

# **Place, identity and resilience in Nordic tourism-SMEs**

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# 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»)

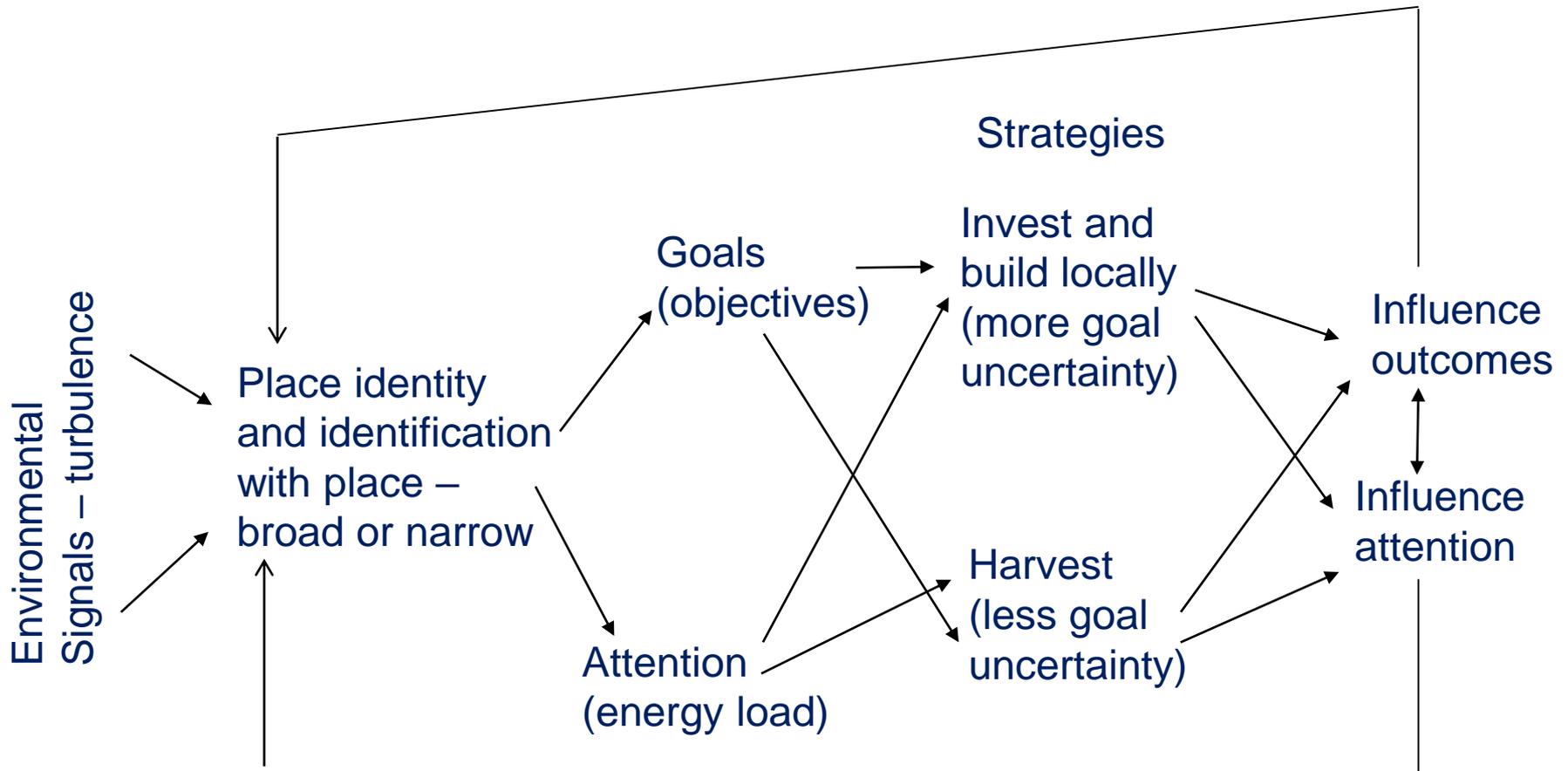
## The harvester (a firm- and family-centered strategy)

- 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!

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