very complex areas. The quantitative part helped to understand the structure of the hotel industry and drew a conclusion on the number of hotels that had grown over the years. The qualitative part helped to achieve the aim of this thesis which is to find the specific factors related to the growth of hotels.

In particular my research has:

- established the database for the North Cyprus hotel industry, by categorising the level of growth to find out the number of hotels that had achieved successful growth;
- validated the strong link between entrepreneurial tendency (GET) and business success;
- provided an in-depth case study to understand and learn from real life stories;
- identified the 16 key factors that influenced hotel growth in North Cyprus; these are: active-risk taker, education, family history, networks of contacts, other business interest, family-investing friends, key employee partners, customer concentration, autonomy, innovativeness, proactiveness, competitive aggressiveness, location, desire to succeed, age of founders, state support;
- enhanced knowledge of the influence of post-war conflict and networks on hotel growth and entrepreneurship, which is potentially replicable in other countries and other nationalities.

The importance of these contributions should take into consideration the reality of the entrepreneur’s personal life as well as his/her business life. The most precious thing is life and experience in this life. Storey (1994) claimed that many of the entrepreneurs do not
wish to grow. This research has supported this and identified additional reasons behind such negativity. It has been many years since World War II and many countries have forgotten how war affects their lives and business. However, there are countries that have more recently experienced war, and hence the affect of this war. It has had a huge impact on people’s lives in the Middle Eastern countries, Korea, Cyprus, and Sri Lanka, etc.

The new world economy, politics and relations may change the way of doing business. Many things have changed over the last two decades. People wanted to move on and forgot what happen in the past. They either moved on or they just acted like they had. However, nothing was forgotten and every bit of evidence reminding them of what happened in the past was remembered. A new type of tourism, which is called “Dark Tourism”, also reminds every person who visits the sites.

Basically, this research has made a huge contribution towards understanding the influence of war and post-war conflict on people’s lives and businesses. This research also showed that the second generation is influenced by the past. However, it was very interesting to see the reaction of the second generation on the business side and their drive to succeed. It is a mystery as to whether they want to be successful because of their fathers or the country’s conditions. Both could be a reason of their success. It is again fair to say that the childhood of the person plays a very important role in their future entrepreneurial ventures.

The thesis has achieved its aims and objectives. Moreover, it has exceeded the expectations of the researcher. The results were very impressive and unexpected. However, it will be very useful to understand the new relationship between growth and post-war conflict. It has
been proven that growth is very complex and a unique formation of many factors. Moreover, entrepreneurs are the ones who must solve this puzzle to be successful.

8.6. Recommendations for Industry Practice

There has been mostly a prescriptive approach to pursuing growth and developments in general business. Based on the discussion undertaken throughout this thesis, this study does not intend to offer such prescriptions or a narrow checklist. The suggestions given below aim to point out the key areas for consideration which can assist entrepreneurs:

The growth of hotels should not be seen as a rational and linear process. It is instead a complex and dynamic process and there appears to be no one best way of achieving successful growth. It should also be noted that growth of hotels is dependent on the economy, social status and country’s situation. Therefore, growth of hotels and achieving positive results do not happen within a short period of time. The combination of factors needs to be balanced with the ability to see the opportunities.

Loyal customers and employees are the key component of successful hotel businesses. Moreover, if the hotel keeps its employees happy, employees will keep the customers happy. Happy customers will come back again and bring more customers by promoting a good reputation for the hotel. To achieve this, hotels need to pay attention to employees’ training, quality of service, and working conditions.

The research findings indicate the importance of the analytical, conceptual, political, negotiating, and networking skills of entrepreneurs. Entrepreneurs need to create good
networks and continuously keep on adding new contacts. Therefore, while developing and expanding networks, previous, current and future contacts will be beneficial for the business developments and growth. The second generations need to be well aware of what their fathers passed on to them. The second generation entrepreneurs were not the ones who founded the business and did not take the same risks taken by their fathers who had developed skills over several years of experience; they need to gain the above skills in a short period of time through education to be a successful entrepreneur. This can further help to develop the notion of “successful entrepreneurs” for the hotel industry.

A major implication of this study involves how growth of the hotels should be achieved by combining the important factors or to put it simply, how entrepreneurs should be prepared to design and implement growth of their hotel. Storey (1994) and Perren (1999a) state that many entrepreneurs are not well aware of the surround area of their business and influence of the factors, they are hardly prepared for making change happen. Based on these findings it can be suggested that growth of the firms should not be introduced as a rational and linear process but as complex and dynamic process which can be achieved in a certain period of time and circumstances. Entrepreneurs should be prepared not only to plan hotel growth but also be prepared to make it happen. To achieve this, entrepreneurs should be equipped not only with management and conceptual skills but also with the necessary political, negotiating and networking skills. Linking with this issue, entrepreneurs who wish to grow should be aware of the influence and importance of the factors combinations and implementation process.

Based on the overall research findings, this thesis does not show the huge contribution on the theory of entrepreneurship and tourism. However, it has shown the contribution of the
knowledge and practice of entrepreneurship and hotel business growth. The research provides a number of relevant and practical points to understand how entrepreneur's growth decisions are initiated and implemented with the combination of important factors.

The research was helpful to learn a lot about relations between hotel entrepreneurs and growth achievements. The research findings can be applicable for small and medium sized hotels within similar conditions of other countries. In practical knowledge, entrepreneurs were having difficulties to achieve growth and no time to find out the reasons behind this. The research findings also help to understand the key points of the growth and concentrated them rather than losing time and money trying to find the important drivers to growth. Finally, the thesis has achieved all the objectives which has identified in the beginning of the research.

8.7. Limitations of the Research

The overall aim of this research was to find out the factors which influence growth of hotels and provide further understanding of this under-researched area of hotel development. As in any research project, this study has several limitations. For instance, the research focused on the successful hotel developments and did not look at any relation of the growth factors to the hotels which were unsuccessful in achieving growth. It should be noted that only five successful hotels were found in this study out of more than one hundred hotels. Therefore, what has been achieved in-depth in this study is lacking in the breadth required for comparability with other organisations in other industries.

The data for this study was collected mainly through in-depth semi-structured interviews, although observations and documentary evidence were also used as additional data.
collection methods. However, the interview data itself was reported data and confined to relevant employees', entrepreneurs' and families' past experiences, although they were chosen for their involvement in the growth process. In all the case study hotels, access could not be facilitated to all the employees, due to their working hours and job responsibilities. Again, for all case study hotels there were a number of key network contacts, like tour operators, travel agencies and suppliers that could not be interviewed because of the timing of this research, and many of them were located abroad. Interviews with these people could also perhaps have provided further in-depth data.

However, in all the case study hotels, many other local travel agency owners who were critical for the growth were actually interviewed and their views were incorporated in the research findings. Although it was desirable and could provide further in-depth data, a longitudinal case study approach could not be employed due to time and resource limitations.

Over two years were spent in North Cyprus collecting data and it was apparent that when the data collection process was concluded the development of the hotels was still ongoing; some of the future developments were mentioned in the case studies by the entrepreneurs. Based on the limitations, experience and findings of this research, a number of suggestions can be made for further research, which are given in the following section.

### 8.8. Recommendations for further research

It is hoped that the research suggestions given below offer some possible directions for extending the current body of knowledge relating to the growth of the hotel industry.
The existing business growth literature relies heavily on conceptual and empirical data from countries that have a stable economy and society. The small islands heavily depend on tourism activities and developments. Small islands are also related to and affected by the countries that have colonised them in the past in a cultural and social way. Comparative research could be undertaken researching the differences in the development of the hotel industry under different national cultures and circumstances.

A longitudinal case study approach could be employed and the growth process of hotels and its outcomes could then be evaluated over a long period of time. This study could utilise multiple data collection methods including interviews, observations, documents and perhaps questionnaires where appropriate. This type of study could provide richer and more detailed explanations of the successful growth and hotel developments. It would allow the researcher to conduct more of the research in real time.

Another study is necessary to explore the relationship between the past experiences like war, traumas, etc, and the entrepreneur’s psychology. There are many countries where any kind of war, conflicts and recent attacks could change the mindset of entrepreneurs and the beliefs of entrepreneurs. This can directly affect activities in entrepreneurship in that country. Governments and officials may use the data to develop new initiatives and motivations to develop entrepreneurship.

A similar research study could be undertaken in a small sample of organisations from the manufacturing and tourism industries. This study could perhaps provide further explanation about the differences and similarities between growth factors from different industries and different sectors.
The types of entrepreneurs, especially portfolio entrepreneurs, need to be examined more in-depth in relation to an entrepreneur’s growth intention. Different types of entrepreneurs could pursue different growth paths.

The growth of hotels and tourism-related companies relies on fast changes in world policy and economic circumstances. However, hotels also heavily rely on tour operator and travel agency activities for sales and promotions. A study could be undertaken on networking and the relationship between travel intermediaries and the hospitality industry. This study could provide further explanations about the growth strategy of hotels in islands.
Appendix A:

Literature Review for Small Firms: Definitions and Description

Small business has been examined extensively in the literature over the last few decades. However, the main question of the definition of small business still remains unclear (Gibson; 2001). There have been many attempts to describe "what is small business?" in the business and management literature. Bridge et al. (2003) stated that "there is no single, clear, precise and widely accepted definition of what is a small business".

Small business has been described in many different ways by different sectors, and these numerous definitions have ended up confusing things further. The first definition of small business was published in the Bolton Report in 1971 (Bridge et al., 2003). The report explained that a small business can be defined by three main characteristics:

"Firstly, in economic terms, a small firm is one that has a relatively small share of its market. Secondly an essential characteristic of a small firm is that it is managed by its owners or part-owners in a personalized way, and not through the medium of a formalized management structure. Thirdly, it is also independent in the sense that it does not form part of a larger enterprise and that the owner-managers should be free from outside control in taking their principal decisions." (Bridge et al., 2003)

The Bolton Report did not apply qualitative factors to the small business definition. Exhibit A.1 shows the definition with quantification added for different sectors.

Exhibit A.1: Bolton report (1971) definition of small business

<table>
<thead>
<tr>
<th>Sector</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>200 employees or fewer</td>
</tr>
<tr>
<td>Retailing</td>
<td>Turnover of £50,000 pa or less</td>
</tr>
<tr>
<td>Wholesale trades</td>
<td>Turnover of £50,000 pa or less</td>
</tr>
<tr>
<td>Construction</td>
<td>25 employees or fewer</td>
</tr>
<tr>
<td>Mining/quarrying</td>
<td>25 employees or fewer</td>
</tr>
<tr>
<td>Motor trades</td>
<td>Turnover of £100,000 pa or less</td>
</tr>
<tr>
<td>Miscellaneous services</td>
<td>Turnover of £50,000 pa or less</td>
</tr>
<tr>
<td>Road transport</td>
<td>Five vehicles or fewer</td>
</tr>
<tr>
<td>Catering</td>
<td>All excluding multiples and brewery-managed pubs</td>
</tr>
</tbody>
</table>

Source: Bridge et al. (2003)

Although academics and government authorities have tried to describe and create one single definition for small business, the general public already knows small business as "one that has few employees, a low turnover, little or no formal structure and is usually managed by one person, who is also the business owner" (Bridge et al., 2003). In the literature of business, companies are described and categorised as either small or large businesses. However, medium-sized companies also exist and are very important for the economy. Therefore, Bridge et al. (2003) explained that "the term 'small business' is, on occasion, used to embrace medium-sized business also. To avoid confusion, however, the now ubiquitous term 'SME' (small and / or medium-sized enterprise) has now entered the language, particularly that of policy-makers".
The existing definitions vary for different purposes (taxation or legislation) or in the way they measure the size of small businesses (turnover or employment) (Bridge et al., 2003). But it is still confusing which one is right to use. Each country has produced their own small business definition according to their understanding and rules, which has given rise to more difficulties in making a consistent global and general approach towards small business around the world in terms of gaining funding and support from the World Bank or other global financial authorities. One group facing this problem is European Union member countries. The European Union enlarged its membership to 25 countries in 2005. Storey (1994) stated that the definition of a small business has not been agreed upon yet. He also mentioned that “following the lead of the European Commission, the term ‘small and medium enterprise’ (SME) has been coined. The SME sector itself is disaggregated into three components: Micro-enterprises: those with between 0 and 9 employees; Small enterprises: those with 10 to 99 employees; Medium enterprises: those with 100 to 499 employees”.

The Enterprise and Industry Division published a new definition of small and medium size Enterprise (SME) on 1 January 2005. The European Union SME User Guide (2003) explained the reasons behind the need for a new definition of SME as:

“Micro, small and medium-sized enterprises (SMEs) play a central role in the European economy. They are a major source of entrepreneurial skills, innovation and employment. In the enlarged European Union of 25 countries, some 23 million SMEs provide around 75 million jobs and represent 99% of all enterprises. However, they are often confronted with market imperfections. SMEs frequently have difficulties in obtaining capital or credit, particularly in the early start-up phase. Their restricted resources may also reduce access to new technologies or innovation. Therefore, support for SMEs is one of the European Commission’s priorities for economic growth, job creation and economic and social cohesion.”

Exhibit A.2 shows the new accepted definition of SMEs in use by the European Union (The new SME definition User Guide, 2003). The Enterprise Category was divided into three sections; medium-sized, small and micro. Employment is the main criteria for SMEs and the number of employees is limited for each enterprise category: medium-sized should be less than 250, small less than 50 and micro less than 10 employees. The new definition of SMEs suggests using either annual turnover or annual balance sheet as an additional criterion. In 1996, the old definition of SMEs micro enterprise category was not defined by annual turnover or annual balance sheet, which is new in 2005 definition.

Exhibit A.2: EU new definition of SME accepted from 1 January 2005

<table>
<thead>
<tr>
<th>Enterprise Category</th>
<th>Headcount: Annual Work Unit (AWU)</th>
<th>Annual Turnover</th>
<th>OR</th>
<th>Annual Balance Sheet Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medium-sized</td>
<td>&lt;250</td>
<td>≤ € 50 million (in 1996 € 40 million)</td>
<td>≤ € 43 million (in 1996 € 27 million)</td>
<td></td>
</tr>
<tr>
<td>Small</td>
<td>&lt;50</td>
<td>≤ € 10 million (in 1996 € 7 million)</td>
<td>≤ € 10 million (in 1996 € 5 million)</td>
<td></td>
</tr>
<tr>
<td>Micro</td>
<td>&lt;10</td>
<td>≤ € 2 million (previously not defined)</td>
<td>≤ € 2 million (previously not defined)</td>
<td></td>
</tr>
</tbody>
</table>

There are five main reasons for adopting a new definition for SMEs. These are stated in the SME user guide as:

- To update thresholds
- To promote micro enterprise
- To improve access to capital
- To promote innovation and improve access to Research and Development (R&D)
- To take account of different relationships between enterprise.

The European Union aims to create one single market for all its members. It is important to accept a common definition for all types of SME to be more effective, efficient, and to limit alteration of competition. The SME user guide mentioned that using SME as a new definition is voluntary. However, the European Commission is trying to enhance the use of the new SME definition amongst its members. The best way to support and apply the new definition is through working together with the European Investment Bank and the European Investment Fund. This is simply showing that if a country would like to get benefit and funds from the EU, they need to accept and apply the new definition, which will encourage the common use of a single definition. In this research, the new EU definition is accepted as a common definition of SME.

Samitas and Kenourgios (2005) stressed the importance of SMEs: “Research suggests that SMEs are the major providers of new jobs and contribute positively to economic growth, although GDP growth is influenced by many more factors. SMEs are crucial to competitiveness and productivity; they seem to be better fit for survival and may even thrive in a changing and integrated environment.”

Appendix B:

Definition of Entrepreneurship

Entrepreneurship and small business studies have been researched for more than 50 years (Cunningham and Lischeron, 1991; Thompson, 1999). However, entrepreneurship has been accepted as a unique, complex, fast growing and changing phenomenon (Thompson, 1999). That might have been the main reason why many researchers argued and could not come up with a common definition of entrepreneurship (Gartner, 1990; Thompson, 1999; Hill and McGowan, 1999; Ucbasaran et al., 2001; Gartner, 2001; Low, 2001; Westhead, 2003).

Drucker (1985) stated that “the term entrepreneur has been used for 200 years and there has been total confusion over the definition” (Lambing and Kuehl, 2003). After 18 years, there is still confusion and different arguments about the definitions of an entrepreneur and entrepreneurship (Ucbasaran et al., 2001).

Low and MacMillan (1988) critically examined various definitions of entrepreneurship. They concluded that none of the definitions captures the whole picture of the complex phenomenon of entrepreneurship.

Thompson (1999) supported Low’s (2001) argument and wrote that entrepreneurs and entrepreneurial behaviour can be found everywhere, e.g. business, the community, science, theatre and the arts, sport and military service.
It is obvious that entrepreneurship cannot be explained under one single category based on Thompson’s (1999) argument. Gartner (2001) looked at the entrepreneurship theory and argued that it could not be explained by using a single discipline, concluding:

"In other words, we see evidence that many ‘uni-’ rather than one or more ‘multi-’ disciplinary views of our field currently exist."

As discussed above, entrepreneurship is multidimensional, which means that it includes many different major business functions itself (Busenitz et al., 2000; Deamer and Earle, 2004). These functions are: Business strategy; Marketing; Sales; Accounting; Corporate finance; Operations; Research; Manufacturing; Administration; Human resources; Commercial contracts/legal; and Others (Deamer and Earle, 2004).

Entrepreneurship needs to be accepted as one of the richest and widest themes present in nature (Gartner, 2001). Richtermeyer (2003) identified a set of themes of entrepreneurship by looking at recently published academic journals. He summarised major themes into the following key areas which are shown in Table B.1.

Table B.1: Entrepreneurship key areas of Richtermeyer (2003)

<table>
<thead>
<tr>
<th>• Culture/ethnicity</th>
<th>• International entrepreneurship</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Economic growth</td>
<td>• Internationalisation, exporting and small business</td>
</tr>
<tr>
<td>• Education/learning</td>
<td>• Motivation/firm creation or dissolution/founder characteristics</td>
</tr>
<tr>
<td>• Entrepreneurship theory and practice</td>
<td>• Quality systems</td>
</tr>
<tr>
<td>• Ethics</td>
<td>• Resource-based views of the firm</td>
</tr>
<tr>
<td>• Family-owned business</td>
<td>• Social networks/business groups/alliances</td>
</tr>
<tr>
<td>• Finance</td>
<td>• Strategic planning and product development</td>
</tr>
<tr>
<td>• Firm performance/planning</td>
<td>• Supply chain management/distribution</td>
</tr>
<tr>
<td>• Gender</td>
<td>• Teams</td>
</tr>
<tr>
<td>• Human Resources</td>
<td>• Technology and technology-based firms</td>
</tr>
<tr>
<td>• Intrepreneurship vs. Entrepreneurship</td>
<td>• Venture capital</td>
</tr>
</tbody>
</table>


Kirby (2003) explained that “there is no agreed definition of either what constitutes an entrepreneur and entrepreneurship”. Although, some researchers have categorised definitions under five categories, namely, an economic function, ownership structure, degree of entrepreneurship, size and life-cycle of firms, and a resource base (Glancey, 1998; Morrison et al., 1999; Zimmerer and Scarborough, 2001). Table B.2 shows selected entrepreneurship definitions starting from 1921 to 2002 made from the perspectives of many different authors. Table B.3 show the selected entrepreneur definitions starting from 1931 to 2001.
Table B.2: Definitions of entrepreneurship

<table>
<thead>
<tr>
<th>AUTHOR</th>
<th>YEAR</th>
<th>DEFINITION OF ENTREPRENEURSHIP</th>
<th>CITED ARTICLE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Knight</td>
<td>1921</td>
<td>Definition focused on the ability to predict the future successfully.</td>
<td>Low and MacMillan, 1988</td>
</tr>
<tr>
<td>Schumpeter</td>
<td>1934</td>
<td>Defined entrepreneurship as &quot;carrying out new combinations.&quot;</td>
<td>Low and MacMillan, 1988</td>
</tr>
<tr>
<td>Weber</td>
<td>1947</td>
<td>The entrepreneur is the ultimate source of all formal authority within the organisation. Weber distinguished the entrepreneur from the manager.</td>
<td>Brockhaus, 1980</td>
</tr>
<tr>
<td>Webster's Third New International Dictionary</td>
<td>1961</td>
<td>&quot;The organizer of an economic venture, especially one who organizes, owns, manages, and assumes the risk of a business.&quot;</td>
<td>Brockhaus, 1980</td>
</tr>
<tr>
<td>Smith</td>
<td>1967</td>
<td>Entrepreneurship as forming a continuum, characterising the extremes in this range as &quot;craftsman&quot; to &quot;opportunistic&quot;.</td>
<td>Haynes, 2003</td>
</tr>
<tr>
<td>Cole</td>
<td>1968</td>
<td>Entrepreneurship as purposeful activity to initiate, maintains, and develops a profit-oriented business.</td>
<td>Low and MacMillan, 1988</td>
</tr>
<tr>
<td>Leibenstein</td>
<td>1978</td>
<td>Entrepreneurship is the ability to work smarter and harder than your competitor.</td>
<td>Low and MacMillan, 1988</td>
</tr>
<tr>
<td>Livesay</td>
<td>1982</td>
<td>Who designated entrepreneurial activity as any activity intended to initiate, maintain, and develop a profit-oriented business.</td>
<td>Begley, 1995</td>
</tr>
<tr>
<td>Carland et al.</td>
<td>1984</td>
<td>The fundamental distinction between entrepreneurs and managers of smaller businesses is that entrepreneurs are interested in innovative efforts focused on long-term growth, whereas managers of smaller businesses, by contrast, pursue personal goals.</td>
<td>Begley, 1995</td>
</tr>
<tr>
<td>Stevenson, Roberts and Grousbeck</td>
<td>1985</td>
<td>Entrepreneurship is being driven by perception of opportunity, rather than resources currently controlled.</td>
<td>Low and MacMillan, 1988</td>
</tr>
<tr>
<td>Gartner</td>
<td>1985</td>
<td>Defined entrepreneurship as the creation of new organisations.</td>
<td>Low and MacMillan, 1988</td>
</tr>
<tr>
<td>Begley and Boyd</td>
<td>1987</td>
<td>Offered the simplest definition of an entrepreneur, that is, a person who has founded his or her own firm.</td>
<td>Begley, 1995</td>
</tr>
<tr>
<td>Low and MacMillan</td>
<td>1988</td>
<td>Entrepreneurship … the “creation of new enterprise” and propose the following: that entrepreneurship research seeks to explain and facilitate the role of new enterprise in furthering economic progress.</td>
<td>Low and MacMillan, 1988; Davidsson and Wiklund, 2001</td>
</tr>
<tr>
<td>Gartner</td>
<td>1989</td>
<td>Entrepreneurship ends when the stage of organisational creation ends.</td>
<td>Begley, 1995</td>
</tr>
<tr>
<td>Johnson</td>
<td>1990</td>
<td>Attempted to deal with the question of interest in long-term growth by defining the entrepreneur as one who creates a venture and initiates practices intended to increase the firm’s size. In this definition, intention to grow is a key differentiating feature of the entrepreneur.</td>
<td>Begley, 1995</td>
</tr>
<tr>
<td>Miner</td>
<td>1990</td>
<td>Regarded growth orientation as a central entrepreneurial feature.</td>
<td>Begley, 1995</td>
</tr>
<tr>
<td>Timmons</td>
<td>1994</td>
<td>Entrepreneurship is about creating and building something of value from practically nothing. It is the process of creating or seizing an opportunity, and pursuing it regardless of the resources currently personally controlled.</td>
<td>Morrison, 2006</td>
</tr>
<tr>
<td>Timmons</td>
<td>1999</td>
<td>Entrepreneurship is a way of thinking and behaving that is opportunity based and holistic in approach. Entrepreneurship results in the creation, enhancement, realisation and renewal of value, not just for owners, but also for all participants and stakeholders.</td>
<td>Collins, et al. 2006</td>
</tr>
<tr>
<td>Shane and Venkataram</td>
<td>2000</td>
<td>We define the field of entrepreneurship as the scholarly examination of how, by whom, and with what effects opportunities to create future goods and services are discovered, evaluated, and exploited (Venkataram, 1997).</td>
<td>Alsete, 2002</td>
</tr>
<tr>
<td>White Hisrich and Dnovsek</td>
<td>2002</td>
<td>The creation and management of new businesses, small businesses and family businesses, and the characteristics and special problems of entrepreneurs.</td>
<td>Morrison, 2006</td>
</tr>
</tbody>
</table>

Sources: Low and MacMillan (1988); Brockhaus (1980); Begley (1995); Alsete (2002); Haynes (2003); Davidsson and Wiklund (2001); Morrison (2006); Collins, et al. (2006).
Table B.3: Definition of entrepreneur

<table>
<thead>
<tr>
<th>AUTHOR</th>
<th>YEAR</th>
<th>DEFINITION OF ENTREPRENEUR</th>
<th>CITED ARTICLE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cantillon</td>
<td>1931</td>
<td>The term &quot;entrepreneur&quot; &quot;+[to] buy the country produce from those who bring it or to</td>
<td>Hamilton and Harper, 1994</td>
</tr>
<tr>
<td></td>
<td></td>
<td>order it to be brought on their account. They pay a certain price...to resell wholesale</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>or retail at an uncertain price&quot;</td>
<td></td>
</tr>
<tr>
<td>Schumpeter</td>
<td>1947</td>
<td>Entrepreneurs have a desire to “found a private kingdom, drive to overcome obstacles, a</td>
<td>Rogoff and Lee, 1996</td>
</tr>
<tr>
<td></td>
<td></td>
<td>joy in creating, and satisfaction in exercising one's ingenuity.&quot;</td>
<td></td>
</tr>
<tr>
<td>Say</td>
<td>1964</td>
<td>The entrepreneur now had to be sufficiently multifaceted to ensure the proper co-</td>
<td>Hamilton and Harper, 1994</td>
</tr>
<tr>
<td></td>
<td></td>
<td>ordination of a range of activities such as the raising of capital, the organisation of</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>production, and the distribution of the product: the entrepreneurs were their own</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>managers.</td>
<td></td>
</tr>
<tr>
<td>Funk and Wagnairs Standard Dictionary</td>
<td>1958</td>
<td>An entrepreneur is “one who undertakes to start and conduct an enterprise or business,</td>
<td>Brockhaus, 1980</td>
</tr>
<tr>
<td></td>
<td></td>
<td>assuming full control and risks.”</td>
<td></td>
</tr>
<tr>
<td>Gartner</td>
<td>1988</td>
<td>Defines the entrepreneur as the individual who creates an organisation</td>
<td>Andersson, 2003</td>
</tr>
<tr>
<td>Stevenson, Roberts and Grousbeck</td>
<td>1989</td>
<td>Define entrepreneurs as the individual who creates value by employing a unique set of</td>
<td>Pearce and Carland, 1996</td>
</tr>
<tr>
<td></td>
<td></td>
<td>resources to exploit an opportunity.</td>
<td></td>
</tr>
<tr>
<td>Bruyat and Julien</td>
<td>2000</td>
<td>Define the entrepreneur as the individual responsible for the process of creating new</td>
<td>Andersson, 2003</td>
</tr>
<tr>
<td></td>
<td></td>
<td>value (an innovation and/or a new organisation).</td>
<td></td>
</tr>
<tr>
<td>Zimmerer and Scarborough</td>
<td>2001</td>
<td>Entrepreneur...one who creates a new business in the face of risk and uncertainty for the purpose of achieving profit and growth by identifying opportunities and assembling the necessary resources to capitalise on them</td>
<td>Zimmerer and Scarborough, 2001</td>
</tr>
</tbody>
</table>

Sources: Brockhaus (1980); Hamilton and Harper (1994); Rogoff and Lee (1996); Pearce and Carland (1996); Zimmerer and Scarborough (2001); Andersson (2003).

Low (2001, 19) critically examined most of the entrepreneurship definitions in table B.3 and concluded:

“The problem with these definitions is that though each captures an aspect of entrepreneurship, none captures the whole picture. The phenomenon of entrepreneurship is intertwined with a complex set of contiguous and overlapping constructs such as management of change, innovation, technological and environmental turbulence, new product development, small business management, individualism and industry evolution. Furthermore, the phenomena can be productively investigated from disciplines as varied as economics, sociology, finance, history, psychology, and anthropology, each of which uses its own concepts and operates within its own terms of reference. Indeed, it seems likely that the desire of common definitions and a clearly defined area of inquiry will remain unfulfilled in the foreseeable future.”

Davidsson and Wiklund (2001) explained the importance of choosing the right definition while doing entrepreneurship research as:

“The choice and definition of level of analysis is not only important in relation to the design of empirical studies. It is also essential for the appropriateness of the utilization of different theories and the suitability of different conceptualizations of entrepreneurship.” (p. 2)
Despite the difficulties and confusion surrounding definitions, the following definitions of entrepreneur and entrepreneurship have been chosen for use in this research:

Entrepreneur is:

"...one who creates a new business in the face of risk and uncertainty for the purpose of achieving profit and growth by identifying opportunities and assembling the necessary resources to capitalise on them" (Zimmerer and Scarborough, 2001).

Entrepreneurship is:

"...we define the field of entrepreneurship as the scholarly examination of how, by whom, and with what effects opportunities to create future goods and services are discovered, evaluated, and exploited" (Shane and Venkataram, 2000).

**Appendix C**

**Literature Review for General Information About Cyprus**

The name Cyprus has a somewhat uncertain etymology. One suggestion is that it comes from the Greek word “κυπάρισσος (kypa'риссос)” meaning “cypress” (Cupressus sempervirens) or even from the Greek name of the plant Lawsonia alba (henna), “κύπρος (kýpros)”. Another school suggests that it stems from the euterocyprian word for copper. It has roots to the Sumerian word for copper, "зубар" or even the word “kubár” (bronze), due to the large deposits of copper ore found on the island. Romans used copper extensively and they received their copper from Cyprus. Through overseas trade, the island has already given its name to the Classical Latin word for the metal, which appears in the phrase aes Cyprium, “metal of Cyprus”, later shortened to cuprum. The ancient Greek word for copper is chalkos. From there the word passed into European languages as “copper” in the English language, “cuivre” in French, “Kupfer” in German and “cobre” in Portuguese and Spanish.

"Another probable suggestion is that Cyprus was named after the Greek goddess Aphrodite who was also called ‘Κυπρίς (kipris)’. Cyprus was the mythical birthplace of Aphrodite. Homer in his epics Iliad and Odyssey refers to the island of ‘Κύπρον (kypron)’: ‘Μούσα μοι ἑννέα ἔργα πολυχρόνου Ἀφροδίτης Κύπριδας’ – ‘Muse sing to me the works of golden haired Aphrodite Cypridos’. It is also characteristic that in ancient times the name ‘Κύπρος (Cyprus)’ in Greek was the first or second synthetic of names, such as: Αριστόκυπρος, Φιλόκυπρος, Κυπράνορας, Κυπροθέμης.” Hunt (1982).

Cyprus has a very old and sophisticated history which can be examined under five main stages. The first stage, or the “Prehistoric” period is divided into four ages, namely, epipalaeolithic, Neolithic, Bronze Age and Iron Age. According to archaeological evidence, the first settlement occurred in the 9th or 10th millennium BC. The second stage, named “Ancient Cyprus”, was a period between 721 BC and the Middle Ages where the island was ruled by foreign forces. Cyprus was controlled and run under the rules of Assyria, The City of Kingdoms, Persian Period, Hellenistic Period and Roman Occupation. The third “Medieval” stage covered the division of the Roman Empire until the Byzantine period. After AD 332 the Byzantine period and the Arab Condominium started. This was followed by the Lusignan period which was between 1191 and 1489. The fourth stage was when the island came under “Ottoman Control”. It started in 1570 and ended in 1878. The British rented the island from the Ottoman Empire between 1878 and 1925 as allies in the Russian-Ottoman War. After 1925, the British Crown Colony controlled the island until the Republic of Cyprus was founded in 1960 (Hunt, 1982).
The island population was formed from Turkish and Greek Cypriots (Altinay et al., 2002a; Sharpley, 2003; Altinay and Hussain, 2005). Under British rule, they were living together and using two languages as an official language, and agreed to use the same rules and regulations of the 1960 Constitution. According to the 1960 Constitution, the President of the Republic of Cyprus was elected by Greek Cypriots and the Vice President was elected by Turkish Cypriots. The government of the Republic of Cyprus consisted of a ratio of nationalities of 2:1 – Greek and Turkish (Lockhart, 1993). The 1960 Cypriot Constitution provided for a presidential system of government with independent executive, legislative, and judicial branches, as well as a complex system of checks and balances, including a weighted power-sharing ratio designed to protect the interests of the Turkish Cypriots (Altinay et al., 2002b; Altinay and Hussain, 2005). The executive, for example, was headed by a Greek Cypriot president, Archbishop Makarios III, and a Turkish Cypriot vice president, Dr Fazil Kucuk, elected by their respective communities for 5-year terms, and each possessing a right of veto over certain types of legislation and executive decisions (Altinay et al., 2002a; Altinay and Hussain, 2005).

Cyprus has become a big issue for Greece, Turkey and the EU. The conflict has not been finalised and the embargo on the North has not allowed for much development (Ayres 2000; Sharpley 2001; Sharpley 2002; Sharpley 2003, Webster and Timothy, 2006). However, there is new encouragement in the form of development programmes run by the UN and European Union to make changes and work for peace on the island. The EU is working with both governments closely and has funds available for small business. Tourism has been a major source of income for both parts which will be examined in-depth in the next section.

Cyprus 1960–1974 and Tourism

When Cyprus gained independence from Britain, tourism was underdeveloped and Cyprus was a very new destination for tourists. Despite of all of that, tourism statistics show that 25,000 visitors were recorded in 1960 (Sharpley, 2001). Tourist receipts were CY£1.8 million which was 2 percent of the GDP of Cyprus (Sharpley, 2001). Bed capacity was 4,301 and potentially growing but there are no records how many more were under construction. This was the milestone marking the start of mass tourism on the island (Ayres 2000; Sharpley 2003). Since then the main changes have occurred in superstructure and infrastructure.

The early evolution of Cyprus tourism was described by Sharpley (2003) as "the beginning of the island's transformation into a major Mediterranean summer sun destination as the focus of tourism development shifted from the traditional hill resorts of the Troodos mountains to the coastal resorts of Kyrenia and Famagusta." Tourism continued to grow and Cyprus became a popular destination within 10 years. Tourist arrivals increased to 127,000 and bed capacity reached 8,311 in 1970 (Warner, 1999). Tourism was developing rapidly in Cyprus: 264,000 tourist arrivals were recorded in 1973 and bed capacity increased to 16,988 (Warner, 1999). Developments in tourism focused more on coastal areas, especially Kyrenia and Famagusta, which accounted for 58 percent of accommodation and 73 percent of arrivals in the whole of Cyprus (Ayres 2000; Sharpley 2003). Most of the tourist arrivals were from Europe but the principal market was the UK (Warner, 1999). Tourism started to play an important role in the economy and as Table C.1 shows, foreign exchange receipts grew from CY£1.8 million in 1960 to CY£23.8 million in 1973 (Ayres, 2000). Interestingly, the statistics show the impact of the division of the island in 1974 on the tourist industry, and which parts developed faster than others (Table C.1).
Table C.1: Tourists in Cyprus 1960–1974

<table>
<thead>
<tr>
<th>Year</th>
<th>Arrivals (000s)</th>
<th>Receipts (CY£m)</th>
<th>Average tourist spending (CY£)</th>
<th>Tourism receipts as % of GDP</th>
<th>Total licensed bedspaces</th>
<th>New beds under construction</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960</td>
<td>24</td>
<td>1.8</td>
<td>N/A</td>
<td>2.0</td>
<td>4,301</td>
<td>N/A</td>
</tr>
<tr>
<td>1961-69</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>1970</td>
<td>127</td>
<td>8.1</td>
<td>N/A</td>
<td>3.6</td>
<td>8,311</td>
<td>N/A</td>
</tr>
<tr>
<td>1971</td>
<td>179</td>
<td>13.6</td>
<td>N/A</td>
<td>5.2</td>
<td>10,151</td>
<td>N/A</td>
</tr>
<tr>
<td>1972</td>
<td>228</td>
<td>19.2</td>
<td>N/A</td>
<td>6.5</td>
<td>10,783</td>
<td>N/A</td>
</tr>
<tr>
<td>1973</td>
<td>264</td>
<td>23.8</td>
<td>N/A</td>
<td>7.2</td>
<td>16,988</td>
<td>5,916</td>
</tr>
<tr>
<td>1974</td>
<td>150</td>
<td>13.9</td>
<td>N/A</td>
<td>4.6</td>
<td>19,192</td>
<td>3,648</td>
</tr>
<tr>
<td>1975</td>
<td>47</td>
<td>5.4</td>
<td>N/A</td>
<td>2.1</td>
<td>5,685</td>
<td>528</td>
</tr>
</tbody>
</table>

Source: Ayres (2000)

After 1963, conflict started between Greek and Turkish Cypriots (Lockhart, 1994). The intercommunal violence resulted in the partitioning of the capital, Nicosia, in December 1963 into Nicosia-North and Nicosia-South. It did not help to solve the conflicts and there were many small clashes between the two communities. One of them sparked greater problems which happened between 1963 and 1970; two Turkish Cypriot villages near the Nicosia-Limassol road were attacked and damaged badly (Lockhart, 1994). Despite that, the two communities tried to work out how to live together. As a result, tourist arrivals continued to increase in the early 70s.

Major hotel construction was carried out between 1972 and 1973. Kyrenia and Famagusta were the main tourist destinations on the island. On the other hand Larnaca, Limassol and Paphos were the least developed tourist areas. Lockhart (1994) stated that “these resorts accounted for 65% of hotel beds and 73% of arrivals in the 1973 season. In Famagusta, development was concentrated in the Greek-Cypriot suburb of Varosha (Maras). Construction in the Kyrenia district was more dispersed ... built along the coast westwards from Kyrenia harbour towards Vavilas (Guzelyali). There were couples of hotels built on the north-east coast such as Ayia Marina (Kucukerenkoy) and Dhavlos (Kaplica).”

The importance of entrepreneurship on the island was seen around the 70s. The investments were in local capital and most of the hotels were family-owned individual hotels or owner-operated chain hotels. The main examples are Lordos properties in Varosha (Maras) (hotel was at construction level); Fairclough Construction Group: Golden Sands – 986 beds; Varosha (Maras) and Salamis Bay Hotel – 720 beds (Lockhart, 1994).

The political conflicts affected island tourism directly and badly (Warner, 1999). In 1974, tourist arrivals dropped down to 150,000 and after the Turkish invasion, in 1975 tourist arrivals were recorded at only 47,000. Remarkable changes were seen in the numbers of new bed spaces under construction: 5,916 in 1973, 3,648 in 1974 and 528 in 1975 (Lockhart, 1994).

In 1967, when a military junta seized power in Greece, the political impetus for enosis had faded, partly as a result of the non-aligned foreign policy of the Cypriot President Makarios. Enosis remained an ideological goal, despite being pushed significantly further down the political agenda (Webster and Timothy, 2006). Dissatisfaction in Greece with Makarios’s perceived failure to deliver on earlier promises of enosis convinced the Greek colonels to sponsor the 1974 coup in Nicosia. Turkey responded by launching a military operation on Cyprus in a move not approved by the other two international guarantor powers, Greece and the United Kingdom, which aimed to protect the Turkish minority from Greek militias (Sharpley, 2003). The intervention was called the “Cyprus Peace Operation” by the Turkish side (Sharpley, 2003). Turkish forces captured the northern part of the island. Many thousands of others, from both sides, left the island entirely (Webster and Timothy, 2006).
In 1974 the island was divided into two parts, North and South, and the lives of Greek and Turkish Cypriots changed forever (see Exhibit C.1). The Republic of Cyprus remains the only formal and internationally acknowledged government on the island (Sharpley, 2003; Webster and Timothy, 2006). In 1983, the Turkish Cypriots declared an independent “Turkish Republic of Northern Cyprus” (TRNC), which has never been recognised by any country except Turkey (Warner, 1999). In 1985, they adopted a constitution and held elections – an arrangement recognised only by Turkey. Lockhart (1994) stated that “The Turkish military intervention that followed the short-lived Greek-Cypriot-engineered coup resulted in the formation of a Turkish Cypriot area in northern Cyprus that amounted to 37 percent of Cyprus and included Kyrenia, most of Famagusta District and northern Nicosia ... almost every major coastal hotel passed into the hands of the Turkish Cypriot community.”

**Turkish Republic of Northern Cyprus 1974–2006 and Tourism**

After 1974, Turkish Cypriots administered what was known as the Turkish Cypriot Federated State between 1975 and 1983 (Lockhart 1994). In 1983, North Cyprus declared themselves the Turkish Republic of Northern Cyprus (TRNC). None of the international countries except Turkey recognised the new government in the North, which had a major effect on the tourism industry (Witt 1991). North Cyprus faced embargos from other European countries. Lockhart (1994) pointed out that because of travel restrictions, tourists wishing to stay overnight could only enter North Cyprus via Turkey, which made developing tourism difficult.

Tourist arrivals fell to less than 20,000 in 1975 for TRNC. In spite of all the negative publicity about the North, tourism development did show a gradual increase after 1976 (Warner, 1999; Lockhart, 1993; Lockhart, 1994). Sharpley (2001) explained the North Cyprus situation after 1983 as “... the Turkish Republic of Northern Cyprus (TRNC), has not experienced something of a tourism revival of its own. Tourism in TRNC remained far less developed than in the Greek sector.”

The first main problem is seen in the hotel industry. The major hotel complexes in Varosha-Maras became part of the inaccessible zone (a prohibited zone) occupied by the Turkish armed forces and are still not accessible. Both communities lost around 6000 bed spaces in Varosha-Maras, which was the most attractive tourist destination in Cyprus (Witt, 1991; Lockhart, 1994). The second most important tourist destination, Kyrenia, was occupied and used as an army base. Kyrenia was very famous in terms of its historical attractions and hotels. Most of the Greek Cypriot owned hotels were closed and just a couple of them remained open under Cyprus Turkish Tourism Enterprises (CITE). Dhavlos, Yialousa and Rizokarpaso were abandoned totally and most of the hotel enterprises closed (Akis and Warner, 1994; Ioannides and Apostopopoulos, 1999; Kilic and Okumus, 2005). Table C.2 shows the number of hotels opened from 1963–2006 in the TRNC.

**Table C.2: Hotels established by year in the Turkish Republic of Northern Cyprus – TRNC**

<table>
<thead>
<tr>
<th>Hotel Establishment Year</th>
<th>Number of hotels</th>
<th>Hotel Establishment Year</th>
<th>Number of hotels</th>
</tr>
</thead>
<tbody>
<tr>
<td>1963</td>
<td>1</td>
<td>1996</td>
<td>4 (6)*</td>
</tr>
<tr>
<td>1975</td>
<td>16 (19)*</td>
<td>1997</td>
<td>5 (6)*</td>
</tr>
<tr>
<td>1982</td>
<td>1</td>
<td>1998</td>
<td>6 (7)*</td>
</tr>
<tr>
<td>1987</td>
<td>1</td>
<td>1999</td>
<td>7 (9)*</td>
</tr>
<tr>
<td>1988</td>
<td>2 (3)*</td>
<td>2000</td>
<td>2 (3)*</td>
</tr>
<tr>
<td>1989</td>
<td>4 (5)*</td>
<td>2001</td>
<td>4 (6)*</td>
</tr>
<tr>
<td>1990</td>
<td>7 (8)*</td>
<td>2002</td>
<td>1 (2)*</td>
</tr>
</tbody>
</table>

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The Development of and New Trends in the Hospitality Industry in Northern Cyprus

The main problem was how to operate and manage the existing hotels in the North. Turkish Cypriots were only operating two hotels before 1974 (Warner, 1999). The first one was the Saray Hotel which was built in 1963 in northern Nicosia. The second hotel was built in Lapta, west Kyrenia in 1973 by the Turkish Cypriot businessman Aziz Kent. Warner (1999) stressed that only a small number of Turkish Cypriots had any experience of the tourism industry as entrepreneurs before 1974.

Turkish Cypriots were more usually occupied by agriculture or trade. After the embargo was started by other countries, agriculture and trade decreased and affected Turkish Cypriots’ income (Sharpley, 2003). Tourism was the only solution to keep the island’s economy up and going. Turkish Cypriots faced a lack of local capital, expertise and qualified employees for the hotels (Warner, 1999). Many of them who came from the South left their money and investments behind and started all over again. They were not lucky in terms of finding money to invest in an unrecognised territory (Warner, 1999). As a result, the young generation of Turkish Cypriots left the country and started to live either in the UK or Australia (Lockhart 1994). CTTE continued to manage the large hotels that remained open, which were the well known Salamis Hotel and some small hotels in Kyrenia (Lockhart 1994). Hotels and star ratings are shown in Table C.3 based on 2003 Turkish Republic of Northern Cyprus (TRNC) Tourism Ministry Statistics.

Table C.3: Hotels in the Turkish Republic of Northern Cyprus – TRNC

<table>
<thead>
<tr>
<th>Kyrenia-Girne</th>
<th>Famagusta-Gazimagusa</th>
<th>Nicosia-Lefkosa</th>
<th>Morphou-Guzelyurt</th>
<th>Trikomo-Iskele</th>
</tr>
</thead>
<tbody>
<tr>
<td>5 star</td>
<td>5</td>
<td>2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4 star</td>
<td>6</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 star</td>
<td>13</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>2 star</td>
<td>6</td>
<td>2</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>1 star</td>
<td>16</td>
<td>2</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Other</td>
<td>50</td>
<td>2</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>TOTAL</td>
<td>96</td>
<td>10</td>
<td>3</td>
<td>3</td>
</tr>
</tbody>
</table>


The embargo created a huge problem for infrastructure and superstructure in the North (Warner, 1999; Sharpley, 2003). Another problem faced by Turkish Cypriots was a lack of transportation, communication and marketing resources. Nicosia International Airport was divided in half and the southern part stayed in the UN buffer zone (Witt, 1991). The northern half of the airport was reconstructed and opened as ERCAN airport which was used by Turkish Airlines scheduled flights. A Turkish Airlines and TRNC government joint-venture investment established Cyprus Turkish Airlines (Kibris Turk Havayollari – KTHY) in 1974 (Witt, 1991; Sharpley, 2003).
Ferry services were limited from Mersin-Turkey to Famagusta port. After 1980, Kyrenia harbour was built and opened for ferry transportation between Turkey and North Cyprus. The tourist profile of North Cyprus changed after the division. The embargos did not allow direct flights to the North. North Cyprus tourism became dependent on Turkish tourists from Turkey or Turkish people living abroad, for example in Germany (Akis and Warner 1995).

The Turkish government had placed restricted travel limitations on Turkish tourists wanting to travel abroad. They were only permitted to visit foreign countries once every two years, but this did not include Cyprus. Cyprus, therefore, became a freely accessible country for Turkish tourists (Lockhart 1994). All flights from other countries must have touched down in Turkey in order to fly in to North Cyprus, which is still the same today. It added more time onto flights and increased the ticket costs. North Cyprus was, therefore, not a very attractive destination to foreign tourists because of all these problems.

Tourism has been marketed by small specialised tour operators, especially in the UK; there was no mass tourism (Akis and Warner, 1995; Kilic and Okumus 2005). The main marketing activity was the oldest method of "word-of-mouth advertising". Foreign tourists came to the island because of its unspoiled nature and historical attractions. As a result, tourist arrivals gradually increased, reaching 527,301 in 1998 (Akis and Warner, 1995). Although hotel bed capacity was a big loss for both sides, North Cyprus gained a huge advantage because of its historical sites and attractions. Table C.4 shows the tourist attractions of North Cyprus.

<table>
<thead>
<tr>
<th>Table C.4: Tourist Attractions in North Cyprus</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Famagusta – Gazimagusa</strong></td>
</tr>
<tr>
<td>Ancient city of Salamis</td>
</tr>
<tr>
<td>Enkomi</td>
</tr>
<tr>
<td>Othello's Tower</td>
</tr>
<tr>
<td>St Barnabas Monastery</td>
</tr>
<tr>
<td>Venetian Palace</td>
</tr>
<tr>
<td>Nitovikla Castle</td>
</tr>
<tr>
<td>Other mosques and churches</td>
</tr>
<tr>
<td><strong>Kyrenia – Gime</strong></td>
</tr>
<tr>
<td>Ancient graveyard of Kyrenia</td>
</tr>
<tr>
<td>The church of Arkhangelos</td>
</tr>
<tr>
<td>The Bellapaia Monastery</td>
</tr>
<tr>
<td>The Buffavento Castle</td>
</tr>
<tr>
<td>The Kyrenia Castle</td>
</tr>
<tr>
<td>The St. Hilarion Castle</td>
</tr>
<tr>
<td><strong>Morphou – Guzelyurt</strong></td>
</tr>
<tr>
<td>St Mamas Monastery</td>
</tr>
<tr>
<td><strong>Lefka – Lefke</strong></td>
</tr>
<tr>
<td>Palace of Vouni</td>
</tr>
<tr>
<td>Soli</td>
</tr>
<tr>
<td><strong>Rizokanxsso – Karpas</strong></td>
</tr>
<tr>
<td>The Apostolos Andreas Monastery</td>
</tr>
<tr>
<td><strong>Trikomo - Iskele</strong></td>
</tr>
<tr>
<td>The Kantara Castle</td>
</tr>
<tr>
<td>Aphendrika</td>
</tr>
<tr>
<td><strong>Nicosia – Lefkosa</strong></td>
</tr>
<tr>
<td>The Kyrenia Gate</td>
</tr>
<tr>
<td>The Venetian Column</td>
</tr>
<tr>
<td>Many mosques and museums</td>
</tr>
</tbody>
</table>


Tourism gradually grew in North Cyprus after the 90s. However, the hotel industry was not growing as much as expected. The main reason for this was the tourist types and their accommodation preferences. Turkish tourists stayed in small hotels/guest houses, and friends and relatives homes rather than hotels. According to Lockhart (1994), Turkish tourists stayed at hotels for around five days or less and foreign visitors stayed on average 8.4 days on the island. This has highlighted that the length of stay was another problem for the development of tourism in North Cyprus. High numbers of tourists recorded between May to September are most likely to have come from Turkey (Akis and Warner 1995). There was no demand for more hotels or investments.
In the late 80s, Turkish Cypriot Asil Nadir was the first entrepreneur to invest money to build hotels in Kyrenia, namely the Olive Tree Hotel in Catalkoy and the Jasmine Court Hotel in Kyrenia. He also started three large-scale hotel projects, but his bankruptcy left all projects unfinished. The political problems and unstable situation also affected all investments and entrepreneurial activities in North Cyprus. Unemployment had increased and people started to face more of the effects of the embargos (Altinay et al., 2002b).

After the 90s, the TRNC changed their policy and gave permission for private universities to open in North Cyprus. This changed the island’s economy and development of tourism. Students came mainly from Turkey. However, in the last 10 years a greater interest has been shown from other nationalities, including Middle Eastern Countries. The universities have caused an incredible transformation in Turkish Cypriots’ lifestyles (Altinay et al., 2002a). New restaurants and bars have opened. Students increased demand for accommodation, and new constructions were started in the mid 90s. Their families visited North Cyprus as tourists and contributed to tourism receipts. There are five universities in North Cyprus, including the well known Eastern Mediterranean and Near East University which are accredited by many university authorities.

The TRNC Tourism Ministry Statistical Year Book (2006) showed that tourist arrivals grew from 461,415 in 1994 to 573,255 in 2000. Tourism revenue contributed $198.3m to the North Cyprus economy. The bed capacity was 7,183 in 1994 which multiplied to 10,213 at the end of 2000. Table C.5 shows tourism indicators in the TRNC between 1975 and 2006. It is obvious that tourist arrivals doubled between 1994 and 2006. Therefore, bed capacity was expected to increase by the same amount, but this did not happen at the same rate.

Table C.5: Tourism indicators in the Turkish Republic of Northern Cyprus 1975–2005

<table>
<thead>
<tr>
<th>Year</th>
<th>Arrivals</th>
<th>Receipts ($m)</th>
<th>Total licensed beds</th>
<th>New beds under construction</th>
</tr>
</thead>
<tbody>
<tr>
<td>1975–1993</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>1994</td>
<td>461.415</td>
<td>172.9</td>
<td>7183</td>
<td>N/A</td>
</tr>
<tr>
<td>1995</td>
<td>520.133</td>
<td>218.9</td>
<td>7453</td>
<td>N/A</td>
</tr>
<tr>
<td>1996</td>
<td>498.188</td>
<td>175.6</td>
<td>7821</td>
<td>N/A</td>
</tr>
<tr>
<td>1997</td>
<td>537.473</td>
<td>183.2</td>
<td>8504</td>
<td>N/A</td>
</tr>
<tr>
<td>1998</td>
<td>527.301</td>
<td>186.0</td>
<td>8972</td>
<td>N/A</td>
</tr>
<tr>
<td>1999</td>
<td>550.225</td>
<td>192.8</td>
<td>9557</td>
<td>N/A</td>
</tr>
<tr>
<td>2000</td>
<td>573.355</td>
<td>198.3</td>
<td>10,213</td>
<td>N/A</td>
</tr>
<tr>
<td>2001</td>
<td>492.843</td>
<td>93.7</td>
<td>10,507</td>
<td>N/A</td>
</tr>
<tr>
<td>2002</td>
<td>562.375</td>
<td>114.1</td>
<td>10,611</td>
<td>N/A</td>
</tr>
<tr>
<td>2003</td>
<td>589.549</td>
<td>178.8</td>
<td>11,550</td>
<td>N/A</td>
</tr>
<tr>
<td>2004</td>
<td>733.898</td>
<td>288.3</td>
<td>11,926</td>
<td>N/A</td>
</tr>
<tr>
<td>2005</td>
<td>805.583</td>
<td>395.4</td>
<td>12,839</td>
<td>N/A</td>
</tr>
<tr>
<td>2006-may</td>
<td>259.911</td>
<td>N/A</td>
<td>13,107</td>
<td>18,638</td>
</tr>
</tbody>
</table>


The lack of direct flights prevented the development of mass tourism, so the Turkish and North Cyprus governments started to think about other alternatives to keep the island economy alive (Warner, 1999; Scott, 2003). In the late 90s, the Turkish Government closed all casinos in Turkey (Scott, 2003). The TRNC seemed to be the best place to open casinos and help the economy of North Cyprus. The Turkish Republic of Northern Cyprus government allowed the opening of casinos by Turkish private investors. North Cyprus had another possible solution for attracting tourists from Turkey and other countries (Scott, 2003). On the one hand, casinos are prohibited in the South so many Greek-Cypriots started to come to Kyrenia to visit casinos. The casinos also became the main reason to visit North Cyprus by Turkish and other nationality tourists (Scott,
2003). Hotels that had casino facilities had a 48.7 percent occupancy rate and hotels without a casino had only a 25.3 percent occupation rate in 2006 (TRNC Tourism Ministry Statistical Year Book, 2006). This shows the huge difference having a casino or not had on the occupation rates. On the other hand, more visitors meant a more wealthy economic life for Turkish Cypriots. But casino customers may not actually add to the wider economy because they do not go out and spend money, which means casino customers only affect the occupancy rate but not the tourist income (Scott, 2003). It is also very deceptive to think that hotels get profits out of casino customers because most of them stay free of charge if they play in the casino (Scott, 2003). Warner (1999) explained the affects of casino tourism in the TRNC as:

"In the short run, the building of casinos and the restoration of hotels would give a considerable boost to the local economy. In the longer run, however, this type of development has its drawbacks. Gambling tourism generally adds little to the economy of the host country. Most of the tourists arriving come on inclusive packages, meaning that all accommodation and food costs are paid before they arrive. As the casinos are foreign-owned, the profits are repatriated".

Despite the effects of the casinos, the hotel industry is growing mature in North Cyprus. Growth is not following a pattern like any other Mediterranean island because of the unstable political situation and embargos (Warner, 1999). On the other hand, the entrepreneurs who take the risk and see the future keep investing money in hotel establishment. North Cyprus could be an opportunity for entrepreneurs who are willing to take risks and invest in the hospitality industry (Warner, 1999; Scott, 2003). The Tourism Ministry is also aware of the opportunities, and development of new hotels will be needed in the future (Warner, 1999).

New investments and entrepreneurial plans are supported by the Tourism Ministry and government. From late 2005, special bank loans and funds have been raised to attract more entrepreneurs to North Cyprus (Webster and Timothy, 2006). The support from the government and special bank loans has increased investment in the hotel industry (Sharpley, 2003). In North Cyprus, all entrepreneurs who wish to establish their hotel need to get permission and approval of their hotel project from the TRNC Tourism Ministry before the start of construction of the hotel. According to 2006 TRNC Tourism Ministry records, construction of 17 hotels was completed which provided an additional 1,136 bed capacity to the island, but they are waiting for a Tourism Ministry licence to start operating (Table C.6) (TRNC Tourism Ministry Statistical Year Book, 2006)

Table C.6: Hotels with construction completed awaiting licences in North Cyprus

<table>
<thead>
<tr>
<th>Region</th>
<th>Number of Hotels</th>
<th>Bed Capacity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kyrenia / Girne</td>
<td>12</td>
<td>948</td>
</tr>
<tr>
<td>Trikomo / İskle</td>
<td>4</td>
<td>134</td>
</tr>
<tr>
<td>Famagusta / Gazimagusa</td>
<td>1</td>
<td>54</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>17</td>
</tr>
</tbody>
</table>

Source: TRNC Tourism Ministry Reports 2006

Tourism Ministry records have also shown that 70 hotel projects have been approved which will provide a further 17,502 bed capacity. The expected bed capacity will have jumped to 31,477 after completion of construction of all the hotels by the end of 2008. It would be fair to say that the main entrepreneurial ventures actually took place after 2004. The growth of the hotel industry is changing from stable to fast. The influences on and effects of this growth might be due to different reasons, but it could be described metaphorically as a sleeping man waking up from a long winter sleep (Warner, 1999). Table C.7 shows the regional distribution of hotels and bed capacity for under construction hotels in North Cyprus (TRNC Tourism Statistical Year Book, 2006).
Table C.7: Hotels under construction in North Cyprus

<table>
<thead>
<tr>
<th>Region</th>
<th>Number of Hotels</th>
<th>Bed Capacity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kyrenia / Girne</td>
<td>47</td>
<td>7,746</td>
</tr>
<tr>
<td>Trikomo / Iskele</td>
<td>15</td>
<td>8,302</td>
</tr>
<tr>
<td>Famagusta / Gazimagusa</td>
<td>5</td>
<td>828</td>
</tr>
<tr>
<td>Nicosia / Lefkosso</td>
<td>1</td>
<td>270</td>
</tr>
<tr>
<td>Morphou / Guzelyurt</td>
<td>2</td>
<td>356</td>
</tr>
<tr>
<td></td>
<td>**</td>
<td>17,582</td>
</tr>
</tbody>
</table>

Source: TRNC Tourism Ministry Reports 2006

The Tourism Ministry recently changed the rules and regulations governing hotels in the constitution which came into force from 2005. The new regulations include new criteria for each category of hotel and a point system to gain a rating from the Tourism Ministry. The Tourism Ministry used Turkey and some other countries’ hotel category system to create the new regulations. According to the new regulations, the hotel star rating is applied from 1–5 stars. Additional categories have been added for different types of hotel like second class holiday village, boutique hotel, special licence hotel, touristic bungalow, apart-hotel, traditional houses and hotels unclassified. Table C.8 demonstrates the new hotel categories, and shows the number of hotels and bed capacity in each (TRNC Tourism Ministry Statistical Year Book, 2006).

Table C.8: Tourist establishments by category in North Cyprus

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>NO of HOTELS</th>
<th>BED CAPACITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>*****</td>
<td>11</td>
<td>6,274</td>
</tr>
<tr>
<td>****</td>
<td>6</td>
<td>1,536</td>
</tr>
<tr>
<td>***</td>
<td>17</td>
<td>2,183</td>
</tr>
<tr>
<td>**</td>
<td>15</td>
<td>979</td>
</tr>
<tr>
<td>*</td>
<td>23</td>
<td>785</td>
</tr>
<tr>
<td>II Class Holiday Village</td>
<td>6</td>
<td>1,005</td>
</tr>
<tr>
<td>Boutique Hotel</td>
<td>1</td>
<td>42</td>
</tr>
<tr>
<td>Special Hotel</td>
<td>1</td>
<td>34</td>
</tr>
<tr>
<td>Touristic Bungalow</td>
<td>31</td>
<td>1,690</td>
</tr>
<tr>
<td>Apart Hotel</td>
<td>7</td>
<td>416</td>
</tr>
<tr>
<td>Traditional House</td>
<td>1</td>
<td>24</td>
</tr>
<tr>
<td>Unclassified</td>
<td>5</td>
<td>348</td>
</tr>
<tr>
<td>Closed</td>
<td>6</td>
<td>500</td>
</tr>
<tr>
<td>TOTAL</td>
<td>130</td>
<td>15,816</td>
</tr>
</tbody>
</table>

Source: TRNC Tourism Ministry Statistical Year Book, 2006

As discussed earlier in the chapter, the North Cyprus hotel industry started completely from scratch after 1974. They did not know how to run hotels or establish new ones because Turkish people had never been involved in the tourism industry as entrepreneurs. After 32 years on the road, things have started to change, not only is the problem of an unstable North Cyprus being put on the table and discussed internationally, but Cypriot people have also realised that tourism, especially the hotel industry, is their only method of survival for the future because that is the only asset they have on the island (Warner, 1999).
Appendix D

The Growth Questionnaire

Dear Hotel Owner / Manager,

I am a PHD student in Entrepreneurship and Tourism in the University of Surrey at Guildford/UK. My research is examining hotel growth and entrepreneurship in Northern Cyprus.

The title of my research will be “Business growth and entrepreneurial orientation: a study of the independent hospitality businesses in the Turkish Republic of Northern Cyprus (TRNC)”. The main question will be: “What factors affect the development of Small Independent Hotel businesses in Cyprus?”

As you will appreciate entrepreneurship is enormously important for a country’s economy as well as for social change. There are many factors that can drive entrepreneurs to start and grow a business. Each business provides employment and value added to an economy. Therefore we need to understand and study entrepreneurship and entrepreneurs. With this research, we will be able to better understand the factors influencing growth in the independent hotel sector in TRNC and map hotel industry growth and new policy development.

The research will examine all 130 independent hotels licensed by TRNC Tourism Ministry. The research is supported by the TRNC Tourism Ministry and a letter has been sent to you by “Oteller Encumeni” explaining the purpose of the research.

The research will be conducted in two parts:

Growth Questionnaire: Questionnaire is attached with this letter. You will receive it by post and email. I will start to visit all of the hotels during the second week of September. I will collect the questionnaire during my visit to your hotel.

GET Questionnaire: This is a 15 min. questionnaire intended to assess your entrepreneurial tendency. I would appreciate if you give me 15 minutes of your time during my visit to go over this with you.

I am aiming to visit 3–4 hotels a day mid September to mid October. You will receive the time schedule in the beginning of September.

All of the information you provide will be treated in strict confidence and used for academic purposes only. Your name and hotel will not be published.

Please do not hesitate to contact me by email or mobile if you have any questions.

Thank you for your cooperation and support on this project. I look forward to meeting you in September.

Yours Sincerely

Mrs SENEM YAZICI
PHD Candidate
University of Surrey
Guildford – UK
Email: msp1sy@surrey.ac.uk
Mobile UK: 00 44 790 429 53 72
## A) THIS HOTEL

<table>
<thead>
<tr>
<th></th>
<th>Question</th>
<th>Answer Options</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>When was the hotel built?</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Which time of the year is the hotel in operation?</td>
<td>Seasonal (Summer only)</td>
</tr>
<tr>
<td>3</td>
<td>Is your hotel registered with international association / group e.g.</td>
<td>TRNC Hotel Association?</td>
</tr>
<tr>
<td>4</td>
<td>Does your hotel have quality certificate etc ISO 9001?</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Which hotel category/star rating did the hotel have, initially (when it started)?</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Has it changed since (specify the dates and the category/star rating)?</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>What is your hotel category according to TRNC Ministry licence?</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>What is the legal status of the business that owns the hotel?</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Do you have partners?</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Could you give the names and relationship of your partners?</td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>Do they have executive management positions?</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>How many rooms does the hotel have?</td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>What was the bed capacity when the hotel was established?</td>
<td></td>
</tr>
<tr>
<td>Number</td>
<td>Question</td>
<td>2002</td>
</tr>
<tr>
<td>--------</td>
<td>---------------------------------------------------------------------------</td>
<td>------</td>
</tr>
<tr>
<td>14</td>
<td>Could you indicate the bed capacity of the hotel over the last 5 years?</td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>How many people did the hotel employ each year over the last 5 years? (Total numbers include management and directors).</td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>What were the total assets of the hotel over the last 5 years? (YTL)</td>
<td></td>
</tr>
<tr>
<td>17</td>
<td>What was the turnover achieved by the hotel over the last 5 years? (YTL)</td>
<td></td>
</tr>
<tr>
<td>18</td>
<td>What net profit (before tax) did the hotel achieve over the last 5 years? (YTL)</td>
<td></td>
</tr>
<tr>
<td>19</td>
<td>Over the last 5 years, what percentages of turnover have you spent on developing new service? What was the source of the funding?</td>
<td></td>
</tr>
<tr>
<td>20</td>
<td>In the past 5 years, how many tourism exhibitions have you attended?</td>
<td></td>
</tr>
<tr>
<td>21</td>
<td>How many sales staff did you employ each year over the last 5 years?</td>
<td></td>
</tr>
<tr>
<td>Question</td>
<td>Answer</td>
<td></td>
</tr>
<tr>
<td>-------------------------------------------------------------------------</td>
<td>--------</td>
<td></td>
</tr>
<tr>
<td>Did you aim to increase the size of your business over this period?</td>
<td>Yes,</td>
<td></td>
</tr>
<tr>
<td>If your answer YES, give how you achieved the growth? If answer NO, go</td>
<td></td>
<td></td>
</tr>
<tr>
<td>to question 23</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Why did the hotel not grow?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Over the period 2002-2006, how important to you were growth in the</td>
<td></td>
<td></td>
</tr>
<tr>
<td>following? (1-not important, 2-important, 3-very important)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Have you had any help from government funds or agencies to grow the</td>
<td></td>
<td></td>
</tr>
<tr>
<td>hotel business? When?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Have any of the following, over the last 5 years, constrained the</td>
<td></td>
<td></td>
</tr>
<tr>
<td>growth of the current hotel? (Tick appropriate ones, you can choose</td>
<td></td>
<td></td>
</tr>
<tr>
<td>more than one)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lack of demand /declining markets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Heavy competition (home or abroad)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shortage of labour</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bad debts / late payments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Poor quality of labour</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Difficulties in achieving service quality standards</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lack of suitable finance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Management difficulties</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank policy</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Technology problems</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest Rate</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lack of management time to develop</td>
<td></td>
<td></td>
</tr>
<tr>
<td>In retrospect wrong business strategy was adopted</td>
<td></td>
<td></td>
</tr>
<tr>
<td>New service and markets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>OTHER REASONS:</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
B) PREVIOUS / OTHER HOTELS IF THIS WAS YOUR FIRST HOTEL BUSINESS (WHICH MEANS YOU ONLY OWN ONE HOTEL), GO TO SECTION C.

<table>
<thead>
<tr>
<th></th>
<th>Hotel Name</th>
<th>ESTABLISHMENT DATE</th>
<th>CATEGORY/STAR RATING</th>
<th>BUY/NEW</th>
<th>LOCATION TOWN CITY/ RURAL/sea side</th>
<th>BED CAPACITY</th>
<th>DO YOU STILL OWN? YES/NO</th>
<th>HOTELS ARE IN OPERATION OPEN/CLOSED</th>
<th>CLOSED REASON</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2nd</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3rd</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4th</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5th</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6th</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

C) OTHER ENTREPRENEURIAL VENTURES IF YOU HAD MORE THAN ONE HOTEL BUSINESS. COMPLETE THE TABLE BELOW.

<table>
<thead>
<tr>
<th></th>
<th>Do you have other hotels established abroad? (E.g. Turkey, UK)? (specify name of the hotel)</th>
<th>YES</th>
<th>Hotel Name</th>
<th>Country</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>NO</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Do you have other business establishments besides the hotel business? (E.g. restaurant, estate agent, travel agency...specify names of business)</th>
<th>YES</th>
<th>Establishment Name</th>
<th>Country</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>NO</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Are you planning on opening another hotel in the next 5 years? (specify where and name of the hotel)</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
</table>

<p>|   | Are you planning on opening another business in the next 5 years? (specify type of business) |     |                     |         |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th>Male</th>
<th></th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Are you: (Owner)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>How old are you? (Owner)</td>
<td>Under 20</td>
<td>20-24</td>
<td>25-29</td>
<td>30-34</td>
</tr>
<tr>
<td>3</td>
<td>What is your education? (Owner)</td>
<td>None</td>
<td>High School</td>
<td>University</td>
<td>Master</td>
</tr>
<tr>
<td>4</td>
<td>When did you graduate from university and name of the education institute? (Owner)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>What is your nationality? (Owner)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>What was your nationality at birth (if different)? (Owner)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>How many years have you been working in the Tourism Industry? (Owner)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Hotel Name</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Hotel Address</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Tel</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>Fax</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>Web</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>E-mail</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>Owner Name</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>Company Name</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

D) SOME INFORMATION ABOUT YOURSELF AND HOTEL

The Questionnaire completed by ........................................
Date........................................
Signature........................................

THANK YOU VERY MUCH!
Appendix E

GET TEST

1. I would not mind routine unchallenging work if the pay was good.
2. When I have to set my own targets, I set difficult rather than easy ones.
3. I do not like to do things that are novel or unconventional.
4. Capable people who fail to become successful have not taken chances when they have occurred.
5. I rarely day-dream.
6. I usually defend my point of view if someone disagrees with me.
7. You are either naturally good at something or you are not, effort makes no difference.
8. Sometimes people find my ideas unusual.
9. If I had to gamble £1, I would rather buy a raffle ticket than play cards.
10. I like challenges that really stretch my abilities rather than things I can do easily.
11. I would prefer to have a reasonable income in a job that I was sure of keeping rather than in a job that I might lose if I did not perform well.
12. I like to do things in my own way without worrying about what other people think.
13. Many of the bad times that people experience are due to bad luck.
14. I like to find out about things even if it means handling some problems whilst doing so.
15. If I am having problems with a task I leave it and move on to something else.
16. When I make plans to do something, I nearly always do what I plan.
17. I do not like sudden changes in my life.
18. I will take risks if the chances of success are 50/50.
19. I think more of the present and the past than of the future.
20. If I had a good idea for making some money, I would be willing to borrow some money to enable me to do it.
21. When I am in a group I am happy to let someone else take the lead.
22. People generally get what they deserve.
23. I do not like guessing.
24. It is more important to do a job well than to try to please people.
25. I will get what I want from life if I please the people with control over me.
26. Other people think that I ask a lot of questions.
27. If there is a chance of failure I would rather not do it.
28. I get annoyed if people are not on time.
29. Before I make a decision I like to have all the facts no matter how long it takes.
30. When tackling a task I rarely need or want help.
31. Success cannot come unless you are in the right place at the right time.
32. I prefer to be quite good at several things rather than very good at one thing.
33. I would rather work with a person I liked, but who was not very good at the job, than work with someone I did not really like who was very good at the job.
34. Being successful is the result of working hard, luck has nothing to do with it.
35. I prefer doing things in the usual way rather than trying out new ways.
36. Before making an important decision, I prefer to weigh up the pros and cons rather quickly rather than spending a lot of time thinking about it.
37. I would rather work on a task as a member of a team than to take responsibility for it myself.
38. I would rather take an opportunity that might lead to even better things than have an experience that I am sure to enjoy.
39. I do what is expected of me and follow instructions.
40. For me, getting what I want has little to do with luck.
41. I like to have my life organised so that it runs smoothly and to plan.
42. When I am faced with a challenge I think more about the results of succeeding than the effects of failing.
43. I believe that what happens to me in life is determined mostly by other people.
44. I can handle a lot of things at the same time.
45. I find it difficult to ask favours from other people.
46. I get up early, stay late or skip meals in order to get special tasks done.
47. What we are used to is usually better than what is unfamiliar.
48. Most people think that I am stubborn.
49. People’s failures are rarely the result of their poor judgement.
50. Sometimes I have so many ideas I do not know which one to pick.
51. I find it easy to relax on holiday.
52. I get what I want from life because I work hard to make it happen.
53. It is harder for me to adapt to change than keep to routine.
54. I like to start new projects that may be risky.

GET ASSESS THE RESULTS – CALCULATING YOUR SCORE

Starting with box 1 in the top right hand corner of your answer sheet and, working across the sheet to the left, give yourself one point for every D that you have chosen in the shaded boxes on that line like this:

Similarly give yourself one point for every A that you have chosen in the unshaded boxes on that line like this:

Now add up your total score in the top row and write it in the margin. Do the same for the remaining eight rows scoring in the same manner as above.
Table E.1: GET Test Assessing the Score

<table>
<thead>
<tr>
<th>SECTION</th>
<th>Need for achievement</th>
<th>Maximum score – 12</th>
<th>Average score – 9</th>
<th>If you have scored well in this section you have many if not all of the following qualities:</th>
</tr>
</thead>
<tbody>
<tr>
<td>SECTION 1</td>
<td>Need for achievement</td>
<td>Maximum score – 12</td>
<td>Average score – 9</td>
<td>Forward looking, Self sufficient, Optimistic rather than pessimistic, Task orientated, Results orientated, Restless and energetic, Self confident, Persistent and determined Dedication to completing a task</td>
</tr>
<tr>
<td>SECTION 2</td>
<td>Need for autonomy/independence</td>
<td>Maximum score – 6</td>
<td>Average score – 4</td>
<td>Likes doing unconventional things, Prefers working alone, Need to do their 'own thing', Needs to express what they think, Dislikes taking orders, Likes to make up their own mind, Does not bow to group pressure, Is stubborn and determined</td>
</tr>
<tr>
<td>SECTION 3</td>
<td>Creative tendency</td>
<td>Maximum score – 12</td>
<td>Average score – 8</td>
<td>A high score in this section means that you:</td>
</tr>
<tr>
<td>SECTION 4</td>
<td>Moderate/calculated risk taking</td>
<td>Maximum score – 12</td>
<td>Average score – 8</td>
<td>Act on incomplete information, Judge when incomplete data is sufficient, Accurately assess your own capabilities, Be neither over nor under-ambitious, Evaluate likely benefit against likely costs, Set challenging but attainable goals</td>
</tr>
<tr>
<td>SECTION 5</td>
<td>Drive and determination</td>
<td>Maximum score – 12</td>
<td>Average score – 8</td>
<td>Take advantage of opportunities, Discount fate Make your own luck, Be self confident, Believe in controlling your own destiny, Equate results with effort, Show considerable determination</td>
</tr>
</tbody>
</table>

Source: GET TEST Guide Book
# Appendix F:

## Codes for case studies

<table>
<thead>
<tr>
<th>CODES FOR CASE STUDIES</th>
<th>EP:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ENTREPRENEUR / PERSONALITY ATTRIBUTES</strong></td>
<td></td>
</tr>
<tr>
<td>EP: Desire to be ones own boss</td>
<td>EP:DO</td>
</tr>
<tr>
<td>EP: Desire to succeed</td>
<td>EP:DS</td>
</tr>
<tr>
<td>EP: Number of founders</td>
<td>EP:NM/FNDER</td>
</tr>
<tr>
<td>EP: Gender</td>
<td>EP:GENDER</td>
</tr>
<tr>
<td><strong>BUSINESS</strong></td>
<td>BS:</td>
</tr>
<tr>
<td>BS: Age</td>
<td>BS:AGE</td>
</tr>
<tr>
<td>BS: Location</td>
<td>BS:LOC</td>
</tr>
<tr>
<td>BS: Size</td>
<td>BS:SIZE</td>
</tr>
<tr>
<td>BS: Family, “investing” friends</td>
<td>BS:FMY/INV/FRD</td>
</tr>
<tr>
<td>BS: Key employees, partners</td>
<td>BS:KEY/EMP</td>
</tr>
<tr>
<td><strong>EXTERNAL INFLUENCE</strong></td>
<td>EI:</td>
</tr>
<tr>
<td>EI: State support</td>
<td>EI:ST/SPR</td>
</tr>
<tr>
<td>EI: Customer concentration</td>
<td>EI:CUST/CON</td>
</tr>
<tr>
<td>EI: Planning</td>
<td>EI:PLAN</td>
</tr>
<tr>
<td><strong>ENTREPRENEUR ORIENTATION</strong></td>
<td>EO:</td>
</tr>
<tr>
<td>EO: Autonomy</td>
<td>EO:ATNOMY</td>
</tr>
<tr>
<td>EO: Innovativeness</td>
<td>EO:INNOV</td>
</tr>
<tr>
<td>EO: Proactiveness</td>
<td>EO:PROAC</td>
</tr>
<tr>
<td>EO: Competitive aggressiveness</td>
<td>EO:COM/AGGRE</td>
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Sample of Case Study Coding

Case-study: Oscar Hotel

The final case-study hotel is the Oscar Group Hotel. The first Oscar Hotel was established in 1987. The hotel is owned by the Oscar family. The hotel is located on the coast and just 10 minutes drive from Kyrenia city centre. Oscar Hotel is a 4 star hotel.

Oscar Hotel and the Entrepreneurs

Erdem Oscar was born in 1938 in Limasol. He graduated from the British college and went to London for university education. He graduated with a bachelor’s degree in farm management. He returned back to Cyprus and opened his first business of a rabbit farm. He also opened the first cinema, which was very important in the Turkish community because entertainment and tourism related-jobs belonged to Greeks (Turks used to run agricultural businesses). He also went into the vineyard/grape business and exported to other countries. He opened a coke factory but he was not successful because the machines were second-hand and he closed the business. While he was running all his other businesses, he decided to enter into the tourism business and bought cars to start his rent a car business in 1958.

After 1974, the Oscar family left their village and settled down in Kyrenia. It was a new start for Erdem Oscar. He managed to bring 14 cars with him. He and his family were trying to adapt to a new life in the North, and they continued their rent a car business. Erdem Oscar’s youngest son, Huseyin Oscar said “My father was a strong and stubborn businessman. He always worked in his life. He never stops doing what he can do. He always sees the opportunities and turns them to profit. That I learned from him. While you have a chance you use it and get out of the business before it is too
late. He is a stubborn person and it is especially not easy to convince him to do something new. He lost many things so he knew the value of keeping it in hand. My father worked with his closest and most trusted friends."

He opened a gas station just after the start of the rent a car business. In the meantime, he established a textile factory with his Scottish partner in the late 80s. The business was very good until they had problems finding people who could do the finishing. They decided to close the factory and sell the machines to a company in Turkey.

Huseyin Oscar explained: “My father was having problems exporting textile products. It was the late 80s and embargos were increasing, especially on exporting products from Cyprus to Europe. He was so angry and closed down the factory. It was the same time that we had funny problems renting our cars. Some hotel managers requested very high commission. My father was thinking about starting a new business. It was the sign to open a hotel. He did not know anything about hotels but he believed in himself and his inspiration.”

Erdem Oscar’s eldest son said “My father wanted to be the most important businessman and successful entrepreneur in North Cyprus. I always admired him for his discipline and his attitude. He wakes up very early and shaves every morning, wears his suits, and he looks after himself very well. He believes this is the way of respecting others and himself. It comes from his British college years. He studied in very tough times. His father was a strong person.”
Erdem Oscar and has wife have four children. He said that “I would not do anything without my family’s support. We worked as a family. I was running the business and contacting tour operators, my wife was responsible for reception, housekeeping and the kitchen. My eldest daughter got married and moved to London. My first son started to work with me at a very young age at the car rental and gas station business. My second daughter helped him. My youngest son also worked from an early age and went to study tourism at university. After he came back, we worked together.”

In 1995, Huseyin Oscar completed his education in the UK and returned back to the island. He was 25 years old and started to work with his father at the hotel. His closest friends said “That is the new era of the Oscar Hotel. Huseyin came back full of fresh hotel knowledge and a business background. Erdem Oscar is a good businessman but not a good hotelier. Huseyin had a tough time because his father did not step back from the business after he returned back. He continued to work and be involved in all the day-to-day business at the hotel.”

Huseyin explained that “I was 10 years old when I started to work with my father. I was washing cars. I got so angry working with him at that time. I was saying why do I have to work, we do not need to, we have money and I should play with my friends. However, I am so thankful to my father for what he did. I learned the business from scratch and his way of doing business. This must be the first reason I always wanted to be successful and achieve more in my life. My father never thought that I would be the one who would take on the responsibility of the business. It was not about trust or anything. He was thinking that I would not be a businessman like him. This idea was encouraged in me and I wanted to show everybody that I could be better than my father.”
The general manager of the Vuni Palace Hotel (an Oscar Group hotel) described Huseyin Oscar’s characteristics: “We have been working together almost 10 years. He is my boss and my best friend. I would not be here if he was not supporting me. We worked 17–20 hours together. He always supports good ideas. He is a very open-minded person and teaches what he knows to others. He is a modest person. If you see him at the hotel you would not say he is the owner of the hotel. But, he is so optimistic and sometimes it is a bad side of him because he does not know how to say no to anybody. He always wants to solve problems in a smooth way and by talking.”

The Oscar Hotel general manager said “After 1997, he was involved in the business more. He created a new management system for the departments. He changed the regular family hotel management approach to a more professional management.” Huseyin Oscar explained that “I believe in professional management. I cannot manage all departments in the hotel. I would not be able to be everywhere. I would not be able to think or create new opportunities if I do everything by myself. I always look at the positive side. I needed managers who would control and manage the departments. I delegated my responsibilities to them. My father was not like that; we took the decisions together. I talk and do brainstorming with them. They are my friends not my employees. Everybody works here like it’s their own business. I always worked to create this synergy between managers and employees. I believe that customer satisfaction is the key to successful hotel management. If my employees are happy they make the customers happy. They do not see me as a boss because I worked with them.”
The Vuni general manager added “We were doing the aqua park project in the front

garden. Huseyn was in the construction area all day. He was talking to people, eating
together and motivating them to finish on time. Huseyn cares about every single
detail. He wants it perfect. He never gets angry or screams at employees. He has a
good-humoured and humanitarian personality. For example, he never comes with his
friends or family to the dining room for lunch or dinner without calling in first. He
always calls us and finds out if we are available. He always puts his customers and
employees first. He is a person who has not got an ego and ambitions to show other
people he is boss. I remembered that one day we were so busy at the restaurant and I
was F&B manager at that time. He came and helped me with the service. He was
living at the hotel between 1995 and 2000 even though he had a home. Nobody
believes that, but it is true.”

Huseyn Oscar is a person who does not accept the answer as no, said his closest
friend. The Oscar Hotel went through a massive change after he started to manage the
hotel. He said “I always worked with people I trusted and believed in them. It must
come from my father, he was like that. I carefully choose people I work with. All my
managers have started from scratch and worked for more than nine years with us. We
never employed general managers from outside the company or abroad. We trained
them to be general managers. Most of the employees we hire graduated from
university. I always say that customers come first and to make them happy we did
everything.”
It was not easy to make the change from a small family hotel to a large group of companies said Huseyn Oscar. He added “I have to admit that if we had followed my father’s way of thinking we would not have achieved our success today. He is a good businessman but thinks about money rather than customer satisfaction. We made so many changes and took decisions without saying anything to my father. He thought that we were doing things that he wanted but on the other hand we were doing things differently. After years passed, we found a responsibility for him. He became the face of Oscar Group to the industry. While he was busy talking on TV, and giving interviews to the press as a member of the Hotel Associations Board, I and my team worked on new developments without his approval. He learned about it after we had done it so it was too late to say anything. A good example of that happened a long time ago. In 1997, we were having problems with customer complaints. I was working hard to solve the problems but sometimes it was not easy and quick. One day I had to pay £1000 to a customer for him not to complain about the hotel when he returned back. Nobody knew that, even my father. I had to do that to save the future of the business and it worked. We decreased the number of complaints and increased the value of the hotel in the eyes of tour operators. We also worked on service quality and increased the customer satisfaction.”

In the last 10 years, Huseyn Oscar opened and became a partner of many other businesses. He opened a restaurant with his friend. He also established a real estate agency with another partner. He said “The philosophy comes from my father; you do business when you can get profit and must know the time to get out of the business. I always followed that idea. Villa selling was so popular after 2000 and I opened a real estate agency with a British partner. When I saw the business was not going well I
sold my share to my partner. You need to know when to get in and out of the business. The hotel was my first priority job but I did open many other entrepreneurial companies. The main reason was to earn money."

**Background and History of Oscar Hotel**

Oscar Hotel started with 15 rooms with a 30-bed capacity in 1987, just 3 km outside of Kyrenia city centre. Twenty years down the road, Oscar has become a group of hotels spread around North Cyprus. Oscar Group owns the 4 star Oscar Hotel, Bellapais Monastery Village 3 star boutique hotel, Vuni Palace modern 5 star hotel, Oscar rent a car, Oscar gas station, Oscar water factory, restaurants, an estate agency, a construction company and under construction is a second luxury 5 star hotel, Kantara Palace.

Erdem Oscar was living in Limasol before 1974. He owned a rent a car company which opened in 1958 named Osman’s Cars. Huseyin Oscar, the youngest son, said that “after the conflict started between Turks and Greeks, my father had a difficult time in terms of the rent a car business. Greeks were damaging cars which belonged to Turks so my father decided to change the name of the company and put the new company name on the cars. The meaning of Oscar is a combination of Os (from Osman, his father’s name) and car (from rent a car).”

The Oscar family moved to the North and left everything behind in 1974. They only managed to bring 14 cars with them. Erdem Oscar continued his rent a car business with his five cars after they settled down in Kyrenia.
His son explained the interesting story behind the hotel opening in 1987: “My father was running our rent a car business. One day, he went to Maremonte Hotel located on the west side of Kyrenia [the hotel was run by the Tourism Enterprises Trust and today is closed]. The receptionist and managers requested a high commission to offer his car to their clients. He realised that they were asking for half of his profit. He got so angry he decided to open a hotel in order to rent his cars. He was saying I can do better than them. So our hotel venture started because of the persistence of my father.”

The Oscar family was a wealthy family back in Larnaca said the general manager. They had left behind properties, land, factories, fruit gardens, etc. When Erdem Oscar decided to open a hotel, he started to search for the best possible options around Kyrenia. He found an abandoned half-constructed building 10 minutes drive from Kyrenia city centre. He requested the land and the half-constructed building from the government (the land belonged to the government after 1974) equivalent to his properties left on the south side of Cyprus.

Huseyin Oscar described that time: “Oscar Hotel was left as a concrete skeleton of a building right after 1974. It was a hotel complex project that had belonged to a German company. They started before 1974 but were not able to complete it. The first president of the TRNC, Rauf Denktas, called for entrepreneurs and investors abroad to come back to their country and start businesses. They determined where all the half-finished concrete skeletons of hotels were and allocated each one of them to the entrepreneurs. My father was looking for a hotel to buy or build. He saw this place (our location) and he applied to have the half-constructed building plus the land as
announced. This place was too far away from the city at that time. No one wanted to have land or a house around this area. It was distant from the city, with dark roads, in a neglected area, and had a rocky seaside. I remember that people who were responsible for the allocation said ‘Let them have what they want, this place is useless; we will see what they will do.’ My father was engaged in the textile business at that time. He sold all his machines to a company in Turkey and started the hotel construction with the money he got from the machine sale. We got the half-finished building and the surrounding area but we invested our own capital and did not get any help in terms of financial aid in the beginning.”

Oscar Hotel construction started in 1984. In the meantime, Erdem Oscar continued his rent a car business. Oscar Hotel opened 15 rooms with a 30-bed capacity in 1987. Salih, general manager of Oscar, said “They finished 15 rooms on the first floor. They ran the hotel for over a year and started the second floor with the earnings from the previous year. Erdem Oscar continued the third and fourth floor room construction every year.”

Oscar Hotel was designed to be built as a hotel, apartment blocks and two swimming pool complexes. When Oscar took over the concrete skeleton, they completed the apartment blocks at the back of the hotel with a swimming pool and the first floor of the hotel with a complete building foundation.

In 1987, Oscar Group only rented out the hotel area with the sea front and swimming pool at the back. The apartment blocks were not rented by the Oscar Group. Huseyin Oscar said “We first completed the second floor with 15 rooms and the first floor...
with a reception area, restaurant and swimming pool in the front. We started to sell rooms in the 87 summer season.”

Oscar started the third floor construction of another 19 rooms in the winter of 1988. They completed it before the summer season and started to sell the rooms. A year after, they completed the fourth floor with 19 rooms.

In 1990, mini villa construction started. Huseyin Oscar said “This was a different era for North Cyprus tourism. Tourists wanted to stay more in self-catering types of accommodation. We had noticed this and decided to build mini villas in the garden with self-catering facilities.” Thirty mini villas with a 60-bed capacity started to sell in 1992. All the villas overlooked the pool area and featured a veranda, garden, air conditioning, kitchen, fridge, equipment, etc. The second big swimming pool was completed in 1991.

In 1996, two more buildings were constructed which were named Pink Court and rooms went on sale in the summer season. The new three storey buildings were built next to the original building with 21 rooms each giving them a total 84-bed capacity. The rooms were designed as a studio and gallery type with a sea view and self-catering facilities. In the same year, they decided to open a private fitness centre with indoor swimming pool. (The swimming pool existed from the beginning at the back of the hotel but was not used until then.)

The Oscar Hotel with the main hotel, villa-bungalows and Pink Court building reached a total of 125 rooms with a 250-bed capacity at the beginning of the 1997. In 1999, another
75 rooms were started to be built on the left side of the hotel. The hotel was originally designed with a U-shaped building foundation. The extension of the building to the left side was completed with 75 rooms with a 150-bed capacity. The Oscar Hotel had a casino since the establishment of the hotel. The casino was managed by another company. It was located at the corner of the reception area in the beginning. After the side extension was complete, the entrance floor was designed as a casino area and it was moved to a new section.

Ibrahim, Vuni Palace general manager, said "We always tried to do new things. Most of our customers were young families with children. We wanted to offer more activities because we received many comments on the facilities. Huseyin Oscar decided to build an aqua park in the garden and pool area. It was a new trend at that time. We designed and started to build the first aqua park and pool in North Cyprus. It was so successful, not just for our clients but also was very popular with domestic tourists. The aqua park facilities opened the doors to the local tourist for either day visits or weekend stays."

In 2000, a seawater clarification system was installed – the first on the island. The interesting story behind that was explained by the Oscar general manager: "We had problems with the municipality about the water supply for hotel. They were charging double just because we were a hotel. Erdem Oscar got so angry and bought the water clarification system from Oh Canarias Company in the Canary Islands. The seawater clarification system was the first at that time. We have been using purified water since then."
In the same year, they also bought a train car for a shuttle service between the city and the hotel. The train car was bought from Italy. The train was so interesting that it increased the popularity of the hotel at that time, said Huseyin Oscar. Ibrahim, Vuni Palace general manager, said “The train was Huseyin Oscar’s idea. He went on holiday in Spain and saw the same train. He came back and talked to his father and they found the company who make this kind of train in Italy. They ordered one specially designed for the Oscar Hotel. It was so interesting for our customers and other people. It became part of the Oscar experience. We always tried to do things first.”

In 2003, another 45 rooms were constructed on the extension of the old building (the left side of the building). That was the last construction at the Oscar Hotel. The Oscar Hotel increased its star rating to a 4 star hotel and reached 245 rooms with a 490-bed capacity in total.

Huseyin Oscar said “We reached the maximum number of rooms, restaurants, different facilities like the aqua park, service quality, etc. at the end of 2003. However, it was not enough for us in terms of what success we can achieve. I was searching for new opportunities and the bank crisis happened in 2002. It turned out to be a good opportunity for us and we had a chance to open a very unique boutique hotel in the Bellapais area, which is close to one of the famous old monasteries. We had done our mission with the Oscar Hotel and we needed to keep it as it is with good quality but budget holidaymakers. We continued to do regular renovations but we have finished construction in the Oscar Hotel area.”
In 2003, Bellapais Monastery Village opened with 16 deluxe hotel rooms and 45 mini villas. Huseyin Oscar said "We entered the UK market with a different product and special offers. We had back our investment in three years. It was a very successful operation. We did it with high motivation and good team work. We knew the market and believed in our quality of service. We created different market segments and attracted new tourists to North Cyprus. Our unique point was to see the opportunities in the market. Hotels were getting old and no renovations were done for many years. Tourists were seeking new and different concepts. We just saw the opportunity and got into the business without thinking."

In 2006, Oscar Group applied for a 5 star hotel development fund which was received from the Turkish Development Bank. They were found to be eligible and started the 5 star hotel construction in 2003. Vuni Palace was completed and opened in 2006 with 136 rooms.

Oscar Hotel and Business

In 1988, demand from British tourists increased, who were the main customers of the Oscar Hotel. Erdem Oscar said "We were a small family-owned hotel. Many people were choosing us because of our personal touch. We were like a family with our customers. We had many repeat customers back then. We were giving two services at the same time: the hotel and rent a car."

Oscar Hotel started with 15 rooms and added other rooms every year. Erdem Oscar continued to improve the surrounding area and change the number of rooms. In the late 80s, Asil Nadir's tour operator and airline company ran big promotions for package
holidays aimed at the British tourist. Oscar Hotel was one of the hotels which were promoted by Asil Nadir’s companies in the UK. Oscar Hotel’s customers were mainly from the UK. It was the same time a new tour operator started operating from Vienna to North Cyprus. Oscar Hotel worked with the new tour operator to accommodate Austrian tourists.

Huseyin Oscar explained the marketing activities: “We never sat down and waited for the customers. We always went to the tourism fairs, found the tour operators who can work with us. We found customers for the hotel.”

Oscar Hotel was offering different types of accommodation with many facilities in a large complex. Oscar customers got a chance to choose from many different types of accommodation in one big complex. One of the tour operators who has worked with Oscar for a long time said that “Oscar’s improvements were always a challenge and good in the customer’s eye. They offered many different types of accommodation and that even increased the repeat customer. Those who stayed at the hotel wanted to stay in a villa the next time. We always had good relations and working with Oscar was a pleasure. They know the business and put customer satisfaction as a first priority. They do everything to make it a happy and enjoyable holiday for our customers.”

Oscar Hotel was doing well in the British market but having some complaint problems said Huseyin Oscar. Oscar Hotel had worked with tour operators and travel agencies in the UK since the beginning. Huseyin Oscar explained that “when I came back from UK, I realised the complaints were increasing every year. We had an over 250-bed capacity and we needed to do something. I worked hard to change many
things around the hotel from the service to the amenities in the rooms. My first priorities were to increase customer satisfaction and earn money. I had to prove myself to the tour operators. After 1996, they noticed the changes and developments at Oscar Hotel. We had a good reputation and word of mouth advertisement among the tourists from the UK. Customers were demanding specifically the Oscar Hotel from their travel agents. Tour operators who did not want to work with us also started to work because of the demand. By the end of 1999, we were working with all tour operators in the UK.”

Oscar Hotel aimed to open for a whole year, summer and winter season, after 1998. Many hotels were working seasonally at that time. It was difficult to find a hotel that was open for the whole year. A tour operator named Armoni opened a new market for North Cyprus tourism. They convinced big companies to do their meetings and conferences in North Cyprus. Armoni was the first company who worked on meeting and convention packages. Oscar Hotel had an exclusive contract with Armoni Travel Agent for meeting and convention packages. Oscar Hotel became the only hotel contractor for Armoni customers. Huseyin Oscar said “It was one of the big successes in Oscar’s history. Armoni had a good business and provided good business to us. We accommodated very well known companies’ meetings and conferences like Ericsson-Turkey, L’Oreal, etc. Our hotel was full in the winter because of meetings.”

Oscar Hotel started to work with Bando Tour which was a Turkey-based outgoing tour operator. The Oscar general manager said “After 1999, Turkish people started to travel for holidays. North Cyprus was a good option for Turkish tourists because it is a short flight, we speak the Turkish language, and it has a long summer season.” Oscar Hotel was one of the newest hotels on the island. Bando was an exclusive sales agent for the
Oscar Hotel in Turkey. This was another era for the hotel to open the doors to Turkish holiday tourists, which also helped to expand the business, said the owner of the hotel.

The casino was one of the original facilities. The casino was never managed by the owner of the hotels. They rented the area for the casino and allocated 25 rooms for casino customers. The Vuni Palace general manager said “The casino become so important after Turkey closed down the casinos. We never wanted to be recognised as a casino hotel. We always wanted to keep our holiday concept as the first priority. However, we were well known in the Turkish market and more people chose to stay with us. The casino was a reason to stay with us, but it is the minority of the customer profile. We still have a majority of holiday customers.”

In 1999, Oscar Hotel used a £1 million loan from the North Cyprus Development Bank for developments and new construction on the complex. Huseyin Oscar said “We only used a development bank loan once for some more changes and developments for Oscar Hotel. We always used our own capital and profits.”

In 2001, North Cyprus banking had a big crisis and many banks became bankrupt. Many people who put their savings into the banks lost them during the banking crisis. Erdem Oscar was also affected by the bank crises. He talked to bank management and requested one of the properties that belonged to the bank instead of his savings in the bank as cash. Huseyin Oscar explained: “My father had savings in the bank. He took me and Ibrahim (he was F&B manager at Oscar at that time) to see the property. It was used as a dormitory a long time ago and then sold to the bank. The place had been abandoned a long time ago. It has been auctioned many times and no one was interested in it. We
had to make a tough decision about the property. My father asked me if we could turn it into a hotel. I and Ibrahim thought this was the biggest opportunity to show ourselves and our creativeness. We decided quickly. We spent £1 million on rebuilding and changing everything into a boutique hotel. I wanted to expand more and earn more money. I realised I needed to leave the Oscar as it is because our customers like it that way. We never want to change the star or the concept of the hotel. I decided to have another hotel with a different concept and a different profile of customer.”

In 2002, Bellapais Monastery Village (BMV) opened with 16 deluxe hotel rooms and 45 mini villas. The concept was a 3 star boutique hotel with a personal touch, said Ibrahim, ex BMV general manager. Ibrahim, who was F&B manager at Oscar Hotel, became the general manager at BMV. Huseyin Oscar said “We knew what we were doing. We entered the market with the right product and at the right time. We got our investment back in three years. It was hard work but worth every minute. Everybody was surprised when they saw the abandoned place turned into a magnificent hotel. Many people followed in our footsteps and opened similar concept hotels around us. We do not mind them copying us because we and our customers always know we are first. Our philosophy is to create something new and different; that is why our customers come back every year.” The BMV market is concentrated on the upper level, over fifties, no children and a high quality of service. Hotel customers come from the UK and Europe.

Huseyin Oscar said “It is not easy to run a hotel in North Cyprus. We have many bureaucratic problems and political conflicts. It is really important who you are and
how you do business. This is a small place. Everybody knows everything. We cannot
achieve what we did without the good contacts and relations with our tour operators.”

In 2002, the Turkish Development Bank announced a fund of $150 million was
available for 5 star hotel developments. Three Cypriot companies were found to be
eligible to use the fund. One of them was Oscar Group. Oscar Group has used $7
million for new 5 star hotel constructions. The new 5 star hotel of Vuni Palace is
located just next to the Oscar Hotel and opened in 2007. Ibrahim became the general
manager after the opening of the Vuni Hotel. He said “We worked a lot to make BMV
successful. We wanted to have more and different properties. We borrowed the money
from the Turkish Development Bank and started our new hotel. We looked at customer
demand and predicted trends for the next five years. Vuni is a 5 star and modern style
of resort hotel with a casino. We never wanted to change any of our hotel concepts,
instead we created new ones.”

Oscar Group has 500 employees in the three hotels and tourism-related businesses.
Oscar Group has announced they will open a second 5 star luxury hotel in 2010.
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