

Determinants of Small Accommodation Business Size: Evidence from Zhejiang Province of China

Abstract

Purpose—This study aims to model and empirically test the determinants of small accommodation business (SAB) size.

Design/methodology/approach—This study distinguishes amongst three aspects of SAB size (accommodation scale, investment, and employment), and between two modes of growth (managerial and entrepreneurial growth). A conceptual framework is developed based on business growth theory, whereby three econometric models are constructed and estimated to predict size variations. Data were collected through a survey on 200 SABs in North Zhejiang Province of China. Effects of the determinants are contrasted between different size indicators.

Findings—The SAB size can be affected by personal factors (*employed working experience, education level, industry specific know-how*), interpersonal factor (*relative ties to other SABs*), and environmental factor (*association support*). The interpersonal and environmental factors tend to contribute to managerial growth, whilst the personal factors are usually conducive to entrepreneurial growth.

Research limitations/implications—This study addresses the questions of “*why some SABs grow larger in size than others*” and “*why different SABs grow in different ways*” . But more contexts and tourism business types should be taken into consideration so as to ensure

generalizability through future studies.

Practical implications—The research findings can serve as guidelines for local tourism administration to encourage or regulate SAB development.

Originality/value—This study is amongst the first endeavors to examine the multidimensionality and determinants of business size in tourism and hospitality; the study contributes to literature by expanding tourism entrepreneurship research into a/the “growth paradigm”.

Keywords: Small Accommodation Business; Tourism Entrepreneurship; Business Size; Business Growth Theory; China.

1 Introduction

Rural tourism entrepreneurship features genesis and growth of various forms of small accommodation businesses (SAB), which are typically referred as “B&B”, “home stay”, or “guesthouse” (Tinsley and Lynch, 2008). Due to their merits in generating incomes, these SABs are critical to rural revitalization and poverty alleviation, and thus have been widely examined in tourism and hospitality literature. Recently, tourism entrepreneurship research has been moving from simple description of entrepreneurial process to framing and validating factors driving entrepreneurial activity and/or success (Hallak *et al.*, 2015; Hernández-Maestro and González-Benito, 2013). This study merges into and contribute to this trend by examining a prominent yet under-researched result of entrepreneurship: *business size*.

Business size has been a classic measure of entrepreneurial success in small business and entrepreneurship literature (Cliff, 1998), and similar uses can be found in recent tourism and hospitality studies (Hallak *et al.*, 2015). Researchers generally believe that examining the determinants of business size is meaningful for understanding business creation and subsequent growth (Barkham, 1994), and they can provide answer to the question: “*why some SABs are created/grow into larger size than others?*” Meanwhile, since the asynchronized growth on different size indicators (accommodating scale, employment, investment) implies different growth modes (Bjerke and Hultman, 2004), a comparison of the effects of determinants between different size dimensions may generate answer to the question: “*why different SABs grow in different modes?*” Furthermore, a set of business size determinants is likely to provide guidelines for destination administrations to encourage and regulate SAB development, so that it can generate income for local residents without harming the

sustainability of rural destinations. Such tools are especially helpful for developing countries such as China, where SABs have undergone rapid yet uneven growth and the over-expansion of accommodating scale has led to many environmental and service quality problems (Liu, 2016; Wang *et al.*, 2012).

Despite its significance, determinants of SAB size remains under-researched, with few relevant publications in mainstream tourism and hospitality journals. The heterogeneity and variation of SAB size, albeit documented in many empirical studies (Lashley and Rowson, 2010), has hardly been explained. In fact, business size is affected by so many factors that even general management literature has yet formed a comprehensive explanatory framework (Bridge and O'Neill, 2012). Entrepreneurship researchers are still unable to isolate variables that have a consistent effect on growth across industries or countries (Shepherd and Wiklund, 2009), where knowledge is more fragmented than cumulative (Dobbs and Hamilton, 2007). This warrants the necessity of investigating the determinants of business size in a systematic and context-based approach.

The SAB has been considered as a useful tool for rural development in China, where they are typically referred to as *Nongjiale* (Happy Farm House) (Zou, 2005). These *Nongjiales* are commonly regarded as non-traditional, unstandardized accommodation, and thus are out of hotel star-rating system. Since their origin in the 1970s, such SABs have been soaring in number, reaching over 2 million units in 2016 (China National Tourism Administration, 2016). Chinese government (2015) predicted that the total number might reach 3 million by 2020. In recent years, rapid change in tourist demand and fierce competition in the market have led to changes in both size and characteristics of such SABs.

A part of them have chosen to expand their accommodating capacity by increasing room numbers in a simple and extensive way, such that more tourists can be accommodated and scale economy effect can be achieved. The rest of the SABs, in contrast, devote more investment and employees into the business while maintaining or even decreasing their accommodating capacity, in the hope that facilities and service of higher quality could bring competitive edge and premium charges. Different growth modes, therefore, result in asynchronized variation of SAB size in terms of accommodating capacity, investment and employment. The underlying driving factors for such variation patterns, however, have rarely been examined.

Drawing on business growth theory, this study aims to investigate SAB size determinants in a Chinese context. Specifically, it consolidated knowledge by reviewing and synthesizing extant empirical findings regarding small business growth and tourism entrepreneurship, and developed a tribasic theoretical framework comprising personal, interpersonal and environmental factors. An econometric model was then constructed and estimated to assess their effects on three aspects of SAB size (i.e. *accommodating capacity*, *investment*, and *employment*) based on 200 SAB samples collected in three regions in northern Zhejiang Province of China. Their effects on the three dimensions of business size were then compared and discussed.

2 Literature review

2.1 Tourism entrepreneurship, SAB and size growth

By its definition, entrepreneurship refers to the recognition and exploitation of business opportunities (Shane and Venkataraman, 2000). In this sense, the entrepreneurial process involves developing opportunity through a new organization, i.e. *business creation*, or through the existing firm, i.e. *business growth* (Wiklund and Shepherd, 2008). Similarly, tourism entrepreneurship features genesis and growth of SABs, i.e. those commercial accommodation units that are created based on local residence/home (Lynch, 2005; Lynch *et al.*, 2009). They encompass various forms of non-conventional accommodation (e.g. B&B, guest house), of which the appeal to tourists is dependent on the authentic and locally-embedded hospitality (Wang, 2007). As such, they represent a middle ground between the private home and the commercial hotel (Kontogeorgopoulos *et al.*, 2015; Lynch, 2005), and thus are also named as commercial home, or quasi-hotels.

Previous tourism and hospitality studies have largely added to the knowledge of tourism entrepreneurship in terms of entrepreneurs and their business-creation activities, including attitudes and motivation, personal traits/capability, decision making process (Ahmad *et al.*, 2014), and special entrepreneur groups, such as female and/or migrant entrepreneurs (Getz and Carlsen, 2000). There are also a few studies targeted at B&B entrepreneurship in China, focusing on issues such as entrepreneurs' characteristics (Yang and Walls, 2008), and entrepreneurial intention (Zhao, Ritchie and Echtner, 2011). More recent studies have moved beyond simple description of tourism entrepreneurs, and have used entrepreneurship

framework to identify and validate factors driving entrepreneurial performance and success. Nybakk and Hansen (2008) examine the impact of entrepreneurial attitude on the success of Norwegian natural based tourism. Tajeddini's (2010) study focused on business strategy, and found that customer orientation, entrepreneurial orientation and innovativeness determine entrepreneurial performance. Hernández-Maestro and González-Benito's (2014) empirical study in Spain reveals that tourism entrepreneurial success is dependent on business strategies (new product development and online promotions) and an entrepreneur's education level. Hallak, Brown and Lindsay (2012), and Hallak, Assaker and Lee (2015) verify the impact of entrepreneurs' psychological constructs (place identity, entrepreneurial self-efficacy, beliefs), gender and community support on enterprise performance. Notably, these studies mostly approach entrepreneurship as business creation, and measure its performance as financial revenue or a subjective perception of success by the entrepreneur. Business growth/size and its determinants, however, have rarely been documented in tourism and hospitality literature (Mehraliyev, 2014).

Small business entrepreneurship researchers commonly regard business growth as an important part of entrepreneurship, and as such, entrepreneurial success can in part be represented by its size (Hallak et al., 2015). The general entrepreneurship literature has documented a good many efforts that strive to predict small business success and growth using econometric models comprising a list of presumed variables derived from theory or previous research (Table 1). These studies, however, are far from reaching a comprehensive explanatory framework, and have been criticized for being thin in theoretical underpinnings. There are no individual factors that universally and by itself have a strong determining

influence (Davidsson and Klofsten, 2003), and their importance appears to be relative and varies with the business environment, i.e., the industry and country SMEs operate in (Lampadarios, Kyriakidou and Smith, 2017). Moreover, these studies mostly treat small business size as a singular variable, and do not consider different size indicators. This circumstance inevitably creates a need for more theory-driven empirical studies to investigate the impacts of the already identified success factors in a specific industry or in a specific country setting, and compare their effects across different SAB size indicators.

(Insert Table 1 about here)

This study follows the general entrepreneurship studies in that it adopts the econometric modelling approach based on consolidation of extant findings. However, it is substantially different from previous undertakings in two aspects: first, it follows a positivistic philosophy and develops a theoretical framework before building and estimating the econometric models; second, it approaches business size as multi-faceted, whereby examining and comparing different effects on different size indicators.

2.2 Multiple SAB size indicators and implied growth modes

Researchers generally agree that business size can be approached from various aspects (Stam *et al.*, 2006). Extant tourism and hospitality studies commonly measure SAB size with three basic input indicators, i.e. *accommodating capacity, investment, and employment* (Di Domenico, 2008; Getz and Petersen, 2005; Skokic and Morrison, 2011). Therefore, business

size growth can not exist without referring specific indicators. Bjerke and Hultman (2004) suggest that business size growth occurs in an asynchronized way on different aspects, and it gives rise to two distinctive business growth modes: *managerial growth* occurs when production scale enlarges with unchanged product superiority, whilst *entrepreneurial growth* takes place when product superiority improves with almost constant production scale.

As for SABs, production scale is usually represented by accommodating scale, and product superiority (i.e. accommodating tangibilities and service quality) is largely shaped by increase in factor intensity (Wu, 1993), i.e. investment and employees devoted to each accommodation unit. Therefore, increasing accommodating capacity through simple duplication implies growth in managerial mode, while increasing investment and employment for each accommodating unit implies growth in entrepreneurial mode.

2.3 Conceptualizing SAB size determinants based on business growth theory

The business growth theory suggests that size growth is the process of adapting productive base (employees and assets) to emerging market opportunities (Penrose, 1959). As such, business size is shaped by both external factors related to environmental issues (geographical, political or market conditions) which determine the existence of potential market opportunities, and internal factors that are related to the entrepreneur and determine the extent to which the entrepreneur can recognize and exploit the opportunity (Davidsson, 1989; Pasanen, 2007). The internal factors, in the meantime, can be further categorized into personal factors regarding the entrepreneur characteristics and capabilities (e.g. age, gender,

education) (Lampadarios, Kyriakidou and Smith, 2017), and interpersonal factors related to the social network of the entrepreneur (Omri, Frikha and Bouraoui, 2015).

This tribasic conceptual framework has been adopted in many previous models (Cuervo, 2005; Lundberg and Fredman, 2012), and can also be applied to tourism and hospitality businesses (Hallak *et al.*, 2015; Seuneke *et al.*, 2013). As many hospitality researchers noticed, the owner-operator plays a very critical role in determining SAB development. Their size growth can thus be regarded as a confluence of factors that encompass characteristics of the entrepreneur (*personal factors*), their social network (*inter-personal factors*) and the entrepreneurship environment (*environmental factors*) (Cooper, 1993). All small business growth determinants can thus be accommodated in this single framework (Figure 1), where the current SAB size is the result of recognition, exploitation of business opportunity, and creation/growth of firm organization, which is affected by personal, interpersonal and environmental factors. Notably, factors driving tourism entrepreneurship and growth are so complex that it is impossible to exhaust all potential determinants in one single study. Therefore, only variables confirmed by small business growth and entrepreneurship literature as influential on small business growth are incorporated into both the conceptual and econometric models. Accordingly, variables that have little to do with hospitality context were excluded. Therefore, this theoretical framework is not a simple lump of variables, but was proposed with theoretical underpinning, and careful thought.

(Insert Figure 1 about here)

Personal factors

The impact of personal factors (entrepreneur traits and capabilities) can be explained by human capital theory, which maintains that increases in cognitive abilities of the entrepreneur will lead to more productive and efficient entrepreneurial activity (Schultz, 1980). Empirical studies have confirmed the positive effects of personal capabilities including education level (Peters and Brijlal, 2011), business start-up experience, employed working experience (Bird, 1995; Storey, 1994) and industry-specific know-how (i.e. specific knowledge of similar businesses) (Cooper *et al.*, 1994). Formal education will enhance the entrepreneur's explicit skills of foresight, computation and communication, and thus educated entrepreneurs can react more quickly to market change (Casson, 1982). Meanwhile, tacit skills such as negotiation, planning and organizing can be strengthened by prior business start-up experience (with lessons learned from success/failure) (Barkham, 1994), employed working experience (Cross, 1981), or industry-specific know-how (Storey, 1994).

Meanwhile, socio-demographic traits of the entrepreneur will affect business size. Chachar *et al.* (2013) and Mehraliyev (2014) confirm that age, origin, years in business have impact on small tourism business growth. Headd (2003) and Carter *et al.* (2001) explain that entrepreneur age matters because senior entrepreneurs have more life experiences which often translate into competent decision-making. Basu and Goswami (1999) find that years of engagement in the current business significantly influences the business size, and those entrepreneurs who have been involved in business for longer period tend to grow their business into large size. Carter *et al.* (2001) and Rosa *et al.* (1996) find that women-owned businesses tend to be smaller in size, as women entrepreneurs are commonly less ambitious

to grow their businesses and less optimistic than men about business success in the future.

Based on the above reasoning, the following hypotheses are developed,

Hypothesis 1: The SAB size is influenced by four personal capability factors, namely a) education level, b) employed working experience, c) previous business start-up experience, and d) industry specific know-how, and five socio-demographic traits, namely e) age, f) gender, g) years of engagement in the current business, h) marital status, and i) place of origin.

Interpersonal factors

The effects of interpersonal factors (i.e. characteristics of the entrepreneur's social network) are underpinned by social capital theory, which postulates that resource embedded in social ties of the entrepreneur can largely improve the recognition and exploitation of business opportunities (Granovetter, 1973; Watson, 2007; Zhao, 2009). Entrepreneurship researchers generally agree that enterprise development in the early stage relies heavily on the entrepreneur's family network, due to its advantage in providing unique and valuable resources with lower costs and risks (Aldrich and Cliff, 2003; Shaw and Williams, 2009). Such relative network belongs to “*strong ties*” that facilitate the discovery of opportunities, and the identification, collection and allocation of scarce resources (Shane and Cable, 2002). Relative ties are especially critical to Chinese entrepreneurs, as relationships in China follow a pattern of differentiation, with those family members and relatives earning the most trust and reliance from the entrepreneur (Fei, 1992).

Nevertheless, Bruch *et al.* (2004) warn about the negative effects of social embeddedness. Tightly controlled relationships could reinforce social obligations and

expectations that can limit the freedom of economic agents to recognize and exploit new opportunities (Podolny and Page, 1998; Uzzi, 1997). In this case, the previous instrumental relationships may turn into “dark resources” or social liabilities that constrain rent-seeking activities of managers and entrepreneurs, affecting negatively their performance indicators (Bean and Bell-Rose, 1999).

Despite such disparities, many empirical findings do reveal that number of relative ties to key roles such as government (including leaders of a village) and peer entrepreneurs can enhance/deter SAB entrepreneurial activities (Birley, 1985; Fadahunsi *et al.*, 2000; Nohria, 1992; Zhao, 2009). Therefore, the following hypotheses are developed,

Hypothesis 2: The SAB size is influenced by two inter-personal factors, namely a) relative ties to other entrepreneurs, b) relative ties to other SAB operators, and c) relative ties to the government.

Environmental factors

Environmental factors determine the existence of potential market opportunity, and are related to the issues such as natural and geographical conditions, institutional conditions and market conditions. They remain much less examined than personal and interpersonal factors. Existing tourism entrepreneurship studies mostly focus on the institutional environment, i.e. *support of government and industrial organization*, which can be reflected in various ways including availability of government loans, investment funds, assistance for entrepreneurs operating in certain regions, and infrastructure development (Lickorish *et al.*, 1994; Mill and Morrison, 1992). Nuntsu, Tassiopoulos and Haydam (2004) identify the critical role of local authority support in shaping business development. Lundberg and Fredman’s (2012) three-

step investigation confirms that external support from industry associations and government can be conducive to business entrepreneurship and growth. These lead to the following hypothesis,

Hypothesis 3: The SAB size is influenced by two environmental factors, namely a) government support, b) industry association support.

2.4 The econometric model

Following Sandberg and Hofer (1987), the above three categories of business size determinants can be modelled by the following equation,

$$SIZE_{business} = f(P, IP, E)$$

where P , IP and E represent vectors of variables regarding personal, interpersonal and environmental factors.

SAB size can be represented by three indicators, i.e. accommodating capacity, investment size and employment size, representing managerial growth mode and entrepreneurial growth modes (including capital-intensive and labor-intensive mode). Both investment and staff number were divided by bed number so as to better capture the connotation of factor intensiveness which represents entrepreneurial growth mode. Based on the above conceptualization and hypotheses, in total 14 independent variables were incorporated into the model, including nine personal factors (four personal capabilities and five socio-demographic traits), three interpersonal factors, and two environmental factors. Table 2 presents the variables and their specification.

(Insert Table 2 about here)

Following previous studies (Headd, 2003), linear relationship was assumed, and all the three indicators of SAB size were log-transformed. Categorical variables were all treated as dummy variables. In summary, the three models are specified as follows,

$$\begin{aligned} \lg SIZE_{bed} = & \beta_0 + \beta_1 IP_{buz} + \beta_2 IP_{sab} + \beta_3 IP_{gov} + \beta_4 P_{buz} + \beta_5 P_{work} + \beta_6 P_{know} + \beta_7 P_{edu} \\ & + \beta_8 P_{year} + \beta_9 P_{age} + \beta_{10} P_{gendr} + \beta_{11} P_{marr} + \beta_{12} P_{ori} + \beta_{13} E_{gov} + \beta_{14} E_{ass} \end{aligned}$$

$$\begin{aligned} \lg SIZE_{inv} = & \beta_0 + \beta_1 IP_{buz} + \beta_2 IP_{sab} + \beta_3 IP_{gov} + \beta_4 P_{buz} + \beta_5 P_{work} + \beta_6 P_{know} + \beta_7 P_{edu} \\ & + \beta_8 P_{year} + \beta_9 P_{age} + \beta_{10} P_{gendr} + \beta_{11} P_{marr} + \beta_{12} P_{ori} + \beta_{13} E_{gov} + \beta_{14} E_{ass} \end{aligned}$$

$$\begin{aligned} \lg SIZE_{stf} = & \beta_0 + \beta_1 IP_{buz} + \beta_2 IP_{sab} + \beta_3 IP_{gov} + \beta_4 P_{buz} + \beta_5 P_{work} + \beta_6 P_{know} + \beta_7 P_{edu} \\ & + \beta_8 P_{year} + \beta_9 P_{age} + \beta_{10} P_{gendr} + \beta_{11} P_{marr} + \beta_{12} P_{ori} + \beta_{13} E_{gov} + \beta_{14} E_{ass} \end{aligned}$$

3 Methodology

3.1 Study regions and their representativeness

The empirical study aims to estimate the three econometric models, and was carried out in three regions of northern Zhejiang Province of China, namely *Changxing* County, *Anji* County and *Deqing* County. These regions lie in the center of the Yangtze River Delta and in total cover an area of 4,252 km². *Changxing* County is only one-hour drive to the downtown area of Shanghai, the largest city in China, where most of its visitors come from. Rural destinations in *Anji* and *Deqing* are mostly developed based on two famous scenic spots in China, i.e. “*Sea of Bamboo*” and “*Mogan Mountain*” (both 4A level scenic spots in the

designation by China National Tourism Administration).

These three regions are selected as the study area for they represent typical rural destinations in China. First, they have been recognized by China National Tourism Administration as models of rural tourism development, and are amongst the list of *National Demonstration Counties of Rural Tourism*. Theoretically, they represent two types of rural destinations most commonly found in China: 1) the nature-based ones, which are characterized by breath-taking natural environment and are usually located in sub-urban areas close to metropolitans, and 2) the scenic-spot ones, which are often by-products of famous sceneries or popular touristic attractions nearby (Guo and Han, 2010). Second, these regions are the most popular place for tourism entrepreneurs, with over 1,500 rural SABs receiving over 23.52 million domestic tourists and generating a total revenue of more than four billion *yuan* in 2014 (Xinhua Tourism, 2015). Finally, SABs in these regions are very typical *Nongjiales* that are created and operated based on rural home settings and rural families, and feature sampling fresh farm food and green vegetables, experiencing traditional courtyard living, doing farm work, entertaining farmers' plays, and purchasing indigenous products from farm families (Zou, 2005).

3.2 Survey and data

Personal interview survey was conducted on rural SAB owners, and the questionnaires were administrated in a face-to-face, question-and-answer manner. Figure 2 presents a sample of the questionnaire. Such interview-based survey has merits of high response rate and low occurrence of misunderstanding. Random sampling method was employed. As there was no

official name-list for these businesses, the authors have to first compose a name-list for each village with the help of the village head, and then randomly select a certain number of survey participants from the list. The number of samples for each region was fixed in accordance to the total number of SABs in this region. After collecting the data, sample demographics of the SABs were reviewed through consulting at least five local residents who have lived there for more than five years.

(Insert Figure 2 about here)

Four well-trained research assistants were hired to help with the survey work. The actual data collection lasted for a month from 3 March to 5 April of 2016. In total 200 valid samples were collected, of which 59 units from *Changxing*, 65 units from *Anji*, and 76 units from *Deqing*. The original data was screened carefully by the author in order to correct input errors and unreasonable extreme values. Missing data was mostly generated when the business owner were unwilling to disclose the information regarding their performance, business scale or investment, and was deleted in a listwise way before analysis.

4 Findings and discussion

4.1 Descriptive analysis results

The descriptive statistics of relevant variables are put in Table 3 and 4. SABs in the sample set demonstrate average business performance according to their yearly revenue

(Mean=300,575 CNY; Min=30,000 CNY; Max=2,000,000 CNY). 90% of these SABs generate annual revenue of over 100,000 CNY, far more than the average disposable income for Chinese households in 2014 (20,167 CNY), meaning that these SABs (mostly operated by rural families) have generated quite good financial rewards. Notably, more female samples were collected than male samples. This is because such rural SABs are mostly run by female hosts, for they are usually good at domestic work and accommodating. This finding is consistent with previous observations (Getz and Carlsen, 2005).

(Insert Table 3 and 4 about here)

4.2 OLS estimation results

Table 5 presents the overall fitness of the three regression models. The R^2 values show that excluding the effect of variable number, all the three models can explain over 20% of the total variance. The determinants show strongest predictive power for investment size (42.9%), and have weakest predictive power for accommodating capacity (21.9%). The R^2 value ranges from 0.1 to 0.3 in most previous models (Davidsson, 2002; Lerner and Haber, 2000; Lunderberg and Fredman, 2012). Therefore, the predictive power of these three models are better than many extant models. The *average VIF values* for the three models are 2.972, 2.976 and 2.786 respectively, indicating weak multi-collinearity effect. *Durbin-Watson values* demonstrate weak auto-correlation level, and *Kolmogorove-Smirnov* test and *Shapiro-Wilk* tests are both insignificant for all the three models, indicating no significant deviance from

normal distribution for standardized residuals in all the three models. As such, the data fits into the basic assumptions of OLS estimation. Table 6 presents the estimated effects of the three categories of determinants on SAB size.

(Insert Table 5 and 6 about here)

Interpersonal factors

The result shows that relative ties to other SABs (IP_{sab}) have significant effects on accommodating capacity (0.315, $p < 0.01$), investment size (-0.212, $p < 0.01$) and labor size (-0.353, $p < 0.01$). This finding confirms those arguments that small businesses tend to rely on family relationships for resources, information and other support during their start-up and growth (Brush *et al.*, 2004; Shane and Cable, 2002), whereby relative ties may be influential on growing business size (Nohria, 1992). However, neither relative ties to entrepreneurs involved in other businesses (IP_{buz}) nor relative ties to government (IP_{gov}) demonstrate significant influence on SAB size. This finding implies that different forms of relative networks may have different effects, and only relative ties to certain key roles have effects on business start-up decisions, which echoes Zhao's (2009) earlier research in China. Relative ties to other SABs seem to be the major conduit of support, as the resources and information shared by these relative networks within SABs could be more useful and relevant to their business development.

Effect of the interpersonal factor (IP_{sab}), however, varies across the three dimensions of size. It is positive on accommodating capacity, but negative on investment size and

employment size. This implies that those with more relatives involved in similar businesses tend to orient their facilities towards higher accommodating capacity (managerial growth), while keeping investment and staff for each accommodating unit at a lower level (entrepreneurial growth). This finding echoes with the dispute on small business research regarding the effects of social networks on business entrepreneurship (Bruch et al., 2004). The conceptual ideas that relative networks may facilitate recognition and exploitation of growth opportunity provide theoretical grounding for the belief that, more relative ties to key roles could lead to higher capability of business expansion and further lead to larger business size (Birley, 1985; Nohria, 1992). Some researchers, however, contend the adverse effect of relative networks, as “dark resource” of which the social obligations and expectations may blind the entrepreneur from recognizing new opportunities and new possibilities (Uzzi, 1997). In the case of rural SABs, relative network will bring about certain “inertia” in innovation, which is necessary for successful entrepreneurial growth. That is, business owners often share experience with their relative counterparts, instead of those outside of their circle. As a result, they may be more cautious and conservative in investing, and prefer incremental growth of accommodating capacity.

Personal factors

Personal factors can be categorized into the personal capabilities and personal traits. The data analysis result reveals that except for business start-up experience (P_{buz}), all *personal capability* variables significantly affect at least two business size dimensions. This finding confirms the claimed relevance of human capital in determining small business size

(Barkham, 1994; Kangasharju and Pekkala, 2002). The insignificant effect of business start-up experience (P_{buz}) could be attributed to the reason that: starting-up small, informal businesses may not help as much as working in a formal business organization, as the latter is usually equipped with mature business practices and staff training system. Industry-specific know-how (P_{know}) and education level (P_{edu}) both show significant influence on investment size and employment size, and this confirms previous entrepreneurship literature (Chandler and Hanks, 1993; Cooper *et al.*, 1994). This implies that entrepreneurs with higher education level, or more familiar with the industry, tend to plan for entrepreneurial mode of business growth with more inputs in per-bed investment and labor. In contrast, both education level and business investigation/entrepreneurship experience have no significant effects on bed number, which echoes previous mixed views on the relationship between human capital and entrepreneurial performance where some empirical work reports no relationships (Storey, 1982; Watanabe, 1970).

Employed working experience (P_{work}) has positive effect on investment size (0.125, $p < 0.05$), negative effect on accommodating capacity (-0.195, $p < 0.01$) and no significant effect on employment size. This implies that those with more previous employment experience tend to plan for their business in a capital intensive way and they prefer less accommodating capacity. In this sense, they seem to prefer a more “boutique” way of providing accommodation service. Prior working experience has been identified in small business research to be conducive to business growth, as it may provide necessary skills such as negotiation, planning, organization, and problem solving (Bird, 1995; Storey, 1994). These skills may help a SAB in exploring/exploiting growth opportunities. However, an

experienced entrepreneur may still increase business size in some aspects while decreasing it in others. The reason is that more experienced entrepreneurs tend to be more capable of growing their business in an innovative and creative way by devoting more resources to each accommodating unit. In contrast, those with less experience may be more conservative in business expansion and tend to prefer simple “copy and paste” mode of growth via increasing room numbers.

Notably, there is a sharp contrast between interpersonal factors and personal capability factors as to their effects on business size dimensions. The former generally exerts positive (or no) effects on accommodating capacity, and negative (or no) effects on investment and employment size; while the latter tends to exert negative (or no) effects on accommodating capacity, but positive (or no) effects on investment and employment size. This implies that although those with more relative network support are inclined to managerial growth, those with stronger personal capability will prefer entrepreneurial growth. This contrast can be explained by different determination mechanism of social capital and human capital. The former provides information and resources, and the latter determines the way and the extent to which the information and resources can be perceived and exploited. Increase of accommodating capacity tends to be the simplest and most extensive way of growth, and be less demanding in terms of personal capability but more demanding in resource amount. Therefore, more support from relative network may contribute to this aspect of growth. In contrast, increase of capital intensiveness and labor intensiveness is usually more demanding in capability and running higher risks, and thus is preferred by those with more human capital. Another reason is that peer business operators within the relative network may

provide not only support, but also competitive pressure, which would force owner-operators to direct their support to increase capacity in order to save cost in scale economy.

Personal traits variables also show significant effects on business size. Entrepreneur age (P_{age}) significantly influence investment size, but demonstrates no significant effect on accommodating capacity or employment size. Compared to entrepreneurs aged over 65, those aged between 26 and 45, and between 56 and 65 tend to grow their business in a capital intensive way. This finding is inconsistent with previous findings that senior entrepreneurs tend to be more capable than the junior ones in planning for their business growth (Headd, 2003). The reason could be the limitation of dummy variables, which may hide the effect of entrepreneur age. It only compares the business size between younger groups and those aged over 65, and those entrepreneurs over 65, albeit experienced, may not be able to be highly involved into business growth activities due to health reason or their life attitude.

The entrepreneur's gender (P_{gender}) demonstrates significant, negative effects on investment and employment size, which is consistent with previous research (Headd, 2003). Male entrepreneurs tend to maintain their business in lower level of capital and labor intensiveness compared to the female counterpart. In terms of origin of place (P_{ori}), local entrepreneurs tend to invest less per-bed compared to non-local entrepreneurs. Notably, the absolute value of coefficient of origin of place is comparatively large. As was observed, local entrepreneurs were mostly peasants who are equipped with limited income and capital while starting up and growing their businesses. In contrast, those non-local entrepreneurs could be regarded immigrant entrepreneurs from urban area, mostly with sufficient financial support for their business. Li's (2008) study reveals comparatively negative investment attitude of

rural SABs in recent years, and there even emerge concerns on whether the local entrepreneurs should be “expelled” by non-local investors as they have much stronger financial capability (Sina Finance, 2017). Finally, years of engagement in current business (P_{year}) and marital status (P_{marr}) demonstrate no significant effect. Although a few previous studies (Basu and Goswami, 1999) argue that businesses operating for a longer period of time tend to be larger in scale, this research lends no empirical support to such a claim.

Environmental factors

Perceived support of government (E_{gov}) has no significant effects on all the three business size dimensions, and perceived support from industrial association (E_{ass}) only has significant effect on accommodating capacity (0.248, $p < 0.01$). This partly confirms prior assertions regarding institutional support (Lickorish *et al.*, 1994; Mill and Morrison, 1992). It also implies that bed number expansion relies more on industrial association support than on government support. The reason could be that while the government mainly focuses on providing general public service, industrial associations may provide more professional assistance.

5 Conclusion, implication and limitation

SAB size is the primary outcome of rural tourism entrepreneurship, and has both economic and ecological implications. Modeling its determinants may not only add into the knowledge of tourism business creation and growth, but also provide practical tools for encouraging

and/or regulating rural tourism development. However, inadequate efforts have been made to this critical issue. Drawing on business growth theory, this study models and empirically verifies the factors influencing rural SAB size, using three leading rural destinations in China as a research context.

Through these efforts, this study confirms the effects of personal, interpersonal and environmental factors, and further identifies that such effects vary across the three aspects of SAB size (Table 7). Such findings are consistent with previous business studies that revealed the differences amongst business size indicators in terms of their determinants (Barkham, 1994). Specifically, interpersonal factors (*relative ties to other SABs*) exert positive effects on accommodating capacity, but have negative influence on investment size and employment size. In contrast, personal factors (*employed working experience, education level, industry specific know-how*) exert negative (or no) effects on accommodating capacity, but have positive (or no) influence on investment size and employment size. Moreover, environmental factors (*association support*) can lead to managerial growth, while young, female, and non-local entrepreneurs tend to prefer entrepreneurial growth.

(Insert Table 7 about here)

Another conclusion derived from this contrast is that interpersonal factors and personal factors demonstrate significant contrasting effects on each other: while interpersonal factors tend to contribute to managerial growth (do more of the same), personal factors are usually conducive to entrepreneurial growth (do things differently). Thus it is logical and possible to

assert that entrepreneurs with more relative ties to other SABs prefer an “extensive form” of growth. They are fond of increasing their accommodation capacity so that scale economy can be realized. In contrast, those with more human capital tend to grow in a more intensive way, resulting in higher capital intensiveness and labor intensiveness. This implies that while growing a business in accommodation capacity is largely dependent on support from social networks, the choice of how to grow the business is more an individual decision dependent on the preference and capability of the entrepreneurs themselves. After all, growth mode choice is related to the allocation of resources, while growth in size has to do with getting access to necessary resources. As Bjerke and Hultman (2004) suggests, while managerial growth commonly relies on available resources, entrepreneurial growth is more demanding for personal capabilities of the entrepreneur.

The above findings can be of great practical implication, as SAB growth can bring about more business income as well as severe environmental problems. In rural China and many other developing countries alike, cultivating a healthy SAB sector has been one of the most prominent agenda for rural revitalization. In this sense, the above findings can provide guidelines for encouraging, regulating or adjusting rural SAB growth, so as to maintain a balance between economic and environmental benefits. For those under-developed destinations, priority should be given to encouraging SAB growth, as larger-sized businesses could be more resistant to market turbulence and generate more employment opportunities. In this regard, measures (e.g. building up entrepreneur club, facilitate the personal relationship) should be taken to improve the entrepreneur’s social network quality and facilitate the exploitation of the resources embedded in the social ties. In the meantime, support from the

association should be strengthened by clearly defining its responsibilities and improving its professionalism. In contrast, for over-developed destinations, the priority is to bring SAB development under control and encourage more reasonable growth modes (i.e. labor-intensive or capital-intensive growth) by improving the personal capability of the entrepreneur (e.g. entrepreneurship training programs), and introducing more immigrant entrepreneurs. More entrepreneurship orientation and skill training program could be of great help in this respect.

This study and its findings can add to the knowledge of tourism entrepreneurship in the following several aspects. First, it provides a comprehensive explanation to the question of “why some SABs grow larger in size than others”, by proposing and testing a theory-underpinned, integral conceptual framework. Such an endeavor is rarely found in extant tourism and hospitality literature, and is also scant in general business research that suffers from inadequate frameworks and fragmented findings. Bridge *et al.* (1998) criticize that entrepreneurship research fails to compose a comprehensive theory to explain which small firms may grow larger and how they grow, as most of their models could only explain a limited portion of the differences in growth among firms. In this respect, this study may also contribute to general entrepreneurship research.

Second, this study provides a solution to the question of “why different SABs grow in different ways”, and thereby uncovers the complex dynamics underlying small business genesis and growth. Existing research mostly approaches business size as a singular concept and focus on one while neglecting other dimensions, which has led to mixed and (sometimes) contradictory findings (Kangasharju and Pekkala, 2002; Storey, 2016). Such

conceptualizations also oversimplify the effects of size determinants, and overlook the impact of these determinants on growth modes. By treating business size as a multiple indicator construct in relation to different growth modes, this study distinguishes the initially mixed relationships, clarifies the different roles of personal capability and social network in tourism entrepreneurship, and further provide explanation for different growth orientations.

Finally, by addressing the above two questions, this study extends tourism entrepreneurship research from the “business start-up” paradigm to the “business growth” paradigm. According to opportunity-based perspective, entrepreneurship involves new business creation and incumbent business growth (Wiklund and Shepherd, 2008). However, existing research on small tourism businesses and entrepreneurship mainly focuses on business start-up and largely neglects the process of business growth, except for a few emerging publications investigating its impact (Ye, Xiao, & Zhou, 2018, 2019). This study is supposed to act as an ice-breaker, which may bring more relevant topics onto research agenda, e.g., patterns and effects of SAB growth on guest experience and destination development.

This study also has its limitations. First, it is one of the first undertakings on determinants of tourism business size with limited sample size, and thus the generalizability of the conclusion is limited within the rural small accommodation businesses. Second, this study employs cross-sectional design, and future research could follow longitudinal designs to examine business growth or size change over time. Third, the size or growth of other forms of tourism businesses (e.g. souvenir shops, tourist restaurants, guiding services) and those larger hotels is also suggested as future research direction. Finally, although this study has

incorporated most of the relevant variables that can be identified in the existing literature, the model itself could still be open to new insights through future studies.■

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