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Entrepreneurial orientation and socioemotional dimensions in small family hotels: do they impact business performance?

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ABSTRACT

The family business is a broad concept in which various fields, elements and corresponding influences overlap. Family-specific business motives, behaviours, relationships, emotions and other specificities constitute the heterogeneity of family business. Very strong social and emotional implications in family business indirectly affect family life and even the quality of life. The purpose of this study is to sum up and expand on the understanding of the heterogeneity of small family businesses. It also aims to identify and measure the specific entrepreneurial attributes, knowledge and socioemotional wealth (S.E.W.) of owners. For a sample of small family hotel owners in Croatia, each owner's specific knowledge, entrepreneurial orientation and motives for establishing a family hotel are analysed, considering the important role of tourism for Croatia. The empirical analysis in this article shows the effects of these distinct characteristics of owners on family-specific performance, where non-financial performance is more relevant. The study also offers a recommendation that local and regional governments organise specific education and networking events, given that the owners in this study who had participated in business-related education performed better. Therefore, low levels of innovation in family business could be improved with education.

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Introduction

Current research combines various approaches to better understand the characteristics of a family business. However, relatively speaking, there is far less research on family entrepreneurship practiced through tourism (Getz et al., 2004; Peters & Kallmüenzer, 2018). Small businesses in tourism are often based on a vision that places personal or family needs and preferences ahead of growth and profit maximisation (Getz & Petersen, 2005, p. 1). To capture the heterogeneous characteristics of small family businesses, researchers tend to analyse these businesses from various perspectives: business issues, education, performance, strategic planning and entrepreneurship

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(Chaston, 2012; Kushi & Caca, 2010; Lussier et al., 2012; Machek & Hnilica, 2014). Heterogeneity stems from the differences regarding business activities, size, ownership structures, generation of a family business, and so on. Due to the importance of tourism in Croatia, the types of small family hotels and small family businesses in tourism in this study are particularly interesting units of research (Ivandić & Šutalo, 2018; Perić & Nikšić, 2007).

By analysing entrepreneurial orientation, knowledge, family-specific motives and corresponding influence on family-specific performance measures, this study contributes to a more complete understanding of entrepreneurial behaviour in family businesses. The topic of entrepreneurial orientation and knowledge in small family accommodation providers is still relatively under-researched (Peters & Kallmüenzer, 2018), although there have been positive changes in the last couple of years (Carmichael & Morrison, 2011; Kallmüenzer et al., 2018; Peters & Kallmüenzer, 2018). The changes in research occurred due to the perceived importance of entrepreneurship in destination development. Research trends influence the refining of instruments for analysis and, based on the results, create a basis for decision-making and change at the governmental and community levels, as well as influence the development of new theories focusing on the topic. However, how entrepreneurial orientation influences the creation and sustainability of competitive advantage has not been researched in detail.

When one analyses a family business, competitive advantage is to be seen through the lens of specific family performance. A relatively new model of socioemotional wealth (S.E.W.) (Berrone et al., 2012) provides a theoretical basis for the construction of family-specific performance measures developed in this study. This model is increasingly attracting the interest of many other researchers analysing family firms (Cruz et al., 2011; Deslandes et al., 2016; Duran, 2016; Martínez-Alonso et al., 2018; Schulze, 2016; Shen, 2018).

The purpose of this research is to sum up and expand on the understanding of small family hotels and to identify owner-specific entrepreneurial orientation, knowledge and family values as a source of competitiveness measured by financial and non-financial family-specific performance.

Literature review and hypotheses development

Entrepreneurship of the resource-based theory and knowledge as a resource

The empirical model in this article was developed on the basis of the entrepreneurship of resource-based theory, specific to entrepreneurship (Alvarez & Busenitz, 2001). Entrepreneurship of resource-based theory is the basis for studying entrepreneurial knowledge and is therefore important when explaining the basic assumptions for the empirical model in this research. Entrepreneurship of resource-based theory can be applied to small family hotels, because it explains the organisation of knowledge and the competitive advantage of entrepreneurs. Entrepreneurship brings entrepreneurial knowledge, skills, abilities and opportunities to resource-based theory, but it also makes it extremely complex to analyse.

Entrepreneurial knowledge, skills and orientation (intangible resources) form competitive advantage – an entrepreneur's ability to combine and use the mentioned intangible resources to acquire new opportunities and benefits. Some authors suggest that managerial abilities (e.g., specific professional knowledge) are acquired through experience and are specific to an individual entrepreneurial company (Lane et al., 2001). Heterogeneity is a feature of both resource and entrepreneurship theory; while resource-based theory focuses on the heterogeneity of resources, entrepreneurial theory focuses on the values of this heterogeneity (Alvarez & Busenitz, 2001). These theories overlap when discussing the value of a resource. Heterogeneity is typical for small family businesses in tourism. The acceptance of heterogeneity leads to the differentiation of family businesses, as well as the creation of family business theory (Veider & Kallmüenzer, 2016). Potential causes of heterogeneity can be various business goals, management types and resources. For example, goals can be financial and non-financial; the latter are more common when discussing lifestyle entrepreneurs (Gomez-Mejia et al., 2010).

Also relevant to the empirical model in this research is the theory of human capital, complemented by resource-based theory in terms of entrepreneurial knowledge being one of its resources (Davidsson & Honig, 2003; Lee et al., 2016). The theory creates the basis for the operationalisation of the knowledge and experience of small family hotel owners and their impact on business success. Furthermore, this theory attempts to solve how human capital in family businesses influences the efficiency of responsibility delegation (Carr et al., 2016). Based on these assumptions, the hypothesis concerning entrepreneurial knowledge is:

H1. The specific entrepreneurial knowledge of the owner, acquired through experience and additional education, significantly influences the performance of small family hotels.

Entrepreneurial orientation in family firms

The foundations of the entrepreneurial attributes have been set up by Cantillon and Schumpeter's work, but the measurement of these attributes has been popularised only with the development of psychology and the works by Mintzber (1979) and Miller (1983).

Typical entrepreneurial orientation research areas are risk preference, innovation and proactiveness, while in a smaller number of papers autonomy, competitive aggression and locus of control have also been considered. As a large amount of research considers only developed Western countries, such as the US.A., Finland, Australia and Denmark, there is a lack of research on countries such as Brazil, India and Russia, and developing areas such as Eastern Europe and the Middle East. Although the number of authors who use and measure entrepreneurial orientation is considerable, only a few authors measure entrepreneurial attributes in a sample of small family hotels (Aflić & Priskić, 2012; Kallmüenzer et al., 2018; Kallmüenzer & Peters, 2014; Peters & Kallmüenzer, 2018; Yolal, 2010). The three most common entrepreneurial attributes were chosen for this research: risk preference, innovation and proactiveness. Zellweger et al. (2011) suggest elements for examining entrepreneurial attributes such as entrepreneurial orientation, which can easily be applied to small family hotels.[1] The construction of the scales for the measurement of entrepreneurial attributes requires precision and selection of an appropriate population. In most studies, entrepreneurial attributes are often studied together with the intertwined and influential environmental, sociological and market effects (Chell, 2008). Based on these assumptions, the hypothesis concerning entrepreneurial orientation is:

H2. Entrepreneurial attributes of the owner as a source of competitive advantage significantly influence the performance of small family hotels.

Performance measures and S.E.W. dimensions specific to small family hotels

In small family operated businesses in tourism – and specifically in small family hotels – non-financial performance can be more important than financial performance. However, hotel-specific financial performance measures are still widely used, particularly in larger businesses, and have to be combined with non-financial measures. Financial performance relates to sales revenue growth, profit growth, cash flow dynamics and financial analysis indicators (Chaston, 2012; Cruz et al., 2008; Naldi et al., 2007). Many authors discuss the importance of non-financial performance (Berrone et al., 2012; Chua et al., 2015; Kallmüenzer et al., 2018; Kallmüenzer & Peters, 2017; Kotlar & De Massis, 2013; Zellweger et al., 2013). Non-financial performance can be derived from social identity theory and the S.E.W. model. Non-financial performance is often measured through questionnaires, in which owners or directors discuss their success from their points of view. These questionnaires usually ask respondents to assess profitability, sales, growth and total business success on a Likert scale from 1 to 7 (Hallak & Assaker, 2013; Hallak et al., 2014; Kropp, Lindsay, & Shoham, 2006). Some of the possible responses are: 'My company has been very profitable', 'The growth rates are high' and 'I'm happy with the company's business performance'. Each response is associated with a particular value on the Likert scale. Another way of testing non-financial performance is through interviews. Some typical non-financial indicators for small family hotels that use Bergin-Seers and Jago (2007) are occupancy rates, the number of new guests, the number of returning guests and reports about the overall quality of space.

Social identity theory is closely related to social categorisation theory (Knippenberg et al., 1994; Tajfel et al., 1984). It serves as a theoretical foundation for operationalising non-financial performance in small family hotels that include owners and family members in a local community. The whole family identifies itself with the community; in some cases, it actively preserves nature, promotes a destination and influences the development of a whole destination, for example a rural or smaller community. Consequently, community engagement and acknowledgements are important measures of the success of a small family hotel (Getz & Carlsen, 2005). Non-financial performance in small family hotels reflects the owners' desire to fit in with the community. This indicator is typical for the tourism sector. Cennamo et al. (2012) state that family businesses are deeply rooted in communities, while motivational involvements vary depending on the field of research.

Community engagement allows an entrepreneur to become part of the local community and gain access to information, with local knowledge representing a possible key factor in achieving profitability (Jack & Anderson, 2002). An entrepreneur involved in the local community can provide authentic experiences to tourists based on his or her own knowledge and through local contacts. The effectiveness of involvement in the community is influenced by local politics and relationships, as well as the owner's personal skills. One form of community engagement is employing local people who otherwise would be unemployed. This builds strong social capital within the local community, increasing the desire to support local businesses, which in tourism is linked to authentic local experiences. A place or community represents not only a physical location, but also a holistic phenomenon that includes spatial, social, psychological and temporal processes (Harris et al., 1996). Choices of environment affect future goals, business practices and long-term strategies for small business owners in tourism (Hallak & Assaker, 2013).

Discussions of non-financial performance cannot be expanded without mentioning the S.E.W. model. The model originates in stewardship theory and behavioural agency theory, and was originally developed by Berrone et al. (2012), Cennamo et al. (2012), Gomez-Mejia et al. (2011), and Gómez-Mejía et al. (2007). The model was developed in response to often contradictory empirical results in family business research, excessive reductionism, overlapping terminology and fragmentation of theoretical basis (Berrone et al., 2012, p. 258). According to the authors, S.E.W. is a set of values that a family derives from family ownership. It relates to transferring ownership to other family members, ensuring employment for family members and developing family reputation. Authors of the model also propose construct samples for measuring S.E.W. called family control and influence, family members' identification with the firm, binding social ties, emotional attachment and renewal of family bonds to the firm through dynastic succession (F.I.B.E.R.). The S.E.W. variable of transferring family business to future generations is one of the features that defines and differentiates family business from non-family business, which further suggests a need to adopt a long-term family business strategy (Chua et al., 1999). Long-term strategies and goals can help families establish and realise non-financial goals (Chrisman et al., 2012). The long-term orientation of family work, the continuation of family tradition and the transfer of ownership to family members are drawing the attention of many researchers dealing with family entrepreneurship, with a noticeable lack of research in those areas (Carr et al., 2016; Veider & Kallmüenzer, 2016; Zellweger et al., 2011). Variables regarding performance are still not sufficiently operationalised and are tested with missing time components in order to achieve continuity when bringing empirical conclusions (Sharma et al., 2014). The contribution of this research is the development and proposal of performance constructs for small family hotels. The authors suggest testing these measures on other samples. Based on these assumptions, the hypothesis concerning the transfer of family business is:

H3. Owner-specific motives have a significant impact on the continuation of small family hotels.

Model development

For the purposes of this research, a structured questionnaire was composed, based on those of other authors who proved the validity of the constructs/statements. The statements in the questionnaire are the variables in the research model (Bezzina, 2010; Covin & Slevin, 1997; Fisher & Koch, 2008; Hatak et al., 2016; Kallmüenzer & Peters, 2014; Lumpkin & Dess, 2001; Miljković Krečar, 2006; Miller & Friesen, 1982;

Utsch et al., 1999; Wiklund & Shepherd, 2003; Zellweger et al., 2012; Zellweger & Sieger, 2012). The questionnaire also contains suggestions of newly constructed non-financial performance measures and S.E.W. components (motives to start the family business). The scales in the questionnaire were developed for measuring entrepreneurial orientation and knowledge, community acknowledgement, and owner-specific motives for sustaining and transferring the family business.

Seven statistical models were developed with four dependent variables (financial and non-financial performance) where logistic and linear regression were employed due to data specificity (rather small sample size). The statistical programmes used for data analysis were SPSS 20 and Eviews. Logistic binary regression was employed for the binary dependent variables (community acknowledgement and continuation of family business) and linear regression for numeric dependent variables (net profit growth rates and sales growth rates). Statistical methods of regression require fulfilment of various conditions; where these were not met, the Cocrane-Orcutt and Newey-West corrections were used for independent variables. When performing multiple regressions, multicollinearity was solved by gradual exclusion of independent variables from the model, which was proven insignificant. The disrupted assumption of normal distribution was solved by logging the data. Independent variables resulting from the structured questionnaire are divided into three groups: knowledge and experience of small family hotel owners, entrepreneurial attributes of small family hotel owners, and motives for entering the family business (Appendix A). Dependent variables in the model are financial performance measures – five-year average sales revenue growth rate and five-year average net profit growth rate. The mentioned financial success measures are turned into numerical values; an average of the offered rank was calculated. For example, if a respondent chose rank 11–20% as their five-year average sales revenue, then the variable value would be 15.5. The financial ratios are supplemented by non-financial performance measures – continuation of family business (binary variable, yes/no) and community acknowledgements of owners (binary variable, important/not important). The list of dependent variables can be found in the Appendix A. Only statistically significant regression results are presented; therefore, in some parts, dependent variables are not shown.

Research sample

The inconsistency of the conceptual definitions of the small family business in tourism prevents systematic, statistical and empirical monitoring that would result in a better understanding and future development. For the purposes of defining the sample in this article and to contribute to family business research, small family hotels – as a form of small family business in tourism – are classified as such according to accounting criteria and family characteristics. The accounting criteria are the number of employees, the size of the assets and the annual income. The characteristics of the family are: the individual to be interviewed in this study must be a member of the owner's family, and he or she must work or be employed in a small family hotel with no more than 50 accommodation units.

The research sample consists of business entities that are members of the National Association of Family and Small Hotels in Croatia. The sample was limited to these units due to their representativeness and to ensure the validity of the statistical tests. In Croatia there is no registry or database of small family businesses in tourism. Therefore, collecting data without the Association would be very difficult. The Association delivered an initial list of small family hotels in mid-2017, which was used as the foundation of this research. The preliminary number of subjects submitted by the National Association of Family and Small Hotels was 180 (N = 180). Further analysis showed that out of 180 subjects, 120 met the criteria for this research. Therefore, the sample for the statistical analysis was set to 120 (N = 120).

In the second part of the analysis, structured questionnaires were sent to the sample of small hotels. Eighty-five out of 120 questionnaires were considered – 70.8% of the total sample. Eighty-five units were therefore sufficient to be included in the statistical tests – the multiple and logistic regression and hypothesis testing (Bahovec & Erjavec, 2009; Baron & Ward, 2004). The number of cases included in statistical analysis of logistic regression should not be smaller than 50 (Halmi, 2003; Hosmer & Lemeshow, 2013). Therefore, it can be stated that the sample is representative and unbiased. Structured questionnaires were sent to the hotels by e-mail, by contacting the owners/directors of the hotels by telephone, by contacting the National Association of Family and Small Hotels, or by the author visiting the hotels. Before the main statistical analysis for the purpose of testing the hypotheses, a pilot study was conducted to test the validity of the constructs/statements from the questionnaire. The data were collected from 3 September 2017 to 8 March 2018.

Impact of education on performance

The first hypothesis that presumed the influence of education on performance was confirmed by two statistical models. Hosmer-Lemeshow (H-L) shows $p = 0.51$. Nagelkerke and Cox & Snell values are 0.248 and 0.157 respectively. Referent values in the model are community acknowledgements coded with 1 and additional education during work in own company coded with 1. The model correctly specifies 85.26% of dependent variable community acknowledgements assessment results. An LR test of 9.93 with $p = 0.006$ shows an overall good fit of the model. The results of regression suggest that there is a significant likelihood that owners who are educated while working in their own company have 20.9 times better community acknowledgements.

The second model provides the results for financial performance measures. Results for profit growth rates are $X^2(7) = 0.365$, $F(7.52) = 0.1859$, $p > 0.05$, and for sales revenue growth rates are $X^2(7) = 0.101$, $F(7.52) = 0.096$, $p > 0.05$. The results of regression suggest that if owners participate in education while working in their own company, the net profit growth rate increases by an average of 15.61%. If owners have experience before setting up their own company, net profit growth increases by an average of 0.46%. The regression results are presented in Table 1.

The research results are consistent with those of other authors who have argued the positive impact of entrepreneurial knowledge on performance (Lee & Tsang,

Table 1. The specific entrepreneurial knowledge of the owner and the performance-regression results.

	Dependent variables	
Independent variables	Model 1 COMM_A	Model 2 PROF_GR
EDU2	3.04*	15.61**
EXP		0.46*
Adjusted R^2		0.1386**
Negelkerke R^2	0.248*	
Cox&Snell R^2	0.157*	
F		3.004
OR (Odds ratio)	20.09	

*$p < 0.05$.
**$p < 0.001$.
Source: author's own work.

2001; Sánchez et al., 2003). Haber and Reichel (2007) assert that there is a positive relationship between level of education and profit growth. Higher levels of expertise also positively influence performance (Eccles, 1991). Davidsson and Honig, (2003) similarly propose that previous experience has a positive impact on performance.

Impact of entrepreneurial orientation on performance

The second hypothesis was confirmed by the use of the four statistical models. Entrepreneurial attributes were measured with a Likert scale from 1 to 5; the selected attributes were risk preference, innovativeness and proactiveness. Three statements each were set to measure risk preference and innovation, and two statements to measure proactiveness. The validity of individual statements/constructs from the questionnaire was tested with the statistical method Cronbach's alpha (innovativeness equals 0.795, proactiveness 0.759 and risk preference 0.719), the most common method for estimating internal consistency (Miljković Krečar, 2006). Business owners in the sample were less inclined to taking risks. Moreover, the owners were considered partially innovative. This can be explained by the low levels of innovation that are present in the small family hotels. For example, innovativeness as reported by the owners referred to room decorations, small staff innovations, novel food preparation methods and so on. It is interesting to note that in the structured questionnaire, most of the owners reported higher levels of innovativeness; their responses implied that they consider themselves innovative. The average proactiveness levels of owners obtained similar results.

As a first step, risk preference was measured with the dependent variable of the continuation of the family business using the logistic binary regression. An LR of 9.93 with $p = 0.006$ points to the overall good fit of the model, despite the small value of Nagelkerke and Cox & Snell pseudo R^2. If an owner is inclined to taking risks (values 4 and 5 on the Likert scale), then it is more likely that the family business will continue. The results of regression in the first model suggest that there is a significant likelihood that an owner who takes risks (the risk measured by construct/statement 2) is 2.61 times more likely to impact the continuation of the family business.

In the next step, linear regression was used to test the influence of risk preference on average five-year sales revenue and net profit growth rates. The Kolmogorov-Smirnov test was used. For the purposes of statistical analysis, the values of independent variables were logged. VIF 1.55 and 1.49 met the conditions for significant variable Risk 2. The D-W equals 2.03 and 1.84, showing non-autocollinearity of relation. Breusch-Godfrey's test results are as follows: sales revenue growth rate Obs * R^2 = 10 * 0.634 = 3.64; the probability of $X^2(2) = 0.728$. There is no problem with the autocorrelation of the first and second order. Net profit growth rate Obs * R^2 = 10 * 0.3216 = 3.216; the probability of $X^2(2) = 0.516$. Sales revenue growth rate JB = 97.6 with $p = 0.000$. In the model with the dependent variable of net profit growth rate, JB = 0.95, $p = 0.586$. White tests for the sales revenue growth rate are $X^2(6) = 0.1336$, F(6.53) = 0.1337, $p > 0.05$ and for net profit growth rate $X^2(6) = 0.2100$, F(6.53) = 0.2175, $p > 0.05$.

According to the regression results, as an owner's risk preference increases, the net profit growth rate increases by an average of 3.99% and the sales revenue growth rate increases by an average of 5.066%.

In the next step, the dependent variable of the continuation of the family business was tested with proactiveness. The H-L of 0.208 confirms the significance of the model. Nagelkerke $R^2 = 0.362$ and Cox & Snell $R^2 = 0.229$ imply that the model correctly forecasts 36.2%, i.e., 22.9% of variations in proactiveness. Referent values in the model are continuation of the family business coded with number 1 and proactiveness measured with Likert scale values from 1 to 5.

The probability ratio tested on mutual parameters restriction produces LR = 19.38 with $p = 0.000$, which points to the overall good fit of the model. The model specifies exactly 79.81% of the estimated results of the dependent variable of the continuation of the family business. The results for proactiveness imply that if an owner is more proactive, family members are more likely to continue their family business: 12.8 times more likely in the case of construct/statement 1 and 2.05 times in the case of construct/statement 2.

In the next step, the linear regression was used to test the influence of proactiveness on average five-year sales revenue and net profit growth rates. The D-W = 1.99 and 2.11. Breusch-Godfrey test for sales revenue growth rate is Obs * R^2 = 10 * 0.839 = 1.61, probability $X^2(2) = 0.4$. For the net profit growth rate Obs * R^2 = 10 * 0 = 0.294, probability $X^2(2) = 0.62$, implying the autocorrelations of first and second order. The Newey-West correction was used. The JB test for the sales revenue growth rate is JB = 45.6 with $p = 0.000$. For the model with the net profit growth rate JB = 0.84 with $p = 0.086$. White test for sales revenue growth rate gives $X^2(6) = 0.076$, F(2.57) = 0.07, $p > 0.05$, and for net profit growth rate X (2) = 0.02, F(2,57) = 0.0189, $p < 0.05$. The Newey-West method was used. According to the regression results, as an owner's level of proactivity increases, the net profit growth rate increases by an average of 5.16% and the sales revenue growth rate increases by an average of 4.15%. The regression results for all four models are presented in Table 2.

The positive influence of entrepreneurial attributes on performance is also confirmed by a variety of authors (Aloulou, 2018; Casillas et al., 2010; Lumpkin & Dess, 2001; Naldi et al., 2007; Rauch et al., 2009; Runyan et al., 2008; Stenholm et al., 2016; Van Doorn et al., 2015).

Table 2. Entrepreneurial attributes of the owner and the performance-regression results.

	Dependent variables			
	Model 1	Model 2	Model 3	Model 4
Independent variables	CONT_F		PROF_GR	SALE_GR
RISK2	0.96**		3.99*	5.07*
PROAC1		2.55**	5.16**	4.2*
PROAC2		1.61*		
Adjusted R^2			0.286*	0.172*
Negelkerke R^2	0.248**	0.362**		
Cox&Snell R^2	0.157**	0.229**		
F			6.8	3.14
OR (Odds ratio)	2.61	12.08; 2.05		

* $p < 0.05$.
** $p < 0.001$.
Source: author's own work.

Significance of owners' motives to continue the family business

The last part of the analysis in the empirical model regarding family-specific resources measured owners' motivation to continue the family business. The owners of the small family hotels in the sample whose motivations for establishing their companies (in the text 'entry motives') were to provide jobs for family members and keep their families in business were more likely to impact the continuation of the family business. The owners' motivation impacts non-financial performance measures; continuation of the family business makes a contribution to the S.E.W. model, which includes the set of family values, such as trans-generational business sustainability, development of reputation and investing in environmental protection. As in S.E.W. wealth is measured based on stewardship theory and behavioural agency theory, the results of the research indirectly supplement these theories.

The H-L is significant at 0.29 and the correctness of the model shows Nagelkerke R^2 (0.240) and Cox & Snell R^2 (0.29). Referent values in the model are a continuation of the family business coded with number 1. The probability ratio tested on a mutual parameters restriction produces an LR test of 15.23 with $p = 0.009$, which points to the overall good fit of the model.

Owners of small family hotels whose motivation for establishing their companies is to provide jobs for family members are 2.28 times more likely to affect the continuation of the family business. Owners whose motivation is to keep their families in business are 2.95 times more likely to affect the continuation of the family business. The regression results are presented in Table 3.

The results of this analysis are consistent with the findings of other authors (Habbershon et al., 2010; Mensah-Ansah, 2014; Zellweger et al., 2010, 2011, 2012).

Discussion and conclusion

The research results have yielded insights that have theoretical corollaries for the literature on family businesses in tourism, related to family entrepreneurship, entrepreneurial knowledge and S.E.W. First, the results of this study show that an owner's education while working in his or her own hotel positively influences community

Table 3. Owner-specific motives and the performance-regression results.

	b	*OR*	*95% CI for odds*	*p*
Constant	−0.03			
MOTIV2	0.82*	2.28	2.2–5.39	0.049
MOTIV5	1.08*	2.95	1.19–7.3	0.017

Notes: $R^2 = 0.380$ (Nagelkerke) 0.240 (Cox & Snell) 0.29 (Hosmer-Lemeshow) 0.29. Model X2(2) = 15.32.
$^{*}p < 0.05$.
Source: author's own work.

acknowledgements, meaning that the owner communicates better with other stakeholders in the community. This could mean that education improves the social skills of an owner. In addition, local family businesses could network, which could provide further benefits at the community level. Networking facilitates family business, as found in other research (Vlahov, 2013). Furthermore, previous experience also positively influences net profit growth. Based on the results, the recommendation for local authorities is to organise specific education for owners and their employees, with local networking meetings or conferences. Interesting educational activities for hotel owners are professional training activities, such as education in the field of hospitality. In addition, local or governmental incentives (preferably financial) for family hotel successors to work in other hotels or businesses would be beneficial. In this way, successors in family firms could bring new knowledge to their family business by gaining valuable experience elsewhere.

Second, the results also show that the risk preference and proactivity of owners positively influence the financial and non-financial performance of hotels. It is worth noting that the risk preference levels of the owners in this study were moderate, meaning that an owner who takes more risks will see better financial performance. If owners are more prone to risk taking, it is more likely that their family business will continue. In addition, owners self-assessed their proactivity as very good by choosing 4 or 5 on the Likert scale.

Innovation does not positively influence any performance measure, although owners self-assessed themselves as highly innovative in the questionnaire. This is also evident from the follow-up interviews with the hotel owners, where they reported innovation as room decorations, new information systems, creation of own cycling routes and hotel specialty dishes. This implies that innovation is generated internally from family members (Kallmüenzer, 2018). Low-level innovations are typical of small family hotels, which could explain the lack of influence on performance. Additional education or networking at the international level regarding innovation could resolve the matter, which would consequently benefit the destination through more developed local businesses. The education and networking opportunities focused on innovation could be offered through various projects initiated by regional development agencies and financed through European funds.

Third, explorative research was conducted regarding S.E.W. variables: owners' entry motives (motives for setting up a family business), community acknowledgements and continuation of the family business. These research results strongly relate to the S.E.W. model and its challenges. The motives are of an emotional nature, where an owner sets up a family business with the aim of providing jobs for family members and keeping the family in business. Proposed constructs are a methodological attempt to capture part of the S.E.W. components. The authors propose to test and amend the outlined model components to obtain deeper insight and understanding of S.E.W. – motivation and non-financial performance – in family firms. Findings could also contribute to the business transfer literature.

Theoretical implications

The majority of the model components in this article arise out of the S.E.W. model. As this model is a relatively new construct, it has benefits, but also methodological challenges (Berrone et al., 2012) considering that the measurement instruments are still in development. This study gives nascent proposals of a few S.E.W. measures – community acknowledgements (or social embeddedness), continuation of the family business (both are defined as dependent variables in the model) and owners' motivation for setting up a family business (mentioned in the article as 'entry motives' and in the model defined as an independent variable) – of a sample of small family hotels in Croatia. The measures are yet to be tested on family businesses in other countries and on other business activities. It is recommended that more detailed S.E.W. variables are developed regarding community acknowledgement and continuation of the family business, i.e., non-financial performance measures specific to family businesses and motivation for setting up a family business.

Additionally, the importance of education is indisputable, which is corroborated by this study. Education (formal, informal or practical) positively influences the success of family hotels. Education and gained knowledge are important entrepreneurial resources, as outlined in entrepreneurship of resource-based theory and human capital theory. Offering these measurement instruments regarding knowledge and education supplements the mentioned theories.

Practical implications

Research results suggest that education positively impacts the performance of small family hotels. The government in Croatia should consider policies to reduce taxes or provide other incentives to facilitate the survival and continuation of family hotels and small family businesses in general. Specifically organised education could support business owners or their family employees to apply for funds at the European Union or country levels. Education should be developed for younger owners or family members employed in the family business, as owners stated in the survey. In addition, networking at the local level also seems to have practical implications that could benefit local businesses that are deeply rooted in their communities. Lastly, the research results suggest that local communities, local governments, or regional authorities should be involved in raising the awareness of all stakeholders of the importance of tourism.

Research limitations and guidelines for further research

Research limitations include the inability to compare results with other countries, as the study was conducted only for Croatia. Furthermore, only one business activity was included in the study (hotel industry). In addition, the owners tended to report desired outcomes in the qualitative questionnaires and interviews, rather than a realistic picture.

Future research should further validate additional constructs and tests regarding entrepreneurial attributes and knowledge, and the non-financial performance factors offered in this article. Moreover, new research should be conducted in a few years to compare results over time. It would also be interesting to measure proposed S.E.W. and entrepreneurial components of various other family businesses of different sizes and capacities. Finally, the authors suggest that the qualitative measures for non-financial performance should be amended, and new measures should be developed.

Note

1. Some elements were adapted for the purposes of a structured questionnaire in this research.

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No potential conflict of interest was reported by the authors.

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Appendix A

Independent variables

Variable title	Abbreviation	Measurement type	Code
Owner's previous experience	EXP	Open question/Years of previous experience.	Number
Education before work in own company (1) and education during work in own company (2)	EDU1 EDU2	Offered education types (multiple choice). If owners chose one or more education types, the answer was coded with 1, otherwise 0.	0–1
Entrepreneurial traits – risk preference, innovativeness, proactivity	RISK INO PROAC	Offered statements per entrepreneurial attribute – Likert scale: 1–5. For risk preference and innovativeness 3 statements. For proactiveness 2 statements.	1–5
Motives regarding business entry (setting up own business)	MOTIV	Offered five motives to choose by the owner – Likert scale: 1–5.	1–5

Source: author's research.

Dependent variables

Variable title	Abbreviation	Performance measure type	Measurement type	Code
Average five-year sales growth rate	SALE_GR	Quantitative, financial	Offered percentage ranks (no growth/ revenue fall, 1–10%, 11–20%, etc.)	Rank average
Average five-year net profit growth rate	PROF_GR	Quantitative, financial	Offered percentage ranks (no growth/ revenue fall, 1–10%, 11–20%, etc.)	Rank average
Continuation of family business	CONT_F	Qualitative, non-financial	Offered answers: yes/ no/already continued	0–1
Community			acknowledgements	COMM_A
Qualitative, non-financial	Offered answers: yes/no	0–1		

Source: author's research.