

Managerial capability for innovation in tourism micro firms

Arthur Kearney BBS (Hons.), MBS, MICS.

Submitted in fulfilment of the Degree of Doctor of Philosophy



School of Business

Waterford Institute of Technology

Research supervisors: Professor Denis Harrington and Dr. Felicity Kelliher

Submitted to Waterford Institute of Technology April 2015

Declaration

The author declares that, except where duly acknowledged, this is entirely his own work

Signed.....

Arthur Kearney

April 2015

Acknowledgements

To my primary supervisor Professor Denis Harrington thank you for your wisdom, scholarship and mentorship over many years. To Dr. Felicity Kelliher, thank you for sharing your profound knowledge and conceptual insight. To you both thank you for your kindness, tolerance and for shaping research into a wonderful learning experience.

To other members of the WIT business school: I acknowledge the support of any staff member who has taught or assisted me over an on going experience of life long learning. Specifically I mention Dr. Anthony Foley, Dr. Pat Lynch, Ms. Mary Mosse, Ms. Andrea O'Neill and Mr. Dan Maddox. Thanks to fellow researchers who shared my path through time especially Dr. Noel Murray, Ms. Jenny Hussey, Dr. Andrea MacNamara, Dr. Leana Reinl, Ms. Margaret Walsh and Ms. Catherine Gannon. To Dr. Michele O'Dwyer of University of Limerick for her timely academic advice.

Thank you to my my work colleagues at the port of Waterford for their encouragement, flexibility and friendship over many years and for their insight into the industry within which I work, especially James, John, Derek and Brian.

To the owners of the hotel micro firms who shared their experience, welcomed me in their homes and gave of their valuable time- Thank you all sincerely- After all, without you this work was never possible.

To my family- my mother Joan, aunts Teresa and Betty, brother Jason. To Fergus for wise counsel and eternal support. To Ellen for the challenging questions. To our deceased members whose spirits continuously shape us. Thank you all, for it is in the family that we learn how to be human. To Patricia- thank you for coming into my life, supporting me and walking the many roads with me.

Finally, I thank God for life.

Dedication

This thesis is dedicated to the memory of the selfless men and women of the religious communities who supported social and educational development in Ireland for many years, most notably Br. Boland R.I.P of Mount Sion CBS in Waterford.

Abstract

Managerial capability for innovation is posited to provide firms with new and sustainable sources of competitive advantage. Micro firm innovation is argued to exist at various levels, for example product, process and marketing innovation. It is unclear how managers of micro firms perceive innovation. While considerable research has been undertaken on the nature and effectiveness of management in a micro firm context, there is limited understanding of how micro firm innovation is managed.

The research question investigates the nature of managerial capability for innovation in the tourism micro firm hotel context. A critical review of literature underpins the development of a theoretical model of managerial capability for innovation in the context of the tourism micro hotel.

Taking an interpretivist philosophical position, twenty in-depth interviews with owner/managers of tourism hotel micro firms investigate the nature of managerial capability in context. Data analysis using thematic analysis results in the emergence of key themes. A synthesis of the key themes and the academic literature emerges through a theoretical base framed by resource based and dynamic capabilities literature into a contextual model of managerial capability for innovation.

The theoretical contribution of the research takes the form of a model of managerial capability in the tourism hotel micro firm context which posits key dimensions of leadership, strategic thinking, operational capability and a people relationships capability. A methodological contribution based on the use of the in-depth interview method to surface managerial perceptions of managerial capability is made. The model contributes to managerial practice in offering owner/managers and educators an interactive tool for managerial capability development for innovation. From a policy perspective the research challenges the nature of existing policy interventions in the micro hotel sector. Limitations of the study and recommendations for future research are highlighted.

‘The end of all our exploring,
Will be to arrive where we started
And know the place for the first time’

T.S. Eliot, Little Gidding.

Table of Contents

Table of contents

Declaration	i
Acknowledgements	ii
Dedication	iii
Abstract	iv
Table of Contents	vi
List of abbreviations	xiii
List of figures	xiv
List of tables	xv
Glossary of terms.....	xvii
Chapter 1 Introduction.....	0
1.0 Introduction	1
1.1 Tourism hotel industry background.....	1
1.2 Research rationale	2
1.3 Research questions and objectives	8
1.4 Methodological approach	8
1.5 Assumptions	9
1.6 Structure of thesis.....	10
1.7 Contribution and relevance.....	12
Chapter 2 Defining the micro firm	11
2.0 Introduction	12
2.1 Classifying micro firms	12
2.1.1 Micro-firm characteristics and lifestyle motivation	14
2.2 Research into micro firms	15
2.3 Distinctive nature of the micro firm	16
2.4 Micro firm competitiveness.....	23
2.5 Internal constraints to micro firm business competitiveness.....	24
2.5.1 Limited resources	25
2.5.2 Dominance of owner/ manager.....	26

2.5.3 Lifestyle motivation.....	27
2.5.4. Operational focus.....	28
2.5.5 Structural characteristics of micro firm.....	29
2.5.6. Risk aversion	31
2.6 External constraints to micro firm competitiveness	32
2.6.1 Nature of competition.....	32
2.6.2 Limited environmental resources	33
2.6.3 Local environment.....	33
2.6.4 Environmental change	34
2.7 Managing the micro firm.....	35
2.7.1 Resource development.....	35
2.7.2 Communication	35
2.7.3 Relationship management	36
2.7.4 Self management	37
2.7.5 Operational work.....	37
2.8 Conclusion.....	38
Chapter 3 Managerial capability for innovation.....	37
3.0 Introduction	38
3.1 Competitive advantage	38
3.2 Managerial capability	39
3.2.1 Conceptualising innovation	42
3.2.2 Innovation.....	42
3.2.3 Innovativeness.....	43
3.2.4 Learning orientation	44
3.2.5 Market orientation	45
3.2.6 Entrepreneurial orientation.....	46
3.2.7 Management of innovativeness	47
3.2.8 Innovativeness and performance	50
3.2.9 Limitations of innovativeness.....	50
3.2.10 Innovativeness at micro firm level	50
3.3 Innovation orientation	52
3.3.1 Managing innovation orientation.....	52

3.3.2. Transfunctional acclimation	54
3.3.3 Strategic direction.....	54
3.3.4 Learning philosophy.....	55
3.3.5 Entrepreneurial orientation.....	55
3.3.6 Managerial capability in an innovation orientation context	56
3.3.7 Micro firm and innovation orientation	56
3.3.8 Micro firm innovation	59
3.4 Theoretical framework	67
3.4.1 Resource based view	67
3.4.2 Dynamic capabilities view	69
3.5 Micro firm resource pools	73
3.5.1 Family resource pool	73
3.5.2 Stakeholder ties	74
3.5.3 Employee resource pool	77
3.5.4 Technology	79
3.5.5 Market environment	80
3.6 Managerial capability criteria.....	81
3.6.1 Mental models	83
3.6.2 Leadership	84
3.6.3 Strategic thinking.....	88
3.6.4 Operational capability	91
3.6.5 People relationships.....	92
3.6.6 Marketing capability.....	93
3.7 Contemplation of the managerial capability for innovation (MCI) model.....	95
3.8 Conclusion.....	100
Chapter 4 Philosophical perspective and research methodology	100
4.0 Introduction	101
4.1 Research question and objectives.....	101
4.2 Philosophical perspectives.....	103
4.3 Interpretations of reality in the micro firm context	107
4.4 Approaches to research ontology	111
4.5 Epistemological research perspectives	114

4.6 The role of researcher	116
4.7 Research methodological considerations.....	122
4.8 Challenges inherent in conducting qualitative research	128
4.9 Research methods for the present study	134
4.10 Dyadic interviews.....	144
4.11 Research design considerations: selection of tourism hotel micro firms	148
4.12 Defining the ‘owner/ manager’	155
4.13 Managerial perception of innovation.....	159
4.14 Theoretical saturation	161
4.15 The semi structured interview- components.....	162
4.16 The interview guide.....	163
4.17 Interview questions.....	164
4.18 Pilot interviews.....	165
4.19 Data management and analysis	168
4.19.1 NVivo as a data analysis tool	170
4.19.2 Alternative approaches to data analysis.....	172
4.19.3 Analysing in-depth interview data.....	175
4.20 Thematic analysis	178
4.20.1 Coding- the current study	180
4.21 Research ethics	182
4.22 Conclusion.....	182
Chapter 5 Findings	184
5.0 Introduction	185
5.1 Review of data analysis process	185
5.2 Innovation.....	187
5.2.1 Improvement.....	188
5.2.2 Innovation management	189
5.2.3 Marketing innovation	190
5.2.4 Process innovation.....	191
5.2.5 Environmental innovation	191
5.2.6 Product innovation.....	192
5.2.7 Limits on innovation.....	193

5.2.8 Unintended innovation	194
5.3 Leadership	195
5.3.1 Resilience	195
5.3.2 Delegation.....	197
5.3.3 Paternalism	198
5.3.4 Culture shaping.....	198
5.3.5 Leadership-over dominance	199
5.3.6 Symbolic leadership	199
5.4 Operational capability	200
5.4.1 Craft capability	200
5.4.2 Customer service	201
5.4.3 Work ethic	202
5.4.4 Employee training	202
5.4.5 Operational capability and innovation.....	203
5.5 Strategic thinking	203
5.5.1 Imaginative thinking.....	204
5.5.2 Cost/ risk perspective	205
5.5.3 Implicit strategy.....	206
5.5.4 Operations and strategic thinking converge	207
5.5.5 Strategic thinking and innovation.....	207
5.6 Resource pools	209
5.6.1 Community.....	210
5.6.2 Employees	211
5.6.3 Family.....	211
5.6.4 Stakeholder ties	212
5.6.5 Technology as a resource	216
5.7 People relationships.....	217
5.7.1 Community and stakeholder dialogue	217
5.7.2 Family relationships	218
5.7.3 Meeting people	218
5.8 Mental models	220
5.8.1 Environmental models.....	220

5.8.2 Competitor models	221
5.9 Marketing capability criteria	223
5.9.1 Market proximity	224
5.9.2 Market sensing.....	224
5.9.3 Symbolic promotion	226
5.9.4 Market analysis.....	228
5.10 Dyadic interviews.....	229
5.10.1 Coding similarities.....	230
5.10.2 Coding dissimilarities.....	230
5.10.3 Strategic marketing/ technology	230
5.10.4 Strategy and operational capability	232
5.10.5 Implicit strategy.....	232
5.10.6 People relationships and customer service	234
5.10.7 Innovation.....	236
5.11 Conclusion.....	237
Chapter 6 Discussion.....	241
6.0 Introduction	242
6.1 Emerging findings	242
6.1.1 Innovation in the micro firm context.....	243
6.1.2 Mechanisms to articulate change and innovation in the environment.....	246
6.1.3 Mental models and imaginative strategy	251
6.1.4 People relationships and customer service	253
6.1.5 Operational capability	256
6.1.6 Nature of micro firm leadership	258
6.1.7 Resource pools.....	262
6.1.8 Cost/ Managerial education/ experience.....	266
6.2 Managerial capability for innovation as a dynamic capability	268
6.3 Linking resources and dynamic capabilities in a hotel micro firm setting	270
6.4 Consideration of theoretical model in light of discussion	273
6.5 Conclusion.....	286
Chapter 7 Conclusion	289
7.0 Introduction	290

7.1 Thesis aim and objectives.....	290
7.2 Key research outcomes.....	291
7.3 Contribution to knowledge.....	294
7.4 Methodological contribution.....	297
7.5 Contributions to policy and practice.....	298
7.6 Recommendations.....	301
7.7 Research limitations.....	303
7.8 Recommendations for future research.....	305
7.9 Conclusion.....	307
References.....	308
Appendix A: Post interview review.....	345
Appendix B: Post interview reflection.....	346
Appendix C: Letter requesting interview with owner/ manager.....	347
Appendix D: Interview Questions.....	348
Appendix E: NVivo coding examples.....	351
Appendix F: Description of firms.....	354

List of abbreviations

BDO:	Binder, Dijker and Otto consultants.
CSO:	Central Statistics Office, Ireland.
EU:	European Union
EUROCHRIE:	The hospitality and tourism educators' conference
GDP:	Gross Domestic Product
GVA:	Gross value added
O/M:	Owner/ Manager
RBV:	Resource based view
IAM:	Irish Academy of Management
IHF:	Irish Hotels Federation
OECD:	Organisation for economic cooperation and development
SME:	Small and medium sized enterprises
THRIC:	Tourism and hospitality research in Ireland conference

List of figures

Figure 1.1	Research flowchart	11
Figure 3.1	Taxonomy of tourism micro hotel firm managerial capability for innovation.....	96
Figure 3.2	Model of tourism micro hotel firm managerial capability for innovation.....	99
Figure 6.1	Refined model of tourism micro hotel firm managerial capability for innovation.....	286

List of tables

Table 2.1 Employment in micro firms compared with other types of firm.....	13
Table 2.2 Indigenous employment across firm size.....	14
Table 2.3 The nature of lifestyle motivation.....	15
Table 2.4 Comparison of micro firms to other SMEs.....	16
Table 2.5 The nature of the micro firm.....	21
Table 3.1 The nature of innovation	42
Table 3.2 The dimensions of innovativeness.....	43
Table 3.3 Studies of innovation in the micro firm context.....	60
Table 3.4 The management of innovation.....	65
Table 3.5 Theoretical perspectives on dynamic capabilities theory.....	69
Table 3.6 The family as a resource pool.....	73
Table 3.7 The nature of stakeholder ties.....	74
Table 3.8 The nature of employee management in the micro firm.....	78
Table 3.9 Technology in the micro firm.....	80
Table 3.10 Criteria of micro firm managerial capability.....	82
Table 4.1 A summary of the positivist and interpretivist approaches.....	103
Table 4.2 The nature of knowledge and learning	110
Table 4.3 Approaches to research ontology.....	112
Table 4.4 Qualitative and quantitative research methodology.....	123
Table 4.5 Naturalistic inquiry.....	124
Table 4.6 Criteria for judging qualitative research.....	128
Table 4.7 Benefits of interview method for current research study.....	137
Table 4.8 Types of interview.....	138
Table 4.9 Question checklist for pilot interviews.....	143
Table 4.10 Benefits and limitations of dyadic interview method.....	147

Table 4.11 Comparison of random selection of micro firms and non random selection.	150
Table 4.12 Defining the owner/ manager.	155
Table 4.13 Stages of thematic analysis.	179
Table 4.14 Ethics in research.	182
Table 5.1 The conceptual leap.	186
Table 5.2 Stages of data analysis.	187
Table 5.3 Innovation- child nodes.	188
Table 5.4 Leadership- child nodes.	195
Table 5.5 Operational capability- child nodes.	200
Table 5.6 Strategic thinking- child nodes.	203
Table 5.7 Barriers to integration of operational capability and strategic thinking.	206
Table 5.8 Nature of the micro firms sampled and strategic drivers.	207
Table 5.9 Resource pools.	209
Table 5.10 People relationships- child nodes.	216
Table 5.11 Mental models- child nodes.	219
Table 6.1 Emerging findings.	251
Table 7.1 Criteria of managerial capability from critical literature review.	292
Table 7.2 Criteria of managerial capability emerging from data analysis.	292

Glossary of terms

Booking.com: A hotel industry website offering subscribing hotels customers in return for a commission on the price paid by the customer.

Business philosophy: Managerial motivation which drives leadership and strategy in a firm and is underpinned by use of formal financial methods and a market oriented focus (Beaver, 2007)

Capability criterion: A grouping of traits of managerial capability, where following critical review, traits are argued to merge together into a criterion, enabling conceptual parsimony.

Competitive advantage: Develops from the evolutionary economics framework (Nelson and Winter, 1982) and reflects organisational theory that firms which survive possess superior capability structures to competing firms which fail.

Conceptual leap: Term used in qualitative data analysis where emerging abstraction from the data accretes from resolution of ongoing tensions in researcher's thinking (Klag and Langley, 2013).

Dynamic capability: Deeply embedded learning mechanisms in the social fabric of the firm enabling the firm to proactively anticipate environmental change (adapted from Winter, 2003).

Embeddedness: Strong influence of external stakeholder ties on the strategy of the firm (Granovetter, 1973; Phillipson *et al.* 2006).

Epistemology: The researcher's position regarding the nature of knowledge and how knowledge can be accessed.

Failte Ireland: In Ireland, the semi state body established by national government with responsibility for the development and promotion of tourism as an industry.

FORFAS: In Ireland, a semi state body charged with responsibility for business development and enterprise support.

Gross domestic product: A measure of the total output of an economy in a period (C.S.O., 2011).

Gross value added: A measure of economic output less intermediate consumption which helps in estimating the productivity of an economy within a region or industry.

Human capital: Knowledge, skills, competencies and attributes embodied in individuals facilitating the creation of personal, social and economic well-being (O.E.C.D., 2001).

Innovativeness: A construct developed at organisational level aimed at better understanding the nature of and development of innovation. Innovativeness comprises: creativity, risk propensity, future orientation, openness and proactivity (Shoham *et al.* 2012)

Innovation orientation: A construct developed at organisational level conceptualised as a multidimensional knowledge structure encompassing a learning philosophy, a strategic direction and transfunctional beliefs (Siguaw, Simpson and Enz, 2006).

Irish Hotels Federation: A representative group which provides hotel member firms with industry information and lobbies government on members' behalf.

Lifestyle motivation: A motivational force where the owner/ manager of a small or micro firm formulates objectives based on needs of lifestyle and acts with a view to satisfying lifestyle aims as much or more than business aims (Beaver, 2007). Examples of lifestyle needs are freedom from formal employment, need for independence and control and the satisfying of family goals (Lashley and Rowson, 2010).

Managerial capability: The human capability which develops a firm's long term competitive advantage (Barney, 2001; Penrose, 1959).

Mental model: A perceptual framework through which a manager perceives the firm's competitive environment and which shapes strategic decision making (Porac *et al.* 1989).

Micro firm: A firm employing less than ten people (EU, 2010).

Model: A graphical representation of the fundamental conceptual structure underpinning a problem.

NVivo software: A software package used to facilitate the management and analysis of qualitative data.

Ontology: The researcher's position regarding the nature of reality and existence.

Owner/ manager: In a micro or small business the merging of the ownership and managerial role in one person (Greenbank, 2000).

Perception: Organisation and interpretation of environmental information by humans.

Pilot interview: In qualitative research, pilot interviews are often undertaken to assess the trustworthiness of the questions and interview format.

Phenomenology: An approach to research within the interpretivist approach where the essence of the perceptions of human beings are uncovered (Merleau-Ponty, 1962).

Positivism: An ontological position where an objective external reality is accepted.

Resource based view: Within the strategic management literature the theoretical perspective arguing that managers' best strategic course of action is to focus on the development of resources (Barney, 2001; Barney, 1991; Dierickxx and Cool, 1989) and the cultivation of difficult to imitate capability structures (Collis and Montgomery, 1994).

Resource pool: Confluence of conceptually similar resources where resources are understood as assets tied permanently or semi permanently to the firm (Barney, 2001).

Sampling: Approach to selecting the interviewees in the study. Random sampling selects interviewees based on random selection. Non random sampling enables the researcher to choose interviewees based on the perceived need of the research study at the time.

Small and medium sized enterprises: Classification of firms based on size as viewed in terms of employee numbers and financial turnover. Small and medium sized enterprises comprise micro firms employing less than 10; Small firms employ between 10 and 250 and medium sized employ between 250 and 500. There are also criteria based on turnover with euro 2 million, euro 10 million and euro 50 million limits on the respective categories (EU, 2010).

Social capital: Links, shared values and common understanding enabling individuals to trust one another and so to work effectively together (OECD, 2001).

Stakeholder ties: Related to concept of embeddedness, and reflects the sources which influence embeddness of the firm.

TEKES: In Finland, a government supported body supporting and funding innovation.

Trait of managerial capability: Key characteristics of managerial capability as emerging from critical review of contextual literature.

Thematic analysis: An iterative approach to data analysis where themes emerge based on the researcher's initial immersion in the data and through a process of coding and reflective contemplation (Braun and Clark, 2006).

Theoretical framework: A theory grounded in academic literature which focuses the literature review and the data analysis process.

Theoretical saturation: An indicator that a sufficient number of interviews have been undertaken, as no new themes appear to be emerging in the data (Eisenhardt, 1989).

Trustworthiness: A method of assessing the quality of research based around four criteria of trustworthiness: Credibility; Confirmability; Dependability and Transferability.

Chapter 1 Introduction

1.0 Introduction

The introduction chapter outlines the rationale for conducting the present research study. The wider industry context of the study is described. The study is located in the academic literature and the emergence of the research question outlined. The theoretical framework focusing the study is described. Assumptions made in the study are outlined. An overview of the remaining chapters is provided.

1.1 Tourism hotel industry background

The Irish tourism hotel industry makes an important contribution to economic and social development. Irish hotels are important in employment terms and sustain over 50,000 in work (IHF, 2014). The tourism hotel industry is part of the wider tourism industry which is recognised as playing a dynamic role in reshaping the nature of Ireland's economy (Failte Ireland, 2010 b). Specifically, hotels play an important part in the processes underpinning economic change as hotels create employment and are indigenous in nature (IHF, 2015). Further, hotels support other segments of the tourism sector, through providing accommodation and hospitality, and increasingly provide complementary added value to the tourism industry (IHF, 2014). For example, hotels are argued to add value as unique experiential ambient environments attracting niche tourists which then contribute to other areas of the tourism sector (BDO, 2011). Hotels in the guise of tourism micro hotels also help maintain economic and social survival of many rural and isolated communities in less urbanised areas of Ireland (Failte Ireland, 2013).

Within the wider tourism industry guesthouses and bed and breakfast establishments, categorised in this paper as tourism micro hotels, play an important part (Haghighi *et al.* 2014; Lashley and Rowson, 2010). Micro firms are defined as firms employing less than ten people (EU, 2012). From an economic perspective, tourism micro firms contribute to gross domestic product (GDP) growth and employment often in areas of the country where economic activity is underdeveloped (Failte Ireland, 2013). Competitiveness of the wider tourism industry is enabled as tourism micro hotels offer a distinctive (Frochot, 2005) and often uniquely local offering (Morrison and Teixeira, 2004) to customers.

Moreover, the industry is supported by the accommodation and value added services offered by the tourism micro hotel (Peters *et al.* 2009). In more remote areas tourism micro hotels play a major part in keeping business activity alive (Hall *et al.* 2004) and even in sustaining community life (Morrison, 2006). However, from a competitiveness perspective tourism micro hotels are faced with many challenges. Competition from larger hotels is argued to lead to profit erosion for tourism micro hotels (Failte Ireland, 2011). Failure to engage with new technologies has led to the limited development of new marketing capabilities (Wagner, 2008). Many tourism micro hotels operate on a lifestyle motivation whereby business principles are neglected (Lashley and Rowson, 2010). Finally, tourism micro hotel owner/ managers are argued to lack management skills at strategic level, particularly with regard to marketing and finance (Braun and Hollick, 2006).

Uniquely, micro firms are argued to be more agile and flexible than other organisational units (Irvine and Anderson, 2004). There are a number of factors contributing to the emergence of such characteristics. The integration of ownership and control in the person of the owner/ manager facilitates rapid translation of decision making into strategic and operational action (Hall *et al.* 2004). The operational work of the owner/ manager in meeting the guests and taking part in day to day work in the firm enables the early detection of market changes (Nummedal and Hall, 2006). The micro firm is often embedded in a family context where the work of family members outside the firm enables the firm to survive financial challenges as family members absorb costs borne by external investors in other firms (Lynch, 2005). Similarly, the firm may be part of another family business which enables the micro firm to overcome challenges such as seasonality (Getz and Carlsen, 2004).

1.2 Research rationale

The research is located in the wider literature on the management of innovation (Van de Ven, 1986; Burns and Stalker, 1961). Emerging with improved understanding of the changing nature of management there has evolved a wider conceptualisation of innovation. For example, though traditionally innovation research concentrates on

product innovation, by taking an innovation management perspective focus shifts to how innovation in the form of process change can lead to equally successful and often competitively superior business outcomes (Abernathy and Utterback, 1978). Taking a marketing perspective, innovative approaches to marketing enable firms to explore and exploit new paradigms of competitive advantage (Naidoo, 2010; Chen, 2006). Further innovations in the management processes of the firm are argued to shape the emergence of new and potentially difficult to replicate competitive advantage (Volberda *et al.* 2013; Birkinshaw *et al.* 2009; Hamel, 2006).

A stream of research conceptualised as management innovation argues that management instils innovation in organisational contexts through alterations in the patterns of management in the organisational context, for example through the development and implementation of systems of quality management, leadership development and process re-engineering (Birkinshaw *et al.* 2008). From a managerial perspective management innovation argues that managers can, individually or through the process of management team interaction develop and reshape the very nature of managerial capability leading to improved organisational competitiveness (Hamel, 2006). Environmental change is argued to be a driving factor in the emergence of management innovations, as managers perceive the competitive necessity for alterations in the organisation's management systems (Nickell *et al.* 2001), however it is less clear if there are managerial capabilities which favour the development of effective management innovation (Birkinshaw and Mol, 2006). Factors favouring management innovation are argued to emerge in contexts where management are motivated, both internally and in terms of rewards systems, to experiment with new approaches (Mol and Birkinshaw, 2009).

The management of service innovation is argued to comprise a new and emerging area in the context of managing innovation (Oke, 2007). Services comprise a growing proportion of the world economy and restructure the workings of businesses, governments, families and individuals (Cambridge University, 2007). They contribute to over seventy five percent of U.S. GDP and over seventy percent of the GDP of industrialised countries (Kaplan and Palmer, 2010). Particular countries invest heavily in

the development of service innovation through the funding of academic research, public private collaboration and the stimulation of entrepreneurship (Bos *et al.* 2010). In particular the Finnish TEKES group exemplifies how service innovation forms a cornerstone of national competitive advantage (Hyvarinen and Rautiainen, 2007). Similarly, service innovation encapsulates the move from an economy's traditional competitive advantage to newer sources based around technology, knowledge management and investment in human capital in Ireland (Carlborg *et al.* 2014; FORFAS, 2006). Despite this progress many countries ignore the role of service innovation in their economies and neglect the necessary intellectual property, entrepreneurship and human capital development issues necessary for service innovation to contribute to their future economic development (EU, 2015; OECD, 2007).

Academic research appears to lag behind practiced service innovation as several decades after services have surpassed manufacturing industries in terms of economic output and employment, service models of innovation continue to reflect those found in manufacturing (Drejer, 2004). Meanwhile at the service industry coalface, in many growing service industries, innovation remains an imperative driven by; the competitive dynamics of the markets within which firms exist, and the managerial capabilities which enable survival (Hamdouch and Samuelides, 2001). For example, service innovation drives profitability through the creation of new markets (Berry *et al.* 2006) and it offers the opportunity to reduce price erosion in core markets (Dorner *et al.* 2011). Services are no longer portrayed as mere recipients of innovation created in a manufacturing context (Mattyssens *et al.* 2006). While, Drejer (2004) taking a synthesizing approach, critiques divergence in the literature between manufacturing and service innovation and points to the common goals of both where innovation offers the potential for the creation of new value added opportunities. Too, neo Schumpeterian theory accounts for the unique technological paths of services and overcomes deficiencies in neo classical theory's understanding of the impact of innovation on economic growth (Gallouj and Windrum, 2009; O'Toole, 2003). More recently Carlborg *et al.* (2014), premised on a critical review of literature posit that the service innovation has evolved into a multi-dimensional phase where previous differences in products and services are now blurred. The resulting

synthesis is argued to see the concept of service innovation as an all-encompassing vehicle through which strategic innovation may be implemented. There is a consequent argument that there is a need for academic studies to focus on how new sets of knowledge and practices can be created/ implemented to manage new organisational activities. For example a recent contribution highlights the importance of greater understanding of the principles underlying the management of service innovation and specifically the importance of deeper investigation of the role of managers in organising for innovation (Sigala and Kyriakidou, 2015).

Several strands of innovation literature concur in arguing the benefits of not studying innovation directly, instead positing the study of organisational concepts which are then related to different types of innovation. Innovativeness encompasses ‘the notion of openness towards new ideas as an aspect of a firm’s values and beliefs towards innovation’ (Grisseemann *et al.* 2013: 10). Greater understanding of the innovativeness concept is argued to enable improved efforts to develop innovation in tourism firms, as innovativeness is posited to lead to product innovations (Walsh *et al.* 2009). Innovation orientation is described by Siguaw *et al.* (2006: 559) as;

‘a multidimensional knowledge structure composed of a learning philosophy, strategic direction and transfunctional beliefs, that, in turn guide and direct all organisational strategies and actions..... to promote innovative thinking and facilitate successful development, evolution and execution of innovation’.

The close links between innovation orientation theory and the theories of dynamic capabilities suggest the study of innovation orientation improves on the study of innovation in products, through enabling the researcher to engage with fundamental sources of long term business competitiveness (Simpson *et al.* 2006). Innovation capability (Lawson and Samson, 2001) aims to identify key characteristics of organisations based on organisational processes capable of leading to innovation. Branzei and Vertinsky (2006) develop a model of different types of product innovation capability in a small and medium sized enterprise (SME) context. Hogan *et al.* (2011) offer a three dimensional scale for professional service firms based on marketing innovation, technological innovation and innovations in the strategic management of the

firm. Though there are varying perspectives on the number of dimensions of the innovation capability, innovation capability is argued to lead to innovation through developing the capacity to innovate (Hult 1998: cited in Ngo and O’Cass, 2009).

There is more limited research into the management of innovation in smaller and medium sized firms. Barnett and Storey (2000) argue, based on narrative analysis of fifty managers of innovative firms, that the development of deep customer relationships, a long term strategic focus on innovation and concentration on human resource development provides a fertile location for the emergence of innovation. Greater engagement with strategic planning of innovation and the need for deeper understanding of barriers to such engagement are highlighted as necessary in improving small firm innovation (McAdam *et al.* 2004). Edwards *et al.* (2005) argue for a need to find new theoretical and methodological paradigms in order to more deeply engage with the manager’s role in cultivating innovation in small and medium sized firms. Further, McAdam and Reid (2001) argue for research into different innovation contexts within the small firm sector.

Research into the management of innovation in the micro firm remains limited. Corrocher *et al.* (2009) offer a typology of information, and argue that micro firm innovation comprises four types: product innovation; externally driven innovation; process innovation and conservative/ incremental innovation. However, their research is conducted in the context of knowledge intensive micro firms. Wagner (2008) argues that micro firm managers take either an incremental approach to innovation or actively avoid innovation. Simpson (2001) in a seminal paper on micro firm innovation develops a cognitive approach to innovation and argues that future research into how managers might influence innovation should proceed through taking account of managerial perceptions of innovation. Further, Alonso and Bressan (2014, a) and Lowik *et al.* (2012) posit the role of stakeholder ties within which the owner/ manager is embedded are crucial in shaping managerial perspectives on micro firm innovation. Moreover, Verbano *et al.* (2013) argue the importance of the owner/ manager’s strategic engagement with external sources of innovation. Within the micro tourism context, Thomas *et al.* (2011)

argue that research into innovation management in the tourism sector remains fragmented across different firm sizes and industry sub sectors, and in that regard the present research aims to provide a level of focus within the hotel micro firm subsector.

The research builds on Simpson's (2001) argument for a cognitive perspective to be taken to the management of micro firm innovation, based on managerial perceptions. Therefore the research omits approaches based on conceptualisations of micro firm innovation at firm level, such as might have been possible through the use of concepts such as innovativeness or innovation orientation. Were such approaches to have been taken the research might have focused on the role of managers in creating innovation in firms where a high level of innovation exists (Barnett and Storey, 2000). Critically, the approach based on managerial perceptions (McAdam and Reid, 2001) enables greater account to be taken of potential limitations in managerial capability, for example giving insight into barriers to innovation (Tu *et al.* 2014; Lowik *et al.* 2012). Further, the approach enables the researcher to engage with the dominant influence on micro firm innovation strategy in the shape of owner/ managers (Alonso and Bressan, 2014 a; Martin *et al.* 2013; Komppula, 2004; Friar and Meyer, 2003) as opposed to framing innovation through the lens of innovativeness or innovation orientation where there is a tendency to impose meaning on the world of the firm. Instead, as Edwards *et al.* (2006) argue SME practices are "mediated through their environment in complex and contradictory ways" (p.1121), necessitating a research approach where the researcher is enabled to more deeply understand the meaning of management through interaction with the managers.

The unique contribution of the study is to investigate the nature of managerial capability for innovation in the context of these firms, which must strive to remain competitive, yet within accepted growth constraints. Therefore the research contributes to previous contributions (Kelliher and Reinl, 2014; Lieberman-Yaconi *et al.* 2010; Kelliher and Reinl, 2009) in the area concerning the development of the resources of the firm from a competitiveness perspective. The research contributes to a better understanding of the nature of managerial capability in the micro firm (Llach and Alonso-Almeida, 2014; Alonso and Bressan, 2014 b; Devins *et al.* 2005; O'Dwyer and Ryan, 2000; Greenbank,

2000), specifically through the development of a model based around traits of managerial capability. While the model is not prescriptive and is based on the context of the tourism micro hotel firm, the model serves as a focal point for future academic discourse and even practitioner engagement in the field. For example, in the conclusion chapter, areas of future research are argued to emerge from potential limitations of the model.

1.3 Research questions and objectives

The study is driven by the following *research question*:

What is the nature of tourism micro hotel firm managerial capability for innovation?

Three *research objectives* further focus the research:

1. To investigate the nature of innovation in a tourism micro hotel firm context.
2. To critically explore managerial capability for innovation in a tourism micro hotel firm context.
3. To propose a model of managerial capability for innovation in a tourism micro hotel firm context.

1.4 Methodological approach

The study takes an interpretivist approach to research, premised on the need for greater engagement with the “social shaping of innovation” (Scarborough 1995 cited in Edwards *et al.* 2005: 1120). Arguments are made in the academic literature for the embedded nature of the micro firm from a number of perspectives. Micro firms are embedded in family contexts (Alonso and Bressan, 2014 a; Oughton *et al.* 2003; Wheelock and Baines, 1998); in stakeholder ties (Alonso and Bressan, 2014 b; Tu *et al.* 2014; Morgan, 2013; Lowik *et al.* 2012; Phillipson *et al.* 2006; 2004; Devins *et al.* 2005; Jay and Schaper, 2003) and in community relationships (Phillipson *et al.* 2004). Lifestyle motivation is an important influence on the evolution of micro firm strategy and both Lashley and Rowson (2010) and Phillipson *et al.* (2004) argue the use of in-depth interviews as a means of

accessing the often deeply rooted nature of the facets of lifestyle motivation influencing micro firm strategy. Management in the micro firm is a complex phenomenon (Cyr *et al.* 2011), not lending itself to investigation through a perspective of management premised on formal management processes in larger firms, rather the owner/ manager morphs in and out of personally mediated market relationships in the role of a “businessman” (Alonso and Bressan, 2014 b; O’Dwyer and Ryan, 2000). The research method used is the in-depth interview and the research is conducted through a non-random sample of twenty owner/ managers in the Irish tourism micro hotel sector. The non-random sample enables the researcher to enter a research field where relatively little is known about the concepts under study (Gill and Johnson, 2005). Interviewees are selected through snowball sampling (Silverman, 2010) and through deliberate choice of firms to enable greater diversity of owner/ managers within the sample. Theoretical saturation (Bowen, 2008; Eisenhardt and Martin, 1989) is achieved at twenty interviews. NVivo software is used to facilitate the data analysis.

1.5 Assumptions

Assumptions are made that owner/ managers possess a level of power as a mechanism in shaping the competitive advantage of their firms. Therefore a wholly deterministic approach (Fleck and Howells, 2001; Bourgeois, 1984), to the study of managerial capability for innovation is rejected in the present study. In contrast to the current research approach, a deterministic approach would negate the influence of the owner/ manager in deference to an all-powerful environment where individual’s freedom of action and ability to influence events is negligible. The research is conducted through the lens of the resource based view (Kelliher and Reinl, 2009; Barney, 2001; Barney, 1991; Dierickxx and Cool, 1989; Wernerfelt, 1984) and dynamic capabilities approach (Winter, 2003; Eisenhardt and Martin, 2000; Teece *et al.*1997) from the strategic management literature.

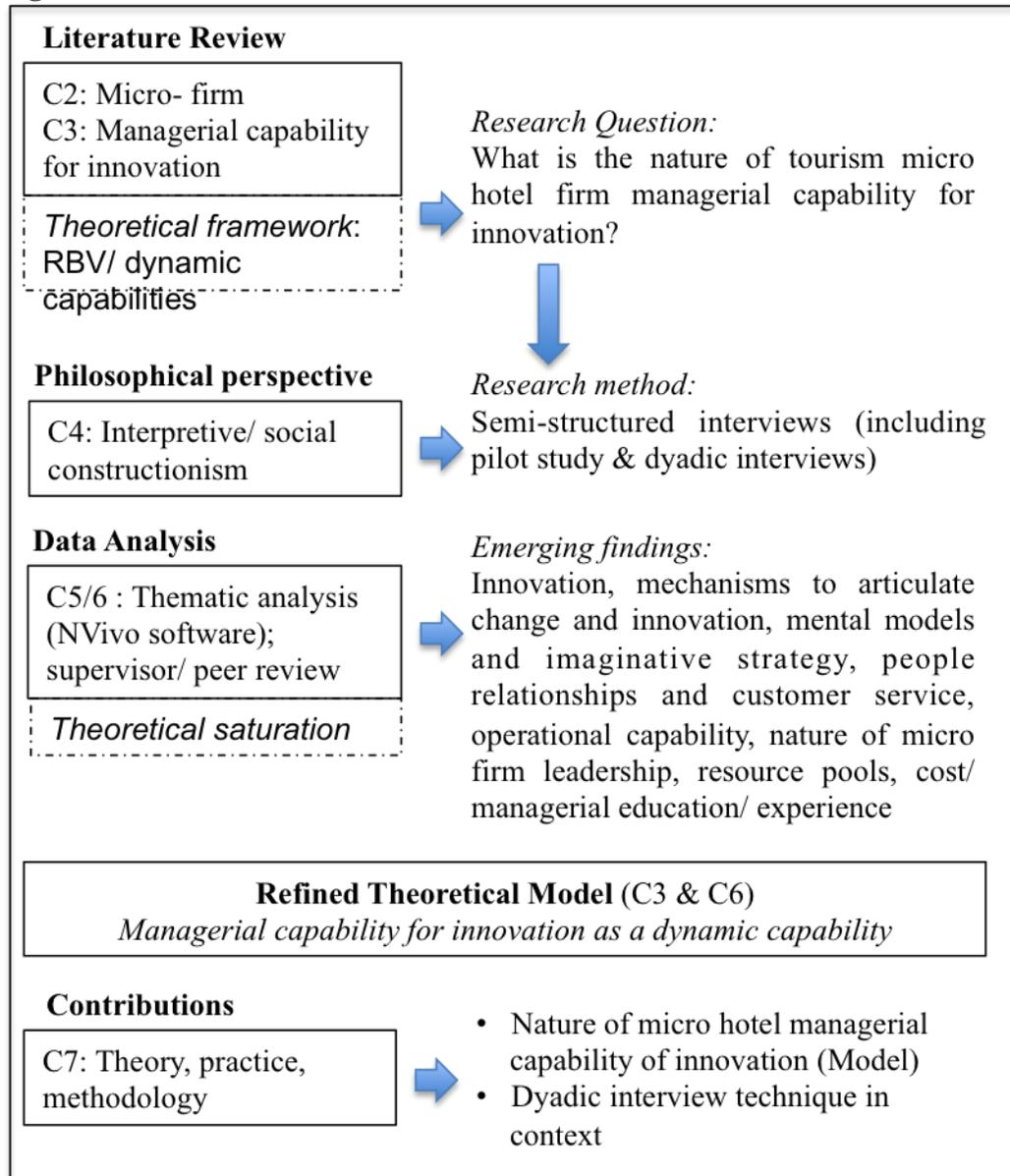
Alternative theoretical approaches were possible. The industry analysis framework (Porter, 1985) argues the firm to be an investment opportunity with the manager conducting industry analysis and then making rational decisions as to which firm to

invest in. The industry analysis framework is useful where firms possess considerable market analysis capabilities (Spanos and Lioukas, 2001) and possess the competences to enter new industries (Zajac and Bazerman, 1991). In contrast, in the micro firm owner/managers are more limited in possessing competences limited to a single industry and are often constrained by sunk costs of existing investment, which restricts diversification. The strategic conflict theory (Brandenburg and Nalebuff, 1996) argues that firms are shells through which owner/managers conduct strategic games through planned competitive moves, though challenged by information asymmetries between their own knowledge of their firm and the market and limited knowledge of the market and potential strategic moves of competitors. Strategic conflict theory provides good explanatory power of the actions of managers of large firms where there is potential to influence their industry environments over a longer period of time. These firms possess large resource and capability stocks and often develop connections to stakeholder groups with environmental power such as national and local governments (Stuart and McCutcheon, 2000). In contrast, micro firms are very limited in their market environmental power (Morrison, 2006; Phillipson *et al.* 2004; O'Dwyer and Ryan, 2000) and in terms of their influence on public policy and legal environment (Phillipson *et al.* 2006; Devins *et al.* 2005).

1.6 Structure of thesis

A flowchart of the research process in the present thesis is included below.

Figure 1.1 Research flowchart



Chapter one outlines the rationale for conducting the present research study and offers insight into the wider industry context. The study is located in the academic literature and the emergence of the research question is outlined. The theoretical framework focusing the study is described, assumptions are outlined and an overview of the remaining chapters is provided. Chapter two classifies the micro firm and describes the specific type of micro firm studied in the current research. Competitiveness challenges faced by the micro firm are evaluated and potential managerial capability to cope with the

challenges is investigated. Chapter three develops the nature of micro firm managerial capability and a theoretical table of traits of micro firm managerial capability emerges. Micro firm innovation is evaluated. Premised on a critical review of literature a theoretical model of micro firm managerial capability for innovation, in the tourism hotel sector is proposed. Chapter four evaluates philosophical debates around the current research, and the researcher's philosophical position is stated. The choice of interview method is evaluated and justified. The process of data analysis is evaluated. Chapter five presents the empirical findings of the research. Chapter six presents a discussion of the findings in the light of the theoretical review. From the discussion a final model of managerial capability for innovation in the hotel micro firm emerges. Chapter seven presents the main research conclusions and highlights some recommendations for future research. Limitations of the current study are presented.

1.7 Contribution and relevance

This study makes a number of contributions. From a theoretical perspective the model of managerial capability in a micro-tourism context, building on the contributions of Alonso and Bressan (2014, a); Martin *et al.* (2013); Tu *et al.* (2014); Verbano *et al.* (2013); Della Corte *et al.* (2013) Corrocher *et al.* (2009); Freel (2003); Simpson (2001) is proposed. The research makes a methodological contribution, through taking an in-depth interview approach to investigate managerial perceptions of innovation in context (Alonso and Bressan, 2014 a; Simpson, 2001). In the case of four interviews, the research uses the dyadic interview technique (Eisikovits and Koren, 2010), allowing greater insight into the perceptions of two owner/ managers within the one firm. From a managerial practice perspective, developing linkages between the hotel industry, academic research and teaching institutions provide a platform through which the model of managerial capability for innovation can be used as part of an interactive education/ learning tool. Finally, from a policy maker perspective, building on previous studies in the area (McGrath and O'Toole, 2013 b; Phillipson *et al.* 2006; 2004) the research will assist policy makers in better understanding the contextual nature of managerial capability for innovation.

Chapter 2 Defining the micro firm

2.0 Introduction

The overall aim of this thesis is to investigate the nature of tourism micro hotel firm managerial capability for innovation. This chapter investigates the nature of the micro firm. The chapter begins by evaluating the challenges of classifying the micro firm. The importance of the micro firm in terms of economic and social contribution is argued. The emergence of research into the micro firm is described. The distinctive nature of the micro firm is evaluated and the micro firm is distinguished from other small and medium sized enterprises (SMEs). Business competitiveness in the micro firm context is investigated and challenges to developing and maintaining business competitiveness are evaluated. The nature of management in the micro firm context is investigated, while the conclusion offers a synthesis of the findings from the literature.

2.1 Classifying micro firms

Micro firms are difficult to classify and define (Lieberman-Jaconi *et al.* 2010; Greenbank, 2000). They have been viewed as business entities, capable of generating economic growth (Barnes *et al.* 2012; Perren, 1999), of economic adaption (Phillipson *et al.* 2004) and of creating employment (Kelliher and Reinl, 2009; Kotey and Slade, 2005; Matlay, 1999). Micro firms are sources of innovation (Alonso and Bressan, 2014 a; Verbano *et al.* 2013; Morgan, 2013; Kearney *et al.* 2012; Corrocher *et al.* 2009; Reijonen and Kompulla, 2007; Simpson, 2001), where the emergence, development and implementation of new ideas are uninhibited by hierarchical structures, bureaucracy and cultural inertia common to larger firms. In more remote or economically less developed areas micro firms preserve business activity and maintain economic competitiveness (Alonso and Bressan, 2014 b; Morrison, 2006; Phillipson *et al.* 2004; O'Dwyer and Ryan, 2000). However, the micro firm is not simply an economic entity but a complex social phenomenon (Krause 1997 cited in Devins *et al.* 2005). For example, micro firms are embedded phenomena instituted within families (Oughton *et al.* 2003; Wheelock and Baines, 1998) and within local communities (Alonso and Bressan, 2014 b; Phillipson *et al.* 2006; Phillipson *et al.* 2004). Therefore, the objectives of the micro firm often sharply diverge from the business oriented objective of larger firms, with micro firms' strategic

objectives emerging from a business context, but also from lifestyle motivation (Lashley and Rowson, 2010), craft work skills (Greenbank, 2000), family (Wheelock and Baines, 1998) and local community contexts (Alonso and Bressan, 2014 b; Phillipson *et al.* 2004). Phillipson *et al.* (2004) argue that rural community life is sustained through micro firm owner/ managers who feel compelled to sustain local employment and supplier networks. It is contended that micro firms assist those on the margins of society, through alleviating poverty as business owner/ managers develop untapped economic resources (Sen, 2011) but also that they drive the development of civic culture through giving independence and access to a means to survive (Servon, 1997).

From the perspective of defining the micro firm, Kelliher and Reinl (2009) contend it is possible to delineate the micro firm by numbers employed, assets owned or in terms of revenue generated. The common denominator in all cases when comparing the micro firm to other business entities is, almost by definition, that a micro firm is smaller than even a small business (Farina *et al.* 2015; Morgan, 2013; Devins *et al.* 2005; Jay and Schaper, 2003). In terms of employee numbers, the EU definition of micro firms is those firms which employ less than ten workers (EU, 2010). Elsewhere, employee numbers for micro firms are considered to be smaller: less than five employees in Australia (Jay and Schaper, 2003); and five or fewer employees in U.S. (Sen, 2011). Micro firms comprise a large sector of the total population of firms. Within the EU almost ninety nine percent of businesses are small to medium in size and of this total more than ninety percent are micro firms (Reijonen and Kompulla, 2007). Within the EU fifty three percent of employment is in the micro firm sector (EU, 2012). Table 2.1 provides a synthesis of total business employment by firm type in Ireland.

Table 2.1 Employment in micro firms compared with other types of firm

Type of firm	Percentage of total business employment
Large	30.9
Medium	15.1
Small	23.1
Micro	30.9

Source CSO (2010)

Micro firms contribute significantly to employment levels in Ireland as shown in table 2.1, equating to the contribution of large firms (30.9% for each category), although when compared with larger firms, micro firms make a smaller employment contribution per firm. Economically, micro firms contribute almost thirteen percent of Irish gross value added product (CSO, 2010), but the proportion is much higher when foreign investment is removed as shown in table 2.2.

Table 2.2 Indigenous employment across firm size

Type of firm	Percentage of indigenous employment
Large	30.6
Medium	20.2
Small	23.9
Micro	25.3

Source (CSO 2010)

In industry terms micro-firms are a popular form of business structure within the construction, retail trade and tourism fields (EU, 2010). Furthermore, micro firms exhibit considerable heterogeneity comprising start-up businesses, self-employed owner/managers, team businesses, family businesses, ethnic businesses, high technology firms and businesses whose structures vary widely (Devins *et al.* 2005).

2.1.1 Micro-firm characteristics and lifestyle motivation

There are unique characteristics of micro firms which make them a relatively novel context for the research of managerial capability (Kelliher and Reinl, 2014). For example there is a low emphasis on economic growth with the strategic objectives framed within competitive survival (Della Corte *et al.* 2013; Morrison, 2006; Greenbank, 2000). Managerial capability is framed in an embedded context of family (Wheelock and Baines, 1998), stakeholder ties (Phillipson *et al.* 2006; 2004) and an owner/ manager oscillating between strategic business objectives and day to day operational work (Greenbank, 2000; O'Dwyer and Ryan, 2000). Cyr *et al.* (2011) caution against the danger of assuming micro firm strategy reflects business motivation, instead encapsulating business strategy within a wider lifestyle motivation, as exhibited in table 2.3.

Table 2.3 The nature of lifestyle motivation

Nature of the lifestyle motivation	Academic sources
Socio-political motivation can be congruent with niche business	Ateljevic and Doorne (2000)
Interest in people/ escaping 'rat race'- often antithetical to business operations	Lashley and Rowson (2010); Oughton <i>et al.</i> (2003);
Local embeddedness	Thomas and Thomas (2006); Morrison and Texeira (2004)
Lifestyle motivation within a business community context	Marchant and Mottiar (2011)
Seasonal and part time work	Goulding, Baum and Morrison (2008)
Business as an expression of craft/ professional skills	Chaston (2008); Fillis (2003); Greenbank (2000)
Trade off economic growth versus quality of life	Peters and Frehse (2004) cited in Peters <i>et al.</i> (2009)
Responsibility to home/ family superior to economic objectives	Haghighi <i>et al.</i> (2014); Morrison and Conway (2007); Morrison (2006)

Lifestyle motivation is argued to play a major role in the motivations behind managing the micro firm (table 2.3). Owner/ managers are motivated to interact with people through customers (Lashley and Rowson, 2010), to fulfil personal expectations through personal performance of professional work (Greenbank, 2000), and in the tourism micro hotel context, through growth limitations in shape of the size of the family home (Haghighi *et al.* 2014; Kaikkonen, 2006); all impacting on the strategic development of the micro firm.

2.2 Research into micro firms

There has been increasing awareness both within practitioner and in academic circles of the growing importance and uniqueness of the micro firm (Brustbauer, 2014; Kelliher and Reinl, 2014; Tu *et al.* 2014; Liberman-Yaconi *et al.* 2010). While there are signs of interest in the distinctive nature of the micro firm over fifty years ago with Edith Penrose (1959 cited in Storey, 1994) arguing for deep and significant differences between larger firms and very small firms and arguing that these differences are of such magnitude as to make comparison as unreasonable as comparing a butterfly and caterpillar, this comment appears to have been ignored in terms of research output until around thirty years ago with the publication of Welsh and White's (1981) paper in the Harvard Business Review. Since then a growing body of research has focused on micro firms. Specifically, the progress of academic research is evident in the advancement of academic understanding of micro firm managerial processes (Cyr *et al.* 2011; Kelliher and Reinl, 2009; Cagliano

et al. 2001; O'Dwyer and Ryan, 2000); micro firm learning (Reinl and Kelliher, 2014; Kelliher and Reinl, 2010; Devins *et al.* 2005); strategic decision making (Lieberman-Yaconi *et al.* 2010; Russo and Tencate, 2009; Floren, 2006); training (Devins *et al.* 2005; Greenbank, 2000; O'Dwyer and Ryan, 2000); micro firm human resource management (Kotey and Slade, 2005; Matlay, 1999) and technological capability (Mellett and O'Brien, 2014; Jones *et al.* 2014; Barnes *et al.* 2012; Karljahuoto and Huhtamaki, 2010; Quershil *et al.* 2009; Fillis, 2004 a). Furthermore there have been calls for further research into aspects of micro firms, for example human resource development (Kearney *et al.* 2014; Kelliher and Reinl, 2009). Specific to the context of the current research project there have been calls for greater investigation of micro firm innovation in a tourism context (Thomas *et al.* 2011). There are calls for research into the nature of micro firm innovation due to argued influence of embeddedness in shaping innovation in context (Tu *et al.* 2014; Della Corte *et al.* 2013; Freel, 2003). Finally, there are calls for greater research into the managerial capability underpinning micro firm innovation (Alonso and Bessan, 2014 a; Martin *et al.* 2013; Corrocher *et al.* 2009; Wagner, 2008; Simpson, 2001).

2.3 Distinctive nature of the micro firm

Micro firms are distinctive from other structural forms of business (Greenbank, 2000), a comparison of which is provided in table 2.4.

Table 2.4 Comparison of micro firms to other SMEs

Criteria	Medium sized firm	Small firm	Micro firm
<i>Employee management</i>	Formal employee systems driven by size and legislative pressures- Thorpe <i>et al.</i> (2005); Rutherford and Buller (2003); Cassel <i>et al.</i> (2002).	Emergence of formal employee management combined with informality- Marlow (2006); de Kok and Uhlaner (2001); Wagar (1998).	Informality- small numbers / loose legal ties/ strong ties to owner/ manager- Alvarez <i>et al.</i> (2015); Kelliher and Reinl (2009); Kotey and Slade (2005); Phillipson <i>et al.</i> (2004); Matlay (1999).
<i>Structure</i>	Specialisation in sections and emergence of departments-	Emergence of specialisation often dependent on industry-	Owner/ Manager operational and management role-

	McKeiver and Gadenne (2005); O’Gorman and Doran (1999).	Cagliano <i>et al.</i> (2001); Miller and Toulouse (1986).	Haghighi <i>et al.</i> (2014); Llach <i>et al.</i> (2013); Cyr <i>et al.</i> (2011); Greenbank, (2000); O’Dwyer and Ryan (2000).
Finance	Financial complexity- Cassar and Holmes (2003); Becchetti and Trovato (2002).	Nascent bank lending/ formal relationships- Lopez-Gracia and Aybar-Arias (2000); Cassar and Holmes (2003); Berger and Uddell (1998).	Family / owner/manager funding/ prudence Freel (2007); Smith (1999); Lean (1998).
Family role	Family possibly strong influence/ but increasing pressure from outside interest- Fernandez and Nieto (2005).	Family as legacy influence/ longer term strategy impacted on by family concerns- Sharma <i>et al.</i> (1997).	Family emotional support/ ideas/ free employment resource- Oughton <i>et al.</i> (2003); Matlay (1999); Wheelock and Baines (1998).
Competitive environment	Active engagement with environment through formal and informal tools- Wiklund and Shepherd (2003).	Active engagement, often informal tools- O’Dwyer and Ledwith (2009); Muscio (2007); Covin and Slevin (1989).	Niche space- Lieberman-Yaconi <i>et al.</i> (2010) Often lack of engagement with wider environment- Morrison and Conway (2007); Morrison, (2006); Phillipson <i>et al.</i> (2004) Opportunities from new technologies- Townsend <i>et al.</i> (2014); Mellett and O’Brien (2014).
Technology	Appraisal of investment; strategic planning- Mellett and O’Brien (2014); Sadowski <i>et al.</i> (2002).	Limited technology planning; investment as perceived to be necessary- Hoffman <i>et al.</i> (1998).	Deterministic role of technology; possibility of radical change in business model- Mellett and O’Brien (2014); Jones <i>et al.</i> (2014); Barnes <i>et al.</i> (2012); Karljaluoto and Huhtamaki (2010); Quershil <i>et al.</i> (2009); Roberts and Wood (2002).
Marketing	Increasing specialisation and formality; opportunity to develop competitive advantage from marketing capabilities; increased	Informality dominant/ pivotal role of owner/ manager capabilities- O’Dwyer <i>et al.</i> (2009); Jocusmen (2004).	Marketing and technology intertwined; Informality with strong role of owner/ manager in market sensing- Haghighi <i>et al.</i> (2014); Merriles <i>et</i>

	management awareness of importance of marketing- -McAdam <i>et al.</i> (2004); Pelham (1999); Rangone (1999).		<i>al.</i> (2011); Fillis <i>et al.</i> (2004); O'Dwyer and Ryan (2000).
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There are differences in the three types of firm represented by the umbrella term, small to medium sized enterprise (SME) as highlighted in table 2.4. However, it is only relatively recently that attention has been drawn to the consequences these differences hold for organisational processes within the micro firm (Kelliher and Reinl, 2010; Kelliher and Reinl, 2009; Devins *et al.* 2005). Differences between the micro firm and small or medium sized firms include the number of employees, nature of managerial processes, nature of internal organisational structure and the level of environmental power (Lieberman-Yaconi *et al.* 2010).

From the perspective of employee management, greater formality of process is evident in medium sized firms, often driven by regulatory and legislative pressure in addition to commercial necessity (Thorpe *et al.* 2005). In contrast Marlow (2006) highlights the informal systems characteristic of the small firm, where there is an elementary movement towards employee management systems.

The micro firm provides another contrast with formal management processes replaced by an owner/ manager dominated interaction premised on intuitive and tacit knowledge and sometimes resorting to stakeholder consultation to fill knowledge gaps (Kelliher and Reinl, 2009; Matlay, 1999). Medium sized firms exhibit greater tendency towards specialisation into departments (McAdam and Keogh, 2004; O’Gorman and Doran, 1999) with proto departments in evidence in many such firms (McKeiver and Gadenne, 2005). Small firms, while showing the tendency to specialise into sections of employees (Cagliano *et al.* 2001), remain simple in structure. However, the micro firm demonstrates the simplest structure with little specialisation manifest and often the entire firm is dependent on the owner/ manager (O’Dwyer and Ryan, 2000).

Medium sized firms exhibit a greater financial complexity, with more varied sources of funding (Cassar and Holmes, 2003). Small firms, while tending towards using more formal sources of funding than micro firms, continue to rely on family and owner/manager funds (Lopez-Garcia and Aybar-Arias, 2000). The micro firm is in many ways an extension of the owner/ manager's own personal finances with interplay between business and personal / family decisions in evidence (Smith, 1999; Wheelock and Baines, 1998).

The family of the owner/ manager plays an important role in many SMEs (Sharma, 1997). However, in the medium sized firm, the role of family is increasingly one of a background influence, often as a cultural shadow (Fernandez and Nieto, 2005). The role of family in the small firm impacts more directly on the firm's strategy and even day to day operations (Sharma, 1997). In contrast, the family influence on the micro firm is deeper; manifest as a strategic influence on key decisions (Oughton *et al.* 2003) and through day to day work and employee influence (Wheelock and Baines, 1998).

In the medium sized firm there is more formal engagement with the firm's environment (Wiklund and Shepherd, 2003), supported with the design, implementation and use of business management tools. In contrast there are greater levels of informal environmental engagement in small firms (Covin and Slevin, 1989). Micro firm environmental engagement is often at operational level (Greenbank, 2000) with the owner/ manager content to navigate in a niche space (Lieberman-Yaconi *et al.* 2010).

Technological developments impact on all types of firm, with medium sized firms argued to be more capable of assessing the strategic benefits of investing in new technology (Sadowski *et al.* 2002). In contrast small firms are argued to engage in a low level of strategic planning with regard to new technology, preferring to invest as appears necessary (Hoffman, 1998). Micro firms are argued to benefit from technology investment, as it enables the development of marketing and financial capabilities otherwise made difficult through lack of specialised employees and general resource constraints (Llach and Alonso-Almeida, 2014; Roberts and Wood, 2001). However, the strategic management of technology is often neglected with technology being put in place

through both perceived need (Karljahuoto and Huhtamaki, 2010) but also without integration into an overall business strategy (Barnes *et al.* 2012).

With reference to external business relationships, medium sized firms retain levels of embeddedness characteristic of small firms but exhibit greater formality in the development of relationships with stakeholder firms (Russo and Tencati, 2009). In contrast small firms rely on more informal stakeholder relationships, with social exchange through non-economic modes in evidence (Jenkins, 2006). In the micro firm a deeper level of embeddedness is argued to exist, with personal relationships deemed as important (Russo and Tencati, 2009; Phillipson *et al.* 2006).

Marketing in the medium sized firm is argued to be differentiated from marketing in the small firm by an increased specialisation of employees (Rangone, 1999). Further, Pelham (1999) argues medium sized firms see a move away from the centrality of the owner/ manager in the development of marketing strategy, with the owner/ manager, if present, taking a more strategic business role often delegating much of the strategic marketing to a senior staff member. O'Dwyer *et al.* (2009) argue the greater importance of the owner/ manager in strategic marketing in small firms, with less specialisation of employees than in medium sized firms. The owner/ manager enables the merging of business strategy and marketing in one person in the small firm, helping the firm develop greater speed of reaction to market change (O'Dwyer *et al.* 2009; Jocusen, 2004). Marketing in the micro firm relies even more heavily on the managerial capability of the owner/ manager, often manifest through personal relationships with customers (O'Dwyer and Ryan, 2000). New technology is argued to enable the micro firm alter previously limited marketing capability, with development of new capability dependent on aspects of the owner/ manager's managerial capability (Llach and Alonso-Almeida, 2014; Barnes *et al.* 2012).

Micro firms have distinctive characteristics as highlighted in the preceding discussion, rendering them separate from other business entities (table 2.4) and worthy of greater academic research in their own regard. Table 2.5 highlights the main distinctive characteristics of the micro firm.

Table 2.5 The nature of the micro firm

Micro firm characteristic	Sub-criteria	Academic literature source
Owner/ manager dominance		Haghighi <i>et al.</i> (2014); Martin <i>et al.</i> (2013); Kelliher and Reintl (2009); Greenbank (2000); Chell (1985)
Family embeddedness		Oughton <i>et al.</i> (2003); Wheelock and Baines (1998)
Local community embeddedness		Townsend <i>et al.</i> (2014); Grimstad and Burgess (2014); Lowik <i>et al.</i> (2012); Phillipson <i>et al.</i> (2006, 2004)
Market proximity		Haghighi <i>et al.</i> (2014); Fillis <i>et al.</i> (2004 b); O’Dwyer and Ryan (2000); Greenbank (2000)
Lifestyle motivation		Cyr <i>et al.</i> (2011); Lashley and Rowson (2010); Morrison, 2006; Greenbank (2000)
Human resources		Kelliher and Reintl (2009); Kotey and Slade (2005); Matlay (1999)
Simple structure		Karljaluoto and Huhtamaki (2010); Walsh <i>et al.</i> (2009), Williams (2007)
Decision making		Cyr <i>et al.</i> (2011); Kelliher and Reintl (2009); Devins <i>et al.</i> (2005); Cagliano <i>et al.</i> (2001); Greenbank (2000)
Innovation	Importance Owner/ manager places on innovation	Alonso and Bressan (2014 a); Verbano <i>et al.</i> (2013); Thomas <i>et al.</i> (2011)
	Types of innovation	Corrocher <i>et al.</i> (2009)
	Ties and embeddedness	Tu <i>et al.</i> (2014); Della Corte <i>et al.</i> (2013); (Freel, 2005)
	Owner/ manager perceptions	Simpson (2001)
Learning	Importance of networks	Reintl and Kelliher(2014; 2010)
	Influence of owner/ manager	Alvarez <i>et al.</i> (2015);Kelliher and Henderson (2006)

Owner/ manager dominance is argued to include the exerting of a level of control over firm strategy and culture not manifest in other firms (Lowik *et al.* 2012). The high level of dominance is argued to form a potential barrier to employee participation in the micro firm, with the owner acting as an ‘all seeing power’ due to their presence in operational work and their simultaneous role as both owner of resources and strategic manager (Chell, 1985). In contrast owner/ manager dominance can be a mechanism through which strategic thinking is easily implemented (Cyr *et al.* 2011) and through which customer service is executed with customer loyalty developing from personal service (Haghighi *et al.* 2014). Micro firms are embedded in a family context with strategy emerging from within the family (Oughton *et al.* 2003). Further the micro firm provides

employment and a place of influence for family members (Wheelock and Baines, 1998). Similarly, local community embeddedness shapes the evolution of the micro firm through stakeholder interaction (Phillipson *et al.* 2004; Jay and Schaper, 2003) and the owner/ manager's sense of responsibility to the local community (Phillipson *et al.* 2006). Owner/ managers' of micro firms possess a level of market proximity unseen in other types of firm, with often day to day interaction with key customers (Haghighi *et al.* 2014; O'Dwyer and Ryan, 2000).

While the small firm is argued to often lack the influence of a business philosophy as a guiding leitmotif in strategy (Beaver, 2007), the micro firm exhibits a knarled interweaving of business principles and lifestyle motivation underpinning strategy (Cyr *et al.* 2011; Lashley and Rowson, 2010; Greenbank, 2000). Lashley and Rowson (2010) argue owner/ managers of tourism micro hotels are characterised by a strategic uncertainty emerging from planning objectives premised on owner/ manager desires as opposed to business principles. Human resource development in the micro firm is argued to take place in a highly informal environment, dominated by the owner/ manager (Matlay, 1999). Kelliher and Reinl (2014), in calling for further research into micro firm human resources, posit the importance of a contextual approach to the development of micro firm human resources as part of an overall approach to managerial capability development in the micro firm context. The structure of the micro firm is simple with minimal need for bureaucratic coordination (Karljaluo and Huhtamaki, 2010; Walsh *et al.* 2009). However, communication barriers in the form of power distance (Floren, 2006) and differing assumptions on the purpose of business (Matlay, 1999), challenge the notion of frictionless strategy implementation. Decision making is highly centralised in the person of the owner/ manager (Devins *et al.* 2005). Moreover, decision making emerges in an informal and intuitive process (Lieberman-Yaconi *et al.* 2010) with the owner/ manager making use of rules of thumb, heuristics, in order to simplify a complex and time pressured environment (Greenbank, 2000). Micro firm innovation is argued to depend on the cognitive perceptions of the owner/ manager (Simpson *et al.* 2001). Finally, micro firm learning is influenced by participation in networks (Reinl and Kelliher, 2014; Kelliher and Reinl, 2010) and relies on the owner/ manager both as a

leader of employees (Kelliher and Reinl, 2009), but also as the capstone of the firm in terms of transforming learning into practice (Kelliher and Henderson, 2006).

2.4 Micro firm competitiveness

In studies of larger firms, competitiveness is argued to emerge from management capability continually shaping a firm's resources based on managerial perceptions of environmental change (Ambrosini *et al.* 2009; Barney, 2001). Competitiveness is argued to be a property of a firm to survive over a longer period of time (Barney, 2001; 1991). However, there are considerable challenges in overcoming tautological critiques, for example one may be challenged by the idea that factors other than competitiveness lead to the firm surviving (Connor, 2007), or where the very term competitive equates to survival (Morrison, 2006). Further, there are challenges in overcoming critical comment that the nature of the firm changes radically overtime so much as to render it difficult to compare the firm at an initial point in time and at a time much later (Mahoney and Pandian, 1992). In the context of small firms Begley and Boyd (1987) argue competitiveness may be measured in both 'hard' (p.99) financial measures but simultaneously through measures embedded in the experience of the owner/ manager.

Pratten (1991) argues that competitiveness as applied to large firms is inappropriate in the context of small firms, where the very nature of competing differs from the large firm. Small firm competitiveness depending on agility, flexibility, low cost focus, rapid market sensing, perceptions of personal service and niche market focus. Strong differences in the role of the manager in enhancing the competitiveness of the large and small firm are argued, with the small firm relying on continuous cultivation of agile speed of reaction (McAdam *et al.* 2004; Chen and Hambrick, 1995). Models of firm competitiveness taken from industries where rapid environmental change is normal are inappropriate in the context of many micro firms where competitiveness may be better understood as an incremental reaction to a more slowly changing environment (Morrison, 2006; Phillipson *et al.* 2004). Further, the objectives of the micro firm may not be aimed at raising levels of business profit to predetermined margins set by investors or to high growth in terms of revenue, but rather moderated by a long term orientation where profit and a level of

revenue growth are measures of long term survival rather than objectives of their own (Devins *et al.* 2005; Morrison and Teixeira, 2004). In essence, competitiveness is accepted to exist within boundaries of not wanting to grow beyond micro size or beyond the limits of owner/ managerial capability (Cyr *et al.* 2011) or control (Greenbank, 2000). Further, micro firms may provide a relatively unique lens into the study of competitiveness over time, as due to small size and constancy of ownership many aspects of the firm will not change, overcoming to an extent the critique that the same firm no longer exists as in the past.

A number of contributors have posited strategic approaches to overcome competitiveness challenges in the micro firm context. Cost cutting offers the prospect of giving the micro firm greater strategic focus (Beaver, 2007; Perren, 1999). Critically, cost cutting runs the risk of damaging long lasting resource and capability structures. Diversification is argued to assist the micro firm overcome seasonality, smoothing out annual revenue and cost imbalances (Oughton *et al.* 2003). Mattimoe (2010) argues diversification provides the micro firm with a way of spreading risk. However, in a micro firm context there are major challenges for owner/ managers to spread their managerial capability across multiple business arenas. The implementation of quality management systems is argued to enable the micro firm to incrementally develop their competitive advantage (Cagliano *et al.* 2001). Finally, Corrocher *et al.* (2009) argue the importance of innovation in leveraging micro firm capabilities with the longer term result of embedding dynamic innovation capabilities in the fabric of the firm, enabling the firm to continuously cope with environmental change. However, as Winter (2003) cautions, the development of such dynamic capabilities, while increasing the firm's survival options is not a rule for riches, with the firm's survival ultimately influenced by wider environmental clemency. The current research focuses on innovation as a way of improving competitiveness and/or overcoming business competitiveness challenges.

2.5 Internal constraints to micro firm business competitiveness

Micro firms face challenges in becoming competitive. This section evaluates the micro firm competitiveness challenges arising internally in the firm.

2.5.1 Limited resources

Micro firms are severely curtailed by limited resources in terms of financial capital (Smith, 1999). Similarly it is argued that physical assets are often heavily leveraged to finance the micro firm (Lieberman-Yaconi *et al.* 2010). However, in some cases micro firms possess assets in the form of owned premises which are not leveraged due to owner/manager motivation to preserve a family owned home or due to a risk aversion (Oughton *et al.* 2003). North and Smallbone (2000) critique government attempts at micro business support and conclude that micro firms, in a rural context, possess latent resources and capabilities for innovation resident within their assets. Their argument is premised on the logic that owner/ managers do not engage in risk taking behaviour in the same way as larger firms, and that a slower approach to risk taking may be in evidence with an implicit strategy evolving over a long time period.

Phillipson *et al.* (2004), using survey and case study research of rural micro firms in the North of England, argue business supports in terms of benevolent supplier relationships, understanding employees willing to moderate their labour demands and customers willing to spend money within a local community exemplify such asset development. However, their study is conducted during a period of economic crisis and may not reflect stakeholder behaviour under more normal conditions. Nonetheless, micro firms utilise assets in ways which may not be evident in other types of business entity. Siemens (2010), utilising a qualitative methodology based on ten in-depth interviews with owner/managers of rural micro firms in British Columbia argues that owner/ managers draw on resources including themselves, families, other local businesses and local communities in developing their businesses.

Business development is manifest in exploitation of family assets through working long hours, use of local employees on grounds that such employees will remain with the firm. These employees may also serve as role models for the business in the local community and the development of co-operative relationships with other micro businesses which enables the management of suppliers who are often distant in terms of geography. An Irish example of this type of cooperation is seen in the chartering of the Julia ferry by

West Cork business interests, among whom are local tourism operators, in order to maintain transport links with France. Cyr *et al.* (2011) argue that strategic use of resources in the micro firm may be understood by examining the objective of the owner/manager who, instead of the conventional perspective of business development premised on growth in terms of increased revenue, rising employee numbers and profit, deliberately shapes strategy within limits in order to maintain control of the firm's assets and business growth. From a competitiveness perspective, the success of such micro firms emerges from the deep and often tacit understanding (Lieberman-Yaconi *et al.* 2010) which owner/ managers possess of their resources.

2.5.2 Dominance of owner/ manager

The owner/ manager is argued to dominate the life of the micro firm in many ways (Samujh, 2011; Kelliher and Reinl, 2009; Lean, 1998). The micro firm relies on the owner/ manager not simply as an owner but as an employee, working day to day at the operational level in the firm and often experiencing time pressures and levels of overwork (Samujh, 2011, Greenbank 2000). The economic future of the micro firm is often staked on the personal assets of the owner/ manager (O'Dwyer and Ryan, 2000) placing high levels of responsibility onto this figure and linking business success or failure directly to personal success and failure. Therefore it is difficult to understand the strategy of the micro firm in the absence of understanding the personal and family circumstances of the owner/ manager (Cyr *et al.* 2011). The owner/ manager also shapes the culture of the firm which often becomes an extension of personality (Kruse, 1997 cited in Devins *et al.* 2005). This shaping can occur through owner/ managers developing informal and personal relationships with employees (Kelliher and Henderson, 2006). Looking to relationships both inside and outside the firm, Greenbank (2000) utilising statistically analysed semi structured interviews with fifty five owner/ managers paints a picture of owner/ managers heavily involved in the day to day operations of the micro firm, engaging in general management tasks, relationship management with suppliers and customers and in the operational work of the firm. From a competitiveness perspective, owner/ manager dominance places heavy responsibilities on the managerial capability of the owner/ manager to manage the multiple relationships (Phillipson *et al.* 2006).

However, unlike in larger firms, the owner/ manager develops a level of managerial capability in managing the multiple relationships. This managerial capability emerges as an important aspect of the micro firm's competitiveness due to the owner/manager dominance, and the importance of the owner/ manager in building and maintaining personal relationships (O'Dwyer and Ryan, 2000).

2.5.3 Lifestyle motivation

Lashley and Rowson (2010) argue that tourism micro hotel firms are content to survive once their owner/ managers' achieve a satisficing level of income. Here, motivations for engaging in the hotel business range from; dissatisfaction with long working hours in other occupations, unhappiness with relationships with customers in other occupations and the desire to own a hotel. The motivation to operate the tourism micro hotel firm is often driven by an acceptance that a level of profit is necessary but only as a means to engage with customers who are often treated as friends and, to enjoy levels of personal freedom associated with the occupation of tourism micro hotel owner/ manager. From a competitiveness perspective there are concerns that lifestyle motivation negates the application of business principles in managing the firm, leading to loss of competitiveness over time (Beaver, 2007).

Empirical evidence for lifestyle motivation is presented by Bosworth and Farrell (2011 b) who find that only thirty seven percent of micro tourism firms, in Northumberland, sought business growth. However, Greenbank (2000) argues that micro firm owner/managers engage in satisficing behaviour and hold aspirations which are situated within their individual and social contexts as well as a purely economic setting. In essence micro firms are competitive in seeking to survive and even increase profit, but without high growth objectives in terms of revenue and employee number increases. This behaviour is argued to favour a strategic process, rooted in the owner/ manager which takes place through the owner/ manager's intuition and is often ingrained in relatively sophisticated heuristics based on previous business experience. The strategic process can be conducive to the increasing of the firm's competitiveness through the recognition of the importance of the craft skills of the owner/ manager in developing quality customer

service. For example, delegation to employees can result in a diminished commitment to customers by employees when compared to that of the owner/ manager (Matlay, 1999).

Gray (2002), in a survey of established small firms using the small business research trust dataset of firms with less than fifty employees, argues that life style motivation, which he relates to an informal and highly individualistic approach to business planning, is not conducive to business development. He notes that micro firm managers, in particular, are inclined to resist change through 'endowment effects' (p.64) where the fear of loss through taking risk is greater than the perceived benefits. Moreover, he argues that underlying causes of this fear include; resistance to change from loss of hard won status or privilege, inability to trust, cultural conservatism and fear of that which is unknown. The sources of these causes require investigation specifically within a micro firm context. In particular there is a need for greater understanding of how they emerge. This may then enable the identification of managerial capabilities through which they can be overcome.

Morrison (2006) in a study of small to micro sized hotels, argues for a wider understanding of the lifestyle motivation, and while accepting the limits of lifestyle factors on business growth, posits the importance of lifestyle factors in the maintenance of a level of competitiveness commensurate with survival in harsh economic environments. Similarly, Phillipson *et al.* (2004) argue the use of conventional methods of developing business competitiveness in a harsh economic environment may be inappropriate to understand the survival of micro firms, with micro firm survival often depending on the very lifestyle motivation which insures the owner/ manager exerts maximum effort to leverage the micro firm's embedded resources.

2.5.4. Operational focus

Micro firms, in general, are portrayed as entities where survival rather than innovation is the driving force with owner/ managers oppressed by time pressures which emerge from their heavy involvement with the operations of the firm (Samujh, 2011). Converging to this perspective, Fielden *et al.* (2000) contend that micro firm owner/ managers lack time for accounting and administration and focus heavily on servicing customers. This is reflected in the picture painted by Oughton *et al.* (2003) of micro firm owner/ managers

who persist in subsistence levels of business activity, perhaps unwilling or incapable of strategic imagination, and despite continuous lack of business success appear heavily engaged by the challenges facing their firms. Lieberman-Yaconi *et al.* (2010) note how strategic decision making in micro firms involves facing the possibility of major change in the nature and scope of business activity and resource allocation.

In some cases micro firms avoid these changes and compete through ‘coping strategies’ (Getz and Nilsson, 2004: 25) where the firm opts out of taking a longer term view and faces daily challenges as they appear. Perhaps, micro firm owner/ managers may be seen from the perspective of individuals who are overawed by the personal and business nature of the challenges they face through their business activity. Instead of facing these challenges they opt to take a form of refuge in operational activity. However, from a dynamic capabilities perspective these micro firms appear to run on operational capabilities, based around deeply embedded organisational routines. A key figure in the maintenance and development of the operational capabilities is the owner/ manager who is the source of vital craft skills underpinning the customer service of the firm (Greenbank, 2000). Further, the owner/ manager in the micro firm is not a distant strategist as in the larger firm, rather a conduit through which strategy and operations meld. Taking a competitiveness perspective, the owner/ manager’s operational work offers opportunities to provide personal customer service (Greenbank, 2000), to sense market opportunities (O’Dwyer and Ryan, 2000) and to shape employee learning (Kelliher and Reinl, 2010).

2.5.5 Structural characteristics of micro firm

It is argued that the micro firm is structurally suitable to cope with environmental change due to its ease of internal communication, lack of bureaucracy and closeness to customers (Walsh *et al.* 2009). Therefore, in a changing environment the micro firm is argued to possess a level of flexibility and agility not possible to larger firms, helping the micro firm to restructure symbiotically with the environment (Cyr *et al.* 2011; Lieberman-Yaconi *et al.* 2010). Essentially, it is easy for owner/ managers to communicate and receive information due to the size of the micro firm where communication channels are short

and relationships within the firm, and even outside, are close, and often social in nature (Bosworth and Farrell, 2011a). However, other arguments cast doubt on this perspective. Lack of structure can lead to owner/ managers and employees engaging in generalist work with high levels of time pressure and lack of specialisation (Samujh, 2011). From a competitiveness perspective the micro firm may then possess advantages in terms of potential to sense environmental change quicker than larger firms and yet lack the capabilities to transform the environmental information into business knowledge (Kelliher and Reinl, 2009). Structurally, micro firms are argued to have relatively permeable boundaries with their external environments (Siemens *et al.* 2010) with owner/ managers and employees belonging both to the firm but also to the local environment within which the firm subsists. This permeability may be enhanced through the embeddedness of the owner/ manager in a local community (Phillipson *et al.* 2006; O'Dwyer and Ryan, 2000). Bonds of trust permit the sharing of sensitive information within an indigenous business community (Bosworth and Farrell, 2011 a). Nevertheless almost by definition firms possess boundaries with their external environments, with some firms being reluctant to partake in networking activities (Lashley and Rowson, 2010), perhaps for fear of divulging information critical to their competitive advantage into the local environment.

Micro firms too have limited hierarchy in terms of the access employees appear to have in terms of proximity to owner/ managers, through daily contact and the necessities of directing work relations. Furthermore, owner/ managers are heavily engaged with operational work (Samujh, 2011) suggesting that interaction between owner/ manager and employees is commonplace. Nevertheless, more subtle manifestations of power relationships, invisible to the outsider, may be discernible on closer investigation. Phillipson *et al.* (2006) hint at the construction of social relationships in local communities which persist in daily work life, thus management work involves the maintenance and, perhaps, reconstruction of these relationships. For example an owner/ manager may possess status within a community and either the owner/ manager or owner/ manager's social background anticipates that employees should conform to certain expectations (Matlay, 1999). This may, from the perspective of business development,

both constrain the firm through the creation of barriers to learning but also produce a conformity which enables the carrying out of management orders.

From the perspective of managerial capability, the generation of innovation in micro firms may not take place in the same way as in larger organisations. Within larger organisations there is an underlying philosophy based around commonly accepted codes of business practice. The unleashing of renewing or regenerative dynamic capabilities (Ambrosini *et al.* 2009) entails a change of relatively abstract organisational structures and social relationships which are rooted in a business philosophy. In contrast, within the micro firm these higher order capabilities require changes to personal relationships, risk to family assets and perhaps a questioning of one's initial psychic investment in the business (Alsos and Carter, 2006; Anderson and Jack, 2002; Phillipson *et al.* 2004). Thus there may be barriers to remaining competitive within micro firms which do not exist for the manager of the larger firm.

2.5.6. Risk aversion

In many micro firms assets are personally owned, or linked to family relationships, giving rise to a fear of risking these assets lest they be consumed without reward by the business leaving the owner/ manager or family without personal assets (Oughton and Wheelock, 2003). This denuding of personal assets can result in more than economic loss but also the loss of 'family dignity and self respect' (Wheelock and Baines, 1998: 55). Critically, where there is coherence of business strategy within the embedded family objectives family support may prove important in sustaining the business through challenging times, and may be viewed as a supportive force. While not necessarily encouraging risk, these criteria might be better seen as a force for prudent resource usage rather than stagnation and fear. Greenbank (2000) contends that micro firms pursue both economic and non-economic goals, and that this can lead to strategies of low or even non growth. He evaluates the existing literature and provides a number of arguments for this lack of profit maximising behaviour. Risk exists at other than financial risk or risk of lifestyle and this is perhaps best encapsulated by Hisrich and Peters (1998) cited in Sen (2011) who

contend that managers who strive to innovate, in small firms, face challenges due to psychic risk.

2.6 External constraints to micro firm competitiveness

The external environment of the micro firm provides challenges to competitiveness. The nature of these challenges is evaluated in the following sections.

2.6.1 Nature of competition

The micro firm faces a harsh competitive environment often forcing it towards decision making strategies premised around mere survival as opposed to business growth (Samujh, 2011; Sen, 2011, Morrison, 2006). The impact of technology in the micro firm's environment, particularly as a driver of the redrawing of the firm's strategic marketing environment, is argued to radically alter the nature of competition for the micro firm. Specifically, there are potential adverse competitiveness consequences for micro firms lacking in managerial capability to address technological and marketing change (Jones *et al.* 2014; Barnes *et al.* 2012; Karljaluoto and Huhtamaki, 2010). Many micro firms enter industry sectors where there are low entry barriers and come with low levels of investment (Bates 1997 cited in Schreiner and Woller, 2003), amplifying these challenges. In an Irish context almost fifty percent of micro firms are winding up, contracting in size or struggling with survival (Inter Trade Ireland, 2011), partly reflecting their competitive environment.

For many micro firms the optimum strategy appears to be the carving out of a niche market which is protected by unique resources and capabilities within the firm or, perhaps through good fortune (Atterton and Affleck, 2010). Lean (1998) contends that many micro firms both seek and are satisfied with such niche markets. Phillipson *et al.* (2006) argue that micro firms subsist partly on advice and support based relationships emerging from their competitors and suppliers, suggesting that competitiveness can be enhanced by knowledge gained of strategies of competitors with owner/ managers strategic behaviour developing across industry recipes imbibed through the process of competitor interaction.

2.6.2 Limited environmental resources

Micro firms often operate in environments which are characterised by resource limitations and low quality resources endowments (Morrison and Conway, 2007; Morrison, 2006; Phillipson *et al.* 2004). They face further challenges in often being found distant from markets and facing difficulties in developing market relationships and in arranging logistics (North and Smallbone, 2000). In some cases their existence is explained by larger firms finding these environments unattractive due to inadequate returns. Nevertheless it is argued (Lieberman Jaconi *et al.* 2010; Kelliher and Reinl, 2009) that through managerial attention to resources it is possible to create competitive advantage even in these challenging circumstances. Competitiveness in such contexts may imply levels of profit unacceptable to larger firms and even to lenders. Micro firms in resource poor environments remain competitive through different strategies. The micro firm may be supported by a family member earning another income elsewhere (Oughton *et al.* 2003). The micro firm may be part of a portfolio of business owned by the owner/ manager (Mattimoe, 2010; Oughton *et al.* 2003). In some cases the owner/ manager uses the micro business as a way of overcoming seasonality in another business. While a narrow investment based approach may rank the above strategies poorly, the strategies enable the owner/ manager to remain in a chosen locality and often to take a longer term view of the micro firm, than would be possible following the guidance of investor constraints.

2.6.3 Local environment

Lieberman-Jaconi *et al.* (2010) argue that there are benefits in terms of strategic decision making where micro firms seek out wider sources of business information. However, micro firms' primary reliance is on sources of business information which are local, primarily because such sources are free and easily available (Jay and Schaper, 2003). These sources may be influential but are not always supportive of risk or innovation (Samujh, 2011), therefore potentially impacting negatively on the firm's competitiveness. Furthermore, local sources of information are rooted in social relationships which give them a depth of impact on managerial behaviour in the micro firm (Devins *et al.* 2005).

From an innovation perspective this behaviour may create difficulties as it screens outside external influences and external information (Atterton, 2007). Both Atterton (2007) and Phillipson *et al.* (2006) caution of the barriers which local micro firm embeddedness can build against business development. However, competitiveness also emerges in the context of local community ties whereby firms provide mutual support in terms of extended credit terms, mutual purchasing of products and moral support (Phillipson *et al.* 2004). In addition, competitive barriers may take the form of outsiders being excluded or experience time compression effects (Dierickxx and Cool, 1989) in the time it takes to be included.

2.6.4 Environmental change

Micro firms face changing environments (Samujh, 2011). Many micro firms perceive their environments as threat filled rather than opportunity laden, and engage in defensive strategy formulation (Phillipson *et al.* 2004) as opposed to the demand, made in a small business context, for more imaginative business strategy (Beaver, 1997). However despite much critique of micro firm business strategy and management practice, there is underlying rationale in the avoidance of modern strategies and marketing techniques and some of the related business development philosophy as micro firms seek to maintain close relationships based around being local and credible (Cyr *et al.* 2011). Mingione (1991) cited in Wheelock and Baines (1998: 62) highlights the importance of social relationships for micro firms;

‘market relations do not stand alone, even in industrial economies where reciprocally based, co-operative relations, rather than market relations, historically have been discouraged by government, as in urban Britain’.

There are developing competitiveness opportunities through the emergence of new technologies enabling micro firms to source opportunities to find new markets at relatively low cost (Jones *et al.* 2014; Karljaluoto and Huhtamaki, 2010; Quershil *et al.* 2009). In micro firms who develop capabilities to use new marketing technologies there are then opportunities not merely to maintain their competitiveness, but to enhance and deepen this (Barnes *et al.* 2010; Fillis *et al.* 2004 b). However, there are managerial

challenges in both developing capability in terms of using the new technologies and strategically managing their implementation (Roberts and Wood, 2002).

2.7 Managing the micro firm

In management terms micro firms present the owner/ manager with specific challenges and opportunities, created by the unique micro firm context (Kelliher and Reinl, 2009). Beaver (2007) laments the lack of formal strategic planning in small firms, which he sees as using a mechanism of strategic planning which is invisible, informal and premised on the intuition of the owner/ manager. However, others argue that managing through informal and intuitive mechanisms of planning is singularly appropriate to the micro firm environment (Cyr *et al.* 2011; Devins *et al.* 2005; Greenbank, 2001; Ryan and O'Dwyer, 2000). In this section a number of characteristics of micro firm management processes which have emerged in review of the academic literature are evaluated.

2.7.1 Resource development

Micro firm resources are limited in terms of financial value making it difficult for the firm to raise loan or outside capital (Daskalakis, Jarvis and Schizas, 2013; Yazdanfar, 2012; Oughton *et al.* 2003; Smith, 1999). Investment in human resources is limited, with much training being informal (Kotey and Slade, 2005; Matlay, 1999). Moreover, it can be argued that investment in micro firm human resources is of limited worth to the firm as developed employees leave for other firms where pay/ conditions are better; presenting the micro firm with a developed resource now used elsewhere. For example, Phillipson *et al.* (2004) describe how micro firms rely on employees with loose ties to many firms as almost casual employment, but nevertheless employees who are trusted and contribute in economic terms. Micro firm management is argued to be a unique capability, developing resources in often tacit ways which are difficult to understand from an outsider or conventional business perspective (Kelliher and Reinl, 2009).

2.7.2 Communication

The micro firm owner/ manager has a physical and social (Phillipson *et al.* 2004) closeness to others within the firm leading to assumptions that there is an openness about micro firm communication (Haghighi *et al.* 2014; Walsh *et al.* 2009). The small size of the micro firm, in terms of employee numbers, general nature of work, lower levels of hierarchy (Greenbank, 2000), offers the owner/ manager opportunity to communicate quickly and directly with others in the firm. Kelliher and Reinl (2009) posit that this environment is one in which team based and cross functional communication become easier as physical barriers and those related to formality and hierarchy are broken down. Critically, Phillipson *et al.* (2004) caution that underneath the appearance of an environment of ease of communication in the micro firm there may lie deep seated power imbalances and unresolved conflicts, smoothed over by a veneer of daily work. Moreover, Matlay (1999) warns that owner/ managers, though dominant in the organisational life of the micro firm, may not possess the human resource management skills necessary to overcome these challenges. Florens (2006) cautions that while the micro firm owner/ manager relies on a number of close employees, perhaps a secretary and others, there is often considerable social distance between the owner/ manager and other employees.

2.7.3 Relationship management

Kelliher and Reinl (2009) argue that an important contribution of micro firm managers to improvements in micro firm managerial practice would emerge from improving their capability to manage relationships with key environmental partners, such as customers and suppliers. Phillipson *et al.* (2004) argue that in firms which have become embedded within a locality, a shared understanding is built which assists in the reconciliation of difficulties where these occur. For example there was support for a firm which paid debts promptly in normal circumstances, but which had been impacted by a crisis. Relationships developed by the micro firm depend heavily on the persona of the owner/ manager whose managerial capabilities emerge from both knowing and being known in a network of stakeholder ties (O'Dwyer and Ryan, 2000). Nybakk and Panwar (2014) highlight the complexity in managing different stakeholder relationships, with often conflicting demands emerging across ties. Further, though argument supports the

development of stakeholder relationships as a means to transfer new knowledge into the micro firm (Kelliher and Reinl, 2009), there are challenges for owner/ managers in supporting the knowledge transfer process due to restricted access to resources and gaps in attitudes (Kelliher *et al.*, 2014).

2.7.4 Self management

The challenging shifts between the capability sets required to act as owner/ manager and operational employee require the owner/ manager to a level of capability in self management (Florens, 2006). Perren (1999) argues the importance of owner/ manager self perception as a form of capability to step back from owner/ manager work allowing levels of improvement but also reflection to develop. Phillipson *et al.* (2004) argue the importance of a level of resilience as the owner/ manager manages pressures from a variety of stakeholders whose expectations may not readily be met by the owner/ manager. From the perspective of the owner/ manager the family provides opportunity as with family members providing some emotional support to the owner/ manager (Wheelock and Baines, 1998). However, family involvement may also present the owner/ manager with non-market mediated financial demands creating pressure on the owner/ manager to generate profit where circumstances are difficult and sometimes sacrificing long term business solvency to short term family pressures (Oughton *et al.* 2003).

2.7.5 Operational work

The owner/ manager faces challenges by virtue of the general nature of the management work which is undertaken; this work includes managing customer and supplier relationships, meeting taxation and regulatory codes, employee management and development, financial management and the business development of the firm (Servon, 1997). One response to the diversity and intensity (O'Dwyer and Ryan, 2000) of micro firm managerial work may be the development by managers of decision making approaches moulded by heuristics, which are shaped by customer interaction, past work experience, observation, contact with other firms and the use of rules of thumb based on industry norms (Greenbank, 2000). This decision making is rooted in the figure of the owner manager (Devins *et al.* 2005) and diverges sharply from models of decision

making appropriate to larger sizes of business entity, which are based on formal and rational processes (O'Dwyer and Ryan, 2000).

Within the micro firm environment the relative powerlessness of the firm, and its management, perhaps create a situation analogous to firms in environments of rapid change. In these environments, Winter (2003) argues dynamic capabilities are characterised by simple and intuitive nature. Thus the micro firm, buffeted in its environment and exhibiting haphazard innovation, may perhaps be the subject of deeper managerial processes premised on the intuitive (Lieberman-Yaconi *et al.* 2010) nature of micro firm. Here, management capability for innovation lies hidden in heuristics which have developed through trial and error (Greenbank, 2000). This managerial capability may mirror the entrepreneurial behaviour described by Kirzner (1979) which he notes, while not deliberate and rationally planned, is also not purely the result of chance.

2.8 Conclusion

The chapter has differentiated the micro firm from other types of business entity. The unique nature of managing the micro firm has been argued. The challenges faced by the micro firm in terms of competitiveness have been evaluated. It is argued that micro firms exhibit a different approach to competitiveness than other types of firm. The next chapter builds on the present chapter by evaluating in greater detail the micro firm managerial capability underpinning competitiveness. The chapter considers how micro firm managerial capability can be linked to micro firm innovation as a means of overcoming competitiveness challenges.

Chapter 3 Managerial capability for innovation

3.0 Introduction

This chapter evaluates the concept of micro firm managerial capability for innovation. The area of managerial capability is reviewed. Different approaches to the study of innovation are presented. Specifically the concepts of innovativeness and innovation orientation are critically discussed. The potential for using the concepts in the micro firm context is investigated. Managerial capability and managerial capability for innovation are defined. The theoretical framework used in the study is introduced, based on the resource based view and dynamic capabilities view from the strategic management literature. Major resource pools which enable managers to develop the competitive advantage of micro firms are identified. A critical review of the micro firm literature evaluates a number of criteria for managerial capability for innovation. The process of interaction between these criteria and the theoretical framework of the thesis is examined. The result of this examination is a proposed catalogue for micro firm managerial capability for innovation. The catalogue is then used to build a tentative model of micro firm managerial capability for innovation.

3.1 Competitive advantage

Competitive advantage is a term used to describe the situation where a firm performs better than competitors in a business environment, therefore increasing the chances of the firm surviving. Traditional theories of competitive advantage look to the fit between a firm and the markets served, for example the theories of Coase (1937), Alchian and Demsetz (1972) and Fama (1980) focusing on the monitoring of costs within the firm in response to a relatively static environment (cited in Hodgson, 1998). In contrast, evolutionary theories of competitive advantage are premised on the existence of a firm in a changing environment, where there are gaps between the firm and environmental change (Dosi and Nelson, 1994; Nelson and Winter, 1982). Managers are argued to play an important role in sustaining and developing the competitive advantage (Fahy, 2000). However, there are no guarantees of survival as the level or degree of environmental change may exceed the nature of managerial foresight, in essence there are no 'rules for riches' (Winter, 2003: 994). Emerging from the theory of evolutionary economics the

resource based view (RBV) and dynamic capabilities theories accept the premise of a constantly changing business environment, with managers attempting to shape and develop resources and capabilities in a manner logical with the perceptions of external environmental change but also dependent on their own experience and potentially mimetic forces in their industry environment (Teece *et al.* 1997).

A firm's competitiveness may be bound within a specific industry or the firm may have developed capabilities over time of extending beyond one industry (Collis and Montgomery, 1995). For example, a firm may possess capabilities in building alliances or in mergers and acquisitions (Eisenhardt and Martin, 2000). Where the firm is conceptualised as a bundle of routines, there are challenges in that the routines which are effective in operating in one environmental state may be ineffective in another (Adner and Helfat, 2003). Hence managers are seen to be involved in the reshaping of existing routines (Winter, 2003), and even the creation of new routines suitable to a perceived environmental change (Adner and Helfat, 2003).

3.2 Managerial capability

Managerial capability is defined as '*that human capability which builds an organisation's long term competitive advantage*' (adapted from: Barney, 2001; Penrose, 1959). In a micro firm context the dominance of the owner/ manager places higher responsibility for managerial work on the owner/ manager (Greenbank, 2000). Structurally, the perspective of this position stands in contrast to larger firms where managerial work is, albeit hierarchically structured, distributed among different people. Managerial capability can be a potent differentiating factor in organisational performance due to information gaps between managers and their external environments; between managers and the internal aspects of firms of competitors and due to the capability or lack of capability of managers to develop optimised solutions to intra organisational conflicts on resources (Amit and Schoemaker, 1993). In changing environments dynamic managerial capabilities are capabilities through which managers 'build, integrate, and reconfigure organisational resources and competences' (Adner and Helfat, 2003: 1020). Beaver (2007) argues the importance of a strategic reflective capability through which managers actively engage in

the application of business tools, such as marketing and accounting, to the competitive challenges faced by the firm. Livingstone (1971) cited in Stamp (1981) cautions about equating managerial capability with the ability to analyse strategic problems. Instead he posits that managerial capability comprises ‘generative thinking’ (p.277) enabling the manager to actively engage with business problems and develop solutions. Goffee (1996), in the context of financial managers in London’s ‘City’, argues the importance of both professional expertise and the managerial capability to take a holistic perspective on complex business problems. Managerial capability is socially created as accepted beliefs about what problems managers should tackle and can solve and emerges in a socially negotiated environment (Wood and Bandura, 1989).

Adner and Helfat (2003) posit that managerial capabilities are underpinned by three factors: managerial human capital; managerial social capital and managerial cognition. Managerial human capital is developed through time and effort invested in education and learning (Hitt *et al.* 2001). Managerial social capital comes from relationships through which managers gain ‘influence, control and power’ (Adner and Helfat, 2003: 1021). In larger firms the development of a manager’s capability occurs both through the processes of formal management development programmes but also within a socially constructed reality where the nature of managerial work is established through the evolution of common expectations in a social and legal context (Palmer and Dunford, 2002). Managerial capability manifest as relationships with local government, suppliers and competitors are argued to impact positively on a firm’s performance (Acquaah, 2007). Managerial cognition enables managers to overcome the challenges framed as bounded rationality through superior sets of ‘managerial beliefs and mental models’ (Adner and Helfat, 2003: 1021). Managerial cognitive capability comprises search mechanisms through which the manager seeks to optimise a firm’s resource endowments within a framework of bounded rationality (Gavetti and Rivkin, 2007). Over time managers’ within an industry context develop experientially based capabilities which enable them to focus attention on strategically important challenges maximising their own potential (Teece and Pisano, 1994).

Within the context of smaller firms managerial capability evolves in a less formal context (Gray, 2002). The very nature of managerial work in the small firm context may meld with assumptions of authority and influence emerging from ownership rights (Covin and Slevin, 1989). Ownership is argued to create potential problems for the small business manager who is not subject to the same formal investor pressures as in a larger firm, with the apparent benefit of ownership leading to a lifestyle motivation at variance with taking a business perspective on the development of the firm (Beaver, 2007). Small firm management capability emerges in the context of experience rather than being developed through formal business education and management development (MacAdam and Keogh, 2004). In contrast managerial capability in larger firms is shaped by social expectations generated through exposure to professional codes of practice (Goffee, 1996). However, there are opportunities for the development of a unique business culture based on distributed leadership (Cope *et al.* 2011) where the small firm owner/ manager is willing and able to delegate effectively. Small firm management emerges in a network of often close and personal ties (Human and Provan, 1997) on which the owner/ manager depends for advice and support, differing from the management of the larger firm through the lower formality of the ties.

Limited specialisation in the small firm requires the owner/ manager to possess general management skills across different sections of the firm (Sadler-Smith *et al.* 2003). However, the general management skills are not always in evidence with key employees such as a secretary (Florens, 2006) being utilised to fill a wider role. Further, the owner/ manager may have developed the business in a less than formal way, and retain an understanding of the role of manager as one in possession of the original technical or professional skills necessary to deliver the business in a one person firm, to the detriment of developing management skills in areas such as human resources, marketing and finances (Beaver, 2007). Finally, the small firm owner/ manager retains a level of agility and responsiveness to environmental change in being close to the business environment (Darnall *et al.* 2010), and through the synthesis of ownership and control can more rapidly adjust the firm's strategy in times of environmental change. Critically, sensing this adjustment depends on levels of strategic awareness which may be lacking in many

small firms (Beaver, 2007). Further, McAdam and Reid (2001) highlight the challenges where owner/ managers seek to maintain control of small firms leading to the emergence of mechanistic knowledge management structures often inhibiting leveraging of knowledge resources.

3.2.1 Conceptualising innovation

Conceptualisation of innovation emerges in different ways in the academic literature. The following sections provide a review of the major lenses through which innovation has been studied.

3.2.2 Innovation

Traditionally innovation research focuses on the development of new products and services (Shoham *et al.* 2012; Hult *et al.* 2004, Quinn, 1985). A limitation of research focused on such an approach is concentration on the investigation of factors on a major product or service innovation, to the neglect of deeper organisational factors which help the organisation generate innovation over long periods of time (Augusto and Coelho, 2009). Newer approaches to innovation seek to widen the definition of innovation to include not simply product and service innovation but innovation in organisational processes and management. For example innovation is argued to comprise the introduction and implementation of new ideas and knowledge in the context of a firm (Rhee *et al.* 2010). Hidalgo and Albors (2008), argue that traditional product based approaches to innovation have changed with greater focus on innovation as an outcome of complex organisational and inter organisational processes (table 3.1).

Table 3.1 The nature of innovation

The nature of innovation	Source
A problem solving process	Dosi (1982)
An interactive learning process between firms	Kline and Rosenberg (1986)
A diversified learning process	Cohen and Levinthal (1990)
An exchange process involving codified and tacit knowledge	Patel and Pavitt (1994)
An interactive process involving actors, within the context of a system or cluster	Edquist (1997)

Adapted from Hidalgo and Albors (2008)

Hidalgo and Albors (2008) approach enables the researcher to gain greater focus accepting that innovation occurs in different contexts. The contexts can be academic domains, such as learning; or within an organisation or externally focused on networks or wider systems.

3.2.3 Innovativeness

Hult *et al.* (2004) differentiate innovativeness from innovation by referring to innovativeness as an organisation’s capacity to engage in innovation. While an approach based on innovation enables a firm to identify the newness of aspects of the firm, such as products and services, it is argued by Hult *et al.* (2004) that innovativeness takes greater consideration of the commercial aspects of the organisation’s innovations. For example aspects of innovativeness such as risk taking and proactivity are related to commercial success (Shoham *et al.* 2012). In the context of small tourism firms, innovativeness is argued to have a specific importance as a producer of firm level dynamic capabilities which then develop innovations (Trott, 1998 cited in Walsh *et al.* 2009). Theoretically innovativeness has been linked to knowledge levels in the firm enabling the development of approaches based on organisational knowledge as an explanatory factor in the development of innovativeness (Yu *et al.* 2013). Based on a review of literature and an empirical investigation of a theoretical model across three countries, Shoham *et al.* (2012) argue the concept of innovativeness comprises five dimensions at organisational level (table 3.2).

Table 3.2 The dimensions of innovativeness

Dimension	Example
Creativity	An organisation’s capabilities to develop new ideas
Risk propensity	Managers invest resources in projects whose outcomes are uncertain
Future orientation	An organisation’s focus on longer term planning
Openness	An organisational willingness to support change
Proactivity	An organisation’s willingness to anticipate environmental change

The development of measurement scales for each of the dimensions of organisational innovativeness has enabled the measurement of levels of innovativeness across organisations (Walsh *et al.* 2009). Measurement of levels of innovativeness enables the

identification of potential deficiencies in the innovation capacity of an organisation and the improvement of such deficiencies (Shoham *et al.* 2012). Bessant *et al.* (2005) argue that approaches to innovation neglect high levels of environmental change so that firms where high levels of innovation are supported by innovation processes may fail to survive. In their view innovation processes are related to specific environmental conditions, and once there is a significant change in the conditions, the processes are no longer supportive of commercially successful innovation. In contrast innovativeness offers the firm a mechanism through which environmental change can be detected and through which more appropriate innovation effected (Subramanian and Nilakanta, 1996). Hult *et al.* (2004) develop a model of innovativeness premised on the existence of three antecedents of innovativeness: learning orientation; marketing orientation and entrepreneurial orientation, concepts developed from the organisational behaviour literature. The background to the development of these concepts is briefly described in the following sub-sections.

3.2.4 Learning orientation

Hult *et al.* (2004) argue there are two convergent approaches in the academic literature to learning orientation. One centred on Huber (1991) posits learning orientation to exist as developing new knowledge in the context of a firm, the nature of which is capable of altering behaviour. The second focuses more strongly on the alteration of organisational behaviour, with the anticipation that learning must result in new behaviour among organisational members (Argyris and Schön, 1978). Hult *et al.* (2004: 432) describe this higher level of learning rooted in behavioural change as ‘augmented knowledge’. Learning orientation is argued, premised on empirical evidence, to play a crucial role in shaping the development of innovativeness in the context of small technology firms (Rhee *et al.* 2010). They argue learning orientation updates a firm’s assets and capabilities creating intangible assets and proprietary technology. The processes underpinning learning orientation are argued to emerge from continuous observation and understanding of customers and competitors. The process through which this occurs emerges as learning orientation builds intangible assets such as proprietary technology or knowledge. Through the effective management of a firm’s social ties (Granovetter,

1983), it is argued that firms can develop superior capabilities based on learning orientation (Yu *et al.* 2013) and therefore linking learning orientation to dynamic capability theory is given initial impetus.

3.2.5 Market orientation

Market orientation is defined by Narver and Slater (1990) as an organisational culture capable of effectively and efficiently altering organisational behaviour and, through this process, enhancing customer value. Kohli and Jaworski (1990) argue that it is the behavioural aspect of market orientation which provides an action bias in organisations high in market orientation enabling them to utilise and act on market information. Therefore a market orientation helps managers to focus on improving business aspects of their firms where managers focus on using their communication and leadership skills to shape employee behaviour (Hult *et al.* 2004). For example Slater and Narver (1995) argue managers build organisation wide learning structures as a means of complementing a firm's market orientation. Further leadership style is argued to influence the development of market orientation (Harris and Ogbonna, 2001).

Narver and Slater (1990) argue, based on a literature review that market orientation comprises three behavioural components: customer orientation; competitor orientation and interfunctional coordination. Customer orientation enables the engagement between organisational members and the customer both to continue to satisfy existing customers, but moreover to detect customer changes. Therefore it becomes possible to add value to existing customer product offerings and to attract new customers. Competitor orientation, avoids the trap in which organisations focus overly on customers, to the neglect of the competitive moves of firms in their environment. Where competitor orientation is actively managed it becomes possible for it to both stimulate appropriate strategy development but also to act as a mechanism where organisational members become motivated. Finally, interfunctional coordination ensures strategic developments aimed at the market are not hampered by interfunctional conflict or misunderstandings. Further managers play an important role in cultivating and shaping the development of new knowledge through encouraging learning processes which are necessary to develop

what can otherwise be latent potential in the components of innovation orientation (Slater and Narver, 1995). Critically, Narver *et al.* (1998), caution that such an approach focuses heavily on a pre planned approach to a firm's markets, and neglects the approach where firms operate on a more emergent strategy.

Through the process of the emergent strategy firms use experiential market learning to continuously adjust to market changes. Jaworski and Kohli (1993), taking a perspective rooted in business knowledge argue there are three aspects to market orientation: information generation; information dissemination and responsiveness. Information generation pertains to the generation of market intelligence of present and future customers. Dissemination pertains to the communication of information across departments. Responsiveness indicates the speed and efficacy of response at organisational level. It is argued that the different aspects of market orientation can be influenced by management philosophy and style (Kuada and Buatsi, 2005). For example Conduit and Mavondo (2001) argue that managerial action in the form of integrating departments and facilitating the dissemination of intelligence contributes to the development of market orientation. Taking a critical approach, the concept of market orientation has been developed in different ways, with varying degrees of emphasis on the cultural (Narver and Slater, 1990) and information processing (Jaworski, and Kohli, 1990) aspects of market orientation. Hult *et al.* (2005) reviewing the market orientation literature develop a model integrating both approaches (cultural and information processing) but highlight the mediating role of organisational responsiveness.

3.2.6 Entrepreneurial orientation

A firm's entrepreneurial orientation refers to 'a firm's strategic orientation, capturing specific entrepreneurial aspects of decision making styles, methods and practices... it reflects how a firm operates as opposed to what it does' (Wiklund and Shepherd, 2005: 74). It is a strategic level concept and has been compared to strategic direction, as developed in the literature on innovation orientation (Siguaw *et al.* 2006). Wiklund and Shepherd (2003) argue entrepreneurial orientation is operationalised from the perspective of the chief executive officer of a firm. Avlonitis and Salavou (2007) argue that

entrepreneurial orientation may be captured through the use of Likert scales aimed at measuring top management strategic behaviour and business philosophy in the areas of proactiveness and risk taking. Lumpkin and Dess (1996) link the entrepreneurial orientation construct to organisational performance. In the strategic management literature, Wiklund and Shepherd (2003) argue that entrepreneurial orientation enhances the resource based view of the firm and posit that firms can possess superior capabilities manifest as the discovery and exploitation of opportunities. Further, strategic decision capability, conceptualised as firms' capability to learn from failure and to engage managers with strategic decision making is shown to impact positively on entrepreneurial orientation (Covin *et al.* 2006).

3.2.7 Management of innovativeness

Managers are argued to play an important part in shaping an organisation's innovativeness as their strategic intent is critical in improving the dimensions of innovativeness (Yu *et al.* 2013). Hult *et al.* (2004) argue it is through innovativeness that managers solve business problems and help develop the competitiveness of the firm over a longer period. Hult *et al.* (2004) argue that where managers strategically reflect on and shape the concepts of entrepreneurial orientation, market orientation and learning orientation it is possible to develop a firm's innovativeness. Critically there are major challenges in the nature of such managerial work including the time and knowledge required to develop requisite understanding of the concepts and the challenges of implementing the necessary organisational changes. Reflecting the human aspects of management, Woodside (2004) critiques Hult *et al.* (2004)'s use of structural equation modelling to develop a model of innovativeness. He argues for a systems approach recognising the greater complexity of organisations and of the management role in shaping social aspects of innovation. For example, part of the development of innovativeness may occur where the culture is made more open to new ideas through management activity (Augusto and Coelho, 2009). However, managers may not be entirely independent in shaping the culture of the firm, as they themselves are embedded in the social context of the firm, and may be unwittingly shaped by norms and values therein (Yu *et al.* 2013).

Innovativeness is argued to exist as a tendency at the level of the firm, to innovate (Covin and Slevin, 1989 cited in Rhee *et al.* 2011) which is rooted in human activity in the shape of a willingness to innovate (Hurley and Hult, 1998). Therefore it may be possible for managers who communicate their willingness to innovate and their support for innovation, perhaps through rewarding of such behaviour, to increase the degree of innovativeness within the firm. Employees are argued to contribute to innovation in the firm through the management of their psychological contract in a study of knowledge workers (Flood *et al.* 2001). Moreover, Van de Ven (1986) argues the management of innovation relates to the management of attention within the firm, suggesting managerial capability to communicate appropriately enables the development of innovation. However, Augusto and Coelho (2009) argue that where managers place high levels of pressure on employees in the guise of innovativeness, employees may become so commercially focused as to neglect the development of fundamental long term aspects of firm competitiveness.

Yu *et al.* (2013) argue that dynamic capabilities theory presents managers with a framework in which to develop innovativeness. Through the development of innovativeness within a network of dynamic capabilities, a higher level of competitive advantage can be developed. Walsh *et al.* (2009) argue that innovativeness developed through a dynamic capabilities framework offers a firm longer term competitive advantage than competitive advantage rooted in traditional product and process innovations. Dynamic capabilities offer the firm the opportunity to develop deeply embedded learning structures in the social fabric of the firm (Winter, 2003). The learning structures enable the firm to proactively anticipate environmental change. Longer term competitive advantage can then be developed in two ways. The firm can learn about environmental change quicker than competitor firms, enabling it to develop potential to commercialise the learning where appropriate organisational structures are in place (Lawson and Samuel, 2001). Further, the means through which the dynamic capabilities enable learning to take place are embedded in the firm's social structure, rendering difficult the imitation of the learning by competitor firms (Eisenhardt and Martin, 2000).

Auh and Menguc (2005: 250) cited in Augusto and Coelho (2009) argue innovativeness is an organisation's predisposition to 'engage in innovative behaviour' and from a managerial perspective open the way for integration of aspects of management capability which shape the behavioural aspects of the firm towards innovativeness. Kyrgidou and Spyropoulou (2010), in an empirical study of the drivers and outcomes of innovativeness argue the importance of managerial capabilities in developing the innovativeness of a firm, where managerial capabilities are described as 'the availability of knowledge, experience and skills' (p.4) to work with complex tasks and responsibilities in an organisational context. Higher levels of managerial capabilities help transform an idea into a commercial outcome (Ardichvilli, Page and Wentling, 2003 cited in Kyrgidou and Spyropoulou, 2010) as managers possess experientially determined rules of thumb which are effective in deciphering the commercial chances of success of new ideas as products.

Looking at the dimensions of innovativeness (Shoham *et al.* 2012), it appears management can act on each dimension, therefore developing the level of innovativeness in the firm. For example risk taking can be influenced by greater risk in managerial decision making, often requiring difficult decisions to alter existing product portfolios (Augusto and Coelho, 2009). Future orientation can be developed as managers influence organisational members towards developing a constructive dialogue between the members responsibility for day to day work with a focus on the commercial future of the firm (Hult *et al.* 2004). Openness to change can be developed through leadership behaviour exemplifying the necessary behaviour and through the process of supporting employees during times of organisational change (Rodan and Galunic, 2004). Proactiveness can be engaged with where the manager is willing to support business growth. Finally, creativity can be developed through managerial supporting of creative efforts of employees, but also through making efforts to reduce creativity barriers in the organisational culture (Rhee *et al.* 2010). Taking a human capital perspective, Auh and Menguc (2005) argue the importance of developing a team's human capital as a mechanism through which inherent creativity can develop innovativeness.

3.2.8 Innovativeness and performance

Building on a perspective where innovativeness is an organisational characteristic and part of a firm's culture, Shoham *et al.* (2012) argue that innovativeness is an organisational willingness to pursue new market opportunities. They argue the willingness improves the firm's capacity to both develop innovation at product and process level, but also to successfully implement such innovation. Hult *et al.* (2004) argue that innovativeness is an important determinant of business performance regardless of environmental performance, thus suggesting the use of the innovativeness concept in improving business performance across varying environmental conditions. Business performance in their view is equated with the development of sustainable competitive advantage.

3.2.9 Limitations of innovativeness

Antecedents of the concept of innovativeness are part of the concept of innovativeness in some models (Siguaw *et al.* 2006 cited in Walsh *et al.* 2009), suggesting there is a lack of clarity about the relationships between the various concepts. Woodside (2004), while acknowledging the contribution to organisational behaviour theory in the area of innovation, concludes that the model is deficient in neglecting important historical and systems aspects of organisational life. Even in recent scales aimed at measuring innovativeness there are disagreements on the components of the scales (Shoham *et al.* 2012; Walsh *et al.* 2009). Therefore it can be difficult to compare empirical research as there is a lack of certainty that the same phenomenon is measured by the concept.

3.2.10 Innovativeness at micro firm level

Initially it appears feasible to use the dimensions of innovativeness taken from studies of larger firms and apply it in the micro firm context. Further, there is evidence in existing studies of micro firms that managers develop such behaviour within their organisations. For example micro tourism firms engage in levels of risk taking (Mattimoe, 2010). It is argued that management can shape the culture of the micro firm aiding employees to become more open to change (Kelliher and Reinl, 2009). There are at least underlying

assumptions in the micro firm literature that owner/ managers behave in a proactive way (Phillipson *et al.* 2006; Greenbank, 2000), though the levels of proactivity vary and in some cases owner/ managers opt to take a less proactive approach (Morrison, 2006). What is less clear is whether the dimensions of innovativeness in a micro firm context can be understood in the same way as in larger firms. For example the management of risk in a large firm, is undertaken in formal ways based on specialised professional advice. In the micro firm, risk entails both a level of external advice being taken (Mattimoe, 2010) but also requires the owner/ manager to consider the social impact of the risk on family and personal life (Wheelock and Baines, 1998). Similarly the development of micro firm creativity is more likely to emerge from the person of a dominant owner/ manager (Alonso and Bressan, 2014 b; Greenbank, 2000) than through the implementation of formal policies and plans (Amabile, 1998).

Though the concept of innovativeness has been established through being dimensionalised (Shoham *et al.* 2012), there are questions as to the dimensions involved in measuring the concept (Walsh *et al.* 2009), suggesting a degree of caution is necessary before measuring a concept, perhaps appropriate to larger firms, in a micro firm context. Critically, an approach premised on applying strictly defined innovativeness may lead to measurement of a concept inappropriate to the micro firm, and given documented low levels of understanding of micro firm innovation (Corrocher *et al.* 2009; Simpson, 2001), a more exploratory qualitative approach may be more suitable.

Looking at the implementation of innovativeness in the context of concepts such as market orientation, argued to be key drivers of innovativeness in larger firms (Hult *et al.* 2004), Rhee *et al.* (2010) question the value of the scale used for market orientation in larger firms (Narver and Slater, 1990) in the context of smaller firms. Further, Power *et al.* (2005) argue in the context of micro firms in the tourism industry that there are questions as to how market orientation is operationalised. Therefore in the micro firm context, there may be even greater divergence in how innovativeness emerges, due to the differences in micro firms and other sizes of firm. Thus while Auh and Menguc's (2005) argue that innovativeness can be shaped by managerial behaviour, there are questions

about the very different nature of micro firm management and managerial behaviour appropriate in larger firms.

3.3 Innovation orientation

Manu (1992) posits the importance of innovation orientation as a behavioural construct which promises insight into how a firm creates an organisation wide predisposition to innovate. Siguaw *et al.* (2006) posit that the domain of innovation orientation exists as a multidimensional knowledge structure comprising a learning philosophy; a level of strategic direction and the existence of transfunctional beliefs within an organisational context. It has been argued in the literature that linking knowledge structures in the firm to the innovation capabilities of the firm remains unexplained in the literature (Subramaniam and Youndt, 2005 cited in Siguaw *et al.* 2006). Therefore, the contribution to innovation orientation theory, as with the theory of innovativeness, may be to provide greater theoretical and empirical contribution, and improve on the contributions of market orientation (Narver and Slater, 1990) where there is limited linkage between the firm's market orientation and innovation.

3.3.1 Managing innovation orientation

Management exist within the firm's knowledge structure comprised of learning philosophy, strategic direction and transfunctional beliefs (Siguaw *et al.* 2006) and while it is possible for management to alter the knowledge structure, the processes and motivation for alteration are challenging, with changes often not realised (Simpson *et al.* 2006). However, where senior management exhibit positive attitudes towards change, it is argued innovation orientation can be enhanced (Zhou *et al.* 2005). More commonly management may rely on developing specific innovation competences manifest as resource allocation, technology choice, operations management and employee development, where the competences are ultimately determined by the over-arching influence of the firm's knowledge structure, though directly under the influence of management (Siguaw *et al.* 2006).

As with the concept of innovativeness, there are links between the literature on innovation orientation and that on dynamic capabilities. For example, innovation orientation enables the synthesising of innovation research with the development of dynamic capabilities, where innovation orientation bridges strategic managerial action with deeply embedded learning aspects of organisational behaviour (Siguaw *et al.* 2006). This enables the firm to proactively anticipate change, doing so in a way which is better than its competitors and liberating a source of competitive advantage (Auh and Menguc, 2005). Hence dynamic capabilities may be perceived as emerging from the learning philosophy but also from appropriate managerial activity which shapes the strategic direction of the firm and the transfunctional beliefs of the firm (Dobni *et al.* 2010). The managerial activity encompasses a strategic leadership both shaping the firm's culture but also through developing and executing commercial market opportunities. Building on a dynamic capabilities perspective, and the established links between dynamic capabilities and innovative behaviour of firms (Wang and Ahmed, 2007) innovation orientation offers a mechanism through which managerial capability for innovation in larger firms might be investigated. For example there are established links between managerial activity and all aspects of the innovation orientation concept: Learning philosophy is argued to be developed and fostered by managerial capability to shape the culture of the firm (Huber, 1991; Argyris and Schön, 1978). Strategic direction is argued to be developed through the processes of leadership. Diversity in a top management team is argued to improve a firm's innovation orientation (Talke, Salomo and Kock, 2011); transfunctional beliefs can be shaped through improving the communication structures of the firm.

Employees play an important role in the development of innovation orientation and are used to develop innovation orientation through strategic decisions to implement and develop human resources capabilities in a firm (Atuahene Gima, 1996). Siguaw *et al.* (2006) posit that the creation of a firm culture where employees are free to explore new ideas and their implementation without fear of punishment enables the development of innovation orientation. However, given commercial pressures in the firm's marketplace, the reality of removing sanctions for failure may not be in place, particularly at deeper aspects of a firm's culture, despite outward appearances (Simpson *et al.* 2006).

The three elements of the knowledge structure encompassing innovation orientation are: Transfunctional acclimation, strategic direction and learning philosophy; each of which is briefly discussed below.

3.3.2. Transfunctional acclimation

Siguaw *et al.* (2006) argue that functions and departments of a firm must be guided by an embedded transfunctional knowledge structure which makes possible the sharing of knowledge across different departmental thought worlds with their often greatly differing time horizons, objectives and perceptions of the business world. The logic underpinning the importance of transfunctional acclimation is premised on the psychological theory that attitudes and beliefs lead to action (Fishbein, 1967 cited in Sigauw *et al.* 2006). Maltz *et al.* (2006: 149) in the context of strategic marketing argue the benefits of giving less focus on ‘introducing faster processes and more on attaining an open atmosphere which promotes the introduction of new ideas as a response mechanism’, in an uncertain business environment. Transfunctional acclimation requires links to managerial activity, and the links are supplied by a focus of the model on strategic direction.

3.3.3 Strategic direction

Strategic direction assumes the firm takes a future oriented perspective, driven by management, and may be seen to be captured in the ‘beliefs and understandings’ that define the firm and how it approaches competitive challenges with regard to innovation (Siguaw *et al.* 2006: 560). Effective strategic direction involves clear management of the firm’s culture through the capability to change norms and values. It is demonstrated that such management of innovation orientation through the management of culture develops superior innovation outputs (Naranjo-Valencia *et al.* 2011). Talke *et al.* (2011), considering the diversity of a top management team and the impact of such diversity on innovation orientation, posit the impact made by constructively developed strategy, which is then a better fit within the existing business environment of the firm.

The importance of vision and mission statements, which give clarity of purpose to common understanding of innovation in an organisational context is argued by Siguaw *et al.* (2006). Under this perspective, the nature of managerial capability for innovation involves degrees of working on organisational structures and cultures as suggested in some of the innovation literature (Salaman and Storey, 2009; Moss Kanter, 2006). Goffee (1996), in the context of general management capability, posits the importance of the cognitive capability of managers in understanding both the complex nature of the business environment, but also the social environments into which potential strategies emerging from the dynamic interaction between managers and their business environments emerge.

3.3.4 Learning philosophy

Though strategic direction provides for an explanation of the influence of management in the context of the firm, the changing environment requires some focus on how the firm copes with change, and learning philosophy provides that focus. A learning philosophy enables the firm to support innovation orientation through continuously preparing those within the organisational context, for change (Siguaw *et al.* 2006). Further learning philosophy can exist at a deeper level than other aspects of organisational knowledge (Huber, 1991), therefore suggesting the possibility that a firm where the learning philosophy is embedded may be difficult for competitors to compete against. Baker and Sinkula (1999) argue that learning philosophy is akin to a learning climate where the values and information processing in the organisational context dictate the causal mechanisms through which people understand the nature of innovation. In essence though innovation may be overtly communicated, and understood at an official level, the deeper reality is that a shared understanding of the nature of innovation exists at deeper level, and is therefore more difficult for management to alter.

3.3.5 Entrepreneurial orientation

Entrepreneurial orientation captures an important perspective on how firms organise their strategic capability to cope with, and even enhance their competitiveness in conditions of environmental change (Wiklund and Shepherd, 2003). Specifically it is argued that

knowledge resources, which enable the exploitation of resources, are positively impacted on by entrepreneurial orientation. As with other aspects of innovation orientation, it is arguable that managers in firms, taking a strategic perspective can improve the entrepreneurial orientation of the firm, through the process of shaping the components of entrepreneurial orientation (Lumpkin and Dess, 1996).

3.3.6 Managerial capability in an innovation orientation context

Lawson and Sampson (2001) argue that innovation management is an organisational level capability enabling a firm to develop longer term competitiveness. At strategic level there is an argued requirement that managers take a role in providing strategic direction to the firm (Siguaw *et al.* 2006). The development of distributed leadership, a concept developed by Spillane (2012) and Gronn (2002), offers one way of using leaders throughout the firms' divided thought worlds and at different hierarchical levels to devote energy and managerial capability manifest as motivated interpersonal skills towards the development of innovation. Managers exist too in an organisational context where existing learning philosophy and transfunctional beliefs shape their behaviour, perhaps unknown to themselves; effectively they operate in restricted 'thought worlds', from an innovation perspective (Dougherty, 1992: 179). Therefore a challenge for managers, embedded in an organisational context of the existing knowledge structure, is to achieve greater awareness, and potentially the ability to unlock, existing cause and effect maps and beliefs about the nature of organisational innovation (Lyles and Schwenk, 1992 cited in Siguaw *et al.* 2006). Given the structure of innovation orientation as comprising learning philosophy, transfunctional acclimation and strategic direction (Siguaw *et al.* 2006), managerial capability acting on each of the three components may be argued to impact on the nature of innovation orientation.

3.3.7 Micro firm and innovation orientation

An initial question is posed: *Is it possible to use the concept of innovation orientation in the micro firm context, bearing in mind the unique characteristics of the micro firm?*

Briefly a consideration is given to each aspect of innovation orientation, beginning with transfunctional beliefs. The limited number of employees and resultant or limited number of specialisations in terms of functions and departments, make the micro firm a different social space in terms of nurturing transfunctional beliefs. Therefore transfunctional beliefs as an aspect of innovation orientation in the micro firm must be reconsidered. One way in which this may be done is to meld the close communication possibilities offered by the micro firm environment (Walsh *et al.* 2009) and the potential of the owner/manager as a dominant figure (Alonso and Bressan, 2014 b; Greenbank, 2000) in shaping the communication towards the development of appropriate transfunctional beliefs reconceptualised as a sharing of information in a receptive micro firm culture. Secondly to consider the learning philosophy of the micro firm, it is useful to develop the learning potential of the micro firm, argued to be unique in context (Kelliher and Reinl, 2010). From an innovation perspective learning philosophy in the micro firm enables the firm not simply to adapt to competitive change but to develop new mental models of the business environment and therefore proactively to anticipate change (Kearney *et al.* 2012). Finally, there is the aspect of strategic direction, offering an opportunity to build on the unique and dominant engagement of the micro firm owner/ manager with the culture (Kruse cited in Devins *et al.* 2005).

The capabilities necessary to strategically direct a micro firm emerge from a number of research papers: The potential to develop a unique type of micro firm leadership, premised on a paternalistic approach (Nybakk and Panwar, 2014; Kelliher and Reinl, 2010; Kelliher and Reinl, 2009). Engagement with stakeholders emerges in a unique way in the micro firm (Alonso and Bressan, 2014 b; Verbano *et al.* 2013; Phillipson *et al.* 2006). Ultimately the power and communication capability of the micro firm owner/manager (Martin *et al.* 2013; O'Dwyer and Ryan, 2000) posit that the owner/ manager can play an important role in creating a more innovative culture, as employee beliefs on innovation are ultimately part of a system wide belief structure within the firm (Hurley and Hult, 1998).

Siguaw *et al.* (2006) further argue that the firm can be viewed in terms of a knowledge structure- a set of organisation wide beliefs and understandings guiding and directing ‘all organisational strategies and actions, including those embedded in the formal and informal systems, behaviours, competencies and processes of the firm’ (p.569). Considering the knowledge structure from a micro firm perspective suggests its use in investigating the embedded and informal processes characteristic of the micro firm. For example the dominant role of the owner/ manager in shaping the beliefs and understandings underpinning the innovation strategies might be explored. Flood *et al.* (2001) argue that psychological contracts between employers and employees are one way of developing innovation as employees become aware that their own future employability and development depends on the continued development of knowledge capable of release as innovation in the firm. However, their work takes place in the context of the high technology and financial services sectors and may not be easily related to the relatively different levels of employee and employer expectations in the tourism micro hotel context.

Simpson *et al.* (2006) argue that innovation orientation brings disadvantages for firms, in addition to advantages. The disadvantages include increased risk and employee stress. The nature of the micro firm’s owner/ manager in contemplating increased business risk is influenced by family context (Oughton *et al.* 2003) and by the owner/ manager’s own judgements (Greenbank, 2000). Similarly, employee relationships are framed in a community and social context (Phillipson *et al.* 2004), sharply differing from the formal professional relationships of the larger firm. Therefore considering innovation disadvantages from a micro firm perspective suggests they may be understood differently than in the larger firm.

This is not to suggest that innovation is avoided in the micro firm (Alonso and Bressan, 2014, a; Simpson, 2001), simply to draw attention to the potentially different ways in which it emerges. Siguaw *et al.* (2006) argue that shaping the knowledge structure of the firm takes place as managers manipulate the ‘myths and legends’ common in the organisation. While shaping of the micro firm culture is argued to take place through

management (Kruse, 1997 cited in Devins *et al.* 2005), the mechanisms through which this takes place are likely to be quite different to those in larger firms. For example in larger firms Sigauw *et al.* (2006) imply a planned approach to such activity. In contrast the micro firm owner/ manager is more deeply embedded in the surrounding environment and perhaps attempts to manipulate the culture may come across as contrived and artificial. Sigauw *et al.* (2006) present a structure where management is constructed at the strategic level of a larger firm. Management, even at the chief executive level, takes place through the process of formal consultation with other management professionals. Further management is enacted through formal communication and policy channels.

Micro firm management is constructed in an altogether different way. Therefore multiple aspects of innovation are approached in different ways. Innovation may emerge from stakeholder discussions, often informal in nature (Tu *et al.* 2014; Lowik *et al.* 2012), as opposed to emerging in a professionally mediated context. Managers may not always be aware of their innovation activities, taking them as part of their work (Alonso and Bressan, 2014 a; Simpson, 2001). Further the very informal nature of micro firm innovation (Grimstad and Burgess, 2014; Verbano *et al.* 2013) suggests that the use of formal structures to access innovation may miss important aspects of the innovation and its management. In the context of small firms, Cavusgil *et al.* (2003) argue that innovation capability develops from a marketing style which has little adherence to formal structures and frameworks. They find a heavy reliance in small firms on the tacit exchange of knowledge and the use of intuitive decision making.

3.3.8 Micro firm innovation

There is limited literature on micro firm innovation, detailed at table 3.3. The contributions forthcoming from this literature are discussed below.

Table 3.3 Studies of innovation in the micro firm context

Nature of innovation	Methodology	Academic Source
Innovation driven by owner/ manager or limited by owner/ manager	Case study	Komppula (2004)
	Case study	Marchant and Mottiar (2011)
	Analysis of ninety business plans	Friar and Meyer (2003)
Innovation emerging from managerial cognition and perceptions.	Theoretical paper	Simpson (2001)
	Case study- 8 in-depth interviews	Martin <i>et al.</i> (2013)
Typology of innovation	Survey method	Corrocher <i>et al.</i> (2009)
	Theoretical literature review	Hjalager and Cooper (1994)
Micro firm avoiding innovation or limited to incremental approach to innovation	Theoretical paper with empirical data discussed- German transportation industry	Wagner (2008)
	Theoretical paper	Morrison (2006)
Product innovation and influence of strong/ weak ties, impact of cooperation with suppliers.	Case study; In-depth interviews.	Tu <i>et al.</i> (2014); Lowik <i>et al.</i> (2012); Aylward (2004)
Membership of clusters important to Australian wine micro firms	Case study	Propriis (2002)
Innovation opportunities in stakeholder ties- importance of systematic approach to innovation	Survey British midlands	Verbano <i>et al.</i> (2013) Morgan (2013)
Importance of both external and internal resources	Survey	Freel (2003)
Study challenges necessity for ties promoting innovation	Survey and literature review	North and Smallbone (2000) Della Corte <i>et al.</i> (2013)
Leveraging of knowledge in traditional sector	Case study	Verbano <i>et al.</i> (2013), Della Corte <i>et al.</i> (2013); Morgan (2013)
Technology as enabler of innovation	Longitudinal case study;	Jones <i>et al.</i> (2014); Llach and Alonso-Almeida (2014); Karljaluoto and Huhtamaki (2010); Wolcott <i>et al.</i> (2008); Wanger (2008); Fillis <i>et al.</i> (2004 a); Martin (2004); Roberts and Wood (2002)
	Case study ; interview methods	
	Survey method	
	Various methods- primarily qualitative	
Innovation emerging from owner/ manager's social milieu with 'rationality' (p.333) only understood in context	Interview based case study; Theoretical paper; Survey	Alonso and Bressan (2014, b); Cyr <i>et al.</i> (2011); Reijonen and Komppula (2007)

Corrocher *et al.* (2009) posit that there are three types of innovation in micro firms: Product innovation, process innovation and an interactive innovation contextualised

within stakeholder ties. Their research is limited in focusing on knowledge intensive business firms and while the sophistication and breadth of the survey methodology are apparent, it is questionable if similar patterns of innovation are found in micro tourism firms due to the differences in human capital (Alonso and Bressan, 2014 a) and motivation of the owner/ managers (Lashley and Rowson, 2010; Goulding *et al.* 2008; Ateljevic, 2000; Getz and Carlsen, 2000). In the context of two lifestyle micro businesses, Marchant and Mottiar (2011) argue the importance of the motivation of the owner/ manager combined with a high degree of commercial awareness. However, the majority of tourism micro firms are not driven by the type of entrepreneurial motivation manifest in the study (Cyr *et al.* 2011; Greenbank, 2000; Lean, 1998). Simpson (2001), developing a theory of micro firm innovation premised on the cognitive capability of the owner/ manager, posits the importance of owner/ manager perceptions of innovation. In effect innovation may not be something objective and readily accessible to quantitative study, but a phenomenon emerging through the perceptions and social impact of the owner/ manager. For example, Lowik *et al.* (2012) argue the latent potential for innovation residing in stakeholder ties, though release of the potential depends on the perception and motivation of the owner/ manager.

Morrison (2006) highlights the environmental challenges faced by tourism micro hotel firms seeking to innovate, and while arguing the difficulty of limited resources, acknowledges the importance of managerial capability in overcoming competitiveness challenges. Similarly, Verbano *et al.* (2013) contrast the increased sophistication of larger SMEs in innovating through managerial capability to leverage ties to other firms, with a simpler form of managerial capability found in micro firms. Della Corte *et al.* (2013) argue that micro firm managers possess considerable potential to leverage resources based on experiential knowledge, in a traditional industry sector.

Alonso and Bressan (2014, a) cautions against making assumptions premised on theories of innovation emerging from other contexts, and posits that innovation which appears incremental or even unimportant in other contexts may nonetheless be significant to the micro firm. Similarly Cyr *et al.* (2011) argue the need for greater understanding of the

nature of the micro firm in context, arguing that traditionally studies premised on exploring entrepreneurial motivations have neglected the nature of business practices, including those underpinning innovation. Martin *et al.* (2013) argue that even where apparently externally influenced innovation in the form of ‘eco innovation’ (p.592) appears to take the form of innovation shaped by external government and scientific bodies, the final manifestation of such innovation is shaped by perceptions of the owner/managers in a rural business context. Technology is argued to be an important factor in micro firm innovation from a number of perspectives. Strategic use of technology is posited as an enabler of process and organisational innovation (Jones *et al.* 2014; Roberts and Wood, 2002). However, though owner/managers of micro firms are argued to play a role in the strategic management of technology, the complexity associated with technology management often results in unintended consequences from technology implementation (Llach and Alonso-Almeida, 2014).

In the light of the critical review of literature micro firm innovation is defined as:

‘The creative use of resources and development of firm level capabilities which generates new commercial outcomes through the development of new products and services; the reconfiguration of organisational processes; and the development of new modes of market access. Inherent in this innovation is the important role of the owner/ manager, who through the development of innovation, continuously develops managerial capability for innovation, which of itself becomes a source of sustainable competitive advantage within the micro firm’.

As outlined earlier there has been an abundance of contributions which have sought to establish how managers bring about innovation in an organisational context. In an early account, Burns and Stalker (1961) argue that managers can stimulate innovation through the creation of appropriate organisational structures. Converging with emphasis on organisational structures, but developing the approach through arguments taking an organisational cultural lens, Moss Kanter (2006) argues the pivotal role of managers of large firms in enabling change which accompanies and liberates innovation. However the nature of the managerial capabilities which underpin the development of innovation is unclear from these studies and it can be argued they focus as much on organisational capability for innovation as on any underlying managerial capability (Adams *et al.* 2006). This is a point made forcefully by Branzei and Vertinsky (2006) when they suggest the need for greater recognition of the managerial capabilities which develop innovation.

Greater focus on managerial capability emerges in a number of contexts. Van de Ven (1986), while emphasising the significance of organisational aspects of innovation, argues that managerial capability involves the development of new awareness of organisational capabilities through the person of the manager and spreading the awareness to others in the organisation. Further, he posits the importance of the motivation of the manager for innovation and begins to open academic dialogue into the nature of resistance to innovation. Mol and Birkinshaw (2008), in the context of exploring the nature of new forms of management, 'management innovation' (p.1269) argue that the development of managerial capability emerges within the social context of reference groups to which managers are exposed. Adams *et al.* (2006), in a literature review on innovation management argue that though different perspectives on innovation management have been used, there is a preponderance of research focusing on large firms to the relative neglect of smaller firms. In the small to medium sized context Barnett and Storey (2000) argue the benefit of managers taking a strategic perspective to innovation with a focus on both human resource development and customer relationships. In the context of small construction firms it is argued that owner/ managers play a wider and deeper role in innovation, than managers of larger firms and that the nature of the role underpins the development of organisational capability building premised on making the best of very scarce resources, the cultivation of niche market relationships with an emphasis on learning through management practice (Barrett and Sexton, 2006).

Leadership is argued to provide a lens to the study of developing a culture where innovation is engendered (Salaman and Storey, 2009; Byrne *et al.* 2009, Barnett and Storey, 2000). Linked to the area of leadership, Tse and Soufani (2013) argue the importance of top managers' capability to live with and yet resolve paradoxes as a mechanism underpinning the release of innovation. Taking an organisational approach it is argued that historically managers' primary function has been to creatively restructure organisations thereby enhancing the organisation's prospects of competitive survival (Mol and Birkinshaw, 2008; Hamel, 2006). A strand of academic literature has emerged based on this approach labelled management innovation defined as:

‘The generation or adoption of management processes, practices, structures or techniques that are new to the company and affect its performance in terms of innovation, productivity or competitiveness’

(Nieves and Segarra-Cipres, 2015: 52).

For example managers’ development of total quality management systems, business process reengineering methods and leadership development as an organisation wide phenomenon are all argued to constitute managerial innovation (Hamel *et al.* 2008). Further Mol and Birkinshaw (2009) highlight the consequences and risks of managerial innovation in different organisational contexts. Similarly, critiquing what they see as the over prescriptive nature of historically based studies of management’s role in innovation, Kuratko *et al.* (2014) argue that the challenges in implementing innovation are often ignored. Despite the contribution made by such studies to the conceptualisation of the management of innovation, explicit research into how the managerial capabilities which result in the development of managerial innovation remains limited (Volberda *et al.* 2013). However, one possible path is explored by Nieves and Segarra-Cipres (2015) who argue management innovation emerges in the context of the hotel industry where integration of employee based knowledge and the cultivation of relationships with external change agents help cultivate management innovation.

Management play a key role in appropriating innovation specific knowledge strategies in the development of innovation capability of organisations (Lopez-Nicolas and Merono-Cerdan, 2011). McAdam (2000), taking a social constructionist approach to knowledge management based on empirical research, argues small firm managers face both unique barriers and opportunities in leveraging knowledge in order to liberate innovation. A second option emerges in the context of exploration of how management innovation impacts on the sensing, seizing and reconfiguring capabilities of organisations (Gebauer, 2011). Taking a perspective based on the development of organisational level innovation capability, Borjesson and Elmquist (2011), in longitudinal study of two car manufacturers, argue at the level of the individual manager a level of learning capability and political astuteness is a necessary prerequisite to successful development of organisational capability. Taking a dynamic capabilities perspective, Augier and Teece (2009) synthesise historic dynamic capabilities theory and argue the need for new

awareness of how dynamic capabilities theory plays a vital role in selecting and developing routines, shaping non tradable assets and sensing and seizing opportunities in a more broad way than explicated by either transaction cost economics or evolutionary economics. Further identification of specific dynamic capabilities underpinning innovation at firm level, as opposed to mere adaption processes, and based around exploration and new path creation is argued by Dixon *et al.* (2013). They suggest managerial capability underpinning the development of such innovation dynamic capabilities is conceptualised around levels of risk taking and experimentation premised on a commercial business focused outlook where cost awareness is paramount. Arguments are made for the context specific nature of how managers develop such dynamic capabilities based on a study of the micro foundations of dynamic capability development (Kindstrom *et al.* 2013). The theoretical perspectives relating to the management of innovation are summarised in table 3.4.

Table 3.4 The management of innovation

Theoretical perspective	Academic sources
Leadership	Borjesson and Elmquist (2011); Byrne <i>et al.</i> (2009); Salaman and Storey (2009); Barnett and Storey (2000); Van de Ven (1986)
Management innovation	Volberda <i>et al.</i> (2013); Mol and Birkinshaw (2009); Birkinshaw <i>et al.</i> (2008); Hamel (2006); Adams <i>et al.</i> (2006); Moss Kanter (2006)
Knowledge management	Nieves and Segarra-Cipres (2015); Lopez-Nicolas and Merono-Cerdan (2011); McAdam (2000)
Dynamic capabilities	Dixon <i>et al.</i> (2014); Kindstrom <i>et al.</i> (2013); Gebauer (2011); Augier and Teece (2009)

The different context of the micro firm is argued to lead to the contention that innovation is different in the micro firm context from that in other contexts, but also that the processes underpinning innovation are different (Della Corte *et al.* 2013; Verbano *et al.* 2013). While Corrocher *et al.* (2009) contribute to understanding micro firm innovation from the perspective of types of innovation, the study is confined to the professional services firm context and, further the authors suggest the need for greater investigation of the managerial role in innovation in context. From this perspective the present research builds on existing academic research into the nature of micro firm managerial capability discussed in chapter two. The contribution emerges by developing a more refined

understanding of the contextual managerial capability and through linking the refined understanding to contextual innovation.

There are arguments that innovation in the micro firm context may be externally driven, for example by technology (Fillis *et al.* 2004 b) or through ties to supplier firms (Tu *et al.* 2014; Williams, 2007). However, even where these arguments are relevant, a level of managerial capability for innovation is necessary to contextualise and commercialise the innovation in the micro firm context (Alonso and Bressan, 2014 a; Freel, 2003). Indeed, where micro firm innovation is argued to be limited and incremental in nature, managerial capability in the form of searching and solving business challenges is considered a fundamental aspect of the innovation process (Verbano *et al.* 2013; Wagner, 2008). Simpson (2001) argues the importance of the micro firm owner/ manager's cognitive processes in understanding innovation in context. Further the paper argues the need for greater exploration of the nature of the capabilities underpinning managerial development of innovation. A further call for greater research into the managerial capability underpinning micro firm innovation comes in the context of the wider tourism industry, with Thomas *et al.* (2011) positing the need for more focused studies in aspects of the industry. The present study builds on that research trajectory in being conducted in the tourism micro hotel firm context.

Taking account of these important contributions the following research question presents itself:

Research question:

What is the nature of tourism micro hotel firm managerial capability for innovation?

Drawing from this overall research question, there are three objectives guiding the proposed study.

Research objectives:

1. To investigate the nature of innovation in a tourism micro hotel firm context.
2. To critically explore managerial capability for innovation in a tourism micro hotel firm context.
3. To propose a model of managerial capability for innovation in a tourism micro hotel firm context.

3.4 Theoretical framework

The theoretical framework underpinning the present thesis is based on the resource based view (Barney, 1991; Wernerfelt, 1984) and dynamic capabilities view (Winter, 2003; Eisenhardt and Martin, 2000; Teece *et al.* 1997) from the strategic management literature. These views are evaluated in the next two sections.

3.4.1 Resource based view

The resource based view (RBV) is rooted in the conceptual logic that a manager exists in an environment where human volition enables the shaping of the work lives of others (Vaara and Whittington, 2012; Helfat and Peteraf, 2003). Resources are defined as assets over which the firm's management have control and include both physical and intangible assets in addition to more arm's length sources of competitive advantage such as stakeholder relationships (Barney, 2001). Under the RBV managers are advised to focus on the development of firm specific resources, which are valuable, rare, difficult to imitate and non-substitutable so as to enhance the competitive advantage of the firm (Kraijenbrink *et al.* 2010). A manager's work comprises effective decision making in allocating resources within a competitive environment where there are pressures of time, competition from other firms and sometimes resistance to resource exploitation from sources within and outside the firm (Barney, 1991).

The RBV of the firm contrasts with the views of strategy based on the competitive positioning of a firm within a profitable industry (Porter 1985 cited in Eisenhardt and

Martin, 2000); or the view that strategic management is a form of game theory, where managers compete through guessing other firms competitive motives and in an environment in which there is protection of information (Brandenburger and Nalebuff, 1985 cited in Teece *et al.* 1997). Under the RBV, effective use of resources by managers often results from the superior information which managers possess on both the nature of the resources, but also their potential uses, in comparison with those outside the firm's organisational boundaries (Barney, 1986). There are steep barriers to outsiders seeking to appropriate resources from other firms due to the complex relationships which are built over time (Dierickxx and Cool, 1989), with the development of these relationships emerging in an organisational context shaped by managerial action (Collis and Montgomery, 1994). For example firms are argued to develop difficult to imitate competitive advantage thorough the development of complex configurations of resources the process of which can then be used to develop continuous learning about a firm's market environment through market sensing capabilities (Foley and Fahy, 2009).

Within the perspective of the RBV, managers are differentiated by their capability to shape and build the firm's resource base within the overarching goal of competitive advantage (Barney, 1991). The work of managers in using their capabilities to develop and build resources is salient in the micro firm, given the identified resource poverty of micro firms in highly competitive environments, where the development of appropriate managerial resource development strategies in the form of building relationships, providing leadership, developing human resources and using market proximity to enable opportunity development allow this resource poverty to be overcome (Kelliher and Reinl, 2009). Tourism micro hotels are argued to take the form of an investment of personal and social capital of the owner/ manager in both setting up and in managing the business (Lashley and Rowson, 2010), in contrast to theories where the business is managed purely as an investment opportunity. Therefore the owner/ manager is constrained in moving from the tourism micro hotel into other businesses both by lack of knowledge but also by existing personal investments of time and social commitment (Martin *et al.* 2004; Getz and Carlsen, 2000). Further given the knowledge possessed by the owner/ manager about both internal and external relationships through which much of the management of

the firm is carried out and the difficulty outsiders find in making such knowledge explicit (Lieberman-Yaconi *et al.* 2010) the RBV provides a lens through which resource development may be better understood.

As highlighted earlier the micro firm is an embedded entity (Lowik *et al.* 2012; Phillipson *et al.* 2006; 2004) and management depends on personal stakeholder interaction. The nature of the interaction is rooted in the owner/ manager as a businessman who both knows and is known (O’Dwyer and Ryan, 2000) within the stakeholder framework rendering difficult the intervention of an outsider in the place of the owner/ manager. Applying the resource based framework to the small business firm, Runyan *et al.* (2007) argue that the criteria of resource immobility; resource value; resource rarity and the non-substitutability of resources makes the RBV appropriate in context. Given the in-depth knowledge owner/ managers possess of their own firms resources and capabilities (Martin *et al.* 2013; Greenbank, 2000) the RBV offers managers the option of developing these resources more effectively than purchasing external resources, where the cost and time burdens of accessing the external resources, may offset any benefits. Furthermore, external resources may not fit within the configuration of existing resources. Finally, given owner/ manager’s limited formal managerial capability, specifically for example with regard to the human resource development aspect of the micro firm (Matlay, 1999), it is arguable that there are significant costs involved in conducting forms of due diligence on external resources before deciding to bring them into the firm.

3.4.2 Dynamic capabilities view

A summary of the theoretical perspectives relating to the dynamic capabilities theory are presented in table 3.5.

Table 3.5 Theoretical perspectives on dynamic capabilities theory

Criteria	Summary description	Academic Sources
Capacity building	Dynamic capabilities are the capacity to create, modify or extend resource base	Helfat <i>et al.</i> (2007)
Skills generation	Dynamic capabilities act on organisational skills, resources and functional competences	Teece <i>et al.</i> (1997)

Alter resource base	Dynamic capabilities alter resource base including human, organisational and physical assets	Eisenhardt and Martin (2000)
Knowledge perspective	Dynamic capabilities developed by knowledge articulation and knowledge codification both of which depend to varying degrees on management	Zollo and Winter (2002)

The dynamic capabilities theory emerged as a development of the RBV with specific application to rapidly changing business environments (Teece *et al.* 2007). The theory is argued by Adner and Peteraf (2009) to emerge in a context from organisational behaviour premised on limited human cognitive capability as developed by Simon (1947) and Cyert and March (1963) and synthesised with the theory of evolutionary economics (Nelson and Winter, 1982). Under this perspective managers seek to modify and alter existing organisational capabilities in an environment where the managers possess limited and time bound information both on the firm’s capabilities but also on the nature of environmental change. Therefore managers as enablers of dynamic capability development rely on their existing experience and learning (Augier and Teece, 2009) but also on strategic capability to vision and understand future scenarios (Lawson and Samson, 2001). However, managerial capability relies on more than cognition, Hodgkinson and Healey (2011) argue for the importance of a human managerial capability underpinning dynamic capability at organisational level where they surface the importance of emotional, affective and non-conscious cognitive processes enabling strategic adaption. A dynamic capability is defined as:

“A deeply embedded learning mechanism in the social fabric of the firm which enables the firm to proactively engage with environmental change” (adapted from Winter, 2003)

The organisationally embedded nature of routines renders them similar to resources in offering opportunity to managers to shape and develop resources (Teece *et al.* 1997), though dynamic capabilities are perhaps more appropriately viewed as outputs of managerial action on resource inputs (Nothnagel, 2008). For example, it is argued that dynamic capabilities at organisational level are only reconfigured in a manner envisioned by organisational managers (Moliterno and Wiersema, 2007; Zahra *et al.* 2004 cited in Ambrosini and Bowman, 2009). In a micro firm context an example of a dynamic capability occurs where a customer service routine, perhaps developed by an owner/

manager who empowers employees, proactively anticipates customers' requirements and acts to change the organisational response to the nature of these changing requirements.

Dynamic capabilities are linked to resources through helping the firm overcome resource decay through the creation of relatively complex routines, spread across the social structure of the firm (Teece *et al.* 1997) where these routines have their origin in the action of managers on resource inputs. The process of this resource linkage both deepens usage of the resources but also creates barriers to imitation of the competitive advantage of the firm (Dierickxx and Cool, 1989). However, managerial capability is also contextually embedded in social structures (Groysberg *et al.*, 2006) making transfer of managerial capability from firm to firm difficult, and positing that firm's most effective paths to competitive advantage are through internal resource development, as opposed to the recruitment of outsiders to foster change.

Eisenhardt and Martin (2000) highlight how managers in large firms use and create dynamic capabilities in order to enable a firm sustain its competitive advantage in a rapidly changing environment and they give examples which include: The building of alliances with other firms to profitably benefit from knowledge sharing; the use of knowledge brokering where managers broker the transfer of knowledge from divisions/ departments of the firm; strategic decision making which is based on industry and personal experience enabling the making of high quality decisions and resource allocation routines where managers enable new product development through appropriate allocation of resources. The managerial context of the micro firm differs from the larger firm but enables the use of the dynamic capabilities approach. Where owner/ managers become more aware of their ability to learn it is possible for them to take part in the shaping of organisational capabilities (Kelliher *et al.* 2009) and, taking account of the unique context of the micro firm, this suggests it may be possible that strategic decision making can become a dynamic capability, in the manner argued by Groysberg (2006).

Given the underdeveloped usage of human resources in the micro firm (Matlay, 1999) it is also possible that owner/ managers who can develop mechanisms through which

human resources can be developed may create a dynamic capability, where human resources become the focal point of a complex capability, embedded in the culture of the micro firm and its environments, and capable of not simply delivering operational performance, but of proactively anticipating market change. Taking a knowledge based perspective, Della Corte *et al.* (2013) posit managers as architects of organisational capability structures within the SME context.

It is argued that managerial capability may form a dynamic capability due to the tacit nature of the interaction between the manager and social and human capital based relationships through which the management of the firm is undertaken (Adner and Helfat, 2003). Groysberg *et al.* (2006) argue that managerial capability is closely bound to the social nature of a firm, making it more appropriate to continue to develop the managerial capability and team architecture in the context of the firm, as opposed to having the manager move to another firm where existing relationships are disaggregated exposing time, uncertainty and knowledge access challenges in learning to manage in another context. Kearney *et al.* (2012) argue in the context of the tourism micro firm that micro firm managerial capability may be a dynamic capability. They base their argument on the embedded nature of micro firm managerial work where the owner/ manager relies on tacit knowledge embedded in ties to family, stakeholder ties and deep market relationships as a means of maintaining and developing the firm's competitiveness.

Eisenhardt and Martin (2000) argue the strategic decision making processes of larger firms which leads to innovation are dynamic capabilities where management liberate tacit knowledge exchange in a resource and time constrained environment in order to develop new products and processes. Liberation of knowledge by management is argued to take a number of forms: knowledge creation; knowledge absorption; knowledge integration and knowledge reconfiguration (Verona and Ravasi, 2003). In the context of the micro firm the dominant influence of the owner/ manager (Alonso and Bressan, 2014 b; Greenbank, 2000) concentrates the strategic decision making process in the person of the owner/ manager and makes this person a key focus of dynamic capability development (Della Corte *et al.* 2013; Walsh *et al.* 2009).

3.5 Micro firm resource pools

In this section is argued that the nature of the micro firm environment presents owner/ managers with primary resource pools which can be acted on by owner/ managerial capability and leveraged towards the creation of competitive advantage. Micro firms are contextualised within environments where, despite the challenges of limited resources (Lieberman-Yaconi *et al.* 2010), the nature of the firm permits owner/ managers to use endowments in the maintenance of competitiveness and the search for longer term competitive advantage (Phillipson *et al.* 2004).

3.5.1 Family resource pool

The nature of the family as a resource pool is summarised in table 3.6.

Table 3.6 The family as a resource pool

Nature of family as resource pool	Academic sources
Low cost labour	Bogenhold and Fachinger (2007); Oughton <i>et al.</i> (2003); Wheelock and Baines (1998)
Business advice	Lieberman-Yaconi <i>et al.</i> (2010); Jay and Schaper (2003); Matlay (1999)
Emotional support	Habbershon and Williams (1999); Wheelock and Baines (1998)
Investment of funds	Phillipson <i>et al.</i> (2004); Wheelock and Baines (1998)
Image of home	Haghighi, Baum and Shafti (2014); Kaikkonen (2006)
Socio emotional wealth perspective	Cruz, Justo and de Castro (2012)

Family forms a resource pool for the micro firm owner/ manager through the process of providing the firm with low cost or free employment (Wheelock and Baines, 1998). For example for the owner/ manager, the family is an important lens through which resource use is negotiated. Advice on running the firm is available to the micro firm from family members who share business experience or who are deeply aware of the owner/ manager's capabilities and limitations (Jay and Schaper, 2003; Matlay, 1999). Based on the resource based view, Habbershon and Williams (1999) argue 'familiness' (p.2), provides family firms with levels of emotional support in times of stress or business difficulty. Further in times of business difficulty, family members are argued to share resources in terms of contributing extra work or working outside the business and contributing over a short term to the survival of the business through the investment of

money earned elsewhere (Phillipson *et al.* 2004). Critically, the family acts as a barrier to developing a business philosophy due to the primacy of family objectives and values (Oughton *et al.* 2003). Further, the family is argued to be the centre of deep emotional resistance to change, as family members fear losing jointly held cherished assets and remain attached to family, as opposed to business, values (Morrison, 2006). Cruz *et al.* (2012) using the theoretical construct of socio-emotional wealth developed for the larger family firm, develop theory in the micro family firm pointing to the positive use of socio emotional wealth in developing the firm’s resources. Finally, the micro family firm, is deeply embedded in the context of being a home (Kaikkonen, 2006) and within the hotel industry this aspect of embeddedness is argued to provide a positive image for the firm leading to the development of deep customer relationships (Haghighi *et al.* 2014).

3.5.2 Stakeholder ties

Criteria relating to the nature of stakeholder ties is summarised in table 3.7.

Table 3.7 The nature of stakeholder ties

The nature of stakeholder ties	Academic sources
Business advice	Devins <i>et al.</i> (2005); Jay and Schaper (2003)
Business practice/ industry models surfaced	Phillipson <i>et al.</i> (2006); Wagner <i>et al.</i> (2005)
Exposure to management practice	Cagliano <i>et al.</i> (2001)
Overcome resource limitations of micro firm	Lieberman-Yaconi <i>et al.</i> (2010); Kelliher and Reindl (2009)
Knowledge/ learning	Lowik <i>et al.</i> (2012)
Emotional support	Phillipson <i>et al.</i> (2006); Phillipson <i>et al.</i> (2004)

A second resource pool takes the form of a stakeholder environment (table 3.7), theorised as strong and weak ties (Granovetter, 1973), which provides the owner/ manager with a source of resources manifest as sources of business advice and opportunities, which managerial capability may leverage (Devins *et al.* 2005). The micro firm stakeholder environment provides a context within which it is possible for managerial capability to develop. Phillipson *et al.* (2006) argue that micro firm owner/ managers exist in a social environment where they are connected to other business owners through common membership of a local community. Therefore, the phenomenon of community context and shared business interests provide social glue through strong and weak ties through which owner/ managers interact with other owner/ managers, suppliers and customers,

enabling the opportunity to gather information on the practice of business, to engage in social discourse surfacing the mechanisms which underpin business practice, to learn the rules of the game and, potentially, to access new business opportunities.

The accessing of new business opportunities is afforded in a number of ways. Critical engagement with stakeholders and reflection on this engagement enables the identification of differing business models in use by stakeholders (Wagner *et al.* 2005). Interaction with other owner/ managers exposes the owner/ manager's managerial mindset to more varied, and perhaps contradictory mindsets which opens the possibility of the discovery of more innovative methods of managing the existing firm (Matlay, 1999). At best, the process of critical engagement with stakeholders exposes the owner/ manager to forms of thought leadership (Bontis and Nikitopoulos, 2001) and best practice in the management of micro firms (Cagliano *et al.* 2001). Stakeholder engagement also provides access to a form of dynamic capability, as opposed to a mere resource, as it opens up the possibility of developing strong and weak ties with others which are continually renewed by ongoing interaction, releasing knowledge and learning potential.

Atterton (2007) cautions that identification with and membership of a local business community does not automatically lead to improved managerial capability and, diverging from Phillipson *et al.* (2006), argues that strong links between owner/ managers in a local business community can lead to the development of barriers to new thinking and a focus on the maintenance of the status quo. The literature on strong and weak ties (Burt, 1973; Granovetter, 1973) posits that there are disadvantages of environments where only strong ties exist and/ or where managers choose to work with only strong ties. Moreover, in the wider SME context, O'Toole and McGrath (2010) argue the importance of a 'network realisation capability' (p.27) whereby the business benefits of firm embeddedness are liberated. Underpinning these disadvantages are a lack of exposure to new ideas and the placing of restrictions on experimentation with new forms of behaviour- essentially the emergence of a common world view within the community, copper fastened through accepted rules of engagement and social practices, renders change difficult.

Stakeholder engagement provides an opportunity for the owner/ manager of the micro firm to overcome the widely identified resource poverty (Lieberman-Yaconi *et al.* 2010; Morrison, 2006; Phillipson *et al.* 2004) of the micro firm. The process of overcoming resource poverty can occur as the owner/ manager has the opportunity to access new information, though a critical engagement with the local nature of this information (Devins *et al.* 2005) may be necessary to convert the raw information into knowledge which is of commercial use. The development of weak ties will assist here in making new information available, specifically through the surfacing of problems and the developing of solutions which are apparent from shared experience. Furthermore, weak ties, though fleeting in terms of time, provide a bridging mechanism for new sources of information within and outside of the firm. However, Lowik *et al.* (2012) posits that micro firms can use strong ties as sources to bridge new knowledge and in the process develop ‘bridging capabilities’ (p.239), facilitating the creation of an innovation infrastructure within the micro firm. In their view, strong ties provide the owner/ manager with a mechanism through which to overcome the information overload triggered by exposure to a multiplicity of weak ties, and to use a limited number of strong ties, where there are experiential relationships between the owner/ manager and the stakeholder firms, to leverage the best of the innovation potential emerging from weak tie sources.

Short-termism is also a barrier to effective decision making (Harris and Watkins, 1998 cited in Morrison and Conway, 2007). Stakeholder engagement can enable the challenges of short-termism to be overcome as a new perspective on the firm evolves through interaction with stakeholders who hold a longer term perspective. Furthermore the social nature of the interaction with stakeholders can enable the owner/ manager to overcome doubts as to the value of changing their own managerial practice as the new practice is embedded in human bonds within the context of a shared social reality (Kelliher and Reinl, 2010).

Furthermore, fear may prove to be a barrier to stakeholder engagement where there is a high degree of respect for authority/ tradition among the stakeholder community. Phillipson *et al.* (2006) suggest that there is considerable respect for owner/ managers

who have been in business for long periods of time and that a manifestation of respect translates into influence on stakeholders, reflected in shaping the rules of the local business game. Overcoming the phenomenon of respect for other stakeholders, may require a level of professional and personal resilience, and a focusing on the business philosophy (Beaver, 2007) underlying stakeholder relationships. Activation of business philosophy enables the logic of stakeholder relationships to be shaped by business aspects of relationships as opposed to those predicated on social interaction. Salient among the challenges is that of overcoming a motivation for operating the firm on lifestyle motivation. Lifestyle motivation may be defined as the owner/ manager motivation which relies less on profit motivation than on aspirations to enjoy a quality of life through the ownership of a business (Greenbank, 2000).

Micro firms are also embedded in community contexts enabling the firm to draw on support, in the form of belonging to a community (Phillipson *et al.* 2006). In effect the firm is situated in a community context fertile with free resources. Phillipson *et al.* (2004) highlight how, during an economic crisis, local suppliers and employees provide flexibility in order that a firm perceived as local can survive. However, flexibility appears to come at a price which is manifest as providing returns to local suppliers and employees, whose expectations may be rooted in relatively conservative business relationships. Critically, a question arises, as to whether local support is merely to enable survival, or simply what is considered adequate business performance in local community social space (Atterton, 2007). In contrast, where environmental challenges force more radical appraisal of business models, perhaps taking account of non local influence, it may be possible for owner/ managers to take a more radical approach to the development of their firm's resources and capabilities.

3.5.3 Employee resource pool

Table 3.8 summarises the nature of employee management in the micro firm.

Table 3.8 The nature of employee management in the micro firm

Nature of employee management	Academic sources
Business knowledge	Reinl and Kelliher (2014); Kelliher and Reinl (2009); Matlay (1999)
Trust and loyalty	Phillipson <i>et al.</i> (2004); Cambell <i>et al.</i> (2012)
Delegation	Kelliher and Reinl (2009); Devins <i>et al.</i> (2005)
Image of firm	Haghghi <i>et al.</i> (2014); Kruse cited in Devins <i>et al.</i> (2005); Matlay (1999)

Employees provide micro firms with a resource pool. Micro firms differ from other small to medium sized firms, by definition, in having lower employee numbers (EU, 2010). Further the small size of the micro firm necessitates the development by employees of more generalist skills (Matlay, 1999), as opposed to the greater opportunities for specialisation offered by larger size in small or medium sized enterprises.

Employees provide the micro firm owner/ manager with a form of delegation of work enabling the owner/ manager to focus on more strategic challenges facing the firm (Kelliher and Reinl, 2009). However, the building of a level of trust with employees is necessary in order for delegation to be effective (Phillipson *et al.* 2004). Matlay (1999) argues that employer-employee relationships in the micro firm are characterised by a level of conflict and divergence of viewpoints rendering the building of trust with employees difficult and leading to a situation where owner/ managers hoard information for fear of it leaking to employees and other firms or being utilised by employees for their own advantage in an employer/ employee relationship driven by mutual hostility. Moreover, there can occur undesirable outcomes with the commencement of a negative cycle where employees fear loss of job, with a resultant resistance to change and risk aversion.

Managing employees in the micro firm takes place through highly informal processes heavily dependent on the owner/ manager (Kotey and Sheridan, 2004). Owner/ manager dominance offers the opportunity to develop a culture in the micro firm facilitative of employee involvement, where employees continually contribute to the development of customer service (Kruse, 1997 cited in Devins *et al.* 2005). Where the owner/ manager can develop a paternalistic approach to the management of employees (Kelliher and

Reinl, 2009) resource development possibilities dependant on employees as a source of new ideas may be activated. However, arguments are made that investment of time and resources in employee development are often negated where the employee leaves the firm, possibly improving the competitiveness of a competing firm (Campbell *et al.* 2012). Employees are potentially sources of competitive advantage to the micro firm where the culture within the firm shapes their behaviour towards representing the image of the firm in customer perceptions (Haghighi *et al.* 2014).

Stakeholder engagement also enables the owner/ manager to overcome the problem of specialist versus generalist work (Floren, 2006) through providing access to the process of sourcing employees with required skills, common to a stakeholder pool. Information gaps between the owner/ manager and these employees, are overcome through the sharing of information common within the pool, as the owner/ manager benefits from knowledge about new employees from colleagues within a stakeholder framework (Matlay, 1999). However, the logic underpinning this argument, hinges on the assumption that the owner/ manager can identify the skills deficit and engage in formal planning, enabling the incorporation and the development of the new employee within the context of the firm.

3.5.4 Technology

The significance of new technologies for the micro firm is argued in terms of the potential it offers for the development of newer sources of competitive advantage (Barnes *et al.* 2012; Querishi *et al.* 2009; Huang, 2008). The importance of embracing new technology is also argued simply as a means of preserving existing modes of competing through maintaining existing levels of competitiveness in a changing environment, for example making booking easier for customers or providing insight into the product offerings of the firm online (Karljaluoto and Huhtamaki, 2010). The benefits of technology in the micro firm are summarised in table 3.9.

Table 3.9 Technology in the micro firm

Benefits of technology	Academic sources
Access to the Global market	Karljaluoto and Huhtamaki (2010); Fillis (2004)

Value added relationship with intermediaries	Llach and Alonso Almeida (2014); Barnes <i>et al.</i> (2012); Kline <i>et al.</i> (2005); Roberts and Wood (2002)
Customer response/ service	Duffy (2014); Huang (2008); Quershil <i>et al.</i> (2009); Martin (2004)

Duffy (2014) lists benefits of new technologies in the context of bed and breakfast firms as: better management information; improved communication; improved accounting and market analysis; speedier customer response and improved customer service. In the context of the small firm the existence of managerial capability which enables the firm to improve competitiveness through leveraging technology as a resource is argued (Nieto and Santamaria, 2010). The strategic use of new technologies is argued to enable the micro firm to reach global markets at relatively small cost, as the micro firm requires only a website presence (Roberts and Wood, 2002). However, such arguments may be simplistic. For example, given the accepted growth limits of the micro firm (Greenbank, 2000), the owner/ manager may not require new markets and new markets may even displace existing customers who are well served by the micro firm (Barnes *et al.* 2012).

In cases where new markets are required, there are challenges for the firm in meeting the demands of the new customers, perhaps requiring change within the micro firm of a strategic nature which conflicts heavily with existing business models (Roberts and Wood, 2002). Within the tourism micro hotel sector the development of Web 2.0 with social media and designated booking engines being used in tourism micro hotel firms has led to the potential for tourism micro hotels to differentiate their competitive performance based on how well they manage relationships with intermediaries such as Booking.com and TripAdvisor (Kline *et al.* 2005). However, from a competitiveness perspective the development of relationships with intermediaries has been driven by business necessity due to the use of intermediaries by direct competitors in the guise of tourism micro hotel firms, but also by the competitive advances made by larger hotels (Huang, 2008).

3.5.5 Market environment

In contrast with other organisational entities, micro firms have the benefit of being close to their market (Lieberman-Yaconi *et al.* 2010; Morrison and Teixeira, 2004; Greenbank, 2000; O'Dwyer and Ryan, 2000). Benefits of market closeness include deeper knowledge of customer needs and wants. However, though many micro firms are close to their markets, they often fail to engage with or develop the potential which closeness surfaces (Morrison and Conway, 2007). Furthermore, though the owner/ manager may work in close proximity to customers, and interact with them on a day to day basis (O'Dwyer and Ryan, 2000); the process of proximal interaction may not lead to the identification of market opportunities. Morrison and Teixeira (2004) portray owner/managers of tourism micro hotels who have the potential to develop a capability in terms of identifying market opportunities through their appreciation of aspects of customer satisfaction, their understanding of revenue management in context and through sensing new local and national opportunities. However, the development of market sensing requires not simply a managerial awareness of market information but the development of a related organisational capability which accurately builds responses to changing market conditions (Foley and Fahey, 2004).

In the context of SMEs it is argued that the nature of marketing innovation differs from that in larger firms (O'Dwyer and Ledwith, 2009; O'Dwyer *et al.* 2009). Similarly, Caglione *et al.* (2001) argue that successful manufacturing micro firms cultivate and continuously develop deep customer relationships where there is a mutual sharing of information based on historic trust development. Mechanisms through which organisational capability might be developed are possible in a micro firm context. Business philosophy (Beaver, 2007) provides a filtration mechanism through which the business relevant information might be sieved enabling the owner/ manager to reflect critically on market change and develop appropriate responses. Nevertheless the process of reflection may prove difficult for owner/ managers who work through fast and experientially dictated decision making (Greenbank, 2000) with the possibility that short term focus impacts negatively on the ability to reflect on the business.

3.6 Managerial capability criteria

The unique nature of the micro firm gives the owner/ manager a dominant role in shaping the competitive advantage of the firm (Matlay, 1999) through ownership of resources (Devins *et al.* 2005), working at operational level (Greenbank, 2000) and providing leadership/ shaping organisational culture (Kelliher and Reinl, 2009). One perspective, through which the process whereby the owner/ manager shapes the competitive advantage of the firm may be viewed, is through an examination and evaluation of the managerial capability of the owner/ manager. This process begins with an evaluation of micro firm managerial skills and traits. Skills are building blocks of capabilities and are often rooted in the experiential nature of micro firm managerial work (Greenbank, 2000). In comparison with capabilities, skills are lower level concepts and it is more difficult to relate managerial skills to aspects of organisational performance. Instead skills contribute to the development of managerial capabilities and are more indirectly related to organisational performance. Traits are aspects of managerial work identified in the literature as being related to the work of the owner/ manager (table 3.10) and these are used to build a fuller picture of the nature of micro firm managerial capability.

Table 3.10 Criteria of micro firm managerial capability

Managerial capability	Managerial capability trait	Academic sources
<i>Mental models</i>	Environmental modelling	Lieberman-Yaconi <i>et al.</i> (2010); Karljaluoto and Huhtamaki (2010); Phillipson <i>et al.</i> (2006); Floren (2006); Wood and Martin (2002); Greenbank (2000)
	Competitor modelling	Kelliher and Reinl (2009); Simpson (2001); O'Dwyer and Ryan (2000); Porac and Thomas (1990).
<i>Leadership</i>	Shaping culture	Reinl and Kelliher (2014); Kruse cited in Devins <i>et al.</i> (2005)
	Paternalism	Kelliher and Reinl (2009); Phillipson <i>et al.</i> (2004); Matlay (1999)
	Symbolic role representing firm	Haghighi <i>et al.</i> (2014); O'Dwyer and Ryan (2000); Phillipson <i>et al.</i> (2006; 2004)
	Over dominance	Morrison (2006); Matlay (1999); Chell (1985)
	Resilience	Samujh (2011); Phillipson <i>et al.</i> (2006); Matlay (1999)
	Delegation	Kelliher and Reinl (2009)
<i>Strategic thinking</i>	Cost focus	Cyr <i>et al.</i> (2011); Corrocher <i>et al.</i> (2009); Phillipson <i>et al.</i> (2004); Greenbank (2000)
	Implicit strategy	Cyr <i>et al.</i> (2011); Lieberman-Yaconi <i>et al.</i> (2010); Russo and Tencate (2009); Morrison (2006); Greenbank (2000).

	Imaginative thinking	Kelliher and Reinl (2009); Beaver (2007); Cagliano <i>et al.</i> (2001)
	Integrating operational and strategic	Floren (2006); Greenbank (2000); O'Dwyer and Ryan (2000); Matlay (1999)
<i>Operations capability</i>	Customer service	Haghighi <i>et al.</i> (2014); Cagliano <i>et al.</i> (2001); Greenbank (2000)
	Employee training	Kelliher and Reinl (2009); Devins <i>et al.</i> (2005); Matlay (1999)
	Craft skills	Lashley and Rowson (2010); Morrison and Conway (2007); Morrison (2006); Perren (2002); Greenbank (2000)
	Work ethic	Samujh (2010); Phillipson <i>et al.</i> (2004); Greenbank (2000)
<i>People relationships</i>	Stakeholder dialogue	Phillipson <i>et al.</i> (2006; 2004); O'Dwyer and Ryan (2000)
	People engagement	Haghighi <i>et al.</i> (2014); Phillipson <i>et al.</i> (2006); Jay and Schaper (2005)
	Family dialogue	Morrison (2006); Oughton <i>et al.</i> (2003); Wheelock and Baines (1998)
<i>Marketing capability</i>	Market sensing	Lieberman-Yaconi <i>et al.</i> (2010); Querishi <i>et al.</i> (2009); Fillis (2002); Wood and Martin (2002); O'Dwyer and Ryan (2000); Greenbank (2000)
	Market analysis	Barnes <i>et al.</i> (2012); Felzensztein <i>et al.</i> (2010); Karljaluoto and Huhtamaki (2010); MacCartan-Quinn and Carson (2003); Fillis (2002); Harris and Watkins 1998 cited in Morrison (2006)
	Symbolic promotion	Haghighi <i>et al.</i> (2014); Fillis (2004); O'Dwyer and Ryan (2000)

Each of the criteria summarised in table 3.10 are discussed below.

3.6.1 Mental models

The micro firm owner/ manager utilises heuristics and intuitive modes of knowing in order to simplify the strategic environment of the firm (Lieberman-Yaconi *et al.* 2010) and ensure as best a balance exists, as can, between the demands for action and the demands for reflection on what is often an implicit business strategy (Greenbank, 2000). Porac *et al.* (1989) develop the concept of mental models in order to explain how managers simplify aspects of their competitor environment in a complex process emerging from their own industry experience, engagement with other managers, their own cognitive biases and willingness to tolerate ambiguity. Similarly, the concept of mental models is used to explain the emergence of shared strategic cognition based on shared mental

models across an industry in the case of Scottish knitwear manufacturers, where common beliefs are argued to enable managers to frame their business environments in ways which facilitate strategic alignment but which may also inhibit strategic change (Porac *et al.* 1989).

Given the argued importance of managerial perception (Kearney *et al.* 2014) integrating a perspective based on mental models into the strategic thinking capability offers advantages. The mental model perspective offers a way through which managerial mental models of environmental and competitors emerge as a framework for perceiving the nature of the firm's competitiveness challenges and paths through which owner/managers can meet the challenges (Hill and Levenhagen, 1995). Taking the mental model perspective enables the investigation of why owner/managers in some circumstances avoid change and favour non-conventional routes to management of their business (Greenbank, 2000). In the context of the wider SME context, Cope (2003) explores the concept of 'learning events' (p.429), where the owner/manager exhibits a capability premised on critical reflection to engage with existing mental models of the firm and yet alter them in response to the trigger of the learning event. However, Autere and Autio (2000), in the context of small software firms caution that many environmental opportunities are missed by owner/managers whose mental models remain embedded in isomorphic strategies premised on industry and competitor assumptions.

3.6.2 Leadership

If leadership is defined as a capability through which the owner/manager can influence micro firm members towards organisational goals, through the creation of shared meaning, it becomes a managerial tool through which organisational performance might be improved. Moreover, the development of a leadership style supportive of employee contribution to the development of the firm (Kelliher and Reinl, 2009) enables the process of delegating decisions to take place. The process of delegation creates dual benefits from the perspective of developing managerial capability for innovation. At strategic level, owner/manager time is freed up as operational activity is increasingly

delegated to followers. Moreover, followers are offered greater opportunity to contribute to the work of the firm through the process of delegation, potentially liberating new ideas.

Leadership may also enable owner/ managers to overcome difficulties associated with owner/ manager ineffective use of power (de Vries cited in Chell, 1985). The unravelling of social relationships within the micro firm as a consequence of poor use of power can contribute to an atmosphere of poor communication; a climate of fear where employee contribution is suppressed; and negative aspects of owner/ manager dominance of the firm. A positive contribution from owner/ managers, in the form of a leadership shaping the micro firm culture and shaping the social environment of employees (Kruse cited in Devins *et al.* 2005) provides a mechanism through which challenges are overcome. Thus communication processes may be enhanced as cultural norms change; fear may diminish as culture is made more open and owner/ manager dominance is replaced by a more open form of leadership.

There are challenges, in the form of personal development, for the owner/ manager who aspires to developing leadership skills. Lack of appreciation of the leader role, due to the immersion of the owner/ manager as a 'businessman' (O'Dwyer and Ryan, 2000: 348) may disable critical reflection and opportunities for self-awareness. Thus while the owner/ manager, by virtue of the structural contingencies of the micro firm inevitably plays a leader role, the potential resident in micro firm leadership is not always liberated. The contextual nature of the micro firm owner/ manager, too, may constrain the development of leadership potential. Leadership, as a lens for focusing the behaviour of micro firm members may fail to direct behaviour towards the development of members ideas, instead, channelling such behaviour towards reification of traditional values manifest in family contexts (Oughton *et al.* 2003) or the context of a local community (Atterton, 2007). Owner/ manager decision making is critiqued as placing heavy responsibility on the owner/ manager in terms of demands on time (Samujh, 2011) and as a distracter from more strategic decision making, through immersion in operational problem solving (Greenbank, 2000). The process of delegating decisions to employees offers an opportunity to release owner/ manager time and to direct decision making capability towards more effective work.

Leadership offers a mechanism through which the three resource bases (stakeholder ties, employees, and closeness to market) may be used towards the generation of innovation. Where the owner/ manager identifies potential sources of innovation, leadership enables the highlighting of the importance of these sources and the need for their development and can be facilitated through the dominant role of the owner/ manager and the leadership potential this allows in communicating with others. The process whereby the leader shapes the micro firm culture enhances the development of innovation activity through highlighting and embedding the importance of this activity. Leadership too can highlight the importance of market engagement by the owner/ manager, but vicariously, as other members of the firm have expected behaviour exemplified for them. Perhaps the clearest example of such behaviour is described by O'Dwyer and Ryan (2000) where the owner/ manager works in continuous engagement with business opportunities at the market interfaces of the firm. Further, in an SME context it is argued that the owner/ manager plays an important role in developing marketing through not simply engaging with market information but through a process of synthesising the value of this information predicated on knowledge of competitor behaviour (O'Dwyer *et al.* 2009). Finally, leadership activates opportunities in strong and weak stakeholder ties by encouraging the development of these ties where relevant to innovation activity in employees.

Leadership encompasses a professional resilience which enables owner/ managers to survive adverse effects from the pressures of responsibility for employee livelihoods and supplier payments (Phillipson *et al.* 2004). In contrast to the larger firm, the owner/ manager of the micro firm has close relationships with both employees and suppliers, often mediated by a community context, which places pressure on the owner/ manager to maintain community norms of business behaviour, but also to sustain a viable business. There may be potential to amplify and diminish professional resilience through interaction between the owner/ manager and a mentor figure (Phillipson *et al.* 2006). For example the development of professional resilience, might be amplified, through access to the advice and support of a mentor who has experienced similar situations and is both willing and capable of mentoring. More critically, where a mentor figure is unwilling or perhaps, incapable of mentoring, the deficiency may lead to a diminution in the professional resilience of the owner/ manager. In terms of managerial capability for

innovation, resilience enables the owner/ manager to overcome pressures which come from risk taking or breaking norms of business behaviour, and to engage with novelty.

Leadership may enable the owner/ manager who possesses a business philosophy, which comprises the application of business tools, such as formal planning, accounting and marketing techniques, in the practice of organisational work (Beaver, 2007), to diffuse aspects of the business philosophy into the culture of the micro firm through direct contact with organisational members. There are unique opportunities through which to induce business philosophy among employees through the paternalistic relationship between owner/ managers and employees (Kelliher and Reinl, 2009). Although not mutually exclusive, business philosophy is sometimes hampered by the operation of the micro firm on lifestyle motivation principles (Morrison, 2006; Greenbank, 2000). The challenges in developing business philosophy in the owner/ manager may be considerable. There are arguments that owner/ managers remain attached to lifestyle motivation (Morrison and Conway, 2007; Greenbank, 2000). Changing lifestyle motivation requires change for the owner/ manager and for those close stakeholders of the micro firm. Moreover, the heuristic based decision making rooted in intuition is not simply an example of irrational management (Kelliher and Reinl, 2009; Greenbank, 2000) rather it reflects the structural and environmental contingencies of the micro firm. Thus business philosophy within the micro firm context requires a tailored approach to the characteristics of this type of firm, not the imposition of a philosophy appropriate to larger firms.

The benefits from the development of business philosophy by the owner/ manager are considerable particularly when measures of performance acceptable to stakeholders, such as lenders and suppliers, are developed. It provides a common language through which stakeholders communicate and enables, not simply more efficient communication, but a communication which builds trust between the parties due to the provision of a structured means of discourse (Beaver, 2007). Internal communication in the firm is improved as there is acceptance of business measures of performance with potential for employees to engage with these measures, and the creation of common, and perhaps objective measures through which the firm may be developed. However, there are potential

challenges in transmuted owner/ manager business philosophy into a force which reshapes social relationships, many of which are long lasting (Phillipson *et al.* 2006) and, therefore, resistant to simple change mechanisms may occur.

3.6.3 Strategic thinking

The limitations of owner/ manager thinking are argued to emerge from a high degree of focus on day to day, operational problem solving (Kelliher and Reinl, 2009; Caglione *et al.* 2001; Greenbank, 2000). Specifically where the owner/ manager is focused narrowly on day to day problems, the approach may be characterised as akin to ‘firefighting’ (O’Regan and Ghobadian, 2004: 292). Engagement with the continuous chasing of short term problems and short term solutions, may result in a failure to apply thinking at a level which might provide a more systematic and analytic perspective on the deeper level causality. Beaver (2007) argues that through taking a strategic approach to business activities owner/ managers can take a more integrative approach filtering out unnecessary detail and yet demonstrating a business understanding of both the internal resource organisation of the micro firm but also its relationship with a changing external environment. However, in order to understand the nature of strategic thinking in the micro firm it is necessary to take account of the nature of micro firms (Caglione *et al.* 2001) and avoid framing micro firm strategic thinking in terms of that of small or larger organisations.

Micro firms possess an advantage over other business entities in that the general management skills (Devins *et al.* 2005) which characterise the work of the owner/ manager can provide this individual with an oversight of the firm’s activities and become a precursor of strategic thinking. Further, the owner/ manager in the micro firm can see operational activity become part of strategic thinking as day to day operations are influenced by long term planning while, simultaneously strategic thinking is influenced by the operational work of the owner/ manager providing a check against planning at too great a distance from what is operationally possible (Greenbank, 2000). Nonetheless, perhaps strategic thinking may be inhibited through negative influences from endowments, lifestyle oriented families or local communities where there is pressure against the development of new thinking, although the contrary position can also occur

where the owner/ manager is sufficiently assured to use strategic thinking to gain from these resources as opposed to being constrained by their influence.

Similarly, strategic thinking enables owner/ managers to facilitate the emergence of imaginative thinking (Beaver, 2007) with the ultimate potential to alter the firm's competitive trajectory and to seek more differentiated forms of competitive advantage. Greenbank (2000) argues that owner/ managers of micro firms frequently engage with levels of thinking indicative of being successful by virtue of their business success, for example the development of rules of thumb in order to calculate profitability of returns from business projects undertaken, though it is difficult to judge if success emerges in a context where the rules of thumb simply reflect tried and tested mental maps useful in an industry environment where the landscape is familiar. However, this approach does challenge the researcher to engage with how the owner/ manager thinks strategically, perhaps using the heuristic and intuitive mechanisms at strategic level (Lieberman-Yaconi *et al.* 2010) in addition to at operational level, and suggesting that strategic imagination may emerge from different sources of stimulation than in larger firms (Hamel, 2006).

Given the challenging nature of the micro firm's environment, where the micro firm has limited power in terms of generating economies of scale or influencing key environmental forces (Kelliher and Reinl, 2009), strategic thinking provides a means of improving this powerlessness as the firm embeds a long term strategy in the external environment and develops commercially worthwhile relationships with key suppliers and customers. This is a process whereby strategic thinking may be seen as an emergent flow from the focused interaction between the owner/ manager, who possesses a degree of commercial nous (Phillipson *et al.* 2006), and trusted partners (Morrison, 2006). Strategic thinking also provides a means through which to overcome the barrier to innovation manifest as risk, as micro firm owner/ managers engage with environmental factors but begin to see that many of these factors have complex and often external causation, which may be managed through decision making based on information and often dependent on key partners (Greenbank, 2000).

Strategic thinking enables an owner/ manager to become more self-aware as new levels of conceptual thinking are engaged with and there is greater space for reflection. Where the owner/ manager engages with strategic thinking, there is an enabling of the activation of the potential in the three resources. Employees are thus no longer perceived in terms of relationships which are deterministically perceived; rather the strategic thinking capability enables the contemplation of the business potential inherent in these relationships. The firm's environment is no longer simply a deterministic external context, but a market environment fertile with opportunities which may be unlocked by owner/ manager capability. Finally, stakeholder relationships are tempered by the application of strategic thinking, ensuring a greater focus on the development of ties based on potential future commercial value extraction, as opposed to mutual fraternity. Strategic thinking in the micro firm is argued to be implicit in nature, emerging within the early development of the business model and accepting that strategic activity is geared to maintain environmental balance so as to facilitate competitiveness, but within recognised limits of growth (Greenbank, 2000). Therefore arguments which seek to view micro firm business strategy through a lens of the continuous development and application of growth determined business planning may be limited and even erroneous (Morrison, 2006). Instead the micro firm may be visualised as a clock mechanism, engineered and wound up in the early years, but with owner/ managers strategic activity more of the stewardship variety in later years, insuring survival but avoiding high risk.

While it is argued that micro firms are naïve from the perspective of cost control, preferring instead to allow strategy to emerge based on affable relationships with customers and fondness for a lifestyle (Lashley and Rowson, 2010) there are arguments to support another perspective. Phillipson *et al.* (2004) posits that micro firm owner/ managers possess determination and capability to control costs in even very difficult economic environments. The nature of such cost control emerges from an industry and stakeholder environment where the owner/ manager retains' a tacit and experience based knowledge of costs (Devins *et al.* 2005). Critically, the nature of cost control may present itself as a double edged sword for the strategy of the micro firm, as the owner/ manager while deeply endowed with cost knowledge relevant to the size and environment

of the firm, may find difficulties with cost control in an altered environment or larger sized firm.

3.6.4 Operational capability

The micro firm context forces the owner/ manager to work at the coal face of business operations (Samujh, 2011). Where the owner/ manager possesses craft skills the opportunity is provided to exemplify such skills to customers (Greenbank, 2000) insuring an acceptable level of quality. The process of solving supply management challenges, customer problems, employee problems and equipment failure leads to improved efficiency of the firm where the owner/ manager's knowledge around these problems is superior to those of owner/ managers in similar firms. The unique nature of micro firm owner/ manager problem solving where the owner/ manager is heavily engaged in the operational work (Greenbank, 2000) both as a performer and a thinking participant makes it possible that operational capability may be a tool for the capture of knowledge by the owner/ manager. However, for the process of problem solving to become useful at a strategic level, it is necessary that the owner/ manager not simply perform operational work effectively and efficiently, but reflect on this work. The reflection process enables the conversion of tacit knowledge, manifest as day to day operational routines, into more explicit forms of knowledge, which provide the basis for critical reflection and enhanced understanding.

Where an owner/ manager possesses' capability in operations, there is potential to make enhanced use of the three resources from the perspective of generating innovation. Operational capability, in the sense of being actively engaged in the day to day business work of the firm (O'Dwyer and Ryan, 2000), offers the potential to surface live market information and knowledge about the unique rules of the micro firm market (Phillipson *et al.* 2006), thereby surfacing sources of innovative activity within the market and knowledge of key market participants. Operational capability also offers increased returns from endowments, where the process of problem solving, is a tool through which the owner/ manager utilises, for example, the family as a resource through engaging with those aspects of family supportive of the firm. Manifestation of the process through

which this occurs is illustrated where problem solving skills enable the owner/ manager to best utilise family members who support the firm through working, perhaps on a part time basis. Micro firm owner/ managers high level of commitment in terms of ownership/ management and operational work implies a level of work ethic (Samujh, 2011; Phillipson *et al.* 2004; Greenbank, 2000) which may assist in cultivating a work ethic among employees at operational level and to assist in training employees.

3.6.5 People relationships

The micro firm is a unique environment for the development of human resources with the management of human resources depending on close contact between the owner/ manager in an informal relationship with business stakeholders. Notably, employee sourcing often emerges from owner/ manager relationships with business stakeholders (Matlay, 1999) leading to concern that there is a dearth of human resource development. Nonetheless there is potential for the development of potential in the form of employees through the promotion of internal learning and communication within the firm (Kelliher and Reinl, 2009). Realisation of potential may enable the surfacing of new ideas. These ideas may contribute to the resource disadvantages described by Phillipson *et al.* (2004) which serve to make micro firms vulnerable and inhibit the development and commercialisation of opportunities. However, there are many challenges to the utilisation of human resources. While these resources are identified as sources of support to the firm in the shape of loyalty behaviour and willingness to be flexible in times of economic difficulty (Phillipson *et al.* 2004), factors shaped by the limited mobility of the human resources in a restricted and isolated labour market, these human resources may be loyal and flexible purely premised on a desire to remain in a relatively unchanging environment and perform routine work day to day. Thus, as Simpson (2001) argues, there may be difficulties in creating and changing systems of shared understanding within an organisational context. Furthermore, given Matlay's (1999) contention that the relationship between owner/ manager and employee may be subject to considerable distrust and the failure to establish a shared understanding of the business world there are questions as to how owner/ managers might tap into the ideas of employees.

When viewed from the perspective of forming a criterion of managerial capability for innovation, the people relationships capability facilitates the development of the micro firm's human resources. Endowments, such as those manifest in the family or local community, may be developed where the owner/ manager displays the enhanced capability to relate to people in context. Similarly, people relationships as a capability can build better ties with stakeholders. Finally, the local nature of the micro firm market (Devins *et al.* 2005) and the highly involved nature of the owner/ manager's role (O'Dwyer and Ryan, 2000) enables the owner/ manager to use well honed people relationship skills to better transact business and to enhance the opportunity to spot innovation opportunities and to engage with these opportunities in interaction with people.

3.6.6 Marketing capability

Owner/ manager proximity to customers (Greenbank, 2000) enables a level of direct contact unique to the micro firm, enabling the owner/ manager to sense changes in customer behaviour and thus anticipate new needs. Frequently micro firm owner/ managers develop personal and experience based relationships with customers, with marketing capability buried in tacit knowledge structures (O'Dwyer and Ryan, 2000). However, micro firms face challenges in surfacing market information which is useful to the business from information which has less relevance (Wood and Martin, 2002). Within the context of the small firm, Moller and Anttila (1987) argue for the importance of owner/ manager capability in the shaping and development of a firm's marketing capabilities. In the micro firm context the very dominant role played by the owner/ manager in personally relating to customers, may enable a deep level of marketing information on customers to be garnered, while simultaneously an element of relationship marketing is taking place as the customers build a relationship with the focal point of the firm, the owner/ manager (Fillis, 2002).

Jocumsen (2004), while recognising the important role played the owner/ manager in small business marketing, develops the role of internal and external ties in facilitating marketing decisions to move from information gathering, through financial analysis to a final commitment to strategic action. Internally, employees are posited to play a role

based on their experience and the quality of the owner/ manager to employee relationship. Externally, ties to other businesses and business advisors play a role, with the owner/ manager ultimately challenged to make a best assessment of the information against time pressures (Gilmore *et al.* 2001). From a micro firm context, ties offer the owner/ manager both the opportunity to improve marketing decisions but also present the danger of information leaking to key competitors (Phillipson *et al.* 2006). Market analysis is further enabled where the owner/ manager integrates often simple information with other business systems such as accounting, enabling a degree of analysis of the present but also with potential to look strategically to the future. However, market analysis is sometimes hampered by limited marketing management capability of owner/ managers (Harris and Watkins, 1999). Potential for enhancement of market analysis capability emerges in the context of the lowering of cost and increased use of information technology in the micro firm (Barnes *et al.* 2012). Information technology enables the firm to connect not simply with customers from global markets but also to use intermediary providers of services, such as TripAdvisor, to gain feedback from customers and hence insight into how the firm may improve (Huang, 2008).

The advent of new technology has radically altered the business environment of micro firms in a number of ways. O'Toole (2003) posits the emerging opportunities for small firms, which possess the strategic capability to differentiate their competitive positioning based on the uniqueness of electronic relationships cultivated. The development of e-relationships poses challenges to firms engaging with the nature of the new relationships for the first time (Martin, 2004). Barnes *et al.* (2012) argue that micro firm owner/ managers are increasingly reliant on technology based intermediaries which possess the potential to add value to the firm's product and service offerings. For example in the hotel industry intermediaries exemplified by TripAdvisor and Booking.com both add value in the context of small firms, yet challenge the firm's managerial capability to interact with the intermediary in the shape of identifying, developing and monetizing the relationship as a business proposition (Harris and Rae, 2009).

Strategically, micro firms are challenged to integrate their marketing activities (Karjalainen and Huhtamäki, 2010). Without a level of co-ordination, these actions risk

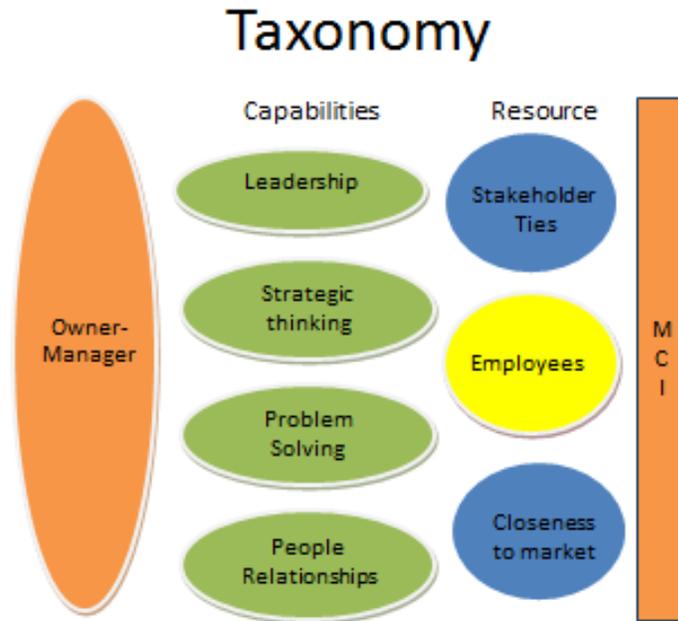
being disparate and unfocused, resulting in promising activities becoming costly and of limited value in the context of the micro firm's overall business strategy. In the context of small firms, integrated marketing communication is argued to assist the firm from a promotion perspective in presenting a focused brand image of the firm. It is also argued to enable the owner/ manager to overcome the challenges of limited co-ordination of marketing activities (Fam, 2001).

The owner/ manager of the micro firm performs a symbolic role representing the firm to customers and other stakeholders in a manner different to larger business entities due to the unique and close personal contact between the owner/ manager and other parties (Phillipson *et al.* 2006; Matlay, 1999). From the perspective of customer interaction there are opportunities to build a deeper relationship with the customer based on trust in the owner/ manager of the firm as opposed to simply dealing with employees (O'Dwyer and Ryan, 2000). Further, from a marketing perspective the owner/ manager can act as a brand symbol of the firm, allowing customers contacting the firm through the internet to begin their relationship with an apparently familiar person, often enhanced through being placed in a family context (Barnes *et al.* 2012). In the context of micro firms, Haghghi *et al.* (2014) argue the owner/ manager's relationship with customers is one which customers possess anticipation of and therefore the relationship enables the owner/ manager to differentiate the firm from others by enhanced quality in the development and execution of the relationship.

3.7 Contemplation of the managerial capability for innovation (MCI) model

Based on the categorisation of micro firm managerial capability criteria (table 3.1) and the preceding discussion, the taxonomy of managerial capability for innovation is outlined below, with the owner/ manager providing the input and managerial capability for innovation (MCI) providing the output. It is proposed that these criteria (leadership, strategic thinking, operational capability and people relationships) enable the owner/ manager to interact with the resources: employees, stakeholder ties (including community and family) and closeness to market in pursuit of MCI (Figure 3.1).

Figure 3.1 Taxonomy of tourism micro hotel firm managerial capability for innovation



Micro firm endowments, stakeholders and the close nature of the market are argued to constitute resources, in the form of opportunities through which managerial activity, witnessed by the action of criteria capability on these resources, may build managerial capability for innovation. Leadership enables the development of endowments through interaction on the development of the potential of both family and community links into business resources, as opposed to traditional links which emphasise other aspects of human behaviour. The process of leadership development, however, is not without challenges for the owner/ manager, and there may be considerable internal resistance to the internal reframing of endowments. Moreover, from family and employees there is potential resistance to the alteration of traditional relationships (Oughton *et al.* 2003). Leadership enables the development of stakeholder ties, again through the reshaping and development of ties through the lens of business relationships as opposed to more

traditional means of engagement with the stakeholders. This process occurs as the owner/ manager approaches the ties through a business lens, as opposed to through a form of pure social contact. Furthermore, leadership enables the owner/ manager to overcome difficulties in the relationships with stakeholders enabling the overcoming of barriers to change and risk internal to the owner/ manager, thus making it easier to develop innovation as a form of resilience developed through experience.

Strategic thinking capability enables the development of closeness to market, enabling the gathering and utilisation of market information from a strategic perspective as opposed to simply utilising it to solve day to day operation problems. The reflective and perhaps detached nature of strategic thinking (Beaver, 2007) enables the use of more imaginative uses to be conceived of the micro firm's resources and hence their leveraging for innovation. Strategic thinking capability, similarly, releases potential for managerial capability for innovation, in the process of interaction between managerial capability manifest as strategic thinking and the resource pool, endowments. Strategic thinking, in this vein, supports a greater critical perspective to be taken with, for example, family as a resource, overcoming barriers which the family may offer as a bastion of resistance to change or as a source of fear of change (Oughton *et al.* 2003) and transforming this process into a more critically engaged discourse, where ideas and relationships are subject to critical review in an open setting. Finally, strategic thinking enables improved interaction with stakeholder ties in terms of facilitating engagement with ties, so as to develop the potential inherent in these ties from a more strategic perspective. For example, it may be possible for the owner/ manager to interact with the strategic thinking patterns of other owner/ managers who are effective at developing innovation in their firms, as opposed to merely observing such behaviour and failing to appreciate its ability to impact on the owner/ manager's capability for innovation.

Operational capability differs from strategic thinking capability in explaining the day to day, operational, capability of the owner/ manager. The owner/ manager can better interact with the three resource pools and develop managerial capability for innovation through use of the operational capability. Interaction with the strong and weak ties in the stakeholder environment enables the further development of problem solving and,

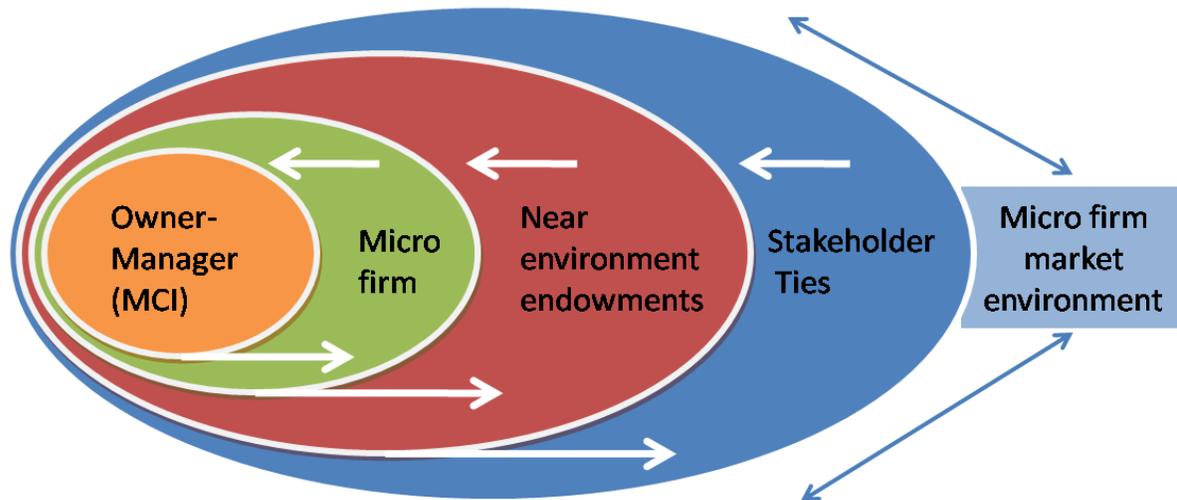
potentially, the unlearning of redundant mechanisms, from the perspective of managerial capability for innovation, and the learning of new problem solving mechanisms. The active role of the owner/ manager at the coalface of business operations in the micro firm (Greenbank, 2000) may especially render problem solving as a capability providing impetus for the development of classic process innovation, as new ideas rapidly enter the firm and process improvement results from the process of direct contact with stakeholder ties. Problem solving can also pick up market signals from the market resource pool and develop such process innovation, or through market sensing picks up the necessity for alteration in products/ services. Though such an approach may only facilitate incremental changes, over time where a firm has a culture of innovation within its organisational boundaries, these increments may lead to commercially important innovation (Barwise and Meehan, 2011). Finally, problem solving may enable the use of the endowment pool as the problem solving capability allows the owner/ manager to make best use of family/ community resources where an exemplification includes an owner/ manager whose problem solving skills are transferred to family members working part time in the firm and, in terms of managerial capability for innovation, there is the benefit of spreading capability to other firm members and also enabling the owner/ manager to improve productivity of the resources.

The people relationships capability enables the owner/ manager to interact with the three resource pools and to release latent sources of managerial capability for innovation. Interacting with strong and weak ties, where the owner/ manager possesses a people relationship capability, releases sources of innovation as the owner/ manager dissolves barriers to release information latent in the ties, through disabling mistrust between the humans involved. People relationships also enable better use of the endowments resource, favouring improved interaction with family members, and perhaps dissolving challenges to managerial capability for innovation which may exist where the family is averse to risky behaviour. Finally, people relationships enable the development of market relationships with suppliers and customers (O'Dwyer and Ryan, 2000) through improving trust with these parties and facilitating the owner/ manager to spot market opportunities through direct interaction with other key actors in the market environment. Specifically in terms of managerial capability for innovation this may enable the early

sensing of market developments and, possibly, enable the development of rapid reaction to such developments.

In the resultant MCI model (figure 3.2), the micro firm market environment forms the outer circle. It bounds and interacts with stakeholder environments, shaping and to an extent being shaped by these interactions. Inside this boundary is the near environment, within which endowments such as the family are found. The internal nature of the micro firm is inside this circle and the owner/ manager resides at the core. In this model of micro firm managerial capability for innovation, the inner circle is the source of MCI, depicting an environment where the organisation can almost be visualised as a brain (Morgan, 1986).

Figure 3.2 Model of tourism micro hotel firm managerial capability for innovation



The owner/ manager’s capability for innovation is shaped by these environments (figure 3.2), and though the owner/ manager is closest to the internal environment of the micro firm, this does not imply this environment influences innovation capability most. Innovation capability depends on people relationship communication mechanisms, which are established throughout the various environments. The strategic thinking capability is internal to the owner/ manager but can be developed through interaction with an appropriate environment and strategic thinking helps to shape the owner/ manager’s

interaction with the near and outer external environments, towards building managerial capability for innovation. This model is not of input / output model rather it portrays a steady state in nature leading to potential difficulties whereby the owner/ manager's managerial capability may be environmentally determined.

3.8 Conclusion

A review of innovativeness and innovation orientation literature is argued to have limited value in terms of investigating micro firm innovation and innovativeness. Instead investigation premised on owner/ manager's perceptions of innovation is argued. The research questions and research objectives emerge from this approach. This chapter has developed the concept of managerial capability in the micro firm context and argued for a number of trait based criteria. Based on evaluation of micro firm managerial capability and micro firm innovation a model of micro firm managerial capability for innovation is proposed (figure 3.2). Building on the research question, the next chapter evaluates challenges posed in developing an appropriate research methodology.

Chapter 4 Philosophical perspective and research methodology

4.0 Introduction

The purpose of the chapter is to evaluate the philosophical and theoretical issues which shape the research design. The chapter begins with an outline of the research question and research objectives. It evaluates the chosen philosophical position and underlying ontology and epistemology. Given the chosen philosophical approach, the role of the researcher is discussed. The main sections of the chapter evaluate the research methodology and the proposed research method while further sections evaluate the criteria of the proposed qualitative methodology: credibility, confirmability, transferability and dependability (Lincoln and Guba, 1985). Sections argue for the chosen research design and evaluate decisions made regarding the sample, the unit of analysis and the nature of the micro firms chosen. The final section describes and evaluates the applied data management approach and includes an assessment of the NVivo software programme used to facilitate data analysis.

4.1 Research question and objectives

The research question defines the research area and expresses the essence of the research inquiry (Mason, 2004). Through this process of definition of the research area there is a focusing of the researcher's work into a specific problem which emerges from the context of the academic literature preceding the research (Bryman and Bell, 2003). The present research takes an approach based on qualitative research which facilitates the investigation of 'how social experience is created and given meaning' (Gephart, 2005: 455), emerging from a critical review of literature; arguing the embedded and social nature of micro firm managerial capability for innovation.

This study is guided by the following research question:

What is the nature of tourism micro hotel firm managerial capability for innovation?

In order to answer the research question three research objectives are developed, enabling a focused literature review and structured fieldwork to be developed. These research objectives are:

1. To investigate the nature of innovation in a tourism micro hotel firm context.
2. To critically explore managerial capability for innovation in a tourism micro hotel firm context.
3. To propose a model of managerial capability for innovation in a tourism micro hotel firm context.

The present research belongs to the domain of applied research (Patton, 1990) as it seeks to understand a human and societal problem and one where the research has the potential to improve practical problem solving as well as contributing to theoretical understanding of the problem, where theoretical insight is gained. The nature of applied research, as opposed to basic research, seeks both rigour and theoretical insight into the research problem, and there is therefore recognition that the theoretical insights developed through the research may offer insight into the management of the micro firm through the legitimacy of the research (Denzin and Lincoln, 1998). The research question posed by the present research is important outside the researcher's academic discipline within the context of improving micro firm innovation in an industry context (Failte Eireann, 2010). The nature of the research enables the development of problem solving interventions, for example through hotel industry fora, facilitating the research to contribute to the improvement of managerial capability in the hotel industry. Further, there are opportunities to use the research findings in the classroom, as a tool to interacting with tourism micro hotel industry practitioners, surfacing their managerial capabilities and guiding the development of managerial capability for innovation. However, the research is limited across time as the nature of managerial processes and the communication structures in firms alter over time with environmental change (Covin and Slevin, 1989).

4.2 Philosophical perspectives

The philosophical perspective of the researcher indicates the nature of the fundamental beliefs and arguments which shape his worldview (Bryman and Bell, 2003). Philosophical perspective is argued to be reducible to the position held by the researcher regarding the nature of reality, ontology, and the nature of knowledge, epistemology. The researcher's awareness of philosophical assumptions enables the development of greater self-awareness and on entering the field this awareness facilitates the consideration of multiple perspectives on data (Gummesson, 2003). Awareness of philosophical assumptions also guides the choice of research methodology and methods and helps thread a skein of logical consistency through the entire research project (Johnson and Duberley, 2003). Gill and Johnson (2005) delineate two polar opposite approaches to the management researcher's philosophical perspective. One, the interpretivist approach, is grounded in assumptions of the importance of human action in shaping the world, whereas the second perspective, the positivist view, takes a determinist approach to human activity, and assumes humans are best studied as being subject to external forces which limit and shape human behaviour (table 4.1).

Table 4.1 A summary of the positivist and interpretivist approaches

Level	Assumption	Positivist	Interpretivist
Ontological	Nature of reality	Objective/ tangible/ single/ divisible	Socially constructed/ multiple/ holistic/ contextual
	Nature of social beings	Deterministic/ reactive	Voluntaristic/ proactive
Axiological	Over riding goal	Explanation via subsumption under general laws, prediction	Understanding based on "verstehen"
Epistemological	Knowledge generated	Nomothetic/ time-free/ context independent	Idiographic/ time-bound/ context dependent
	View of causality	Real causes exist	Multiple/ simultaneous shaping
	Research relationship	Dualism/ separation/ privileged point of observation	Interactive/ cooperative/ no privileged point of observation

Adapted from Anderson and Ozanne (1988:509)

Under the umbrella of philosophical perspective it is possible to separate a researcher's worldview in terms of ontological perspective, axiological perspective and epistemological perspective, into a worldview grounded in either positivism or interpretivism. The present study uses an interpretivist philosophy. Daft and Weick (1984) argue that organisations are 'interpretive systems' (p.284) where human cognitive limitations combined with time and resource constraints necessitate the evolution of interpretive phenomena, the nature of which is to assist organisational members in understanding the social reality of their organisations, which otherwise remain 'vast, fragmented and multidimensional' (p.284). Schutz (1970) cited in Palys (1997: 16) explains the limitations of positivism as;

'the world of nature, as explored by the natural scientist, does not mean anything to the molecules, atoms and electrons therein.... the observational field of the social scientist... has specific meaning for the human beings, living, acting, thinking therein. By a series of common-sense constructs [human beings] have pre-selected and pre-interpreted this world which they experience as the reality of their daily lives. It is these thought objects of theirs which determine their behaviour by motivating it'.

Gummesson (2003) argues that all research is underpinned by interpretivist approaches as it is the nature of the interpreted choices made by the researcher which shape how the world is perceived. Campbell cited in Miles and Huberman (1994: 40) argues that 'all research ultimately has a qualitative grounding'. Thus, this research is underpinned by the interpretivist approach and rationale for this approach is explained in the sections that follow.

The perspectives offered by this new view of reality is exemplified where beneath similarities and commonalities, one finds depth and complexity as humans interact and create mutual meanings in social environments (Slife and Williams, 1995). Ultimately much depends, not on the existence of an external reality, but rather upon interpretations of reality manifest as human perception (Patton, 1990). For example when, perhaps as in traditional physics, one reduces a red brick house to the fundamental particles of physics, it is possible, under the interpretivist approach, to counter this perspective with the argument that the red brick house is a container of multiple meanings- a social context with charged and emotional meaning for family members who lived there or for those whom it stimulates memories. The house has a historical context, embedded in individual

and group memories; it possesses meaning as a safe place, a haven from the outside world; perhaps in the eyes of a neo liberal economist it evokes thoughts of the importance of property rights and the benefits of the capitalist system. Furthermore these multiple meanings influence human action and are premised on the belief systems underlying the meanings which are constructed as individuals and groups interact. Often one's perception of the house depends, not on what one sees, as perhaps the positivist argues, but is premised on social expectations of the groups which one lives in and also depends on power structures, maintained by social and historical rules (Holliday, 2002).

4.2.1 The interpretivist perspective

The benefits offered by the interpretivist perspective for the study of micro firms are several, for example, micro firms are social and economic entities where families (Oughton *et al.* 2003; Wheelock and Baines, 1998), communities (Phillipson *et al.* 2004) and fellow business people (Phillipson *et al.* 2006) shape the expectations, strategies and motivations of owner/ managers. Greenbank (2000) argues that caution is necessary in applying models of business management premised on the norms of economics in the micro firm context. He highlights how there has been considerable misunderstanding of micro firm management processes consequent on a failure to rethink traditional perspectives on micro firms rooted in economic rationality. As discussed in chapter 2, Simpson (2001) posits the importance of researching micro firm innovation from a cognitive perspective where the social environment of the micro firm underpins common cognitive perspectives of how innovation is perceived and enacted. Cyr *et al.* (2011) critique studies of micro firms premised on theories developed in larger SMEs, arguing the case for micro firm researchers to investigate managerial rationality from the social and human perspectives of the micro firm and the micro firm owner/ manager respectively. Other commentators share a similar viewpoint here and these critical contributions have been reviewed in the earlier literature chapters.

4.2.2 The hermeneutic view

Similarly the role of social expectations is central to the ‘hermeneutic view’ (Robson, 2003: 58) where individuals’ perceptions of reality are actively created, rather than passively received, as individuals under a phenomenological perspective emerge within a historical shaped consciousness but continue to interpret their history and context (Gadamer, 1989). It is thus possible to develop greater understanding of the divergence of viewpoints in micro firms, framed as an employer / employee conflict (Matlay, 1999) and to look anew at how those within the micro firm are not simply economic agents responding to the stimuli of the powerful. Taking this perspective, micro firm owner/managers can be viewed as complex beings capable of acting and reacting to perceived meanings, and shaping these perceptions based on their own background experiences, including belonging to a similar community as the micro firm owner/manager.

Human beings create and define common reality in a social context and this perspective on reality has unique contextual nature in specific settings, thus challenging the assumptions in positivism which assumes that there is a single external reality which is best explored through natural science methods (Gill and Johnson, 2005). Under this contextual perspective it is possible to explore the uniqueness of specific contexts, unencumbered by prior assumptions (Silverman, 2010), which may impact on research conducted through the positivist approach, where, perhaps unwittingly, the researcher brings a structured methodological approach, premised on assumptions as to the nature of reality, into the field (Burrell and Morgan, 1979). In contrast, taking account of context allows the nature of reality to emerge as the researcher explores social reality, as it were, for the first time, with categories emerging during the research process (Holden and Lynch, 2004). For example, in the micro firms there is considerable evidence that owner/managers work emerges in a complex context where rational profit maximising behaviour is only one potential goal. Alternative goals come from lifestyle objectives (Morrison, 2006), local community membership (Phillipson *et al.* 2006), and where the very goals themselves are transient over time (Greenbank, 2000). Furthermore, Cyr *et al.* (2011) argue that assumptions into research of micro firms based on business growth and entrepreneurial development hamper deeper interaction with owner/ managers whose

lifestyle objectives diverge from such assumptions. This perspective fits with Marshall and Rossman's (1999: 2) argument for a qualitative research based on social worlds as holistic or seamless.

4.2.3 An axiological perspective

Taking an axiological perspective based around understanding as opposed to searching for general laws enables the micro firm researcher to critically investigate aspects of the micro firm context which have evaded deep investigation because of the use of research methods and theoretical models rooted in organisational theories developed for large organisations which are unable to do justice to the unique micro firm context (Barnes *et al.* 2010; Liberman-Yaconi *et al.* 2010). For example, Apel and Krois (1987) argue for a distinction between understanding and explanation. They suggest over emphasised positivist ontological assumptions have led to a neglect of human sciences which are seen purely as a precursor of scientific knowledge rather than an opportunity to leverage closeness to context as a way of generating greater understanding of participants' worldviews.

4.3 Interpretations of reality in the micro firm context

Reality is too complex for humans to fully comprehend (Hakim, 2000; Simon, 1953 cited in Hodgson, 1998) and, in order to cope with complexity, humans rely on interpretations of reality which are often manufactured through common modes of understanding. These evolve through interaction with work colleagues or through accepting and interpreting to varying degrees, management communications, in the form of leadership and organisational culture. In the micro firm context, it is argued that both culture and leadership serve as tools of management development (Kelliher and Reinl, 2009) through the alteration of behavioural patterns of employees and the creation and shaping of new meanings, which influence employee behaviour patterns. Furthermore, though the processes through which management tools influence behaviour is documented in larger firms (Volberda *et al.* 2013; Birkinshaw *et al.* 2008; Hamel, 2006), in the micro firm context the divergence between the role of owner/ manager and large firm manager

posits considerable differences between management in both contexts (Lieberman-Yaconi *et al.* 2010).

The different expectations regarding employees and their development (Phillipson *et al.* 2004; Matlay, 1999) render it necessary that in-depth investigation of these processes be conducted in the micro firm context. For example, owner/ managers relate to employees in a much more direct and personal context than in larger firms and this interaction is grounded in informal rules (Matlay, 1999) by contrast with the formal hierarchy, policies and rules and communication routes in the larger organisation. Similarly, it is argued that through verbal and other cues individuals break down complexity and humankind exists through the exchange of gestures and symbols (Geertz, 1973). Therefore it is logical to focus on what people, both as individuals and at the level of groups, think and feel, highlighting the importance of communication processes (Easterby-Smith *et al.* 2008). Allied to this perspective, language plays an important role in the shaping of common reality and also, when analysed in some depth, a pathway towards understanding this common reality (Silverman, 2010). Moreover, reality is deeper than the common sense and comprises the exercise of power by individuals, often not overtly evident but taking place in the guise of more accepted means of organisational behaviour (Reynolds, 1998). Organisational activity involves the continual exercise of making sense of reality by participants; humans are social in nature and continually engage in giving sense to and interpreting the meaning of events which surround their daily lives. Thus, research into human engagement, in a social context, involves the study of human objects as opposed to the study of natural science objects (Prasad, 2005).

The review of literature in the micro firm context highlights the local, socially understood nature of reality, often manifest as embedded in human relationships (Phillipson *et al.* 2004; 2006; Wheelock and Baines, 1998). This approach complements the interpretivist philosophical perspective, which argues the importance of such social relationships and sense making, in the development and understanding of current study key concepts such as micro firm innovation (Simpson, 2001), the nature of micro firm managerial capability (Kelliher and Reinl, 2009) and the nature of the micro firm itself (Greenbank, 2000;

Devins *et al.* 2005). Organisational life, when viewed through this perspective, becomes charged with the possibility of humans both enabling and constraining other humans, through the creation and maintenance of social rules (Patton, 1990). This argument suggests that fundamental processes underlying managerial capability and innovation may be better understood by evaluation of the social rules within the micro firm context, both in terms of how they are created and altered.

It is argued that through engagement with social aspects of micro firm organisational worlds that it will be possible to overcome what has been described as the ‘elevation of technocratic rationality at the cost of social rationality’ (Meredith, 2001: 327). Unlike animals, humans are able to attach meaning to events and phenomena and from the interpretations thus created are paths of meaningful action which are continuously reflected on and monitored by organisational members (Gill and Johnson, 2005). Specifically, Matlay’s (1999) elucidation of the tensions in the micro firm employment relationship may indicate a high degree of unwillingness of earlier studies, perhaps rooted in a managerial perspective, to engage with perspectives which challenge traditional thinking of the owner/ manager as anything other than a legally authorised owner, and therefore, resource allocator, unconstrained by any internal constraints in the firm, such as those which evolve from expectations of other firm members.

4.3.1 Contextual approach to knowledge and sense making

Interpretivism as a philosophical paradigm highlights the importance of context (Gill and Johnson, 2005) and the significance of context raises questions as to the nature of the knowing process and the knowledge generated through interpretivist research. The contextual nature of knowledge is contrasted with a decontextual nature of knowledge and this is illustrated in table 4.2 below, highlighting some of the differences of philosophical perspectives which are inherent in the approach of the present study, rooted as it is in a contextual approach to understanding and knowledge.

Table 4.2 The Nature of Knowledge and Learning

Decontextual knowledge	Contextual knowledge
Knowledge as absolute and de-contextualized.	Knowledge as complex, relative, and deeply contextualized.
Knowledge is viewed as a commodity that can be absorbed, pre-constructed, from the external environment.	Knowledge is treated as socially constructed and transformed through the very act of observation, reflection, and dialogue.
The learner assumes that knowledge is a context-free product that can be reviewed without reference to culture or ideology.	Knowledge is seen as situated in the broader social/ ideological context.
Knowledge is explicit, declarative, absolute.	Knowledge is seen as relative and often tacit, difficult to articulate, and a product of problem formulation leading to multiple alternative solutions.
Learners tend to adopt and defend a fixed position. The learner has difficulty incorporating and integrating contradictory findings.	Learners attempt to explore all possible perspectives; thinking becomes dialectical through the juxtaposition of opposing perspectives.
Problems are usually predefined for learners and clear parameters are established for problem solution.	Learners see that problems are often complex and unstructured and that solutions are guided by the way problems are formulated. This aspect of learning is related to wisdom.
Simple “impermeable constructs” create a tendency to move to premature closure without first examining all views, or to pigeonhole experiences and concepts into simplistic, stereotyped categories.	Thinking involves increased cognitive complexity, and with this, the ability to analyse complex issues and deal with discrepant information.
Learning is experienced as a purely cognitive process.	Ability to synthesize objective, rational analysis with subjective, emotive forms of thought emerges.
Problems seem to exist in isolation from the surrounding system. Proposed solutions are likely to be limited because potential repercussions in the larger system are unconsidered.	Learners adopt a more systemic perspective working with problems that are ‘unbounded’ containing a number of complex and interactive elements, including interpersonal factors.

Source: Stevens-Long and Barner (in Hoare 2006: 495)

The micro firm context necessitates the importance of a contextual approach to knowledge. Owner/ manager dominance in shaping the communication patterns and culture of the micro firm (Kelliher and Reinl, 2009) define the nature of what counts as business knowledge and argues the need for the researcher to enter into the social world of the micro firm in order to understand how this process unfolds. Micro firm owner/managers rely on lifestyle motivations (Cyr *et al.* 2011; Lashley and Rowson, 2010; Morrison, 2006) and contextual decision making (Cyr *et al.* 2011) which cannot be appreciated as rational, outside of the micro firm context. Furthermore, there is a significant power imbalance between owner/ manager and employees (Matlay, 1999) suggesting that knowledge and any the mechanisms for knowledge transfer, for example

in sharing new ideas, must be viewed through the lens of a specific knowledge transfer process. This process is contextualised in a social and ideological setting, as opposed to merely seeing the micro firms structures as conduits, which transfer the knowledge, without impacting on the nature of the knowledge. Knowledge in the micro firm is tacit and sticky, manifest in Greenbank's (2000) owner/ manager whose managerial informal processes work despite efforts to make the processes explicit and formal. Furthermore, knowledge is in the intuitive mechanisms underlying the strategic decision making of micro firm owner/ managers (Lieberman-Yaconi *et al.* 2010).

Managing in the micro firm is a process heavily reliant on the owner/ manager's emotional contact with others and an inner capability to cope with emotional impacts of business (Phillipson *et al.* 2004). Emotional and social aspects of the owner/ manager's relationships are inextricably linked with the perceptions the owner/ manager forms of the business world. For example, Phillipson *et al.* (2006) and Devins *et al.* (2005) argue that business knowledge emerges from relationships with micro firm stakeholders and that the knowledge is inaccessible where the owner/ manager is unable to cultivate the relationships involving social exchange processes in a community context. Cognitive capability is only one aspect of how managerial capability is developed and leveraged through the participation of the owner/ manager in stakeholder ties (Lowik *et al.* 2012). Micro firm adoption of technology, is argued to be inadequately understood by rationally based theories premised on the formal management of larger firms, with adoption in micro firms emerging in a complex context where tacit knowledge of owner/ managers embedded in family and stakeholder ties (Jones *et al.* 2014; Duffy, 2014) and in the informal experience of the owner/ manager (Karljaluo and Huhtamaki, 2010) play the crucial role. Finally, micro firm learning is underpinned by social mechanisms often informal in nature (Kelliher and Reinl, 2010; Reinl and Kelliher, 2014).

4.4 Approaches to research ontology

The researcher's ontological perspective indicates the fundamental assumptions made about the nature of reality and the nature of what exists (Mason, 2004). Approaches to research ontology tend to focus on two polar opposite theories of the nature of reality.

On the one hand objectivism assumes the existence of an external reality, separate from the researcher; while in contrast subjectivist approaches assume that reality is not independent of the cognitive processes of the human mind and that multiple realities may exist (Johnson and Duberley, 2003). However, in between these polarities there are numerous approaches which take account of other perspectives on the nature of reality (Holden and Lynch, 2004). The ontological perspective of the researcher must be reported in the study as otherwise there is failure to appreciate the limits imposed in the researcher taking his perspective leading to the researcher being unable to critically evaluate this perspective (Creswell, 1998). In this study the multiple realities are manifest in the social world of the researcher, those researched and the potential audiences for the research. Table 4.3 illustrates the links and dichotomies between different approaches to ontology and how these choices determine future choice of epistemology, methodological approach and theoretical perspective.

Table 4.3 Approaches to research ontology

Positivist	Perspective	Subjectivist	Perspective
Independence	Observer independent of that which is observed	The observer interacts with the subject	Interaction
Value freedom	The choice of what to study and how to study can be determined by criteria independent of human beliefs	Inherent bias as humans driven by their own beliefs/ skills/ values	Value laden
Causality	Aim of social science is to identify causal explanations and fundamental laws that explain regularity in human behaviour	The aim of social science is to understand what is happening	No cause and effect
Hypothetico-deductive	Science relies on hypothesis testing and deduction	Induction from evidence; mutual simultaneous shaping of factors	Inductive reasoning
Operationalisation	Concepts need to be operationalized to enable measurement in quantitative static design; categories isolated before study	Qualitative samples: small samples investigated in-depth or over time; categories emerge during research process	Small sample investigated in-depth with emerged categories
Reductionism	Problems as a whole are better understood if they are reduced into the smallest elements	Problems as a whole are best understood if they are looked at in the totality of the situation	No reductionism
Research language	Formal based on set definitions; impersonal voice; use of accepted quantitative words	Informal; evolving decisions; use of accepted qualitative words	Research language based around qualitative / evolving decisions

			based on emerging research challenges
Generalisation	Sample of sufficient size must be selected; prediction, explanation and understanding	Everything is contextual; patterns are identified and then theories for understanding	Contextual

Adapted from Holden and Lynch (2004)

An approach to research in the form of social constructivism is taken in this study, where social constructivism closely aligns itself to that of the subjectivist approach. Freire (1982) cited in Reason (1998) argues that whereas a common ontological position of social scientists is to perceive reality as isolated facts, the social constructivist approach involves participation in that reality and understanding not simply the facts as abstractions, but the many ways the people who are involved with the facts work with and perceive them. The world of the micro firm is social in nature (Phillipson *et al.* 2004), where business activity is the active creation of owner/ managers and other stakeholders who continually negotiate shared meaning. Understanding the nature of an owner/ manager's work as a businessman (O'Dwyer and Ryan, 2000) may not be possible to understand deeply, save from qualitative methodology which enables the study of the 'negotiated character' (Gibson and Brown, 2009: 8) of individual behaviour to be studied. Thus in the study of the micro firm owner/ manager the underlying naturalistic context which both constrains and enables, and constantly morphs as the owner/ manager intervenes, can be explored.

Further, under a social constructivist approach, it is possible to avoid reductionist tendencies, inherent in realism (Slife and Williams, 1995), and instead appreciate the interlinked, complex, and holistic nature, of reality (Hakim, 2000). Reductionist tendencies, while a necessary part of the development of parsimonious theory often fail to engage with human potential, and specifically the capability of human lived experience (Slife and Williams, 1995). Specifically, a notable challenge in reductionist approaches lies in the tendency to produce simple elegant models of human processes, which become self-fulfilling prophecies. This tendency may deter those who challenge the thinking paradigms associated with the models, and at organisational level creating psychic

prisons (Morgan, 1986) into which organisational members are consigned by managerial logic and behaviour.

Heron (1996), who argues the need for researcher involvement with research subjects in order to uncover deeper assumptions, cautions that lack of engagement with the complex nature of reality, reduces research subjects to mere conformist people, and fails to engage with the depth of social and psychological processes in organisational life. For example, micro firm research argues the importance of taking a deep and contextual approach to the nature of managerial work (Nybakk and Panwar, 2014), the learning processes which underpin micro firms (Kelliher and Reinl, 2010) and the nature of managerial motivation (Morrison, 2006; Morrison and Conway, 2007). While the researcher's ontology enables clearer understanding of the assumptions he makes about the nature of reality, in order to gain clearer understanding of if and how knowledge of reality can be acquired it is necessary to inquire into another aspect of the philosophical perspective of the researcher. Essentially, this other aspect encompasses the domain within philosophy which concerns itself with the nature of human inquiry and the following paragraphs outline the researcher's perspective in this regard.

4.5 Epistemological research perspectives

Epistemology relates how the researcher solves the problem of gaining knowledge about reality and concerns itself with the nature of knowledge, essentially with the mechanisms through which knowledge of the world can be accessed (Holden and Lynch, 2004). Empirical approaches to epistemology argue that data collected through the human senses is a superior basis for knowledge, while, in contrast, rationalists emphasize the role of the human mind in interpreting data. For the rationalist, experience is both sense data but also interpretation based on a priori cognitive structures (Slife and Williams, 1995).

Traditionally a dichotomous approach has been assumed with researchers, in the positivist tradition, using methods common to the physical sciences to extract knowledge about an objective reality (Flick, 2011). In this process of extraction the researcher remains neutral, in effect, a model of the unbiased research instrument and there is the

ever present danger of contamination of research data, through contact with the researcher. In contrast, interpretivist epistemology, argues the need for interaction between researcher and researched, in a world where knowledge is not hidden in abstract terms, but tacitly tied in human relationships and social rules. Developing researcher understanding of these rules requires an epistemological approach premised on interaction with subjects and the development of trusting relationships, so that they may offer data to the researcher. In essence the researcher must spend time with respondents in order to gain knowledge of them (Palys, 1997).

As outlined earlier in the critical review of available contributions, Phillipson *et al.* (2004) use in-depth interviews to gain deeper insight into managerial behaviour. Specifically, interviews gain insight into the suffering and resilience of some owner/managers, something which might be missed through a positivist methodology which fails to build deep relationships with respondents or simply overlooks deeper responses which owner/managers make due to their humanity. Similarly, Phillipson *et al.* (2006) develop two innovative case studies to access the ties between local micro firm owner/managers, making possible the understanding of aspects of micro firms previously hidden, such as the complex dynamic between co-operative and competitive behaviour among local owner/managers. Heron (1996) argues that through an epistemological stance based on participative knowing where both researcher and research subject are collaborators in the inquiry, it is possible to overcome the limitations of positivist approaches - identified as a reliance on theory laden statements of facts, where research is shaped by pre-existing theoretical assumptions. The value laden nature of these theoretical assumptions and the selection and controlling of a narrow range of variables, may omit more important contextual variables. The closely knit relationships between micro firms and their various contextual settings, including environment (O'Dwyer and Ryan, 2000); family (Oughton *et al.* 2003) and local community (Phillipson *et al.* 2006) posit the benefits of an epistemological approach which enables the researcher to access these contexts both in terms of depth and holism (Silverman, 2010).

This study uses an epistemological approach rooted in interpretivism based on the logic that micro firms are social organisations rather than simply units of economic output.

This approach relies on the socially constructed nature of the interpretivist world (Adcroft and Willis, 2008). Micro firms, even in terms of their economic contribution, are best studied taking a social perspective, as economic outputs often result from management approaches to social aspects of micro firms. These management approaches include the leveraging of human resources (Matlay, 1999); the leveraging of strong and weak ties (Atterton, 2007; Phillipson *et al.* 2006); the provision of leadership (Kelliher and Reinl, 2009); the leveraging of market closeness (O'Dwyer and Ryan, 2000) and the use of social support mechanisms (Samujh, 2011). An epistemology based on interpretivism enables the researcher to gain greater depth to the social forces at play in the research environment, something which is characterised by Evererd and Luis (1981: 389) as 'being there' and contrasts with the limited data available to the positivist researcher who remains aloof and detached from the research environment. For example, Morrison (2006) argues that conventional notions of entrepreneurial behaviour are often not witnessed in micro firms. In contrast, a more formal epistemological approach is relegated to merely touching the surface of managerial work in the micro firm. Concurring, Heron (1996) highlights Buber's (1937) argument that people only exist in the fullness of open and mutual relations and argues that to know includes participation, dialogue, and shared norms and beliefs.

4.6 The role of researcher

In research emerging from the positivist paradigm the role of the researcher is almost non-existent (Gill and Johnson, 2005), yet in interpretivist studies the researcher plays a vital role in surfacing, interpreting and analysing data from the field (Chenail, 2011). The role sees the researcher as a human instrument, subject to levels of fallibility and yet capable of surfacing levels of meaning inaccessible to quantitative research (Bryman and Cassell, 2005). However, even the term instrument perhaps constrains the role of the interpretivist researcher, implying a narrowly positivistic path to knowledge, where the researcher takes an almost clinical approach (Patton, 1990). In contrast a wider understanding of the term instrumental implies the researcher suspends judgements rather than detaching in a clinical approach. Through actively engaging with participants, the researcher helps to surface their perceptions of the world. The significant role played by

the researcher in the present research requires discussion, which is developed in the following sections. Taking a sequential approach the role of the researcher is discussed at different phases of the research, beginning with the literature review.

At the literature stage of the current study, the interpretivist researcher searches and interprets the literature in the light of the research question. However, unlike in positivist research, the role of the interpretivist researcher is to continually review both the research question and literature, particularly in the early stages of research as there is uncertainty in both the researcher, as a novice, and a limited knowledge of the emerging literature and research question (Popay *et al.* 1998). An important facet of this process occurs where the researcher is subject to guidance from a master researcher (s) in the guise of a supervisor (s) (Hockey, 1994). Further, in this study, the researcher presents research at conferences and similar fora, and acts on reviewer recommendations both at the stage of developing the academic paper and in reworking the research after the conference. In interpretivist research the literature review is ongoing, and results in an iterative approach where the researcher frequently reinterprets literature encountered at an earlier stage, in the light of more advanced research capabilities and in the light of data encountered and analysed. For example, the researcher re interprets the Simpson (2001) paper, later in the research, as a wider social cognitive structure than merely managerial cognition. Denzin and Lincoln (1998) posit the endless interpretation characteristic of the qualitative research process, and a challenge emerging from such continuous activity is to become aware when enough has been achieved.

Berg and Smith (1988) argue the need for the researcher to evaluate the researcher's self as an active ingredient in shaping the research approach. They argue the importance of evaluation not as a means to removing bias, which in interpretivist research is not possible, but in making the researcher more aware of the influence of self and how such awareness can lead to deepening the critical debate around the research and possibly highlighting the need for both more critical review and extra literature sources. Consideration of the researcher's own ways of interpreting the world, sees the surfacing of patterns which the researcher interpreted deeply, perhaps in the manner of a truth

(Marshall and Rossman, 2010). For example, years of work experience at operational level employment and periods of unemployment allow a level of sympathy to anti managerial perspectives (e.g. Knights and McCabe, 2000). It also facilitates taking a more critical view of assumptions around the benefits to society and business of entrepreneurial approaches. Such perspectives limit the researcher perceptions of beneficial impacts of business activity. Further, the researcher's age/ generational beliefs are founded on employment perceived as necessary struggle rather than more liberating positions. The researcher also worked part time in the management and administration of a micro family business, where the perception remains of an environmental struggle with limited firm resources, with survival emerging through sheer exploitation of human resources, a position similar to Wheelock and Baines (1998).

A somewhat rural background, based around a farm and perhaps a naturally occurring conservatism, deeply embedded in personal beliefs around the researcher's worldview sees the researcher sympathetic to rural micro firms (e.g. Phillipson *et al.* 2004 study). Such a perspective is challenged early on in the research process and altered in future literature review, in response to supervisor review. There is sympathy for the independence of micro firm owner/ managers both on a personal level, but also from the researcher's deep distrust of governmental and especially EU intervention in societies. Nonetheless the researcher suspends this sympathy and becomes aware of potential benefits to firms who work within the policy system, for example with interviewee 13 and 20. There is awareness that some aspects of the researcher's perspective will always hold true for him, and influence the interpretation of the research literature and data. Levels of such bias are inevitable in interpretivist studies and do not prevent contribution to academic debate, once they are surfaced and debated in a manner acceptable within the academic community.

Relatively early on in the research, reading about managerial dilemmas (Salaman and Storey, 2009) the researcher is imbued with an impression that there are dichotomous aspects to many apparently simple models/ arguments. Therefore from an early desire for simplicity, the progression of the research facilitates greater ease with uncertainty in

terms of models/ disputes in literature and alternative approaches to methodology. One perspective on the entire research process is to perceive a level of increasing emotional ease with levels of seeing the world differently and of managing critical feedback from alternative constructions of the academic literature (Vilkinas, 2002; Hockey, 1994).

Data collection helps the researcher gain greater emotional awareness and empathetic understanding of participants and their world views as documented in the literature by Munkejord (2009) who spent six months immersed in a Fortune 500 company. The emergence of emotional awareness comes through direct interaction with research interviewees and through reflection post interview in the form of an interview reflection (Appendix B). The improvement of the researcher's understanding is noted both personally in research journal reviews and in an informal conversation with supervisor 2, early in the data collection phase. In seeking interviewees through snowball sampling, the researcher uses email and telephone to contact firms which appeared suitable. Professional, polite and friendly communication is used at all times (Patton, 1990). The role of the researcher is to communicate to business people in the context of their business. The researcher seeks to reassure the business people that taking part might be both valuable for their business. Further the researcher seeks to reassure the business people that taking part in the study was safe through emphasising the confidentiality of any information given. Many attempts to contact firms are made, with a total of 21 interviews of which 20 are used in the study. Follow up communication, for example arranging the interview and finalising the time, takes a similar approach- at all times a mature person engaged in a study which could potentially help business. Simultaneously there is the reassurance that no information gathered in the study would be used for purposes other than academic research.

The researcher inevitably carries with him a certain image in the mind of the interviewee, perhaps as one who represents academia. Further, the researcher comes as one who studies human behaviour therefore necessitating a level of ease with interviewees, lest they become frozen in levels of behaviour (Babchuk, 1962). Overcoming such barriers is possible through building rapport before the interview, and allowing the interviewee to

be at ease during the interview. Alongside such rapport building is the need for a professional approach, facilitating focusing of the interview on the research. Facilitation of a professional approach comes from sending details of the purpose of the interview by email, briefing the interviewees before the interviews and maintaining a sense of purpose and focus on the research questions during the interview. At times this involves the researcher in allowing the interviewee to talk on where the data is relevant, perhaps to related questions, and on the other hand it can be necessary to refocus to another question, if the interview moves to data which is outside the scope of the research. Interview 15, the longest, provides an example of an extended interview, but where it is difficult for the researcher to interrupt and break social engagement. The role of the researcher is to enter the interviews with literature-based questions and with previous interviews suspended from his mind, as advised by his supervisors before the beginning of the interview process. Focus on the research question is greatly helped in this way, and depth focus on the specific interview themes is possible. There are challenges in interviews with probing (e.g. on innovation questions, 9, 17) requiring a level of thinking on one's feet and developing a degree of research and human abilities to relate to others.

Listening is active and involves continuous focus on the research objectives and ultimately the research question from the thesis (Grafanaki, 1996). The researcher's role is to continuously listen, use body language to support the interviewee and ensure that the interview is on track. The conduct of interviews is found to be tiring, given the level of focus necessary, the preparation necessary for formality, and even informality, and the need to be professional. The process improves with time, but even towards the end of interviews there is emotional/ mental tiredness. Emotional tiredness (Hubbard *et al.* 2001) comes from being allowed the privilege into another's home and personal life. The researcher carries the burden of being careful to respect the privilege; maintaining confidentiality of data, doing his best to faithfully replicate in transcription and do justice in interpretation at data analysis phase to the data. After each interview the researcher makes notes in order to preserve to memory aspects of the interview (Appendix B).

As an example of handling emotionally charged issues from the research, the researcher encounters stern criticism from one interviewee (3) on the grounds that the transcribed

data made the interviewee appear overly rural and, perhaps, not professional. The criticism emerged from exact transcription of data positioning pauses and colloquial language in the transcriptions. In this case, the interviewee 3 refuses to sign off the transcription sent by post, unless edited significantly by the researcher (notice is received by phone call when in transit to interview 18, a distance away). The researcher contacts his supervisor by phone, and discusses the action. Both concur on leaving the interview out of the sample. The researcher ends the conversation with the interviewee 3 on this note, and the decision stands. Apologies for any hurt caused are made by the researcher.

The role of the researcher in transcribing is essentially to accurately type words as spoken by interviewees. However, there is an element of interpretation to this role (Lapadat and Lindsay, 1999). At times the researcher interprets a pause or silence in specific ways, often dependent on recollection of the interview (Kvale, 1996). Similarly, where a phrase is difficult to understand, the researcher uses his memory, and in this sense a potentially historically recreated interpretation of the past, to shape the transcription (Mulhall, 2013). The transcription phase enables the researcher to develop improved understanding of the interviews through re engaging with the data at an initial level of interpretation, bringing the data to life as the researcher relives the interviews. The role of the researcher at the data analysis is, through the process of thematic analysis (Braun and Clark, 2006) to code blocks of text guided by the theoretical and conceptual framework. The researcher's role is to take independent approaches to coding but with regular review of the approach to coding. Over time the process of thematic analysis sees the development of more detailed codes, and through review and enhanced contemplation of the emerging codes, sees themes emerge facilitating the development of a modified conceptual model.

Bracketing (Silverman, 2010) allows the researcher to interpret data in ways other than that which was immediately apparent. For example the role played by the environment is considered several times, so as not to assume managerial capability acts on resources, without considering if managerial capability is influenced (for example in stakeholder ties) by the resources, in addition or alongside shaping the resources. There is awareness of reinterpreting the interviews and the visits accompanying them where a measure of

observational insight is gained, in that through the reinterpretation the human mind of the researcher was not simply photographically selecting but actively recreating data from the transcriptions. At all times during this stage there is a degree of reliance on the supervisors and external review (e.g. Irish Academy of Management Conference Paper 2014) in order to judge how much analysis was sufficient. The perspective of the researcher as bricoleur (Weick, 1990 cited in Weick, 1993; Levi-Strauss, 1962) is also relevant reflecting how the researcher brings together often divergent perspectives from theory and findings, into a contextually logical solution to the research question. The bricoleur perspective is logical in the sense of being developed through analysis and argument, but avoids the positivistic approach of quantitative research where hypothesis and testing prevails.

4.7 Research methodological considerations

A research methodology is ‘a theoretical framework that guides how we come to know what we know’ and comprises assumptions about what is of importance to the study and the nature of evidence and legitimate knowledge (Glesne, 2006:7). Methodological choices are determined by the philosophical assumptions underpinning the researcher’s worldview (Gill and Johnson, 2005). There are two broad approaches to research methodology, quantitative and qualitative research. Quantitative approaches rely on the natural sciences and have traditionally dominated academic research (Hennink *et al.* 2011). Reliance on natural sciences gives quantitative research a concern with abstraction and measurement with theories subject to continual refinement through the development and testing of hypothesis (Bryman and Bell, 2003). A growing confidence that social science research could develop its own methodologies, and maturation beyond ‘physics envy’ (Gill and Johnson, 2005: 95) are key drivers behind the emergence of qualitative research. The process of qualitative research enables the researcher to study people in their natural settings (Hennink *et al.* 2011). Qualitative methodology gives greater credence to more subjective accounts of reality where socially created meaning is important (Denzin and Lincoln, 1998). The main differences between the two approaches are summarized in table 4.4.

Table 4.4 Qualitative and quantitative research methodology

Quantitative approach	Qualitative approach
Measure objective facts	Construct social reality
Focus on variables	Focus on interactive process/ events
Reliability is the key	Authenticity is the key
Value free	Values present and explicit
Theory and data separate	Theory and data are fused
Independent of context	Situational constraints
Many cases/ subjects	Few cases/ subjects
Statistical analysis	Thematic analysis
Researcher is detached	Researcher is involved

Source Neumann (2006: 13)

Quantitative research seeks to find objective facts which are part of a single external reality. In contrast qualitative research considers reality to be socially constructed by human beings who share complex interrelationships. Quantitative research focuses on reducing the external reality to variables which can then be measured and subject to statistical techniques. Qualitative research focuses on interactive processes contextualised in a social setting and seeks to facilitate the emergence of themes from the data. Assessment of the quality of both methodologies differs, with quantitative research striving for statistical generalizability with validity and reliability being mathematically defined. Qualitative research, in contrast, accepts the value laden nature of research and the researcher is heavily involved with research subjects, rather than being a detached observer. However, the qualitative researcher is judged by standards of authenticity. The present study relies on criteria of trustworthiness, built on confirmability, credibility, dependability and transferability (Lincoln and Guba, 1985). Finally, quantitative research considers that theories and data are separate, with theories tested through hypothesis testing. In contrast qualitative research considers that theories and data are fused.

This is an exploratory study in a research field where there are significant gaps in understanding the nature of micro firm innovation (Wagner, 2008; Morrison, 2006; Freel, 2003; Simpson, 2001) and the nature of managerial capability for innovation (Tu *et al.* 2014; Thomas *et al.* 2011; Komppula, 2004; Simpson, 2001). Therefore a qualitative approach enables the researcher to begin inductively, continuously refining the research questions, as the literature review develops and revising both research questions and objectives, as field research begins (Creswell, 1998). Gill and Johnson (2005) argue that

qualitative research aims to use interpretative approaches to understand how people make sense of their social worlds, where human action has purpose, as opposed to being determined by environmental factors. Thus, for example, through use of understanding the social world through case studies involving interviews with owner/ managers of the micro firm it is possible to uncover how owner/ managers make strategic decisions (Lieberman-Yaconi *et al.* 2010) and, understand how resource endowments influence micro firm strategy (Oughton *et al.* 2003).

Qualitative research takes an interpretivist and naturalistic approach to its subject matter (Denzin and Lincoln, 1998) thus rendering it suitable to engage with micro firm contexts, where social and contextual data have been identified as being of importance. A major contribution of the qualitative approach to research emerges through the provision of crafted conceptual insight into the operation of theory in particular contexts (Gephardt, 2005). Essentially, qualitative research differs from quantitative research in having a naturalistic focus and table 4.5 highlights both the characteristics of the naturalistic perspective and, simultaneously, some of the benefits of its adoption by the researcher.

Table 4.5: Naturalistic inquiry

Characteristic	Benefits of naturalistic inquiry adoption
Natural setting	Research is carried out within the context of the entity studied
Human instrument	The human researcher is the primary research instrument
Tacit knowledge	Tacit (felt) knowledge is legitimate in addition to other types
Qualitative methods	Qualitative methods rather than quantitative methods are used due to their sensitivity, flexibility and adaptability
Purposive sampling	This increases the range of data accessed and is more adaptable
Inductive data analysis	Easier to give fuller description of context and brings out interaction between enquirer and respondent
Grounded theory	Theory emerges from data
Emergent design	The design unfolds from the study
Negotiated outcomes	Meaning and interpretation is negotiated with respondents
Case study reporting	Adaptable and flexible in comparison with survey or experiment
Idiographic interpretation	Concern for particular as opposed to nomothetic law like generalisation
Tentative application	Hesitant to make wide generalisation
Focus determined boundaries	Boundaries are set on the basis of the emerging enquiry
Trustworthiness important	As compared with reliability, validity and objectivity of other forms of enquiry

Adapted from Robson (2003: 61) and Lincoln and Guba (1985: 39-45)

Thus naturalistic inquiry enables the study to be carried out in context avoiding the imposition of ways of seeing (Anderson and Ozanne, 1988) which are influenced by theories formed in other contexts. In essence, theory is formed as it emerges from the data. In terms of doing the research, the human researcher is the primary instrument necessitating the engagement by the researcher with research subjects through the development of relationships and through active human engagement (Flick, 2011).

Aspects of naturalistic inquiry are particularly suitable for use in the context of micro firm research. The naturalistic approach helps to insure that the research is contextual and seeks to genuinely uncover and articulate the managerial processes of the micro firm as opposed to merely modifying theories of management taken from larger firms (Devins *et al.* 2005). The qualitative methods used in naturalistic inquiry are appropriate in a micro firm context as they enable a flexible approach to the study of relatively unexplored areas (Barnes *et al.* 2012). The present research relies on theory emerging from the data, but does not take an approach rooted entirely in grounded theory (Strauss and Corbin, 1997) where the data is engaged with simultaneously as theory development begins. Instead, it is considered best to develop a critical literature review prior to data collection in order that the researcher might be better informed and to facilitate the best use of the time available in the data collection phase of the research. Naturalistic recommendations are used from the perspective of research design with the design emerging to fill a research question which emerged from the critical literature review.

The research design is further refined through the process of receiving critical feedback on the pilot phase of the data collection. Qualitative research involves;

‘procedures for investigating human action that do not involve measurement and quantification, but allow subjects to describe their own behaviour and experience in the language native to their experience, and investigators to undertake the analysis of human phenomena in conversational language rather than numbers’

(Slife and Williams, 1995: 234).

Hence the process of qualitative research facilitates a closeness to the experience of respondents, something which has been argued to be of importance in the context of the micro firm owner/ manager (O’Dwyer and Ryan, 2000; Greenbank, 2000). The nature of this approach avoids the limitations which might otherwise occur through using

established managerial theories, from small, medium sized or larger firms and simply having them translated into micro firm owner/ managers' language, as opposed to engaging more directly with the actual practice of micro firm management. As Glesne (2006: 211) argues, qualitative research enables entry into 'poorly understood territories of human interaction'. In particular, Greenbank (2000), argues that micro firm owner/managers are not necessarily poorer managers than those in larger firms or not necessarily users of underdeveloped management practice (Devins *et al.* 2005), rather they are often successful proponents of management techniques of which they are unaware, with the possibility that the qualitative researcher through close engagement with the owner/ manager enables the surfacing of the process of micro firm management. Similarly, the very nature of the competitive advantage of very small tourism hotel firms is argued to depend on multidimensional factors with complex interrelationships, necessitating qualitative research as the most suitable means of gathering data (Morrison and Teixeira, 2004). Qualitative research offers a search leading into the lives of others, the life of one's own academic discipline, one's own practice and oneself (Glesne, 2006). Therefore greater understanding of lifestyle motivation (Morrison and Conway, 2007; Morrison, 2006) is possible through the more holistic perspective offered by qualitative methodology. Owner/ managers in micro firms are continuously engaged in experiential work (O'Dwyer and Ryan, 2000; Greenbank, 2000) lending credibility to the argument that qualitative research provides insight through its greater ability to understand human experience (Denzin and Lincoln, 1998).

4.7.1 Qualitative research options

There are different forms of qualitative research methodology. Phenomenology places emphasis on the exploration of human perception and human consciousness and gives merit to the significance of the experience of the individual (Merleau-Ponty, 1962). Phenomenology considers it necessary to look beneath our understanding of words and to try to engage with the experience of the other. For example, Schutz (1967: xxii) uses the example of the misunderstanding produced when one labels a business person from eighteenth century Boston, as an 'entrepreneur'. The misunderstanding comes from the simplistic use of language whereas language carries a wealth of contextual meaning

which cannot easily be separated from words. In the context of the research question ‘What is the nature of managerial capability for innovation?’, taking a phenomenological approach enables the researcher to engage with the experience and perceptions of the owner/ managers and develop understanding of how the phenomenon is understood by those directly engaged (Cohen *et al.* 2000). Phenomenology relies heavily on the interview method as a means of directly entering the world of consciousness of the research informant (Moustakas, 1994).

Ethnography is the study of people in their cultural contexts where the researcher lives among the researched (Van Maanen, 2011). Ethnography is distinguished by a number of characteristics and the characteristics include: The study of peoples’ actions in their everyday contexts; data collection from a variety of sources; relatively unstructured data collection; small sample sizes and a focus on the researcher being close to the social aspects of the researched (Hammersley and Atkinson, 1989). The focus of ethnography is the study of people within their own unique cultural contexts (Van Maanen, 2011). A challenge of the ethnographic approach is for the researcher to engage with the development of long term relationships with the research subjects (Hill and McGowan, 1999).

A methodology premised on grounded theory posits that the researcher is simultaneously immersed in the data and theory (Glaser and Strauss, 1967). Taking a grounded theory perspective the researcher seeks to constantly exercise reflexivity in order to develop self-awareness of assumptions which are brought to the answering of the research question and which might unduly influence the solution (Strauss and Corbin, 1997). There are different approaches within the grounded theory perspective, with original grounded theory using a constant comparative method where one compared any instance of the code with a previous instance and took a very rigorous approach in checking that codes are clear and ‘measure’ similar aspects of the data (Glaser and Strauss, 1967). The nature of the approach is to avoid researcher preconceptions, even eschewing academic theory in developing theory from raw data. More recent approaches allow for a greater role of

academic theory and researcher preconceptions in the development of grounded theory (Charmaz, 2006).

4.8 Challenges inherent in conducting qualitative research

Lincoln and Guba (1985) argue that an improved approach to searching for truth in qualitative research comes from using analogues of the traditional criteria for assessment of research. The process of using these analogues enables engagement with criteria which are, perhaps, more suitable for qualitative research, as opposed to merely judging qualitative research by the canons of quantitative research. These criteria are outlined in table 4.6.

Table 4.6 Criteria for judging qualitative research

Traditional criterion	New criterion	Difference
Objectivity	Confirmability	Audit trail/ rigorous methodological argument/ possible use of computer software
Internal validity	Credibility	Member checking, Heron (1996) argues importance of co creation in enhancing credibility
External validity	Transferability	Emphasis moves from population to theoretical generalisation. Importance of “rich thick description” and authenticity (Creswell, 1998: 203) facilitating transfer to similar contexts.
Reliability	Dependability	Move from statistical methods to audit trail/ dependable quality of mind of researcher.

Adapted from Lincoln and Guba, (1985)

Ultimately the research project is judged by canons established by the academic community to which the research contributes. The present research belongs within an interpretivist approach and seeks to satisfy the four qualities of trustworthiness proposed for qualitative research (table 4.6).

4.8.1 Transferability

Transferability refers to the extent to which the research is applicable to other contexts and it depends on the achievement of ‘congruence’ between contexts (Carcary, 2009: 15). Qualitative research does not possess the same transferability as quantitative research, due to smaller and less random sampling methods (Dooley, 2001). However, the social sciences are argued to be different in nature to physical science rendering the search for generalisation in traditional physical science methodology unrealistic in the complex context of the social world (Cronbach 1982 cited in Donmayer, 2000).

Through the process of qualitative research, the uncovering of common human and social processes within a single research context make possible the transfer of findings within that study to other contexts where similar processes are found, and where coherent argument can be made for the similarity of context (Stake, 1969). The present research is transferable to a degree to other micro firms, particularly in the hotel industry, due to the common characteristics shared by the micro firms and the common nature of micro firm managerial work due to the structural constraints imposed by the micro firm environment. However, in order for transferability criteria to be acceptable, it is necessary that the context of the research be thoroughly described using the benefit of in-depth analysis of qualitative research (Shenton, 2004) and enabling the emergence of thick description (Lincoln and Guba, 1985). Transferability to another context can also be premised on the interpretivist ontology enabling the existence of multiple realities. Therefore while the interpretivist cannot argue for a definitive transferability, it can be argued that degrees of transferability to other contexts, depending on the similarities are possible (Shenton, 2004).

4.8.2 Confirmability

The criterion of confirmability is the sense in which it is possible for the researcher to ensure that conclusions from the research emerge from the data and not from researcher dispositions (Shenton, 2004). This is a greater challenge for the qualitative researcher, than those in engaging in quantitative research, due to the direct involvement of the

researcher in the research, ethical limitations on the conducting of experiments in human contexts and the difficulty in setting up control procedures. The researcher outlines, above, the role of the researcher in qualitative research and builds on awareness of the role of the researcher to enable greater depth of data analysis as opposed to being entirely trapped in his own predispositions. Confirmability is enabled in the first instance by visiting the owner/ managers in their own work context, putting them at greater ease in their own environment and also taking the researcher outside his own context and subjecting him to the influence of the owner/ managers' daily work context.

Confirmability questions how the researcher insures that the findings emerge from the data and not from the researcher's own biases and preferences. The nature of qualitative research is such that it enables a continual critical engagement between developing theories and the data (Seale, 1999). Kvale (1996) argues qualitative interview data proceeds in a spiral not a vicious circle 'circulus fructosis' (p.48). Confirmability is pursued by subjecting the data, not simply to the researcher's own thinking but to critical feedback on the nature of the thinking through supervisor interaction and conference presentation. Data analysis proves a challenge to the qualitative researcher from the perspective of protecting against constructing a framework based on the development of over simple categories (Shenton, 2004). Therefore it is important that a continual engagement takes place with negative case analysis (Robson, 1997) and the search for alternative explanations in the data- essentially the development of new theory from the synthesis of apparently conflicting explanations (Eisenhardt, 1989). The qualitative researcher must also become more open to predispositions to review and interpret data premised on developing greater awareness of how aspects of the researcher's self impact on the collection and interpretation of data (Berg and Smith, 1988).

In the present study the researcher is aware of potential predispositions in the form of an employment history outside of management, a relatively traditional world view and a period of involvement in the operation of a micro business. However, the researcher is also aware of how this outsider perspective (Watts, 2006) helps cultivate a critical approach thereby avoiding any over reliance on theories from traditional management

disciplines or from entrepreneurship theory (Cyr *et al.* 2011). The researcher perceives the increased awareness of predispositions as similar to stages on the research journey (Kvale, 1996), though from a interpretivist ontology, perhaps there is an acceptance that the journey never ends in a definitive interpretation, rather opening a greater awareness of the multiple lenses through which humans perceive organisational activity (Hazer and Jacobsen, 2003).

Confirmability is enhanced through the process of peer debriefing;

‘the process of exposing oneself to a disinterested peer in a manner paralleling an analytical session and for the purpose of exploring aspects of the inquiry that might otherwise remain only implicit within the inquirer’s mind’

(Lincoln and Guba, 1985: 308)

The researcher is engaged with confirmability through research review in various forms (e.g. conference presentation, internal business school colloquia, institutional review via presentation at the W.I.T. research day and supervisor review) in order to test the logic underpinning the approaches adopted in the research. The researcher uses ‘bracketing’ (Heron, 1996: 58), where the researcher suspends his theories of the data, and associated concepts, and enables other explanations to crystallize the findings where appropriate. The process of bracketing is described by Holliday (2002) as conducting research work, as a stranger to one’s day to day assumptions, enabling these to surface and facilitating the standing outside them, allowing other, often unperceived assumptions to emerge. In the present research the process of bracketing is enabled through supervisor interaction, internal business school and conference paper review and the appendices (1-4) contain illustrations of how the modelling process of managerial capability for innovation evolved over a long period of time.

4.8.3 Reflexivity

Challenges in the form of this researcher being continually reflexive (Creswell, 1998) are created by emergent themes and the complex, contextual data, for without continuing reflection on both potential misreading of the social reality surrounding the researcher and the theories on which this reading is based, it will not be possible to overcome

simplistic interpretations in the overall study. However, criticisms that qualitative methodology is low in terms confirmability are rebuked by Gill and Johnson (2005) and they argue that through qualitative research it is possible to become aware, during the research, of important factors which did not form part of the researcher's preconceived notion of the context. Furthermore, they argue, that the naturalistic approach of qualitative methodology, enables the researcher, during the study, to rule out some of the more artificial research procedures, something which is less possible under quantitative methodology.

4.8.4 Dependability

Dependability queries how well the research can be repeated. Essentially it forces the researcher to conduct research in a way which renders the study repeatable by a future researcher. Philosophical assumptions under the interpretivist ontology make it arguable that it is never possible to repeat a piece of research given the continually changing nature of reality being studied (Flick, 2011) unlike in a piece of positivist research where an unchanging external reality is assumed (Robson, 1997). However where a good audit trail of the development of the research is maintained (for example the logging of the development of the data analysis through memos and models in NVivo), it is possible for an external researcher to view transparently how the study was carried out (Richards, 1999). An audit trail comprises more than simply copies of physical artefacts, but also an intellectual trail in the shape of maps of the researcher's thinking processes made amenable to reviewers through the maintenance of research notes, a research diary or memos (Carcary, 2009).

The maintenance of an audit trail, which is systematic and rigorous (Mason, 2004) allows a future researcher to see a transparent map of the researcher's decision making approach and the research process, and this audit trail includes the recording and transcribing of all interviews. Further insight into the logic underpinning the researcher's decision making is made possible through the use of computer analysis of data, with NVivo software, and while this may create the danger of over reliance on computer coding procedures and an overly rigid approach dictated by the technology, with suitable critical reflection by the

researcher, and the submission of the work to continuous review, this computer analysis is an aid, in terms of providing a structured map of the logic of the research process. An audit trail of the data analysis phase reflecting the developing thematic analysis (Braun and Clark, 2006) is facilitated through the process of the maintenance of a research journal with a section included in the findings chapter, explicating the sequence of analysis conducted.

4.8.5 Credibility

Credibility involves insuring the research represents the research participants' worldview. Walsham (2006) cited in Carcary (2009: 12) notes how researchers 'are biased by our own background, knowledge and prejudices to see things in certain ways and not others'. The closeness to experience and in-depth investigation enabled by the in-depth interview method enhances the present research from the perspective of credibility by comparison with survey methods, where the context of the research is given little weight (Dooley, 2001). Through the process of going back to the interviewees for confirmation that the data is representative of their views (Robson, 1997) credibility can be enhanced. However, caution must be taken that the second intervention does not act as a trigger for interviewees to revise data which was contributed for fear of restoring a self image (Anna *et al.* 2000), as occurs in the case of interviewee 3 in this study.

The process of data reduction, inherent in qualitative coding, challenges credibility through arguing the greater importance of aspects of the data (Miles and Huberman, 1994). The challenges of coding can be overcome where the researcher both maintains an audit trail of coding and provides logical justification for the assigned codes (Gibbs, 2002). Credibility is enhanced through the process of shifting authority from the interviewer to interviewee during the research data gathering phase. The interviewee is enabled by being allowed extra time for additional reflections at the interview end; by using probes to check and explore data; by adopting an open approach with the interviewee both before, during and after the interview and by providing frequent opportunities for debriefing (Shenton, 2004). Though it can be argued that in-depth

interviews with owner/ managers are limited from a credibility perspective through allowing the owner/ manager to selectively present information and rely on often distorted human memory processes; the nature of the micro firm world is one where managerial capability emerges from human perceptions, distorted as they may be (Bosworth and Farrell, 2011 b). Member checking, where the researcher checks the responses of the research subjects, is used to insure that the responses are as intended improving the credibility of the research. Similarly, the credibility of the present study is relatively high due to the ability of the qualitative methodology to engage directly with the contextual nature of the data, and this takes place through personal contact with owner/ managers. This can be enhanced through the researcher gleaning data from historical sources about the owner/ managers contexts and through observation of organisational life, on visits to the micro firms. Credibility is further enabled as the present research design based on in-depth interviews involved accessing data in the natural context of the owner/ managers and enabling the researcher to gain insight into the context of the owner/ managers' work.

4.9 Research methods for the present study

Qualitative research methodology is distinguished by the many types of research method which it deploys (Denzin and Lincoln, 1998). Qualitative methods include: focus groups, case studies and interviews.

4.9.1 Focus groups

Focus groups are useful for surfacing ideas through a group dynamic (Bryman and Bell, 2003), however, they are limited in the present context as owner/ managers of micro firms may fear disclosing commercially sensitive information to other proprietors, and thus the focus group may dry up as a source of data. Focus groups also enable the collection of an amount of data relatively quickly and allow many issues to be identified (Mitchell and Brannigan, 2000). However, focus groups are challenged by less depth of information than interviews and are unsuitable for collecting personal data (Hennink *et al.* 2011). Therefore, though focus groups offer the present study options in terms of

generating volumes of data and surfacing multiple issues, they are less effective in important aspects of micro firm managerial work, notably where personal processes of owner/ managers and personal relationships underlie much managerial activity. Further, there is a need for in-depth information due to the complex embedded nature of micro firm managerial work.

4.9.2 Case studies

Case studies offer considerable ability to give a high degree of contextual and historical data (Silverman, 2010). They offer more than simply the owner/ manager's perspective (Lieberman-Yaconi *et al.* 2010), enabling a more holistic approach to be taken to an organisational study with the views of employees/ customers/ suppliers taken into account (Lowik *et al.* 2012). In the micro firm context, the perspective of policy makers and local government is evaluated through the use of case study research facilitating the critique of accepted theory (Thomas and Thomas, 2006). A longitudinal perspective on the research question is possible where case studies are used (Yin, 1981). In the context of the present research question, a longitudinal perspective would enable the understanding of the evolution of the nature of managerial capability for innovation over time and the integration of understanding of the capability with other contextual factors. For example, case studies using documentary analysis to supplement in-depth interviews enable a degree of triangulation with key informant responses, and the activation of a process of more critical engagement during data analysis (Patton, 2005).

Denscombe (2010) highlights a limitation of case studies where they form an intrusion into a firm's culture and organisational processes, generating data which is artificial. Essentially, as with the more intensive ethnographic study there is a danger that the researcher becomes part of the micro firm, and given that it is difficult in micro firms to be unobtrusive, and thus the researcher may heavily influence the study's findings. In a number of micro firm studies case studies are used (Barnes *et al.* 2012; Lowik *et al.* 2012; Phillipson *et al.* 2006; Oughton *et al.* 2003), however, on closer examination the

case studies rely heavily on in-depth interviews reflecting the important role of the owner/ manager in the micro firm.

4.9.3 Reflectivity in research – the use of a diary

Integrated within the case study method, diaries are argued to help in the emergence of phenomena studied under a qualitative perspective. Taking a phenomenological perspective, diary based analysis enables deep insight into the experiential work of the owner/ manager of the micro firm (Kelliher and Henderson, 2006). Diary analysis facilitates the researcher to map the emergence of a qualitative phenomenon through a longitudinal perspective, overcoming the limitations of the conventional cases study in neglecting the key importance of the owner/ manager figure. Critically, diary analysis requires a deep level of trust between the owner/ manager and researcher to be developed over time, and the very processes facilitating the emergence of trust may imply an overly close relationship between the researcher and owner/ manager, in term of being necessary to gain the trust of the owner/ manager. For example, McAdam and Keogh (2004), use a sample based on attendees at a post graduate class on innovation. Therefore, the present study, while acknowledging the potential benefits of diary based analysis relies on in-depth interviews with owner/ managers who are selected for essentially a one off, though deep, encounter. The very one off nature of the encounter, assists the researcher in contacting any type of firm which may be considered useful for the theoretical sampling method.

4.9.4 In-depth interviews– an overview

The research question focuses on *the nature* of managerial capability for innovation, and specifically taking a phenomenological approach to the research lends towards the use of interview investigating the essence of a phenomenon (Dabholkar *et al.* 1995). Deeper investigation of perceptions is possible through the in-depth interview process where the emotionally laden nature of managing small and micro firms is directly engaged with, as

opposed to using case studies or other qualitative method (Cope and Watts, 2000). In-depth interviews are defined as;

‘a conversation... initiated by the interviewer for the specific purpose of obtaining research relevant information and focused by him on content specified by research objectives of systematic description and prediction of explanation’

(Cohen and Manion, 1989: 307 cited in Robson, 1997).

The nature of the face to face in-depth interview and the process of visiting the respondent enables the gathering of a considerable level of contextual data, normally associated with the case study while simultaneously concentrating on the owner/ manager as the unit of analysis. Denscombe (2010) highlights a number of benefits of the interview method, which are specifically suited to the present research (table 4.7).

Table 4.7 Benefits of interview method for current research study

Benefits of interview method in current study
The in-depth exploration of subjects experience, emotions and opinions
The exploration of issues which are perceived to be sensitive by subjects
The enabling of access to privileged information

Adapted from Denscombe (2010)

Through using the interview method there is;

‘the opportunity for the researcher to probe deeply to uncover new clues, open up new dimensions of a problem and to secure vivid, accurate inclusive accounts that are based on personal experience’

(Burgess 1982 cited in Easterby-Smith et al. 2008: 144).

Therefore, some of the advantageous aspects of case study research in exploring the micro firm context are reflected in the study. For example the researcher develops a set of notes made directly after each interview in order to capture the essence of the interview immediately afterwards in the process contemplating any contextual factors noted before, during or after the interview. In many interviews there is interaction with the interviewee and the owner/ manager in the wider context of the firm, in being shown around the business or in casual comments afterwards. The interviews themselves are supplemented by documentary analysis and observation of aspects of the context of the micro firm.

Interviews are also categorised by the degree of structure contained, and these are described by Denscombe (2010) at table 4.8 below.

Table 4.8 Types of interview

Type of interview	Researcher control	Aim of interview
Structured	Tight control	Checklist
Semi structured	List of questions but greater flexibility/ answers more open ended	Discovery
Unstructured	Researcher as unobtrusive as possible	Discovery/ uncovering complex topics
Group	Low control/ possible conflict among group members	Depends on management of group dynamic

Adapted from Denscombe (2010)

The process of this categorisation illustrates that the researcher has differing degrees of control over the interview. However, high degrees of control sacrifice the ability of the interview method to explore more complex topics and to engage with novel material which may be emergent in nature. In the context of the present study structured interviews offer an opportunity to gather a relatively large amount of data, through the efficient use of the interview time. Nevertheless the high degree of structure limits the exploration of emergent topics which are important in an exploratory study such as the present one. Additionally complex issues, for example the embedded nature of managerial capability, are difficult to investigate through structured interviews due to the high degree of focus of the interview.

Unstructured interviews offer one solution to the limitations of structured interviews in the present study, in that they allow exploration of the complexity of data and the exploratory nature of the study. However they are limited in failing to take best use of the time available in the interview and research dependent on unstructured interviews can degenerate into the gathering of masses of data which is mainly irrelevant to the research question (Silverman, 2010). Group interviews are similar to focus groups but perhaps have lower number of respondents. They offer benefits to the present study as a way of enabling the respondents to surface ideas on questions which may be poorly understood on a one to one basis. However, they are limited by the difficulties emerging from the

reluctance of owner/ managers to share the basis of their firm's competitive advantage with key competitors.

Finally, there is the option of an in-depth semi structured interviews and it is this method which is used in the present study. The semi structured interview enables the researcher to maintain a degree of control over the issues covered in the interview (Silverman, 2010), thus facilitating the most effective and efficient use of researcher and interviewee time. However, in contrast to the structured interview, the semi structured interview enables the exploration of emergent themes (Kvale, 1996), and therefore assists in investigating the complex nature of micro firm managerial work. Within the interview method, the present research benefits from use of the problem centred interview, whereby an open narrative combines with more structured questions as the interview proceeds, and furthermore, the problem centred interview allows the researcher to build the interview into prior interpretational work (Scheibelhofer, 2008), such as may occur from knowledge gained on the specific micro firm, through the database from which the firm is chosen.

4.10 In-depth interview method – engaging the micro-firm owner/ manager

As outlined earlier the preferred ontological position outlined in the study is interpretivist where people's experiences, interpretations and understandings form part of a social reality (Mason, 2004) which the research questions explore. The owner/ manager of the micro firm is chosen as the subject due to that individual's dominance of micro firm life, through ownership of resources, management of assets and day to day operational work in the firm (Kelliher and Reinl, 2009). The in-depth interview enables a direct form of engagement with the owner/ manager, facilitating the emergence of data on the leadership, communication structures, organisational culture and strategic management of the firm, and through probing, the evaluation of the managerial processes at work in the micro firm. Furthermore, given the limited research into micro firm innovation and micro firm managerial capability for innovation, interviews enable the researcher to pursue lines of inquiry which may only become apparent through the interview

conversation opening potentially new explanations (Robson, 1997). For example, Wheelock and Baines (1998) investigation of family micro businesses negates conventional perspectives on the motivation underpinning their business activity, finding that instead of being driven by entrepreneurial energy, many micro firms are pressed into micro firm ownership through economic necessity.

The owner/ manager's work is inextricably linked with multiple experience worlds, including those of the workplace but also those of the family (Wheelock and Baines, 1998), the local community (Phillipson *et al.* 2004). The owner/ manager's work also reflects a life outside the firm (Morrison, 2006) and these social worlds are accessible through the interview. Moreover sensitive issues, for example in micro firms, competitive positions of businesses (Phillipson *et al.* 2006) become accessible in this way. Similarly Phillipson *et al.* (2004) provide evidence of the interview method enabling owner/ managers to unburden themselves of their deeper motivations and fears of micro firm management.

4.10.1 Overcoming in-depth interview challenges

There is a challenge in overcoming the problem where there is resistance to the interviewer, with misunderstandings between interviewer and interviewee over the nature of 'knowing' (Nunkoosing, 2005: 698) leading to interviews generating merely superficial content. Similarly, in-depth interviews allow the emergence of new and often unexpected themes, which may challenge the researcher in terms of managing the interview, but which also reflect the inductive nature of qualitative research (Kvale, 1996). The owner/ manager exists in a social context, and from the business perspective is the focal point in a complex web of ties (Phillipson *et al.* 2006) whose nature can be accessed through the in-depth interview method. Further, the flexibility of the method (Kvale, 1996) enables accessing detail on these complex ties (Atterton, 2007) and makes it possible for the researcher, in the role of interviewer, to steer the course of the interview, towards understanding the research objectives, while simultaneously,

maintaining a critical stance. This process enables probing deeper in order to surface new relationships (Kvale, 1996).

In-depth interviews also involve the researcher personally in the research, enabling the researcher, to show empathy for the respondent (Glesne, 2006) and through the process of developing empathy the researcher is enabled to better engage with the respondent, facilitating the surfacing of richer and more in-depth data. For example, the challenges, from respondent fear of creating a negative self image, in questioning about barriers to innovation, will be overcome through the development of empathy. Nevertheless simultaneously it is necessary to develop researcher skills in avoiding being over sympathetic to the respondent, or 'going native'.

The critical influence of the owner/ manager on the micro firm (Greenbank, 2000) necessitates in-depth study of the work of this individual and in-depth interviews enable the direct accessing of particular individuals because they have a special contribution to make (Denscombe, 2010). Unlike in larger firms, there is little space for specialisation, separation of management and ownership. Heron (1996) argues that the direct nature of the researcher / respondent interaction offers opportunity to empower, through encouragement and questioning technique, the respondent to develop new perspectives on the world. In the micro firm context, this offers potential to engage with the actual practice of management, as opposed to versions of managerial work grafted from larger firms. Therefore through direct contact with owner/ managers it is possible not simply to provide opportunity for comparison and contrast between academic theory and managerial practice, but to enable managerial practice inform, and perhaps alter existing managerial theories (Watson, 1994 cited in Gill and Johnson, 2005).

The nature of the in-depth interview has been criticised as while it enables some insight to be gained into managerial perceptions, it is limited in developing understanding of actual managerial behaviour in organisational life (Taylor and Thorpe, 2004). The processes underpinning this criticism unfold from managers' human tendencies to engage in impression management in order to protect their self-image (Neu, 1991). Further,

challenges in the tendency of organisational actors, including management tendency to engage in impression management remain a challenge for other research methods, including the case study, ethnographic approach and focus group (Bryman and Bell, 2003). However, it is possible within the in-depth interview to use a more critical questioning and to develop deeper analysis of managerial perceptions and their influence on organisational behaviour (Kwortnik, 2003), an approach that is pursued in this study. Similarly, the common interest of the research, situated as it is in the practitioner type of academic research, develops a common interest with the owner/ managers who are interviewed and through the process of establishment of a level of trust with interviewers it becomes easier to come closer to managerial behaviour in organisational life (Patton, 2005).

4.10.2 In-depth interview approach

Interviews can be conducted over the internet, over the telephone or face to face. The first two types enable the accessing of interviewees whose distance from the researcher may be great and / or whose time may be severely constrained, with telephone or internet allowing maximum control over the timing of the interview in the hands of the interviewee. They also enable sensitive topics to be relatively easily accessed as the interviewer is more distant than in a face to face interview (Denscombe, 2010). However there are benefits to face to face interviews in comparison with other types of interview. Visual cues are accessible to the interviewer, which enable a more critical approach to be taken to the data (Cassell *et al.* 2002). Further, it is possible for the interviewer to build a relationship of trust with the interviewee and through the process of this relationship to uncover more in-depth data than otherwise, as for example in Phillipson *et al.* (2004)'s uncovering of the deeper motivations of owner/ managers of micro firms. Finally the ability to conduct the research through face to face interaction enables the interviewer to analyse facial reactions and voice tone, and through probing questions, (Kvale, 1996). The face to face interview approach is therefore applied in this study.

To ensure best practice, and in line with other studies in the area, five pilot interviews are conducted. The process of conducting pilot interviews helps ensure that potential errors in interviewing are detected and corrected prior to the actual research being conducted (Wilson *et al.* 1998). Specifically, a number of potential systematic errors are checked for as presented at table 4.9.

Table 4.9 Question checklist for pilot interviews

Nature of interview questions
Were questions immediately understood?
Were concepts, sentences and words adapted to the interviewee's context?
Do some questions need to be rephrased?
Was there logical order, for the interviewee, in questions?
Can the research question be answered with the information gathered?
Was the interview guide too long/ too short?

Adapted from Hennink *et al.* 2011: 120

Therefore pilot interviews enable mutual misunderstanding between researcher and respondent to be minimized and allow the primary research to be pursued with greater confidence in the use of methods. It is thus possible for the researcher to move into the field unencumbered by excessive concern for the mechanical aspects of the interview and to focus attention on gaining the best quality data from giving focus to the respondent (Qu and Dumay, 2011). Of fundamental importance in conducting a pilot study is the interview process of the pilot study, as it is only on reflection on the process that learning and subsequent improvement for the actual study become possible (Mason, 2004).

On completion of the pilot interviews an appraisal of the interview method, template and approach and the associated data analysis is made, in consultation with experts in the area and through this process improvements were made. Previous academic research into the interview method argues a number of benefits of the use of pilot interviews. Language used may lead to semantic confusion and the obscuring of the intention behind the question (Uzzi, 1997). Question sequencing may be poor leading to poor flow of the interview (Robson, 1997; Appleton, 1995). The time allowed for the interview may be inadequate (Bantel and Jackson, 1989). Simultaneously there may be challenges in the data analysis process (Brunk, 2010).

The researcher makes decisions on coding the data and building models from the coded data (Bazeley, 2007) and while the researcher has undertaken training in the NVivo software, there are challenges in dealing with live data (Crowley *et al.* 2002). Pilot interviews acclimatise the researcher to the process of managing the relationship with the interviewee, potentially enhancing the researcher's capability to extricate data from interviewees who are reluctant to comment (Patton, 1990). Similarly, pilot interviews enable the researcher to develop awareness of communication problems which may arise due to interviewee misunderstanding the purpose of the study (Van Teijlingen and Hundley, 2001). After each pilot interview the researcher keeps a review document which detailed, under a number of headings, the achievement of key outcomes and the potential to improve the interview. The review document is available at Appendix A.

4.10 Dyadic interviews

During the data collection stage the researcher encounters four firms where two owner/managers took part in the interview, at interview 1, 6, 15 and 16. The situation presents itself to the researcher unexpectedly, and the decision is made to proceed with the interviews. The limitations of the interviews emerge from influence of one interviewee on the other, where one interviewee prevents another from presenting information which might be relevant to the research question if the information was deemed by one in interviewee to be sensitive. Further it is possible that a degree of caution is injected into the flow of narrative by the presence of the two interviewees, as one became aware of exposing oneself to judgement by the other. On the other hand the benefits of the dyadic interviews outweighed the limitations.

Extra perspective is gained on the nature of managerial capability for innovation in the light of two owner/managers as opposed to one, thus shedding light on the management of the micro firms in a way which was otherwise neglected in the study. Critical contributions from the owner/managers were possible, for example in interview 1 contributions by one owner/manager which are negative to policy makers are challenged by the other owner/manager. A level of reconciliation about the question appears to emerge. The nature of the dialogue here is not that of the suppression of one owner/

manager’s perspective, rather the emergence of a discussion stimulating deeper insight into a question. The nature of the work of both owner/ managers is given deeper insight through the interviewing of both, for example the roles of owner/ managers in firms 6 and 15. Insight of this nature supplements other interviews where reference is made to the work a partner in the firm (e.g. Interviews 7, 9, 20, 21).

The dyadic interview offers the researcher the opportunity to gain insight into the perspectives of two owner/ managers working together, where two people work in a close social and economic proximity (Dumas, 1989). Dyadic interviews differ from focus groups in involving only two people, who generally have close and sometimes personal relationship (Eisikovits and Koren, 2010). There are benefits and limitations of dyadic interviews in comparison with semi structured one to one interviews (Boeije, 2002). Table 4.10 highlights dyadic interview’ benefits and limitations focusing specifically on the research question relating to this research study.

Table 4.10 Benefits and limitations of dyadic interview method

Benefits	Limitations
Greater insight into dynamics of dual management of micro firms (Morgan <i>et al.</i> 2013; Eisikovits and Koren, 2010)	Danger of interviewees engaging in impression management and concealing evidence (Holstein and Gubrium, 1995)
Insight into dynamics of family management of micro firm (Blenkinsopp and Owens, 2010)	Tiring on interviewer to maintain pace with two interviewees (Dumas, 1989)
Critical insight of second owner/ manager who may offer critical comment on the former owner/ manager (Sohier, 1995)	Probing a challenge for interviewer with two interviewees to manage (Morgan <i>et al.</i> 2013)
Richer data (Beverland <i>et al.</i> 2004)	Researcher must build / maintain relationship with both interviewees (Widgery and Stackpole, 1972)
Emotional support of interviewees for one another puts a sense of ease among them facilitating answers emerging (Hughes, 2002)	Danger of over influence of the owner/ managers on one another, suppressing open opinion (Anderson and Arsenault, 1998)
Dynamic between two interviewees triggers ideas (Duncan, 1972)	

Morgan *et al.* (2013: 1276) argue dyadic interviews help the researcher investigate ‘pre-existing role relationships’. Given the contextual focus of the current research in tourism hotel micro firms where both owner/ managers sometimes play an important role in the management of the firm, the opportunity to interview both is seen by the researcher as a means of developing greater insight into how the almost dual management works with

regard to managerial capability for innovation. Given the strong influence of family on the micro firm (Wheelock and Baines, 1998), the opportunity to interview the two key decision makers simultaneously therefore offers the researcher wider and deeper insight into how the firm is managed where two individuals play an important role.

Critically, it can be argued that where two interviewees take part in the interview, one influences the other and vice versa, resulting in increased image management (Holstein and Gubrium, 1995) as one owner/ manager may prevent the other from opening up on sensitive questions. On the other hand the same criticism can be made of a single person interview, where that single person comes with an agenda to preserve a self image and to preserve or promote the image of the firm. The sensitive researcher can perhaps more easily pick up signals of image management where such attempts are made in the dyadic interview, through thinking through the rationale for unexpected interruptions which may be aimed at avoiding the development of negative perceptions of the firm (Sohier, 1995). Therefore, the researcher can probe behind interruptions and question, through probing, if deeper investigation is required. Further, in a single person interview there are frequent pauses and even longer need for clarification as the interviewee tires or fails to appreciate the intended questioning of the interviewer. In contrast the dyadic interview enables one interviewee to take over from the other when such pauses occur (Hughes, 2002). Further clarification may be aided where the second interviewee understands what needs clarification and, sometimes in tandem with the first interviewee, offers a fuller answer to the question posed. Critically, it can be argued the processes underlying such clarification see one interviewee shape the other's views, yet it is the responsibility of the alert interviewer to probe deeper with extra questioning where the problem occurs (Dumas, 1989).

In-depth interviews are cognitively and emotionally tiring on interviewees and where a dyadic form is used there is not only the possibility of rest for one individual but a level of comfort and ease developed where an emotionally close level of support is available from a close partner (Duncan, 1972). The dyadic interview is argued to challenge the researcher in terms of the management of time, with potential for increased straying from

the questions by both interviewees, as opposed to one in the single person interview (Anderson and Arsenault, 1998). Further, the researcher is faced with managing critical evaluation, for example through probing, across two interviewees (Morgan *et al.* 2013) as opposed to maintaining a critical approach with only one individual in the single person interview. The researcher must also build and maintain a level of relationship with not just one but two interviewees, a factor further taxing the researcher in the dyadic interview (Widgery and Stockpole, 1972). In the current research, the researcher is helped by having made previous contact with the firms who are therefore aware of the purposes of the research, and the researcher builds some initial rapport before all interviews through the process of engaging in day to day conversation with the interviewees.

Dyadic interviews enable the researcher to gain insight into the dynamics of social life (Blenkinsopp and Owens, 2010; Beverland *et al.* 2004), therefore enabling the researcher in the context of the present research question to ask questions around how the tourism hotel micro firms are managed, and instead of receiving possibly unchecked data, sees the data open to possible critique (overtly or more subtly), with the respondent careful to give information which appears truthful for fear of critique from the closely proximate owner/manager. The researcher is also enabled to allow the other interviewee intervene, where it is felt such critical perspectives need to be gained. Morgan (2013: 1279) argues the dyadic interview allows a sensitive researcher to steer the interview process to ‘trigger ideas’ through the interaction of the two interviewees. In this respect the dyadic interviews enable a richer level of data to be extracted from the interviewees than is sometimes possible in a single interview.

The researcher notes how in some single interviews, he is trusted to enter the home of the interviewee, often alone, and perceived on occasions it takes some time for the interview process to gain a level of traction. Perhaps the traction is easier to gain in dyadic interviews where both interviewees feel mutually supported, as argued by Morgan *et al.* (2013). Though critically it can be argued the mutual support leads to a measure of inability of owner/ managers to answer from their own perspective, and the researcher

recognises this may occur on occasions, this negative is outweighed where the researcher feels confident enough to stimulate and probe beneath superficial answers. The researcher also notes, that in general, owner/ managers in the four dyadic interviews are keen to answer, possibly reflecting their willingness to participate in the study without any outside pressure (for example from government or a policy body) and the efforts of the the researcher through email and telephone contact to reassure them of the primary academic purpose of the research.

4.11 Research design considerations: selection of tourism hotel micro firms

The research sampling design begins with contemplation of a national database of hotel firms for the Republic of Ireland, maintained by Failte Ireland, the national hotel policy and support body. The database lists over eight hundred hotels in the Republic of Ireland, with details of location, owners, managers and number of rooms. Critically, it can be argued that the database is limited to firms which are members of the Failte Ireland network. Therefore, firms which exhibit less initiative to engage with policy makers and which may avoid formal records may be excluded from the selection. In terms of larger hotels this may not present a problem as many have formal management development processes in place, but in terms of micro firms, some may be unwilling to engage with more formal management and business development (Devins *et al.* 2005; O'Dwyer and Ryan, 2000), suggesting some micro firms may not be part of the network, and therefore fail to appear on the database. However, the hotels are part of an Irish industry context which is unique as Failte Ireland recognises the importance of the micro firm and takes considerable steps to offer business support and management development to the micro firm (Failte Ireland, 2010). Furthermore, micro firms in the tourism hotel sector are recognised as increasingly willing to take part in more formal learning initiatives, across the world (Getz and Carlsen, 2000) and in Ireland (Kelliher and Reinl, 2014; 2010). Finally, the research argues micro firms, by their nature share common characteristics from the critical review of literature (Lieberman-Yaconi *et al.* 2010; Devins *et al.* 2005; Greenbank, 2000) and that the influence of the common characteristics shape micro firm responses in unique ways.

Micro firms are not clearly identified in the Failte Ireland database. Therefore the researcher contemplates the use of an adapted database in selecting tourism micro hotel firms for the research. The researcher initially considers using a selection method based on random selection of the nth firm in the database. Consideration is given to assuming all micro firms belong with one and two star hotels. The assumption is premised on the superior management capabilities and presence of formal management systems in larger hotels. However, this assumption is rejected as some micro firms have shown the potential to achieve higher star ratings (Failte Ireland, 2010). Many five and four star hotels emerge in the context of larger organisational structures, due to the benefits of the implementation of formal management systems and greater availability of resources. However, there are opportunities for tourism micro firm hotels to attain such accreditation, thereby limiting the possibility of the researcher using one/ two star hotels as a search selection for micro firms. This is also confirmed in discussions with Failte Ireland representatives. Were random selection to be used, twenty firms from the database of nine hundred would be chosen, with the first five forming part of a pilot study. Therefore every forty fifth hotel would be chosen. Were this firm not a micro firm, the forty sixth would be selected. The process would then continue until a randomly selected cohort is identified.

The adopted definition of a micro firm in this study is one employing 1-10 people (EU, 2010). However beneath this apparent definitional simplicity micro firms exhibit a great variety of ownership structures including family businesses, investment vehicles, one person firms and start-up firms (Greenbank, 2000). The selection also seeks to investigate managerial capability and therefore the firms selected omit those which are not managed by the firm's owner, in effect excluding firms where the owner simply invests in the firm and pays a professional manager to run the firm. This is would be achieved by examining the databases in detail and contacting selected hotels to verify that this firm fitted the selection criteria. This researcher would make contact with the firm by telephone and ask the question, and where the firm selected does not meet the criteria, another firm would be randomly selected. Many micro firms are family firms (Wheelock and Baines, 1998) with the close relationship between family and business in most micro

firms leading to various degrees of family influence on business life (Phillipson *et al.* 2004). Therefore, it is anticipated there are firms in the selection with strong family influence, however no more than in any other selection of micro firms, due to the random nature of the selection.

An initial level of work is undertaken by the researcher in profiling the firms in the database, through internet searches of each individual firm with the aim of identifying suitable micro firms. There are challenges in terms of ensuring firms are still in operation. Further, while intuitively it is possible to eliminate certain firms on the basis of size by number of bedrooms or other indicators of scale, it is not possible to immediately determine whether a firm is a micro firm in nature or not. Alternatively, the researcher is aware that a non-random approach to the selection could be undertaken. The non-random approach would enable the researcher to select firms on the basis of theoretically determined choice or through snowball sampling (Venter, Boshoff, Maas, 2005; Fiegner, Brown and Prince, 1996). The researcher could through a non-random method, avoid the limits of firms within the database referred to above. A comparison of the random selection and non-random selection design are shown in the 4.11 below.

Table 4.11 Comparison of random selection of micro firms and non random selection

Benefit of random selection	Benefits of non random selection
Potential development of a study based on identifying a measure of micro firm innovation.	Deeper insight into managerial processes through closer relationship between researcher and researched
The randomly selected firm owner/ manager may appreciate the lack of a relationship with the researcher and volunteer more information- i.e. being part of a network of firms may have a limitation	Accepts phenomenology- Managerial capability for innovation lies in the mind of manager rather than objectively existing as with innovativeness/ innovation orientation- sense making perspective
Random selection, though not random in terms of generalizability, takes away potentially damaging researcher bias in selection of firms.	Using non-random selection until theoretical saturation is achieved is as effective as random selection- random selection must reach theoretical saturation
Potentially wider than non random- select firms in different environments/ family contexts	The limited nature of the hotel database means the selection is already limited and precludes levels of generalizability/ objectivity.
	Overcomes the danger of pre judging the nature of micro firm innovation as it becomes possible to select different types of firm deliberately

	(Simpson, 2001)
	Depends on depth of interviews rather than partitioning the selection for different types of micro firm
	Micro firms have common social features, are social entities regardless of differences
	The research is exploratory with emergent design- there is acceptance of lack of understanding of the nature of innovation/ managerial capability for innovation- to suggest random selection is better is a prejudgement of where innovation may lie/ how best it may take place
	New insight in snowball selection from conversations- new knowledge might bring about the study of a very different type of firm than initially anticipated and not possible with random selection
	Easier identify the ownership/ family context than in random selection
	More quickly appraise indirect impacts on the firm- the context of the business understood more quickly than if one off visit.

Random selection offers an advantage were a clear definition of innovation to be established. For example, through the process of further development of the database it might be possible to identify levels of innovativeness or innovation orientation in the firms of the database. This has been confirmed in previous studies in the literature (Walsh *et al.* 2009; Siguaw *et al.* 2006). The research might then proceed to identify a number of firms high in one of the indicators of innovation (e.g. innovativeness) and seek to establish the nature of managerial capability in that cohort of firms. Critically it might be argued there is difficulty linking managerial capability with innovation and that the innovation might occur from other influences, such as employees (Matlay, 1999) or wider influences from the environment (North and Smallbone, 2000). Innovativeness as an organisational level construct devised in larger firms (Hult *et al.* 2004), may offer limited insight into the micro firm where the research base on innovation is more limited (Simpson, 2001). It is argued that taking a more exploratory research approach to micro firm innovation avoids making pre judgments as to the nature of micro firm innovation (Thomas *et al.* 2011). The nature of the research is exploratory and this is reflected in the research question, suggesting that non random selection offered a more open way of answering the question (Simpson, 2001).

There are a number of benefits of using a non random selection process. Where snowball selection (Silverman, 2010) is used it is possible to benefit from the deep nature of existing relationships between owner/ managers and their firm's stakeholders. Therefore the researcher may gain better insight into owner/ managers who are more willing to trust the objectives of the research and are willing to share more freely. Critically, it might be argued that where stakeholder ties are strong, a firm may be reluctant to disclose information. The reluctance emerges from fear of leaking information on competitive advantage to a rival firm. Therefore the random selection approach might see more free information emerging as the owner/ managers are more assured about the anonymous and confidential nature of the research, given the more formal and detached approach from the researcher. For in the random approach firms which have at best weak ties to other firms are more likely to be selected.

The phenomenological approach to research assumes managerial capability for innovation exists as a mental phenomenon, as opposed to something measurable. This is reflected in the subjective nature of the research question: What is the nature of tourism micro hotel firm managerial capability for innovation? Therefore it may prove as useful to use a non random selection of firms as one based on random selection. It has been argued that random selection provides access to a wider type of micro firm. For example in a large selection of micro firms, Greenbank (2000) encompasses a number of industries. However, where negative case analysis is continually used as part of the research practice, non random selection offers similar benefits. For example, as part of the research review process, should a question be posed as to the impact of some aspect of the micro firm environment, on managerial capability for innovation, it is possible to select such a firm, through adding another firm as part of non random selection.

4.11.1 Selecting in-depth interview participants

The particular research method chosen is the in-depth semi structured interview. Interviewees are given time and assisted by the researcher to present their understanding of micro firm managerial capability for innovation. The resultant picture is one of

research depth into common processes in micro firms (Fillis *et al.* 2004) and again this process can be achieved as adequately with a non random selection as with a random selection. The research is exploratory in terms of investigating micro firm innovation (Simpson, 2001) and the related topic of micro firm managerial capability for innovation (Thomas *et al.* 2011). Therefore a non random approach allows the researcher to select firms suiting the needs of the research and to make alterations as the research process develops. This reflects the emergent nature of qualitative research (Patton, 1990). The researcher is an explorer (Kvale, 1996) continually developing new awareness of his surroundings and continually realising through the process of reflexivity, the need for cases to enable new insight.

Selection of firms non randomly where the researcher benefits from existing awareness of the firms- for example from snowball selection (Silverman, 2010) or from membership of a network enables the researcher to gain preliminary insight into the firm prior to carrying out the research. Taken alongside necessary research precautions in terms of reflexivity and taking caution to avoid capturing dirty data the insights help the researcher gain better insight into the nature of micro firm innovation and micro firm managerial capability for innovation (Phillipson *et al.* 2006). In contrast a more detached random approach does not present the opportunity for the researcher to gain such preliminary insight.

The common features of micro firms as social entities are argued in the literature, both internally in the firm and externally in terms of embeddedness. Therefore it is possible to study any tourism hotel micro firm and gain insight into managerial capability for innovation. In contrast a design based on random selection assumes the common features but assumes the importance of other differences. For example differences in geography, resource levels, the micro firm culture, family influence all are argued to impact on the performance of the micro firm (Morrison, 2006). However, a non random selection does not ignore such differences, merely taking account of their contribution to the research story, as opposed to attempting to screen them out to manageable levels in a manner

reminiscent of quantitative research. Therefore a non random selection process is as adequate as random based selection.

Snowball selection (Silverman, 2010) can allow the researcher to develop new insights as through informal conversation with interviewees or those close to the networks of the micro firm industry, it is possible to identify an opportunity to research a firm representing an emergent area of interest during the research process. A similar process is not possible with the greater rigidity of the random selection process. Finally, the limited nature of the hotel industry database combined with the limited number of micro firms in the database suggest that any attempt to imply levels of generalisation to the wider population of micro firms fails. Therefore the perception of impartiality associated with the term random is mere appearance as opposed to representing truth. Further, the very nature of the interpretivist study accepts the benefits of non random selection.

Having considered the benefits of both random and non random selection the researcher has decided to use the non random selection approach. The arguments developed above have led to the decision. Further, the non random selection process is in keeping with the philosophical position of the researcher outlined earlier in the research methodology chapter. The resultant interpretivist philosophy of research extends to the ontological and epistemological pillars of the research methodology chapter. The researcher uses various methods of contacting firms. For example the first five firms in the pilot study are contacted through personal networks to which the researcher belonged. Further interviews are made possible through extensive use of email to target specific firms which appeared suitable to the stage of the research. The template used to contact firms in this way is presented at Appendix C. Some use is made of snowball sampling where an owner/ manager interviewed suggests another firm which suited the researcher's needs and which made contacting the firm easier. The researcher is conscious of potential repetitive data emerging from contacting firms which are part of mutual networks, however, this does not hold up in the experience of the interviews. For example interviewee seven suggests contacts leading to interviewee nine and twelve, but the firms and owner/ managers differ greatly in many ways. Similarly, interviewee six suggests

interviewee eight, and though both belong to a common business network, there is wide divergence in their business strategies. The firms selected are presented at Appendix F.

4.12 Defining the ‘owner/ manager’

In the existing literature owner/ managers are assumed to have considerable diversity, yet it is argued that within a large sample of firms a degree of commonality in the characteristics make it logical to speak of the construct of an owner/ manager (Greenbank, 2000). Table 4.12 below serves the dual purpose of identifying previous methods used in micro firm research and in defining the owner/ manager.

Table 4.12 Defining the owner/ manager

Definition	Research aim	Methods	Literary source
Crucial role (p.19) in driving strategy and in supplying knowledge based skills	To understand the role of electronic channels in micro business	Six in-depth interviews / cases	Karljaluto and Huhtamaki (2010)
Dominant owner/ manager shaped by micro firm and community context	To understand the practical reasons guiding owner/ manager’s behaviour	Theoretical paper	Cyr <i>et al.</i> (2011)
Owner/ manager motivated by lifestyle and business motivation	How micro firms use Web 2.0	Twelve firms in case study	Barnes <i>et al.</i> (2012)
Dominant influence assumed as power behind business in terms of management and ownership	Why micro firms engage in e business	18 in-depth interviews	Fillis <i>et al.</i> (2004)
Owner of business taken as key insight into co-operation activity	Nature of co-operation in local business networks	Case study of two villages; interviews with owners and with local business interests	Phillipson <i>et al.</i> (2006)
Owner of business taken as manager regarding decision making / human resources	Nature of human resource practices in micro firms	Large scale quantitative and qualitative study based on yellow pages database of businesses (540 face to face interviews)	Matley (1999)
Owner taken as key influence on decision making; unit of analysis in study is individual decision	Nature of micro firm strategic decision making	Sample from I.T. micro firms and firms selected on basis of willingness/ ability to impart data	Lieberman-Yaconi <i>et al.</i> (2010)
Owner taken as key informant in study of impact of a crisis on	Impact of crisis on rural micro firms	Centre for rural economy database, University of Newcastle (UK); large	Phillipson <i>et al.</i> (2004)

micro firms.		quantitative study with use of interviews with 'high impact' micro firms to deepen investigation	
Owner assumed to be key managerial influence.	Micro business and household social inclusion	45 interviews with Norwegian and English micro firms; a comparative study. Firms selected reflected diversity of industry, and considerable emphasis on gender of owner/ manager.	Oughton <i>et al.</i> (2003)
Owner assumed to be manager in sample; though literature argues the great diversity of micro firm types.	Nature of objective setting process in micro firm	Sample of printing/ building and accounting micro firms. Semi-structured interviews (55) allowed a degree of quantitative analysis.	Greenbank (2000)
Study of family in business; interviews with the owner & another family member	Nature of interaction between family and micro business	Two part study; quantitative (200) and qualitative (24 interviews)	Wheelock and Baines (1998)
Common features of micro firm' and their management despite diversity of types of micro firm (Devins <i>et al.</i> 2005)	A model of training for the micro firm	Conceptual paper	Devins <i>et al.</i> (2005)
'one person organisation' (p.523)	A model of micro firm management	Conceptual paper	Kelliher and Reintl (2009)
Assumption of owner/ manager premised on Greenbank (2000)	The nature of micro firm business needs from policy perspective	19 interviews and 91 surveys	Samujh (2010)
Owner/ manager as sole proprietor of micro firm	The role of the owner/ manager in adoption of technology	Longitudinal case study	Jones <i>et al.</i> (2014)
Owner/ manager embedded in learning community	The development of micro firm learning community	Longitudinal case study	Reintl and Kelliher (2014)
Entrepreneurial individuals	Network capability in micro brewing- cross cultural comparison	Fourteen in-depth interviews	McGrath and O'Toole (2013 a)
Night stall owner/ managers- emphasis on entrepreneurial activity	Impact of cooperation on innovation	Multi method- interviews preceding a survey	Tu <i>et al.</i> (2014)
Professional identity within industry context	Patterns of innovation in Welsh dairy industry	Case studies- included some micro firms among small and medium sized firms	Morgan (2013)
Owner/ manager both legal owner of firm but also possesses authority based on being head of long lasting firm in a	Cooperation in micro business in an Italian locality	Semi structured and telephone with ten owner/ managers from a total of sixteen in locality	Alonso and Bressan (2014, b)

local artisan cluster			
Owner/ manager as originator of strategy	Safety management impact on micro firm	Survey	Farina <i>et al.</i> (2015)
Emphasis on professional management capability in travel agent context	ICT impact on supply chain management	Survey	Llach and Alonso-Almeida (2014)
Owner/ managers assumed to be dynamic entrepreneurial individuals, without ties to locality	Eco innovation in rural firms	In-depth interviews formed basis for case studies	Martin <i>et al.</i> (2013)
Owner/ managers assumed to be the key locus of strategy for the firms	Environmental sustainability in a wine industry cluster	Micro firms part of the study- Multi method using interviews and survey	Grimstad and Burgess (2014)
Owner/ manager as originator of strategy	Open innovation	SME context- survey method	Verbano <i>et al.</i> (2013)

Phillipson *et al.* (2004), justify the use of a very large sample using survey methodology, with a small number of interviews as cases for in-depth analysis, through their research question being focused at the impact at firm level, rather than that of the owner/ manager. Therefore their study also assumes the owner/ manager is the owner of the firm. A similar approach is taken in the study of firm level co-operation where the owner/ manager of forty three local firms are interviewed in a multiple case study approach. Liberman-Yaconi *et al.* (2010) argue for the use of in-depth interviews, again with owners of information technology firms, in a study of strategic decision making, but use the unit of analysis as the individual decision. The present study seeks to focus on managerial capability for innovation in micro firms, therefore requiring clearer identification of the owner/ manager as one possessing common characteristics, and due to the small size of the sample it can be argued that it is important that unusual characteristics are not present. On the other hand it might be argued that the owner/ manager, by virtue of a common micro firm context, plays a role with similarities in micro firms, and that in the present study if there are firms where the owner/ manager's role is somewhat different, this simply reflects the random nature of the sample.

The research method focuses on the person of the owner/ manager who plays a highly influential, dominant role in the micro firm (Karljaluto and Huhtamaki, 2010). Understanding the micro firm is best achieved through 'the uncovering of owner/

manager factors such as attitudes, behaviour, competencies, culture and values' (Fillis *et al.* 2004: 350). Employees potentially influence innovation in micro firms (Corrocher *et al.* 2009) but the present study focuses on managerial capability for innovation. While it is arguable that employees play a greater role in managerial capability in the micro firm, through the process of shaping the culture of the firm (Lieberman-Yaconi *et al.* 2010), the culture is only as useful in impacting on managerial capability as the owner/ managers utilisation under a resource based perspective (Kelliher and Reinl, 2009). Within the existing micro firm literature studies of firm co-operation (Phillipson *et al.* 2006); strategic decision making of the firm (Lieberman-Yaconi *et al.* 2010) and micro firm strategic response to an environmental emergency (Phillipson *et al.* 2004) argue the need for the owner/ manager to be the key aspect of the research, due to the high level of influence of that individual on the firm.

Owner/ managers are argued in the literature to play a dominant role in the life of the micro firm. While it can be argued that the term dominant introduces a bias into any research of micro firms, perhaps that bias emerges from an over simple understanding of the term. Dominance in the micro firm emerges from a power emerging from ownership, management and operational involvement in the processes of the firm (Greenbank, 2000). It comes about from the context in which the owner/ manager identifies with the micro firm as an extension of owner's community based identity (Phillipson *et al.* 2006). Finally dominance emerges from the owner/ manager as shaping the strategy of the firm situated at a key point among a set of stakeholder ties (Atterton, 2007; Devins *et al.* 2005).

Care is taken in the research instrument development to allow for critical discussion in the interview with managerial perception of other influences on managerial capability. For example, premised on Matlay (1999) open questions are asked about the role played by employees. Doubtless it can be argued, specifically using a case study methodology, that comparing managerial and employees perceptions of managerial capability for innovation would have been preferable, however contrariwise it can be argued that the willingness of owner/ managers to be sufficiently open about their role in encouraging

innovation, when potentially challenged by employee perspectives is limited. Finally, the nature of the micro firm is such that two owner/ managers may share the management of the firm with varying degrees of control and influence (Oughton *et al.* 2003) with the micro firm often being embedded in a family context (Wheelock and Baines, 1998). The present research design contains four interviews where both owner/ managers took part offering insight into the dynamics of the interaction of two owner/ managers.

4.13 Managerial perception of innovation

The inadequacy of using established constructs, for example innovation capability (Branzei and Vertinsky, 2006) and innovation orientation (Siguaw *et al.* 2006) has been argued earlier in the methodology chapter. It has been decided to focus the research on managerial perceptions of innovation. Critically, it can be argued that managerial perceptions do not create effective innovation. However, the extant literature shows considerable gaps in terms of our understanding of the nature of micro firm innovation (Corrocher *et al.* 2009; Simpson, 2001). It can be argued that through a survey method a wide and statistically generalizable approach to generating an answer to the question as to the nature of micro firm innovation would be useful. However, the contextual and social nature of micro firm innovation has been argued through the development of the literature review, specifically the embedded nature of innovation. Therefore through the process of interviewing owner/ managers and establishing their perceptions in a critical way, greater insight into the nature of micro firm innovation is possible. Perhaps most importantly, the processes underpinning the interview approach premised on perceptions, seeks to avoid pre judging what innovation might be or should be, as may occur using frameworks established for use in larger firms (Thomas *et al.* 2011). For example Gibson (1998) uses interviews to capture the wider nature of managerial work of financial controllers, who otherwise are argued to present information on their work narrowly within the confines of their profession as accountants.

However the research question is: *What is the nature of tourism micro hotel firm managerial capability for innovation?* Investigation of the perception of owner/ managers further enables evaluation of how perceptions of innovation interact with

managerial work in the micro firm. A positivist approach to the present research question might seek to triangulate the perceptions of owner/ managers with other perceptions, for example employees or even stakeholders such as investors/ suppliers, customers and policy makers. A wider perceptual framework of innovation activity, or potential innovation activity, might thereby be possible. On the other hand, greater analysis of the actual managerial work behind innovation is possible through concentrating on the perceptions of the owner/ managers. Supporting this perspective, the academic literature argues the need for engagement with the perspectives of owner/ managers, as opposed reliance on the application of managerial models from other firm contexts (Lieberman-Yaconi *et al.* 2010; Devins *et al.* 2005; O'Dwyer and Ryan, 2000).

The micro firm literature establishes the vital strategic role played by the owner/ manager in shaping and implementing strategy (Alonso and Bressan, 2014 b; Lieberman-Yaconi *et al.* 2010; Phillipson *et al.* 2006). Managerial perceptions play an important role in the formulation and implementation of strategy as managerial perceptions of the internal environment and external environment of the firm shape managerial motivation and assessment of the need for strategic change and the nature of change required (Anderson and Paine, 1988). The process of enactment of managerial perceptions of strategic change emerges where environments are not objective structures but socially constructed models premised on managerial perception where the essence of strategic management is in the creation of shared meaning in an organisational context (Smircich and Stubbart, 1985). The in-depth interview method enables the researcher to access the perceptions of the micro firm owner/ manager (Lieberman-Yaconi *et al.* 2010) and the processes through which the owner/ manager creates shared meaning. Often the nature of the owner/ manager's thinking is 'haphazard, chaotic and non-linear' (Fillis *et al.* 2001: 768), and at variance with models of managerial capability rooted in the literature of larger firms. Therefore greater understanding of micro firm innovation and the managerial processes underpinning innovation is enabled.

4.14 Theoretical saturation

Based on previous studies of micro firms as outlined in table 4.12 above, the researcher considered (based on random sampling) that between ten and thirty interviews were suitable in the present research context. However, having applied non random sampling in this study, an alternative approach to the number of interviews is taken. The approach is to continue taking extra interviews until there is no longer considered to be any further value in taking another interview, from the perspective of answering the research question. Such an approach is based on the concept of theoretical saturation. Theoretical saturation is arrived at when the ‘marginal improvements become small’ (Eisenhardt, 1989: 533), allowing the researcher to be satisfied that the logic underpinning the study is sound. In similar manner, Auerbach and Silverstein (2003) argue that theoretical saturation is achieved when the same story is being told from the data and no new concepts are emerging.

Guest *et al.* (2006) define theoretical saturation as the point at which no new themes emerge from the data and codes remain stable. However there are challenges in recognising when saturation point is achieved (Blaxter *et al.* 2001). It is necessary that clear explanation of how saturation is achieved be presented (Bowen, 2008). Eisenhardt (1989), investigating the development of theory from individual case studies, argues that around ten cases enable theoretical saturation to be reached, whereas with four cases it is difficult to generate theory and beyond ten the data complexity becomes overbearing for the study. However, ultimately the number of interviews depends on the appropriateness of the research design, given the research question, and on the depth of analysis undertaken (Draucker *et al.* 2007; Sandelowski, 1995). Taking a critical perspective on Eisenhardt (1989), her work refers to case study research and giving consideration to the in-depth interview it is deemed necessary to use a greater number of interviews in order to arrive at theoretical saturation, hence the present study’s use of twenty interviews.

Reflecting back on the data collection phase of the research, from November 2013 to March 2014, the researcher kept in continual contact with supervisors for advice given

the emerging themes noted during preliminary analysis. The researcher also maintained notes in the form of post interview reviews of any notable themes emerging, immediately after the interview. Specific milestones were reached on the completion of the pilot studies and when there was contentment with the research instrument, in term of the capability of the instrument to capture data relevant to the research question. At interview twelve, the researcher was satisfied with the emerging themes, and wondered if the requisite number of interviews had been reached. However, there was interest in developing greater knowledge of an urban guesthouse operated by an owner/ manager who appeared to have a high level of business development in terms of focus and background, therefore interview thirteen was useful. Again, theoretical saturation was felt to be near when interview seventeen, appeared somewhat similar to previous interviews, for example interview fourteen, in terms of the motivation and perspectives of the owner/ manager. However, the opportunities offered by the uniquely vegetarian guesthouse at interviewee eighteen, the urban guesthouse in a major city at nineteen, the environmentally motivated bed and breakfast at twenty and the almost entrepreneurially operated interview twenty one were considered worthwhile. The researcher was content that theoretical saturation had then been achieved at interview twenty one and proceeded to deeper analysis using NVivo. Supervisor discussion confirmed satisfaction, though there are always arguments for continuing the number of interactions with new interviewees, as due to the emerging nature of the research and the complexity of social reality, one can never be entirely certain that saturation is achieved. Hence a level of balance with time constraints, theoretical development and potential contribution of the research is necessary.

4.15 The semi structured interview- components

The semi structured interview creates a tension between the relatively flexible approach of the unstructured interview, where few questions are used in order that the interviewee disclose a personal story and the structured interview which approaches the survey in some of its manifestations (Handler, 2004). An interview guide is used in the semi structured interview in this study in order to help the interviewee focus on topics deemed important through the literature review (Anna, *et al.* 2000). There are three important

parts of the interview guide (Guion *et al.* 2010): (1) The face sheet recording the date, time, place of interview, any special circumstances about the interview and some demographic information about the interviewee. (2) The interview questions, placed on the left hand side of the page allowing space on the right hand side for written observations. (3) The post interview comment sheet, enabling the writing of notes on feelings, interpretations and comments which occurred during or with regard to the interview. The importance of written observations and field notes are that they enable the researcher to reflect more holistically and critically on the perspectives through which he perceives the data (Eisenhardt, 1989).

4.16 The interview guide

In the micro firm context Barnes *et al.* (2012) argue the use of a standardised protocol and open ended questions enables comparison to be made across interviews, facilitating the data analysis process. Though the same significant questions are asked in each interview (Appendix D), the interviewer gains a flexibility to alter the sequence of questions and may use probes to clarify or deepen insight (Fielding, 1993 cited in Tinsley and Lynch, 2001). Alteration of the sequence of questions enables the researcher to leverage potential moments of insight in this study, where the interviewee's thought processes begin to answer a question outside the question being answered, but within the interview guide (Foddy, 1994). The interviewer can then use judicious use of flexibility and allow the interviewee develop an answer to the question.

The interview guide helps the researcher focus on specific topics, thereby insuring the material is covered, but also that the time in the interview is managed (Patton, 1990). From the perspective of the interviewee the guide also helps give a logical shape to the interview, avoiding boredom and undue confusion (Guion *et al.* 2010). For example, in the present research, the interview template begins with relatively general questions on innovation, in order both to acclimatise the interviewee (Foddy, 1994), but also to develop confidence in their ability to answer the questions (Gerish, 2000). In essence questions are almost nascent themes, emerging from the literature review (Bloom, 2005) and thereby the beginning of a dynamic critical process between the literature review and

the data from the field. The guide though is only directional and the researcher must allow for unexpected events during the interview (Foddy, 1994). For example a question may be answered in such a way as to provide the answer to a later question, in effect reflecting the need for the researcher to be continually flexible in approach (Kvale, 1996).

4.17 Interview questions

A number of recommendations have been followed in the development and sequencing of interview questions. The interview begins with questions of a general nature and moves to those which are more specific (Dooley, 2001), easing the cognitive burden on the interviewee who may be ill at ease in an unfamiliar context of an interview with a relative stranger (Turner, 2010). Similarly questions which require interviewer aid, as in probing, are left until simpler questions are complete (Kvale, 1996). Through the process of engaging with the research topic the interviewee can gradually become more focused on the topic and be better able to answer more complex questions as the interview proceeds (Robson, 2003). Questions thought to arouse a positive response are asked before those which are more likely to elicit a negative response (Legard *et al.* 2003). Leading questions are avoided through careful choice of words and grammar, thereby avoiding a source of bias where the interviewer, perhaps inadvertently, steers the interviewee towards pet theories and hunches or perhaps towards data which fits with his theory (Lofland *et al.* 1994). Complex questions are avoided as they risk generating misunderstanding (Legard *et al.* 2003). Where more complex topics need to be approached they are investigated through either the splitting up of questions or through the use of probes in tandem with questions (Kvale, 1996). The interviews build on the interpretivist approach where the researcher seeks to understand the world view of the interviewees through the process of comprehension of the ‘culturally appropriate concepts through which they conduct their social life’ (Steyaert, 1998: 26).

Throughout the interview probes are used to develop the initial response to the interview question (Appleton, 1995). Probes take due account of the danger of introducing data contamination, specifically helping steer the interviewee towards answering the question (Bowen, 2008). At the completion of the interview guide the interview reaches the

conclusion stage. The interviewer may invite extra comments from the interviewee and through this process valuable insight or clarification of earlier data may be reached (Broom, 2005). The interviewer thanks the interviewee and reiterates the important contribution made by the interviewee. The interview is argued to be a focused human contract between interviewer and interviewee aimed at uncovering new knowledge (Foddy, 1994) and the interviewer is required to take steps, such as formally thanking at the end of the interview, in order that the relationship is maintained. The benefit of the contract may be apparent, if the interviewer requires future contact with the interviewee in order to confirm the data (Guba and Lincoln, 1985), making the process of re engagement smoother.

4.18 Pilot interviews

Five pilot interviews are undertaken and the final data collection takes place through the use of fifteen further interviews. For the purpose of data analysis all twenty interviews are used. On completion of the pilot interviews an appraisal of the interview method in the present study and the associated data analysis is made, in consultation with experts in the area and through this process improvements are made. Previous academic research into the interview method argues a number of benefits of the use of pilot interviews. Language used may lead to semantic confusion and the obscuring of the intention behind the question (Uzzi, 1997). Question sequencing may be poor leading to poor flow of the interview (Robson, 2003; Appleton, 1995). The time allowed for the interview may be inadequate (Bantel and Jackson, 1989). Simultaneously there may be challenges in the data analysis process (Brunk, 2010). The researcher must make decisions on coding the data and building models from the coded data (Bazeley, 2007) and while the researcher has undertaken training in the NVivo software, there are challenges in dealing with live data (Crowley *et al.* 2002). Pilot interviews acclimatise the researcher to the process of managing the relationship with the interviewee, potentially enhancing the researcher's capability to extricate data from interviewees who are reluctant to comment (Patton, 1990). Similarly pilot interviews enable the researcher to develop awareness of communication problems which may arise due to interviewee misunderstanding the purpose of the study (Van Teijlingen and Hundlay, 2010).

The questions focus on a particular topic from the literature review and, for each topic, questions follow a sequence of increasing complexity. This enables the interviewee to gradually engage with and have greater understanding of the topic, as opposed to being cognitively overburdened and reduced to providing relatively shallow answers (Handler, 2004). The interviewer and interviewee come to the interview separated by different professional focus (Sandelowski, 1995), and in a micro firm context it is argued the interviewer must facilitate the communication process through the process of bridging the communication divide by the use of language and questioning appropriate to the social world of the micro firm owner/ manager (Cyr *et al.* 2011). The use of probes insure depth of response is achieved where a single question is likely to provoke a shorter response (Legard *et al.* 2003).

As outlined previously, there are three main *research objectives*:

1. To investigate the nature of innovation in a tourism micro hotel firm context.
2. To critically explore managerial capability for innovation in a tourism micro hotel firm context.
3. To propose a model of managerial capability for innovation in a tourism micro hotel context.

The research objectives take an approach, premised on the study of innovation in small firms that innovation is socially constructed, and based on the perceptions of owner/managers (Perkes and Moxey, 2011; Hotho and Champion, 2011; Massa and Testa, 2008; Barrett and Sexton, 2006). The semi structured interview places people in their social context and presents the researcher with an opportunity to develop understanding of the interviewees perceptions of their own activities (Hussey and Hussey, 1997 cited in Kelliher, 2005). Small firm studies of innovation management highlight the importance of asking open questions such as: ‘What do you mean by innovation?’ (Massa and Testa, 2008: 396); ‘How can you define a favourable environment for innovation?’ (Massa and Testa, 2008: 396); ‘What is the general motivation for firms to innovate?’ (Barrett and

Sexton, 2006: 343); ‘What key events trigger innovation?’ (Barrett and Sexton, 2006: 343); ‘What is the nature of the innovation processes in the small firm?’ (Barrett and Sexton, 2006: 343); ‘What are the key capabilities for innovation in small firms?’ (Barrett and Sexton, 2006: 343). ‘What contextual factors impact on innovation?’ (Perkes and Moxey, 2011). ‘Can you suggest an example of an effective policy to foster innovation?’ (Massa and Testa, 2008: 396).

The interview questions are organised into sections dealing with specific aspects of micro firm innovation and managerial capability emerging from the literature review. Structuring the literature into sections has both advantages and disadvantages. It helps the interviewer create links between the literature and specific questions (Carcary, 2009). Further the interviewer can focus in greater depth, for example through the use of probes, confident in the knowledge that all aspects of the literature reviewed will be captured in sequence (Kvale, 1996). Similarly, time management within the interview benefits from greater ability to organise the time into slots (Hennink *et al.* 2011). The use of sections also enables the interviewee to be more confident when answering, secure in the knowledge that the questions are addressing a specific topic (Di Domenico and Miller, 2012). Moreover the interviewer may assist by introducing each topic, thereby clarifying the topic (Flick, 2011).

Critically, there are dangers that the use of sections may lead to an overly rigid approach where the interviewee fears opening up for fear of moving outside apparent guidelines (Steyaert, 1998). The interviewee may also become trapped in by his perception of what is required within a topic, and be reduced to giving a standard answer, with little depth and displaying little connection to the owner/ manager’s actual managerial work (Cyr *et al.* 2011). Bearing in mind the criticisms and advantages of the interview guide the decision is made to include the guide. However the relevant precautions, of explaining the topics and allowing time, both between sections and at the end of the interview for researcher led comments are built into the design. The guide is influenced by O’Donnell (2011)’s advice, in the context of small firm marketing, to use simple language, repeated phrases and short questions, often beginning with how and what as a tool to develop

understanding of the very small firm. Prior to the interview process, the researcher establishes that the firm is managed by the owner/ manager, as opposed to simply being an investment vehicle managed by a professional manager. The number of employees is ascertained by way of determining if the firm is micro firm in nature. Firms selected for the study are assigned codes to preserve their anonymity. The emergence of the interview questions from the literature review is shown in Appendix D.

4.19 Data management and analysis

The NVivo software package is used to aid data analysis. Volumes of data are large in qualitative research and the software enables time to be saved and accuracy to be maintained as the researcher makes use of memos to enable coding of the data (Dooley, 2001). It is also anticipated that the software package enables more time to be spent critically analysing the process of emerging themes, as opposed to engaging in more operational tasks (Bazeley and Richards, 2005). These operational tasks can be performed by the computer. Additionally the software package enables the emergence of themes and the development of critical analysis, through the use of memos, nodes and models features of the package (Bazeley, 2007). Finally the use of NVivo generates maps of the researcher's thinking over time allowing the researcher to work more strategically in reviewing major decisions made in the emergence of themes and enabling other scholars to understand the processes underlying the decisions (Flick, 2011).

Data analysis takes place simultaneously with data collection enabling the researcher to continually find emergent themes and to practice reflexivity throughout the research (Bazeley, 2007). Simultaneous data analysis is criticised as inducing researcher bias through the process of limiting the researcher's ability to take an overall view of the data as the researcher focuses overly on individual cases to the detriment of an overall picture (Pope *et al.* 2000). On the other hand the development of deeper researcher understanding of the data is developed through deep interaction with individual interviews (Grbich, 2012). Further, the emergence of new themes in the data becomes possible as the researcher engages a critical engagement with each individual case as opposed to taking an overall view of the data which may limit the emergence of patterns

in the data disconfirming the researcher's theoretical expectations (Miles and Huberman, 1994). The process of simultaneous data analysis implies that the initial type of analysis will be within the case. On completion of the interviews it is possible to use across case analysis to compare the themes and categories emerging within the in case analysis. The across case analysis is used to explore the similarities and differences in answers to specific interview questions (Eisenhardt, 1989). However caution must be taken with this approach in that, applied rigidly, it allows no scope for the emergence of themes which may not fit within the pre-existing theoretical model of managerial capability for innovation (Andersson *et al.* 2002).

Initial data analysis takes the form of searching the data for themes emerging from the literature review (O'Donnell, 2011; Kelliher, 2005). The search takes a critical approach, with the researcher aided by supervisor feedback, insuring that the emerging themes reflect an approach to the data that takes account of multiple interpretations (Thorne, 2000). An alternative approach, through the use of grounded theory, would see the researcher engage directly with the data and simultaneously engage with the literature review. Emerging from such an approach the researcher is argued to suspend bias as theoretical approaches which colour the researcher's thinking are removed (Strauss and Corbin, 1997). However, the present research approach argues that there is always an element of bias underlying researcher thinking. The development of advanced research capability on behalf of the researcher, therefore, is evidenced not in the removal of bias but in the accumulation of evidence within a particular theoretical background (Di Domenico and Miller, 2012). Moreover the development of a theoretical model from the academic literature helps the researcher map out important concepts which help answer the research question (Fillis *et al.*, 2001).

The qualitative researcher is not hampered from taking a critical role by the use of existing theory as it is possible to take a reflexive approach and to subject the research to periodic external evaluation (Barrett and Sexton, 2006). An approach premised on 'analytic induction' (Bryman and Bell, 2003: 426) is also considered. Under an analytical induction driven approach the researcher searches for universal explanation

within the data through the process of continually seeking negative cases (Anderson and Jack, 2002). The research hypothesis continually changes as negative cases are found. The iterative process continues until negative cases are no longer found. The present research approach focuses on existing lack of knowledge about managerial capability for innovation in context and also acknowledges significant knowledge gaps in understanding of micro firm innovation (Thomas, 2011; Simpson, 2001). Therefore while acknowledging the contribution a study premised on analytical induction might make in assessing the logic of the theoretical model developed, it is posited that the proposed approach enables gaining in-depth understanding of the nature of both innovation and the underlying managerial capability for innovation through selecting twenty owner/ managers non-randomly.

4.19.1 NVivo as a data analysis tool

The process of qualitative data analysis does not require the use of a hypothesis, as in quantitative research, instead the analysis proceeds through successive iterations of data analysis, premised on continual critique of the coding systems used (Gibbs, 2002). The NVivo software package is used to facilitate data analysis. Interview transcripts are initially saved as Word documents and then imported into the NVivo software package. The software enables the analysis and interpretation of the interviews in order to discover meaningful patterns descriptive of phenomena (Richards, 1999).

Initial analysis comprise the coding of text premised on both the theoretical framework taken from the literature review (Hothe and Champion, 2011) and the development of codes premised on text searches of the interviews, which may uncover phrases and terms used frequently. However care must be taken with the latter as the English language frequently has different meanings for single words and terms (England-Kennedy, 2008). Though NVivo possesses a function to cater for such common meaning, there are sometimes inadequacies in terms of how well the software assesses meaning in this way (Crowley *et al.* 2002). By way of contrast the human brain, steeped in greater contextual understanding of the language framed in a literature review and an academic discipline

may provide contrasting and at times superior analysis (Bazeley, 2007). Successive iterations of coding can be developed as the researcher critically reflects on existing codes and leads to the development of higher level coding manifest as themes and theoretical constructs (Auerbach and Silverstein, 2003). Further, the final theoretical constructs may not depend on the literature reviewed but emerge from a dynamic interaction between a new understanding of the literature as seen through the perspective of the interview data. Though a thorough review of literature has been completed, continual revisiting and development of the literature takes place alongside data collection and analysis, enabling one of the key benefits of qualitative analysis to be developed, that is where emergent themes and unique features of the data are allowed to crystallize (Eisenhardt, 1989).

Coding takes place through the process of the researcher attaching categories of meaning to highlighted text and allowing the software to store similar categories together in nodes. Over time nodes may be found to group together and enable the development of tree nodes where parent nodes comprise multiple children nodes, facilitating the development of improved conceptual thinking about the data (Leech and Onwuegbuzie, 2008). However, such thinking is only as good as the human logic underpinning the choices made and therefore it is vital that continual dialogue, between the researcher and the literature, often mediated by conference presentations and supervisor discussions, is maintained.

Continuing iterations of the data analysis facilitate the researcher in establishing an audit trail, whereby an outsider can determine the stages and logic underpinning the final theory developed (Kwortnik, 2003). In the present research context a reviewer of the research is able follow the coding of data and the development of models based on the interpretation of the coding. The ability of the researcher to write notes, called memos in NVivo, is particularly useful in this regard. Simultaneously with memos, the model function on NVivo allows the researcher to save conceptual models, in graphical form, indicating the development of the theory (Richards, 1999). Though an incremental study to theory building, often premised on quantitative hypotheses is sometimes useful a

qualitative approach can be superior. For example, Eisenhardt (1989) argues that a qualitative approach enables the critical engagement between two opposing theories and their interpretations of the data. Ishak and Bakar (2012) argue that the researcher beginning NVivo analysis is faced by a great deal of complexity and they posit that skill in analysis will only occur through both a level of planning, but also an acceptance that initial themes and theories are subject to change as improved theoretical understanding emerges.

4.19.2 Alternative approaches to data analysis

Other approaches to data analysis, within the qualitative paradigm of research are possible. Narrative analysis, where interview data is studied from the reference points of various participants with the view to the strategic construction of a plot (Polkinghorne, 1995) is one option and enables analysis of the power structures underpinning the micro firm world leading to the emergence of themes and categories. Critically, narrative analysis focuses on the underlying structures of socially created stories to the neglect of individual perspectives (Richmond, 2002) and in the present research the importance of the perceptions of the owner/ manager on the firm may therefore be neglected.

Content analysis (Bryman and Bell, 2003) offers the qualitative researcher the opportunity to investigate respondents' use of language in considerable depth as the researcher analyses the use linguistic structures and signs. While content analysis suggests the possibility of enhancing understanding of the deeper thinking underpinning managerial capabilities it is limited in disabling the interviewer who, in the present study plays a key role in probing and gaining a more holistic perspective than might be possible with content analysis (Hsieh and Shannon, 2005).

Ethnographic analysis is manifest where the researcher actively lives the life of the researched in order that there is direct experience of the culture shaping the respondents life. Through the process of conducting ethnographic analysis the researcher analyses data in the light of the lived experience (Thorne, 2000).

Grounded theory begins with line by line coding of an interview leading to more critical engagement by the researcher with the data over time and through reflection (Glaser and Strauss, 1967). The initial coding eventually becomes more abstract reducing the number of relevant codes and producing abstract concepts which are linked together in order to build theory grounded in the data. O'Donoghue (2006) argues the grounded theory approach to coding avoids the need for the use of data software packages such as NVivo, instead enabling the researcher to immerse in the data and facilitating the development of a well grounded *perspective* of the respondents to be developed. The term *perspective* differs from the similar *perception*, with the former rooted in close analysis of data, and the latter open to greater challenge, as something more fleeting, as in a picture which can be viewed in two entirely different ways. Grounded theory offers an alternative approach to data analysis. Grounded theory, in traditional form, takes a heavily positivist approach arguing the researcher must engage with many iterations of coding of data, in order to arrive at a relatively objective interpretation of the data (Charmaz, 2008). In strictest form, the approach argues different researchers arrive at similar conclusions from the data once sufficiently rigorous and numerous iterations of coding are carried out (Strauss and Corbin, 1997). An underlying assumption of the strict grounded theory approach is that the researcher can through successive iterations of coding and bracketing out of the researcher's own subjective bias and cultural influence, reach an objective view of the data. From the objective view of the data it is then possible to create a 'grounded theory', essentially a theory grounded in the data. Charmaz (1990) argues that based on alternative research philosophies rooted in interpretivism, the objective view of the data may be unrealistic, though the critical thinking developed through deep and critical analysis of data under the traditional approach to grounded theory analysis can remain useful. She suggests that grounded theory analysis can proceed with detailed coding, while there is simultaneous acceptance of the unrealistic goal of objectivity. Developing this approach Suddaby (2006) argues grounded theory is not presentation of raw data or application of formulaic techniques to data, rather it is about checking long standing assumptions / attentive to issues of interpretation.

Smith and Osborne (2004) argue based on their interpretive phenomenological analysis for an approach similar to grounded theory coding, where line by line coding takes place, based on researcher hunches. This takes place originally in the first interview. The interview is then reread with more developed themes emerging as the researcher gains more abstract perspective and the abstract perspective helps in the development of themes. Using the metaphor of a magnet where some major themes pull others, Smith (2004) argues theory development proceeds as another more abstract stage in rereading the data. In the context of the current research time constraints in getting the interviews complete and taking them as they arose would have made the Smith (2004) approach difficult. However, there is some use of immersion in each interview as it takes place, through post interview reflection.

The approach taken in the current study is based on phenomenology which seeks to unravel the essence of lived experience and where management is more than a process of control but has a human dimension (Berglund, 2007). Based on the literature review, the human dimension of management is seen in the paternalism (Kelliher and Reinl, 2009), the close stakeholder links (Phillipson *et al.* 2006; O'Dwyer and Ryan, 2000), the emotional aspects of management (Phillipson *et al.* 2004) and the importance of people relationships (Lashley and Rowson, 2010; Devins *et al.* 2005). Phenomenology bases analysis on significant statements aiming at the uncovering of the 'essence' of a concept (Creswell, 2014: 196).

Data analysis also requires more than simply the use of computer software. Eisenhardt (1989: 540) argues the need for the researcher to become 'intimately familiar with each case as a standalone entity'. Therefore the researcher can attain a degree of familiarity through skilled interviewing (Jick, 1979). The processes underlying the attainment of data familiarity are underpinned by a critically informed data collection process where the researcher engages with interviewees through actively listening and being alert to both the interviewee responses, but also cues from the context (Lofland *et al.* 1994). Karljaluoto and Huhtamaki (2010) argue that qualitative data analysis proceeds through the initial process of analysis within each interview to analysis which seeks to uncover

themes across the interviews. The initial phase of analysis within each interview enables the researcher to evaluate the data in-depth and sees the emergence of initial themes (Barnes *et al.* 2012). The phase of analysis across interviews seeks to develop theory building, and while initially depending on themes uncovered through the analysis of initial cases, eventually leads to the development of higher level conceptual analysis (Yin, 1981).

4.19.3 Analysing in-depth interview data

Kvale (1996) describes five approaches to the analysis of meaning in interviews:

- Condensation
- Categorisation
- Narrative
- Interpretation
- Ad hoc

Condensation simply reduces long statements to short statements, and requires both considerable judgment on the interviewer's behalf as it contains the danger of condensing the material out of its true context (Welch *et al.* 2002). However, where core concepts are encapsulated within data condensation it is possible to achieve the initial development of theory based on simplification of complex qualitative data (Miles and Huberman, 1994).

Categorisation involves coding of material, at its most succinct into tables or models enabling an enhanced communication of the interpretation to those reviewing the researcher's arguments (Burnard, 1991). Critically, care must be taken that categorisation does not take the form of over simplistic interpretation of data leading to models premised on superficial logic and inadequate grounding in data (Miles and Huberman, 1994).

Narrative analysis seeks to provide a temporal and contextual surround to the text, essentially enkindling a type of literary plot (Polkinghorne, 1995). Interpretation using narrative analysis seeks deeper engagement between researcher and participant, as in the psychoanalytic analysis of texts and interviews (Watson, 2008). The process of narrative analysis can lead to the uncovering of explanatory narratives shaping organisational life yielding novel interpretations of organisational behaviour (Alvarez and Urla, 2002; Polkinghorne, 1995). On the other hand narrative analysis can be more appropriate to research premised on theoretical approaches to organisational life rooted in critical theory. Furthermore narrative analysis focuses on the development of stories to explain organisational life as opposed to the significance of individuals (Boje *et al.* 1999). Therefore narrative analysis may be inappropriate in the context of the present research question on the nature of managerial capability, taking as is does a more deterministic approach to human activity.

Finally, ad hoc methods is an eclectic approach using ‘commonsense’ (Kvale, 1996: 193). It involves many different techniques but these include making metaphors for what the interviewer sees, clustering of similar meanings; differentiation of meaning and searching for intervening variables. The creation and use of metaphors enables the researcher to build themes in the data based on cognitive filters existing in the researcher’s perceptual processes and developed over time through socialisation and education (Lofland *et al.* 1994). Metaphors enable the researcher to rapidly interpret the data and, though subject to human bias, where the researcher takes a critical approach to the use of metaphors in data interpretation may see the emergence of new interpretations from the collision, deconstruction and creation of new higher level explanations in the form of metaphor (Kvale, 1996).

Clustering enables the researcher to bring together themes which appear to the researcher similar. Clustering is usually done through diagrammatic representation of the researcher’s thinking (Miles and Huberman, 1994) and through the process of visually representing the proposed relationships it is possible for both the researcher and reviewers of the research to critique the developing theory. Differentiation of meaning

guards against the researcher imposing his own world view upon the data, as might occur in a simplistic approach to data analysis premised on clustering of data. However, differentiation of meaning goes further and encourages the researcher to search for alternative patterns in the meaning of the data (Kvale, 1996). The search for intervening variables encourages a critical approach to the interpretation of the data through challenging emerging explanations with alternative theories filling gaps in the data interpretation (Flick, 2011). Though traditionally associated with quantitative research, within the qualitative paradigm the search for intervening variables helps the researcher to critically evaluate emerging theory and to recognise logical gaps (Voss *et al.* 2002).

An essential component of high quality research using an ad hoc approach to interview is a continuous engagement with critical authorities in order that the researcher is aware of the underlying processes through which interpretation is arrived at (Johannison and Huse, 2000). Through the process of this critical engagement it is then possible to accept the emergence of multiple interpretations from the data and to choose the most satisfactory premised on the research question and theoretical approach taken in the study (Lofland *et al.* 1994).

Data analysis can be facilitated by the use of techniques from quantitative research, such as tables and matrices (Miles and Huberman, 1994) where divergences between cases and within cases can be easily mapped, though caution is necessary in avoiding the tendency to over simplify patterns from the data or to import frames of interpretation based on quantitative methods to the interpretivist approach (Johannisson and Huse, 2000). Greenbank (2000) argues the usefulness of the quantitative aspects of semi structured interviews manifest as quantitative canons of reliability and validity. However, his research aim differs from the present research in seeking to uncover methods of objective setting in micro firms in addition to using the data to inquire into micro firm training: whereas the present research focuses uniquely on the owner/ manager but also seeks to investigate the perceptual world of that individual, as opposed to engaging with more objective quantities underpinning training and objective setting.

The use of a qualitative approach facilitates accessing the complex human and social processes underpinning managerial behaviour in smaller and micro firms (Gilmore *et al.* 2000). Specifically, in the micro firm the nature of managerial capability emerges in a highly embedded context (Phillipson *et al.* 2004; Wheelock and Baines, 1998) lending credibility to a qualitative approach where interviews are used to take a holistic approach. The holistic approach captures the interwoven nature of managerial capability as opposed to seeking to segment reality into discrete variables (Hennink *et al.* 2011). The segmentation of reality into discrete variables risks the creation of a sophisticated, yet artificial model of micro firm managerial capability over reliant on the theories from larger firms (Lieberman-Yaconi *et al.* 2010; Matlay, 1999) and possibly reflecting assumptions of the researcher whose education and socialisation may reflect large firm theories.

4.20 Thematic analysis

From a theoretical perspective the framework of the resource based view and dynamic capabilities framework, provides a lens through which data analysis is undertaken. Therefore the emergence of codes and themes from the data, takes place through a matrix of the literature review interpreted using the resource based review and dynamic capabilities theory. Further, a specific approach to the data analysis is used based on thematic analysis as a mechanism to guide the development of appropriate steps for engaging with the data. This section justifies the use of thematic analysis in the data analysis phase of the present research. Thematic analysis is ‘a method for identifying, analysing and reporting patterns (themes) within data’ (Braun and Clarke, 2006: 6).

Braun and Clarke (2006) differentiate between two types of thematic analysis- theoretical thematic analysis and inductive thematic analysis. The approach of the former focuses on the researcher’s theoretical interest in the area, formulated within a literature review and research question. Contrastingly, the latter approach focuses on coding without seeking to fit the coding process into a previous theoretical frame. Inductive theoretical analysis is therefore more data driven and results in research where the depth of analysis is greater than theoretical thematic analysis where there is less focus on depth of data analysis and

more on theory development (Boyatzis, 1998). Thematic analysis aims towards the development of aim ‘repeated patterns of meaning’ (Braun and Clarke: 15) across a data set. Braun and Clarke (2006) argue there are six stages in thematic analysis (table 4.13):

Table 4.13 Stages of thematic analysis

Stage	Processes
Familiarisation	Reading - Transcription
Generation of initial codes	Identification of most basic way of seeing the data
Searching for themes	Wider themes from the codes- visual representation of codes may work
Reviewing themes	Sorting codes into potential themes- reread data code and (i) ascertain if themes work for the data set (ii) ascertain if any themes are missing
Defining and naming themes	Define and refine each theme- the essence of the theme extracted.
Production of report	Concise, logical and interesting narrative to convince reader. Vivid examples from the analysis. Argument based around research question.

Clark and Braun (2006) argue the six stages should not be construed as the process of a linear model, where proceeding to the next phase depends on exhaustive completion of the previous phase, rather the six stages offer a recursive mechanism acting as an analysis guide facilitating the researcher in deeper data analysis, through blending of a phased model and a holistic overview where a recursive approach is beneficial. Throughout the recursive process the researcher is aware of the benefits of using the concept of a ‘conceptual leap’ (Klag and Langley, 2013: 149), where the continuing dialectical interaction between the researcher, the research theory, and data proceeds through both a structured approach facilitated by writing formal documents for supervisor review.

The familiarisation stage begins with a reflection compiled immediately following the interview, enabling the researcher to note any research relevant observations, avoiding the challenges of relying on memory. Familiarisation continues as the researcher reads the interviews and continues through the process of transcription where the researcher is forced to grapple with insuring the spoken word is accurately transcribed. Initial coding takes the form of the development of a simple coding system based around codes such as leadership; strategic thinking; people relationships; operational problem solving; resource pools and motivation. The argument inherent in this approach is twofold. A paper published in the European Journal of Training and Development by the researcher and his supervisors provides a general conceptual framework from where the codes emerge.

Secondly, the simplicity of the coding, avoiding the use of traits enables the researcher to grappled with challenges of using the NVivo system and simultaneously develop skills in extracting appropriate sections of text under the codes.

The initial coding is inadequate in two major ways. Only sixteen interviews are coded, that being the number conducted at the time, and the sixteen includes one interview later discarded (interview 3). Second no provision for the use of traits is made, and the codes take a broad brush approach to coding, leading to a limited number of codes being developed with little argument as to the potential complexity lying underneath the codes. Developing the initial coding stage, the researcher then uses a conceptual framework based around the literature review, where traits form the codes. Trait based codes emerge as through the process of researcher-data interaction, new codes emerge based on mental models of the owner/ manager and aspects of technology management and marketing.

Reflecting the recursive nature of thematic analysis (Braun and Clarke, 2006), the researcher takes initial steps towards exploring themes, prior to phase three. The process of exploration takes the form of developing initial models and discussing potential changes in the conceptual model of managerial capability, as greater interaction between the researcher and the data takes place. The discussion takes place during supervisor meetings and individual contemplation of the theoretical model and data. For example at the early stages, the discussion centres around how what is initially represented as a technology resource with a number of technological capability traits might actually be improved by consideration as a marketing capability. Similarly, discussion centres on how mental models might be developed and how the firm's interaction with the environment impacted on the model. As part of the latter discussion, a reshaping of the concept of market proximity, hitherto considered as a resource, is discussed.

4.20.1 Coding- the current study

Immersion in the data takes place through writing a brief reflection after each interview ensuring the researcher notes any emergent themes or notable event connected with the interview. The reflection helps the researcher to preserve any observations which might

otherwise be lost. The researcher develops an initial coding system based around the theoretical model from the literature. The initial coding system is very simple and serves to help the researcher to begin the process of using the theory to develop codes aimed at conceptual development. For example in the initial analysis used the literature of a paper published by the researcher and supervisors to form nodes. The nodes are: Motivation; innovation; strategic thinking; problem solving; people relationships; leadership and ties; family; community; and market. The interviews are coded based on the occurrence of areas of text which illustrate the above nodes. On supervisor review it is agreed the motivation coding is not suitable for the present project taking the literature towards an organisational behaviour as opposed to an approach rooted in the literature on managerial capabilities for innovation. Therefore a decision is made on the next coding design to avoid the motivation node.

The final twenty interviews were then coded using the system. The codes relies on the existing literature to a great extent, however compared with the published work in the European Journal of Training and Development, there are a number of changes. The changes focused mainly in two areas. A strong emerging theme in the interviews is the idea of a marketing capability which enables managers to make best use of technology as a resource. There is no reference to this capability in the literature reviewed or in the journal article, therefore the researcher develops coding which relied on a new section developed in the literature on marketing capability. A less strongly emergent theme in the literature, though important in terms of managerial capability for innovation, is the area of managerial mental models of their wider business environments and of their competitor environments. A literature background to facilitate development of this area is also developed. Existing literature is used to develop codes for other areas. However, in comparison with the journal article, some codes reflect a more developed literature which sometimes emerges from themes in the interview reflections and from reading through the interviews. For example within the leadership criterion, the need for a symbolic leadership where the owner/ manager represented the firm to customers, is developed. Similarly, many references in the interviews combined with a literature (e.g.

Samujh, 2010; Phillipson *et al.* 2004; Greenbank, 2000) suggesting owner/ managers contribute a work ethic at operational level which is part of managerial capability.

4.21 Research ethics

A primary ethical concern is for the privacy and confidentiality of data gained from research subjects (Neuman, 2006). Denscombe (2010) Table 4.14 highlights the key principles, developed from the Nuremburg and Declaration of Helsinki, which researchers are expected to use in the conducting of their investigation.

Table 4.14 Ethics in research

Nature of research ethics
Protection of the interests of the participants
Insuring that participation is voluntary and based on informed consent
Avoiding deception and a duty to operate with scientific integrity
Compliance with the laws of the land

Adapted from Denscombe (2010: 331)

The interests of research participants must be safeguarded through maintenance of any confidentiality agreed and insuring anonymity is given to any responses, where this is a condition of the research. From an ethical perspective it is important that research subjects are fully aware of the purpose of the research study (Mason, 2004). The interviewees are clearly informed of the nature and purpose of the interview, both orally but also through being provided with a template explaining the nature of the research. In order to focus the interview and avoid straying into topics where unnecessary information is gathered the purpose of the research is made clear and the potential benefits of the research highlighted.

4.22 Conclusion

The chapter has outlined the research questions and objectives which drive the research study. The researcher describes the interpretivist philosophical perspective which is rooted in a subjectivist ontology and informed by an interpretivist epistemology. It is argued that these perspectives are suitable for the study of the research question and it is proposed that the most suitable methodological perspective for the study is on premised

on qualitative research. The chapter evaluates the in-depth interview as the method proposed for use in the study and concludes with the research design strategies proposed for the current study. Different approaches to data analysis have been discussed and the rationale behind the chosen method of data analysis outlined. An overview of the data analysis journey in the present study is presented. The next chapter moves from the evaluation of data to the detailing of how data analysis led to the emergence of findings from the data.

Chapter 5 Findings

5.0 Introduction

This chapter presents the findings from twenty research interviews. The chapter begins with a review of the data analysis processes and highlights the emergence of the findings over time. In the main sections of the chapter the findings are presented and are grouped around major codes, beginning with innovation, moving through the criteria of micro firm managerial capability and concluding with the coding of resource pools. A section compares and contrasts findings from the four dyadic interviews where two interviewees are involved. The chapter ends with a conclusion drawing a synthesis of what has been documented in the chapter and looks ahead to the discussion.

5.1 Review of data analysis process

In total twenty in-depth interviews are conducted. The data analysis process is conducted over a period of ten months beginning with researcher immersion in the data during the transcription phase. NVivo software is used to manage the large volumes of data and to assist in the initial coding of the data. The initial coding comprises ten codes rooted in the literature review, which are then coded across nineteen interviews¹. A second round of analysis, based on a more detailed coding structure rooted in the literature and discarding the motivation code consequent on supervisor review, is then developed. The third round of analysis uses the same coding structure and included all interviews. The third round also codes four interviews where two owner/ managers take part to allow comparison (table 5.1: stages of data analysis). Nvivo software is used to uncover patterns in the data through the use of a number of reporting functions and examples are highlighted in Appendix E.

¹An interviewee declined to sign off the interview transcript and requested the researcher to alter the transcript to improve the image of the firm and owner/ manager. The researcher having consulted with his supervisors omitted the interview from the study.

Table 5.1 Stages of data analysis

Stage	Date	Data	Perspective
Data collection	Nov 2013- Feb 2014		<ul style="list-style-type: none"> • Observations during interviews • Post interview reflections
Transcription	Nov 2013- Mar 2014		<ul style="list-style-type: none"> • Immersion in data • Contemplation of interview data at remove from interviewees
NVivo Preliminary	March 2014	19 interviews, including one later discarded, 10 nodes- no child nodes, including motivation as a node	<ul style="list-style-type: none"> • Simple NVivo coding structure based on literature • Beginning to re interpret literature in light of data • New literature emerging
NVivo Second round	March 2014	15 interviews, excluding discarded, 8 nodes with child nodes	<ul style="list-style-type: none"> • Detailed coding structures based on literature
NVivo Third round Ongoing to October 2014	March – July 2014	20 interviews, excluding discarded, 8 nodes with child nodes Dyadic interviews coded	<ul style="list-style-type: none"> • Data analysis of 20 interviews • Data analysis of 4 dyadic interviews
Final stages to January 2015	August 2014- January 2015	Reflects supervisor feedback on draft findings Process of extracting themes from the coding and refining the themes	<ul style="list-style-type: none"> • Refinement of findings based on review by supervisors • Role of researcher growing as NVivo lessens

Further stages of analysis take the form of developing working papers based in the form of a findings chapter. Analysis develops as the researcher acting on supervisor review amends aspects of the coding for both leadership and operational capability where criteria moved toward becoming part of a new marketing capability. The marketing capability replaces the technological capability criteria. The ‘market’ is also discarded as a resource, based around supervisor discussion, critical reflection, discussion of the definition of a resource and aspects of knowledge management literature. The further stages of analysis also uses the approach of the conceptual leap (Klag and Langley, 2013) where more abstract theoretical ideas emerge as part of an ‘ongoing dialectical process’ (p.149). This approach sought to resolve the four researcher tensions illustrated in table 5.2. below.

Table 5.2 The conceptual leap

Pole 1	Pole 2
Knowing	Not knowing
Engagement	Detachment
Deliberation	Serendipity
Self expression	Social connection

The findings emerges from on-going data analysis of twenty in-depth interviews focused by the research question:

What is the nature of tourism micro hotel firm managerial capability for innovation?

During the data analysis phase of the research process, a conference paper is simultaneously written², which builds on a related paper where arguments for the particular approach to data analysis are evaluated³. This enables the researcher to engage with a process of reflection on the coding and how the coding might develop into concepts. The theoretical perspective on the coding is taken from thematic analysis (Braun and Clark, 2006; Boyatzkis, 1998). For each major coding structure (for example innovation is a major coding structure), a parent node in NVivo⁴ is created with major aspects of innovation from the academic literature/ theoretical model, forming child nodes under the parent node. The major coding structures are outlined in the following sections.

5.2 Innovation

Innovation is the first major coding structure presented. The parent node ‘innovation’ comprises six child nodes, each representing an aspect of innovation in the interview

² Kearney, A., Harrington, D. and Kelliher, F. (2014), Managerial capability for innovation in the Irish micro hotel sector: Empirical evidence from owner/ manager practice, paper presented at Irish Academy of Management, University of Limerick, September 4th 2014.

³ Working paper- Data analysis-philosophical underpinings, April13-2014

⁴ NVivo is a software package developed to assist in the management and analysis of qualitative data

transcripts. The highest number of instances is for innovation management and product innovation, with innovation as improvement and marketing innovation also showing relatively high numbers of occurrence in the transcripts. There are a low number of instances for externally driven innovation and for process innovation (table 5.3).

Table 5.3 Innovation- child nodes

Innovation node	Sources	References	Code name
Improvement	10	18	IIMP
Management	19	42	IMGT
Marketing	9	15	IMKTING
Process	5	6	IPROC
Product	12	22	IPROD
Environment	4	4	INEXT

The forthcoming sub-sections (5.2.1 to 5.2.6) present the findings for each of the six child nodes under the innovation node.

5.2.1 Improvement

Innovation is perceived to be improvement with interviewees highlighting how they have been: “improving possibly...we have been all along improving, making the [bed] rooms better” (interviewee 9, seaside bed and breakfast). Another interviewee links innovation and improvement directly: “you are constantly looking for ways to innovate, improve. I suppose improve would be the word I am looking for, but it’s innovation as well” (interviewee 4, bed and breakfast near large city). This perspective on innovation can perhaps be related to progress in terms of market expectations and the need to remain competitive, though such terminology is not used, for example one interviewee relates: “progressing I suppose really isn’t it? And going into what’s better for people and what’s better for.. like you know I put in a heating system” (interviewee 17, historic guesthouse rural). Interviewee 5 (rural self catering) perceives innovation in terms of improvement but improvement which is related to the wider business environment and when asked if innovation plays a role in his business he replies: “It does totally because you are chopping and changing all the time ah... in the hope that it will improve the business, get more people in ah so it’s all innovation it’s constant”. The incremental nature of innovation in the findings adds to argument in the academic literature highlighting

innovation as an incremental response to competitiveness challenges (Corrocher *et al.* 2009; Wagner, 2008; Morrison, 2006).

5.2.2 Innovation management

The dominance of the owner/ manager in the management of innovation recurs in the findings, supporting a major theme in the academic literature (Alonso and Bressan, 2014 a; Della Corte *et al.* 2013; Simpson, 2001). The hotel owner/ manager (OM) would appear to be a vital source of innovation as it is perceived that without input from the owner/ manager innovation may not be possible: “the only person that can make it happen is me, the owner/ manager” (interviewee 10, guesthouse large city). On the other hand, one person management can limit innovation, one interviewee relates:

“and you could say ‘why don’t you do a riding school?’.. “what do you think I am like?’ ... there was never going to be anybody else involved only myself, because he (the owner/ manager’s husband) had a job”

(interviewee 14, historic guesthouse near large city).

Other owner/ managers realise that they can facilitate innovation by listening and being aware of other sources, for example one relates: “it is not confined to me to innovate the business” (interviewee 13, guesthouse large city). Innovation creates some risk for the micro firm, but prudent cost and risk assessment prevents jeopardising the future of the business through the processes of researching and costing any investment associated with innovation. For example when asked “Does innovation create any risks for the business?”, one interviewee states:

“Oh God no, I’d say not... Other than if you work out the cost, it doesn’t matter what business you are in you have to be innovative, if you are not you are not going to survive, because everybody’s thinking how am I going to do something better, cheaper, faster than the other guy to try to get the business?”

(interviewee 1, Historic house rural self catering).

However, another interviewee perceives innovation to be risky but accepts that both he and his partner play an essential part in desiring to take some risks and make changes:

“we felt this wouldn’t be the type of place that you would do that and we felt we wanted to innovate and have it a place we would like to come ourselves....Yeah innovation can be risky..it’s easy to stay in the same thing and churn out the same thing day after day but it depends on your personality. Neither of us are the type that like to stay still...we like to keep evolving just for ourselves”

(interviewee 21 guesthouse rural town).

5.2.3 Marketing innovation

In what the owner/ manager perceives are limited options for innovation, marketing is seen as one way of innovating. One interviewee comments: “maybe an email marketing campaign to past customers, maybe advertising in national papers special offers” (interviewee 10, guesthouse large city). Another highlights the importance of social media: “I suppose when you compare other B&Bs’ in the area they don’t use social media” (interviewee 11, rural bed and breakfast). An underlying theme in one interview is that of setting up the business and having it run itself almost, after a few years, and thus having owner/ manager’s perceive there to be limited options for innovation in an established micro-firm, other than through marketing: “it’s social media, that’s the only innovation and marketing, that’s the only innovation” (interview 16, guesthouse owner large town). Similarly, interviewee 19 (guesthouse sub urban large city) concurs there is no possibility of innovating a bedroom and that it is only through sales and marketing that innovation can emerge in the hotel micro firm.

Even where there are perceptions that the business has limited options in terms of innovation, the use of new technologies in marketing the business is seen as being innovative:

“You have a bedroom, do you change its colour each day, is that it? I think marketing is probably the most positive thing you can do for bedrooms, people have to know they are there, but innovation, I’m not sure”

(interviewee 19, guesthouse sub urban large city).

Access to new markets through the internet is also a possible innovation, with an interviewee observing:

“I was looking at opportunities in the Russian market or maybe the Chinese market or maybe the Brazilian market. I’ve had a lot of Brazilians this year.. ways or how can I promote my business there and how can I get into those kind of markets and stop depending on a local market and a British market which hasn’t come back yet or an American market so those are the ways of looking beyond that”

(interviewee 4, bed and breakfast near large city).

Innovation is also visible when bundling packages, where part of the bed and breakfast service involves other related firms offering access to their services, as for example in

playing golf or access to a neighbouring restaurant (interviewee 6, bed and breakfast near large city).

5.2.4 Process innovation

Evidence of process innovation is very limited, with five sources and a total of six references in total. One example emerges in the context of a pizza oven seen at an exhibition by an owner/ manager, which was then thought through in term of costs, and implemented in the micro-firm. The interviewee outlines how the oven is still generating profit today and represents an example of where a process is put in place in the firm to produce a product in a new way:

“I can make a pizza.. the work involvement in the pizza is about three minutes right.. pizza is done, its gone, ten euro.. That was probably the best bit of innovation”
(interviewee 2, guesthouse rural village).

Moving to the guesthouse business represented a process change for another owner/ manager, but a change where business skills could still be transferred. However, this requires some modification and continual change of how this owner/ manager does business: “I had to find other ways of innovating myself to do a different form of business, and a different form of getting business” (interview 4, bed and breakfast near large city).

5.2.5 Environmental innovation

Innovation is perceived to emerge in the external environment of the firm. For example one interviewee highlights how opportunities to innovate are tied up in the locality of the firm: “the uniqueness of the B&B business is all tied up with the uniqueness of the environment and the area you are in” (interviewee 12, seaside bed and breakfast). Linked to the environment of the firm, there are perceptions that tourism bodies (state agencies) could do more for the micro hotel firms:

“The Tourist Board could do, I think a lot more [interviewee gasp]. I am only talking from running my own business all my life and if I look at the.. Irish.. Enterprise Ireland, look at what the IDA⁵ do, they are so aggressive and they go off there and they get it. I think the tourist board could do a lot more”
(interviewee 1, historic house-rural self-catering).

⁵ The IDA (Irish Development Authority) is Ireland’s inward investment promotion agency, responsible for the attraction and development of foreign investment (www.idaireland.ie).

The internet is perceived as an external change by one interviewee:

“in the hospitality industry the major innovation in the last .. you know ten years has been the prevalence of the internetyes that is seventy five percent of my business so innovation, online presence, ah booking engines, good websites, facebook, profile, having a good online platform is most critical ...so I suppose if that’s the.. if that’s the.. yeah that sort of innovation is.... we’d be lost without it”

(interviewee 7, seaside guesthouse).

There is awareness that the improvement is often intuitively related to a changing business environment and the need to survive, as one interviewee relates: “finding my own way of doing something.. maybe cheaper and easier” (interviewee 8, bed and breakfast near large city). Innovation involves a perceived level of abstraction: “innovation is always there, one has to continuously look at what you are doing and you have to continuously try to change” (interviewee 19, guesthouse sub urban large city), though it is less clear as to when and if such abstraction actually takes place. However, there is evidence of the ability of owner/ managers to conceptualise the beneficial impact from a business point of view such as through the introduction of something new which leads to more long term benefit. For example, interviewee 2 (Guesthouse rural village) visits a farm exhibition where cow mats were identified as a solution to problems the owner/ manager was facing of wearing wooden floors in storage areas. Innovation often must fit within a business model which is almost like a wound up clock, where the strategic thinking has been at the beginning, the hard work in the initial few years and the business then takes on innovation as a way to continued survival, but only within defined parameters such as the “limited size of the house” (interviewee 16, guesthouse large town) or “the privacy of the family” (interviewee 12, seaside bed and breakfast).

5.2.6 Product innovation

Variations in the breakfast menus, and in other food provided with the respondent micro-firms, is an opportunity to innovate, as one interviewee observes: “we are encouraged by Bord Failte⁶ to have innovative breakfasts, in that you are encouraged to have a greater variety and fresh produce where possible” (interviewee 12, seaside bed and breakfast).

⁶ Bord Failte- now Failte Ireland, the interviewee refers to the semi state body responsible for the promotion and development of tourism in the Republic of Ireland

Where the owner/ manager or family members possess culinary skills, it becomes possible to innovate through value-added offerings in the business context as for example where and interviewee explains: “We do elements of outside catering as well, because of the preparation area here to be able to do that, those are little things where we innovate within the business itself because we have the facility” (interviewee 13, guesthouse large city). The ambience of one guesthouse, where there is an emphasis on peace and quiet associated with the original use of the building as a convent, also leads to product differentiation, the interviewee explains:

“I suppose what we did at the beginning was pretty innovative, not giving people choices and no TVs and no radios. It was a place you would come and you zone out and try to connect with whoever you’re here with and without distractions”

(interviewee 21, guesthouse rural town).

The nature of the rooms can be the target of continual improvement in a form of product innovation as recounted by interviewee 9 (seaside bed and breakfast):

“I’m always looking to change rooms and look around and get ideas from books and shops and that and maybe Brown Thomas⁷ or wherever to get them, [bed] covers and so on you know so always trying to keep the rooms nice”

5.2.7 Limits on innovation

Consideration of the innovation traits sees a number of findings. Interview 1 (historic house rural) sees an acknowledgement by both interviewees that innovation may encompass more than takes place in the micro hotel: “That’s what I said to you maybe you are picking the wrong people in terms of innovation, *laughs and wife laughs*”. Perhaps, linking this perspective to the earlier challenges exemplified by owner/managers of firm 16 (guesthouse large town) suggests owner/ managers of the hotel micro firms may not understand fully the potential innovation management possesses for their firm.⁸

⁷ Brown Thomas is an upmarket chain of department stores in the Republic of Ireland

⁸ Innovation management is understood as a strategic management perspective on how to develop the processes, product management, marketing and management systems of the firm (Hjalager, 2010). There may be reasons underlying the failure to understand / adopt innovation management in a deeper way, and some may reflect the unwillingness of the owner/ managers to alter lifestyle.

There are limits placed on the development of innovation based on confined resources and one interviewee perceives: “I can’t even consider new innovations.. when I don’t have the resources” (interviewee, 10, guesthouse large city). Another interviewee perceives that the size of the firm may also limit innovation: “We have four rooms, they are all ensuite.. we can’t make them what they aren’t” (interviewee 12, seaside bed and breakfast). Underlying these resource limits may be lifestyle motivations; for example, where the owner/ manager’s business is deeply embedded in a household or family, the micro-firm business needs may be subservient to the need to remain in a household and a locality (interviewee 14 historic guesthouse near large city; Interviewee 17, historic guesthouse rural). Further, the embeddedness within the family sees the business as only lasting one generation where another generation is unwilling to take the business on as with both interviewees 14 and 17, and implied in interview 9 (seaside bed and breakfast) and 12 (seaside bed and breakfast), with a limited strategy being pursued as a result.

5.2.8 Unintended innovation

Innovation can occur almost despite the lack of formal attention to innovation within the business, for example an interviewee relates:

“we’re not trying to be innovative but I suppose our place is different to other places, I don’t know whether that is innovative.. I don’t know it’s hard to say”
(interviewee 18, vegetarian bed and breakfast rural).

Innovation is argued by one interviewee to be over emphasized, with business success coming from: “hard work, common sense, providing a good product, providing good customer service” (interviewee 7, seaside guesthouse). The question arises as to whether or not owner/ managers understand the potential business innovation as conceptualised for larger firms, might have for their own firms. For example, interviewee 7 has an almost angry reaction and is highly critical of the emphasis on innovation today as a “buzz word”. Others perceived there is a failure to engage with the effort of understanding innovation, for example interviewees 9 and 17.

There are differing views on the role of policy makers. Some highlight perceptions of divergence between policy makers and the needs of owner/ managers of micro hotels (interviewee 1, historic house rural self catering; interviewee 16, guesthouse large town;

interviewee 14, historic guesthouse near large city). In contrast there is evidence of the willingness of owner/ managers to develop links and take on board suggestions of policy makers (interviewee 13, Guesthouse large city; interviewee 4, bed and breakfast near large city; interviewee 19, Guesthouse sub urban large city). Again there are questions as to whether or not the divergence emerges from a failure of owner/ managers to understand the potential for innovation offered by policy makers or, critically, the firms who espouse the benefits of links to policy makers wish to impress the academic researcher by being perceived as working with the policy makers, when possibly the impact of the links is limited in their firms.

5.3 Leadership

The leadership parent node comprises five child nodes: Leadership as resilience; leadership in the form of delegation; leadership as paternalism; leadership as shaping culture and leadership as over dominance. The largest instances of coding are found for resilience and delegation, with lower instances for paternalism, culture shaping and over dominance. Table 5.4 highlights leadership elements of the coding.

Table 5.4 Leadership- child nodes

Leadership node	Sources	References	Code name
Resilience	18	27	LR
Delegation	14	23	LD
Paternalism	10	13	LP
Culture	7	11	LC
Over dominance	3	3	LDOM
Symbolic	9	9	LSYMB

Each of these leadership child nodes (table 5.4) are discussed in sub-sections 5.3.1 to 5.3.5).

5.3.1 Resilience

The first child node for leadership is resilience. One interviewee highlights how resilience is important in surviving the personal pressures from business “you need a hard neck in business and you can't be soft in business” (interviewee 4, bed and breakfast near large city). Resilience enables owner/ manager 21 (rural guesthouse) to maintain a

professional image with guests in the midst of heavy operational problems “all the tensions, you have to leave them here and not transmit them to the guests when you go up”. Previous education and business experience are perceived as a source of resilience, highlighted when one owner/ manager is asked are there pressures from managing his own business? “Oh God no.....Not compared. *loud laughter*, well my other business, we had 350 people employed, people employed in America..” (interviewee 1, historic house rural self-catering) and “when I was an engineer before I used to be responsible for thirty and forty million dollar projects” (interviewee 7 seaside guesthouse). Financial circumstances and the particular market/ location of one firm (interviewee 10, Guesthouse large city) create large pressures: “Oh there would be huge pressures. The financial pressures would be the biggest one I suppose, the time pressures.. ahem ah.. financial and time is the main thing I suppose” but the owner/ managers find ways to cope:

“you just basically cope because you have to cope. There’s no secret weapon that I have for coping that anybody else doesn’t have.... you just cope because you have to cope... and ah it’s a hard slog at times but you just.. like at eleven o’clock last night I was repairing a lock on the door that a guy had kicked in.. randomly you know.. and he wasn’t even a guest here or anything so ahem.... just stuff crops up and you just do it”.

(interviewee 10, Guesthouse large city).

In some cases, owner/ managers operate long hours, all week and weekend long (interviewee 2, guesthouse rural village; interviewee 4, bed and breakfast near large city; interviewee 10, guesthouse large city; interviewee 13, guesthouse large city; interviewee 16, guesthouse large town) juggling family and social life. Previous business experience enables the present business to be seen as easier in term of pressure (examples in interviewee 7, 12, 1, 15). Interviewee 13 (guesthouse large city) comments:

“I’d like to think they <business pressures> are not overpowering. When you run a business for yourself and this is any business, there are pressures associated with that. You are the man on the spot and if that’s something that doesn’t suit your nature or doesn’t suit your personality it’s going to overcome you and there may well be a time when I feel either for one reason or another that it’s too pressurised and I don’t enjoy this job anymore and it becomes too stressful or the banks are just getting too much, then I would like to think that I would do something ...stress and pressure are part and parcel of everybody’s daily life”

On the whole the need for resilience concurs with the academic literature, for example as a form of coping with heavy business and stakeholder pressures (Phillipson *et al.* 2004)

and coping with time and management pressures (Samujh, 2011). Moreover, admission of the pressures and the necessary level of resilience may indicate an active capability in managing challenges and pressures, as opposed to the perhaps illusory limited acceptance of business pressures in some types of lifestyle motivation (Lashley and Rowson, 2010).

While resilience exists in the individual level of the owner/ manager, the next criterion of micro firm managerial capability is concerned with the owner/ manager's relationship with employees.

5.3.2 Delegation

There are different instances of delegation. Interviewee 12 (seaside bed and breakfast), and some others (for example, interviewees: 9, seaside bed and breakfast; 10, guesthouse large city; 15, bed and breakfast near town tourism region and 16, guesthouse rural town) use employees for necessary operations but keep strict demarcation between strategic activity or meeting guests and the employees. Given the argued opportunity for delegation (Kelliher and Reinl, 2009) the findings are somewhat unexpected in limiting and even avoiding delegation. The owner/ manager of a large city guest house (interviewee 10) comments on the potential for delegation:

“Ahit's limited .. a certain amount <of delegation> but it would be limited.. ah they wouldn't really have any qualifications ... other than on the job training ..ah...and some of them would be foreigners whose language, whose English might not be the greatest ..they'd be good at what they do but to delegate further responsibility would be difficult .. they're not .. they're basically making the minimum wage”

In contrast interviewee 13 (guesthouse large city) espouses involvement of employees- perhaps through selecting employees based on people skills and creating expectations in employees to even come up with ideas. The interviewee has a background in human resource management perhaps shaping this orientation. “so decision making is ..ultimately with me or whoever is delegated” (interviewee 13, guesthouse large city). There are instances of employees remaining a long time with a firm due to the close relationship with the owner/ manager and possibly a sense of belonging to a local community, the owner/ manager of a guesthouse comments:

“Sure they're their own bosses.. all they have to do is what they're supposed to do ..you know if they do the rooms properly ...all I have to do is go up and know that when I walk in to give them to a guest that things are right ...it's more important than anything”

(interviewee 14, historic guesthouse near large city).

The owner/ manager is often seen as vital to the firm while employees are necessary but peripheral to the strategic needs of the firm: “we feel we couldn’t trust someone to come in and run it for us” (interviewee 16, guesthouse large town). Where the micro hotel melds into a larger restaurant, delegation is perceived to be more necessary:

“Well there’s a fair amount of delegation because they know what they’re doing. We’ve never really had management staff here, so if we go away on holidays the head waiter or head chef would take over and they would work fairly well together. They’re might be a bit of chaos at the end of it, I might come back to book work to catch up with the figures and things like that, but in general we would be quite happy with their honesty and that”

(interviewee 19, guesthouse sub urban large city).

5.3.3 Paternalism

Paternalism is possible with the small size of the firm and the close relationship of owner/ manager and employee(s), facilitating maximum effort from employees in terms of flexibility (interviewee 2, guesthouse rural village; interviewee 14, historic guesthouse near large city; interviewee 12, seaside bed and breakfast). Paternalism is perceived to help and owner/ manager who is in business in the area for a few years, yet does not originate in the area: “they <employees> are very important to us you know, as people you know” (interviewee 21, guesthouse rural town). The family nature of the micro firm encourages paternalism: “We are a family run business, everyone contributes, and we are all in it together and we will all either swim together or sink together” (interviewee 13, guesthouse large city). Efforts from staff are greater through the close relationship with employees where the owner/ manager and employees perform similar work:

“you have to follow through what you say to your staff and I have to say my staff are phenomenal wonderful girls.. loyalty and I ask them to do a job they’ll do it .. I wouldn’t ask them to do a job I wouldn’t do myself do you know what I mean so I expect it to be done right and they expect that to do you know what I mean”.

(interviewee 4, bed and breakfast near large city).

5.3.4 Culture shaping

The owner/ manager can shape the culture of the micro hotel. For example, one owner/ manager highlights how a close relationship with employees is built:

“It is of course and you develop relationships over the time that you are with them now. A lot of the girls that have come and gone over the years, we are still friends with them, they visit us. And we would be part of their lives for as long as we are here we hope. You are working side by side

with someone in a hard business for three or four years at a time..you build up more than just a working relationship you know..”

(interviewee 21, guesthouse rural town).

Culture helps to shape how things are done day to day, as employees must learn: “how we do things and they have to fall in line with our operation” (interviewee 7, seaside guesthouse). The employees portray an image for the firm as one interviewee recounts, they are: “portraying the same image that I want to portray for the brand of the business.. you know give the authentic experience be extremely friendly and helpful, give customers time so that has to follow on with whoever I have working with me as well” (interviewee 8, bed and breakfast near large city). Interviewee 4 (bed and breakfast near large city) argues that leadership helps to develop staff:

“I think leadership involves in a business from.. a staff point of view I suppose encouragement to me is the most important to respect yourself to acknowledge their doing a good job not just financially but very much just ‘well done today L you did a great job on the place and thank you so much’ and that just gives them a feel of... do you know, not only of a feel of not only of respect but a feel of gratitude and wanting to do the place well and wanting to look after this place well as well”

Interviewee 5 (rural self catering) exemplifies an approach where the owner/ manager pays more than the minimum wage but creates expectations among employees of interacting with guests, improving their service experience.

5.3.5 Leadership-over dominance

The ownership, management and operational role of the owner/ manager can lead to an over dominance where little involvement of staff is necessary: “with staff well to operate the guesthouse here with us, but it essentially is my operation and that’s what I enjoy about it” (interviewee 13, guesthouse large city). Decision making is centred on the owner/ manager and one interviewee observes: “I make all the decisions” (interviewee 17, historic guesthouse rural). Even where participation is advocated there can be heavy levels of control: “if I ask one of my girls to have the bathroom clean and all <know> that I will check the decisions <owner/ manager laughs>” (interviewee 4, bed and breakfast near large city).

5.3.6 Symbolic leadership

The importance of guests seeing the owner/ manager as the face of the work in the firm is emphasised by interviewee 7, seaside guesthouse:

“They want to see the sweat on your brow you know..you can’t be successful..I don’t believe you can be a successful hotel owner without being stuck in and you have to be the face of it..you have to be working it”

Again interviewee 13, guesthouse large city, emphasises the owner/ manager as the face of the guesthouse:

“I am the face of the guesthouse, every guest will meet me ninety percent of the time”.

5.4 Operational capability

Operational capability emerges through the day to day work of the owner/ manager in the firm. Four capability criteria are coded: customer service; craft skills; work ethic and employee training. All, with the exception of the latter (employee training) have high instances of coding, and are coded many times in comparison with leadership/ innovation coding. The coding is shown at table 5.5 below.

Table 5.5 Operational capability- child nodes

Operational capability node	Sources	References	Code name
Craft capability	18	33	OCR
Customer service	18	52	OPCS
Work ethic	18	30	OWETHIC
Employee training	5	5	OPET

Each operational capability child code (table 5.5) is discussed in the forthcoming sub-sections (5.4.1 to 5.4.4).

5.4.1 Craft capability

Diverging from the perceptions of micro hotel owner/ managers in a previous study (Lashley and Rowson, 2010), industry and craft skills are perceived to be of importance in the findings. The owner/ manager has craft skills from working in the industry, for example, in the current hotel industry the skills are manifest as cooking skills and other day to day industry skills working as a waiter. Interviewee 10 (guesthouse large city)

observes: “I was in the .. hospitality business for years, I spent a couple of years training to be a chef.. years ago... I worked in bars in New York, I was bar tender and bar manager in New York for fifteen years”. Another interviewee highlights the importance of industry training:

“I would think that would be very hard if you didn’t have a background in it as well hygiene, my husband is obsessive about hygiene....and even making beds a simple thing, the envelope corners”
(interviewee 11, rural bed and breakfast).

On the other hand, developed culinary skills are not always seen as important, for example the comment of a former home economics teacher who is an owner/ manager who deprecates the importance of training: “I was a home economics teacher as well.. ...<says quietly> listen you’d get by without anything, it’s called logic” (interviewee 14 historic guesthouse near large city). Craft skills enable the firm to differentiate where it provides special food offerings: “I give a five course dinner, and breakfast I do a huge array of fruits and then home made breads....you know and people sit at the one table so they become very friendly” (interviewee 17, historic guesthouse rural). Professional training in the industry is also seen as a way of differentiating the firm:

“in my training I covered all the different areas reception, be it service you know a little bit in the kitchen rooms.. so it was very broad spectrum of things that I would have trained and then I went on and worked in different hotels mainly at reception”
(interviewee 6, bed and breakfast near large city).

5.4.2 Customer service

The micro hotel offers a relatively deep level of service through one to one interactions with the guests. For example, one interviewee perceives the importance of offering such a service:

“I would generally mark their map for them ..or tell them the quick way of getting to wherever they’re going,....the normal sort of stuff, you know if you were away on the continent it’s the sort of stuff you’d appreciate if somebody gave you a bit of insight to yourself you know and I suppose that’s one thing over my years as a sales and marketing manager I have travelled extensively in Europe overall of that period and I have stayed in hotels and the ones that I have liked are the ones that have this helpful local service”

(interviewee 12, seaside bed and breakfast).

There is an appreciation of the high level of customer service necessary: “The hospitality industry is no different except that the service level has to be very high, very consistent” (interviewee 13, guesthouse large city). Interviewee 14 (historic guesthouse near large city) gave a detailed account of helping guests find their ancestors over a period of time

and then finding that relationships build with guests who come back again. Interviewee 15 (guesthouse near town in tourism region) gave several examples of taking a deep interest in guests:

“you are privileged to get a booking and the day you forget that ..you know is that you are downhill .. or you shouldn't because the customer really is king I mean he has to respect you but you have to respect the fact that he has gone to the trouble of finding you”.

This example combined with others suggests they take time to talk to and listen to guests, in a very traditional form of hospitality. Other interviewees, for example 1, 4, 2 also take time with guests, and while not necessarily conventionally innovative, perhaps offer the guests a far different experience than in hotels through one to one personal contact with the owner/ manager.

5.4.3 Work ethic

Across all the firms the working of long hours and day to day coping with business and other problems is apparent. There are many examples of the need for hard work in the transcript sections under work ethic: “it is twenty four seven. I don't take a break from January to December” (interviewee 13, guesthouse large city). Similarly, interviewee 19 (guesthouse sub urban large city) believes:

“It's a seven day a week operation, and we don't.. we can't really afford to have anybody else do it, but at the end it's easier to make money than running restaurants...it's easier to make money in a bedroom than it is in a restaurant.”

Perhaps one way of understanding work ethic as a criterion is summarised by interviewee 21 (guesthouse rural town) “ I think you just have to give yourself to it a lot”. In addition to being time consuming the owner/ manager must spread time across multiple tasks and one interviewee observes how in the day to day business:

“I do a bit of everything. I'd be responsible for taking the bookings, updating the website ah the online marketing engine, .. ah updating rates and availability ah taking the bookings, checking in customers when they arrive, looking after their needs when they are here, if they need anything upstairs the ask me and I provide whatever it is ah... I would be doing general maintenance work I would be doing a bit of redecoration of the place ongoing on going re decoration ah breakfast, I'd be checking people in, checking people out and trying to market the place as well”.

(interviewee 10, guesthouse large city).

5.4.4 Employee training

The close proximity of the owner/ manager and employees offers an opportunity to transfer some skills to employees: “We teach them, we train them .. we tell them very much so.. it’s not formal training” (interviewee 7, seaside guesthouse). There are opportunities to shape the employees behaviour, where the owner/ manager works alongside the employees and stimulates employees to interact with guests: “you know the more that you engage... if I see you standing talking to one another I’ll hit you *laughs a lot*... go and talk to people” (interviewee 5, rural self catering), referring to necessity of employees to talk to customers.

5.4.5 Operational capability and innovation

Operational capability enables the owner/ manager to liberate product innovations manifest as different culinary offerings, for example interview 13 (guesthouse large city) builds on innovative products and sells them separately from mealtime offerings in the firm. Operational capability enables the owner/ manager to improve, for example interviewee 8 (bed and breakfast near large city) notices the demand for laundry services through interaction with guests but also through a deep concern to deliver good customer service. Close interaction with the customers enables the owner/ manager to develop a market sensing capability which can help to rapidly identify signals of new business opportunities from existing or new customers. In terms of innovation, market sensing can lead to product innovation, for example interviewee 18 (vegetarian bed and breakfast rural) offering a lower market food service to cater for market changes; interviewee 5 (self catering small village) looking to increase self-catering aspects of the business to cater for demand; and interviewee 21 (guesthouse rural town) offering added value services where local knowledge is necessary.

5.5 Strategic thinking

Strategic thinking is coded at four child nodes: imaginative thinking; cost/ business focus; implicit strategy; strategy and operations and strategy converging (table 5.6).

Table 5.6 Strategic thinking- child nodes

Strategic thinking node	Sources	References	Code name
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Imaginative thinking	16	33	SIMAG
Cost/ business focus	19	67	SCOST
Implicit strategy	17	37	SIMP
Operations and strategy converging	14	19	SOCVG

All nodes are coded a high number of times, in comparison with other nodes. The least coded item is for operations and strategy converging, which nonetheless is coded at fourteen of the twenty interviews, but overall has substantially less overall references in total- compare nineteen instances with the total of sixty seven for cost/ business focus. The four child nodes relating to strategic thinking (table 5.6) are discussed in sections 5.5.1 to 5.5.4 below.

5.5.1 Imaginative thinking

There is limited exemplification of imaginative thinking in the twenty interviews, and such findings concur with existing literature where the owner/ manager is argued to focus on maintaining the status quo (Morrison, 2006; Greenbank, 2000), or innovating incrementally (Alonso and Bressan, 2014 a). For example interviewee 18 (vegetarian bed and breakfast rural) summarises the difficulties of the economic climate: “I think it’s survivable in this climate but I don’t know whether there’s really opportunities for it to get better as such”. Interviewee 16 (guesthouse large town) notes the need to be proactive towards change: “we’re trying to be proactive in any decisions we make ... if there’s an issue coming or if there’s a trend in the business we say should we be going into that trend”. The owner/ manager plays a creative role in context: “All the time we think about it what can we do better..is there something we are missing out on and can we develop it in a certain direction. ...I’d be a bit of an idealist and a dreamer” (interviewee 21, guesthouse rural town).

There are levels of risk in imagination where new markets are involved:

“we are addressing the German market and obviously I am a fluent, native I suppose German speaker so we are thinking of going into, of breaking into, of going into the whole, I know we are probably a bit mad to do this singlehandedly, but we really just want to go and talk to German travel agents and you know see what business, how we could do business with them”

(interviewee 6, bed and breakfast near large city).

Interviewee 5 (rural self catering) describes the evolution of his business and subsequent growth of an associated café “it’s an adventure, it’s a call it what you like, a fantasy *laughs*”. Again one interviewee perceives the need of loosening conventional boundaries on thinking: “it shouldn’t have any boundaries you know you need, you might kind of look at things that may appear ridiculous ..” (interviewee 6, bed and breakfast near large city).

5.5.2 Cost/ risk perspective

There is a high level of awareness of the business philosophy from a cost/ risk perspective on decision making over the longer period. This was unexpected in terms of previous literature (Lashley and Rowson, 2010; Beaver, 2007; Morrison and Conway, 2007). Interviewee 1 (historic house rural self catering) carefully makes decisions from previous experience as owner and director of a large company: “I mean if we decide we will figure out what it costs and is it worthwhile, I mean, look, if you’re going to get a return on it, it’s worth doing certainly”. Interviewee 2 (guesthouse rural village) was a qualified accountant prior to running their own micro hotel and during the interview showed evidence of ability to rapidly work out costs. Interviewee 6 (bed and breakfast near large city) saw cost management as a challenge but also an opportunity:

“I suppose the biggest challenge I suppose over the last couple of years for us in our business and for everyone in the small business is to control your costs is to understand where your costs are where they are coming from what can you do to control them but more importantly maybe there’s an opportunity to reduce them”.

Interviewee 15 (guesthouse near town in tourism region) appeared keen to demonstrate how their firm was far from naïve in competing, with a long term option to turn the bed and breakfast into self-catering units, should the bed and breakfast business prove difficult:

“what would you be intending to do to scale down you know, no I said no problem at all, I think he looked at me and though he was going to get me to say I’m very worried about that you know. I said oh no our building down here, that was in our mind when we designed it and built it, that with the slightest modification we can change it over to a top class holiday home, which actually we could”.

This example is linked to an implicit strategy developed at the start point where the option was conceived with relevant planning permission in place. Even where there is overt lifestyle motivation, consciousness of costs is exemplified:

“I didn’t go into business to run a business as such it was more a lifestyle thing ...and I’m not looking to be the best business person in the world ...so long as I can pay the bills I’m quite happy”

(interviewee 18, vegetarian bed and breakfast rural).

5.5.3 Implicit strategy

Strategy appears implicit in continuing a business where the interest came from living in a period house with heavy sunk costs now apparent. Interviewee 1 (historic house rural self catering) comments: “You are talking about succession at our age <Loud laughter>. Who would take over.. I mean we have done, we have put an awful lot of money into this place” .

The strategic development of the firm as embedded in decisions and resource allocation mechanisms made in the early years of the firm, with current managerial work a form of incremental adjustment and maintenance of the original business plan is evidenced. For example interviewee 16 (guesthouse large town) relates: “we kind of had the whole thing sorted before we even opened we knew what we were about”, while another considers the impact of health on sustainable business activity:

“I say we’re in our early sixties so we would like to continue hopefully for another ten years anyway that’s the plan health permitting and all that ..so we feel that it is the sort of business you could continue”

(interviewee 9, seaside bed and breakfast).

On the other hand interviewee 13 (guesthouse large city) argues:

“There’s always opportunities.....as I say to people, people have to sleep at night, people have to work away from home so we are here in X there’s a population of 16,000, there are five major multinational companies within ten minutes of here there’s <name of one company>, there’s three training colleges, a maritime college all within ten minutes from here, so there’s a lot of activity and you look at that activity and you say, my business is getting heads on beds”

Furthermore, implicit strategy may reflect what interviewee 5 (rural self catering) considers the cost and promotion challenges inherent in setting up any service business. Interviewee 5 believes that once the challenges are worked through, the business runs more easily. Commenting on a business interviewee 5 knew to have failed: “she didn’t have the money to wait long enough and to spend the money in promoting it to make it happen”.

5.5.4 Operations and strategic thinking converge

Working at operational level enables the owner/ manager to spot market opportunities which can facilitate the development of new business: “it’s within the day to day operations that you see the opportunities to develop new contacts or even to develop new products” (interviewee 13, guesthouse large city). Strategic and operational convergence help innovation as the owner/ manager can spot an opportunity, for example the pizza oven (interviewee 2, guesthouse rural village), and then tacitly know the consequences of implementing from operational experience yet buttressed by an accountant’s strategic perspective on costs and risks. Strategic decisions can be made from a tacit knowledge of day to day work in the firm:

“a good decision maker would listen to what the problem is whether it comes from my wife or it comes from a guest or from staff, you know there are many sources for situations that will arise, that will involve a decision, so decision making is ..ultimately with me or whoever is delegated but we don’t make them without due consideration for all the elements involved”
(interviewee 13, guesthouse large city).

Yet there are examples of barriers to the convergence of strategic thinking and operations as noted in table 5.7 below, in a finding which exhibits divergence from established literature (Martin *et al.* 2013; Kelliher and Reinl, 2009; O’Dwyer and Ryan, 2000)

Table 5.7 Barriers to integration of operational capability and strategic thinking

Barrier	Examples
Over engagement in operational activity	Interviewee 21, 18, 17, 14, 10, 7, 2 but 13, 5, 4 are content to link the two with heavy operational work with a strategic perspective
Limited awareness of potential in operational activity and link to strategic- i.e. knowing ‘facts’ about customers but only translating to business knowledge in limited way	Interviewee 12, 2, 9, 11, 15, 18
Finance	Interviewee 2, 10,
Age	Interviewee 2, 12, 9 but not for 1, 5, 19, 20
Traditional model of industry/ firm- mental model of industry/ firm may block insight from customers- yet ‘strategically aware’	9, 8, 2, 11, 14, 15; 20 is not as successful as these

5.5.5 Strategic thinking and innovation

The evidence of implicit strategy suggests managerial capability has to take some extra constraints into consideration when considering innovation in the micro firm; for example

were an owner/ manager to consider business model change, the change must fit with the demands of family or the need to remain in a locality. However, one need not argue this is always a negative as from a resource perspective local community support from supportive employees (interviewee 14, historic guesthouse near large city) or from family would not otherwise exist. Therefore, embeddedness has a dual and complex impact. The table below highlights some of the major aspects of business strategy in the twenty firms interviewed. As noted above one firm declines to take part in the study, having initially been interviewed. The firm was identified as firm 3. Hence table 5.8 reports on 20 interviews, from 1 to 21, with 3 omitted.

Table 5.8 Nature of the micro firms sampled and strategic drivers

Firm	Type of firm	Strategic drivers
1	Self catering units in historic house in rural area	<ul style="list-style-type: none"> • Maintain and live in period house • Ongoing interest in other businesses • House possibly an investment from previous business profits?
2	Guesthouse with traditional bar in rural village	<ul style="list-style-type: none"> • Retirement plans damaged by recession • Financially trapped by sunk costs of employees • Focus on survival, as perceived by Owner/ manager, until retirement? • Run alongside traditional pub
4	Bed and breakfast- tourists but also relatives of local community/ local contract workers at manufacturing plant	<ul style="list-style-type: none"> • Owner/ manager hotel training drives business focus • Run by couple as family business • Using non traditional markets (building workers)
5	Self-catering linked to coffee shop	<ul style="list-style-type: none"> • Retired from business career but profit driven and entrepreneurial motivation with freedom from corporate politics
6	Bed and breakfast- tourists but also contract workers at local hospital	<ul style="list-style-type: none"> • Profit driven • Taken SME tourism course • Husband to join wife soon on retirement from business • Using non traditional markets
7	Guesthouse based on tourists to seaside town	<ul style="list-style-type: none"> • Young couple • Entrepreneurial despite what they think? • Run both guesthouse and self catering • Financial challenges
8	Bed and breakfast near city- tourists/ visiting staff of local college	<ul style="list-style-type: none"> • Traditional B&B • Older Owner/ manager • Source of second income as husband works outside • Taking course in SME tourism, may be changing perceptions of business?
9	Tourists to seaside town/ recently some construction workers	<ul style="list-style-type: none"> • Older Owner/ manager • Source of second income • Husband will retire and help in business

		<ul style="list-style-type: none"> • Traditional assumptions block new thinking • A little evidence of new market- building workers
11	Rural bed and breakfast- tourists	<ul style="list-style-type: none"> • Will close within two years • Two Owner/ managers; one working outside • Rural location problem • Moving to new house
12	Seaside bed and breakfast- tourists/ specified only tourist who fit with profile of Owner/ manager	<ul style="list-style-type: none"> • Retired businessman runs business, as contributing to nice house and providing some income • Wife works full time outside
13	City guesthouse- some tourists but mainly employees of trainees at local college or local pharmaceutical industries	<ul style="list-style-type: none"> • Profit driven operation by middle aged man on third career • Non-traditional markets • Wife experienced chef and in business- contribution to value added
14	Period house- tourists and some overflow from hotel weddings	<ul style="list-style-type: none"> • Contributes to cost of running period house • Owner/ manager long time in business, profit motivation continues • Business will end this generation
15	Bed and breakfast tourism location- American tourists on the whole/ some Europeans	<ul style="list-style-type: none"> • Two older people • Retired from other work • Interest in people • Possibly tap into foreign markets looking for traditional experience of Ireland
16	Guesthouse large town- tourists but also businesspeople and civil servants	<ul style="list-style-type: none"> • Two middle aged people run as profit driven guesthouse • One works outside business
17	Former religious ministers house- fine dining plays role in attracting business	<ul style="list-style-type: none"> • Sole Owner/ manager running period house • Contributes to maintain house
18	Vegetarian bed and breakfast- tourists with lifestyle motivation	<ul style="list-style-type: none"> • Young person operates • Her partner runs nearby farm • Lifestyle motivation around people/ vegetarian offerings
19	Guesthouse run with high class restaurant business	<ul style="list-style-type: none"> • Highly experienced businessman • Career as chef and runs restaurant alongside guesthouse • Soon to hand on to son
21	Guesthouse run alongside restaurant- uniqueness of venue as former religious building and no televisions- Irish market	<ul style="list-style-type: none"> • Two person business- young couple

5.6 Resource pools

Having presented the findings for the capability criteria, the chapter moves to highlight findings emerging from the data analysis focused on the resource pools from the literature review. Table 5.9 provides an overview of resource pool code names.

Table 5.9 Resource pools

Resource Pool node	Sources	References	Code name
Community	13	24	COMMUNITY
Employees	13	19	EMPLOYEES
Family	19	62	FAMILY
Ties	20	118	TIES
Technology	14	22	TECHNOLOGY

The five child nodes relating to resource pools (table 5.9) are discussed in sections 5.6.1 to 5.6.5 below.

5.6.1 Community

There is significant overlap in the term community and ties in the interviews, for example interviewee 13 (guesthouse large city) could be referring to ties when questioned about community:

“I would be mindful of both the business community in promoting our own place and also promoting the local town. All towns, provincial towns, small populated areas have to promote themselves and the business sector. It can be a lot easier to do that together than individually”.

However, interviewees 13 (guesthouse near large city) and 6 (bed and breakfast near large city) are conscious to be good neighbours, perhaps reflecting a simple level of business ethics. The community is a support to both the business in terms of revenue and in terms of providing part time labour, as one owner/ manager relates:

“confirmations⁹ now mammy and daddy gets booked out granny and granddad are sent out to the B&B and I get huge business from that... if there was anything wrong in the house I could knock on anybody’s door above you know that’s not a problem”
(interviewee 14, historic guesthouse near large city).

There are similar examples in interview 2 (guesthouse rural village) and 4 (bed and breakfast near large city). Another owner/ manager perceives⁷ that customers may like to be served by people with local community associations:

“maybe a slight angle to that might be that when the guests go in for their evening meal and then when they come back maybe that night or the following morning they often tell us oh we met your friends in the restaurant last night, or the girl who was serving us was your neighbour or whatever and so on, and they like that sort of thing, I suppose that has a bit of a community feel to it too ”
(interviewee 15 guesthouse near town in tourism region).

However, benefits from community are not always the case with one interviewee commenting: “We don’t get much local business to be honest because the place is so

⁹ Confirmation is a catholic religious ceremony for children of 10-12 years old performed in April/ May, which is often accompanied by family/ friends gathering to celebrate the occasion.

different, like we have had some people coming to stay but it's not a huge part of our business" (interviewee 20, rural bed and breakfast). Similarly, another owner/ manager argues' that there can be difficulties developing new projects as "people won't go against people in a small area" (interviewee 2, guesthouse rural village).

5.6.2 Employees

The firms are often too small to consider employees as a resource, as there may be only a husband and wife team running the business exemplified by interviewee 6 (bed and breakfast near large city) and interviewee 18, (vegetarian bed and breakfast rural). Other micro firms have employees who work a very small number of hours, such as interviewee 15 (guesthouse near town in tourism region); interviewee 12 (seaside bed and breakfast) and interviewee 9 (seaside bed and breakfast). However, examples of employee management are evidenced, with one owner/ manager observing:

"we're a small business so our staff, they're not just employees they're our friends.. they, we would have the same repertoire and way about them with our guests so they would do as good a job as my wife or myself ...in treating the guests and taking care of the guests"

(interviewee 21, guesthouse rural town).

Interviewee 5 (rural self catering) depends on employees as a source of local knowledge adding to the guest experience: "Yes their knowledge is paramount". There is delegation in the form of an employee managing an aspect of the business with an owner/ manager commenting: "The girl that runs this place for me she is with us since we started" (interviewee 2, guesthouse rural village). Interviewee 5 (rural self catering) when asked about whether they contribute: "hugely they are all, there's two lads the rest are girls they're all local youngsters they're either in the leaving cert./ college". Such findings add to contributions arguing the opportunities in developing employees as a resource (Kelliher and Reinl, 2009; Phillipson *et al.* 2004). However, in other cases employees are purely operational, an owner/ manager perceives of an employee: "she sort of contributes to the making of the beds and things like that" (interviewee 15, guesthouse near town in tourism region) and similarly there are employees who have no contact with customers, and perform cleaning tasks only (interviewee 16, guesthouse large town).

5.6.3 Family

Family acts as a support to the owner/ manager in terms of sharing workload:

“I wouldn’t recommend it for a single person and I think it’s for partners or a couple or you’d need I think ideally two people involved in it you know,... so that’s the one disadvantage ahem it’s twenty four seven”

(interviewee 10, guesthouse large city).

There are also family support examples in interviewee 14, 15, 6, 7, 17. Family can serve to assist with technology and an interviewee comments: “they all tell us we have a very good website which was set up by our children” (interviewee 15, guesthouse near town in tourism region). However, business decisions can cause family tension as an owner/ manager perceives: “Everything was hard fought for a solo job. I was fighting my spouse on one front, to get to that direction” (interviewee 20, rural bed and breakfast), and yet emerge from common family purpose: “We have a lot of faith in each other, I think and our instincts” (interviewee 21, guesthouse rural town) and “my wife and I are partners so all decisions would be made between us” (interviewee 7, seaside guesthouse). A partner can also bring added expertise to the business:

“we consult together my husband and I about things and because he is in a hotel, he’s a duty manager of a hotel, he would be quite knowledgeable about how to get things done, so I would rely on him for advice and decisions”

(interviewee 9, seaside bed and breakfast).

Family can be a source of advice as in a husband who is innovative (interviewee 8, bed and breakfast near large city) or a brother of whom an interviewee comments: “he’s a farmer he’s on a big scale in farming and has a business mind you know” (interviewee 10, guesthouse large city) and a father in law who has business experience (interviewee 4, bed and breakfast near large city). Such findings diverge from the academic literature where there is greater emphasis on family as a source of low cost labour and emotional support (Oughton *et al.* 2003; Wheelock and Baines, 1998). But there can be conflict between family demands and the demands of the business, with interviewee 11 (rural bed and breakfast) commenting:

“sometimes you feel it’s an invasion of your privacy you just want the house to yourself to do your own thing. I find that sometimes because I work full time as well that when I go home I want to go home- but sometimes I go home I have to put on my happy face”

5.6.4 Stakeholder ties

Ties are differentiated from the concept of community, the latter being a sense of belonging to an area and of having responsibility to local people (illustrated in the

literature in Phillipson *et al.* 2006, and in the data by interviewee 2, local G.A.A / church). Ties relate to connections to other suppliers, competitors and other businesses, including sources of advice such as accountants. Within the ties concept are included government, advisory and sector support agencies and policy bodies such as Failte Ireland. This section breaks down the ties into four subsets; supplier, competitor, advice and government policy.

5.6.4.1 Supplier ties

Referring to lack of business connections interviewee 10 (guesthouse large city) comments: “I think...they wouldn’t hurt like it’s a business where you constantly, you get business from referrals and stuff”. Referring to both supplier and competitor ties, interviewee 12 (seaside bed and breakfast) notes how a culture of not wanting to work together, perhaps facilitated in his opinion by almost dynastic family dominance of local business ownership, stifles attempts to improve business ties and related efforts to improve local business practice. Local suppliers are used by many firms, though there is not clear evidence of working together in any deep way, contrasting with Phillipson *et al.* (2006; 2004). Interviewee 2 (guesthouse rural village) ensures quality by using a local supplier. Interviewee 4 (bed and breakfast near large city) describes how new business was sought:

“I suppose a lot was [to] do you know with newspapers, and then you know the groundwork as well, like I knew all about the planning permission process it’s been going on for the last two years I’d say, contacts in the major company and then getting to know a couple of guys down below and .. I was always well ahead of when the contractors were coming”.

5.6.4.2 Competitor ties

Interviewee 11 (rural bed and breakfast) comments on the cordial but shallow relationships:

“B&B wise when we arrived we didn’t go out and say hi we are new we didn’t do that we just kind of started up and went around to one or two local b&bs and linked into them way. So I would say good but we don’t work together we are on our own we are very separate as well”.

Hotels need not be seen as a negative competing source but a source of guests who want to attend functions at the hotel but not stay there (interviewees 19; 16; 14; 13). There is a level of recommending other micro hotels in most of the firms interviewed: “it means if

I'm full I ring some of them, if they're full ..they ring me, ... as far as that's concerned big networking with the women" (interviewee 14, historic guesthouse near large city); with an exception in interviewee 20 (rural bed and breakfast) where the owner/ manager perceives himself as an outsider in the local community: "Not accommodation...well a little, very little, we've had run ins with..because we are blow ins¹⁰ to the area- we've had problems with integration to the area".

5.6.4.3 Advice ties

An accountant is perceived to be a source of advice:

"He's useful to a certain extent but again ..I suppose the accountant is limited by the fact he realises the money isn't there..... but, he would give me options as to do this or that or do the other based on the amount of money available".

(interviewee 10, guesthouse large city)

Long term hotel contacts are perceived as a source of strategic business advice for interviewee 1 (historic house rural self catering):

"he's excellent.. and he's a guy that I , we book when we had the the factory and we still book a lot of people into his hotel in Z and you know I've talked to him about different things we were doing here".

Interviewee 2 (guesthouse rural village) developed an information technology system from contact with a solicitor. Hotel and restaurant contacts are of benefit to interviewee 19 (guesthouse sub urban large city):

"When it was needed we would consult, sometimes outsiders- like obviously when you're building. You bring in your accountant if you are in the financial stream. You might seek a colleague's advice or go and look at different places to see what was happening there, and talk to..I have a vast network of colleagues whom I would know quite well, you know the <mentions an association> and you would discuss things with them as well".

Interviewee 21 (guesthouse rural town) has a few very good long term contacts from his business history whom he depends on for advice in developing the business, concurring with arguments that the micro firm owner/ manager segments business advice in terms of different levels of trust/ interaction with the social/ economic environment of the firm (Lieberman-Yaconi *et al.* 2010; Devins *et al.* 2005; Jay and Schaper, 2003).

5.6.4.4 Government policy ties

¹⁰ A 'blow in' is a colloquial term in Ireland to describe someone who was born/ grew up in a different location to that where they currently reside.

Failte Ireland is seen to offer good advice on how to operate the business: “the course that Failte Ireland did was excellent in that it had like chunks of knowledge that you wouldn’t get otherwise out there on the street” (interviewee 10, guesthouse large city). However, there was considerable criticism of Failte Ireland, who are argued to inhibit innovation, with one owner/ manager commenting on whether or not they were helpful:

“Not really, no, to be honest. So I mean with someone coming in to check if your lightbulb is of the correct wattage so you are going to be approved is ridiculous like.. and if you showed innovation while you were being approved they didn’t really like that either.. you know.. why would you do this? Why would you not stick with the traditional? So that’s what we found from Failte Ireland”

(interviewee 11, rural bed and breakfast).

There is a perception that Failte Ireland is removed from the day to day business of the micro hotels “you know I go to some of the meetings, and I think how removed from reality are we here” (interviewee 1, historic house rural self catering); other examples are found in interviewees 1, 2, 5, 7, 11, 14, 15, 18 transcripts. However, for interviewee 17 (historic guesthouse rural) ‘Hidden Ireland’ a marketing group focused on smaller rural hotel providers is found to be a beneficial source of advice and support. Hotel bodies are a source of advice on markets and labour law (interviewee 4, bed and breakfast near large city; interviewee 13, guesthouse large city) and visits from Failte Ireland ensure high standards:

“I’m a member of the Hotel Federation and of Failte Ireland, who are coming here this afternoon and I’m sure I’m going to get a lot of feedback from them so information is coming constantly from within and from my associations that I’m linked with”

(interviewee 13, guesthouse large city).

Interviewee 4 (bed and breakfast near large city) was enthusiastically part of a local tourism festival group and contributed money but: “we didn’t get anything though”. Interviewee 18 (vegetarian bed and breakfast rural) avoided government bodies:

“I kind of avoided them on purpose because I did look into the whole Bord Failte thing when I was working and there were all kinds of rules on what size rooms you have to have and what facilities you have to have in each room and.. it all seemed a little bit too bureaucratic to me <laughs> it not what I like at all so I purposely avoided them all”.

Industry and academic events are seen as useful as a form of support and advice for someone struggling with business ideas alone, an owner/ manager comments: “obviously you are exchanging ideas and tweaking things and you are meeting other like minded

people, that is brilliant” (interviewee 20, rural bed and breakfast) and another observes: “It’s the same if you go to an exhibition, say catering exhibition, we go every year to the RDS¹¹, and you’ll almost always see something that’s of a benefit to the business” (interviewee 2, guesthouse rural village).

5.6.5 Technology as a resource

Technology is shown to be an important resource for the micro hotel in many of the interviews. At a minimum level it enables the firm’s competitive survival:

“I was talking recently to another guesthouse owner here in town and they’re an older couple and they’re not online ..and they said they are dying and I think, probably... between seventy and eighty percent of my bookings would be online ..and if I hadn’t gone online about three.. three years ago I’d be gone out of business now ...no doubt whatsoever”

(interviewee 10, guesthouse large city).

The cost of technology is not a major problem and where a firm is willing to utilise free offerings technology may be a free resource “social media is free” (interviewee 11, rural bed and breakfast). This finding contrasts with cost concerns about the purchase and implementation of new technologies for the micro firm (Jones *et al.* 2014; Barnes *et al.* 2012; Karljaluoto and Huhtamaki, 2010). However, time and skills are necessary to make best use of technology, with one owner/ manager relating “we probably could put in a little bit more if we were doing social media we could probably do a little bit more” and “we’re not great on social media- we’re not great on..we don’t pay for advertising.. Social media we could be much better” (interviewee 19, guesthouse sub urban large city).

New technology can also be a tool to make best use of owner/ manager’s time:

“with the use of technology nowadays you know with people can call you on mobiles you can get emails on mobiles you don’t have to be in the building you can still be in tune with what’s going on you can still reply to people so from that point of view there are there are systems there.. that you can adapt and that you can use they may cost a few bob to put in but at the end of the day.. you can manage your own time”

(interviewee 6, bed and breakfast near large city).

Against the importance of technology and concurring with academic studies (Karljaluoto and Huhtamaki, 2010; Fillis *et al.* 2004), only business focused work will leverage technology as a resource, otherwise the firm’s offering remains undifferentiated in the marketplace “the internet is so.. incredibly important but it's not..it’s not .. it doesn’t make

¹¹ The Royal Dublin Society (RDS) is a large Dublin-based indoor/ outdoor exhibition venue

me stand out against my competitor” (interviewee 7, seaside guesthouse). Though the comment may show lack of awareness of the potential for the customer perception of the guesthouse to be a way of differentiating the firm from others:

“to keep your sites on the internet right... to get pictures and people go on it and say that’s a nice house, they’ve private parking and then that might induce them to book with us you know, ... out of say five or six houses”

(interviewee 9, seaside bed and breakfast).

5.7 People relationships

There are relatively low instances of coding of each aspect of people relationships, the largest number of instances is under the child node coded as people liking, coded in 18 interviews with a total of 25 references. In contrast people relationships in family are coded at only 3 interviews and have only 5 references in all. The table below highlights the main aspects of the coding:

Table 5.10 People relationships- child nodes

People relationships node	Coding	References	Code Name
Community and Stakeholder dialogue	8	10	PDIA
Family relationships	3	5	PFAM
Meeting people	18	25	PLIK

The three child nodes relating to people relationships (table 5.10) are discussed in sections 5.7.1 to 5.7.3 below.

5.7.1 Community and stakeholder dialogue

There is a personal element to relationships with stakeholders, possibly involving a level of investing of the owner/ manager’s time and some risk in sharing information.

Interviewee 4 (bed and breakfast near large city) comments:

“the pub right beside me here the P we do a lot of things between ourselves he'd have nights and we do a lot of overflow nights where he would have a party on and I'd look after the accommodation and stuff like that so we have a great personal relationship”.

Interviewee 17 (historic guesthouse rural) comments: “Very good, very good we have lots of local friends”. However some relationships appear more distant: “pretty good as I

said in terms of community, farming... and what's going on, and as I've said the fishing the tie ups with restaurants round the area we know most of them we would recommend people to them". Interviewee 14 (historic guesthouse near large city) refers to good relationships with local women bed and breakfast owners: "as far as that's concerned big networking with the women". Interviewee 14 also experiences support from such people when under pressure to run her own firm, with people from the community who can stand in her place. Interviewee 10 (guesthouse large city) regrets not developing relationships to other businesses as this "would not harm business".

5.7.2 Family relationships

There are a number of instances in the interviews illustrating the importance of the owner/ manager communicating with those in the family:

"It tests any marriage, believe you me, any marriage ahem we're all involved we all know what it entails we all have our roles even when it comes to cleaning the rooms I know what I need to do and my husband will do the nitty gritty because I just.. I will do it if I have to but we know our roles and even the children know what they need to do in the house"

(interviewee 11, rural bed and breakfast).

Good relationships with family members enable their use in training the staff and developing knowledge in the business context with an owner/ manager reflecting on his daughter's benefit to the firm:

"I think she was on holidays for that summer, I said I'll give you a thousand euros or a thousand pounds I think at the time if you can teach all our people about HACCP that's what happened"

(interviewee 2, guesthouse rural village).

The owner/ manager may need to be protective of family members who contribute from some of the harsh nature of business operations: "if she <spouse> sees harsh reviews on Tripadvisor so I would be kind of protecting her from that now I look at it as criticism" (interviewee 4, bed and breakfast near large city).

5.7.3 Meeting people

This theme emerges consistently in the data, converging with aspects of the existing literature where arguments for the business benefits of people relationships are made (Haghigi *et al.* 2014; Morrison and Teixeira, 2004). However, the findings diverge strongly from Lashley and Rowson (2010) where people relationships are argued as antithetical to business competitiveness. The theme merits greater exploration in order that what is possibly superficial activity inevitable to the industry through necessary people contact can be differentiated from deeper relationships which differentiate the owner/ manager's managerial capability. Interviewee 12 (seaside bed and breakfast) mirrors most of the respondents: "it's a very nice business to be in because you meet lovely, lovely people" and interviewee 8 (bed and breakfast near large city) notes "I like meeting people ... I feel comfortable with strangers ... as much as people I know". It is possible to build deeper relationships with guests and interviewee 6 (bed and breakfast near large city) relates: "I would go you know you go in and talk to the guests when they have had the breakfast and see that everything was fine with them so you're building a rapport". Interviewee 18 (vegetarian bed and breakfast rural) suggests the importance of the relationship built through contact with guests in contrast to many competing firms:

"we sit down and eat with them and then after they finish their dinner they come in here and have a drink and a chat .. and it's very different from a normal B&B where ..you are shown your room and then you don't see the person who owns the place until breakfast time and then they're off again, you know".

However, there is a need to develop skills which are customer centric for as interviewee 13 (guesthouse large city) reflects:

"you're only as good in this business as the service you have provided the previous day and if you can't deal with people or you don't like dealing with people you have certainly no business in this industry. It's not rocket science, in our business there's no technical background to running a guesthouse. Ninety percent of the population could do it. It's all about people skills".

Good people relationships benefit the business and an owner/ manager notes: "I think the fact that we are a family, we talk to people, and you build up a rapport with them and I think that brings on a lot of repeat business" (interviewee 7, seaside guesthouse). The owner/ manager plays many roles to satisfy customers, with interviewee 2 (guesthouse rural village) noting: "a lot of people said one time you have to be an accountant, a

solicitor, a doctor, a psychologist, a psychiatrist because in this business you meet every kind of a person”.

5.8 Mental models

Both child nodes for mental models are coded at many interviews with environmental models coded in 18 and competitor models coded in 16 (table 5.11).

Table 5.11 Mental models- child nodes

Mental model node	Sources	References	Code Name
Environmental models	18	47	MODE
Competitor models	16	24	MODC

Respectively the number of references is greater in environmental models at 47 by comparison with 24 for competitor models (table 5.11). There is some overlap between the two child nodes, as at times the same text can be interpreted as referring to both competitors and the environment. Each node is discussed below.

5.8.1 Environmental models

Interviewee 13 (guesthouse large city), while cognisant of a challenging economic environment sees it as an integral aspect of his work as a manager to negotiate, and expresses a more pro-active role for the owner/ manager:

“In recent times with the recession, we have suffered like everybody else, numbers wise, rates wise, margins are very low, there is no money to be made in this business at the moment, so it is difficult for me to progress this business when you are that constrained you are dealing with the financial institutions who have their own job to do right, and I work with them and it can be difficult at times and it can be very constraining at times but to everybody who runs their own business, the financial aspect of it is quite an imposition and it is no different here, I have to answer to the financial masters and we have to pay our bills and cover our mortgage and that isn't easy and that is not the second dislike but a huge consideration at all times”.

Similarly, interview 14 (historic house near major city) and interviewee 16 (guesthouse large town) portray mental models. This suggests the challenges can be overcome as the owner/ managers' offering acts as an overflow for guests from other hotels when the hotels operate at maximum capacity. Considering mental models of the environment as expressed in the transcripts a number of themes emerge. Mental models emerge from the

business experience and training of the owner/ managers (interviewee 1, 2, 4, 5, 6, 7, 10, 11, 12, 13, 16, 17, 18, 21), from wider business experience and then more narrowly in running a bed and breakfast (interviewee 8, 9, 14, 15, 19, 20). Considerable emphasis is placed on the almost deterministic nature of the environment (interviewee 2, 7, 12),. However, there are exceptions (interviewee 4, 6, 13) where even in economic difficulties opportunities are seen. Mental models are rooted in independence of the firm, though levels of stakeholder co-operation are in evidence and interviewees 6 and 8 show some enthusiasm for stakeholder models in theory where the influence of a business course attended by both owners may be a driving factor. In some cases the mental models reflect the aging of the business owners, with little prospect of succession by offspring (interviewee 1, 2, 12).

5.8.2 Competitor models

As with environmental models there are models suggesting owner/ managers are aware of outside competition, often in the form of government supported hotels (interviewee 12, seaside bed and breakfast). However, what is less certain is what the mental models do other than to suggest a level of awareness of the competitive challenges, as one owner/ manager perceives:

“it’s difficult to compete with the hotels because a lot of the hotels are offering deals, they have swimming pools, leisure centres and stuff that I don’t have ahem they have bars, like they have bar and restaurant and everything so I think it’s getting tougher to compete ..in the present climate”
(interviewee 12, seaside bed and breakfast).

However, interviewee 13 (guesthouse large city) takes the competitive difficulties as an integral part of the competitive environment: “I’m at the upper level of the sector, four star, so I’m competing with both hotels and with bed and breakfasts so it’s to keep an eye on both camps, but it’s a difficult sector at the moment”. Similarly overcoming competitive challenges can be related to innovation, as one owner/ manager perceives:

“I suppose when you compare some other B&Bs in the area, they don’t use social media they don’t have Booking.com. We are competing against local hotels the X and the Y through Booking.com so we’re innovating in that way and TripAdvisor we’re number 1 in the local town area for TripAdvisor so we are innovative through our online presence ahem and I think sometimes we may be innovative because the comments we get people know our background is hotels and they can see that ahem as well”.
(interviewee 11, rural bed and breakfast).

However, competing can be a hard struggle and an interviewee relates: “my whole business plan right now is just to survive ..and ah ah... and it’s a terrible way to live and a terrible way to do business but I’m just trying to out survive my competitors” (interviewee 7, seaside guesthouse). There is awareness of the implications of not competing as well in the marketplace as hotels, as interviewee 12 (seaside bed and breakfast) notes:

“so on average we would have throughout the summer season two to two and a half rooms full for maybe fifty percent of the time .. so you can see normal hotel operates at sixty/ seventy percent capacity .. we operate at about thirty to forty percent of our actual ... capacity. Now sometimes we might have one or two or three days you know in the course of the summer where all four rooms would be occupied ... and then I’d be occupied for consecutive nights”

Perhaps a deterministic approach to the competitive environment in some cases, enables the owner/ manager to opt out of what might be considered normal business competition where the firm is altered in some way on the competitive path, instead accepting a trade-off between lifestyle motivation and business strategy. In the case of Interviewee 12 the firm is effectively loss making, but contributes to the running of a family home. Combined with awareness of the competitive challenges provided by three star hotels are elements of awareness of bed and breakfast firms needing to differentiate themselves, possibly in niche markets:

“so there’s a whole new, there’s a whole new innovative market developing in the tourism industry and perhaps the B&B is not servicing the mainstream of that requirement you know ..and never will service it .. so the volume is going to the three stars you know solely to support the banks, if the interest isn’t being paid, the capital isn’t being repaid, but if the interest isn’t being repaid then the hotels would have to close down and.. the banks would have to write that value off their books you can see it in the local hotel, have you seen that?”

(interviewee 12, seaside bed and breakfast)

While it is arguable that where an owner/ manager with this level of business awareness is willing, or perhaps pressurised to alter his business model the link from awareness to activation of innovation might be achieved. The owner/ manager in this case is in effect semi-retired and has had a long business career in management elsewhere, and there is no plan to continue the business beyond full retirement. There is an apparent fatalism from an owner/ manager nearing retirement who will not pass the business onto another generation:

“you’re not guaranteed a wage ..that is one of the problems, it was never anything with women no other women as a second income.. as a first income... the pressure would be atrocious..not suitable to support a family ..no no ..definitely too irregular, too many things can go wrong, during the

recession the hotels are selling hotels for less. A major hotel in a city nearby is selling rooms for less than I am so you know why would people come here ..no too much pressure, the day I go it's gone”

(interviewee 14, historic guesthouse near large city).

Interviewees 14 and 16 consider hotels useful in terms of bringing bigger events to their locality and then providing the opportunity for the micro hotel to “feed from” events.

Interviewee 16 (guesthouse large town):

“The only thing I was thinking and you will probably get it from the other bed and breakfast owners as well is the competition between the hotel and .. and thank God it doesn't affect us too much we have a small hotel over here the T hotel they have thirty two <rooms>, they have about twelve rooms and 't is poor enough the food is good but the bedrooms are very poor and people have said it to us and they have come over to us now having said that they're probably charging a small bit more than us, or maybe they're the same in a way having a hotel that's not up to scratch is an advantage for us but in a way it's not an advantage for us because it should be a bigger hotel if there was a bigger hotel in town we'd feed off them ..because they'd have the functions, they'd have the conferences yeah they have the .. weddings yeah and all that kind of stuff, and like there was a proposal for a hotel a hundred bed hotel just across the road behind the town park and everybody was saying X that will close you down, and I said absolutely not I'll feed off that, bring it on bring it on it'll be bringing business into town and concerts and all sorts of this will be great and I'll be right opposite the gate”.¹²

Finally, mental models of competitors emerge from interaction with others, including competitors in industry body settings such as those provided by the Irish Hotels Federation: “it's always good to know what your competitors are doing or research what your competitors are doing” (interviewee 4, bed and breakfast near large city).

The next section discusses the nature of the findings which reflect the marketing capability detailed in the literature review.

5.9 Marketing capability criteria

This section describes the findings under the marketing capability criteria. The marketing capability criterion comprises four traits, which have emerged from review of previous versions of the findings. Marketing capability emerges primarily from researcher awareness that technological capability places heavy emphasis on how owner/ managers perceive and utilise technology, as opposed to an underlying marketing capability, where technology acts as just one of a number of resources. Further, contemplation of how criteria from the model based on the critical literature review, in section 3.6.6 above,

¹² Italic and normal script indicate the two owner/ managers comments in this dyadic interview.

were interpreted through the data analysis process led to other developments in marketing capability. Specifically, market sensing emerged from operational capability and symbolic promotion from the leadership criterion. Finally, the market as a resource, is reshaped under marketing capability to reflect opportunities from market proximity. A separate NVivo analysis is not conducted for the marketing capability, as the capability emerges from codes developed in earlier NVivo analysis.

5.9.1 Market proximity

Market proximity is perceived as giving the owner/ manager valuable market knowledge: “your customers are the people who will give you the most honest information about what you are and what you aren’t and in trouble” (interviewee 13, guesthouse large city). Interviewee 15 (guesthouse near town tourism region) perceives being close to the market as enabling a differentiation of service as opposed to offerings in hotels “that standardisation you know, a certain amount of it in life and living can’t be just brought to that bland and total branding”. Specific niche markets can be supported through market proximity, and interviewee 16 (guesthouse large town) highlights the importance of word of mouth:

“the word of mouth is the most important with the business community .. because if you have shops around here and people come into the shops and salesmen and anyone in business and the fact is we are getting a lot of that type of business because of word of mouth they go back to the shop owner or the business owner and they say God that was a nice house I stayed in and the court we have the judges here as well”.

Market proximity enables interviewee 19 (guesthouse sub urban large city) to act quickly on customer feedback: “You would listen to customers for me this has always been what I would call a customer led restaurant, you know if a customer doesn’t like something we stop doing it, and if he suggested he’d like something we try to do it”.

5.9.2 Market sensing

Through the processes of day to day interaction with guests, owner/ managers are enabled to sense market needs and necessary changes, and one owner/ manager perceives: “it’s within that day to day operations that you see the opportunities to develop new contacts or even to develop new products” (interviewee 13, guesthouse large city). Marketing sensing may take the form of intuitive relationships built up with guests. For example,

explaining reasons for avoiding high usage of social media or even spending on advertising, interviewee 21 (guesthouse rural village) argues the importance of deep relationships built with customers who then return:

“we get the same people back over and over again- they tell their friends and the friends and the friends recommend their friends and over time it’s built up into a good healthy core of business”.

Interviewee 8 (bed and breakfast near large city) highlights the importance of deep interaction with customers: “to.... give the authentic experience be extremely friendly and helpful and to give customers time”. Similarly, while discounting the idea of business philosophy underpinning the strategic rationale of her firm run on “lifestyle” basis, interviewee 17 (historic guesthouse rural) displays a level of market sensing in spending time with guests and using enhanced culinary skills to retain customers: “A lot of people are real foodies, we are quite good cooks and we do make lovely food.. we’d spend a lot of time on it, we’d spend several hours making dinner”. However, from a formal marketing perspective there are challenges for these firms in translating such intuitive sensing of their markets into a longer term business source of advantage.

On the other hand interviewee 13 (guesthouse large city) comments:

“Our guests are, as <you> know, the most important people, a guest will never leave here without being asked how was their stay, was there anything they didn’t like or that we could change or whatever so that feedback is actually the best marketing you can do. Sometimes you mightn’t like to hear what they say but that is all part and parcel of improving your business and you have to be able to face up to that, and if there is a problem, face up to it”.

These findings suggest a level of market sensing in day to day operations synergised with a personal awareness of the need to develop market sensing into an active change framework based on customer feedback. Technology facilitates the development of market sensing. However, interviewee 14 (historic house near large city) wonders about the dangers of being “technology mad”. Similarly, Interviewee 16 (guesthouse large town) though conversant with new technology and evidence of potential benefits appears unable to discriminate between potential limitations and benefits of new technology as a marketing tool, leading to the suggestion that one simply cannot devote more and more time to technology without return. Such findings add to arguments in the academic literature that owner/ managers undertake new technology from a non strategic

perspective, where benefits are often more incremental than might otherwise accrue (Fillis *et al.* 2004).

5.9.3 Symbolic promotion

There are varying opinions of the role of Failte Ireland in promoting the wider industry, with one critical interpretation given: “it’s through our own promotion, it’s nothing to do with what should be promoting us, which is Failte Ireland” (interviewee 5, rural self catering). This owner/ manager (interviewee 5) takes considerable personal initiatives in terms of linking to other business ties where commercial value is extricated and to endeavouring to take some personal risk in promoting the firm over the internet and through one off initiatives. On the other hand, several firms rely on promotion from narrower industry marketing bodies of which they possess membership, for example interviewee 14 (historic guesthouse near large city), interviewee 6 (bed and breakfast near large city), interviewee 12 (seaside bed and breakfast) depend on marketing from bed and breakfast Ireland and interviewee 17 (historic house rural) relies on Hidden Ireland. While all firms appear to find benefits from membership of such bodies, interviewee 12 perhaps reflects a potential mismatch between industry bodies objectives and those of some firms when he accepts ‘Bed and Breakfast Ireland’ [one such industry body] may send customers his way, but he is unwilling to accept certain types of guest, a comment supported by interviewee 11 (rural bed and breakfast).

Membership of organisations which give access to recommendations through internationally published travel books are seen to work in different ways. Interviewee 15 (guesthouse near town in tourism area) considers a long term relationship with a French guide to Ireland an honour and both useful in attracting guests and a driver of service standards in the firm. In contrast interviewee 16 (guesthouse large town) and interviewee 18 (vegetarian bed and breakfast rural) perceives high membership costs and limited returns in terms of business generated as negating the benefits of such membership.

More proactive owner/ manager approaches are seen: Interviewee 16 (guesthouse large town) emphasises the importance of “keeping the word out there” and promotes the firm through displays in local banks and businesses. Another takes a similar tactic but extends the approach:

“well number one was the hotels but the hotels is mainly tourists, they are out of town we did a day in one of the banks, the call centres with a stand talking to all the staff whatever else got to different businesses in towns spoken to the business and tell them what we offer and where we are have you ever been to X do you know where it is I did a couple of standing at traffic lights.”
(interviewee 5, rural self catering).

The owner/ manager represents the firm to guests and creates expectations that as part of the business relationship the guests meet the owner/ manager, thus differentiating the bed and breakfast business from the hotel business: “I am the face of the guesthouse, every guest will meet me ninety percent of the time.. I will check them out as well” (interviewee 13, guesthouse large city). The underlying processes of engaging with people, also produces a deeper customer relationship:

“they love to meet the owners or the manager but preferably the owners and to get the history of the place and ahem a bit about our family as well and it’s amazing how interested the Americans are in the personal side of it and that is one of the reasons why the Americans choose coming here instead of going to a big hotel”
(interviewee 15, guesthouse near town in tourism region).

Interviewee 16 (guesthouse large town) concurs and relates the importance of the owner/ manager in maintaining the guests trust in the service. Owner/ managers perceive their presence impresses customers, for example:

“they want to see the sweat on your brow you know you can’t be successful I don’t believe you can even be a successful hotel owner without being stuck in and you have to be the face of it you have to be working it you can’t be off in the Canaries and be a successful hotelier or B&B owner, you very much are hands on”
(interviewee 7, seaside guesthouse).

The promotion of the firm over the internet is also seen to involve the importance of the owner/ manager, be it through pictorial representation on the website (interviewee 11, bed and breakfast rural) or through presentation of the owner/ managers as part of long local history (interviewee 15, guesthouse near town in tourism region). Nonetheless, widespread efforts in terms of promoting the business and educating the owner/ manager can sometimes fail to generate improvement in business:

“I’m studying and recently I’ve passed half at least of a HETAC¹³ six level on e-marketing and promotion and I really work very hard at marketing and promotion....I have recently gotten, I say recently as in the last few years, involved more in community groups, partly to put my name out there.... I was so involved in building this place up but then after the TV programme which was done on us and people’s attitudes changed a bit more and I was more easily recognised and it made a big difference...But it didn’t make a big difference in terms of people coming”

(interviewee 20, rural bed and breakfast).

Interviewee 20 attributes this outcome to the perception that “the area here is not seen as a tourist destination, it’s seen as a place to pass through on the way to the West of Ireland”.

5.9.4 Market analysis

Most owner/ managers display an awareness of the origins and types of guests they encounter, for example one owner/ manager comments at length:

“I love finding out where they are from what they worked at what businesses they were in where they’re going you know particularly with..particularly with people from Australia are awfully awfully nice, ...and the Germans too they tend to be youngish Germans age to be up to about thirty like that and they are awfully mannerly <laughs> very respectful and super English or course they are easy to communicate with and they enjoy the whole, the flavour of Ireland it’s so different to Germany you know ..The Brits, not so much they’re a little bit on the stuffy side I find, they’re a bit of a pain in the <expletive> I find and ah ahem the ah the Irish people we get some very very nice Irish people but by and large you can see they are totally different to all of the customers we get, they want to sleep late they want breakfast as late as they can ..they come in at two and three in the morning ..whereas most of our other clients would be in bed by eleven ..because they are serious tourists they want to get up early and get out and see the countryside ..the others just want to loll about”

(interviewee 12, seaside bed and breakfast).

Another owner/ manager who lacks formal business experience is aware of the markets:

“Not in a formal way but I would imagine that we probably get at least sixty percent Irish people coming here ..mainly they are coming for a night or for a weekend away.. maybe about twenty percent Americans..ten percent from the U.K. and ..the rest. I should say we’ve got a dual thing with a café in the nearby city, do you know that café?”

(interviewee 18, vegetarian bed and breakfast rural)

However, it is less clear that the information gathered is used for marketing purposes.

Interviewee 6 (bed and breakfast near large city) explains some of the methods used to analyse market information:

“that’s the information you have so in our situation you don’t have scanning but what you do have is you can create a spreadsheet based on when people made bookings, when they arrived, where they came from, what country they’re from <noise> so you have all the.. you have a profile

¹³ Higher Education and Training Awards Council of Ireland; 6 is certification level.

building a profile all the time like CRM CRM yes on your system and that's something that you have for this year and then you can do the same again the following year and you know from two years you can make comparisons **yeah** you can then see where the trends are going to come because that's what I would have done with the financial side in retail”.

The same owner/ manager exemplifies a perceived need for strategic awareness of segmenting his markets, in order to make best use of the firm's resources:

“it may not be your market at all so you need to understand what you're delivering but also there is a huge client base out there and you can categorise them into many different sectors so you need to put your energy into and your time and your focus into where you think those people are going to deliver it back to you ..you know rather than chasing shadows”

(interviewee 6, bed and breakfast near large city).

Interviewee 16 (guesthouse large town) is conversant with perceptions of different nationalities, for example English, Irish and American guests and while continuing to do business with American tourists, critically it can be argued the perceptions rely on thought patterns rooted in past experience rather than present behaviour of guests from the different markets. Market analysis spreads beyond the day to day interaction and is enabled by wider stakeholder connections, with one owner/ manager noting:

“You get everything, in the summer we get quite obviously a lot of tourists- because of our Blue Book connections... You get the football and you get golfers, you might get eight men staying for four days in summer, and we love that because they spend a fortune. They might have eight rooms, but they eat most nights in the restaurant and there's no restriction in paying for things and you get a good rate off them- it absolutely flabbergasts me as to who comes to stay”

(interviewee 19, guesthouse sub urban large city).

Interviewee 13 (guesthouse large city) highlights the situation where most of the guests are from a relatively narrow professional background, attending training events at a local college and visiting local industrial concerns, therefore necessitating that on occasions tourism guests are more limited in favour of the regular guests. Similarly, interviewee 16 (guesthouse large town) highlights how any expansion of the existing business could lead to failure to provide rooms for existing regular guests of a professional nature.

5.10 Dyadic interviews

As described in chapter four, in four interviews (1, 6, 15, 16) there are two interviewees in attendance with each contributing to answering the interview questions. Data analysis is performed using cluster analysis with the NVivo software. A graphical presentation of

cluster analysis of the main concepts in both the twenty and the (subset) four dyadic interviews is presented in Appendix E.

5.10.1 Coding similarities

The resource pools show a similar distribution of coding across all five concepts. Under the operations capability criterion there is similar distribution of coding, with the exception of employee training, which is not part of the dyadic interviews. This reflects the operational roles of employees in the firms and also those firms which have no employees or employees who play a role on a loosely tied part time basis. The comments in interview 16 (guesthouse large town), that owner/ managers play a key role in meeting customers and managing the firm with the consequent downplaying of employee potential reinforces this view. The traits of the strategic thinking capability criterion show similarity across the dyadic and other interviews. Within the leadership criterion while four traits show similar distribution across the two sets of interviews, leadership/ culture alongside leadership/ dominance play no part in the dyadic interviews, while forming part of the main cohort of interviews. Innovation traits show similar distribution with the exception of the lack of presence of innovation as improvement in the dyadic interviews, and a higher level of marketing innovation. People relationships show a similar distribution. The largest representation in both dyadic interviews and the main cohort is for people liking. In contrast, there is some representation for people relationships and family across the sixteen other interviews, with none in the dyadic interviews. Mental models show almost equal distribution across both the main cohort and the dyadic interview subset. Finally, traits of marketing capability are similar across both cohorts.

5.10.2 Coding dissimilarities

This section presents commentary on aspects of the dyadic cohort where some difference appears when compared with the main cohort of interviews. The section is divided into sub sections based around categories identified in the literature review.

5.10.3 Strategic marketing/ technology

Interviewee 16 (guesthouse large town), comments with the assenting comment in *italic* font of the second owner/ manager “but having said that we’ve had eight years of reviews and that costs money...you know reviews up on TripAdvisor from customers that they’re happy going out that door” demonstrating not simply the benefits of using internet marketing but also on an awareness of the cost of using internet marketing intermediaries. In the same interview, the comments made suggest differences of opinion between the two owner/ managers on the benefits of internet marketing:

“ in terms of marketing groups we go with them for a couple of years and see how they would do, and analyse their performance and see what we are getting back in return that hasn’t really worked for us some of them haven’t worked”

It may be that this discourse reflects a strategic tension between a cost focus and a more marketing orientated perspective on the firm’s strategy. There is further commentary in the interview on the need to decide between different providers of internet marketing, alongside a suggestion of limited strategic awareness of how to ultimately make a decision. Perhaps the dialogue in interview 16 through including the two interviewees allows the surfacing of the inherent dilemmas in the strategic thinking:

“I mean you could be working for ever on you could be sitting in front of the computer all day, I don’t you could really you could be posting stuff all day long like I get a lot of stuff in there and all people are doing is annoying you it’s time consuming and you don’t need it and there’s too much of it going on as well too much and you don’t really need it, it’s like junk mail you don’t need it and you don’t really need that you don’t need it annoying your customer in your view you know”

Interview 6 shows how discourse between the owner/ managers’ suggests an awareness of the impact of both cost and competition in shaping market interaction in a strategic manner:

“the cost would be a big worry that’s the biggest one and you know competition.. competition you know we offer a good great quality product with you know where customer service is .. at the highest level but there is, you know not everyone wants that they just want a bed for the night I mean it’s very hard to compete with that and do you go .. how low do you go it is a race to the bottom and we are not really willing to go there and the biggest challenge is for you to understand where your probable markets are.._there’s no point spending a lot of money and chasing one particular end that you think is going to come to you, it may not be your market at all so you need to understand what you’re delivering but also there is a huge client base out there and you can categorise them into many different sectors so you need to put your energy into and your time and your focus into where you think those people are going to deliver it back to you.. you know rather than chasing shadows”.

5.10.4 Strategy and operational capability

Interview 6 (urban bed and breakfast) highlights the benefits of the micro firm's simple communication structure and the related ability to allow operations and strategy converge into a quick and effective mechanism for decision making:

“if we wanted to decide that we were going to change something and make a decision to do it we will go through it discuss it and so on and make a decision and then we get it done and that's it *there is no huge process*”.

The response also highlights a wider awareness of management as a process. Similarly owner/ manager 1 (historic house rural) highlights both the simplicity of the decision making and the benefits of the family context of the micro firm in supporting and implementing a business decision:

“we ended up firing the original contractor and doing most of it ourselves with a few people and getting in specialists to do it and we did a better job I believe at a much reduced cost to us and we could see what was happening”.

5.10.5 Implicit strategy

The implicit nature of the strategic process, where strategy emerges almost frozen in the history of the firm, emerges more clearly from the dyadic interviews. Interviewee 16 (guesthouse large town) “we've had no major decisions, *we've had no major decisions* we kind of had the whole thing sorted before we even opened we knew what we were about”. Therefore strategy is perceived to be about tweaking the original business idea. Such implicit strategy appears to hide longer term strategic options for the firm, and in interview 15 (guesthouse near rural town tourism area) the owner/ managers describe how in light of market change or change in personal circumstances they can change their bed and breakfast guesthouse into a uniquely located holiday home:

“our building down here, that was in our mind when we designed it and built it, that with the slightest modification we can change it over to a top class holiday home, which actually we could”.

On the other hand, interviewee 6 (bed and breakfast near large city), through the interaction of both owner/ managers highlight how they try to be innovative in terms of strategy:

“well it shouldn't have any boundaries you know you need, you might kind of look at things that may appear ridiculous .. but you go and tease if out *because like a rolling stone gains no moss*”

Similarly, interviewee 16 (guesthouse large town):

“we’re trying to be proactive in any decisions we make....if there’s an issue coming or if there’s a trend in the business we say should we be going into that trend”.

Critically, as with all the micro hotels, such proactive thinking faces potential limits in terms of increasing the physical size of the premises and the numbers of people working in and running the firm, responding to the question: “Do you give time to thinking where the business will go in the future?”

“.....ah.....not a whole lot of time no no well we can’t do much more we can’t expand we have what we have we can’t we can’t expand, well we can’t afford to and we have what we have so that’s ..but I suppose in business too you don’t like to stand still either like in business you like to move one step forward because otherwise you get into a rut you know but we’re kind of stuck with what we have here.... I remember a friend of mine had a bed and breakfast, he had thirteen rooms below in a town eight miles away and he was going well and he felt had maxed out of what he was doing and he was bored and he wanted to do something else so I presume there could be that in it as well, but we have reached our kind of peak here in terms of what we can do ... at the moment you know”.

(interviewee 16, guesthouse large town).

However, within the limits of a bed and breakfast house, interview 6 highlights how a seasonality problem is overcome by taking guests who work in a local hospital:

“well the advantage of that is that in the lower season say from October probably through until mid March or so when these people are looking for this kind of accommodation most of them are looking for a room only, so they’re on a particular budget.. but from our point of view if you’re running the business the cost of running the business in those four months is higher than in the Summer because of heating”

Looking to resources interviewee 15 (guesthouse near rural town tourism area) sees both owner/ managers very critical of Failte Ireland:

“I think that Failte Ireland they don’t really do their job over there you they should be in the shopping malls and their stands taking the lot they go to some high profile like the RDS for these travel agents to come in but they need go to these centres in Liverpool and Manchester”

This response perhaps demonstrates a lack of awareness of the work done by the policy body, but also demonstrates a wide dissatisfaction with the business environment where government bodies, government and wider institutions are reified as to blame for the challenges faced by micro hotels. However, interaction between the two owner/managers in interview 1, (historic house rural self catering), sees one respondent modify his opinion of Failte Ireland, in the light of critical comment from his partner:

“they actually have been very helpful...in the last couple of years there’s no doubt there has been...I think the new CEO.. they have well he’s been with them a couple of years he seems to be more get up and go”.

Interview 6 shows how ties to policy makers and travel agents in another country have the potential to develop the micro firm’s markets but simultaneously the owner/ managers discourse exhibits an awareness of how to make strategic best use of the ties, as opposed to being simply aware of their existence:

“I know we are probably a bit mad to do this singlehandedly, but we really just want to go and talk to German travel agents and you know see what business, how we could do business with them .. the fact that I speak fluent German and in view of what the network which we are going to be involved in has to offer, it might be interesting for them you know. And you know when we look at that you know Tourism Ireland will tell you that the large percentage of German visitors that come to Ireland come under/ come with their own vehicle ..so they drive into the country they are not necessarily flying and with Rosslare down the road from where we are...we are about an hours drive from there so we would be a natural stopping point from that point of view so there’s an opportunity there to go and do that but then again as my wife said we’ve talked to German travel agents or tried to get some connect with someone it may prove that..we do nothing , but unless we try and have a go at it we, you know it could be an area could be very beneficial”

5.10.6 People relationships and customer service

All four dyadic interviews surface the importance of repeat business: “the people that come and stay with us are the best ambassadors for our business and word of mouth is the strongest form of advertising”. Interaction between the owner/ managers details how the firms create relationships with customers, be it through excellence in operations/ customer service/ developing relationships with the guests (interviewee 15, 6, 16) to providing a unique type of location/ house (interviewee 1, 16). Family is important as a background support to managing the micro hotel from children who help in the operational work (interviewee 6), to support with taking holidays (interviewee 1) or through the development of a website (interviewee 15). For example interviewee 1 (historic house rural self catering) notes:

“if we go away we leave it to X and he does it <wife concurs> he’s very good, he’s an engineer too < wife concurs, he would run it and we would be very comfortable”.

Repeat business is helped by people relationships: “I think the fact that we are a family, we talk to people, and you build up a rapport with them and I think that brings on a lot of repeat business” (interviewee 1, historic house rural), and the finding is supported in

interview 6 (urban guesthouse) and interview 15 (guesthouse near rural town tourism area).

The importance of customer service is highlighted in the dyadic interviews but perhaps best exemplified by the comment including both owner/ managers in interview 15 (guesthouse near rural town tourism area):

“you are privileged to get a booking and the day you forget that ..you know is that you are downhill...or you shouldn't because the customer really is king I mean he has to respect you but you have to respect the fact that he has gone to the trouble of finding you treat every guest as if it's your last guest you know”

Interview 16 (guesthouse large town) suggest developing business through ties depends on personal relationships:

“I suppose again like going out and meeting the businesses here in town .. ahem giving out the brochures and the like to the various shops and businesses in the estates we went around, it would be time to do it again maybe, 't was a kind of a personal thing and letting people know where we are with the displays inside in the bank and any kind of trade shows that are going on in town we always stick something in there just to show we are still around”

Looking at models of the economic environment, the economic pressures placed on the micro hotel are captured by the comments of two owner/ managers in interview 15 (guesthouse near rural town tourism area):

“there's another thing [researcher name], that with what we call the NAMA¹⁴ hotels that have gone burst and being taken over by NAMA, they have put a terrible squeeze on the likes of us *yes I can see that* and the genuine old style hotels, they have caused they have reduced our profit margins enormously, and as you know yourself they're offering ahem they don't have to make a profit they don't ..*no I understand that* they are just trying to satisfy whoever is current bank manager or whatever accountant is running their business you know and he just wants people in the bedrooms at any cost *yeah* they want to keep them going basically so they look successful... that is hitting us the likes of us pretty hard oh sure that the prices have come down, our margins are very tight now because you know we've had to reduce we're going on the minimum what used to be say up to ten years ago or less seven or eight years ago we could charge during peak season a sixty five euros per person sharing now we hardly ever, we never go over fifty euros”

On the other hand dialogue between the owner/ managers in firm 15 takes a less deterministic approach to the nature of such competition and, perhaps may be demonstrating more flexible strategic thinking or even operating under altered mental models of competition:

¹⁴ The National Asset Management Agency (NAMA); is a body created by the government of Ireland in late 2009, in response to the Irish financial crisis. NAMA functions as a *bad bank*, acquiring property development loans, including those in the hotel sector, from Irish banks in return for government bonds.

“we have a small hotel over here...but in a way it’s not an advantage for us because it should be a bigger hotel if there was a bigger hotel in town we’d feed off them”

(interviewee 16 guesthouse large town)

Insight into the pressures of managing and working in the micro hotel is perhaps surfaced a little better in the dialogue between owner/ managers in the dyadic interviews. Interview 1 (historic house rural self catering) sees the comments of one owner/ manager about the relative ease of running the firm, challenged by his partner, who highlights the operational pressures of a breakdown in maintenance, with consequent insight into how the owner/ manager is directly responsible at operational level:

“that’s the time when the boiler breaks down or the heating works and it’s a disaster <laughs> yeah <that’s when the pressure is coming> yeah <its cold and you are trying to work>. Oh!”

5.10.7 Innovation

Interview 6 (bed and breakfast near large city) highlights both the imaginative aspect of innovation in both owner/ managers, alongside a need to present a business case for innovation:

“I don’t think so, innovation the risk it would take is if you make silly mistakes.. silly things like not doing your research and looking from a cost point of view like the finance side of things could be wrong”

The point is supported by interviewee 1:

“then if you work out the cost, it doesn’t matter what business you are in you have to be innovative, if you are not you are not going to survive, because everybody’s thinking how am I going to do something better, cheaper, faster than the other guy to try to get the business”

The importance of the internet is argued, but through the process of dialogue in interview 16 (urban guesthouse), the internet is subsumed into a wider marketing capability, and again some tension between the perspectives of the owner/ managers is evidenced:

“What does innovation mean *new marketing technologies* ... they were trying to tell us its facebook but I don’t believe it’s a *its social media* the internet *that’s the only innovation that’s the only innovation and marketing that’s the only innovation*”.

Similarly, in interview 6 (bed and breakfast near large city) the link between technology and innovative marketing is further developed:

“we are thinking now is we have to work on our, work on our website and improve that and you know B&B Ireland is doing that we just heard a big presentation for their B&B website that it is compatible to mobiles and tablets so we need to do that for our own website as well that’s kind of

what we are at... and you know another thing about that is the marketing side, the innovation marketing in relation to creating bundles, bundling packages where if someone is with you they can get access when they want to play a round of golf”.

Further interview 6, through the process of owner/ manager dialogue, suggests innovation implies a level of risk taking allied to a certain flexibility in thinking:

“we also have upstairs an apartment we thought initially that we would rent that short term as like .. you know.. a week or two week rental self catering but then that kind of I don’t know something else came about and we have had doctors there staying there we are on the fourth one now you know come for their rotation for six months or the like so that has and that’s never been empty for one week in the last three and a half years full up fantastic you know so it worked really well so they’re you .. you.. you have to get an idea that you go with by talking to people but other things will happen .. and you have to be adaptable you can’t kind of stick to.. rigidly I’m doing this and that’s ityou need to be <kitchen noise here> innovative”

Taking an overview a cluster analysis from NVivo software shows much similarity between the four dyadic interviews and total twenty interviews in the current research. However, the process of dialogue between owner/ managers in the dyadic interviews is shown to contribute some new insight into the concepts forming the basis of the model of managerial capability for innovation. The interviews highlight the importance of two owner/ managers in the firms with consequent opportunities in terms of using one another as a source of business knowledge. Taking an overview of the findings, tentative comments might suggest greater insight into the complexity and tensions inherent in the strategic thinking underpinning the micro firm. Greater insight into marketing, strategic thinking and technology emerge with tentative suggestions signifying an integration of some if not all of these concepts. Finally, there is support for the emerging idea that owner/ managers in the micro firm may fail to appreciate the potential inherent in business innovation in developing their firm’s competitiveness.

5.11 Conclusion

This chapter has outlined the processes underpinning the emergence of the findings. The findings are then presented under the lens of the most developed version of NVivo coding. However, the findings develop beyond the NVivo coding in reflecting further external review and further contemplation by the researcher. The result is a more a more focused understanding of how the data is interpreted in the light of the theoretical literature. The next chapter discusses the findings in the light of the theoretical

framework of the resource based and dynamic capabilities framework. The chapter also discusses the findings in the light of the critical literature review.

Chapter 6 Discussion

6.0 Introduction

This chapter presents a discussion of the findings in the light of the critical review of literature. The theoretical framework is framed within the resource based view and dynamic capabilities perspective and is used to develop and interpret the findings, as focused by the research question and supported by prior research. The main sections discuss the findings in the light of the inherent literature under a number of thematic headings and draw from analysis of data and the reviews undertaken by supervisors and at internal business school colloquia and conference presentations. Consideration is made of the nature of managerial capability for innovation in a micro-firm environment the light of the dynamic capabilities framework. The theoretical model based on the literature review is evaluated in the light of the discussion and a modified model proposed. The conclusion section looks forward to the final chapter.

6.1 Emerging findings

Premised on the thematic analysis, a number of key themes emerge from the data, and the key themes are highlighted in table 6.1 below.

Table 6.1 Emerging findings

Emerging theme	Nature of emerging theme
Innovation in the micro firm context	<ul style="list-style-type: none"> • Limited awareness by owner/ managers • Owner/ manager dominant role • Incremental innovation and potential for development
The role of the external environment-articulation of change	<ul style="list-style-type: none"> • Environmental determinism • Marketing technology • Owner/ manager direct market sensing
Mental models and imaginative strategy	<ul style="list-style-type: none"> • Emergence from business community • Surfacing of mental models • New markets
People relationships and customer service	<ul style="list-style-type: none"> • Owner/ manager shares local expertise • Owner/ manager shares hobby • Owner/ manager symbolic representation of firm
Operational capability	<ul style="list-style-type: none"> • Opportunities through craft capability and market sensing via market proximity • Challenges of over immersion in operational work to neglect of strategy
Nature of micro firm leadership	<ul style="list-style-type: none"> • Culture shaping limited evidence/ possibly tacit in nature • Paternalism utilising employees as resource

	<ul style="list-style-type: none"> • Delegation- limits and opportunities • Resilience
Resource pools	<ul style="list-style-type: none"> • Family as potential resource yet barrier to innovation • Gap between policy makers and owner/ managers • Resource limits and limited managerial capability to leverage resources • Stakeholder ties and opportunities and limits
Cost/ managerial education and experience	<p>Contrast of findings and literature (Lashley and Rowson, 2010), with findings indicating good understanding of costs. Questions emerges:</p> <ul style="list-style-type: none"> • Are managerial education / experience in other contexts of value in the micro firm? • Are there challenges from 'dated' education/ experience?

The first key theme centres on innovation in context.

6.1.1 Innovation in the micro firm context

In several interviews there is a level of difficulty (interviews 9, 14, 17) in answering questions as to the nature of innovation, suggesting owner/ managers may experience difficulty surfacing understanding of the concept. Simpson's (2001) argument for the importance of the owner/ manager's cognition in determining the nature of innovation may suggest owner/ manager perceptions inhibit the development of potential for innovation, where there is lack of awareness of a wider perspective on innovation. For example, marketing innovation is perceived as the only possible form of innovation by owner/ managers 16 and 19. On the other hand, Morrison and Teixeira (2004) cited in Morrison (2006) argue that though owner/ managers are often unaware of their business knowledge, they develop at least the elements of promotional strategies differentiating them from competitors. Interviewee 18, in developing the concept of a vegetarian guesthouse has seen the emergence of such a differentiated strategy, though perhaps unaware of the potential to build on such differentiation. As this strategy relates to lifestyle motivation, it may also be inhibited by personal beliefs and lifestyle factors in engaging with business methods of development.

Findings indicate owner/ managers perceive themselves as playing the dominant role in managing innovation in the micro firm. This supports Simpson's (2001) argument for a cognitive perspective on micro firm innovation while highlighting the importance of the owner/ manager's perceptions of innovation as an important influence on the

management of innovation in context, and yet critically takes a relatively static perspective. In contrast, Fillis *et al.* (2004) and Wheelock and Baines (1998) argue that owner/ managers experience cognitive dissonance in the course of wider business change therefore suggesting innovation may be resisted or even perceived in a potentially negative way, for fear of upsetting the owner/ manager's internal cognitive balance. From a managerial capability for innovation perspective a dilemma emerges from the potential for innovation within the owner/ manager's dominance. For example, that dominance is used to influence others and even to take suggestions regarding innovation from employees (interviewee 13). On the other hand where innovation is argued to have many input points including the ideas of employees the limitations where the owner/ manager's fear of cognitive dissonance transfers to others and inhibits innovation can become a factor (Engen and Magnusson, 2015). Though the present study does not enable the assessment of the perceptions of employees and their roles, interviewees 9, 10, 15, 16 each perceive employee roles to be constituted in terms of performing strictly defined operational work, with the owner/ manager dominant in the firm.

Findings indicate innovation is often incremental and related to improvement, both in terms of the house and maintenance (interviewees 1, 9, 12, 14, 15, 16, 17) in order that guests experience a perceived high standard. Incremental innovation is also related by several interviewees to the need for continuous improvement in the business in order to survive. For example interviewees 4, 8, 9, 12, 17 all develop aspects of their accommodation both for personal satisfaction but with the simultaneous perspective of improving guest experience. The findings here are at odds with Lashley and Rowson (2010) who argue lifestyle motivation has a generally negative impact on the firms studied, as owner/ managers consider the business as 'an easy business to start, which required no particular skills' (p.68). These businesses, perceive suitable customers as people with the world view of owner/ managers therefore creating a narrow filter through which new markets and business development is framed and engage in limited and poorly constructed financial planning. In the present research the interviewees argue that incremental innovation brings satisfaction and business benefits in terms of differentiating the firm. Moreover, it may be difficult to disentangle longer term benefits

of incremental innovation as over time much strategic innovation emerges from innovation at more operational level, which is incremental in nature (Barwise and Meehan, 2011). Relating this perspective to one on implicit strategy findings, suggests the strategic management of innovation may take place both incrementally and in larger steps, with the former part of operational work and the latter taking place, more occasionally and perhaps driven by environmental contingencies, where the owner/manager perceives the need to act based on perceptions of environmental change (Alonso and Bressan, 2014 a; Morgan, 2013; Morrison, 2006).

Product innovation is considered important by a number of owner/ managers. Product innovations range from relatively simple modifications to breakfasts offered (interviewee 8, 9, 12, 16) to more advanced forms of catering built into the entire market offering (interviewee 17, 21). These findings concur with the academic literature arguing product innovation as a component of micro firm innovation (Verbano *et al.* 2013; Corrocher *et al.* 2009). Further, Alonso and Bressan (2014, a) argue product innovation in the micro tourism firm emerges as a form of diversification into related industries. Within the firms there is disagreement on the possibility of developing more advanced forms of catering, with interviewee 12 disagreeing that such possibilities exist, yet the possibilities are manifest in firm 17 and 21 where they are integrated into the wider market offering of the micro firm.

Process innovation is little in evidence in the firms, with a salient example of the wider impact of a pizza oven on the operations of a micro hotel (interviewee 2) exemplifying how an initially small investment, identified by an owner/ manager at a tradeshow can lead to longer term modifications in the firm's catering operations and a long term stream of profit. The informal nature of micro firm process innovation highlighted by Cagliano *et al.* (2001), suggests the possibility that process innovation may be hidden in the tacit heuristics of the micro firm, and therefore difficult for the researcher to surface (Morgan, 2013). Further, the tacit nature renders difficult the surfacing of process innovation by the owner/ manager, perhaps rendering it difficult to engage with development of the process innovation approach.

6.1.2 Mechanisms to articulate change and innovation in the environment

The external environment is given importance by many owner/ managers as a constraining force. Wheelock and Baines (1998) consider the perspective that owner/ managers have been forced into business by limited or no employment opportunities positioning themselves opposite to dynamic entrepreneurs. Instead the owner/ managers survive through day to day operations accepting a highly deterministic environment. Morrison (2006) argues the importance of an implicit strategy, a deliberate response to a challenging and resource poor environment, where the owner/ manager's greatest strategic challenge is in setting up the firm in the initial years, with subsequent strategic activity taking the form of incremental change. Interviewee 16 provides a direct example of implicit strategy. Linking the area of implicit strategy to innovation, suggests that innovation is almost inevitably incremental, an adjustment to what does not alter the fundamentals of the setting up of the business.

Alonso and Bressan (2014, a) and Simpson (2001) argue the challenges faced by the micro firm, in terms of responding to environmental uncertainty and risk, are mediated by the owner/ manager's cognition. Interviewees 12, 2, 20 consider the limits of the local environment in terms of not being part of a heavily promoted tourism region as being a problem. However, in terms of owner/ manager cognition and risk these limits may be considered to be a self-imposed cognitive barrier rendering the firm impermeable to innovation and change. Further, Corrocher *et al.* (2009) accept many micro firms are relatively passive receptors of innovation which diffuses into their processes and is primarily driven by the environment as opposed to any owner/ manager proactivity.

Technology is one driver which encourages innovation in the micro firm, for example through the use of new marketing technologies (Huang, 2008). Yet the nature of the impact of new technology on the micro firm is debated. For example, Roberts and Wood (2002) take the view that the micro firm can strategically leverage the new technology with potential fundamental restructuring of organisational processes. In contrast, Karljaluoto and Huhtamaki (2010) and Quereshil *et al.* (2009) argue that technology enters the world of the micro firm in a more haphazard manner, perhaps as a solution to

specific operational problem, with strategic benefits more doubtful and dependent on the managerial capability of the owner/ manager.

Where fundamental industry change emerges, for example through the entry of disintermediation opportunities from new modes of marketing, owner/ managers appear to engage with such change in a less than proactive way. Examples include the limited and reluctant use of the internet by firms 2, 9, 14, 15, and even where there is engagement with the internet for marketing purposes the acknowledgement among owner/ managers that more could be done, for example firms 21, 19, 10, 16. Premised on this approach owner/ managers strategic responses may be interpreted as forms of ‘firefighting’ behaviour, driven by environmental change. However, even where such an apparently deterministic perspective is taken, there are opportunities for owner/ managers to engage with environmental triggers (Verbano *et al.* 2013) in an incremental manner.

Across the sample of firms there are limitations in managerial interaction around technology. While a number of interviewees (4, 5, 6, 7, 10, 11, 20) express enthusiasm towards technology and show signs of utilising technology in their businesses, a strategic perspective is lacking with regard to an integrated approach to marketing. Instead the firms, espouse the benefits of aspects of the technology such as connecting to a wider market, without necessarily being able to identify aspects of the market to which they can serve (interviewees 4, 10, 20). However and relating the limited strategic integration of marketing to an earlier point on incremental innovation, suggests wholesale discounting of the limited strategic integration of marketing may not be entirely without benefits for innovation, as the impact of an incremental change may only become apparent over time, and may synergise with other environmental and firm level changes. For example the development a website which helps attract customers by firms 4 and 15 emerged from chance interaction with family members uninvolved in the business. Other owner/ managers appear somewhat negative towards technology, for example 9, 14, 16, 19. Interpreting such approaches may suggest the owner/ managers knowledge of the technologies is limited, concurring with some of the academic literature e.g. Huang (2008). Concurring with some of the literature on the management of technology (Llach

and Alonso-Almeida, 2014; Karljaluoto and Huhtamaki, 2010; Quershil *et al.* 2009), owner/ managers strategic awareness of the business potential and business implementation of technology may be limited.

Even where the owner/ manager is almost forced by environmental change into accepting new technologies, the impact on the firm may emerge in the shape of an environmentally created innovation (Della Corte *et al.* 2013; Morgan, 2013; Corrocher *et al.* 2009). The nature of such innovation is argued to limit the owner/ manager's potential regarding innovation due to limited managerial capability (Karljaluoto and Huhtamaki, 2010). Yet where owner/ manager accepts the new technology as a form of determinism, there remains the possibility of integrating technology into another form of environmental challenge/ opportunity with responses sometimes creatively shaped by the owner/ manager (Barnes *et al.* 2012).

The direct contact between the owner/ manager and the market in day to day operations of the firms provides an opportunity to articulate change and innovation, through direct sensing of the market (Llach and Alonso-Almeida, 2014; Martin *et al.* 2013; O'Dwyer and Ryan, 2000). However, in many firms the findings suggest owner/ managers engage in a form of 'firefighting' (O'Regan and Ghobadian, 2004: 293), where problems are detected and solved but rarely in the form of any deep learning where underlying strategic imbalances remain unchallenged.

There are perceptions that key contacts can be a source of advice leading to innovation in the micro firm. For example a family member advises and motivates interviewee 4, a large hotelier is a source of business advice and is perceived to be highly innovative by interviewee 1, key industry contacts are an advice source for interviewee 19 and similarly an old industry contact is deemed a vital source of advice for interviewee 21. The nature of the contact between the owner/ managers and the key sources of advice differs from other firms. There is disagreement in the literature about the impact of strong and weak ties on innovation, with studies linking the over strong bonds where micro firms are part of strong ties with a lack of openness (Townsend *et al.* 2014; Atterton, 2007). However,

Lowik *et al.* (2012) posits strong ties as a source of innovation based around the ability of common language to articulate potential innovation in the industry environment. In the interviews, it may be that the very strength of ties enables the owner/ manager and others to surface problems without breaching the relationship.

Habbershon and Williams (1999) cited in Morrison and Conway (2007) highlight a general lack of insight into market orientation among micro firm owner/ managers who prefer to concentrate on internal and often operational matters in the firm. In many of the firms sampled the owner/ managers exhibit an awareness of the market and yet may be limited in terms of developing techniques to perform market analysis. For example in the sample of firms the following exemplify this approach: 1, 2, 8, 9, 11, 12, 14, 15, 16, 17, 18, 19, 20 and 21. Interviewee 6 is knowledgeable about the need for a simplified customer relationship management (CRM) in the form of a computer spreadsheet. Interviewee 4 is aware of the potential to increase business through new foreign markets, where the awareness of the potential in markets comes from interaction with varieties of information technologies, and similarly both interviewee 10 and 7 spend time working with intermediaries in order to access new business opportunities. From the perspective of the business experience of some owner/ managers, for example owner/ managers 2, 8, 12 possess either extensive business education and/ or business experience outside the micro firm sector; an emerging question is why such education and experience is not better utilised in terms of improving the market orientation of the firm. Beaver (2007) and Gray (2002), both argue the benefits of such education and experience as a path to overcoming market limitations. One interpretation in the three firms, may emerge from the age of the owner/ managers requiring greater stability of business, and therefore being unwilling to contemplate perceived risk around market orientation. Further, the very nature of the firm, as a home (Haghighi *et al.* 2014; Wheelock and Baines, 1998), may limit owner/ managers contemplation of business uses of the premises acting as both home and firm premises, exemplified in comments of interviewees 9, 11, 12, 14, 15. For example there is clear evidence in firm 12 of unwillingness to engage with multiple types of customer, a finding agreeing with Lashley and Rowson (2010). In firm 12, the owner/ manager prefers to deal with customers with whom he can share common discussion:

“I want middle aged people who come in have and intelligent chat, appreciate the property they are in and go off and tell their friends about it”

A lack of formal marketing analysis may not imply lack of awareness of customers or the need to retain or gain new customers. Cyr *et al.* (2011) argue that while there is acknowledgment of resistance to marketing terminology and concepts, there is evidence of micro firm owner/ managers embracing a marketing approach through informal customer contacts and deep customer relationships. Similarly interviewee 21 while aware of the increased importance of new technologies, and a user in the business context to an extent, reports that return business is achieved by more fundamental aspects of the hospitality business related to customer service and a strategy based on uniqueness of the micro hotel’s ambience and service offerings. Taking a critical approach the owner/ manager may in this case neglect the potential to develop such fundamental aspects of business alongside a technology based promotional offering, and perhaps this limitation is acknowledged, as in comments that more might be done in the area of technology within the firm.

Given the limited size of the mico firms, in terms of their facility to provide rooms, it may be that the need for market analysis tools based around computer analysis is the application of an expensive and over complex tool to a problem which can be solved by other means (Qureshil *et al.* 2009). Therefore what appears failure to engage with more sophisticated forms of information technology may be rational in context, in terms of limiting the risk of investment in more costly forms of technology and limiting the need for the owner/ manager to invest time and effort in learning and working with software where the opportunity cost of the time is more prudently spent elsewhere. Further, there is the question as to whether or not micro hotel owner/ managers wish to engage with more fundamental alteration in their own managerial work and lifestyle emerging from such change (Irvine and Anderson, 2004). Therefore models of management and innovation assumed in larger and even small firms may be inappropriate in the micro firm context as it is not simply challenges of risk aversion or limited management knowledge which form barriers as postulated for example by Cagliano *et al.* (2001). Rather as argued

by Cyr *et al.* (2011) management and innovation can only be understood by taking account of the social and lifestyle context of the owner/ managers.

6.1.3 Mental models and imaginative strategy

Porac and Thomas (1990) consider mental models as relatively deeply formed knowledge structures embedded in longer term schemata of managers. From an innovation perspective a challenge of this perspective on mental models, is the difficulty they may have adjusting to the external environment. There is evidence in the interviews of mental models being premised on longer term business and training where owner/ managers (interviewee 2, 5, 10, 12) refer to cognitive assumptions emerging from previous training some considerable time ago. While most owner/ managers appear aware of competitor challenges, particularly in the form of government supported hotels, there is divergence between owner/ managers (for example 13, 14, 16) who perceive opportunities despite the challenges, and owner/ managers whose mental models appear limited to seeing only potential damage to the firm and micro hotel industry from the challenges (for example 12, 16). The role of mental models as simplifying the business and competitor environment, may then act to oversimplify the nature of the challenges faced by the firm (Porac and Thomas, 1990). Where the models are then unchallenged the firm can become trapped in a cognitive cycle of competing through mechanisms appropriate to an earlier phase of environmental development but no longer sufficient to match new environmental contingencies (Hodgson, 1998).

Opportunities for the surfacing of mental models are encountered where the owner/ manager encounters stakeholders, for example interaction with competitors in a social context exposes the owner/ manager to mental models of other micro firms (Tu *et al.* 2014; Townsend *et al.* 2014; Phillipson *et al.* 2006; Hill and Levenhagen, 1995). Critically, mental models are not necessarily updated through such activity as the mental models of competitors may be part of a wider local business model exclusionary to newer ideas (Atterton, 2007; Phillipson *et al.* 2004). In the present study, interviewee 20 perceives himself to be deliberately excluded from local stakeholder ties. There is limited evidence in the interviews of interaction between owner/ managers and

stakeholder ties which surfaces the mental models. For example, interviewee 4 takes part in and is open to new ideas in stakeholder forums, both 6 and 8 have undertaken third level education using a network approach to problem solving, 7 is a member of networks in a local town which are not seen as productive of new ideas, though challenges to owner/ manager thinking may be more evident in the business links of firms 16 and 19. Perhaps a unique barrier to exploring and altering mental models may be the very dominance of the owner/ manager whose self concept is preserved in the status quo (Cope, 2003; Ateljevic and Doorne, 2000; Autere and Autio, 2000). Further, the nature of many of the firms suggests mental models may not emerge as in the conventional form in a larger business, and instead reflect the nature of the micro hotel as a home, an owner operated as opposed to managed entity where shareholders are owners and often as part of a jointly owned family entity (there is not certainty but joint ownership appears likely in many of the firms in the sample).

Beaver (2007) argues the importance of developing an imaginative strategy as a way of overcoming business risk, and relates the development of imaginative strategy to the personal characteristics of the owner/ manager. In the present study interviewees 5, 6, 18 and 21 display perceptions of being willing to take risk and consider imaginative mechanisms for improving their business. Simultaneous with such willingness, is a rootedness in strong awareness for cost control, concurring with Beaver (2007). For example, interviewee 5 argues the necessity of having adequate capital to sustain early stages of business development, interviewee 6 emphasizes the importance of cost control and interviewee 21 reports the importance of his partner as a mechanism for tempering his own imaginative approach with a solid administrative focus.

Imagination beyond the traditional hotel markets is exemplified in a number of firms in the shape of developing new markets outside those of tourism. Taking an alternative approach perhaps there has been a degree of imagination in the very realisation of some of the businesses in being set up and then maintained, with the vegetarian bed and breakfast (interviewee 18) exemplifying this approach. Therefore assumptions in the literature reflecting the argued superiority of a business philosophy (Lashley and

Rowson, 2010; Beaver, 2007) may be limited in failing to reflect imaginative potential in firms where an overt business approach is not apparent. For example, Marchant and Mottiar (2011) argue in the context of the wider tourism industry that lifestyle based entrepreneurship can see the emergence of a hidden business philosophy in firms where the owner/ managers' motivation appears to be driven by lifestyle alone.

Hall *et al.* (2004) interpret bed and breakfast owner/ managers' risk taking to be best understood within the context of achieving a balance of a particular lifestyle alongside achieving the necessary level of profit to sustain the lifestyle. Therefore strategic approaches avoiding high cost investment risking not simply the business but also the owner/ managers' home, are often avoided. Greenbank (2000) interprets micro firm owner/ manager strategic objectives as a satisficing, where financial goals are necessary but only a part of a realisation of deeper owner/ manager beliefs about the need for quality and control of work by the owner/ manager. Further considering Simpson's (2001) arguments that the owner/ manager's cognitive interpretation of the nature of innovation are embedded in the social context of the micro firm, development of managerial capability for innovation might fit within the accepted satisficing conditions imposed, or perhaps take sophisticated account of the nature of the context. In contrast, Corrocher *et al.* (2009), while delineating a typology of micro firm innovation, give limited account of the contextual nature of managerial strategies involved.

6.1.4 People relationships and customer service

Haghighi *et al.* (2014) argue the relatively unique opportunity provided by the micro hotel to enable the owner/ manager to develop deep relationships with guests. Some interviewees provide evidence supporting the opportunity to differentiate the firm from competitors through levels of guest interaction (interviewee 17, 18), where both the use of culinary skills in creating unique dishes and owner/ manager guest interaction at meal times cultivate a social context that provides different experiences to those in more traditional micro hotels. Interviewee 1 builds on a personal interest in fishing and knowledge of local inland rivers to take guests on fishing trips, and uses this skill to

continue to build guest relationships within the context of his business which depends heavily on repeat business. Interviewee 14 takes a personal interest in guests, even to the level of visiting previous guests on holidays, and assisting guests in helping them research their ancestral roots.

In contrast, Lashley and Rowson (2010) portray owner/ managers' motivation towards building deep relationships with customers negatively and such relationships are considered to form part of a wider negative lifestyle motivation inhibiting business principles. The interviews do not provide direct evidence of this, though interview 12 appears to limit his potential market to those who fit his personal likes. Interviewee 16 appears to achieve a balance of both enjoying interacting with guests on a personal level and delivering a personal level of service based on traditional yet deep measures of hospitality, again a source of differentiation from other hotels. This approach concurs with Morrison and Teixeira (2004), that local knowledge of the owner/ manager enables guests to be immersed in a local/ national culture of which the owner/ manager is representative and willing to share. Haghighi *et al.* (2014) note how the heavy involvement of the owner/ manager in aspects of guest interaction highlighted above, creates a challenge for expansion of the micro firm, as time and human limitations of the owner/ manager make it difficult to retain owner/ manager guest interaction as constructed, with the owner/ manager faced with delegation and a movement towards more formal managerial work.

Radder and Wang (2006) caution that the self reported importance of relating to people in the micro hotel context, is overestimated when compared with guest expectations, therefore levels of lifestyle motivation may surface, and be disguised as owner/ manager perceptions of people relationships whereas to guests the relationships are less important. However, the context of the Radder and Wang (2006) is with business travellers, and argument can be made to differentiate the tourism customer from this grouping, with tourism customers placing greater emphasis on leisure time and wider benefits of travel, as opposed to the business traveller whose focus is more on efficiency. Specific to the micro hotel, Tucker and Lynch (2005) argue the potential to use marketing strategies to

match guests and hosts through psychographic matching, leading to innovative differentiating strategies for the micro firms. It is argued this approach involves cooperation with tourism policy bodies at national level, and given some of the challenges found in the present research cooperation at this level may be challenging.

There are two instances where the owner/ manager represents the firm providing the guest with trust and confidence in the firm (interviewee, 13 and 14). Similarly, interviewee 16 highlights how guests are impressed when contacting the firm by direct contact with the owner. The literature argues the direct role of the owner/ manager enables the micro firm to build deeper relationships with customers as there is a sense of relating not to the firm as an abstraction but of dealing directly with a person in the guise of the owner/ manager (Haghighi *et al.* 2014; O'Dwyer and Ryan, 2000). The nature of the relationship established is often strongly emotional and therefore difficult to replicate making possible the generation of repeat business (Haghighi *et al.* 2014), therefore suggesting the deep owner/ manager contact with guests can developed as an augmented business offering.

Two interviewees relate how the guests like to meet the owner/ manager and see the owner/ manager as a gateway to local history and to narratives about the area (interviews 14, 15). Similarly, Morrison and Teixeira (2004) argue that there are opportunities for micro hotels in using the owner/ managers, often untapped local and national knowledge, as a way of innovatively differentiating the firm from larger providers of accommodation services. Critically, it can be argued such guest interaction emerges from a level of lifestyle motivation and that owner/ managers may not be fully aware of how to shape guest interaction from a business perspective, with the consequent danger of investing considerable energy and time to interaction, with little in return from a business perspective. Moreover there are questions, given the depth of lifestyle motivation and how it relates to the very self-concept of the owner/ manager, as to whether the dislocation of emotions/ beliefs in changing such a business perspective is possible (Morrison *et al.* 2008; Goulding *et al.* 2005; Ateljevic and Doorne, 2001).

6.1.5 Operational capability

The micro firm context is argued to facilitate the development of organisational agility in a manner not possible in small and medium sized firms. The close proximity between the owner/ manager and the market interface (Tu *et al.* 2014; Cagliano *et al.* 2001; O'Dwyer and Ryan, 2000) enables the direct detection of environmental change, with the simple organisational structure (Nybakk and Panwar, 2014) facilitating adaptive response. However, there are arguments in the literature that micro firm response is not akin to that anticipated in more entrepreneurially inclined firms¹⁵, with responses of a more conservative nature found in micro firms (Morrison and Conway, 2007; Devins *et al.* 2005). Evidence in the findings supports this perspective, with environmental change met with relatively conservative responses in many firms (for example, 2, 8, 9, 11, 12, 14, 15, 17). Conservative responses are exemplified by continuing with a traditional market strategy, though owner/ managers are aware of the limitations of the strategy, for example in interviewees 2, 8, 9, 11, 12 and perhaps the strategy is driven by concerns that alternative strategies require radical alteration in the nature of the micro hotel on which the business is based (Haghighi *et al.* 2014). Alternatively, an interpretation of micro firm agility is argued to take account of a slow though contextually rational response to environmental change, rooted in the embeddedness of the micro firm in social and economic environs with the response often leading to high degrees of resilience in terms of the firm's survival (Irvine and Anderson, 2004).

The literature review highlights the potential inherent in linking the strategic and operational facets of owner/ manager work. For example, taking this perspective leads to argument that the owner/ manager can experiment with innovative ideas taken from the strategic perspective in day to day work, and uniquely in the micro firm context, is permitted to shape and observe how strategy is operationalized (Morgan, 2013; Liberman-Yaconi *et al.* 2010; Greenbank, 2000; O'Dwyer and Ryan, 2000). Similarly, through immersion in operational practice, the owner/ manager is argued to have a

¹⁵ Entrepreneurial firms are differentiated from more traditional micro firms by characteristics such as growth motivation, owner/ manager risk taking propensity and openness to change (Carsrud and Brannback, 2011)

sophisticated awareness of changes at the operational aspect of the micro firm and can subsequently react with greater agility and flexibility than managers in larger sized firms (Alonso and Bressan, 2014, a; Verbano *et al.* 2013; O'Toole and McGrath, 2013 a). Interviewees 13, 4 and 5 exemplify this approach in varying degrees. For example interviewee 13 reports being actively engaged in the operations of the firm, checking in and seeing all guests are satisfied. Interviewee 4 again actively performs day to day cleaning and interacts with guests enabling the detection of potential problems. Finally, interviewee 5, notes how a strategic move towards self catering evolved from detection of market changes perceived in day to day operations.

Both Llach *et al.* (2013) and Cyr *et al.* (2011) argue that underpinning micro firm innovation are tacit knowledge structures, often outside the consciousness of owner/managers, but realised in the day to day operational work of the firm. Routines developed from previous industry experience highlighted as craft capability in the findings may therefore support sophisticated interaction with customers and even the development of new products from what is observed day to day, for example in the development of new value added offerings in firm 13. However, over engagement in operational activity often acts to the detriment of a strategic perspective as with interviewees 21, 18, 17, 14, 10, 7, 2, reflecting levels of self exploitation (Morrison, 2006; Wheelock and Baines, 1998). Therefore operational capability may not act as an interface with the market enabling strategic change, rather a social space where the owner/ manager avoids or is isolated from a strategic perspective. For example in the literature Lashley and Rowson (2010), as discussed earlier, draw attention to the potential in lifestyle motivation of owner/ managers to see them engage with customers for the purposes of relating to interesting people, as opposed to potential business opportunities. Further Greenbank (2000) notes how expertise in operational skills by the owner/ manager emerges as a limit to delegation and development of the micro firm's size, as the owner/ manager insists on delivering operational work personally. Finally Haghghi *et al.* (2014) arguing the limits of the potential to grow the size of the micro firm because of the rootedness of the guest interaction of the firm in the person of the owner/ manager, highlight the difficulties faced by owner/ managers in developing awareness of where

essential aspects of their operational role end and where it is possible to begin to consider more strategic aspects of operations. There is evidence in the findings of potential for entrapment in operational work through engagement with people, for example interviewee 12 highlights the enjoyment of interesting discourse with guests who are his “type of people”, and interviewees 15 and 18 spend considerable time relating to guests.

6.1.6 Nature of micro firm leadership

There is limited evidence of owner/ managers shaping culture (Kruse 1997 cited in Devins *et al.* 2005). Some evidence exists at interviewees 19, 13, 4 and 5. Interviewee 13 highlights the importance of employee development in meeting guest expectations, and as previously related, anticipates that new ideas can emerge from employees. Interviewee 4 perceives the importance of leadership in exemplifying standards of customer service necessary for business survival. Interviewee 5 gives examples of actively encouraging employees to talk with and listen to guests, as part of building relationships with customers. Interviewee 19 evinces delegation and a tolerance for employee informality with regard to record keeping, enabling employees to operate the business, when the owner/ manager is away. However, the training background of interviewees 13 and 4 suggests they may have positioned themselves as human resource development exponents as part of their education and training, and critically there may be an element of self presentation in their perspectives on employees, challenging whether day to day practice meets their comments.

Where culture shaping occurs it may be possible to facilitate common expectations around innovation, Martin *et al.* (2013) argue that learning accumulates in the micro firm rooted in shared meaning between a dominant owner/ manager and employees. Implied in this perspective is the critical influence of the owner/ manager on the creation of shared meaning. However, other than in interview 5 where the owner/ manager discusses direct interaction with employees, there is limited evidence of the owner/ manager actively managing the culture of the micro firm. Yet challenging this perspective may be the argument that culture development takes place through deep interaction of the owner/ manager and employees, but is not actively noticed by owner/ managers, and further is

difficult to report because of the tacit nature of any knowledge transfer (Cope *et al.* 2011). While many of the micro firms sampled are small and without employees or in some cases with only loosely attached employees, so culture development may be difficult. Nonetheless, both Phillipson *et al.* (2004) and Matlay (1999) suggest close bonds with employees helps shape employee behaviour even where employees are part time. Further, Cyr *et al.* (2011) caution that employee specialisation and development based on models from larger or small entrepreneurial firms does not easily fit with the micro firm where owner/ manager dominance is seen as crucial. Therefore where cognisance is taken of the dominance of the owner/ manager a modified form of culture shaping may be used to develop innovation in the micro hotel. For example the tolerance of owner/ managers 21 and 19 of delegation to employees when forced by high levels of business, suggests a level of underlying trust and expectations.

Paternalism in leadership emerges as perhaps a more bountiful area for the exploration of the owner/ managers' leadership due the dominance and subsequent expectations of employees who are at best deferent (Phillipson *et al.* 2004). Paternalistic leadership is argued to provide the owner/ manager with opportunities to facilitate brokering of employee knowledge in the form of new ideas and opportunity seizing (Kelliher and Reinl, 2009). The findings provide evidence of paternalistic leadership (interviewees 21, 19, 2) facilitating the building of trust with employees and potentially helping greater work output. Interviewee 2 highlights the benefits to the firm of an employee who effectively runs his food operations, not simply through managing a small staff and working in the culinary area of the firm, but in handling supply contingencies and in being flexible with working hours. Similarly, interviewee 19 points to staff members who have spent a lifetime with the firm, and who are trusted to manage the firm in the absence of the owner/ manager.

Delegation is argued to present beneficial opportunities to the owner/ manager, for example liberating the owner/ manager from unnecessary involvement in operational work and enabling the owner/ manager to engage in strategic planning (Kelliher and Reinl, 2010). However, the findings suggest owner/ managers are reluctant to delegate

both because they wish to be seen to be the face of their firm, from the guests perspective and because of perceived limited capabilities of often part time staff (interviewees 9, 10, 12, 15, 19). A further reason evident from the academic literature may be a reluctance to part with strategic information of the firm to other than what are perceived key employees (Florens, 2006). Finally, the nature of many micro hotels as a family firm, may present challenges through reluctance to share information outside the family (Craig and Lindsay, 2002). Therefore there may be both new opportunities and new challenges for employee management through the lens of family business (Lynch, 2005).

Phillipson *et al.* (2004) argue the importance of a personal level of resilience which enables the owner/ manager to overcome barriers in the form of emotional strain in conducting business, notably in a changing environment. Samujh (2011) implies the importance of a level of resilience in highlighting the hours worked by owner/ managers of micro firms. The interviews support a level of resilience as an important factor, and concurring with Samujh (2011) given the limited size of the firm and the multiple duties expected of the owner/ manager. Resilience is underpinned by previous industry experience, both in the sample of firms and in the academic literature (Brouder and Eriksson, 2013). Critically, there are questions around why owner/ managers make limited use of delegation in overcoming problems of working hours and from this perspective resilience may emerge as a response to personally created choices rather than a natural state of affairs in the micro firm context. Arguments that lifestyle motivation underpins micro firm managerial work can be interpreted to support this perspective where lifestyle motivation emerging from deeper psychological needs of the owner/ manager's self perception effectively buttresses the development of a perception of managerial work as one of being involved in all areas of day to day work (Bosworth, 2011; Goulding *et al.* 2005; Morrison and Texeira, 2004). There is support for this perspective in the limited delegation by owner/ managers across the interviews. For example direct comments on limited possibility for delegation are made by interviewee 10 (perception due to the nature of employees on minimum wage and a limited command of English language), interviewee 16 (owner/ managers wish to retain control of the

firm), and 9 (reasons not given, but employee is part time and engaged only in operational duties).

Resilience may also be interpreted as the owner/ manager acting as a figure head where external and internal challenges are expected to be resolved by those inside the firm (Brustbauer, 2014; Matlay, 1999; Wheelock and Baines, 1998) (for employees and family) and by those outside the organisational context (Nybakk and Panwar, 2014; Townsend *et al.* 2014) (for example stakeholders and community interests). Where managerial capability is argued to be manifest as a form of social and human capital (Adner and Helfat, 2003), resilience can be seen as an internal property of owner/ managers enabling an improved capability to manage the challenges of relating in a managerial way to other humans. Within the sample a number of interviewees demonstrate superior resilience in showing through their perceptions a resilience enabling easier and frequent linking to stakeholder ties and family in a manner conducive to helping the development of the business (for example interviewees 4, 5, 16, 19, 21). For example there is evidence of complementary work of partners in firms 21, 19, 16, 5 and 4. In contrast interviewees 10, 9, 20 comment on how they have to a great extent avoided cultivation of ties, in the case of interviewee 10 there is awareness of potential benefits of ties, with no reason given for eschewing the ties. Interviewee 20, in contrast perceives himself to have been actively excluded from a local community.

Similarly, there are challenges in utilising resilience from an innovation perspective, for example Cyr *et al.* (2011) suggest that the primary rationality underpinning the owner/ manager depends on an often personal, occupational and local motivation as opposed to one based on more formally conceptualised business management. Therefore assumptions based around resilience helping innovation as the owner/ manager face the necessary change, may prove erroneous where the resilience is not based on willingness to overcome challenges in developing the business, but more on personal, occupational and local motivation (Phillipson *et al.* 2004; Greenbank, 2000; Wheelock and Baines, 1998). In the absence of such motivation, resilience may disappear and subsequently the influence on innovation.

6.1.7 Resource pools

Many of the interviewees perceive the importance of ties to competitors as a form of business referral (interviewee 10, 14, 9, 8, 4). Phillipson *et al.* (2006) argue the potential in such ties for the development of micro firm business strategies through the process of modifying existing strategies and even learning about the contextual development of new strategies. However, engagement with ties remains limited in many of the firms, with some firms for example 9, 20, eschewing such apparent opportunities. As stated previously, Interviewee 20, perceives himself to have been excluded from ties to other businesses through being viewed as an outsider to the community. On the other hand, interviewee 9 refers and takes referrals from neighbouring bed and breakfasts during the summer season, but refers to “forgetting about it during winter”, despite some business continuing. This finding reflects the seasonality of the wider tourism industry (Goulding *et al.* 2005).

Devins *et al.* (2005) posit that stakeholder ties often are deeper than simply business relationships with a strong trust based element and within the findings interviewee 14 highlights the importance of ‘big networking with the women’. In context, interviewee 14 benefits from ties to other micro hotel owners with whom overflow of extra business can be shared mutually. In the literature there are differing perspectives on whether this might assist in the development of innovation with Tu *et al.* (2014) and Lowik *et al.* (2012) arguing the opportunities of leveraging strong ties. However, Atterton (2007) cautions that strong ties may take the form of a barrier built around local community norms which exclude outsiders and in the process limit the development of new ideas. There is evidence in the interviews of a strategic approach to stakeholder ties, for example in interviews 4 and 5, where owner/ managers actively seek to assess the benefits latent in the connections to other businesses, as opposed to a more deterministic approach where the ties are simply links almost inevitably emerging in the local context of the firms (interviewee 14, 15, 17).

The information asymmetries between stakeholders are argued to limit the potential for interaction, for example Wheelock and Baines (1998) comment on the challenges for lender / micro firm interaction due to limited accounting systems in micro firms. Similarly, Jay and Schaper (2003) highlight potential gaps in understanding between micro firms and their advisors such as lawyers and accountants. Findings highlight a level of disconnect between policy makers and the owner/ managers of the micro firms. For example in comments critical of Failte Ireland made by owner/ managers 1, 2, 5, 7, 11, 14, 15 and 18.

Cyr *et al.* (2011) argue that government and policy maker interventions often fail to understand the contextually rational behaviour of owner/ managers of micro firms whose non growth oriented strategies conflict with policy maker assumptions that micro firms are primarily leveraging opportunities for economic growth through relatively high risk strategies. There are examples of perceived growth limits based lifestyle choices (Interviewee 12, 14, 15) and the size of the hotel (Interviewee 9, 16). Inherent in the perceived disconnect may be a divergence between owner/ manager and policy maker understandings of the nature of innovation (Simpson, 2001). Emerging from the disconnect on the one hand are perhaps inevitable frustrations of owner/ managers who perceive policy makers as failing to understand their innovation initiatives in context, exemplified by interviewee 7. Yet on the other hand there is a sense of the opportunity cost of micro firms losing innovation opportunities were they to have the opportunity to better understand a wider perspective on innovation, and then be able to contextualise the perspective in a micro firm managerial context.

Simpson (2001), reflecting on the importance of shared social norms in SME clusters which facilitate innovation, argues that though policy makers at international level such as the OECD posit the vitality in such shared social norms there is limited understanding of the processes underlying their workings. Within the findings (Interviewee 1, 7, 14) and literature perhaps the very dominant role of the owner/ manager (Greenbank, 2000) limits willingness to take on external assistance in the form of innovation supports. The nature of the micro hotel as a home may also explain levels of independence mitigating

against sharing information with those perceived to be outsiders (Haghighi *et al.* 2014). The micro hotel is the home of interviewees 1, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 20, and 21, and specific reference is made to taking guests into the home by interviewees, 6, 9, 10, 12, 15, 16.

The family is argued to provide the micro firm with a valuable resource (Habbershon and Williams, 1999 in Morrison and Conway, 2007). However, managerial capability is necessary to unlock the potential in the family (Oughton *et al.* 2003). While the literature argues the importance of family as a source of low cost labour (Phillipson *et al.* 2004; Wheelock and Baines, 1998), other areas emerge in the findings. The family provides firms with the implementation of simple, yet effective, information technologies (interviewee 4, 9, 16, 19). The people relationships capability is argued to be useful in unlocking the family as a resource, enabling a communication and understanding of other family members which is reciprocated in help with aspects of the business. The leveraging of the family is not a given, and Morrison and Conway (2007) caution how emotional aspects of relationships and the home context compete with economic rationality in the hotel micro firm. Interviewee 14 highlights the perceived onerous nature of managing the micro firm, relating how each of her children would not have wished to inherit the business for this reason, and only help out reluctantly. Further, interviewee 11, perceives the family nature of the business as testing human relationships.

Many of the firms in the sample involved a degree of joint husband and wife involvement in the management of the firm. Four interviews (1, 6, 15, 16) provided insight into the joint roles played by partners. In interviews 6 and 15 the partner who worked outside the micro hotel, was seen as bringing business and marketing experience into the firm. Even where the involvement of one partner was more distant, there were examples of the partner providing creative ideas for the business (interviewee 8) and some generating business advice (interviewee 18). In contrast the academic literature focuses on simpler supports of the family such as emotional support and low cost labour. One interpretation of this finding may be that the nature of family/ business interaction has moved on to one

where family skill levels have been raised, and further perhaps those with higher levels of business experience and education have entered the industry as both become more common. From this perspective, the findings both contradict and support with owner/managers continuing to rely on various sources of family support, but perhaps approaching that support with a higher level of business experience and even aspirations. This finding is in contrast to that found in Wheelock and Baines (1998) where self-employment was portrayed almost entirely as a non-optional path in the face of the non-availability of employment opportunities.

Micro firms are embedded in resource poor environments potentially limiting the development of innovation (Bosworth and Farrell, 2011; Kaikkonen, 2006; Komppula, 2004). There are examples of the resource limits of the firms in the sample with firms outside tourism promotion areas (interviewee 2, 5, 9, 12, 15, 17, 20), in rural locations (interviewee 1, 11, 21) and in general facing high levels of low cost competition resulting from industry restructuring (interviewee 2,4,9,12). The resource limitations associated with low cost competition are perceived as particularly challenging where there are difficulties in differentiating the micro hotel market from that of the low cost focused larger hotels, for example in interview 2, 4, 9, 12.

Arguments that the micro firms will recognise lack of competitiveness and therefore alter their routines in response to perceived environmental change are predicated on assumptions that owner/ managers possess the capability to recognise the change, but, moreover are willing to act in response to the change. Arguments in the literature suggest owner/ managers may instead continue in a struggle against the environment, internally exploiting and potentially depleting the firm's resources instead of making an alteration at strategic level (Morrison, 2006; Oughton *et al.* 2003; Wheelock and Baines, 1998). In essence the firms are trapped by circumstances, with examples in interviews 2, 9, 10, 11, 20). Interviewee 10 perceives severe resource constraints, most notably financial constraints, but perhaps neglects employee resources present. Interviewees 2 and 10 continue to commit very long operational working hours to their firms, perhaps without considering alternatives such as more strategic use of time, alteration in the business

model or changes in market base. Interviewees 9, 10 and to a lesser extent 11 and 20 exhibit very limited forms of engagement with potential resource ties. From the perspective of developing managerial capability for innovation, it may therefore be necessary to acknowledge the resource limits and how embeddedness or altered managerial perceptions being difficult to change, render strategies such as opportunity management (Kelliher and Reindl, 2009) to be tempered by such limits.

Alternatively the perspective may be taken, premised on the resource based view of the micro firm (Kearney *et al.* 2014; Kelliher and Reindl, 2009) that owner/ managers possess in-depth knowledge of resources, often not amenable to outsiders. Findings indicate owner/ managers utilise resources to a considerable extent in line with the general indications of the critical literature review. There are for instance examples of family, stakeholder and policy maker ties assisting the micro firm in the sample. However, leveraging of resources appears problematic in many cases, with resources identified by owner/ managers but, from a resource based view, their potential appears latent rather than developed. For example, ties are indicated to have some use by interviewees 1, 2, 9, 10, 15, 17 but appear under exploited. Interpretation of this aspect of the findings suggests initially a limited awareness of managerial capability in the micro firm context, as indicated in areas of the literature (Wagner *et al.* 2005; Komppula, 2004), but perhaps also indicates the influence of self imposed growth constraints on the micro firm (Greenbank, 2000). Further there may be interaction of both limited managerial capability and limited growth motivation, with one influencing the other (Gray, 2002).

6.1.8 Cost/ Managerial education/ experience

There are perceptions of the importance of cost across most of the firms. From the perspective of the literature there are arguments that owner/ managers are relatively unsophisticated in terms of understanding the importance of cost (Lashley and Rowson, 2010; Beaver, 2007). Interpreting the findings through this lens considers there may be a contradiction between the literature and findings. However, there may be other explanations. Cyr *et al.* (2011) highlight the importance of cost/ profit focus as a means for staying in business as opposed to being the primary driver of the business. Similarly

Greenbank (2000) argues that owner/ managers of micro firms often possess sophisticated rules of thumb, manifest as experiential heuristics, which often give as good results as more formal cost assessment methods. Perhaps the sample of firms are unable or unwilling to consider more innovative mechanisms for development and instead rely on tried and trusted approaches, given the mental models of their business education and training. Morrison (2006) and Phillipson *et al.* (2004) argue the role of the harsh business environment of micro firms, in limiting environmental opportunity necessitating a focus on cost in order to survive, similar to that displayed in the findings. From this perspective cost focus may reflect environmental perceptions based on relatively current information, but only current information perceived through lenses which the owner/ managers have developed over time, relating to their industry, work and educational background. From a managerial capability perspective a perceptions based approach is argued by Ambrosini and Bowman (2009) who caution about over emphasis on managerial rationality, instead noting how information overload and limited managerial cognition lead to managerial capability emerging through the lens of a focused and selective perceptual assessment of the environment. For example, interviewees 14 and 16 perceive opportunity in hotels located within their vicinity, though in contrast interviewees 15, 12 highlight only the negative cost impact of competitor hotels. Similarly, interviewee 2, provides examples of cost challenges in his business based on his professional accountancy training, perhaps highlighting a static approach, based on analysis of food offerings. In contrast, interviewees 4, 10 argue the benefit of engagement with up to date training, based around marketing.

Most of the sample had considerable business experience and business education, the latter in some contrast to studies suggesting the experience of micro firm owner/ managers was confined to practical industry experience (Morgan, 2013; Fillis, 2003; O'Dwyer and Ryan, 2000) or to narrow professional training (Brouder and Eriksson, 2013; Greenbank, 2000). The experience and education in this study gives the owner/ managers a good understanding of the financial aspect of managing their firms, with examples in the analysis of hotel industry costs by owner/ managers in interviews 2, 5 and 12, where previous business education and experience is directly related. In some

cases it may be argued the business education has perhaps dated and applies restricted or dated models where perhaps more perhaps more up to date versions are necessary. However, lifestyle motivation and the nature of the 'home' that is also the micro hotel may play a part, with one highly successful entrepreneur, interviewee 1, content with lower levels of innovation than possible, by his own admission. Finally, perhaps the unique context of the micro firm necessitates unique managerial capability (Kelliher and Reinl, 2014; Devins *et al.* 2005; Greenbank, 2000; O'Dwyer and Ryan, 2000), with previous experience and education only playing a limited role.

6.2 Managerial capability for innovation as a dynamic capability

This section considers the application of the dynamic capabilities theoretical framework to the present research question. Specifically micro firm managerial capability for innovation is considered as a dynamic capability. The definition of dynamic capabilities has been argued to be one of 'deeply embedded learning routines in the fabric of the firm enabling proactive engagement with environmental change'. There are arguments in the wider management literature that managerial capability comprises a dynamic capability (Groysberg *et al.* 2006; Adner and Helfat, 2003; Nahapiet and Ghoshal, 1998).

However, there are challenges to this perspective. For example many owner/ managers appear to remain satisfied with managing a firm running on long lasting operational capabilities (interview 2, 8, 9, 11, 12, 15). Both interview comments and observations from firms 8, 9, 12 and 15 point to levels of excellence in the physical attributes of the micro hotel, and in the case of 8, 9 and 15 a well developed and appealing website. In each case there is emphasis on high levels of guest service. Yet taking a strategic perspective (Beaver, 2007) there are challenges for the firms in meeting the demands of a changing environment, and comments in the interviews of owner/ managers support limited engagement with such change- for example interviewee 2, 9, 12, and to a lesser extent 8 and 15. The micro firm literature concurs with this perspective where owner/ managers' perceptions of their managerial function is one of delivering a high quality operational work in a satisficing context as opposed to a context of actively innovating the business (Greenbank, 2000). Ambrosini and Bowman (2009) argue for three levels of

dynamic capability: incremental; renewing and regenerative, and building on the perspective of levels of dynamic capability an interpretation of the operational focus of some owner/ managers may reflect a limited or underdeveloped state of dynamic capabilities.

Ambrosini and Bowman (2009) considering the origins of dynamic capabilities posit the role of managerial perception, managerial motivation and environmental contingencies in the emergence of dynamic capabilities. Taking a determinist perspective, environments where resources and market opportunities are relatively scarce (Alonso and Bressan, 2014 b; Morrison, 2006) are argued to shape dynamic capabilities which may not act as learning mechanisms or proactive conduits for change, were the environment to change. Technological change is argued to radically alter aspects of the micro firm's environment (Jones *et al.* 2014; Barnes *et al.* 2012; Karljaluoto and Huhtamaki, 2010) and therefore may sufficiently alter the environment in a manner requiring fundamentally altered dynamic capabilities. Thus even where managerial experience has assisted in developing new markets over time, where alterations happen which are outside such experience, managers are argued to possess limited capability to develop the necessary dynamic capabilities (King and Tucci, 2002).

Eisenhardt and Martin (2000) argue that dynamic capabilities are vehicles through which managers develop 'new thinking' (p. 1108) in the firm. Zollo and Winter (2004) argue dynamic capabilities take the form of knowledge articulation mechanisms in the firm, where often tacit knowledge is surfaced and translated into a common language underpinning organisational understanding of the knowledge and its commercial application. Opportunities for the interaction of owner/ manager and tacit knowledge in the firm occur in a number of ways. For example, through interaction with employees in day to day customer service work (Tu *et al.* 2014; Martin *et al.* 2013; Greenbank, 2000; O'Dwyer and Ryan, 2000) or through interaction in the shape of leadership capability (Kelliher and Reinl, 2009; Kruse 1997 cited in Devins *et al.* 2005). Employees are an important source of knowledge contributing to innovation where commercial knowledge can be made of the knowledge (Nieves and Segarra-Cipres, 2015). However, as

discussed there are challenges in developing employees in the context of the present sample of firms, therefore limiting the potential for knowledge articulation through this path. Alternatively, a level of reflection by owner/ managers on the nature of their own strategic and operational work can be considered a form of knowledge articulation (Morgan, 2013; Liberman-Yaconi *et al.* 2010), for example interviewee 13 notes how he works with stakeholders and banks to work out the best possible strategy within constraints. Interviewee 4 exemplifies relatively open stakeholder interaction where the very nature of business knowledge is surfaced in industry level and family ties.

6.3 Linking resources and dynamic capabilities in a hotel micro firm setting

Linking resources and dynamic capabilities Helfat *et al.* (2007) and Eisenhardt and Martin (2000) highlight how dynamic capabilities are manifest as resource organisation and development mechanisms within the social context of the firm. From their perspectives large firms appear to be the assumed type of organisation with consequences for the nature of dynamic capabilities discussed. Strategic decision making, albeit in the context of the larger firm, is argued by Eisenhardt and Martin (2000) to comprise a dynamic capability. There are examples of strategic decision making in the studied micro firms enabling them to survive an environmental challenge- for example Interviewee 16 demonstrates strategic thinking around the competitive potential from a new hotel in the locality of his guesthouse and interviewee 15 relate how their guesthouse can be turned into a self-catering premises used by guests depending on need.

Gebauer (2011) argues the importance of sensing dynamic capabilities for the development of innovation, in the shape of firm level routines. Within the micro firm, the argument has been developed that owner/ managers' possess market sensing capability through their operational activity day to day in the firm (Tu *et al.* 2014; Greenbank, 2000). Furthermore strategic interaction with stakeholders (Townsend *et al.* 2014; Williams, 2007; Phillipson *et al.* 2006; O'Dwyer and Ryan, 2000) suggests the possibility that market sensing capability develops through interaction with stakeholders. Findings indicate at least basic levels of developments of new markets/ marketing

through ties leading to reduced price offerings for patrons of local businesses (interviewee 1, 5, 16, 18).

Taking an alternative approach Ambrosini *et al.* (2009) consider the possibility that dynamic capabilities act on operational capabilities. Within the micro firm context the proposed integration of strategic and operational work through the personal action of the owner/ manager has been discussed. From a dynamic capabilities perspective it can be argued that through the process of engaging in operational work the owner/ manager develops deep understanding of the heuristics and problem solving methods used (Greenbank, 2000). Challenges in overcoming the integration of the operational and the strategic have been highlighted in both the literature and the findings, nevertheless it can be argued a dynamic managerial capability exists where owner/ managers overcome the challenges and use their strategic capability to act on operational capabilities in the day to day work of the firm. For example interviewee 6 notes the importance of cost reduction as a strategic imperative in the micro hotel industry, but perceives opportunity in sensing cost reduction opportunities in day to day operations in the firm; while interviewee 13 notes how: “it’s within the day to day operations that you see the opportunities to develop new contacts or even to develop new products”.

Further, operational capabilities within the firms manifest as the use of and development of technologies for marketing are underdeveloped, even by the admission of some of the more proactive owner/ managers (interviewees 19, 16, 5, 4). Further development of such operational capabilities might be leveraged through the application of higher order dynamic capabilities (Teece and Pisano, 1994). There are challenges in the present context for owner/ managers not simply in developing more direct knowledge of the technology but also of taking a more developed strategic awareness of the potential inherent in the use of the technology (Mellett and O’Brien, 2014; Roberts and Wood, 2002). Without such a dynamic capabilities approach predicated under strategic awareness, a more deterministic approach to facilitating technology within the firm renders the firm’s strategy open to fundamental reconfiguration of the firm’s business processes in a less controlled and more disorganised path.

There are arguments that dynamic capabilities depend on more than simply managerial cognition with human and emotional underpinnings of dynamic capabilities highlighted (Hodgkinson and Healey, 2011). Rosenbloom (2000) cited in Adner and Helfat (2003) argue that top management leadership can be interpreted as a dynamic capability given the paths leadership opens within the firm through communicating and influencing employees in often unique ways, and overcoming bureaucratic limitations thereby creating faster decision making. Arguments are made in the micro firm for the importance of a contextual leadership (Kelliher and Reinl, 2009; Kruse cited in Devins *et al.* 1997) where the proximal influence of the owner/ manager to employees enables the shaping of employee behaviour through appropriate influence mechanisms and through shaping the micro firm's culture.

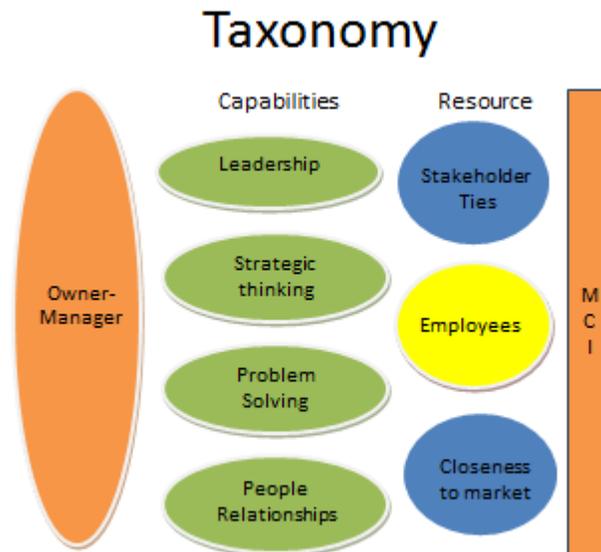
Dynamic capabilities are argued to emerge in the context of cognitive simplification of managerial experience with managers suffering from the human limits of bounded rationality (Tripsas and Gavetti, 2000). Under this interpretation dynamic capabilities are a mechanism through which managerial capability is focused, often based on existing experiences both at individual level and within the wider organisational context (Augier and Teece, 2009; King and Tucci, 2002). Taking such a perspective opens the possibility that the nature of dynamic capabilities is as experientially based learning routines in the social fabric of the firm (Winter, 2003), but, more significantly limited routines based on levels of experience which may always become asynchronous with the environment (Ambrosini and Bowman, 2009). For example in the present sample of firms it may be considered that, though challenged by the arguments of an almost tautological manner, firms which have lasted a length of time (for example 2, 8, 9, 14, 15, 20) are or were at one time receptacles of dynamic capabilities. However, given the environmental flux in the present economic and technological environments, to cite just two examples, it may be that older dynamic capabilities based on more traditional experience are no longer sufficient to proactively meet change, as highlighted by Eisenhardt and Martin (2000). On the other hand some owner/ managers in the sample appear more open to newer experiences thus potentially developing dynamic capabilities based on changed

experiences, for example interviewees 4, 5, 6, 19 and 21 show varying degrees of openness. There is also evidence in interviews 4, 5, 19 and 20 of interaction with significant others who appear able to alter the perceptions of the owner/ managers thus suggesting external influences impact on dynamic capability development (Ambrosini and Bowman, 2009).

6.4 Consideration of theoretical model in light of discussion

The initial model of managerial capability for innovation in the hotel micro firm context emerged from the literature review, as refined through a series of researcher papers which were reviewed by supervisors and presented at conferences. Managerial capability criteria are argued to interact with micro firm resources to facilitate the development of innovation. However, in terms of the literature review presented at chapter three, and summarised earlier in this chapter, the model reflects an earlier stage in the literature review. For example, technology as a resource developed at a later stage, in response to observations made in the early stage of data collection. Similarly, literature on mental models and marketing capability reflects a later stage of development based around data collection and data analysis. The taxonomy, pre dating the model and originally presented in the literature review (chapter 3), is graphically represented at Figure 3.1, and repeated below for ease of referral:

Figure 3.1 Taxonomy of micro firm managerial capability for innovation



The taxonomy illustrates the four key criteria of managerial capability in the micro firm; leadership, strategic thinking, problem solving and people relationships. Three key resources pools (stakholder ties, employees, closeness to market) are argued to exist, enabling the owner/ manager to shape and develop the resources, liberating managerial capability to innovate (MCI). Chapter three details the interaction of resource pools and resources (fig 3.1). However, in terms of an overview leadership provides the ability to shape employee behaviour through culture shaping (Kruse 1997 cited in Devins *et al.* 1997) and through paternalism (Kelliher and Reinl, 2009), facilitating delegation to employees and enabling employees to implement and support innovation through new ideas. Similarly, where owner/ managers take a strategic perspective on resource development an imaginative strategy can be developed (Martin *et al.* 2013; Verbano *et al.* 2013; Beaver, 2007). The operational capability helps the owner/ manager to work alongside employees transferring learning, often tacitly (Matlay, 1999). Similarly, an aspect of strategic thinking based on business philosophy facilitates the owner/ manager to shape business supportive assistance from resources such as family or stakeholder ties, with a level of business knowledge necessary for the firm to implement innovation which is commercially viable. The theoretical model emerges from contemplation of the

taxonomy of micro firm managerial capability for innovation (fig. 3.1). The theoretical model of micro firm managerial capability for innovation (figure 3.2, chapter 3) is replicated below for ease of referral.

Figure 3.2 Model of micro firm managerial capability for innovation

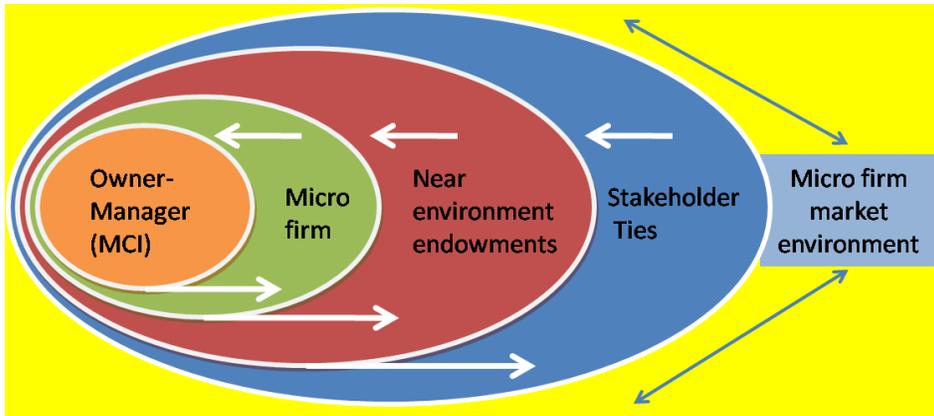


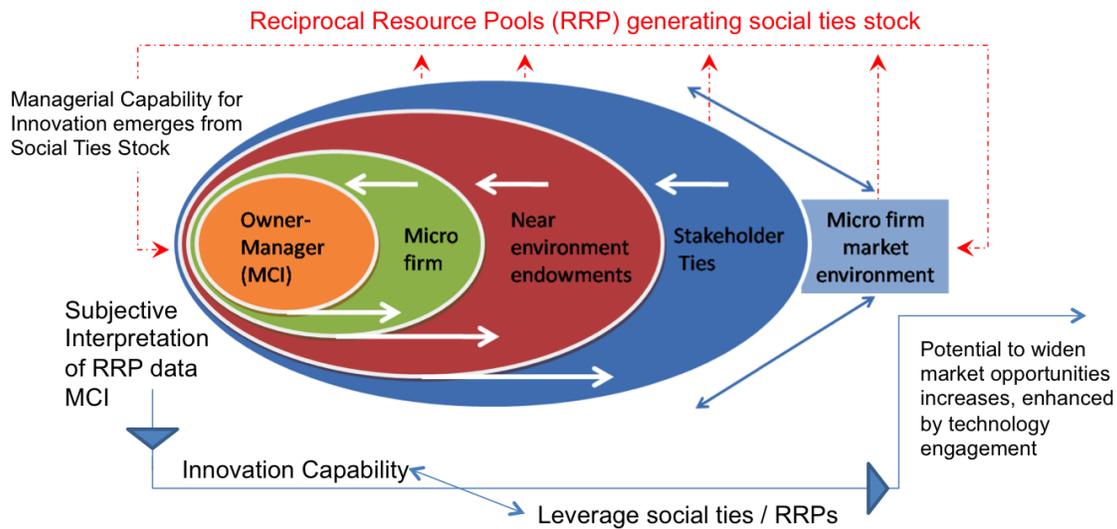
Figure 3.2 builds on the taxonomy developed (figure 3.1), and highlights the dynamic aspect of micro firm managerial capability for innovation. Instead of a linear and sequential approach to resource as manifest in the taxonomy, the theoretical model emphasises the interaction of owner/ manager and various resource pools conceptualised as environments (micro firm [including employees], near environment endowments [encapsulating closeness to market] and stakeholder ties). In contrast to the taxonomy, the model encapsulates the business environment, and therefore takes account of theoretical contributions highlighting the importance of the owner/ manager's direct operational link with the market environment, which is something unique to the micro firm (Tu *et al.* 2014; Komppula, 2004; Greenbank, 2000; O'Dwyer and Ryan, 2000). While premised on the RBV through the process of the owner/ manager shaping resource pools through managerial capability development (Kelliher and Reinl, 2009), the model highlights the potential of the various environments to form feedback loops where managerial capability can be shaped by interaction with resources (Alonso and Bressan, 2014 b; Llach and Alonso-Almeida, 2014; Williams, 2007; Devins *et al.* 2005; Phillipson *et al.* 2004). Therefore managerial capability takes the form of a wider capability

structure embedded in the resource structures of the firm and environment (Kearney *et al.* 2012).

The model (fig 3.2) represents the historically embedded aspects of micro firm managerial capability, where owner/ managers are not creating their firms in the form of a blank slate, manifest in entrepreneurially driven new firms. Instead owner/ managerial capability for innovation emerges from the pre-existing embedded relationships in the form of family (Alonso and Bressan, 2014 a; Oughton *et al.* 2003; Wheelock and Baines, 1998), employees (Matlay, 1999), stakeholder ties (Townsend *et al.* 2014; Nybakk and Panwar, 2014; Phillipson *et al.* 2006; 2004; Devins *et al.* 2005) and those in the wider market environment (Martin *et al.* 2013; Morgan, 2013; Liberman-Yaconi *et al.* 2010; O'Dwyer and Ryan, 2000). From the micro firm innovation perspective, the model both contextualises and provides evidence of the embedded nature of innovation, in the relationships between the owner/ manager and stakeholder ties where innovation is argued to emerge uniquely in the micro firm from the interaction of owner/ manager perceptions and such relationships (Simpson, 2001). The incremental nature of micro firm innovation (Morgan, 2013;Wagner, 2008; Morrison, 2006), in operational involvement of the owner/ manager in the work of the firm is represented by the model. Integrating both incremental and embedded aspects of micro firm innovation, the informal and tacit nature of both (O'Toole and McGrath, 2013 a; Cyr *et al.* 2011; Thomas *et al.* 2011; Cagliano, 2001) are exemplified in the owner/ manager interactions with various environments.

This section evaluates the proposed theoretical model of micro firm managerial capability for innovation (figure 3.2) based on the research findings and presents a refined model (figure 6.1) in the light of the discussion above.

Figure 6.1 Refined model of tourism micro hotel firm managerial capability for innovation



The refined model of managerial capability for innovation in the tourism micro hotel firm context is illustrated above (figure 6.1). The simple concept of the owner/ manager in the initial model (figure 3.2 replicated above), is developed to include a stock of social ties as articulated throughout the findings, enabling interaction with various resource pools. Arrows, in red, emerging from the stock of social ties, indicate the managerial capability for innovation emerges from the stock. The unique importance of technology as a resource is indicated by positioning technology in at the joining of the wider market environment and the resource pools.

Consideration of the interaction of the owner/ manager and embedded resource pools could have taken place through the theoretical lens of familiness (Chrisman *et al.* 2005). The familiness approach could be developed highlighting how people relationships and developing of the market image of the firm emerge from the family, and such an approach is considered in the academic literature, for example Haghghi *et al.* (2014) and Morrison and Teixeira (2004). Furthermore, links to stakeholders may be mediated through the family as opposed to the person of the owner/ manager (Sharma, 2008), therefore such links are not developed through the person of the owner/ manager but more as the owner/ manager as an agent of family. Development of managerial

capability for innovation could be considered to emerge through the ‘idiosyncratic’ (Habbershon, 2006: 879) nature of family embedded resources which provide an agency advantage over using wider stakeholder ties. Therefore business advice, employee support and emotional support [all of which emerge in the present research] can be considered stronger when emerging within the familiness context. Potentially deeper insight into the nature of such advice and support is then possible. Further tacit knowledge used in the business and shared in a family context might be surfaced through the lens of familiness. For example in the model the owner/ manager’s managerial capability is assumed to emerge at an individual level, whereas through assuming a familiness lens, strategy emerges in a complex process in which the owner/ manager plays an important role, but one deeply embedded in the demands, requirements and possibilities created by a dynamic with the wider family structure (Kansikas *et al.* 2012). Within the model there are implications for the subjective interpretation of RRP data taking greater account of the familiness of the owner/ manager, as opposed to a purely individual perspective. Such an approach challenges the owner/ manager dominance perspective. Given that most firms in the sample are operated in a family context, with a key influence being that of a marriage partner, the familiness lens suggests greater insight may be gained into the emergence of managerial capability for innovation through taking account of the family partners in the micro hotel. There are limitations in approaching the present research question through the lens of familiness. For example not all the firms are family in nature, allowing the resource based approach to provide a more appropriate lens for the interpretation of the model. Further family does not play an important role in all the firms, even where the family appears an integral part of the ownership structure. Finally, even where familiness plays an important role in the firm, the role may be subsidiary in nature to that indicated by resource based theory being premised as it is on a wide view of resources [including family] which can be shaped by managerial capability. In contrast assuming all resources are shaped through the lens of familiness, while insightful in overcoming narrowly economic perspectives on the owner/ manager’s capability, limits the *raison d’être* of the owner manager to one purely acting as agent of the family (Weismeier-Sammer *et al.* 2013). Contained within the familiness approach to the model is an assumption that the owner/ manager approaches social

interaction through a family lens, and in terms of owner/ manager perceptions such a lens may explain levels of lifestyle motivation, for example as outlined by Lashley and Rowson (2010) or Morrison and Conway (2007). On the other hand, such an approach neglects the potential in business experience, a strongly emerging theme in the findings as a key aspect of owner/ manager perceptions. The RBV therefore provides a superior framework for this aspect of the model, exploring as it does the the potential development of resources by 'economic actors' (Mahoney and Pandian, 1992:374).

Alternatively the model might have been subject to interpretation based around a Porterian (1985) perspective. Application of the Porterian perspective need not neglect the embedded nature of the owner/ manager, but rather interpret strategy as emerging within the stock of social ties though with a greater environmental focus. Greater emphasis is then possible on the nature of the owner/ manager's interaction with the external environment. In the present model technology is seen as an important lens widening market access, and taking a Porterian lens would enable greater exploration of the nature of how such widening might take place. Challenges in how owner/ managers are limited in taking advantages of environmental opportunities have been integrated into the model through acknowledgement of the ultimate importance of owner/ manager perceptions of data from the resource pool interactions, based around the RBV. However, a Porterian perspective might enable further exploration of the perceptions of owner/ managers of their environments in terms of opportunities and challenges. There is for example argument that melding a Porterian perspective with a lens based on entrepreneurial competence, enables the exploration of creative processes in the owner/ manager which are part of a process of creating more innovative competitive advantage (Man and Chan, 2002). However, the present theoretical approach centred in the RBV takes account of the development of creativity in context, using the concept of mental models and imaginative strategy. Moreover, whether mediated through technology or perceived through more direct interaction, owner/ manager perceptions of the external environment are ultimately dependent on expectations of the owner/ manager regarding whether or not the firms' resources can be developed to meet perceived competitive change (Barney, 1986).

The model highlights the central importance of the owner/ manager both in terms of the emergence of managerial capability for innovation from interactions with resources and in terms of the uniqueness of perceptions of the nature of such capability for innovation. A strength of the RBV is to constitute resources as both tangible and intangible enabling owner/ manager perceptions to play a key role in determining the nature of resources and hence any future resource development. Further, and allied to dynamic capabilities theory the RBV takes account of the path dependent nature of a firm's competitive advantage (Ambrosini and Bowman, 2009), and in the context of the present research the model manifests how the emergence of managerial capability for innovation continually emerges from a stock of social capital, contextually and historically unique to the particular micro firm owner/ manager.

Littunen and Hyrsky (2000) argue that consideration of owner/ manager capability limits understanding of how micro firm owner/ managers develop the competitiveness of their firms and argue for the use of entrepreneurial competence as a lens to view owner/ manager activity. Moreover, recognising limitations in the RBV, Penrose cited in Ambrosini and Bowman (2009) argue the importance of an entrepreneurial competence focused on imagination as opposed to a managerial competence focused on execution. Therefore interpreting the present model through the lens of entrepreneurial competence enables wider understanding of the motivations and decision making of the owner/ manager. For example greater depth in exploring not simply strategic thinking might be possible, but instead a more integrated approach taken to the very emergence of the nature of micro firm strategy. There are similarities here with the application of the familiness lens, though the understanding gained is different, in that through the use of entrepreneurial competence, the lens helps understand deeper and perhaps personal motivations and capabilities underpinning resource interpretation and environmental perceptions. Nonetheless, the approach taken in the present research goes some way towards exploring such areas, as the present approach depends on a wide interpretation of managerial capability, as opposed to the narrow executive focus argued by Penrose cited in Ambrosini and Bowman (2009). Similarly, the RBV interpretation of the model

encapsulates the social complexity inherent in owner/ manager and resource interaction and taking a managerial perspective highlights how such complexity emerges as a source of competitive advantage (Peteraf, 1993), as opposed to an approach based around entrepreneurial competence, where less focus is placed on the management of resources.

Finally, consideration of the model in the light of social exchange theory (Blau, 1964) develops alternative insight. The nature of the interaction between the owner/ manager and embedded ties might be more deeply explored where a social exchange theory framework is used. For example Johannison (1995) uses social exchange theory to provide insight into the complex links between conventionally economic and non economic motivations underpinning managerial ties, and the processes through which such motivations accrue competitive advantage. Looking more deeply into the model, social exchange theory is a mechanism through which altering and developing owner/ manager motivations might be explored (Chetty and Holm, 2002). For example, the processes underpinning the development of people relationships, aspects of leadership, market relationships manifest in operational capability and even co operative aspects of strategy development emerge in a unique social context in the micro firm where business motivations are sometimes secondary. Social exchange theory is more limited in dealing with how managerial perceptions shape the interpretation of reciprocal resource pool data, as such perception depends heavily on the uniqueness of the owner/ manager as opposed to the owner/ manager as existing in a purely embedded context. Social exchange theory is also limited in comparison with the RBV in failing to consider relationships where social exchange may play a more limited role, for example people relationships with customers. While social exchange provides partial explanation for the nature of such relationships, there is a wider explanation in under the RBV. Blau (1964) notes a limitation of social exchange theory as applying only where common goals between parties are present, and in the present model, while there is commonality among the owner/ manager and embedded resources, there is considerable divergence of goals due to the competitive nature of the business environment. Therefore RBV theory offers a balance in recognising how resources are shared at times [the assets which are tied semi permanently in Barney's (2001) argument], while all the time recognising the competitive

position of the owner/ manager. The present study builds on Kelliher and Reinl (2009) and Kearney *et al.* (2014) who argue for the uniqueness of the micro firm resource position, and while recognising the possibilities offered by social exchange theory, posits RBV as a suitable lense through which the unique micro firm resources can be developed based on the unique and often tacit knowledge of owner/ managers. This is not to say that micro firm owner/ managers present managerial capability for innovation which is optimal, which in essence would make the model tautological, but to argue for the potential which owner/ managers possess to improve managerial capability for innovation through the model. Social exchange theory is also limited in explaining the economic appropriability of resources, for example Peteraf (1993) highlights the importance of customer goodwill as a resource. While social exchange theory goes some way towards improving understanding of how goodwill is built up, for example in the present model customer goodwill emerges from ongoing interaction via people relationships. Nevertheless, taking the resource based view accepts the depth of relationships possible through personally mediated relationship building, though simultaneously recognising the economic imperative to monetize the relationship over time.

The model includes feedback loops indicating the potential for learning to take place through capability development being shaped by environmental change. For example the reciprocal resource pools interact with the environment but are also shaped by such interaction. The nature of the shaping process can take place directly, as when the owner/ manager through operational capability creates new opportunities in response to perceived market change. However, the nature of such development can take place at higher level as when the very nature of operational capability is altered, potentially leading to the enhancement of the firm's dynamic capabilities (Ambrosini *et al.* 2009). The subjective nature of interpretation of reciprocal resource pool data by the owner/ manager has both potentially beneficial and negative impacts on managerial capability for innovation. Considering the former impact, the very uniqueness of perception suggests managerial capability for innovation rooted in unique perception (Hodgkinson and Healey, 2011) may over time become a differentiating aspect of the owner/ manager's managerial capability. However, where the owner/ manager's perception is limited by

cognitive filters, as perhaps when based on certain types of lifestyle motivation (Lashley and Rowson, 2010; Goulding *et al.* 2005), the unique perceptual process may hinder the development of managerial capability for innovation in the micro firm context. Finally, the micro firm market environment constantly acts on the developing innovation capability indicated on the refined model by the lowermost blue line.

Contemplation of the environment in the theoretical model focuses on interaction between owner/ manager capability and structured segments of the environment, for example family, stakeholder ties, employees and technology. Arguments developed, through the critical review of the findings, posit the potential for managerial capability and innovative intervention in marketing processes, product development and business models, through such resource interaction. In contrast the environment may be viewed as a powerful determinate force in the strategic life of the micro firm (Morrison, 2006), and implied in many interviews, with owner/ managers accepting of their own limits within the environmental context. Therefore owner/ managers, perhaps aware of resource limits in the shape of their firms, and their own managerial capability, eschew riskier strategies (Cyr *et al.* 2011) and continue with an incremental approach contiguous with the resource poor environment.

Insight into the strategic and operational processes underpinning such environmental engagement may be better understood using the concept of heuristics where relatively structured decision making rules within the owner/ manager's consciousness facilitate both the implementation of repetitive operational decisions but also an element of incremental change in response to environmental triggering (Lieberman-Yaconi *et al.* 2010; Greenbank, 2000). Relatively recent debates continue to highlight the importance of heuristics as mechanisms for the preservation of a sense of strategic direction and yet a level of contextual improvisation in the face of change (Vuori and Vuori, 2014; Bingham and Eisenhardt, 2011).

Incremental approaches to innovation emerge from the discussion alongside arguments that owner/ manager's lack understanding of the potential inherent in innovation, as for

example used in firms of larger size (e.g. Barnett and Storey, 2000). Critically, as argued by Cyr *et al.* (2011) such an interpretation of limited capability to understand innovation is posited to neglect deep rooted assumptions. The assumptions are often based around preservation of the home (Haghighi *et al.* 2014; Irvine and Anderson, 2004) and the preservation of lifestyle (Lashley and Rowson, 2010; Greenbank, 2000) which are perceived to conflict with more radical innovation. Therefore consideration of how managerial capability might develop innovation in the micro hotel context, while logically contemplating more radical forms of innovation, must perhaps surface some of the barriers to facilitating owner/ managers to consider such innovation. In contrast, contemplation of what appears a more contextual perception of innovation, incremental innovation, facilitates engaging contextually with owner/ manager motivations and perceptions. Further, Barwise and Meehan (2011) highlight the longer term strategic significance of incremental innovation as an engine continuously driving competitiveness, where competitiveness emerges not from single innovation events but rather reflects a firm's capability to utilise incremental innovations over time. Therefore searching for apparently notable single impact innovations may detract from the importance of a more incremental approach, where incremental innovations are linked to alterations in a firm's business processes, marketing approaches and the very nature of customer interaction (Freel, 2003; Propris, 2002).

Consideration of the discussion of strategic thinking, while accepting owner/ managers possess business experience and training alongside the capability to implement implicit strategies, highlights a relatively limited use of imaginative thinking. Beaver (2007) and Gray (2002) argue the importance of imaginative thinking as an impact on the development of business strategies facilitative of innovation. From this perspective micro firms appear to experience a barrier in terms of making best use of the resources argued in the theoretical model to liberate innovation. However, taking an alternative approach to strategy development another perspective is possible. This is premised on the idea that if instead of forcing imaginative models of strategy from contexts relatively differentiated from the micro firm, attempts are made to consider how owner/ manager exposure to new thinking/ ideas might emerge from interaction with resource pools.

Exemplification has been argued through the surfacing of owner/ manager strategic thinking through stakeholder interaction (Townsend *et al.* 2014; Tu *et al.* 2014; Phillipson *et al.* 2006; Jay and Schaper, 2003) and through potential to leverage new business knowledge through employee interaction (Kelliher and Reinl, 2009; Jay and Schaper, 2003) and through links to family (Habbershon and Williams, 1999). Further, Love *et al.* (2013), in a recent contribution to the strategic management journal based on Irish manufacturing firms, argue the importance of interaction across ties as a way of improving information process capabilities of managers.

In the literature review, the area of the mental model (Porac and Thomas, 1989) is a concept surfaced when conducting data analysis, as a form of explanation for how owner/ managers perceive their competitive and economic environment (Hill and Levenhagen, 1995). Premised on the focus of the present research on managerial perceptions, mental models are argued in the discussion, to facilitate the illumination of not simply how owner/ managers perceive their environment, but also the selective perception inherent in owner/ manager strategic managerial capability. From the perspective of managerial capability for innovation, the concept of mental models focuses attention on why certain owner/ managers, where environmental conditions are similar, perceive environments differently. Within the presented model (figure 6.1), the concept may be positioned as a lens shaping the owner/ manager's perception of the environment and resource pools and whose nature emerges from business experience / education but is subject to change as a result of surfacing mental models, uncovered through interaction with significant others (Stigliani and Ravasi, 2012).

Finally, the theoretical model has proposed managerial capability for innovation as a dynamic capability comprising four capability criteria embedded in a resource environment. Given the development of argument that innovation in the micro firm is incremental in nature, often linked to relatively modest perceptions of environmental change by owner/ managers, dynamic capabilities in context may reflect more stable routines which enable the firm to change (Eisenhardt and Martin, 2000). Concurring with arguments for contextually rational strategic behaviour premised on longer term survival

rather than growth (Cyr *et al.* 2011; Kaikkonen, 2006;Greenbank, 2000), dynamic capabilities in the micro firm context differ from those in other contexts, with owner/ manager's horizons and environmental context combining to shape learning routines. Managerial capability for innovation therefore is proposed as a dynamic capability, premised on owner/ managers' capabilities to sense and act on triggers of environmental change utilising the owner/ manager's unique capabilities and resource linkages to develop innovation as a learning mechanism insuring the firm's competitive survival.

As a dynamic capability, managerial capability for innovation is not a 'rule for riches' (Winter, 2003: 995), in contrast offering the potential to liberate innovation as a competitive response, rather than any certainty that managerial capability for innovation is always synchronous with environmental change. There are challenges with such a framing of managerial capability in the dynamic capabilities perspective in that challenges of relying on a tautological argument where any managerial response to environmental response is construed as dynamic capability in nature. In attempting to overcome this problem the theoretical model has focused on identifiable resource/ managerial capability interaction taken from a critical literature review. Further, findings provide empirical evidence for much of the interaction. Rather than specifying an approach based on a general definition of dynamic capabilities, the argument has then moved to specify contextual dynamic capabilities which emerge from the managerial capability / resource interaction.

6.5 Conclusion

The chapter has discussed the literature review and findings focused by the theoretical framework based on the dynamic capabilities and resource based view from the strategic management literature. The theoretical model developed from a critical literature review is evaluated in the light of the discussion and a refined model is presented. Alternative theoretical bases for interpreting the model are discussed. The final chapter, the conclusion, highlights contributions of the research and places them in wider context before arguing future research trajectories emerging from this research.

Chapter 7 Conclusion

7.0 Introduction

The final chapter highlights the research contribution, key recommendations and the key knowledge contributions in relation to the nature of tourism micro hotel firm managerial capability for innovation. The chapter discusses key theoretical issues which have emerged during the course of the research. Research limitations are highlighted and recommendations for future research are suggested.

7.1 Thesis aim and objectives

The research sought to investigate the nature of managerial capability for innovation in the micro firm context. Taking an academic perspective, though the past fifteen years have seen burgeoning development of academic studies of micro firm management (Kelliher and Reinl, 2009; Devins *et al.* 2005; Greenbank, 2000; Perren, 1999), research into micro firm innovation is relatively limited (Llach and Alonso-Almeida, 2014; Verbano *et al.* 2013; Della Corte *et al.* 2013; Corrocher, *et al.* 2009; Simpson, 2001). Studies such as Simpson's (2001) argument for the importance of cognitive perspective to micro firm innovation and Corrocher's (2009) differentiating micro innovation into types in knowledge intensive industries are salient. However, debates emerge over the nature of micro firm innovation with challenges in establishing whether micro firm innovation conforms to traditional categories such as product innovation (Tu *et al.* 2014; Corrocher *et al.* 2009) or is more contextually studied as emerging from new technology (Jones *et al.* 2014; Karljaluoto and Huhtamaki, 2010); compelled by environmental change (Morrison, 2006) or emerging in the context of stakeholder ties (Aylward, 2004; Propris, 2003).

There are questions as to the nature of micro firm innovation based on arguments around incremental change (Wagner, 2008) and challenges that incremental change can lead to wider innovation through the liberating of often unexpected and yet potentially managerially shaped organisational processes (Barwise and Meehan, 2011). The present research takes account of the nature of these debates and, further, integrates the debates with arguments for the importance of owner/ manager cognitive awareness of micro firm

innovation (Cyr *et al.* 2011; Simpson, 2001). Moreover, the research builds on arguments for the impact of owner/ manager dominance (Llach and Alonso-Almeida, 2014) in the creation and shaping of micro firm innovation. Therefore the research builds on previous studies highlighting the importance of research into the innovation capabilities of the owner/ manager (Verbano *et al.* 2013; Komppula, 2004). The present research accepts the complex and interwoven nature of micro firm innovation, and takes a broad definition as:

“the creative use of resources and development of firm level capabilities which generates new commercial outcomes through the development of new products and services; the reconfiguration of organisational processes; and the development of new modes of market access. Inherent in this innovation is the important role of the owner/ manager, who through the development of innovation, continuously develops managerial capability for innovation, which of itself becomes a source of sustainable competitive advantage within the micro firm”.

As outlined in previous chapters the research sought to answer the research question:

What is the nature of tourism micro hotel firm managerial capability for innovation?

Three research objectives focused the research:

- 1. To investigate the nature of innovation in the tourism micro hotel firm context.*
- 2. To critically explore managerial capability for innovation in the tourism micro hotel firm context.*
- 3. To propose a model of managerial capability for innovation in the tourism micro hotel firm context*

The next section contemplates the key findings of the research and summarises the research outcomes presented in chapter six.

7.2 Key research outcomes

A critical review of literature led to the development of a theoretical model of managerial capability for innovation. Underpinning the development of the theoretical model are four key managerial capability criteria, shown at table 7.1 below.

Table 7.1 Criteria of managerial capability from critical literature review

Managerial capability criteria	Academic Sources
Leadership	Haghighi <i>et al.</i> (2014); Kelliher and Reinl (2009); Kruse cited in Devins <i>et al.</i> (2005); Matlay (1999)
Strategic thinking	Cyr <i>et al.</i> (2011); Liberman-Yaconi <i>et al.</i> (2010); Russo and Tancate (2009); Floren (2006); Devins <i>et al.</i> (2005); Cagliano <i>et al.</i> (2001)
Operational capability	Lashley and Rowson (2010); Kelliher and Reinl (2009); Phillipson <i>et al.</i> (2004); Greenbank (2000); O'Dwyer and Ryan (2000)
People relationships	Phillipson <i>et al.</i> (2006); Jay and Schaper (2003); Matlay (1999); Wheelock and Baines (1998); O'Dwyer and Ryan (2000)

Premised on the emerging research, new capability criteria were seen to emerge as data collection and data analysis took place, and the criteria were accompanied by the critical review of appropriate academic literature. The new capability criteria are shown at table 7.2 below.

Table 7.2 Criteria of managerial capability emerging from data analysis

Managerial capability criteria	Academic sources
Mental models	Liberman-Yaconi <i>et al.</i> (2010); Karljaluoto and Huhtamaki (2010); Phillipson <i>et al.</i> (2006); Floren (2006); Wood and Martin (2002); Greenbank (2000); Kelliher and Reinl (2009); Simpson (2001); O'Dwyer and Ryan (2000); Porac and Thomas (1990)
Marketing	Liberman-Yaconi <i>et al.</i> (2010); Querishi <i>et al.</i> (2009); Fillis (2002); Wood and Martin (2002); O'Dwyer and Ryan (2000); Greenbank (2000)

Through the process of data collection, data analysis and both supervisor and conference review, a refined model of micro firm managerial capability for innovation (chapter 6, figure 6.1) emerged taking account of the integration of the empirical findings and the conceptual literature based model. The model represents the dynamic nature of the nature of micro firm managerial capability, emerging as it does in the context of various environments within which the owner/ manager is embedded. However, and premised on a definition of managerial capability taken from Adner and Helfat (2003), the concept of social ties (represented in this thesis as a stock of strong and weak ties) is used to unify and develop owner/ manager attributes which act as a stock which facilitates the

development of embedded resources and which is acted through by managerial capability criteria. The owner/ manager continues to exist within a framework bounded by an external market environment, but in contrast to the original theory based model (chapter 3 [and 6], figure 3.1), the refined model takes account of technology as an enabler of a new type of market interaction, premised on a marketing capability to leverage technology, and a marketing capability which is not purely premised on the owner/ manager, but depends on the owner/ manager's stock of social ties and other resources which can be leveraged as a filter through which improved technology use can be liberated.

The model goes further than the initial model in developing feedback loops indicating the continuous emergence of managerial capability for innovation in the micro firm context. For example, the interaction process of stakeholder ties represents a potential innovation liberation mechanism. However, over time the nature of stakeholder ties is changed through the interaction process, representing an exemplification of a continuously developing learning mechanism in the firm. Contemplation of such processes through the lens of the dynamic capabilities framework suggests the unique nature of owner/ manager interactions facilitates the development of aspects of managerial capability in context as a dynamic capability. Further, the very contextual and firm specific nature of the dynamic capability is emphasized.

The model continues to argue the importance of direct owner/ manager market sensing through day to day operational work. However, emerging from the findings, such direct market sensing is melded with the perceived importance of the owner/ manager as one who builds deep relationships with guests (Haghighi *et al.* 2014). Critically, while the theoretical literature has argued the significance of the integration of the strategic and operational capabilities of the owner/ manager, pursuant on the discussion chapter, the model emerges into one where such integration is subject to considerable barriers. Therefore the refined model no longer assumes strategic and operational capabilities to be integrated, rather the model considers the benefits from a managerial capability for innovation perspective which accrues from such integration.

7.3 Contribution to knowledge

In the wider academic literature, the nature of managerial capability for innovation has been posited to be studied from different perspectives, for example management innovation (Volberda *et al.* 2013; Mol *et al.* 2006; Hamel, 2006); leadership (Byrne *et al.* 2009); knowledge management (Nieves and Segarra-Cipres, 2015; Lopez-Nicolas and Merono-Cerdan, 2011), and a dynamic capabilities perspective (Dixon *et al.* 2014; Kindstrom *et al.* 2013; Gebauer, 2011; Augier and Teece, 2009). Emerging from this wider stream of research the present research integrates arguments as to the nature of managerial capability (Adner and Helfat, 2003; Goffee, 1996), with a resource based and dynamic capabilities perspective. Therefore the research develops further previous studies of management in the micro firm context, for example studies by Liberman-Yaconi *et al.* (2010); Kelliher and Reinl (2009); Devins *et al.* (2005); Greenbank (2000) and O'Dwyer and Ryan (2000), through taking a managerial *capability* approach.

The research breaks new ground through integrating micro firm managerial capability into an innovation framework. In the process of integration the research accepts both the limited nature of academic knowledge of micro firm innovation (Corrocher *et al.* 2009; Freel, 2003) and the necessity for an approach integrating managerial cognition emerging through stakeholder embeddedness, as argued by Simpson (2001). The nature of this approach provides a unique lens through which to surface owner/ manager perceptions of managerial capability for innovation, as opposed to studying the topic through a pre-established lens such as innovation orientation or innovativeness. Inevitably the choice of approach is also a limitation of the study, in facilitating depth perceptions of owner/managers, allowing them to surface their perceptions of managerial capability for innovation, which limits the capturing of innovation in a manner enabling the fitting of the research into established literature on innovation orientation and innovativeness, thereby linking to constructs from the wider entrepreneurial and marketing literature.

The research contribution is made through taking a resource based and dynamic capabilities perspective on a gap in the micro firm literature as to the nature of managerial capability for innovation. The gap has been argued by Thomas *et al.* (2011) in the wider

tourism small firm sector, who simultaneously highlight the need for greater focus in terms of industry subsectors in any subsequent research, the present research taking a micro hotel sector in that regard. Primarily, the research builds on arguments that research into micro firm managerial capability for innovation can build on the owner/manager and embedded cognitive structures of the micro firm (Alonso and Bressan, 2014 ; Verbano *et al.* 2013; Simpson, 2001). The contribution is in the shape of a model of managerial capability for innovation in the micro hotel context, premised on a critical review of literature and empirical data from interviews. The model highlights managerial capability criteria which through the process of interaction with embedded resources can be leveraged to release contextual innovation. From a wider perspective, the research builds on the growing studies highlighting the uniqueness of micro firm management (e.g. Liberman-Yaconi *et al.* 2010; Kelliher and Reinl, 2009; Devins *et al.* 2005; Greenbank, 2000), and through taking a managerial capability perspective builds a model of managerial capability for innovation in context.

Taking a dynamic capabilities perspective the research makes a contribution to the development of dynamic capabilities theory in contexts other than large and often relatively highly developed industries where environmental dynamism is the norm (Augier and Mie, 2009; Easterby-Smith *et al.* 2009). Managerial capability for innovation is contextualised in a resource environment unique to the micro firm, and mechanisms for improving managerial capability for innovation in the context are argued. Premised on the unique and often tacit nature of owner/ manager interaction with resources, the argument is made that sustainable competitive advantage emerges from the difficulties faced by competing firms or firms outside the industry, in offering similar or improved value (Dierickxx and Cool, 1989). Managerial capability for innovation constitutes a dynamic capability in acting not simply as a mechanism facilitating resource configuration (Eisenhardt and Martin, 2000), but as an incrementally developing learning mechanism located both within the micro firm's capability structure, but also with potential to actively transform the very capability structures of which it forms a constituent part (Ambrosini and Bowman, 2009).

Given the nature of the dominance of the owner/ manager in the management of the micro firm, and even allowing for potentially limiting consequences of dominance, the nature of dynamic capabilities interwoven with the owner/ manager are of greater importance than in other types of firm, where management's role is situated amongst a greater variety and depth of influences. Further, the research is differentiated from previous dynamic capability based research in the innovation field, not simply through the process of taking a micro firm context, but through focusing on the managerial capabilities as opposed to the organisational capabilities driving innovation (Dixon *et al.* 2014; Lawson and Sampson, 2001). Managerial capability is argued to take the form of a dynamic capability through which other organisational capabilities and resources can be reconfigured and enhanced thus building on the arguments of the small firm literature that the very dominance of owner/ managers necessitates an approach more focused on the owner/ manager as a potential source of capability development (Zahra, Sapienza and Davidsson, 2006).

The research suggests that the unique nature of managerial capability for innovation in the micro firm context can lead to a deep source of competitive advantage in some cases. This occurs where superior managerial capability continually leverages resources in a manner which is more rapid than competitor firms or new industry entrants. Further the experientially learned nature of such managerial capability as a dynamic capability renders it difficult for outsiders to out compete the insider firm due to information asymmetries between the micro firm and competitors. Through this interpretation, the research fits within the wider management innovation literature (Volberda *et al.* 2013; Birkinshaw *et al.* 2008) where management are argued to comprise the most fundamental basis of competitive advantage.

Linking the RBV and dynamic capability theories in the final theoretical model, are the situating of the owner/ manager in a common set of resource pools within which micro firms are embedded, while simultaneously allowing for the uniqueness of both the resource pools and owner/ manager social ties and interaction with resource pools. In this way the knowledge contribution builds on the cognitive embeddedness argued by

Simpson (2001) through the development of a contingency model, where owner/managerial capability for innovation emerges both dependent on owner/ manager lifestyle (Lashley and Rowson, 2010; Greenbank, 2000) and other individual factors continually interacts with embedded resources, modified by social ties and ultimately often influenced by a wider environment. Managerial capability is a dynamic capability, but sometimes one lying dormant and always one which can be better developed. As Winter (2003) argues, dynamic capabilities are not a rule for riches, and managerial capability for innovation as theorised here is similar. Managerial capability for innovation exists embedded in the firm, individual and resource pools, and through facilitating various forms of innovation, simply improves the competitiveness of the firm as a means of longer term survival but does not act to guarantee outcomes.

7.4 Methodological contribution

The present research builds on Simpson (2001) and Alonso and Bressan's (2014, a) argument for investigation of the perceptual environment of the owner/ manager as a way of better understanding the nature of micro firm managerial capability for innovation. The methodological contribution emerges through the use of four dyadic in-depth interviews based around a research philosophy rooted in phenomenology. Interview questions are open and the researcher facilitated the surfacing of owner/ manager perceptions of managerial capability for innovation through mechanisms such as flexibility in rotation of questions and the use of probe questions. Further, from the initial contact letter, through the process of making contact with the interviewees and in the interview, the researcher took an approach cultivating respect for the life and work of the interviewees thus facilitating in-depth questioning. In four interviews two owner/managers took part enabling the surfacing of richer data. A contribution is made to the interview method through the use of dyadic interviews in a business research context. The dyadic interview enables the researcher to improve on the one person interview through surfacing richer data (Beverland *et al.* 2004), facilitating greater insight into the dynamics underpinning decision making (Eisikovits and Koren, 2010) and through challenging the interviewee from the perspective of an insider in the organisation (Dumas, 1989). Specifically in the context of the present research question the dyadic

interview sheds wider light on the nature of micro firm managerial capability for innovation through the interaction of two owner/ managers facilitating critical perspectives to emerge. Further the dyadic interview enabled deeper insight into the nature of micro firm managerial capability in context through the perceptions of two key individuals in the firm.

7.5 Contributions to policy and practice

From a practitioner and policy maker perspective, the research contributes to investigating an important aspect of the competitiveness of micro firms in the shape of managerial capability for innovation. Increasingly there is policy maker awareness of the significance of micro firms, as engines of employment creation (Government of Ireland, 2014; EU Europa, 2011), of national (Lawless *et al.* 2012) and regional economic development (European Regional Development Fund, 2014; Failte Ireland, 2010) and as facilitators of individuals to realise the deployment of their own latent and community resources in a business context (Department of Jobs, Enterprise and Innovation, 2013). The policy contribution, concurring with previous research (Alonso and Bressan, 2014 b; McGrath and O'Toole, 2013; Phillipson *et al.* 2006; 2004;), highlights considerable gaps between aims and perceptions of owner/ manager and policy makers. Looking beyond the present research perhaps, as argued by McGrath and O'Toole (2013) there are ongoing policy maker challenges in engaging with the unique needs and interaction modes of micro firms. The present research makes a number of contributions of interest to policy makers. The model of managerial capability in context highlights the socially embedded nature of managerial capability for innovation, therefore suggesting the need for recognition by policy makers for deeper interaction with the micro firms in context. Based on the argued importance of owner/ manager perceptions in the model, policy maker interventions can assist in developing managerial capability for innovation through better understanding such perceptions but also in fostering change. Emerging from the present research the contextual nature of the owner/ manager's work, suggests the need for policy makers to consider alternative approaches to addressing management skills deficits in the micro firm sector of the industry. For example resourcing of training in the

micro firm sector may require an ongoing change towards the specific requirements in context, as opposed to reliance on training offerings developed in the context of larger firms. Notable examples in the findings include the opportunities for the contextual development of managerial capability in the guise of leadership, operational / strategic capability and people relationships. Similarly, considerable dissatisfaction of owner/managers in the findings with the resourcing of their sector of the industry in comparison with their perceptions of the resourcing of larger hotels in the industry, suggests the need to address resourcing challenges and or the perceptions of the owner/ managers. Finally, where policy makers assume a homogeneity in tourism industry provider motivations, there are particular challenges in the micro firm sector. Lifestyle motivation often co exists with business motivation and is deeply rooted in the strategies of many firms sampled. It is suggested that rather than try to critique the micro firms for continuing pursuit of such strategic motivation, there are perhaps opportunities for policy makers to better understand and work alongside existing strategic motivations in the micro firm context. For example, deeper interaction with micro firms embedded strategies can lead to new perspectives from both practitioner needs and policy maker opportunities. The very local and contextual nature of the micro firm suggests alternative policy perspectives be taken around micro firm policy, perhaps shifting away from seeing micro firms as purely engines of economic growth, and towards embedded entities which assist community survival (Phillipson *et al.* 2004), the wider tourism industry (Duffy, 2014) and indigenous industrial development. Such alternative policy perspectives may prove challenging as potentially requiring cooperation and change across existing government and policy maker organisational structures, however, in the longer term rewards may be reaped. A limitation of the present research is the lack of a policy perspective in the empirical research conducted, and future research is encouraged to take such a perspective to address this limitation.

From a practice perspective the emergence of the theoretical model from in-depth interview data of owner/ managers posits the possibility of developing training and classroom interaction between practitioners and academics/ trainers who use the model developed in the present research. Specifically the contextual nature of the model offers

owner/ managers the opportunity to review their own managerial capability for innovation and to develop their unique capabilities through interaction with contextual resource pools. There is a further contribution at practitioner level as the work takes account of the contextual nature of management in the micro firm, building on previous literature advocating this approach (Devins *et al.* 2005; O'Dwyer and Ryan, 2000) and enabling practitioners to identify aspects of the model which apply to their firm. From a practice perspective the research builds on an emerging stream of research (Kelliher and Reinl, 2014) aimed at building deeper links between academic research and practice. The present research brings an academic approach through engagement with in-depth data from practitioners, and therefore there are opportunities to present aspects of the present research in a format appropriate to a practitioner audience, which should prove attractive given the emergence from a context which is familiar. Several of the findings present both opportunities and challenges for practitioners. Employees present owner/ managers with a potential source of delegation and a resource to be used in the cultivation of innovation when shaped through paternalistic leadership. Though there are opportunities for the integration of the operational and strategic work facilitating innovation through the rapid and direct trial of new ideas, there is limited evidence of such process in action. The importance of new marketing technology emerges across almost all interviews as a potent source of innovative business competitiveness. The management of new technology is challenging for most of the firms, yet contextually apt and strategically beneficial solutions are found within the resource pools for example in the shape of family advice, competitor assistance or supplier ideas. Similarly, the key role played by the owner/ manager in developing customer relationships emerges from the data, suggesting that owner/ managers continue to develop this aspect of their firm's competitiveness. Findings highlighting the high level of business education and experience of owner/ managers suggest practitioners are well prepared and possess high levels of business experience, though they may need to better apply such education and experience to a changing environment in order to implement innovation.

For educators recent developments in curriculum development in an Irish context suggest the importance of educational offerings rooted in the practice of the micro tourism owner/

manager (Lynch *et al* 2013). Further there is scope in the development of such educational offerings for the collaboration of education providers, training agencies, tourism policy bodies and owner/ managers of micro tourism firms (Kelliher *et al.* 2009). The contextual nature of the model of managerial capability for innovation developed in the present research offers educators a number of opportunities. Rooted as the model is in owner/ manager practice, there is an opportunity to better engage the owner/ managers in initially activating their interest in the education programme. Once such activation has taken place there is opportunity to foster critically reflective capability at owner/ manager level consequent on contextual understanding of their own practice as situated in the model. The importance of embeddedness manifest as managerial capability for innovation emerging as a stock of social capital, suggests opportunities for educators to develop educational offerings situated as collaborative project based learning. Again participants might be encouraged to initially contextualise their own personal and firm level embeddedness within the model and over time and through collaborative interaction with colleagues to critically review their own performance. Finally, educators will benefit from consideration of the importance of owner/ manager perceptions in the model. Ultimately it is owner/ manager perception of their own managerial capability for innovation which determines how innovation is actuated. Therefore educators are encouraged to consider mechanisms through which they might encourage course participants to surface their own perceptions as a preliminary mechanism. However, educators can consider more active interventions in reshaping owner/ manager perceptions as a means to overcoming limited development of managerial capability for innovation.

7.6 Recommendations

The development of a model of managerial capability in the tourism micro hotel context offers a model which can be used in the development of managerial capability by owner/ managers. Opportunity for such development is facilitated through the building of good links between academia and the wider tourism and hotel industry (Reinl and Kelliher, 2014; Kearney *et al.* 2014; Kelliher and Reinl, 2010), but further facilitated through increased government attention to the industry over the past six years (Failte Ireland,

2014). Within the framework of the theoretical model, opportunities for owner/managers to develop their own managerial capability for innovation might be facilitated by educators willing to synthesise their own theoretical knowledge of the field (Kelliher *et al.* 2014). For example, there are opportunities to help practitioners develop aspects of their own managerial capability such as leadership, strategic thinking, marketing capability, operational capability and people relationships in the micro firm context. Moreover, the model suggests a relatively low cost approach to managerial capability development in the micro firm context, given the free nature of the resources and social ties discussed. However, while the findings present evidence of limited owner/manager awareness of innovation potential taken from the perspective of larger firms. Therefore, it should not be taken that further policy endeavours and training / education interventions necessarily overcome this perceived deficit. Lifestyle motivation (Lashley and Rowson, 2010; Greenbank, 2000) may in some cases form an overarching strategic beacon under which the aims and goals of the firm are charted. This may lead, in the context of some firms, to a contextually rational avoidance (Cyr *et al.* 2011) of forms of innovation which seek only to fragment such lifestyle motivation, and in the context, to disturb the life of the owner/manager.

Considerable distance and perhaps even difficulties between owner/managers perceptions of the benefits of policy makers and the aims of policy makers emerges as a theme in the research. Therefore any building of training or educational programmes to develop managerial capability will do well to temper their implementation and core offerings with allowances for the independence of the owner/managers in the tourism micro hotel sector. The present research concurs with findings from previous literature in this regard (McGrath and O'Toole, 2013; Phillipson *et al.* 2006; Devins *et al.* 2005; O'Dwyer and Ryan, 2000), though contextualising the finding in the tourism micro hotel sector. Emerging from such contextualisation, are perhaps unique factors worthy of attention in bridging the argued practitioner policy maker gap, manifest as a perceived high level of government attention to larger hotels and limited policy maker recognition of the unique aspects which differentiate micro firm management from management in

small and larger firms, reflecting the centrality of the home in the world of the tourism micro hotel owner/ manager (Haghighi *et al.* 2014).

7.7 Research limitations

This section revisits the research limitations highlighted in chapter six.

- The research has developed a model of micro firm managerial capability in innovation, which takes the form of identifying key concepts and their interaction. The model is qualitative in nature and provides in-depth contextual understanding of the research question. However, in keeping with the interpretivist philosophy of research there is recognition of the specific contextual granularity of all social interaction. Therefore the model serves as a guide for both practitioners and academics who may use the model in developing further their practice and research respectively. In this sense the model provides a detailed map of the terrain, but does so with awareness that unique contextual events may impact on the terrain at times.
- The research is rooted in the theory of the resource based and dynamic capabilities perspectives from the strategic management literature. Alternative theoretical frameworks were available and were future research to use one such alternative framework, a different light could be shone on the research question. For example use of a Porterian theoretical framework would enable managerial capability for innovation to be studied in the context of ‘serial entrepreneurs’ (Westhead *et al.* 2006) or owner/ managers, within a micro firm context, who spread their managerial capability across different firms. The theoretical lens of familiness (Chrisman *et al.* 2005) similarly promises to offer potential to explore the deep influence of family on the emergence of managerial capability for innovation, specifically where two family members are closely integrated in developing the strategy of the firm.

- Further, taking an alternative methodological approach to that of in-depth interviews; for example using story telling on how owner / managers construct their narratives, would open the possibility of engaging in greater depth with some of the lifestyle / personal factors influencing managerial capability. Within the present research, managerial capability limitations are argued to have depended in some circumstances on the very self concept of the owner/ manager and challenges in altering or modifying the concept, highlighting the potential for story telling as an alternative theoretical framework.
- The approach taken elucidates owner/ manager perceptions of managerial capability for innovation, however, perceptions suffer from the limitation of enabling the owner/ manager to engage in various levels of impression management despite precautions taken during the data collection and research design phase. Therefore, caution must be interpreted in constructing the model of managerial capability based on managerial perceptions, that while acknowledging the contribution from deep insight into the perceptions of these dominant individuals, there may be divergence between their perceptions of managerial capability and the actual emergence of the capability in the practice of day to day management in the context of the micro firm.
- The present study took the form of in-depth interviews with owner/ managers of tourism hotel micro firms. Given the arguments made for the embedded nature of managerial capability in context, a case study methodology could offer the prospect of a wider understanding of perceptions of other stakeholders such as those of employees and stakeholder ties.
- While in-depth interviews have enabled the researcher to critically appraise owner/ managers perceptions of the nature of managerial capability for innovation there are limitations in this approach concerning the emergence of managerial capability within the changing environmental context of the managerial activity in the firm. A longitudinal study would help overcome this specific limitation

through enabling the researcher to study changes in managerial capability over time and perhaps to focus greater attention on the nature of the developmental processes underpinning both organisational routines and related dynamic capabilities.

7.8 Recommendations for future research

- The model of managerial capability for innovation may be micro firm specific, however, there is scope to build on the resource based and dynamic capabilities approach to managerial capability for innovation in larger sized firms, potentially offering a new lens through which to investigate how managers develop capability for innovation. Development of such work would require scoping out of contextually relevant literature in specific firms and industries, however given the developed stages of research in the resource based and dynamic capabilities areas and the approach of the present research, potential in following this path is mapped.
- The empirical research is based on twenty in-depth interviews within the hotel industry and therefore there may be differences between the hotel industry and other industries, rendering difficult the use of the model of micro firm managerial capability outside the context. However, due to core similarities across micro firms (Greenbank, 2000) key elements of the present model (for example common resource pools, leadership premised on dominant owner/ manager, operational nature of owner/ manager work) are applicable to micro firms in other industry contexts and in other countries. There is scope for research using the present model as a basis for initial investigation.
- The present research has focused on a single dominant owner/ manager, with the exception of four dyadic interviews where the two owner/ managers in firms took part. Given the importance of family in the strategy of hotel micro firms (Lashley and Rowson, 2010; Martin *et al.*2004) an alternative approach would be to

explore managerial capability for innovation as emerging from the two owner/managers in the firm. The theoretical lens of familiness (Sharma, 2008; Chrisman *et al.* 2005) offers one mechanism through which such research might be carried out. The dyadic interview method developed in the present research may be further developed as a research method through which the emergence of managerial capability for innovation in a wider context than a single owner/manager is studied.

- A framework based on social and human capital of managers (Adner and Helfat, 2003) has been argued to form a key component of capability development. Further research might investigate the nature and potential for development of the stock of social ties and human capital within which owner/managers are argued to develop their firm's embedded resources.
- Aspects of the present research discussed the potential in micro firm employees and specifically how better management of employees might stimulate the competitiveness of the micro firm. Scope for more focused research on the unique micro firm aspects of human resource development has been called for in previous literature (Kelliher and Reinl, 2009; Kotey and Slade, 2005), and the present research study posits the continuing need for such research.
- Owner/manager dominance in the micro firm lends particular importance to the role of lifestyle motivation in the evolution of micro firm strategy, and specifically in the present in the evolution of strategic approaches to innovation. While the present research posits a role for lifestyle motivation in the model of managerial capability for innovation there is scope for specific investigation of how lifestyle motivation both fosters and acts as a barrier to managerial capability for innovation. Building on the present study's methodological design, an in-depth investigation of the identity concept of the owner/manager may facilitate appropriate research (Down and Warren, 2008; Mikko-Vesala, 2007, Spence and Rutherford, 2001).

- There is potential to extend the dynamic capabilities approach beyond that taken in the present study. The present study has on the whole taken an approach premised on generic dynamic capabilities. However, Ambrosini and Bowman (2009) argue the existence of levels of dynamic capabilities manifest as incremental, renewing and regenerative dynamic capabilities. Disaggregation of dynamic capabilities in this way in the micro firm context offers possible explanatory power in terms of better understanding different levels of managerial capability for innovation.
- The present study has used an approach taking managerial capability. Acknowledgement has been made that taking a perspective based around entrepreneurial competence (Penrose cited in Ambrosini and Bowman, 2009; Littunen and Hyrsky, 2000) offers a wider sight into the motivations of the owner/manager, and therefore an emerging research trajectory is suggested in this area of the literature.

7.9 Conclusion

The chapter has further developed both the practical and theoretical contribution to knowledge emerging from the current research study. Limitations of the study are outlined. Recommendations for future research have been made based on the potential for development of several aspects of the current research.

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Appendix A: Post interview review

After each interview the researcher wrote a brief reflection highlighting a number of areas of the interview. This was consistent with Gilham (2005) who argues the importance of critical reflection on the conduct of the interview in order to assess the researcher's competence in the conduct of the interview and in order to improve the conduct of future interviews. The researcher reviewed the interviews with his supervisor and acted on feedback. The main headings for each review are indicated below.

- **Conduct of interview**
- **Timing**
- **Questions and capturing data relevant to research question and objectives**
- **Sequencing of questions**
- **Role of interviewer**
- **Improvements**

Appendix B: Post interview reflection

After each interview the researcher reflected on the interview in the light of the research question. The aim of the reflection was to improve future recollection of often observational details perceived during the pre-interview period, the actual interview and any discussion or observations made post the interview (Silverman, 2010). Post interview reflections formed the basis for ongoing supervisor meetings during the period of data collection. Areas of reflection are included below.

- Observations of the context
- Pre interview comments
- Post interview comments
- Key areas which appear to emerge from interview
- Connected with previous point, any developing areas or early critical insight
- Background of the owner/ manager and the business

Appendix C: Letter requesting interview with owner/ manager

Dear

I am conducting research into the role of management in developing innovation in Irish tourism micro hotel firms. I would be very grateful if you could give me around one hour of your valuable time as part of an interview contributing to the research. To date very little research has been conducted into innovation in tourism hotel micro firms making the present study unique. The outcomes of the study will benefit academic research but equally will enable a greater understanding of the practical issues facing tourism micro hotel innovation. In many ways the research can be looked on as seeking to find out more about the world of micro hotel business, something which has traditionally been neglected in academic research.

The contents of your interview will remain anonymous and the data collected will only be used for academic research purposes. All information will be managed and administered in strictest confidence.

Once again I greatly appreciate your taking time from a busy schedule to read this letter. I work on a full time basis in industry, doing my research on part time basis, and that gives me some appreciation of the demands on your time.

Yours sincerely

Arthur Kearney PhD researcher Waterford Institute of Technology

EMAIL: akearney1965@gmail.com

TELEPHONE:

Appendix D: Interview Questions

ID of micro hotel:	Details:
AT THE START I WANT TO ASK YOU SOME GENERAL QUESTIONS ABOUT YOUR BUSINESS	
1. How long have you been in this business?	
2. What do you like about being in this business? Probe: Are there any dislikes?	
3. How is business at the moment? Probes: · Are there any challenges? · Are there any opportunities? Probe: Do you think you will avail of them? Why?	
I NOW WANT TO ASK YOU ABOUT SOME OF THE SKILLS YOU USE IN RUNNING THE BUSINESS	
4. How did you learn to run your business? Probe: Could you give me specific examples?	
5. Have you had any business training or education? When was that?	
6. Was the training of value? In what ways?	
THE NEXT QUESTIONS ARE MORE DETAILED ABOUT SOME ASPECTS OF RUNNING YOUR BUSINESS, THE CHALLENGES, OPPORTUNITIES WHICH YOU SEE, AND THE SKILLS YOU USE.	
7. How many people work in your business?	
8. Do you feel that they contribute to the business? Could you give me an example?	
9. What type of work do you do day to day?	

10. Who are you in contact with day to day?

Probe: Are these contacts of value to your business?

11. How are decisions made in your business?

12. Where do you get information from when you are making decisions about your business?

13. How do you try to ensure the decisions are carried out?

14. Do you delegate responsibility to others?

Can you give me examples?

How do you feel about delegation?

15. Are there pressures from managing your business?

How do you manage them?

16. Do you give time to thinking about where your business will go in the future?

I NOW WANT TO TURN TO ASK YOUR VIEWS ON INNOVATION

17. Does innovation play a role in your business?

Probe: Can you give me examples?

Probe:

- If yes, why?
- If no, why?

18. What does the term innovation mean to you?

19. Who do you think helps make innovation occur in your business?

20. Where do you get new business ideas from?

21. Can you put them to use in your business? How?

22. Does innovation create any risks for the business?

IN THE FINAL SET OF QUESTIONS I WANT TO ASK YOU ABOUT THE RELATIONSHIPS YOU HAVE WITH SOME OF THE PEOPLE YOU INTERACT WITH IN BUSINESS

23. Does your family play a part in the business? Tell me something about that.

Probe: The family as help or inhibitor of business activity

24. What type of relationships do you have with the local community?

Probe: Do the relationships help the business?

25. Do you meet your customers?

26. What is your impression of them?

27. Are there different groupings of customers/ visitors for your business?

28. Are there opportunities to increase the numbers of visitors from each grouping? How?

29. Explain how you generate new business from customers?

30. Do you have contact with other businesses in the area?

31. Does your business benefit from knowing them?

32. Where do you get advice about managing the business?

33. Do you have any interaction with tourism agencies/ bodies?

Probe: Can you give an example

34. Are there any other observations/ points you would like to make?

I would like to thank you very much for taking part in the study. Any data collected in the study will be securely kept under lock and key. There will be no identification of yourself or your firm in the study. When the interview is transcribed I will forward you a copy so that you can sign off your agreement with the responses to the questions.

Appendix E: NVivo coding examples

Node summary for 20 interviews

Name	Nodes	References	Created On	Created By	Modified On	Modified By
Transcript10Jan8-2014	22	45	25/03/2014 08:18	G	25/03/2014 09:18	G
Transcript11Jan13-2014	22	44	13/03/2014 16:24	G	25/03/2014 10:26	G
Transcript12Jan16-2013	19	47	25/03/2014 10:27	G	25/03/2014 11:47	G
Transcript13Jan20-2014-as edited and signed off via email	24	45	13/03/2014 16:39	G	25/03/2014 13:27	G
Transcript14Jan21-2014	21	41	25/03/2014 13:42	G	25/03/2014 14:25	G
Transcript15Jan24-2014	38	87	26/03/2014 16:35	G	27/03/2014 17:02	G
Transcript16Jan24-2014	49	95	27/03/2014 07:26	G	27/03/2014 08:52	G
Transcript17Feb3-2014	25	38	29/03/2014 09:09	G	29/03/2014 09:39	G
Transcript18Feb11-2014	19	37	29/03/2014 09:43	G	29/03/2014 10:06	G
Transcript19Feb12-2014	22	42	29/03/2014 19:39	G	29/03/2014 20:15	G
Transcript20Feb24-2014	18	42	30/03/2014 16:25	G	30/03/2014 17:13	G
Transcript21Feb27-2014	26	43	30/03/2014 17:18	G	30/03/2014 18:45	G
Transcript6Dec4-2013	42	107	24/03/2014 14:07	G	27/03/2014 15:43	G
Transcript7Dec10-2013	28	52	24/03/2014 14:08	G	24/03/2014 14:58	G
Transcript8Dec11-2013	22	46	24/03/2014 14:59	G	24/03/2014 15:46	G
Transcript9Dec-2013	22	45	24/03/2014 15:50	G	24/03/2014 16:26	G
TranscriptpilotNov7-2013	52	143	13/03/2014 15:02	G	13/03/2014 16:22	G
Transcriptpilot2Nov8-2013	26	76	11/03/2014 08:44	G	11/03/2014 16:10	G
Transcriptpilot4Nov13-2013	32	78	24/03/2014 08:49	G	24/03/2014 10:42	G
Transcriptpilot5Nov27-2013	26	56	24/03/2014 10:42	G	24/03/2014 12:21	G

Example coding structure- part 1

Name	Sources	References	Created On	Created By	Modified On	Modified By
TECHMAN	0	0	11/03/2014 07:55	G	11/03/2014 07:55	G
TTECHNICAL	4	4	10/03/2014 17:00	G	30/03/2014 16:31	G
TREVIEW	4	4	10/03/2014 17:01	G	30/03/2014 18:39	G
TINTERMEDIARY	10	20	10/03/2014 17:01	G	30/03/2014 18:41	G
TENGAGEMENT	8	12	10/03/2014 17:02	G	30/03/2014 18:38	G
TBUS	15	22	10/03/2014 17:02	G	30/03/2014 18:39	G
STRATEGICTHINKING	0	0	11/03/2014 08:07	G	11/03/2014 08:07	G
SOPPCVG	14	19	10/03/2014 16:59	G	30/03/2014 18:31	G
SIMP	17	37	10/03/2014 16:58	G	30/03/2014 18:24	G
SIMAG	16	33	10/03/2014 16:57	G	30/03/2014 18:31	G
SCOST	19	67	10/03/2014 16:57	G	30/03/2014 18:45	G
RESOURCE	0	0	11/03/2014 07:47	G	11/03/2014 07:47	G
TIES	20	118	10/03/2014 16:49	G	30/03/2014 18:43	G
TECHNOLOGY	14	22	10/03/2014 16:51	G	30/03/2014 18:37	G
MARKET	18	47	10/03/2014 16:50	G	30/03/2014 18:38	G
FAMILY	19	62	10/03/2014 16:48	G	30/03/2014 18:22	G
EMPLOYEES	13	19	10/03/2014 16:52	G	30/03/2014 18:18	G
COMMUNITY	13	24	10/03/2014 16:49	G	30/03/2014 18:36	G
PEOPLERELATIONSHIP	0	0	11/03/2014 07:57	G	11/03/2014 08:30	G
PLIKE	18	25	10/03/2014 16:56	G	30/03/2014 16:28	G
PFAM	3	5	10/03/2014 16:56	G	25/03/2014 10:07	G
PDIA	8	10	10/03/2014 16:54	G	29/03/2014 09:38	G

Example coding structure- part 2

NVIVO-OCT-2014.nvp - NVivo

File Home Create External Data Analyze Query Explore Layout View

Workspace Item Clipboard Format Paragraph Styles Editing Proofing

Look for: Search In: Nodes Find Now Clear Advanced Find

Name	Sources	References	Created On	Created By	Modified On	Modified By
OPMS	20	64	10/03/2014 17:04	G	30/03/2014 18:40	G
OPET	5	5	10/03/2014 17:05	G	30/03/2014 18:20	G
OPCS	18	52	10/03/2014 17:05	G	30/03/2014 16:57	G
OCR	18	33	10/03/2014 17:06	G	30/03/2014 18:15	G
MENTALMODELS	0	0	11/03/2014 08:18	G	11/03/2014 08:18	G
MODE	18	47	10/03/2014 17:12	G	30/03/2014 18:16	G
MODC	16	24	10/03/2014 17:11	G	29/03/2014 09:11	G
LEADERSHIP	0	0	11/03/2014 07:46	G	11/03/2014 08:14	G
LSYMB	9	9	10/03/2014 17:10	G	30/03/2014 16:55	G
LR	18	27	10/03/2014 17:07	G	30/03/2014 18:27	G
LP	10	13	10/03/2014 17:07	G	30/03/2014 18:22	G
LDOM	3	3	10/03/2014 17:08	G	29/03/2014 09:20	G
LD	14	23	10/03/2014 17:08	G	30/03/2014 18:23	G
LC	7	11	10/03/2014 17:06	G	30/03/2014 18:21	G
INNOVATION	0	0	11/03/2014 07:38	G	11/03/2014 07:38	G
IPROD	12	22	10/03/2014 16:43	G	30/03/2014 18:34	G
IPROC	5	6	10/03/2014 16:42	G	30/03/2014 16:46	G
INEXT	4	4	10/03/2014 16:46	G	25/03/2014 11:37	G
IMKTING	9	15	10/03/2014 16:48	G	29/03/2014 19:58	G
IMGT	19	42	10/03/2014 17:21	G	30/03/2014 18:36	G
IIMP	10	18	10/03/2014 16:45	G	30/03/2014 18:35	G
Dyadcoding	0	0	17/07/2014 13:34	G	17/07/2014 13:34	G

Coding summary for four dyadic interviews

MCInewMarch30-2014.nvp - NVivo

File Home Create External Data Analyze Query Explore Layout View Tree Map

Sources Internals Externals Memos Framework Matrices

Look for: Search In: Internals Find Now Clear Advanced Find

Name	Nodes	References	Created On	Created By	Modified On	Modified By
Transcript10jan8-2014	22	45	25/03/2014 08:18	G	25/03/2014 09:18	G
Transcript11jan13-2014	22	44	13/03/2014 16:24	G	25/03/2014 10:26	G
Transcript12jan16-2013	19	47	25/03/2014 10:27	G	25/03/2014 11:47	G
Transcript13jan20-2014-as edited and signed off via email	24	45	13/03/2014 16:39	G	25/03/2014 13:27	G

Nodes compared by number of

Nodes compared by number of items coded

Node: Nodes\OPSCAPABILITYOCR
Number of items coded: 4

Coding summary for all interviews

The screenshot displays the NVivo software interface for a project named 'MCInewMarch30-2014.nvp'. The main window shows a 'Tree Map' view of the coding summary. The interface is divided into several sections:

- Menu Bar:** File, Home, Create, External Data, Analyze, Query, Explore, Layout, View.
- Toolbar:** Color Scheme, Select Data Options.
- Sources Panel (Left):** Internals, Externals, Memos, Framework Matrices.
- Search Bar:** Look for: [], Search In: Internals, Find Now, Clear, Advanced Find.
- Internals Table:** A table listing internal nodes with columns for Name, Nodes, References, Created On, Created By, Modified On, and Modified By.
- Nodes compared by number of items coded:** A treemap visualization showing the distribution of coded items across various nodes.
- Bottom Panel:** Shows 0 items selected, 100% zoom, and system tray information (ENG UK, 11:14, 17/07/2014).

Name	Nodes	References	Created On	Created By	Modified On	Modified By
Transcript10jan9-2014	22	45	25/03/2014 08:18	G	25/03/2014 09:18	G
Transcript11jan13-2014	22	44	13/03/2014 16:24	G	25/03/2014 10:26	G
Transcript12jan16-2013	19	47	25/03/2014 10:27	G	25/03/2014 11:47	G
Transcript13jan20-2014-as edited and signed off via email	24	45	13/03/2014 16:39	G	25/03/2014 13:27	G
Transcript14jan21-2014	21	41	25/03/2014 13:42	G	25/03/2014 14:25	G
Transcript15jan24-2014	19	44	26/03/2014 16:35	G	27/03/2014 17:02	G
Transcript16ian24-2014	25	48	27/03/2014 07:26	G	27/03/2014 08:52	G

The treemap visualization shows the following nodes and their relative sizes (representing the number of items coded):

- RESOURCE:** TIES (green), FAMILY (yellow)
- OPSCAPABILITY:** OPMS (yellow), OCR (orange)
- STRATEGICTHINKING:** SCOST (yellow), SIMP (orange)
- LEADERSHIP:** LR (orange), LD (orange)
- INNOVATION:** IMGT (orange), IPROD (orange), IIMP (orange)
- TECHMAN:** TBUS (orange), TINTERM (orange), TENGAR (orange)
- PEOPLE:** PLIKE (orange), PMENTALMODELS (orange), MODE (orange), MODC (orange), PDIA (orange), PFAM (orange)
- MARKET:** MARKET (orange), TECHNOLOGY (orange), EMPLOY (orange)
- COMMUNITY:** COMMUNITY (orange)
- OPCS:** OPCS (orange), OPWETHIC (orange), OPET (orange)
- SIMAG:** SIMAG (orange), SOPCVG (orange)
- LP:** LP (orange), LC (orange), LSYMB (orange), LDOM (orange)

Appendix F: Description of firms

Interviewee 1	Historic house rural self catering
Interviewee 2	Guesthouse rural village
Interviewee 3*	Withdrew from the study- interview formed no part of findings
Interviewee 4	Bed and breakfast near large city
Interviewee 5	Rural self catering
Interviewee 6	Bed and breakfast near large city
Interviewee 7	Seaside guesthouse
Interviewee 8	Bed and breakfast near large city
Interviewee 9	Seaside bed and breakfast
Interviewee 10	Guesthouse large city
Interviewee 11	Rural bed and breakfast
Interviewee 12	Seaside bed and breakfast
Interviewee 13	Guesthouse large city
Interviewee 14	Historic guesthouse near large city
Interviewee 15	Guesthouse near town in tourism region
Interviewee 16	Guesthouse large town
Interviewee 17	Historic guesthouse rural
Interviewee 18	Vegetarian bed and breakfast rural
Interviewee 19	Guesthouse sub urban large city
Interviewee 20	Rural bed and breakfast
Interviewee 21	Guesthouse rural town

* As interviewee 3 withdrew from the study, the total number of interviewees is recorded as 20