

Place, identity and resilience in Nordic tourism-SMEs

Markku Vieru, University of Lapland, FI

Svein Tvedt Johansen, Arctic University of Norway, NO

Lenita Hietanen, University of Lapland, FI

Ögmundur Haukur Knutsson, University of Akureyri, IS

Helgi Kristíinarnson Gestsson, University of Akureyri, IS

UArctic Congress, Oulu, FI Sep 3-7th 2018

Arctic region as a setting

- Arctic region is a special place for running a business
 - Rural businesses often constrained by limited internal resources
 - Rural locations outside major cities often mean greater fluctuation in demand
 - Yet important within their communities as a source of income and employment
 - Challenges that differ from metropolises
 - E.g. poor infrastructure, long distances, low population density
- Purpose: How do Northern rural tourism firms construe of and involve their neighboring communities in order to prosper and survive?

Background

- The relationship between firm and local communities has been under active research e.g. in strategic management
- Firm's embeddedness in local communities shape organizational behavior (Marquis & Battilana 2009)
- *"No one business or government establishment can operate in isolation"* (Gunn 1988:272)
- Institutional theory helps to unpack how and why local communities influence firms (e.g. Davis & Marquis, 2005; Scott, 2001)
 - geographic proximity and resources
 - institutional mechanisms (regulative, social-normative and cultural-cognitive) and relationships between them

Strategy and Flexibility

- Strategy formation is mutually shaped by environment, leadership and bureaucracy (Mintzberg 1978)
- Govindarajan (1986) argues that strategy is related to
 - Cognitive and management style
 - Firm-specific effects (industry, product, competition etc.)
 - Environmental uncertainty
- E.g. Evans (1991) and Hart (1937) have defined flexibility as a core principle of firm strategy
 - Can be understood as a firm's capacity for variability
 - Weick (1979): ambivalent nature of flexibility and stability
- Miles & Snow (1979): Prospector–defender –continuum
- Miller & Friesen (1982): innovations in conservative and entrepreneurial firms
- Gupta & Govindarajan (1984): Build and harvest strategy

Flexibility in organisation theory

- Usually focuses on individual, sub-unit, organisational adaptation to intra- and extra-organisational circumstances
- Strategic flexibility: higher speed and broader scope of possible actions and options (Evans 1991)
- Numerical flexibility: quick adjustments in staffing to absorb short term demand-fluctuations.
 - core-periphery model (Atkinson 1984)
 - largely based on transactional relationships with employees and service-providers (harvesting strategy)
- Functional flexibility – upgrade and broaden the use of existing resources and skills (building strategy)

A sense of place – enabling conditions

- A strong identification with a local community is influenced by a series of factors:
 - Geography (isolation, clearly demarcated lines, the existence of a clearly defined community)
 - A common history of managing and overcome crises
 - Can reinforce local ties
 - Successful handovers of ownership which ensure continuity with respect to management.

The notion of enactment

- SMEs enact their surroundings by initiating and developing relationships.
- A strong identification with a local community, motivate and energize a search for solutions.
- Success and victories reinforces a common identity, generating more social capital.
- However, a strong community-centred strategy may also lead to over-commitment and over-embeddedness

The case companies

- Interviews in Northern Norway
 - A family owned a sea-food (processig and products) firm on the island of Husøy in Lenvik (case Nor1)
 - A family farm (since the 1700s) turned restaurant/ hospitality firm based outside Harstad (Nor2)
- Interviews in Northern Iceland
 - Iceland's first micro-brewery in a small village with 200 inhabitants (case Ice1)
 - A combined fishery – tourism business based in a small community (Hauganes) north of Akureyri (Ice2)
- Interviews in Northern Finland
 - A restaurant in Kolari, at the feet of Yllästunturi Fell (Fin1)
 - Independent retailer in store chain at the small city of Kemijärvi located in South-Eastern part of Lapland (Fin2)

A family farm near Harstad, NO

- Family-run farm. In continuous operation since the 1700s.
- Concept borrowed from European farm-restaurants introduced in the 80s.
- A focus on private and corporate events involving food.
- Embeddedness with respect to the farm and family yet **limited embeddedness in the community..**
 - *“I am born and raised on this farm” and “...very attached to this place, perhaps too much”*
- Relies primarily on a tight nucleus of family members coupled with hired hands (on contracts). International chefs (long term contracts) and local help (on call).
 - *“Yes, there are many involved, yet we base the operation on a fairly low permanent staffing... to keep fixed costs down... and the rest of the staff are auxiliary and on call-help.”*

Case restaurant in Ylläs, FI

- Both owners (equal stake) have moved from Southern Finland 1980' to Lapland since good working possibilities.

"Lapland is full of resources..."

- The restaurant was established because in the words of the founder *"We believed in our own doing and in our own skills..."*
- About community relationships and strategy:
- *Question: What about relationships with authorities, municipality ...? How do you ...?" Reply [quickly]: No, it has not been. [no relations]*
- *"...Well, yes... More active can be..."*
- *"...but doing what we has been done before. That's what we always do..."*
- => high commitment to assets-in-place -business, relative **low embebbdness to community** and wider perspective

Case retailer in Kemijärvi, FI

- Owner-manager has lived all his life in Kemijärvi. His father has been retailer in the same address. His decision to continue after his father was clear:
 - *“I have had never thought to do something else...This is from a bloodline”*
 - *” ... if I'm not on the road, so ... yes I'm here from morning to night... ”*
 - *” ...Yes, the entrepreneur must be social, that's for sure”*
 - *“ ...Stakeholders' relation are very important... ”*
 - *” ... in addition of an entrepreneurial organization... you have to be okay with the municipality.... I know all political parties, municipal officials, and with all I discuss... ”*
 - *” ...I am once've had a lot of positions of trust. Now having much more age, so I have given them away.. ”*
 - *”At Helsinki meetings, yes, as a representative of Lapland, I thought of the whole Lapland”*

11 => **high embeddedness to community** (the city and Lapland)

A combined fishery – tour operator in Hauganes, IS

- The CEO and owner of the company is a third generation of bachalau producers. He has lived all his life in Hauganes.
- In 2016 expansion into restaurant and camping site
- *“...the pressure of being the near community’s biggest employer was great. “*
- *“These people are personal friends. There have been many sleepless nights due to operational worries wondering what to do”*
- *“Sometimes I don’t get much sleep worrying if I will have enough to pay out salaries”*
- *“I will not lay people off, I find something new to do instead, this is a pressure.”*
- *“No demands are (coming) from the people and the nearest community – (this is) just something I feel from within. I pay as well as possible – sometimes better than I should”.*

=> **high embebbdness to community** (the village)

Two community encounter strategies identified

The builder (a place- or community-centered strategy)

- A strong sense of local community with strong ties to other stakeholders.
- A common sense of being in this together
- Sometimes triggered by an external crisis or physical or geographic constraints (e.g. isolated location as on an island)
- Can be narrow («focused builder» or broad («broad builder»)

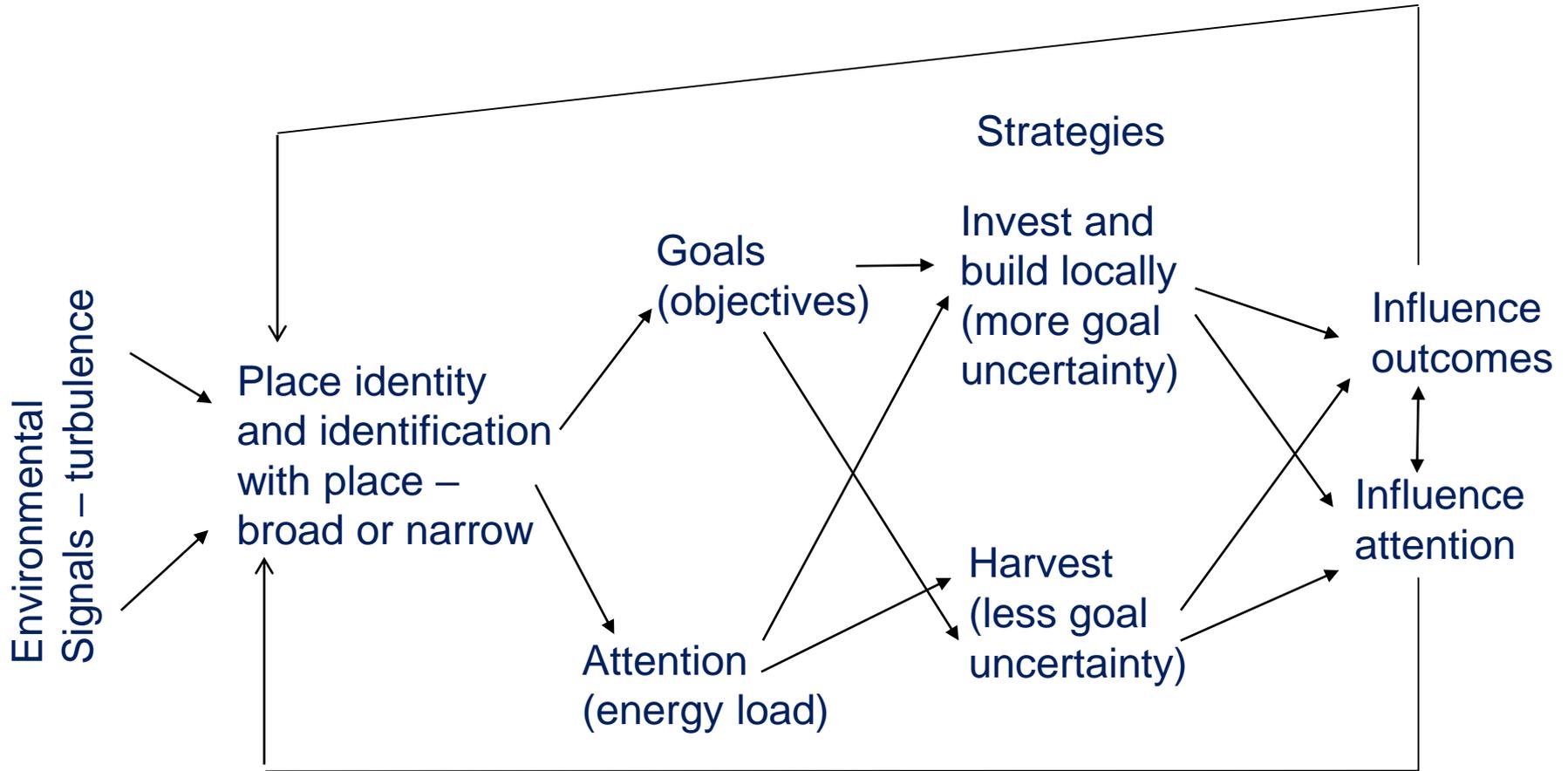
The harvester (a firm- and family-centered strategy)

- Focus on close family (nucleus) – a more transactional relationship to the surroundings. A varied set of ties (incl. international)

Two strategies and two trajectories

- Builder strategy
 - engender local support – develop place-oriented strategies
 - Invest in people, relationships and competence and develop functional flexibility
- Harvester strategy
 - A focus on transactional relationships and numerical flexibility hinder investments in functional flexibility.
 - Constrains growth (sale being another option) and often imposes a heavy burden on family-members

Tentative community-firm relationship model



The strengthening or weakening of communities..

Questions for further research

- When do the different strategies outperform the other one... (e.g. in rich environments, a harvester strategy may provide SMEs with more valuable options)?
- What are the dangers of embedded strategies (tunnel-vision, over-commitment, taken-for-granted behavior etc..)?
- How can firms better build and capitalize on local communities?
- What are the pre-conditions that enable firms and communities to develop a strong local identity and a sense of place?

Thank you!

Markku Vieru

<http://matkailu.luc.fi/Suomeksi/Esittely/Yhteystiedot/Vieru-Markku>

University of Lapland, Multidimensional Tourism Institute (MTI),
Rovaniemi, FI, phone: +358 400 377 641,
markku.vieru@ulapland.fi

