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The internal factors influencing restaurant owners' growth decisions

Small and medium restaurants in Xiaogan

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ABSTRACT

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Catering industry in China is a traditional and generally upward industry; most restaurants are small entrepreneurial restaurants, and growth is a trend. Consequently, there is a need to research the factors of owners influencing the growth decisions, and this thesis will focus on the internal factors of small entrepreneurial restaurant owners.

The research method was interviews, five interviewees were chosen as samples, and the whole process was recorded by camera. D. J. Storey. *Factors Influencing Growth in Small Firms* (1994) was chosen as the main theory for analysis of the situations.

The results revealed that higher education, management experience, more than one founder, functional skills, as well as training have a positive influence on restaurant entrepreneurial owners to make growth decisions. By contrast, growth decisions are negatively influenced by old age, unemployment experience, prior self-employment, and prior business failure experience. Other factors mentioned in Storey's theory such as family history, social marginality, prior sector experience, and prior firm size experience does not show an obvious influence on entrepreneurs to make growth decisions.

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1 INTRODUCTION

The main motivation of writing this thesis is my aspiration of being an entrepreneur in catering industry in the future. Considering my family has run a small restaurant for over a decade, they have the original capital accumulation and experience from practice. As the second generation of them, continuing their business could be a choice.

In 2012, Chinese GDP was 6491.525 billion euro, it increased by 7.8%, on the basis of gross number, the catering industry achieved 203.1 billion euro, it increased by 13.6% (data from Ministry of Commerce). The income of the catering industry accounts for 3.1% of the whole GDP; which indicates the importance of the catering industry in China.

The number of small and medium restaurants accounts for 98% of the whole catering industry; the huge demand for catering and low requirements for setting up a small restaurant are the main reasons why numerous small and medium restaurants are existing. All the data mentioned above indicates that small and medium restaurants are closely bound up with daily life and business life.

The catering industry is a traditional industry in China; it is increasing by more than 10% every year, the situation hit the bottom in 2012 in the last ten years, except for 2003 which is due to the SARS disease. (Situation analysis of Chinese catering industry report, 2013)

On December 4, 2012, president Xi Jinping chaired the meeting, approved by the Political Bureau of the Central Committee on eight provisions to improve the style of work, and maintain close ties with the masses. (New China net) The provisions were affecting the catering industry to a huge extent, especially the high-class restaurants. The recent situation forces all the restaurants to take measures to survive and grow.

People who are interested in expanding a small restaurant in China could be readers. They can get the idea for what influences their growth decisions based on their own behaviors, and make the growth decisions in a rational way with an exact understanding of the internal factors.

The first three parts of this thesis contain introduction, definite relative conceptions, explain the theory, and then continue with the research methodology. The research method is interview. Within 5 interviewees participating, questions will be prepared beforehand, and an audio device will help to record the whole process. Moreover, the result of the research and discussion are stated detailedly in this part. Finally, the conclusion and the summary will be found.

The aim of this thesis is to find the internal factors that affect restaurant owners' growth decision, and to do a deep analysis of the factors.

Considering that about 98% of them are small and medium restaurants, this thesis focuses on these specific sections. This study will be limited so that the numbers of restaurants which are interviewed, the entrepreneurs have at least above two restaurants, and the profitability of restaurants in the past one year is commendable. Moreover, the type of restaurant is local traditional Chinese food, and the entrepreneur is local people. All the factors considered, Xiaogan will be the best choice. The city is also my home city. The external factors will be ignored in this study.

2 CONCEPTIONS

The aim of the thesis is to research what internal factors influence small and medium entrepreneurial restaurant owners to make growth decisions. For the people who already create a small or medium restaurant, his or her past experience, motivation, resource might become the factors which influence her or him to make the growth decisions.

2.1 Defining entrepreneur

An entrepreneur is a person who creates a new business in the face of risk and uncertainty for the purpose of achieving profit and growth by identifying opportunities and assembling the necessary resources to capitalize on them. (Thomas W. Zimmerer. 2002. p.4)

Bolton and Thompson (2000) have defined an entrepreneur as "a person who habitually creates and innovates to build something of recognized value around perceived opportunities".

2.2 Defining small and medium size restaurant

People's Republic of China

From 2011 June 18, the criterion of SME was set. In catering and hospitality industry:

- Micro-firm: up to ten employees or annual turnover of no more than 125,000 euro.
- Small firm: 10-100 employees and an annual turnover of over 125,000 euro.
- Medium firm: 100-300 employees and an annual turnover of more than 2.5 million euro. (The people's Republic of China SME Promotion Law)

The law gives the definition of SME in catering and hospitality industry based on the number of employees and turnover, however, I prefer the other definition to clarify small restaurant from the point view of operating area and the number of customer seat.

- Small restaurant: operating area more than 150 m², or the number of customer seats below 75.
- Medium restaurant: operating area is from 151 m² to 500 m², or the number of customer seats are from 76 to 250.
- Large restaurant: operating area is from 501 m² to 3000 m², or the number of customer seats are from 251 to 1000.
- Super large restaurant: operating area is more than 3001 m², or the number of customer seats are more than 1001.

According to this definition, if a restaurant belongs to the small restaurant group based on operating area, whereas it belongs to the medium restaurant group based on the number of customer seats, it belongs to the bigger group.

The above definitions are almost entirely quantitative, but there are some items definite the small enterprise from qualitative views. First, generally small businesses only serve local customers and have only a very limited market. Second, small businesses are only managed by their owners, one person or a group of people. Third, usually they are independent businesses, not parts of, or owned by, a large company. (Simon Bridge. p177)

2.3 Defining growth

Concerning the development and growth of a venture, Henry Mintzberg(1979) gives mainly four perspectives, the financial, the strategic, the structural, and the organizational.

Financial growth refers to increases in turnover; the cost and investment need to achieve turnover, and the resulting profit. It is also concerned with increases in assets, which indicates how much the venture owns, the value of the business, and what a potential buyer might be willing to pay for it. Financial analysis provides a context for understanding the financial growth and development of the venture. (Henry Mintzberg. 1979)

Strategic growth relates to changes that take place in the way in which the organization interacts with its environment as coherence, the possibility to take measures to exploit a presence in marketplace. It is the profile of opportunities which the venture exploits to create sustainable competitive advantages, using both tangible and intangible assets. (Henry Mintzberg. 1979)

Strategic growth brings cost advantage, knowledge advantage, relationship advantage, structure advantage. (Henry Mintzberg. 1979)

Structural growth relates to the change that takes place in internal systems, in particular, managerial roles and responsibilities. Reporting relationship, communication links and resource control system. (Henry Mintzberg. 1979)

Contingency theory offers a good approach to understand how the particular situation of an organization define its structure, there are five factors as following :the organization's size, the operational technology it uses to create value, the strategy it adopts ,the environment it is in, and the way power is utilized within. (Henry Mintzberg. 1979)

Organizational growth relates to changes in the organization's processes, culture and attitudes as it grows and develops. Entrepreneur's role and leadership style also change as a business moves from being a "small" to a "large "firm. (Henry Mintzberg. 1979)

When it comes to designing an organization to become a growing venture, contingencies theory gives a good approach to consider, the resource requirements

of the organization needed, and design its structure around them. The nature of the resources which are available to the entrepreneur in short are only three things: information from which an innovation can be developed, capital (money) for investment and people to make the venture happen. (Henry Mintzberg. 1979)

The four types of growth mentioned above are not independent of each other; they are just different facets of the same underlying process. The strategic growth must take centre stage, financial growth gives the resources to strategic growth, structural growth gets the assets accumulation from strategic growth and use of the assets to support organization growth, which can give direction to strategic growth, the financial growth will show the performance when there is a strategic growth. (Henry Mintzberg. 1979)

2.4 Defining internal factors

There are fifteen internal factors noticed by D.J. Storey's theory which was published in 1994, however, this theory focuses on internal factors influencing entrepreneurs to set up ventures. Therefore, traits, behavior and resources also need to be taken into consideration when listing the factors affecting entrepreneurs to make growth decisions.

2.4.1 Storey's theory

Storey set fifteen characteristics of the entrepreneur which are shown below and took evidence from eighteen studies to examine the relationship between the characteristics of the entrepreneur and his/her access to resources, which can in principle be identified prior to the start of business, and the ultimate success of the business in terms of its growth. (Storey.1994.p122)

The motivation factor in Storey's theory is expressed as the factor influencing the venture establishment, and relates that to whether the business grows or not. It chooses the simple way to distinguish the motivation into positive motivation and negative motivation, the hypothesis was that those individuals have a positive

motivation are more likely to have a new venture which subsequently grows better than that have a negative motivation. The desire to make more money and to catch the market opportunity for a product or service is included in positive motivation. Negative motivation includes unemployment or dissatisfaction with the existing employer, the pursuit to a satisfaction of 'lifestyle' and profit to business owner. (Storey.1994.p128)

A second aspect of motivation, a number of researchers have paid attention to this factor that the business established by unemployed individuals are not likely to grow rapidly than businesses established by employed workers. The reason why this happens may be the case is that the unemployed individuals have lower levels of skills than the employed individuals. They may also have lower aspirations for business growth than the individuals who move out of employments to become entrepreneurs. (Storey.1994.p128)

Two conflicting hypotheses can be shown with regard to the role of the education level of the entrepreneur in influencing business growth. One hypothesis assumes that education provides a basis for the intellectual development which business requires in growth and the higher levels of education provides the individuals with greater confidence and knowledge in dealing business stuff. Education is the key component of human capital for business success according to this hypothesis. The educated individuals have higher expectation than those who are less educated so they are less likely to be entrepreneurs unless the expecting earning will not be less than the salary obtained in alternative employments. Educated individuals are more likely to work in a form business which grows larger since the earning is likely to be broadly related to the firm size. (Storey.1994.p129)

The converse argument is that the entrepreneurship is an opportunity for the less academically successful to earn high incomes. It may even be that individuals with the highest academic attainment are likely to be insufficient challenged by many of the mundane duties associated with small and medium business ownership. (Storey.1994.p129)

In some cases a distinction is made only between graduates and non-graduates, whereas in other the distinction is made only between individuals with formal academic qualifications and those without. (Storey.1994.p129)

The hypothesis goes with that the individuals who have management experience - normally comes from previous jobs - are likely to form firms which grow faster than those who does not have. (Storey.1994.129-130)

A business might be owned by one individual or groups of individuals, each of the group members has part ownership if the business is owned by a group. Considering that the management of a business requires a range of skills, it is hypothesized that a business owned by more than a single person are more likely to grow than businesses owned by a single person. (Storey.1994.p130)

Similar arguments may be given for prior managerial experience; people who have prior self-employment experience are more likely to be associated with more rapid growth of the small firm. Since individuals who have previously owned a business will have gained valuable experience in the management of a smaller venture. It is hypothesized that those experience gain the abilities to overcome the problems more easily than who does not have met. (Storey.1994.130-131)

The converse hypothesis is that those individuals who have prior self-employment experience are likely to have unsuccessful business previously. If they are no longer run the business any more, may reflect a lack of managerial ability. Whether or not they have learnt from their previous mistake is an open question. (Storey.1994.130-131)

Another alternative explanation is that many of those with prior self-employment experience are 'opportunists'; they change their portfolio of business in response to perceived market opportunities. The portfolio itself could grow markedly even their business may not exhibit rapid growth. (Storey.1994.130-131)

Leach (1991) emphasized the importance of family businesses; the emphasis by Leach is upon businesses which are owned by a single family, and also upon problems associated with transferring the ownership of that business from one generation to the next. Bannock (1981) and Stanworth et al (1989) suggest that individuals whose parents were either self-employed or business owners are significantly more likely to become business owners themselves than a random sample of the population. The hypothesis can be like that these individuals are more likely to have a successful in the sense of owning fast-growing firms. The reasons might be as following, their family can help them to overcome business problem if they have business problems such as managerial problem or short-term financial problems. (Storey.1994.131-132)

For these reasons business growth is positively influenced by family in business, however, this hypothesis lack of frequency with which it is popularly asserted that this influence exists. (Storey.1994.131-132)

Stanworth and Curran (1976) define social marginality to be where there is a perceived incongruity between the individual's personal attributes - physical characteristics, intellectual make-up, and social behavior patterns – and the role(s) he /she holds in society. (Storey.1994.132-133)

About the social marginality, Jews give grounds that the business skills are developed and a culture at least partly in response to the discrimination which they have experienced in society. (Storey.1994.132-133)

The social marginality theory is difficult to test, and the findings are not consistent when it comes to particular racial groups. Therefore, more sophisticated tests are needed to be done. (Storey.1994.132-133)

The functional skills which the owners of small business bring to their firm are examined in two studies. Both indicate that individuals with background in marketing are likely to form business which experience more rapid growth than businesses founded by individuals with other functional skills. (Storey.1994.p133)

The training limited as the training in business management, Townroe and Mallalieu (1993) in a study of rural entrepreneurs in the United Kingdom, found that one quarter of business owners had attended some sort of training course in connection with the setting up of their business. The author recognized that this was an unusually high proportion of respondents, which they attributed at least in part to the high educational attainment levels of rural entrepreneurs and for female entrepreneurs. However, this factor only mentioned three of studies which in Storey's book show no identifiable relationship between training and business growth. (Storey.1994.p133)

Three hypotheses may be presented to explain the relationship between age of founder when the business is formed and business growth. The first is that only younger entrepreneurs will have energy and the commitment to work the long hours which generally are the necessary for a business to be successful; the older entrepreneur not only lack of physical energy but also have a more modest objectives or ambitions for the growth of the business. (Storey.1994.p134)

The second hypothesis argue that young entrepreneurs may have more energy but lack credibility, as well as business experience, and are more likely to be financially constrained in the market-place. Therefore, old entrepreneur are more likely to have growing business. (Storey.1994.p134)

The third hypothesis combine the two: it suggests the middle-aged entrepreneur is likely have the experience, the credibility, the energy and access to resources, and so is most likely to own a growing business. Both the younger and the older entrepreneur are least likely basing on the given reasons. (Storey.1994.p134)

While to test three hypotheses, there is no specified quadratic form for the age variable as compatible with three hypotheses in Storey's conclusion. (Storey.1994.p134)

In the business magazines, highly successful entrepreneurs are individuals who have previously failed in business; it is also asserted that the experience of

business failure constitutes a learning process for that individual. However, none of the studies in Storey's conclusion identify the impact of prior business failure whether or not has an influence on the growth of the firm. (Storey.1994.134-135)

Two contrasting hypotheses may be presented here, the first is that individuals who have worked in the same sector in which they establish their business will have developed their expertise and experience about the acceptable norms and practices in that sector and it is only once those are understood and implemented that significant business growth can be achieved. The converse argument is that for a business to grow, entrepreneurs need to provide new products and services, at least produce something new or novel to compete the previous or other similar companies. (Storey.1994.p135)

While in Storey's conclusion, there is no empirical evidence to prove that both hypotheses have some merit

When it comes to prior size, there are also two conflicting hypotheses presented here. The first is that individuals who formerly worked in a large firm are more likely to found a firm of their own which grows rapidly, the reasons for that might be their managerial skills are more appropriate to those of a larger firm, and large company are more likely to offer higher wage, entrepreneurs are willing to expect their firm to grow to a sufficient size to yield them a level of income which was comparable to that which they formerly earned. (Storey.1994.p136)

However, the converse argument is that individuals who leave a large corporation in order to establish their own business often do so because they dislike the characteristics of the large firms, for example, their formality, bureaucracy and lack of flexibility. Such individuals are unlikely to wish to establish a business which replicates these characteristics. (Storey.1994.p136)

In many senses these arguments regard the motivation which individual has in establishing a business in the first place. Nevertheless, they suggest conflicting

expectations of the impact which prior firm size has upon the growth rate of the entrepreneur's business. (Storey.1994.p136)

Much of the literatures focus on the real or imagined problems which female entrepreneurs experience in the market-place. These include commitments to children and to the family which prevent them from working the number of hours which may be necessary in order to develop a rapidly growing business. Lack of credibility with financial institution and personal confidence in business matters is also a limitation. (Storey.1994.136-137)

The conclusion drawn by Storey indicates that the gender of the entrepreneur is not a key influence on subsequent business performance.

2.4.2 Criticism

The entrepreneur part of Storey's theory will be chosen to analyze entrepreneur's internal factors, however, Simon Bridge (2008) thinks Storey's theory refers only to why the business was established- not motivation to grow. What's more, traits, behavior and resources are the aspects needs to be taken into consideration, these factors will influence the entrepreneur's ability to achieve growth, and aspiration to do so. Another characteristic of the entrepreneur that has also been studied is his or her willingness to accept external equity. (Simon Bridge. Ken O'Neil. Frank Martin. p268)

Business owners have a high degree of innovativeness, competitive aggressiveness, and autonomy report. (Utsch et al. 1999)

2.5 Motivation theory

Motivation is divided into two groups, one is intrinsic motivation, and the other is extrinsic motivation. Avi Kaplan (2010) expresses that intrinsic motivation refers to engagement in an activity with no reason other than the enjoyment and satisfaction of engagement itself. By comparison, extrinsic motivation refers to engagement that provides means to ends that go beyond the engagement itself.

The attainment of tangible rewards and intangible rewards might be the goal of extrinsically motivated engagement; intangible rewards such as social approval, a sense of worthiness, or even a sense of conscientiousness; or avoid punishments such as time-out, scolding, rejection or sense of low self-worth. (Avi Kaplan, 2010)

Csikzentmihalyi & Nakamura (1989) deems that human beings engage are most directly influenced by extrinsic rather than intrinsic motivation.

2.5.1 ERG theory

When it comes to motivation of an entrepreneur, analyzing the motivation from a view of hierarchy and growing way is another side to get border understanding of entrepreneur. Clayton P. Alderfer's ERG theory from 1969 condenses Maslow's five human needs into three categories: Existence, Relatedness, and Growth.

- 1 Existence: Relates to a person's physical needs such food, clothing, and shelter. The reason why an entrepreneur starts a restaurant might be to pursue the fulfillment of the physical needs, such as opening a restaurant can solve the employment problems for the people who do not have a job.
- 2 Relatedness: Relates to a person's interpersonal needs, encompasses social and external esteem; relationship with significant others like family, friends, co-workers and employers, in other words, it means to be recognized and feel secure as part of a group or family. Relatedness factors might be a motive to expand the restaurant business, feeling security and receiving the respect in society by reaching the standard set by society.
- 3 Growth: Relates to a person's needs of personal development; these impel a person to make creative or productive effects on himself and the environment. It is possible that restaurant entrepreneurs have a vision to create value to customers and entrepreneur themselves.

3 METHODOLOGY

Qualitative research is chosen as the method because of deeper understanding of the entrepreneur, another reasons are explained as following:

If using the quantitative method, a questionnaire is needed in order to get the results. However, it is hard to obtain the results through email since the entrepreneurs whose ages are over 40 years are unfamiliar with computers. Even if the entrepreneurs are familiar with computers, they lack motivation to open the link and finish the questionnaire. Consequently, the best way to obtain the results is though face to face communication, it costs time if doing the questionnaires face-to-face one by one. The traditional way to do questionnaire is using paper, to transfer the results into computer costs time, for this point lack of hi-tech device to record the questionnaire results is another restriction.

It is better to use the qualitative method to do the research in order to save time and get a deep understanding of the entrepreneurs. Interview is a more suitable way to communicate with interviewee; the interviewee finds it harder to refuse communication when talking with them face to face, because it looks impolite in our culture. In addition, the interviewees have more space to express what they think, and interviewer has an opportunity to ask if she or he wants to know more about a specific point. Consequently, interview is the method that is used in this study, and the interviewees are chosen based on the following factors:

- 1, the entrepreneur interviewed started his or her restaurant business from a small or medium restaurant.
- 2, the entrepreneur interviewed has more than one restaurant currently.
- 3, the restaurants owned or part of owned by entrepreneur interviewed are profitable in the past one year.
- 4, the entrepreneur interviewed is local people.

5, the interviewed restaurants operate local flavor food.

3.1 Implementation of the research

Due to the fact that most small restaurants do not have a website to introduce them and there is no third party to assess the quality of restaurant, on the basis of word of mouth, restaurant entrepreneurs were selected. After contacting these owners and making appointments, the first interviews started on 12th April 2014, and ended on 7th May 2014. The first four interviews were recorded by camera and the last one was interviewed by telephone because I was in Finland while the interviewee was in China.

The main points obtained in the interview were noted down in the document. After the first interview, the question list was revised slightly; interview skills are concluded and improved. The other three was completed in the next one week, and there is still one missing because of the interviewee's business trip, and it will be finished in a couple of days.

Five interviewees are selected, and four of them were interviewed by facing each other; the whole process was recorded by camera. The one remaining interviewee was interviewed by telephone because of his business trip. The prepared questions which are based on theories are concerning the interviewees' personal experience and the reasons affecting their decisions.

4 RESULT

The main factors which influence the restaurant owners will be presented in this chapter, and detailed discussion will be given the next chapter. All the factors are considered as the interviewees already have their own restaurants and think about growth decision; this is slightly different from the premises of Storey's theory which takes the reason why a business was established into the main consideration. Consequently, the key points are that the interviewees already have a restaurant, and what kind of factors and how these factors influence their decision.

4.1 Background

The age range is from 34 to 50 years old, three of them are about 42 years old, one is fifty years old, and the youngest one is 34 years old. All of them are middle-aged males. Two of them have middle school education background; two of them have high school background; one has a university certificate.

None of them has entrepreneurial parents, their parents are farmers, and the influences from family history are not significant. All of them comes from local or nearby city and have same ethnicity; social marginality does not show to be significant in influencing growth.

4.2 Motivation

Improving the family's living condition is the main motive which is mentioned by three of them, working as an employee is not enough to feed the whole family, based on the extrinsic and intrinsic motivation, this motive belongs to extrinsic motivation. Two of them expressed the intrinsic motivation, one focused on the market opportunity and thought it was worth trying; the other one wants to fulfill his ambition, using his own words: "there is no goal of expanding business, the opportunities were just coming, and I did it after evaluating that I can manage it."

Competitive aggression stands out as other motivations during the interviews, the influence of friends cannot be neglected, all of them mentioned what people

around them have done, and the friends who have better performance in business are the stimulation to their business growth. Especially, the friends who grew up with them when they were young; the interviewee regards these kind of friends as those who have the same family background and similar intelligence, the similar experience and background gave the confidence to the interviewee that if they try they can achieve such kind of performance.

Unemployment is a strong factor to push people to open a restaurant, however, it does not show the reason for restaurant growth. Only one interviewee opened a restaurant because of unemployment, because he does not have any specific skills to work in a company, and no certificate to work as an official. To have a restaurant is a way to employ himself and his wife. However, this couple have had a very good performance when they have one restaurant, the expansion is a result of passiveness which is the result of the fact that the previous house rent contract can not continued. The operation of the current two restaurants indicates that it is growing in organization and structure but the financial side does not grow. Therefore, the unemployment factor has a negative influence on the entrepreneur making a growth decision.

4.3 Prior experience

The results are divided into two groups, one group has work experience which is related to catering industry, and the other group is unrelated to catering industry. Three of them have relative work experience; their restaurants have a profitable income statement from the moment of view. For the other two entrepreneurs it was the first time to step into the catering industry, while they still work in this industry without previous relative work experience. One person in this group has the best performance among the five interviewees on account of ten restaurants he owns, the other interviewee is trapped in his rough growing period because he feels it difficult to operate the current two restaurants.

There is no clear relation between prior firm size/sector and the growth decision made, which means the prior firm size is the factor that an entrepreneur prefers to

grow and develop their own business into the same size or sector as the prior work. However, what was found is that interviewees have the confidence in managing the duties in the same way as the prior work sector or the prior firm size.

The work failure defined here is entrepreneurial business failures; it excludes the situation like being fired by an employer. Three of them have entrepreneurial failure experience, the other two interviewees does not have any entrepreneurial failure experience, moreover, they are growing faster than the three who has had business failure. These two interviewees are successful when they became entrepreneurs for the first time in the catering industry and continued with rapid growth, one opened his restaurant in 2006 and now he owns six restaurants, the other one started his business in 2009 and grew with a speed of two restaurants per year, ten restaurants have been opened until now. Therefore, business failure has a negative influence on making growth decisions.

Management experience can be discussed with previous work experience; two interviewees have no management experience, learning by doing was the main way in which they gained experience. Three other interviewees had management experience during their employment period. From the present performance of their restaurant, the interviewees who have management experience have a slightly better performance than the people who do not have.

When it comes to functional skills in operating a restaurant, it narrows to cooking skills and service skills, as well as human resources; purchasing materials skills are also an important function in a restaurant. Considering that service is not as important as cooking skills in a small city like Xiaogan, cooking skills are regarded as the main skill to take into account.

Two of the interviewees did not have any kind cooking skills before becoming an entrepreneur, these two play the extreme role in the five interviewees' business performance, one operates his business very well, and the other suffers a lot at the moment. The other three interviewees who have cooking skills demonstrate that it

helps a lot when establishing a restaurant, but it shows no obvious relation to growth.

None of them has had any management training before they established their restaurants. One interviewee joined an organization called Sibada to have training when he already had six restaurants, and he tries to learn from the courses provided by Sibada to overcome the expanding problems he has had.

4.4 Resource

Speaking of resources here, it narrows down to capital resources and human resources. All of them have capital resources based on the first restaurant's profitable condition, four of them have the human resources which represents that they have professionally skilled workers. A conclusion was drawn that the growth decision was positively influenced by abundant capital and human resources.

Three of them are the only founders of their restaurants, and two of them set up as couple restaurant which means that husband and wife work as employee and employer at the same time. One established the restaurant of his own with his colleague, the other one built the career with his siblings, and these two interviewees' restaurants grow obviously faster than other three interviewees' restaurant.

Four of them are willing to accept to external equity, one strongly rejects to external equity. One interviewee spoke highly of accepting equity and recommend "skills + capital" cooperating method which means the investor contributes skills and money to the restaurants ; only skills investment is allowed, but only capital investment is not permitted. In other words, they only find cooperators in the catering field; people who are skillful such as people being chefs for many years or other small restaurant owners who have unique dishes are welcomed to join in with money and skills, or only skills, what means that the cooperators need to work as employees. This interviewee's business has a relatively rapid growth.

Therefore, the result is that the people who have high willingness to accept external equity have positive influences on the growth decision.

5 DISCUSSIONS

According to the list of questions, each of the interviewees has his own communication style. Two interviewees answered directly, and one of them also gave the grounds and explanations for his answers, while the other tried to use simple and concise words to express his and his restaurant's opinions. By comparison, one interviewee tried to focus on talking about the future when I asked some questions about the past experience, in his opinion, "What decided the future of the restaurant is not the current operating situation but the foresight of the entrepreneur".

The interview methods were also refined and improved during the interviews, for instance, when it comes to the recent operating situation and the management of restaurant, if I asked questions like "what is your restaurant's profitability?" and "how does your restaurant's internal management system run?" the interviewees considered it could be sensitive and tried to skip these questions or used vague words. A useful communication skill concluded like that, when the interviewees talked about the details of his restaurants, the management methods or the human resource arrangement points were caught and it was detected, question like "does your wife control all the financial department?", the interviewee hesitated one or two seconds and answered "yes" or "no". Therefore, detailed and direct questions are the best way to get the results; of course a soft communicating atmosphere is also needed.

5.1 Age

The older the interviewee is, the lower motivation he has; Due to that there are only five samples, the results might lack accuracy. However, common sense believes that old people prefer to choose a steady lifestyle, and have a low risk tolerance.

In the interview, this point was also mentioned frequently, the oldest interviewee thinks that if he was twenty years younger, he would not make a decision like using his all capital to buy a shop estate. He would try to expand his horizon wider for instance by opening more restaurants, now he considers that if it failed, there would not be any time and energy to go through the entrepreneurial process again. Consequently, the old age is a limitation for restaurant owner to decide to grow.

5.2 Gender

According to empirical findings, more than 90% of all restaurant owners in Xiaogan are male, and all the interviewees in this interview were male. Therefore, this thesis regards that males are more active than females in the catering industry. The male owners' proportion of growth restaurants is great from the point of the numerous male owners in catering industry. There is an empirical observation of the Xiaogan catering industry.

The restaurants which have been established by a management team, or joined in a chain by capital injection, it has female as the owners in the market. The remaining small and medium restaurants, which grow through the owners saving all the resources such as capital and management experience to open more restaurants, males almost play the main role in the market.

In most areas of China including Xiaogan, the cultural view regards males as the main members of society working outside the home to feed the whole family, while females take the main responsibility for looking after children and old people in the family. Therefore, owning a restaurant and running it well is supposed to be a male duty.

Supposing that a small or medium restaurant is operated by a man and his wife, it is hard to judge whose contribution is bigger, nonetheless, the female is willing to leave the "manager" position to the male, which fulfills the man's self-respect. The deep reason for that might be that females and males are not equal in this

culture; females are regarded as the one who should support males to operate the business.

Normally, a small and medium sized restaurant is set up as a husband and wife owned restaurant, the man is learning cooking skills for several years, and his wife is a waitress. The small and medium sized restaurants' operation methods are that the couple is working as employees, they are controlling the restaurant and are saving personnel cost in that way.

As an employee, it is generally believed that the chef/male is having more contribution to the restaurant than waitress/female. The waitress occupies a high percentage of serving people in Xiaogan, comparing to males, females have a better communication talent; the relatively low salary has a low attraction to males, because males have the main responsibility and burden to feed the whole family. As a result, there are more waitresses in the serving area.

This point can be proved by the different salary level; the salary of a chef in Xiaogan is between 3,500 RMB and 5,500 RMB, while that of a waitress is between 1,600 RMB and 2,400 RMB. It is not hard to find that the chef plays a more important role in a restaurant. The reasons why salary is various are explained below:

- a. Chinese cooking method requires that the chef has a strong strength of arms to hold and work with a frying pot which diameter is 50cm and weighs 1kg to 4kg. Moreover, it is hard to see an air conditioner in a small and medium restaurant kitchen, working in kitchen during summer is a trial to the chef's physical health; this point give grounds to that the chef has a relatively high salary.
- b. The main attractions for a small or medium sized restaurant which aims at drawing more people to consume are tasty dishes; this factor highlights the importance of the chef's cooking skills. Besides, it is hard to

standardize the Chinese dishes' taste because of the cooking methods; this point emphasizes the importance of the chef's cooking skills.

- c. A restaurant can get profit from having a cheap price, it means the owner needs to cut personnel cost from waitress, in accordance with that, customers have a low requirement for service and the decorations if they pay a cheap price for the meal. These points weaken the quality and importance of service, as a matter of course the salary of the waitress is relatively low.

5.3 Education

When it comes to education in this sector, it is limited to studying in a class which has a certificate to prove, the experience learning as a fresher after a master chef in society which has no certificate, and that is regarded as a process of learning cooking skills rather than management skills.

According to the material obtained from the interviews, a university education background has a positive influence on the restaurant owner to have a growth decision. Supposing a university student has a relatively broad sight, since they learn and analyze business cases and get more theories from books. Business cases give abundant materials to show how ventures are set up, grow, what kind of barriers they meet, and what makes them succeed. Theory is concluded from many cases and from research. The study at a university can give a hint to learners and offers learning materials to students.

There was one interviewee who has a university study background and his restaurant is showing high speed growth, he set up his first restaurant in 2009 and it has grown by two restaurants per year, he had ten restaurants in May 2014, two interviewees who have a middle school certificate still try to study from books by themselves, for these two, the expansion is based more on intrinsic motivation.

As comparison, one interviewee who has the same education background but no additional training run his first restaurant very well, nonetheless, he and his wife were satisfied with that situation and have no more intrinsic motivation. The situation changed because the lease of the premises could not be extended, and this interviewee tried to open a new restaurant using cooperating with partner strategy.

From the current operating situation, this interviewee has more problems than other two interviewees mentioned above. First, he has no cooperation experience from before, now he has difficult in communicating and negotiating with his partner for their business issues. Second, he feels his management skills far less than needed when owe two restaurants instead of one. When he wholly-owned an independent restaurant, his wife was representing his family benefit and was fully responsible for purchasing raw materials and being a cashier, they did not need to record all the income and outcome; while the recent situation requires that he finds a fair and concise way to record the day-to-day account, and set rules for errors such as taking wrong cash.

Consequently, higher education means longer learning procedure which has a positive influence on making growth decisions.

5.3.1 Criticism

Speaking of education certificate, it is clear that the current situation is much different than before, the enrollment rate in 1978 is 6.8% since College Entrance Examination recovered from 1977, and the rate was 57% in 2008(China News). The increasing enrollment rate indicates that more and more people are accepted to receive education, on the other side of coin, it shows the value of college certificate is decreasing. And Chinese Education Department expands enrollment in recent years, it means the requirement is relatively lower than before, and the teacher resources and facility resources are lower than needed; the quality of teaching is decreasing and the value of college certificate is less than before as a

result of this policy. And the number of graduated students has risen in the recent thirty years.

As the college and university education background mentioned above, conclusions can not be drawn that as college or university education background have a positive effect to make a growth decisions.

5.4 Motivation

The results show that three of the interviewees have extrinsic motivation, two have intrinsic motivation. According to the current restaurant performance, it cannot be said say that the interviewees who have intrinsic motivation grow better than the ones with extrinsic motivation.

The extrinsic motivation like the pressure of making money to feed the family is the main motivation of establishing a restaurant and expanding a restaurant, when it comes to growing, there are two entrepreneurs who think about the team members, the followers who are working with them still need more space to realize their interpersonal need. The basic needs of life like food and clothes for people who have jobs in Xiaogan is not a problem, therefore, no matter whether establishing or expanding the restaurant business, relatedness motivations play the main role rather than the existence need that influence their decision.

5.4.1 Cultural psychology

The pressure comes from the family concept in China, the men always bear burden of feeding the family, on the other side of coin is that the ones who have families earn credit and trust in business life, the reasons for that might be a person who has a family are less likely to give up or quit her or his job suddenly and has a responsibility to struggle in, employer is a kind of like this two characteristics. Another reason for employer using this standard to judge is no reliable system to give a reference of a person's credibility.

It might seem that extrinsic motivation has more power to push people move on in the culture. It can be assumed that Chinese self-esteem is more likely to build on outside evaluation rather than acknowledge them from their inside, that is to say, how other appraise themselves is more important than their own criterion.

The appraisal way highlights the importance of relatedness needs, people in this culture feel secure as part of a group or family by achieving the public criterion, which simply explained as having a longevity and healthy life is the basic, buying a house and a car is a normal requirement for a man, having a company or business is worth being pursued. A higher rank of a cadre is the goal of a person worked in official apartment.

When the general and wide-accepted criterion was set, people compare the ability of earning and the rank of an official to gain the self-esteem, as a result of that, it is easy to find people comparing what kind of car they drive and how much he or she paid for a new house in daily conversation. That leads to the sense of competitive aggression is strong in nowadays.

Growth need mentioned in Clayton P. Alderfer's ERG theory is reflected on one interviewee. His own need was considered when he started his first restaurant, and then to fulfill the need of team members, now the quality of catering industry is what he thought, he wants to create higher quality products in the catering industry, so customers do not need to choose poor quality restaurants because no higher quality restaurants exist.

5.5 Family history

All five interviewees expressed that their parents are farmers; the parents do not have any entrepreneurial experience. The phenomenon may come from the way of choosing sample; the samples' age range is from 34 to 50 years old, that it means their parents' birth is year between 1940s and 1960s. The history of China in those times was the end of wars and a new China was built up, the entrepreneurial

activities regime at that time. Entrepreneurs came to the fore until the situation was changed in 1978.

The explanation of family history in Storey's theory is parents and sons and daughters, which leads to the results showed above, that is family history has no influence on their entrepreneurial behaviors or on growth decision. However, if extending the definition of family to have more generations and branches, the conclusion made before will be change based on the information recovered from interviewees.

One interviewee expressed that there is one ancestor who used to be the richest landlord in his area, and he believes the gene and his characteristic is aggressive, that kind of nature influences his growth decision, because he believes his career could be stronger and bigger. Another interviewee revealed that his uncle's help is the indispensable strength when he established his restaurant.

5.6 Number of founders

The result indicates that the restaurants started with founders that are more likely to expand their restaurants. It could be demonstrated from the number of restaruatns the interviewees own. Two of five interviewees have a rapid growth, one opened his restaurant with one of his colleague in 2006, they have six restaurants and more than forty members of management and technology department until now. The other opened his fisrt with his three siblings in 2009, it grows with a speed of two restaurants every year, ten restaurants he and his siblings owned right now.

The reasons why they grow faster might be that the founders also need more space to grow. The cooperators might hardly have absolutly the same opinions, the more restaurants he has, the more space to realize his measures he has. The good side of cooperating is that they can share the straegy and organization operating system, as well as other resources, which gives more advantages to growth and lower the

cost. When they are growing, the more management team members they need, the more space to grow they need, the virtuous circle run like this.

The vicious circle might not be put forward, there is one interviewee who expanded his restaurant by finding cooperators who already have a restaurant but with a unprofitable income. He joined in with the chefs team and brand. However, he regreted to find cooperators who do have experience in catering field, because of more burden and more barriers in running the restaurants and communicating with cooperators.

At last, the conclusion could be drawn that having founders when establishing restaurants is a stimulation for restaurant growth, while the unexperienced cooperators is a barrier to restaurants, and have a negative influence on the founder when he makes growth decisions later.

5.7 Unemployment

The result given above shows the negative influence on the growth decision, the reasons behind it might be lack of confidence due to previous unemployment. An example could be the interviewee who entered the catering industry as a result of unemployment. Even though he performed very well when he had one restaurant, he still did not choose to grow actively. Unemployment means that a person has no experience or insufficient experience in a field. This point weakens the confidence the interviewee has, and he was not sure the successful system could be implemented in another restaurant.

5.8 Social marginality

Social marginality is not a factor that affects entrepreneurs to make the growth decision. The social marginality concept is understood as a small group of people who have different and disagreeable idiosyncrasies. Storey's research tries to examine in-migrants or minority races that form businesses which grow more rapidly than those of the native population. Five interviewees come from different

districts, but all of them are administrated or governed by Xiaogan. Therefore, none of interviewees can be defined as social marginality. They came to Xiaogan to develop their business because Xiaogan has more opportunities compared to their home district.

If judging the interviewee from the personal idiosyncrasies view, there is no one who fits the social marginality concept. All the interviewees have acceptable physical characteristics, intellectual and social behaviour. The evidence comes from the content of conversation when other people discussing interviewees, any information beyond the perceived incongruity between the individual's personal attributes was not received.

Consequently, the social marginality factor has no influence on the entrepreneur to make growth decisions.

5.9 Training

Training is defined as management training before establishing enterprises. It is rare to find some institutions to provide management training before establishing ventures. Normally, they can learn management knowledge from books and the Internet; learning from other skillful people is a common way to get specific skills such as a method of cooking a dish; the way that entrepreneur can get management training before restaurant establishment is to join a chain restaurant, the branches can get training from the parent company.

The most impressive interviewee is the one who joined in an organization called Sibada, which aims at helping small and medium enterprise to get a better future, the method is to teach you how to behave and how to think and what to believe. I checked the opinions on internet; some people think they learned a lot in the organization, some people think it is a heresy because mind control and the extreme methods are used during the speeches.

The interviewee who joined Sibada has ten restaurants, and his business grows fastest among all the interviewees' restaurants. His management team members need to listen to the courses provided by Sibada, one clue provided by his team member can give a view of how Sibada is organizing their courses, the team members said they made a pledge to be honest to their companies, which shows Sibada training employees from affecting their way of thinking rather than specific management skills.

The observation is that the employees who experienced the courses and believe what was taught in Sibada have a better attitude and loyalty to their jobs, restaurants benefit from the training because of the improvement in the human resources. Consequently, a conclusion can be drawn that having training during the expansion stage can have a positive influence on the entrepreneur making growth decisions.

Another observation is that interviewees who the study by themselves have a positive influence on growth decisions; knowledge is the power that pushes them growing. Four of them have read books to broaden their views and train themselves; they have confidence in growth and a willingness to grow.

5.10 Management experience

The result shows that three of all have management experience before establishing their own restaurants. The one who do not have management experience have talent and patience in running restaurant, his first restaurant had not earned profit for eight years, but the situation started to change and the restaurant became profitable in the ninth year. The current two restaurants could be a challenge for this employee even though his first restaurant had a good operation. The reason might be lack of management experience when he has two totally new restaurants.

The other one who do not have restaurant management experience has ten restaurants and all of them have a profitable income statement at present. This

interviewee has management experience in medical beauty industry and a university education background, as well as a young age, which is 34 years.

The rest three interviewees take advantage of their restaurant management experience; the management experience makes contribution to their own restaurant management, what the most important is the human resources they got during the management experience, the colleagues they met in previous job might be employed by restaurant entrepreneurs. There are customer resources and work force resources accumulated in the experience, they get along with each other and are familiar with the others' characteristics and professional skills. This saves time and cost training for new work staff, and customers receive the similar food quality and taste because of the same chefs.

Consequently, restaurant management experience has a positive influence on restaurant owners' growth decisions.

5.11 Prior self-employment/ Prior business failure

Three of the interviewees have prior self-experience, the other two interviewees do not have. Two interviewees have self-employment in catering industry before establishing their own restaurants, the other have self-employment experience as raw materials supplier and in other industry such as iron-works. The other two interviewees who do not have prior self-employment experience but have a good operation of current restaurants because the success of first employment experience. In other words, they do not have a prior business failure experience. These two restaurant owners have the best and second performance among five interviewees' performance, one owns the ten restaurants, and the other one owns six restaurants.

The conclusion is made that prior self-employment experience and business failure have a negative influence on entrepreneurs. If the present restaurant career is not their first self-employment, it means the prior self-employment was a

failure. The failure might be a reason decreasing the confidence to make a growth decisions.

5.12 Prior sector experience/ Prior firm size experience

Three of them have prior sector experience, among the three interviewees; two have had head chef positions in their prior hotels sector, one interviewee was an entrepreneur immediately after finishing his studies. The other two interviewees do not have sector experience. Comparing their performance, there is no evidence to prove that the prior sector experience having influence on growth decisions.

Two of them have worked in the kitchen department which is in three stars hotel. However, they run their business as restaurant not hotel, there is a restaurant kitchen size which is similar to hotel kitchen size. The experience in hotel kitchen gives the confidence to employee to hold the similar size kitchen. However, only one sample is not sufficient to support a conclusion drawn that prior firm size experience has an obvious influence on growth decisions.

6 CRITICISM AND CONCLUSIONS

The number of the interviewees might be a limitation to get more reliable results, because of only five interviewees in the research. The way of finding the interviewees is based on word of mouth, I found a familiar restaurant owner that I know, then he introduced his friend to me, and his friend introduced the other friend of him to me. Some of them are friends, which might lead the results to be similar.

Fifteen factors were noticed in storey's theory and each of them was discussed point by point in previous chapter, and the another factors such as trait, behavior, and resource are talked in discussion chapter. Among all the factors, some factors outstand and show the significant influence on restaurant entrepreneurs' growth decisions.

The traits of person play a vital role in affecting a person to be an entrepreneur or not, boldness is the spirit which interviewee used it to describe him. Confidence was also mentioned when I asked what the reason is to stimulate you making growth decisions. What behind the confidence and boldness is the self-evaluation of interviewees, their opinions about what kind of size and scale restaurants he can manage are the determinate sensibility factors.

The resources are the most momentous elements if they are thinking in a rational way. Normally, the capital which was saved from the first restaurant is a prerequisite before another restaurants opening, and a trustable management team is the necessary human resources for a restaurant's operation. Working as an employee offers opportunities to learn and practice entrepreneurs' management skills and functional skills which provide skill resources to their own restaurants.

In my opinion, the main factors which affect restaurant entrepreneurs to make growth decisions are confidence and aspiration of entrepreneurs and what kind of resources they have. Resources such as capital resource, human resource and skill resource are the materials and conditions for growth decisions; confidence and

aspiration of entrepreneurs are the main internal factors of entrepreneurial restaurant owners to make growth decisions.

The more tips which learned from interviewees are the strategy of growth and the way of choosing cooperators, the most impressed thing is the background of cooperators, the skilled and experienced cooperators are the assistants to restaurant growth; the unskilled and irresponsible partners might decrease the effectiveness of cooperation and lower the motive of entrepreneurs to expand.

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APPEDICES

Question:

1. Age
2. Gender
3. Education background
4. When did you become an entrepreneur?
5. Why did you choose to be an entrepreneur?
6. What program did you choose when you first time to be an entrepreneur?
7. Do you have cooperators?
8. What the size of your firm?
9. How was the result?
10. What are the reasons leading to that kind of result?
11. When did you enter catering and open a restaurant?
12. What is the size of your restaurant?
13. How is the current operation now?
14. Have you ever consider about growth? And why?
15. Do you have management experience? And where did you get it?
16. Do your family members have entrepreneurial experience? Do they influence you?

17. Do your friends have entrepreneurial experience? Do they influence you?
18. Have you ever have entrepreneur training?
19. Do you satisfy with your work? What makes you satisfying?
20. Can you use some words to describe your characteristic?
21. What kind of resource do you have?
22. What is your attitude to external equity?