

**Entrepreneurial Motives and Characteristics: An Analysis of
Small Restaurant Owners**

By

Sandy C. Chen, Ph.D.

Assistant Professor

College of Business

Oregon State University

2600 NW College Way

Bend, Oregon 97701

Email: sandy.chen@osucascades.edu

Tel: 541-322-3164

&

Julie Ann Elston, Ph.D.

Associate Professor and Newcomb Fellow

Oregon State University

228 Cascades Hall

2600 NW College Way

Bend, OR 97701

Email: Julie.Elston@osucascades.edu

Tel: 541- 322- 3165

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Abstract

The purpose of this study was to gain information about the characteristics of small restaurant owners in China. The data for the study were hand-collected by survey questionnaires in four cities across three provinces in China. We found three main results. First, small restaurant entrepreneurs were characterized by one of three distinct motives in that they were autonomy seekers, family protectors, or profit seekers. Second, their funding sources were predominantly private rather than institutional. And third, the entrepreneurial business was the main source of the family's income. These findings have implications for development programs, financing, and education in developing China's restaurant industry. This study appears to be the first to investigate empirically entrepreneurial activity among small business owners in the Chinese restaurant industry.

Keywords: entrepreneurship, restaurant industry, small businesses in China

1. Introduction

As Zhao and Getz (2008) observed, the tourism and hospitality sectors are generally dominated by small and family businesses worldwide. Some major contributions of these businesses include job creation, economic revitalization (Fleischer & Felsenstein, 2004; Wanhill, 2000), destination development (Russell & Faulkner, 1999; Tinsley & Lynch 2001), product innovation (Russell & Faulkner, 1999; Scott & Laws 2004), and, in the context of developing countries, local participation, community empowerment, and poverty alleviation (Brown, 1998; Manyara et al., 2006; Rogerson, 2004; United Nations World Tourism Organization, 2005). Yet despite their clear economic significance, small businesses in the tourism and hospitality sectors remain understudied. Roberts and Hall (2001) and Li (2008) note that the number of studies on the behavior of small tourism and hospitality firms is insufficient. Second, most of these studies have focused on firms in developed countries, such as the UK, New Zealand, Australia, and the US (Zhao & Getz, 2008). A few notable exceptions include those examining developing countries such as Indonesia, South Africa, Ghana, Vietnam, the People's Republic of China, and Malaysia (Gartner, 2004; Hitchcock, 2000; Jaafar, Abdul-Zizi, Maideen, & Mohd, 2011; Le & Hollenhourst, 2005; Rogerson, 2003; Sharma; 2006; Zhang & Morrison, 2007; as per Zhao & Getz, 2008), but fewer studies have focused on the tourism and hospitality sector. Although the concept of Chinese family businesses has gained some attention in the small business literature, most existing studies have examined family businesses started by Chinese in foreign countries (e.g., Katila & Wahlbeck, 2011; Zhang & Ma, 2009). Studies investigating the behavior of

small restaurant owners in China's mainland, whose emerging economy is among the most prominent in the world, are almost nonexistent.

1.1 *Small Restaurants in China's Restaurant Industry*

Small restaurants, as part of the small firms sector, have been an important source of China's job and wealth creation, social stabilization, and economic privatization, as reported by an official newspaper based in Shanghai (*Xinming Evening News*, 2001). Since the start of China's economic reform in 1978, its restaurant industry has maintained a speedy growth rate of more than 10% and created a handful of large restaurant chains. In 2010, total industry revenue came to US\$527 billion (that of the US restaurant industry was US\$580 billion (US National Restaurant Association, 2010). Of this, approximately 95% was generated by small- and medium-size restaurants, which hired more than 90% of restaurant workers (China Catering Trade Association, 2011). Additionally, this sector of the industry in China has contributed to two important developments. First, it has caused the industry overall to become extremely competitive. Low entry barriers have opened the marketplace to almost anyone wanting to set up a restaurant. Moreover, the diversity of foods offered by these new restaurants caters to consumer craving for variety and uniqueness and has made it harder for larger restaurant chains to grow. And second, the sector has become a "seedbed" for successful entrepreneurs. As reported by *Fortune China* (2010), the restaurant and IT industries in China are currently the two sectors where billionaires are most easily created. Alongside such Western restaurant brands as KFC, McDonald's, and Pizza Hut, local brands have emerged over the years. Since 2000, a group of organizations, including the Chinese General Chamber of Commerce, the Chinese Culinary Association, and the China National Commerce Information Center,

have annually updated a list of the top 100 restaurant companies in China, compiling the best performers in terms of yearly revenue. Although the most profitable companies have remained the same over the years (namely, Yum China and McDonald's), the rest of the list changes every year with new companies replacing old ones. Most new companies have grown out of a single restaurant store and become a multiple-unit restaurant company within five to ten years.

According to David Novak, Yum's Louisville-based chairman and chief executive officer, "China is the best restaurant opportunity in the 21st century" (Mellor, 2011). Chinese experts hold a similar view, which inclines toward the increasing formation of large local restaurant chains. In other words, they believe that the Chinese restaurant industry holds the greatest potential for local restaurants to grow larger and faster, such that ultimately the marketplace will be dominated by large local chains instead of small- and medium-size independent restaurants, as reported by *China Industry and Commerce News* (2004). Although we share these viewpoints, we also believe that many factors must be in place for such an evolution to take place. Among these, it is important that stakeholders understand the motives of business owners in starting up a new business, since these have been found to decide a business's destiny (Small, 1987; Smith, 1967).

1.2 Study Purpose

Therefore, the purpose of this study is to provide information about the motives and characteristics of small restaurant owners in China by collecting and analyzing original data sources. Our objectives are twofold: (a) to segment these owners based on their personal motivations; and (b) to determine differences among the different segments regarding operational goals, perceived barriers, and demographic and restaurant features.

This study directly addresses existing research gaps in understanding small business owners in developing countries, specifically in this case China. Our findings provide insights for policy makers and investors regarding the determinants of small businesses growth in China's dynamic emerging market.

2. Literature Review

2.1 A Model of Critical Factors That Influence Entrepreneurial Process

As noted by Middleton (2001), small businesses form a seedbed for the entrepreneurial and enterprise culture on which much of the profit and employment prospects of big businesses ultimately depend. This observation clearly indicates the difference between small business owners and entrepreneurs. But although support for this viewpoint in the literature is universal, some researchers do not draw such a fine line between the two terms when discussing related issues; also, studies of small business firms are usually found in the entrepreneurship literature, where sometimes the two terms are used interchangeably.

The existing entrepreneurship literature shows that several critical factors influence the birth and growth of start-up firms. These factors include both macro-level environmental and micro-level, or personal level, forces. Studies focusing on the former often examine the influence of politics, culture, society, economics, competition, and demographics on a person's decision to start or grow a new business in a specific setting; this in turn can take place at different levels, such as the company, city, region, or nation (see, for instance, Abbey, 2002; Aldrich, 2000; Christiansen, 1997; Jogaratnam, 2002; Ramos-Rodriguez, Medina-Garrido, & Ruiz-Navarro, 2012). Studies on the latter investigate the influence of personal characteristics such as subculture, social factors (e.g.,

role, status, reference group), personal factors (e.g., age, gender, education, life cycle, personality, self-perception, lifestyles, values), and psychological factors (e.g., motives, beliefs, attitudes, perceptions, learning, risk-taking propensity, etc. (see, for instance, Berger & Bronson, 1981; Johnson, 1990; Littunen, 2000; Naffziger, Hornsby, & Kuratko, 1994; Ramos-Rodriguez et al., 2012).

Our study thus proposes a model for classifying and modeling these factors affecting firm start-ups and growth. Figure 1 captures this process and highlights the critical factors influencing the entrepreneurial process and their various relationships. In this model, the macro-environment mix influences not only a person's personal characteristics but also this person's entrepreneurial process. These personal characteristics in turn also influence the entrepreneurial process.

As argued by Shane, Locke, and Collins (2003), entrepreneurship is a process that occurs over time and should be viewed as dynamic rather than static; also, factors such as motivation can influence entrepreneurial behavior differently at different stages of the process. Gartner, Starr, and Bhat (1998), in an examination of venture success, further maintained that starting a new venture is a *learning process* that influences a new business owner's self-efficacy, which in turn is important for venture success. Thus, in Figure 1 we have used the term *entrepreneurial process* instead of *entrepreneurial behavior* or *entrepreneurship* to cover the different entrepreneurial stages, namely, starting, growing, maintaining, and exiting a business.

[Insert Figure 1]

As noted, studies have found that entrepreneurship generally makes positive contributions to society at different levels. These entrepreneurial outcomes in turn create

reciprocal and positive effects on the two sets of influences (i.e., the environmental and personal), which we assume will grow even more favorable with an increase in entrepreneurial activities. In this study we focus on examining whether Chinese small restaurant owners have different demographic characteristics or personal motives for starting their business.

2.2 Typology of Small Business Owners/Entrepreneurs

One of the first researchers to classify business owners (labeled “entrepreneurs” in the original article) was Smith (1967). In his research, Smith studied entrepreneurs according to their personality, background, and behavior. He identified two types: craftsmen and opportunistic. As he defined them, craftsmen entrepreneurs usually come from a humble background and have a hands-on management style; they are not risk takers and usually have no long-term business plans, but instead focus on making a comfortable living. On the other side of the continuum, opportunistic entrepreneurs usually have a middle-class background and are highly educated; they also tend to focus on business growth and profits. Building on Smith’s typology, researchers have carried out similar studies and revealed similar results (e.g., Berger & Bronson, 1981; Braden, 1977; Dunkelberg & Cooper, 1982; Filley & Aldag, 1978; Small, 1987). Some of these studies have also identified additional entrepreneurial types. For instance, Filley and Aldag (1978) identified three types—craft, promotion, and administrative—while Dunkelberg and Cooper (1982) distinguished between craftsmen, growth-oriented, and independent entrepreneurs. Berger and Bronson’s (1981) study of 50 restaurant entrepreneurs also added a third type, namely, humanistic entrepreneurs, characterized by a high desire to interact with people and a genuine concern for employees.

In addition, other business-owner characteristics, including innovation, risk orientation, initiative, desire for responsibility, need for power and achievement (as summarized by Carland et al., 1984), and personality traits, have proved good variables in understanding entrepreneurs. For instance, Jogaratnam (2002) classified restaurant owners into entrepreneurial and conservative categories based on three criteria, namely, innovation, risk taking, and proactiveness. He further suggested that as the business environment becomes hostile, these business people tend to adopt conservative strategies and avoid innovative, risk-taking approaches. As some researchers have further argued, a person's personality traits are closely related to his or her entrepreneurial behavior. Scholars have thus adopted various psychological frameworks, such as the Big Five personality dimensions (as in Zhao & Seibert, 2006), Rokeach's classification of personal values (as in Berger & Bronson, 1981), or the Myers-Briggs typology (as in Carland & Carland, 1992), to gain greater understanding of entrepreneurs in general.

2.3 International Context of Start-up Motives

A widely accepted method in the literature for understanding small business owners and their business growth potential has been to study personal motives. As Shane et al. (2003) observed, "It is often said that a person cannot win a game that they do not play. In the context of entrepreneurship, this statement suggests that success depends on people's willingness to become entrepreneurs" (p. 257). In consumer behavior, understanding consumer motivation leads to an in-depth understanding of the consumer decision-making process. Applying this concept to entrepreneurship, researchers have concluded that a person's motivation in starting a new business helps reveal why and how a person pursues entrepreneurial activities.

We suggest that Maslow's (1954) hierarchy of human needs is actually a reasonable model to summarize why people start their own business. For some people, starting a new business is a way to satisfy lower level human needs through achieving economic and financial security (Abby, 2002; Vesalainen & Pihkala, 1999) and family security (Kuratko, Hornsby, & Douglas, 1997); for others, it is a way to satisfy higher level human needs, such as prestige or the high social status associated with operating a business and being one's own boss, a desirable lifestyle (e.g., living in the right environment, interacting with interesting people, doing what one likes to do), a sense of belonging (e.g., working with those one likes to work with), or a sense of achievement (Abby, 2002; Getz & Carlsen, 2000; McClelland, 1961; Scheinber & MacMilan, 1988; Walker & Brown, 2004).

Nonetheless, the priority of satisfying these needs is contextual, which has three implications. The first is cultural, since motives for starting a new business differ from country to country. For example, as Abby's (2003) cross-cultural study of general entrepreneurship showed, American entrepreneurs scored higher on independence and financial motives, whereas Ghanaians scored higher on social standing and opportunistic motives. In examining the motives of Vietnamese small and medium enterprises, Swierczek and Ha (2003) found that challenge and achievement, rather than need of a career or economic security, were bigger motives for Vietnamese entrepreneurs. Zhao and Getz (2008) in turn reported that the top motives for rural small family business owners in tourism and hospitality in a southern province of China were pursuit of autonomy, family security, and finance. The second implication is industry oriented. For instance, pursuing autonomy and living an appealing lifestyle were found to be much

more prominent in tourism and hospitality than in most other economic sectors (Ateljevic & Doorne, 2000; Domenico, 2005; Getz et al., 2004; Getz & Petersen, 2005; Middleton, 2001). As explained by Katz (1995), autonomy-seeking business owners are those who desire to be their own boss or occupy their own place. Getz and Carlsen (2000) also found that lifestyle-oriented business owners were motivated by factors such as enjoying a good lifestyle, living in the right environment, and supporting leisure interests. The final implication, as shown in Figure 1, is that entrepreneurial behavior is a process along which an entrepreneur's top motive changes over time (Shane, Locke, & Collins, 2003); this in turn coincides with the hierarchical process of satisfying the different levels of human needs in Maslow's (1954) model.

2.4 Start-up motives in Hospitality and Tourism Industry

As mentioned earlier, tourism and hospitality studies based on developed economies such as Canada, the US, Australia, and New Zealand have shown that the most prominent motives for starting a business are satisfying higher levels of human needs, such as seeking autonomy or pursuing a desirable lifestyle. Autonomy-seeking and lifestyle business owners in turn have been found to have different business objectives. Evidently, profits and business growth are not major concerns in their business operations. But as Ateljevic and Doorne (2000) contended, rejection of an overtly profit-driven orientation does not necessarily result in financial suicide or developmental stagnation, since lifestyle entrepreneurs are often instrumental in creating and introducing innovative products for niche market consumers. This view is shared by Shaw and Williams (2004), who found that certain business-owner lifestyles are closely related to new forms of tourism consumption.

Nevertheless, this view should be taken with caution when trying to understand tourism and hospitality business owners in developing economies. As already noted, the priority that hospitality and tourism entrepreneurs in different economies give to satisfying their needs might vary greatly. But because of the scant literature in this area, we were unable to make a comparison on these grounds; instead, we examined one of the largest emerging markets, that of China, to reveal the motives of small restaurant owners and thereby enrich the relevant literature.

3. Research Methods

3.1 Survey Questions

The data for this study was hand collected by survey questionnaires which were divided into three sections, and included both closed- and open-ended questions. Nine questions in Section 1 included a screening question (“Are you a restaurant owner, manager, or both?”) and questions covering such business characteristics as restaurant origins, features (i.e., types of food and services), amount of initial investment, years in business under current ownership, estimated net profit for the current year (2011), number of permanent employees, types of employees, main investment sources, and types of technology used in the restaurant. Section 2 included three sets of questions asking about personal motives in starting up the business, business operation goals, and perceived challenges or barriers while operating a restaurant. The last section contained questions covering key demographic variables, including gender, year of birth, marital status, education, pretax annual household income, and recent professional training. This section also included three open-ended questions probing how a respondent gained restaurant business experience, what single factor contributed most to job satisfaction,

and what factors contributed most to restaurant business success. We adapted these three sets of questions mainly from a study on rural family business owners in tourism and hospitality in China by Zhao and Getz (2008), who in turn adapted the survey instrument designed by Getz and Carlsen (2000); these latter authors investigated the characteristics, goals, and barriers of family- and owner-operated businesses in the rural tourism and hospitality sectors in Western Australia.

The English version of the questionnaire was translated into Chinese and sent to a Chinese research assistant who did not know English, and who then explained the meaning of each question in Chinese to one of the authors with excellent Chinese and English skills; this was to ensure the equivalence of the Chinese questionnaire to its English counterpart. Additionally, a pilot study with 10 small restaurant owners in a small city located in Hubei province (see Figure 2) was conducted to refine the clarity and suitability of all survey questions. This prestudy indicated the strong suitability of the questions as modified by Zhao and Getz (2008).

3.2 Sampling and Data Collection Process

To facilitate the data-gathering process, we hired seven research assistants from four cities in three provinces in China (see Figure 2) through a university professor and a consulting contractor. Five were seniors in the business college of a provincial university, and the other two were professional research agents. All were local residents and were selected based on the criteria of honesty, integrity, hard work, patience, and good temper (able to handle objections). The hired students were then trained by their professor, who used a training guideline developed by the authors. The two professional research agents possessed good data-collection skills and knowledge of the local restaurant industry.

Because random sampling is difficult, if not impossible, in an emerging market such as China's, where small-business directories are not publicly available and most people are unfamiliar with the purpose of data collection, we used convenience sampling instead. To achieve this, the research assistants intercepted small restaurant owners in five cities, namely Changsha, Huizhou, Wuhan, Yueyang, and Zhangjiajie (see Figure 2). They approached potential respondents using a scripted introduction, which included, among other details, a confidentiality assurance and the principal researcher's contact information. Data were collected using a self-survey, which participants filled out while the research assistant clarified questions if necessary and ensured that all questions were answered. We collected data in the last three months of 2011, ultimately gathering 260 responses. After eliminating incomplete or invalid responses (for instance, because half the questions were not answered or the respondent was not a restaurant owner), we retained 254 responses for use in further data analysis.

[Insert Figure 2]

To avoid geographic bias in sampling, we collected data in five cities spread across central and southern China. Afterward, we compared the demographic information in this study with that of small restaurant owners as reported in both academic and trade journals in China (e.g., Wei, 2010; Xing, 2006). Although using known values is a subjective approach, it is considered valid for estimating the risk of nonrepresentativeness (Armstrong & Overton, 1977). The comparative results revealed consistent key demographic values (i.e., gender, education, and marriage) between this sample and the population, indicating that the sample was representative of the Chinese restaurant owner population. We also compared the main findings in this study with

those in a previous study, as described later in the Discussion section, and found high consistency between both. This indicates that the Chinese small restaurant owners examined in this study, although drawn from a different sampling frame, shared similar personal characteristics with the other sample (i.e., rural family business owners in tourism and hospitality in Guangxi province in China, as described by Zhao & Getz, 2008). This gives some justification for the representativeness of the sample.

4. Data Analysis and Findings

We first analyzed the sample as a homogeneous group using descriptive analysis to understand the demographic features and characteristics of the restaurants under investigation. The second part of the analysis focused on developing clusters of respondents based on motivation or reasons for starting up a small restaurant and identifying the different characteristics of each cluster in terms of business operational goals, perceived barriers of operating an independent restaurant, demographics, and restaurant characteristics.

4.1 Descriptive Data

Respondent characteristics. Table 1 summarizes the respondents' demographic information and their responses to open-ended questions. This sample had more males than females (87.1% vs. 12.9%). Most respondents were married, and the mean age was 39.7, with more than 83.8% falling between the ages of 31 and 50. With respect to education, the largest group of respondents (40.4%) consisted of graduates of junior high school, followed by high school or vocational school (31.9%). Only 4.6% reported having received at least some college education. More than 64% of the respondents claimed a pretax annual household income of more than ¥100,000 (equivalent to

US\$16,129), while more than 22% claimed such income of more than ¥300,000 (equivalent to US\$48,387). For the overwhelming majority of respondents, their small restaurant was their main income source.

As revealed by Zhao and Getz (2008), the decision to become a small business owner may be affected by previous relevant work experience in the hospitality and tourism sector. In this study, most respondents indicated that they had worked for other restaurants to gain experience before opening their own; only 1% had some formal training in restaurant operations, such as serving as an apprentice or going to a vocational school, while about 9% had no restaurant business experience at all before starting, although they did have help from experienced family members or friends. For most respondents the single factor contributing most to job satisfaction was good business, and the main factors they perceived as contributing to restaurant business success were hard work, honesty, and good guest service.

[Insert Table 1]

Restaurant characteristics. Table 2 presents the principal characteristics of the restaurants under investigation. With respect to restaurant type, this sample included food facilities serving fast food, street food (food stands), breakfast only, dinner only, and both lunch and dinner. In terms of services, almost all respondents provided casual dining. Most restaurants were started by their current owners. About 48.5% had been in business less than a year, while 10.9% had been operating more than 5 years, with an average restaurant age of 2.3 years. More than half the restaurants had between two and five employees in 2011 when the survey was conducted, and approximately 45% hired family members. An examination of the initial investment put into each business

revealed that most restaurants were financially small in scale. For instance, more than 66% of the restaurants had made an initial investment of ¥100,000 (about US\$15,625) or less. The main investment sources for the respondents were their own savings, money from family members and relatives, and neighbor and friends. Only 3.8% indicated use of a financial institution to secure investment money. A closer look at this issue revealed that approximately half the respondents used multiple investment sources. Among those using a single investment source, most used money borrowed from family members, relatives, neighbors, and friends.

[Insert Table 2]

4.2 Cluster Analysis on Personal Motives for Start-Up

We conducted a cluster analysis on the 15 motivation statements to identify groups of small restaurant owners with similar response patterns. We began by performing a missing value analysis using the expectation-maximization (EM) algorithm and its solution, but found that the missing-at-random (MAR) value was not significant, indicating that missing values were not a problem. We then calculated Z-scores for each variable to identify outliers that could greatly influence the cluster analysis and deleted 14 cases with z-scores of ± 3 , which reduced the sample size from 254 to 240. For the cluster analysis itself, we first applied a hierarchical technique using Ward's method with squared Euclidean distances. The results showed a two-to-four cluster resolution. We then tested two, three, and four cluster resolutions using the K-means technique. Ultimately, the three-cluster resolution appeared to provide the most interpretable results. We then applied discriminant analysis to detect any significant differences among the four groups; the results were affirmative.

Table 3 displays the clusters based on motivation, with the mean scores of each statement in three clusters. Cluster A, labeled *autonomy seekers*, comprised 119 respondents and had the highest mean score on the motive “to be my own boss,” followed by “to achieve financial independence” and “to keep the family together.” Cluster B, called *family protectors*, included 84 respondents. The strongest motive for this cluster to create a start-up was “to keep the family together,” followed by “to be my own boss” and “to achieve financial independence.” In general, this cluster rated high on most of the motive statements except for three: “to meet interesting people,” “to support my leisure interests,” and “to fill a market gap.” Finally, Cluster C, labeled *financial reward seekers, or profit seekers* included only 36 respondents, whose responses to all statements scored less than 5. The highest mean scores were found on “to achieve financial reward” (4.92), “to be my own boss” (4.69), and “to keep the family together” (4.19).

[Insert Table 3]

Discriminant Analysis. We next conducted discriminant function analysis to validate the cluster analysis. As Table 4 shows, a statistically significant group difference appeared in the combined predictors, with $\chi^2(15) = 527.70.857, p < 0.000$, and with a strong association between group membership and the discriminant score, $\eta^2 = 0.90$. With an eigenvalue of 2.69, Function 1 explained 61.1% of the variance, while Function 2, with an eigenvalue of 1.71, explained 38.9%. Table 4 further shows that the discriminant functions achieved a high degree of classification accuracy, with a hit ratio of the analysis sample of 96.6%. Although high, this ratio must be compared with the maximum chance (C_{\max}) and proportional chance (C_{prop}) criteria to assess its true effectiveness (Hair, Anderson, Tatham, & Black, 1998). As Table 4 displays, the

maximum chance criterion (C_{\max}) was 49.79% and the proportional chance criterion (C_{prop}) 50%. Because the hit ratio of 96.6% (analysis sample) was more than 1.25 times better than these criteria, the discriminant model was valid based on these measures (Hair et al., 1998). In summary, the statistics in the discriminant function analysis showed that a three-cluster grouping of the respondents based on their motivation for starting up a restaurant was a valid approach to gaining further understanding of this sector. We then performed the following procedures to develop the market segmentation based on these clusters.

[Insert Table 4]

Cross-Tabulation Analysis. At this stage, we first conducted a cross-tabulation analysis between clusters and the personal characteristics of business owners and their restaurant features. Table 5 provides a profile of the three clusters with respect to selected demographic characteristics of the respondents. Table 6 displays the results of cross-tabulation between three clusters and respondents' restaurant features. Chi-square analysis revealed that the clusters differed significantly with respect to gender, education, years in business, food type, employee type, and current-year profit (for 2011).

[Insert Table 5 and Table 6]

Multivariate Analysis of Variance. We then performed multivariate analysis of variance (MANOVA) tests between the clusters and two sets of numerical variables: restaurant owners' business goals, and perceived challenges or barriers while striving to grow their businesses. Prior to these tests, we examined and eliminated missing values and outliers on the two variables. This was followed by principal component factor analysis, the main purpose of which was to reduce the data further. We applied the

following criteria (Baloglu & Shoemaker, 2001) to select the final number of principal components:

1. The components, after orthogonal rotation, should be interpretable.
2. If possible, each variable should load (correlation between variable and component of 0.45 or greater) on only one component.
3. The final solution should be stable; in other words, if a variable or case is removed from the analysis, the derived components should not change substantially.

Table 7 shows the results of the principle factor analysis with varimax rotation on both business goals and perceived challenges while conducting business. We identified and labeled four factors, explaining more than 61% of the variance, for business goals; these were “to build a good public image,” “to let personal interests come first,” “to keep the business the way it is,” and “to keep the business growing.” Likewise, for perceived challenges we identified and labeled four factors as “high labor costs,” “high competition,” “lack of internal resources,” and “fear of failure,” which together explained more than 60% of the variance.

[Insert Table 7]

Table 8 shows the results of the MANOVA with post hoc Bonferroni tests between the three motive clusters and the business goal and challenge factors. Earlier we had examined the normality, linearity, and homogeneity of the data and found no severe violation.

[Insert Table 8]

Cluster Profiles. Cluster 1, autonomy seekers, with 119 members, was the biggest cluster of respondents, with a mean age of 39.6 and the largest age group between 31 and 40. More than 91.6% of its members were male. It also had the most members with a primary school education or less (21.8%). The mean age of all restaurants in this cluster was 1.66 years, with more than 80% being casual dining restaurants serving both lunch and dinner. On average, the restaurants in this cluster hired more employees than the other two clusters—approximately 48% had at least six employees, with a mean of 5.60. In addition, most of the businesses (more than 74%) hired nonfamily members, much higher than the other two clusters. The respondents in this cluster also claimed higher revenue for the current year (2011) and higher initial investment in starting up their restaurants. But the cluster also had the largest group claiming less than ¥100,000 (equivalent to US\$16,130 at an exchange rate of 6.2) in annual household income.

In terms of business goals, the members of this cluster agreed on the following factors: It was crucial to grow the business, to build a good public image, and to let personal interests come first. Compared with the other two clusters, the goal of letting personal interests come first for this cluster of autonomy seekers was significantly more important, while the goal of growing the business was directionally stronger. The biggest challenge while operating a business for this group was fear of failure, followed by high human resources costs.

Cluster 2, family protectors, was the second largest, with 84 cases and a mean member age of 40.8. This was also the oldest cluster, with the largest age group of those between 41 and 50. Although most of its members were male, the percentage of female business owners (13.1%) was higher than in the first cluster. This cluster also had the

most members with a high school or two-year technical school education (38.1%). Most businesses in this cluster (59%) had been in operation 1–5 years, with a mean age of all restaurants of 2.42. More than 76% were casual dining restaurants serving both lunch and dinner. Approximately 69% of the restaurants had between two and five employees, with a mean of 5.60; most also hired family members, and at a much higher rate than the other two clusters. Approximately 64.2% of the cluster members claimed low annual revenue (equal to or less than ¥100,000, or US\$16,130 at an exchange rate of 6.2) for the current year (2011), but a high annual household income (43.9% reporting income higher than ¥200,000 or US\$32,258). The initial investment of this cluster in their restaurants came in second after the first cluster, with 62% investing more than ¥50,000 or US\$8065 to start up their restaurant business.

In terms of business goals, the members of this cluster agreed on the following two factors: It was crucial to grow the business and to build a good public image. The biggest challenge in operating a business for this cluster was fear of failure, which differed significantly from the other two groups. Another big challenge for this cluster was high competition, differing significantly from the Cluster 1 autonomy seekers but the same as the Cluster 3 financial reward seekers.

This final cluster of financial reward seekers comprised 36 members. With a mean age of 38, this was the youngest group among the three clusters. Although the largest age group in this cluster was 41–50, it included the most young business owners (22% between 20 and 30, and 33.3% between 31 and 40). This cluster had more female respondents than the other two clusters, and also had the most members with a junior high school (47.2%) or college (16.7%) education. Most businesses in this cluster (71%)

had been in operation for one or more years, with a mean restaurant age of 3.83 years; more than 22% had been operating more than 5 years; and approximately 5.7% had been operating more than 10 years. In contrast to the other two clusters, more than half the respondents in this cluster operated casual dining restaurants serving fast food, breakfast only, or dinner only. The mean number of employees in these restaurants was 3.54, significantly lower than in the other two clusters. Employee type was split almost equally between family and nonfamily members. Most respondents in this cluster claimed lower annual revenue for the current year and lower initial investment but higher household income compared with the other clusters.

In terms of business goals, the members of this cluster agreed on these two factors: It was crucial to grow the business and to build a good public image. The biggest challenge operating a business for this cluster was high competition, which differed significantly from the Cluster 1 autonomy seekers. Another big challenge for this cluster was high human resources costs, the same as perceived by the Cluster 1 members.

5. Conclusion

5.1 Discussion

Our findings reveal that a typical small restaurant owner in our survey was likely to be a married male aged 40, with a junior high or high school education and an annual household income of around ¥150,000 or US\$24,194. This person had little formal training in the restaurant business and had learned to operate and manage a restaurant through working for other people. The most important factor contributing to this person's job satisfaction was good business, and he believed that hard work, honesty, and

good customer service were the most important factors contributing to the success of a business.

The findings also revealed that the typical restaurant in the study appeared to be in business less than five years, was small in scale, and hired an average of two-to-five employees, more than half of whom were non-family members. This restaurant was funded by private rather than institutional financial resources and was the main source of income for a family. It typically served lunch and dinner and provided casual dining services. Usually, the restaurant owner had begun the restaurant from scratch, with less than ¥100,000 or US\$16,129 in initial investment.

Comparing the key demographic values (i.e., age, gender, and marriage) in this study with those in the general literature, as summarized in Jaafar et al. (2011), we found consistent patterns: the small business market was dominated by married, middle-aged or older males. Our study, however, had a relatively higher percentage of male respondents (87%), which should not be considered coincidental but rather a reflection of the dominance of traditional gender roles in Chinese society, where financial matters are still deemed primarily the responsibility of an adult male.

Overall, the findings in our study are more similar to those from developing countries as reported by Zhao and Getz (2008) and Jaafar et al. (2011) than those from developed countries. In comparison, the developing country group had lower levels of education (mainly secondary education), used mainly private funding sources (e.g., personal savings, help from family and relatives) to start and grow a business, and hired more family members as employees. But compared with small business owners in Malaysia, those in China appeared to take fewer risks: Most had gained some work

experience by working in the hospitality industry before starting their own businesses, whereas those in Malaysia had not, although both groups expressed the belief that they had the requisite knowledge for operating their own businesses.

The three distinct clusters of small restaurant owners revealed in this study were the same as those found in Zhao and Getz's (2008) study on small family tourism business owners in China (i.e., autonomy, family security, and financial rewards), and further support the view in the general literature on developed countries that small business owners in the hospitality and tourism sectors are geared more toward nonfinancial rewards (Ateljevic & Doorne, 2000; Berger & Bronson, 1981; Getz & Carlsen, 2000; Walker & Brown, 2004). These segments also appeared to support the findings in some cross-cultural studies (Abby, 2003; Swierczek & Ha, 2003) that economic development in a country may not be decisive in motivating people to start new businesses; instead, noneconomic factors, such as ideology and the social and cultural environment, also appear to play an important role in entrepreneurship motivation.

In particular, we found that only a small group of small business owners, the Cluster C financial reward seekers, to be more established and aggressive in pursuing business growth and profits than the other two clusters. This was reflected in their business strategies, such as operating within a new business type (i.e., fast food, breakfast only, or dinner only), which are emerging markets in China, and the small number of employees, which greatly reduced labor costs. This cluster, approximately 12% of the sample, appeared to be the leaders or "real entrepreneurs" in business growth in the small restaurant sector overall. This finding provides further support for the general view that there are differences between small business owners and entrepreneurs, and that only a

small number of the former can be referred to as “entrepreneurs,” who are determined and independent, have a higher locus of control, and exhibit moderate risk-taking behavior (Jaffar et al., 2011).

5.2 Implications

These research findings have implications for development programs, financing, and education in development of China’s restaurant industry. As the data show, the average education level of current business owners was high school or less. Most had never been formally trained in restaurant management before starting their business, which might contribute in part to the high failure rate of new restaurants in China. As anecdotes go, the failure rate of new restaurants in China in the first year is as high as 90%. In response, Chinese policy makers could set up continuing educational programs to train working adults in business basics and management. Another important area is financial assistance. This study shows that only 3.8% of the respondents had secured loans from financial institutions to start a restaurant business. Availability of start-up capital from financial institutions and capital markets would most probably stimulate small firm start-up and growth in China. Specifically efforts by the Chinese government to streamline loan procedures and build a good credit system would be encouraging. Financial institutions could also team up with educational institutions to deliver consulting services and educational programs to small business owners in order to encourage them to achieve their business goals, use high technology, overcome their fear of failure, and exercise industry leadership.

The most tangible contribution made by small restaurant owners in our study was creating jobs for both family and non-family members, which in turn helps stabilize the

social order of the country, where, in the transition to a privatized economy, millions of people have had to learn how to make a living for themselves. Therefore, small restaurant owners, rather than the large restaurant owners or foreign investors such as McDonald's and KFC, deserve the more support from the government. Incentives should be given to small restaurants generally and those that hire non-family members.

Another implication of this study concerns the self-improvement of small business owners. The findings show that surveyed business owners were worried about failure. This may signal risk aversion or it could be a function of a lack of sufficient formal education, as is common in China among people born in the 1960s and 1970s (reflected in the age of most respondents, which was between 31 and 50), since formal admission to college through the open National College Entrance Examination was officially shut down in 1957, resuming only in 1977 after a two-decade interruption. . Additionally, networking and updating their business knowledge are some of the ways that Chinese small restaurant owners might reduce their fear of failure.

The findings of this study also provide some insights for investors who are interested in capitalizing on the Chinese people's increasing demand for quality restaurant food. Although well-established Western fast food restaurants brands such as KFC, Pizza Hut, and McDonald's have made ambitious growth plans in this market, their expansion limits are evident. In a country like China in which "eating" is considered the most important aspect of one's life, the restaurant industry is far from reaching its saturation, especially in the full-service casual dining segment. Quality casual dining restaurants like those in Western countries are hard to find in China, except in large cities.

Interested investors could approach this segment through direct investment and franchising.

Another investment opportunity is restaurant management education, which is severely lacking in China. Traditionally, education and training programs in China are oriented toward practical skills such as cooking and serving, but ignore the management part. As evidenced in the data collected for this study, a majority of the small restaurant owners had no formal training in restaurant operations and management. Private educational firms that provide business consulting to small businesses and management training and are rare in China.

5.3 Limitations

Although this study adds new and useful information to the scarce literature on hospitality and tourism entrepreneurship in developing economies and provides a foundation for cross-cultural and cross-disciplinary studies, it is also exploratory. We conclude that while the sample has a certain level of representativeness, there is as usual, need for caution when generalizing the results of this study. In addition, the sample in this study consisted only of small restaurants operating in urban areas; small restaurants in rural China were not covered. The ideal would be a study using random sampling, which may become feasible in the future when China's business structure and environment have grown more mature.

Two immediate studies that we plan will involve a survey of medium and large restaurants in China using the same survey instrument so that we can make comparisons among all levels of restaurant owners. Information regarding large restaurants, especially the 100 top restaurant companies in China, is relatively richer. Overall, since studies on

business owners or entrepreneurs in the hospitality and tourism industry in emerging economies like China's remain scarce, it is our hope that this study will promote greater attention to and discussion of this area.

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