

The importance of lifestyle entrepreneurship: A conceptual study of the tourism industry

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Abstract: The purpose of the paper is to explore and discuss the emergence of lifestyle entrepreneurship. The article addresses the question of the relationship between entrepreneur's life quality and enterprise growth. The purpose is to conceptualize this relationship and to learn more about lifestyle entrepreneurship. Tourism serves as a case industry to illustrate both relevant research in the field of lifestyle entrepreneurship and a conceptual framework to examine the relationship between entrepreneurial activities and perceived life quality. The paper delivers a literature review on entrepreneurship and certain forms of entrepreneurship and conceptualizes lifestyle enterprise's growth.

Keywords: Lifestyle; Entrepreneurship; Tourism; Entrepreneurial Motives.

Resumen: El objetivo del trabajo es explorar y analizar el surgimiento de la iniciativa empresarial como estilo de vida. El artículo aborda la relación entre la calidad de vida del empresario y el crecimiento empresarial. El propósito es conceptualizar esta relación para aprender más sobre el espíritu empresarial como estilo de vida. El turismo aporta una serie de casos para ilustrar la investigación pertinente en el ámbito de la iniciativa empresarial como estilo de vida y un marco conceptual para examinar la relación entre las actividades empresariales y la calidad de vida percibida. El documento ofrece una revisión de la literatura sobre el espíritu empresarial y ciertas formas de iniciativa y conceptualiza el crecimiento de la iniciativa empresarial como estilo de vida.

Palabras clave: Estilo de vida; Empresa; Turismo; Motivos para emprender.

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The importance of entrepreneurship

Globalization in the nineties signalled a whole range of new challenges for many lifestyle entrepreneurs, owner-managers and all those who were unable to reorient themselves strategically towards the rapidly emerging market conditions. This is the situation in which still many entrepreneurs find themselves. Once again the growth-oriented Schumpeterian innovative entrepreneur is called upon to restructure and realign the industry (Gray, 2002; Schmitz, 1989; Peters and Weiermair, 2001). The tourism and hospitality industries are dominated by small business and the vast majority of the entrepreneurs are lifestylers rather than rational professionals (Middleton, 2001). The majority of small business owners hardly show typical entrepreneurial attitudes, as described by Schumpeter (1934). This paper attempts to explore the importance of these so-called lifestyle entrepreneurs in a conceptual way to shed more light on the understanding of their motives as well as discuss policy implications.

The paper is structured in four sections: it starts with a literature overview of lifestyle entrepreneurship concepts which highlight main contributions of economic and social science theories (Alvarez and Busenitz, 2001; Leibenstein, 1968; Swedberg, 2000). In a second step the paper analyses the determinants and consequences of lifestyle orientation and derives implications and threats for regional competitiveness and/or economic growth. The third section presents and discusses the concepts of quality of life approach and the profile of the lifestyle entrepreneur. Finally, research gaps are identified and new initiatives for entrepreneurship research are presented in the concluding part of the paper.

Forms of Entrepreneurship

Entrepreneurs create an innovative organization or network of organizations for the purpose of gain or growth, under conditions of risk and/or uncertainty (Dollinger, 2003). This includes the core elements of entrepreneurship, which can be found in

the numerous definitions in the social sciences literature. Even though academics have addressed a range of questions concerning both with the nature of the entrepreneurial process and the attributes and personality traits of entrepreneurs, research is still short of a consensus on some of the most important questions. The task of finding a consensual interpretation is rendered also somewhat difficult by the great variety of methods and methodology employed by different disciplines engaged in analysing entrepreneurs and entrepreneurship (Kirby, 2002; Gartner, 1985; Timmons, 1994). In economics and management literature the entrepreneur and his/her capabilities have remained a focal point of interest, but also of controversy. Ever since Schumpeter (1934), economic development has become associated with entrepreneurship. The nature and function of this new factor of production however becomes interpreted in different ways: for Cantillon (1755), Liefmann (1897), Knight (1921) and Oberparleiter (1930) *risk assumption* presents the core of entrepreneurship; for Schumpeter (1934) *innovation* and/or *innovative capabilities* characterises the entrepreneur; while others emphasized *capabilities associated with capita* (Burns 2001). Cyert and March (1963) view entrepreneurs' capabilities to *coordinate different interest groups* as the core function of entrepreneurship, while Kirzner (1973) and Mises (1940) emphasize *information leads and advantages* as the key to an understanding of entrepreneurship. Leibenstein (1966; 1968) believes entrepreneurs to simply behave differently (more efficiently) in the use and *transformation of factor inputs* and interprets entrepreneurship as a process within organisations (Morris and Lewis, 1995; Mugler, 1998).

The origins of theory development in the field of entrepreneurship demonstrate that there have been only a handful of theorists who have contributed with novel paradigms to this field of economic and management research. Among them, the late Joseph A. Schumpeter who introduced the discussion of the origins and importance of entrepreneurship to its intellectual height with the publication of the *Theory of Economic Development* (first published 1912) linking

entrepreneurship to innovation. He defined the entrepreneur as an individual who carries out new combinations of firm organization, new products or services, new sources or raw material, new methods of production, new market segment, or new forms of organization. Schumpeter (1934) saw in the entrepreneur an exceptional individual, capable of developing new product combinations, attributes or innovations. Hence, the entrepreneur has to come up with a realistically calculated risk for future market opportunities, based on past experiences and the transformation of uncertainty into profitable outcome.

To this point Schumpeter wrote: 'As military action must be taken in given strategic positions, even if all the data potentially procurable are not available, so also in economic life, action must be taken without working out all the details of what is to be done. Here the success of everything depends upon intuition, the capacity of seeing things in a way which afterwards proves to be true, even though it cannot be established at the moment, and of grasping the essential fact, disregarding the unessential, even though one can give no account of the principles by which this is done' (Schumpeter, 1934).

Since Schumpeter, a long list of well-known researchers (for instance Papan-dreou, 1952; Kirzner, 1973; Casson, 1982, Low and MacMillan, 1988; Miner, 1997; Gartner, 2001; Schneider, 2001) contributed to the analysis of entrepreneurship and entrepreneurship theory. In the second half of the last century personality traits research became a major field in social sciences research. Nevertheless, only a few studies could provide general insight into the behaviour of entrepreneurs in every culture, nation or industry.

Economists and economic theory domi-

nate entrepreneurship research. However, as entrepreneurial behaviour is not only driven by rational decision structures, other disciplines need to be engaged to enhance explanations on the entrepreneurial process. Nevertheless, it is possible to extract typical entrepreneurial characteristics or personality traits such as creativity, risk-taking, innovativeness and proactiveness which could be observed in different social, political or economic environments (Timmons, 1994). Morrison (2006) throws more light upon the conceptualisation of various forms of entrepreneurship. She formulated three main cues of entrepreneurship, followed by the extraction of main entrepreneurial guises.

<i>Dicipline</i>	<i>Researchers</i>
Economists	Cantillion (1964 first published 1755); Casson (2005); Schumpeter (1934), Baumol (1989), Lazear (2005)
Ecology	Aldrich (1990), Singh and Lumsden (1990)
Sociology	Weber (1935)
Anthropology	Barth (2000); Greenfield and Strickton (1986)
Psychology	McClelland (1961); Miner (1997)
History	Gerschenkron (2000); Sawyer (1952)

Tabla 1. Disciplines and respective representatives in the field of entrepreneurship research

Having a closer look upon the characteristics of entrepreneurial guises, such as the case for lifestyle, social or family entrepreneurs, it can be observed that there is often a clear orientation towards non-economic motives (Morrison, 2006). The attitude towards entrepreneurship or the willingness for independence can be the result of negative or positive guises. In the latter case, founding an enterprise may be viewed as an opportunity to improve one's lifestyle and as taking better control of everyday life. Others may perceive stress, inconvenience or negative pressure when thinking of entrepreneurship in small businesses. There is no doubt that a positive attitude towards entrepreneurship alone is not sufficient to motivate a person to develop a tourism business. However, the intention to create a business does only occur when the attitude towards entrepreneurship is positive (Koh, 1996).

	Positive	Negative
Social	<ul style="list-style-type: none"> • Role of the family and intergenerational role models • Conducive culture • Supportive networks 	<ul style="list-style-type: none"> • Political/religious displacement • Political unrest • Discrimination • Unhappy with position in society
Economic	<ul style="list-style-type: none"> • Move towards services • Reversal highly vertically integrated company structures • Phenomenon of 'dot.com' business 	<ul style="list-style-type: none"> • Corporate downsizing and redundancy • Dissatisfaction with/blocked employment opportunities • Discriminatory legislation • No other way to make money
Psychological	<ul style="list-style-type: none"> • Entrepreneurial aspirations of independence, wealth, need to achieve, social mobility etc. 	

Table 2: Entrepreneurial Behaviour Cues (*Source*: Morrison, 2006, 197)

These classifications should not be interpreted as static ones. Entrepreneurship describes the process of establishing new ventures or managing innovations. These entrepreneurial events can be produced in a given time period and thus entrepreneurship is a question of 'how much' and 'how often' (Morris and Lewis, 1995). Morris and Lewis illustrated the relationship of the amount of entrepreneurship (measured as number of entrepreneurial events) and the degree of entrepreneurship (extent to which the event is innovative, risky or proactive) and named the combination of the two dimensions 'entrepreneurial intensity'.

The importance of lifestyle entrepreneurship: the case of the tourism industry

Tourism, hospitality and leisure industries are primarily based on entrepreneurship and small businesses (Thomas, 1998, 2000, Morrison *et al.*, 1998, Getz, 2004, Buhalis and Main, 1998). Morrison and Thomas (1999) suggest that the key elements of entrepreneurship in tourism include:

- Change initiation: the capability of identifying an opportunity for creation or in-

novation and the ability to turn it into a reality

- Creative resourcing: ingeniously marshalling resources of both 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, 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: Formu-

lation of ambitions, and strategies to realise them.

However, the majority of entrepreneurs in the tourism and leisure industries can be found in the lower area of low entrepreneurial intensity (Morrison, 2006). It seems that given that tourism and leisure industries are primarily located in attractive regions there is a much higher concentration of lifestyle entrepreneurs and this is often the main motivation for entrepreneurial activity.

Characteristics of lifestyle entrepreneurs

Conceptualizing lifestyle entrepreneurship can be achieved through several alternative perspectives. This paper adopts an economic theory point of view. An increasing number of research studies analysed the phenomena of lifestyle entrepreneurs, as the opposite of the growth-oriented or typical Schumpeterian entrepreneurs. Lifestyle firms are businesses set up primarily either to undertake an activity the owner-manager enjoys or to achieve a level of activity that provides adequate income (Burns, 2001). The opposite are growth firms that are set up by an entrepreneur in the traditional Schumpeterian sense to grow and to raise profit through sales or through selling the business on to someone else. From an economist's perspective lifestyle entrepreneurs accept suboptimal levels of production.

The leisure and tourism industries have always attracted a large number of small businesses and non-growth oriented ownership-entrepreneurs. The perceived nice life, often close to the beach or the alpine regions or at attractive parts of city, has frequently motivated entrepreneurs to leave their job and adventure in tourism and hospitality. Quite often this implied primarily following a dream, often with no experience, training or expertise in these areas. Sometimes this is financed with savings from property or previous careers and is propelled by plenty of optimism that things will work out. The prospect of living at the attractive region, where entrepreneurs may have visited as tourists made all other business aspects that come with that look irrelevant or secondary. The prime motivation was to enjoy the perceived qual-

ity of life and do something on the side, to sustain a certain lifestyle and economic status.

Since Williams *et al.* (1989) initially observed this phenomenon of non-growth oriented entrepreneurs in tourism, a number of studies support the existence of many non-economically motivated entrepreneurs, who seriously constrain the development of tourism destinations or regions (Ateljevic and Doorne, 2000; Shaw and Williams, 1990, 1998). Much of the one and two star inns, guest houses, room and breakfast places and local restaurants which sprang up during the build up phase of mass tourism in the seventies fit the criteria of these lifestyle businesses. Research carried out by Williams *et al.* (1989), Shaw and Williams (1990; 2003; 2004), Thomas (2000) and Ateljevic and Doorne (2000; 2001) strongly support the fact that small size businesses are the playground for specific entrepreneurial cultures, such as lifestyle entrepreneurs (Shaw and Williams, 2003). Characteristics of lifestyle entrepreneurs are:

- Motivated by quality of life rather than growth
- Main priority is life style rather than customer service
- very limited growth orientation
- Underutilisation of resources and capital investment
- Irrational management and non Return-on-investment based decision making
- limited marketing and product development expertise and activities
- under utilisation of information and communication technologies (Buhalis and Main, 1998)
- fail to appreciate the ICT opportunities arising (Paraskevas and Buhalis, 2002)
- reluctance to accept professional advice or external involvement
- motivated by survival and sufficient income to maintain their and their families' way of life (Komppula, 2004)
- low education and training on management
- are not fully aware of quality management techniques (Morrison and Thomas 1999)
- low involvement within industry growth and industry structures
- distance from lobby organisations and

tourism boards

- unwillingness to let go or to sell their ventures
- low innovation and unwillingness to cooperate (Weiermair, 2001).
- High dependency on distribution partners for their earnings- even when this is detrimental to profitability and competitiveness (Buhalis, 2000; Bastakis *et al.*, 2004)
- Questionable economic sustainability as a result of peripherally, distance from the economic core and sparseness of population (Nilsson *et al.*, 2005)

Small tourism enterprise surveys show that the food and accommodation industry displays statistically significant lower survival rates than other branches of economic activity (Frank *et al.*, 1995). In particular, the first phases of enterprise growth are critical. The literature reports early stage management hurdles that lead to severe delegation and cash-flow problems (Flamholtz, 1990; Greiner, 1972). The rapid changes of the industry structures and the challenges emerging through globalization, competition, professionalism, industry concentration both vertical and horizontal, consumer rights and strict regulation mean that many lifestyle entrepreneurs are quite unprepared for the threats emerging from the external environment. Many of these enterprises notably in the food and accommodation industry, who survived their incubation period, are facing very serious strategic problems, and high levels of debt often leading to bankruptcy (Hartl, 1999; Tschurtschenthaler, 1996).

In the fields of tourism research, entrepreneurship analysis is increasingly linked closely with research areas such as small tourism enterprises (Middleton, 2001; Morrison *et al.*, 2001; Fuchs *et al.*, 2002; Thomas, 2004) or family businesses in tourism (Getz and Petersen, 2004; Hegarty and Ruddy, 2004; Peters, 2004). Shaw and Williams (1998) have identified two different models of small business entrepreneurship: 'non-entrepreneurship' and 'constrained entrepreneurs'. The first group show similarities with lifestyle entrepreneurship, as they have moved into tourism destinations for non-economic reasons; they have established enterprises (mainly with personal savings) and enjoy being their own boss. Many of these non-entrepreneurs constitute owners who have retired from former professions and perceive tourism and hos-

pitality SMEs as a way to enjoy nice destination whilst generating some income to sustain their lifestyle. Research in the UK support Shaw and Williams' (1998) findings: e.g. Szivas (2001) has investigated motives of self-employed people in tourism. Their motives were centred around their desire 'to work in pleasant surroundings' and to 'establish their own business' [p.168]. Shaw and Williams (1998) labelled this group of ageing owners 'non-entrepreneurs' because they showed a lack of business experience and strategic qualification (Carland *et al.*, 1984). The second group of 'constrained entrepreneurs' constitute younger people with economic growth motives and former professional experience in tourism and other industries. Still they demonstrate many lifestyle motives to explain their activities and the capital required is family raised. Nevertheless, they demonstrate some entrepreneurial attitudes towards innovation and product development, as well as towards customer values and needs (Shaw and Williams, 1998).

Another interesting study on motivational structures of tourism entrepreneurs was carried out by Getz and Carlson (2000) who clustered two types of entrepreneurs in Australia. They labelled them 'family-first' (representing 2/3 of total entrepreneurs) and the 'business first' entrepreneurs. Family-driven entrepreneurs are motivated by emotional factors associated with their families, as well as by the optimization of their leisure time. All these non-economic and non-growth oriented motives can be termed life-quality factors. Every entrepreneur is characterized by an individual trade-off between life-quality and workload. The perception of this relationship is a main driver of activity. The relationship of entrepreneurial workload and life-quality certainly depends upon personal wants and individual characteristics or personality traits (Marcketti *et al.*, 2006). As a result of the above discussed characteristics of lifestyle entrepreneurs, a number of propositions can be derived relating to the the relationship between life quality for entrepreneurs and enterprise profit (see figure 1).

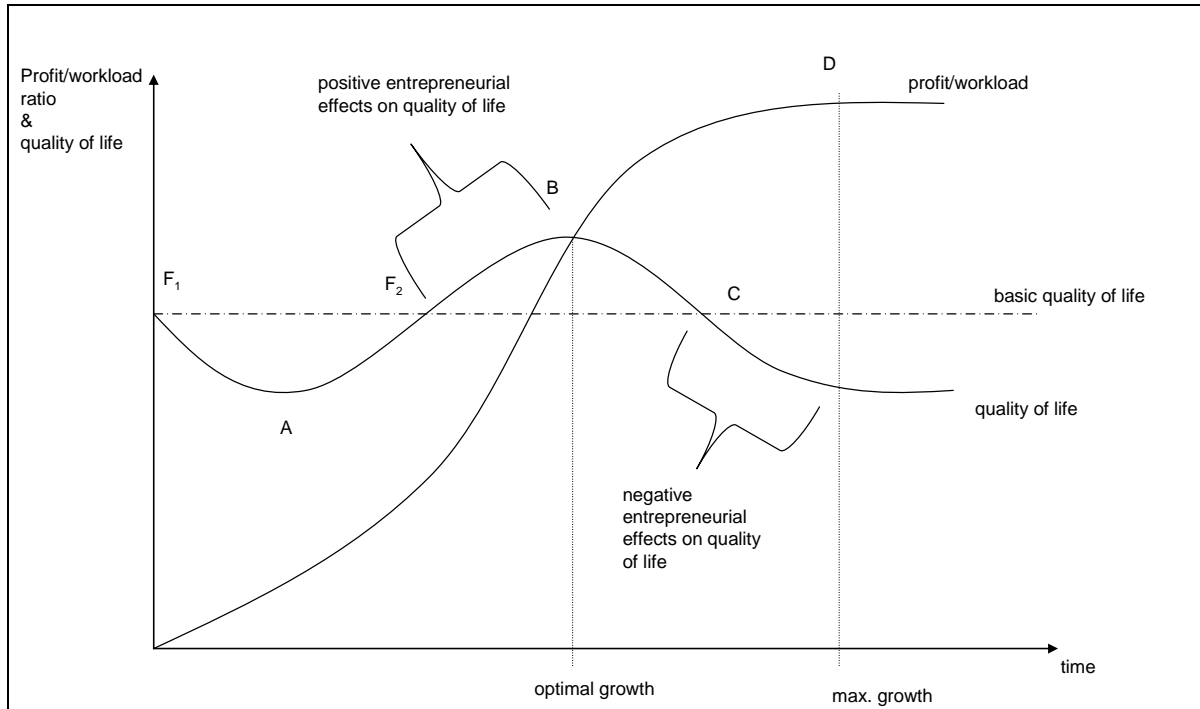


Figure 1. The trade-off between entrepreneurs' life quality and enterprise profile. *Source:* based on Peters and Frehse [2004]

The basic individual quality of life may decrease in the phase of establishing a new business. Leisure time is sinking; family needs cannot be easily addressed. Personal worries or financial risks lower the individual quality of life, which is determined by other than entrepreneurial factors (e.g. health, expectations, social status, values, etc.). At later stages, harvesting the seeds of the new venture, life quality for entrepreneurs rise again and meet the profit curve at the point B, where the profit cannot be heightened without lowering personal quality of life. But still BC marks the positive entrepreneurial effects on individual quality of life, which occur as a consequence of the new venture. A lifestyle entrepreneur normally hinders growth when he/she recognises that life quality is decreasing. A number of interesting observations can be made:

1. A critical phase of entrepreneurship is the time of the start-up. Research has shown that many individual barriers occur which can lower the quality of life (Shaver *et al.*, 2001; Weiermair and Peters, 1998b). F_1A marks the most critical phase of individual failure because the entrepreneur experiences decreasing quality of life and increasing workloads; i.e. the profit/workload ratio is very low. Afterwards, the entrepreneur recognises

an increase of both profit and quality of life and is motivated to reach point D.

2. Lifestyle entrepreneurs usually stop entrepreneurial activities at the time they recognize they have reached the maximum level of personal quality of life (B). If, due to time lags, lack of control mechanisms or market exit barriers, growth is continuing, entrepreneurs still face positive, but decreasing life quality effects of growth (BC).
3. It still remains unclear which variables constitute individual quality of life. However, there is a set of quality of life variables (F_2B) which is generated or enhanced by enterprise growth. It can be assumed that income, prestige, social reputation or similar variables fall into this category of life quality for entrepreneurs.
4. Lifestyle entrepreneurs do not trace the path BD. Only growth oriented or Schumpeterian entrepreneurs will follow profit maximisation.

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The contribution of lifestyle entrepreneurs

Despite the fact that lifestyle entrepreneurs do not follow economic motives, their contribution to economic welfare and customer satisfaction should not be underestimated (Weiermair and Peters, 1998a). In fact observing the tourism and leisure lifestyle entrepreneurs can enable other indus-

tries to learn transferable lessons. There are numerous reasons that underline the importance of lifestyle tourism/leisure entrepreneurs.

Lifestyle entrepreneurs often get involved in business because they are experienced consumers, who either make a profession out of their hobby or seek customer solutions in the respective leisure or tourism industry. As in their eyes markets do not provide optimal customer oriented solutions, they decide to do this on their own (Williams *et al.*, 1989). Thus, many lifestyle entrepreneurs can be seen as lead users who can be important sources of product/service innovations (Herstatt *et al.*, 2001). 'Real' entrepreneurs often develop fruitful co-operations with those non-growth oriented entrepreneurs, who provide ideas or uncover customer problems but are not able or not willing to transform this capital into a growing enterprise.

Lifestyle entrepreneurs are not willing to put more effort into growth and do not want to sacrifice quality of life to profit maximisation. But in several cases, through governmental support in terms of tax reduction or enterprise support, additional enterprise growth could be achieved. However, many governmental support systems necessitate a high growth motivation of small business entrepreneurs (Nilsson *et al.*, 2005). Thus, in most cases the financial support is allocated on the condition that enterprises commit to growth objectives, which in reality do not positively influence lifestyle entrepreneurs. Recognising the entrepreneurial realities and motivations as well as designing policy measures that address the quality of life balance is thus paramount for those incentives to be effective. Perhaps governments need to put their effort in developing networks at the destination level that enable entrepreneurs to share resources and achieve economies of scope, rather than drive for growth. Improving quality of life can motivate entrepreneurs further and assist them to develop their interest in business and competitiveness.

Conclusion

The aim of the paper was to explore the concept of lifestyle entrepreneurship, using tourism as one of the most relevant industries to demonstrate its relevance. The paper demonstrated the relationship of the

activities of lifestyle entrepreneurs and their perception of individual life quality. In many tourism regions entrepreneurship is characterized by incremental innovation or relative low entrepreneurial intensity. Although lifestyle entrepreneurs do not force radical innovations, they often serve as typical lead-users who explore new leisure activities, become first-users and later on first movers in specific leisure industries. For example many people who run, diving or extreme sports centres are themselves involved in these activities and are keen to experience their hobby through their work. As human beings, consumers and producers change in terms of their value system, quality of time and leisure time maximization. Hence it is increasingly evident in the marketplace that the tourism industry attracts both classical Schumpeterian entrepreneurs as well as lifestyle entrepreneurs who operate according to the personal lifestyle. Instead of internal growth, with all its negative effects on the life quality, external growth through cooperation, clustering and/or strategic alliances should be incentivised to motivate entrepreneurs to reach D instead of B as demonstrated in Figure 1. Policy makers therefore need to provide a comprehensive framework that would support these processes, rather than encourage internal growth.

However, in phase F₁A many lifestyle entrepreneurs reconsider their efforts and withdraw from the market because they experience a steady decrease of quality of life. Here motivational support measures should include the provision of business advice and resources, whilst successful benchmarks may help entrepreneurs to overcome this critical phase. Potentially the development of regional clusters which pool together resources from several small businesses, development agencies and governmental organisations can assist governments at the national and regional level to support lifestyle entrepreneurs and to develop their collective competitiveness at the destination level.

There are several challenges for social sciences researchers. First it remains unclear how the quality of life for entrepreneurs can be measured as well as what is the basic individual life quality. Research

in the field of entrepreneurs' satisfaction with their profession is still missing but needed to assess individual life quality effects of new ventures. In the field of leisure and tourism co-operation and co-competition are extremely important, as only clusters and/or strategic alliances can support the production of the increasingly complex tourism services and products required by consumers. Entrepreneurs may also profit from inter-organisational know-how transfer (Matlay, 2003) and the mechanics of such transfer need to be further explored. However the vast majority of the entrepreneurs are independent minded and have difficulty in participating in clusters or accepting external advice. This applies particularly to lifestyle entrepreneurs who are not profit motivated. Hence, an interesting research agenda is what measures and policies can support life quality for entrepreneurs and how cooperation and clustering can enhance the collective regional competitiveness.

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