

**SURVIVAL STRATEGIES: A NEW ZEALAND HOSPITALITY HABITUAL ENTREPRENEUR**

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### **ABSTRACT**

The purpose of this paper is to report the findings of case study research conducted in Auckland, New Zealand in 2010. This research examined the motivators prompting a habitual entrepreneur to engage within new venture start ups within the vibrant hospitality industry. This paper focuses on explaining how and why an entrepreneur within the highly competitive hospitality industry seeks business expansion via habitual entrepreneurship during economic recession. The research involves in-depth interviews of a successful hospitality habitual entrepreneur. This paper reports on the New Zealand entrepreneur's personal and business profile, motivations that prompt entrepreneurship, business management strategies and the wider factors affecting his success. This study provides insights into the characteristics and behaviours of habitual entrepreneurs within a New Zealand hospitality context. Therefore, this paper contributes to entrepreneurship literature by demystifying New Zealand's unique and innovative mindset the 'number eight wire' mentality.

Key Words: hospitality entrepreneurship, habitual entrepreneur, entrepreneurial characteristics, New Zealand.

### **INTRODUCTION**

Despite the growing interest in entrepreneurship and entrepreneurs, few studies have examined habitual (multiple) entrepreneurship. MacMillan (1986) points out the importance of understanding habitual entrepreneurship in order to learn about general entrepreneurship. Pasanen (2003) believes that habitual entrepreneurship can enhance the understanding of the behaviours of small businesses and small business owners, as well as assisting policy and decision makers. New Zealand, unlike 'older' countries, holds a history of pioneer entrepreneurship that has a contemporary application. New Zealand's historic entrepreneurial practices are exemplified within New Zealand's current reputation for inventiveness, commonly associated with the 'number eight wire mentality'. This characteristic is unique New Zealand, and holds current application with entrepreneurship generally and habitual entrepreneurship specifically. The purpose of this paper is to report the key findings of a New Zealand hospitality habitual entrepreneur case study. It focuses on illuminating a view of a habitual hospitality entrepreneur's experience in New Zealand by incorporating New Zealander's renowned inventiveness that is associated with the country's early pioneer culture of necessity. The case study also extends the current literature on hospitality entrepreneurship by presenting a unique New Zealand perspective. The paper begins by presenting a review of literature on entrepreneurship, habitual entrepreneurs and the New Zealand hospitality entrepreneurial context. It then reports the research methods for the case study. The findings of the interviews are discussed thereafter as well as the conclusions. Finally the implications and recommendations of the study are presented.

### **LITERATURE REVIEW**

#### *Habitual entrepreneurs*

Habitual entrepreneurs are considered as multiple business starters who set up or participate in the start-up of another company after having started a first business enterprise (Donckle, Dupont, & Michel, 1987, p. 48). According to Hall (1995, p. 220), there are two types of habitual entrepreneurs. They are serial entrepreneurs who own one business after another but effectively only one business at a time and portfolio entrepreneurs who own more than one business at a time. Serial entrepreneurs are driven by the excitement generated with the process of "the pre-launch and set-up" (Allen, 2006, p. 15) phase of a business but soon tire of the mundane operational aspects of it. Hyytinen and Llmakunnas (2006, p. 1) state that "serial entrepreneurs are repeat business starters who in the past have sold or closed down a business which they at least partly ran and owned and who currently run another, possibly new business which they at least partly own". Research into habitual entrepreneurs indicates that serial entrepreneurs have been found to be more concerned with personal development and the pursuit of an idea for a product. On the other hand, portfolio entrepreneurs tend to emphasise a need for financial security (Ucsbasaran, Wright, & Westhead, 2003). Some authors also observed that motivations of habitual entrepreneurs seem to change between the first and subsequent venture. For example, the desire to work independently was identified as a motivation for the first venture start-up and remained as the most frequently mentioned motivation for subsequent businesses.

Contrastingly, financial motivation was emphasized especially in the case of first ventures (Anokhin, Grichnik, & Hisrich, 2008). These research findings have provided a framework for the New Zealand hospitality entrepreneur study in terms of motivations for becoming habitual entrepreneur and factors influencing the success of an entrepreneur.

#### *Hospitality entrepreneurs*

The commercial reality of hospitality's profit motive is a tantalising option for an entrepreneur with hospitality business interests. In many ways entrepreneurship and hospitality are symbiotic concepts because many entrepreneurs may be automatically attuned to the hospitality dynamic. This claim is congruent to Sarasvathy, Simon and Laves' (1998) position that entrepreneurs tend to consider the humanistic elements within their business discourse and this can be considered as a congruent concept to hospitality itself.

New Zealand's hospitality history has been encapsulated by Brien (2003) who positions hospitality within a framework of economic constraint and conservative social mind-set. For example, it was not until the "9<sup>th</sup> of October 1967" (Brien, 2003, p. 173) that hotel bars were allowed to remain open until 10pm. Subsequent changes to the Sale of Liquor Act (1996) have further amended drinking hours. Now it is possible to drink alcohol in licensed premises' at almost any time. Similarly, there has been rapid change and growth within food business operations. Bailey and Earle (1999) note that during the 1960-1961 period Auckland had 94 unlicensed restaurants and only two ethnic restaurants. This is in stark contrast to their later findings for 1975, when Auckland could boast 160 unlicensed restaurants, 57 licensed (a total of 217 restaurants), with 38 ethnic restaurants. In 1986, they noted further increases; 168 unlicensed restaurants, 203 licensed restaurants (total 560 restaurants) with 113 ethnic eateries. Congruent to the rapid rise in restaurant dining, there was a simultaneous increase in fast food outlets. In August 1971, Kentucky Fried Chicken (KFC) opened its first New Zealand outlet in Royal Oak, Auckland. In September 1974, Pizza Hut was launched in New Lynn, Auckland, and in Wellington in June 1976, and McDonald's opened their first fast food outlet in Porirua (Brailsford, 2003). Hospitality growth was also reflected in the Restaurant Association of New Zealand statistics finding that fish and chips, ethnic food, hamburger, chicken takeaway and pizza takeaway generated \$860 million in annual sales: representing a 36% growth rate from the 2005-2006 period. This paper posits that hospitality, particularly food and beverage, offers unique opportunities for entrepreneurial participation within a contemporary industry that maximises and extends an entrepreneur's creative/competitive spirit and business acumen within a diverse and growing marketplace.

#### *The New Zealand Pioneer Entrepreneurs*

New Zealand's business entrepreneurs have little realisation of the colourful history that has provided New Zealand's current economic stability, relative to lesser developed economies (Hunter, 2007). This stability, although recently tinged with recession, reflects the historical opportunity realisation of the early settler entrepreneurs. New Zealand's early entrepreneurs (1880-1930) gained business success not within short-term rags to riches scenarios, but rather by maximising "human and social capital" (Hunter, 2007, p. 236), that maximised trust and used New Zealand's geographic isolation as a barrier to competition entry in a determined 'never say die' mindset. The New Zealand pioneer entrepreneur was not simply someone who had a talent for ingenuity. Doing things with very little, or 'making do', was obviously a characteristic of a settler society, but for the entrepreneur such a mentality was not an end in itself' (Hunter, 2007, p. 237). As Casson (2003, p. 337) asserts "the demand for entrepreneurs depends upon the pace of change in the economy. The faster the change occurs the greater will be the demand and the higher the reward to the entrepreneur".

## **METHODS**

A single case study method was employed in this research to explore the characteristics of a New Zealand hospitality entrepreneur and identify factors influencing the operation of a habitual entrepreneur. The main objectives of the research were to identify the habitual entrepreneur's personal and business features; to identify motivations for being an entrepreneur; to explore business strategies that the hospitality entrepreneur adopted and find out factors that may affect the operation of multiple ventures. Qualitative in-depth interviews were conducted with a habitual hospitality entrepreneur based in Auckland, New

Zealand in September 2010. Luke Dallow was selected as the case study participant based on the criteria that he owns multiple hospitality businesses and he has been continuously engaged in opening and devising new hospitality enterprises. Luke's entrepreneurial activity sets him apart from others within the hospitality industry as being the most entrepreneurial business person engaged in hospitality in Auckland. This research focused on examining Luke's entrepreneurial mindset and motivators which inspired his entrepreneurial behaviours. Prior to the data collection, a Participant Information Sheet and Consent Form were communicated to the interviewee to explain the purpose of the research and participant's right to withdraw from the research. Four personal interviews were conducted with Luke using semi-structured questions to solicit a multi-layered depth of research knowledge. The questions were derived from several issues that arose in literature on habitual entrepreneurship. All interviews were conducted at Luke's office at his convenience. Each of the pre-arranged interviews was completed within 60 to 90 minutes. The interviewee was given the opportunity to reflect on, expand and add to any issues which arose during the interviews. The participant's responses were digitally recorded, notated and fully transcribed. The qualitative responses were coded and analysed using pattern identification and categorization of themes that emerged.

## **RESULTS AND DISCUSSION**

### *Participant profile*

The interviewee, Luke Dallow, is a 38 year old hospitality business owner who was born and raised in New Zealand. Luke is the managing director for Chapel Bar & Bistro, Sale St and Radio Ponsonby 107-7 FM. Sale St was the 2009 Lewisham Awards winner for 'Best Style & Ambience Emerging' and the 'Supreme Overall Winner', 'Best Bar' and 'Best New Redeveloped Bar/Restaurant' for 2009 Hospitality Association Awards for Excellence. As a neighbourhood bar in Auckland, Chapel Bar & Bistro was the Winner of Excellence in Training and Staff Development of the 2007 Hospitality Association New Zealand Awards and the Winner Best Bar 2010 of the Hospitality Association New Zealand Awards for Excellence. Luke prides himself in believing that hospitality is more than looking after people, it is about experience and emotion. According to Luke, *'the emotions business is all about how people are looked after, their reactions of getting a product and service and looking at the general ambience of the business'*.

Luke has been working in the hospitality sector for over 20 years. He started at the bottom washing dishes, and progressed by working as a waiter, supervisor, manager and then gaining employment with an international training provider to a multiple business owner. Luke's key products are food and beverage, his businesses catering to the middle to upper end of the local market in Auckland. Currently he employs 102 staff members within his businesses. Family influence and role models have played an important role in Luke's personal development and determination for success. He is of a European/Maori heritage; the youngest of seven children. Five of his siblings own their own business mainly in the building trade or landscaping sectors. Luke's father was a manager for a furniture company and he learned from his father his own work ethic. Luke's mother started working when he was twelve, by packing shelves in a supermarket then moving to real estate sales. It was Luke's mother who encouraged Luke to find his first hospitality job.

### *Motivations for being an entrepreneur*

Luke was always excited by the restaurant and hotel industry from a young age. When he was asked what motivated him to become an entrepreneur, Luke described:

*"My first business was Salsa. It was a pizza/wine bar on Richmond. The reason I bought Salsa was I wanted to have time for my own because I had a small child but did not eventuate because it was so busy. I always wanted to have a small business like Salsa. It was a small stepping stone for my own business ethics and I could have a small business without making a huge mistake. I had Salsa for two years then I bought Malt which is a big bar which I had for two years. I've always wanted to have a fish and chip shop, so I bought a fish and chip shop after Malt was sold. I sold it after six weeks that was a very tough business but it made me look at a business as a business opportunity and not an emotional one".*

Luke considered that selling the business was a learning curve and good experience which offered him the

opportunity to buy another business the Anglesea Grill which is now renamed as Chapel Bar. As Luke put it *“in eight to ten weeks’ time it was working and I changed the concept to the Luke Dallow brand. Five years later I have still got it and it’s still growing every year”*. These changes exemplify a typical habitual entrepreneur’s passion to undertake another business enterprise. Luke’s entrepreneurial behaviour was also influenced by role models. When asked what external factors influenced his decision in business development, Luke noted:

*“My mother said my father always wanted to get his own business but he had a family and that sort of held him back. But it inspired me. I looked at the man who owned Dad’s company and looked up to him. My father died when I was 20, I decided then that by the age of 30, I wanted to own my own restaurant. My parents mixed up with people who were quite high up I had an inspiration to those people.”*

Luke’s entrepreneurial spirit is reflected in his personality development. He became involved in a pipe band at a very young age when everyone else was 28-30 years of age or older. In that adult environment, Luke found that he could talk to anyone. It gave him the confidence to talk to older people. Luke was inspired by his soccer coach who was a hero figure. He always *“admires the people who put the hard yards”*.

#### *Business strategies*

As a habitual entrepreneur, Luke faces many challenges in order to sustain his advantage in the competitive hospitality industry. One of the strategies to enhance this positioning was Luke’s decision to identify opportunity and to act on customer feedback. Luke considered *“people motivated me to be an entrepreneur. Policy-making is how my people want things and I deliver to them. I can smell it and I can make it happen. It is about motivating your staff and motivating your customers to come back, you have got to challenge your mind.”* Luke also emphasized the importance of staff training. He believed that training is a personal investment that he needs to make in order to benefit his businesses. Luke believes that 90% of his staff need to go on a hospitality-based service and management course and when they come back *“they go wow and they see changes in themselves”*. Staff training for Luke is obviously more than training; it is about investing in his staff’s professional and personal development. In terms of business planning, Luke focused on making short-term plans such as a three-month business plan, a six month business plan and then to roll into an 18 month business plan. Luke suggested:

*“I do shift, I think if you have a five year business plan it is not relevant because things keep changing. In this business, your short business plan is shorter than two years”*.

Networking was considered as a useful tool for Luke’s entrepreneurial operation. Over the years, Luke has been involved with the Restaurant Association of New Zealand and he makes a conscious effort to visit them at least every three months. He believes that *“it is very important to find out what’s happening in the industry and the community. It’s the people within the community that makes it work or not”*. Luke was on the Board of Trustees looking after finance for his local school. He was also involved in the community newspaper. To survive in a competitive environment, an entrepreneur faces the challenge of rapid development in information technology. Luke uses Facebook for his business networking and communications with customers. For example, there are about 2000 people on the company’s Facebook site. Luke’s community work and his business practice reflect his wider philosophy of the self audit. To be effective Luke suggests that *“You have to look at yourself; you’ve got to look at your weaknesses. That is something I had to do in the past three years. Every day is a different day and hospitality changes everyday. Everyday in entrepreneurship is a fresh start”*.

#### *Factors influencing habitual entrepreneurial behaviours*

There are various factors that can affect the behaviour and performance of a habitual entrepreneur. Luke’s entrepreneurial experience has shown how formal education can influence the process of becoming an entrepreneur. According to Luke, *“education is a nice little rounding. It rounds off the entrepreneur; rounded me off, a good background in accountancy and marketing but I didn’t finish it. Education links to research. Rubbing shoulders with people I studied with as well education is a part of it, it is not a necessity”*. Luke also pointed out the importance of using entrepreneurship in practice. He remarked *“entrepreneurship finds you rather than you find it. An entrepreneur has a gut feeling. My education*

*background has affected me. I like employing practical skills i.e. the accountancy practice and economics learning on my feet in the small businesses such as Salsa and Malt”.*

In terms of the motivation for setting up subsequent business venture, Luke expressed that *“boredom motivated me higher and higher, the addiction, and the excitement of the setup. Entrepreneurship is bit like a drug addiction. I keep on working on the layers of the business. I want to provide a fantastic experience for all those people everyday; set standards and I try to make the customer experience better and better”.* As a habitual entrepreneur, Luke preferred running multiple businesses concurrently to having one business. He explained: *“I enjoyed having a maximum of three businesses on the go at a time. It keeps my brain ticking and they are totally different. They are related in a way but they are totally separate. They are like children all part of the mix but they have different personality; they inspire you and motivate you in different ways. Chapel is social; Sale Street is a bit more sophisticated easy-going; Radio Pensoyby is about communication and for the community; I need inspiration and competition and the radio station as well”.* These remarks again show Luke’s entrepreneurial passion and desire for continuous improvement in his business operation.

One of the objectives of the research was to find out how functional skills and general competencies can enhance entrepreneurial success. Luke believes that an entrepreneur’s functional skills in managing finance, human resources, marketing operations and information technology are fundamental for business survival. Luke proposes the following:

*“You got to have a good understanding of accounts to know who your debtors and to know who your creditors are. You need to know these things and if not in detail you need to know a broad spectrum. You don’t want to micromanage your accounts, you got to manage finance, human resource. Hopefully you employ the right people and they have the traits you have. Marketing and branding are about growing the business the Luke Dallow brand. You have to keep pushing it all the time promote yourself and with some great events. Marketing is a big thing as well information technology; that is more social media. Social media is big in hospitality. I use technology with rosters...you can become efficient through information technology”.*

The success of a habitual entrepreneur is also closely linked to the management of general competencies in negotiating, idea generation, motivating employees, and developing business relationships. According to Luke, *“you can write down ideas but you just need to do it now, and if opportunity comes you just need to do these things and there’s where I am good at doing”.* At Chapel Bar and Bistro, incentive was given to promote staff performance. Luke uses the following strategy *“I give them a turnover incentive, it’s weekly. They can physically see it. The other one’s timeframe (for profit share) was too long; they need to see the results quickly”.* He expanded his social network through participation at seminars such as speaking at Pride Auckland which he considered as his biggest achievement. He is also involved with the Young Entrepreneurs Society. Luke said that it is *“great to be asked to be part of them, rubbing shoulders with the right people getting recognition which is great for my age. I can help the industry and give it a direction, that’s what I look at with the entrepreneur group. I’ve got good ideas as a self-marketer, a good brand that is what I could add to that group and also I could add a practical entrepreneurship and not necessarily from theory but from an on the go entrepreneur”.*

As a habitual entrepreneur, Luke attributes his success to his propensity to take risks and his self-confidence. He believed that *“financial risks give you drive as well. I don’t mind borrowing loads of money because it is my incentive to do well that motivates me to pay them back to get the job done. I don’t do things for the reward. I do it because I want to do it, and I want to excel. The reward will come after that.* Luke stresses the value of self-confidence claiming that *“I know what I am doing, that is self-confidence. Often people think you’re arrogant but it’s not. You need to be confident in your own ability. Walking into a room stand tall and be proud of what you’ve done. I have failed and put my hands up and moved on that sort of happened with the fish and chip shop”.* Through the interviews, Luke reflected the pioneer nature of entrepreneurship. According to Luke, *“there is a survival experience in entrepreneurship a pioneer in that you have to innovate; you have to be self-reliant, many of those things that pioneers would have been. No one was there to help you there is always someone there to knock you down. Yet, to achieve the shift to develop this you have to create this put on the market and it works with a*

*bit of DIY (do it yourself). Do it with my own hands/practical things in entrepreneurship, with all the number eight wire mentality”*. He noticed the spirit and pioneer at a young age when he worked at the Hard Rock Café and saw the opportunity to excel.

## CONCLUSIONS AND IMPLICATIONS

This study focused on examining the New Zealand hospitality habitual entrepreneur, and gaining direct input through qualitative interviews. The findings indicate that the hospitality habitual entrepreneur is influenced by his family up-bring and wider social environment. The habitual entrepreneur shares the personal quality of self-confidence, determination and perseverance in reaching business goals. Role models and mentors have played an important role in the entrepreneur’s personal and professional development. Similar to other entrepreneurial research findings, the New Zealand hospitality entrepreneur considered practical learning as important as formal education. Social networking and information technology are recognised as powerful tools for marketing and venture management that provided this habitual entrepreneur a considerable point of difference to his competitors. Factors such as functional skills and general competency of the entrepreneur can ultimately affect the sustainable operation of the hospitality venture. The research findings reveal that personality is one of the main drivers for innovative thinking and entrepreneurial development. This hospitality entrepreneur case study has contributed to the literature in terms of motivations for becoming a habitual entrepreneur and the factors influencing the successful creation and development of entrepreneurial organisations within a New Zealand context. It also provides insight for potential hospitality entrepreneurs in ideas generation. Although a single case study generates overwhelmingly amounts of rich and thick data, this information is contextually bound and therefore transferability may be limited. More rigorous research can be undertaken in the future with larger population targeting a wider tourism and hospitality enterprises to yield more conclusive findings.

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