

# “The life-cycle growth and development model and leadership model to analyzing tourism female businesses in Poland”

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## SECTION 3. General issues in management

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### The life-cycle growth and development model and leadership model to analyzing tourism female businesses in Poland

#### Abstract

This paper examines various factors influencing the performance and success of ten small tourism entrepreneurial businesses that operate within tourism industry in Poland. Factors considered are the impact of entrepreneurial orientation and leadership style on human capital and employees' involvement in firms' decision making, entrepreneurial orientation, investment level, and innovation. The results indicate that the success of entrepreneurial activities came from the use of specific leadership and entrepreneurial skills that led to innovation in generating services.

**Keywords:** tourism, growth, development, life cycle, entrepreneurship, leadership, innovation.

**JEL Classification:** P27, O1, L25, L26.

#### Introduction

The Polish economy was once dominated by heavy industry such as mining, steel, shipyards, and manufacturing, but these industries have vanished since the collapse of the Soviet regime. In response to the needs of economic transition, the European Union (EU) created numerous programs that focused on providing opportunities for entrepreneurial businesses in the Polish economy. These efforts were aided by a renewed appreciation of the Polish culture, folklore, history, art, and natural resources. From 1989 to 2007, the Polish economy grew 177 percent, outpacing its Central and Eastern European neighbors. In 1989, real GDP was about 92 billion of U.S. dollars and in 2007 reached a peak of 520 billion U.S. dollars ([www.tradingeconomics.com](http://www.tradingeconomics.com)). The Polish government has taken steps to promote economic growth by introducing legal reforms, lifting price controls, introducing and preserving of private property rights, liberalizing trade, and allowing Polish currency to be freely converted in financial markets. Poland joined the EU in 2004 and has become a place frequently visited by European tourists.

The global economic crisis had a profound impact on tourism. Although Poland was able to sustain GDP growth, unemployment increased, and the situation in public finance worsened. In response, Poland implemented a Keynesian stimulus approach that took effect at the start of financial crisis boost to domestic consumption in order to save domestic economy. As the crises arrived, tax cuts from 40 percent to 30 percent took effect, and Poland became the biggest beneficiary of EU's subsidies and stimulus packages. All across Poland, entrepreneurial

businesses continued to grow or develop as new infrastructure allowed Poland to reach Western European standards.

Much of Europe is still recovering from the financial crises, but Poland stands out as an example of economic success. In 2009, the GDP of the EU contracted by 4.5 percent, but the Polish economy grew by 1.6 percent. Poland's resiliency stems from the post-communist era when its leaders pushed the country through a set of painful but effective economic and political reforms. The growth and development of the entrepreneurial class carries implications for policy makers.

Tourism has been a major factor in the development of many enterprises and regions, and the Polish government took action to create conditions for further development of this sector. The National Strategy of Regional Development was adopted in 2010, defining the basis for the implementation of the new regional policy and introducing a new way of thinking about development and public intervention mechanisms. Assistance programs provided the tourism sector with special EU funds and attention from the Ministry of Sport and Tourism.

Tourism has contributed to the development of other sectors and industries and become a driving force for regional and local development and contributed to the development of entrepreneurship. The development of tourism in a region leads to an increase in demand for local products and an increase in the number of tourist facilities. Tourism generates revenues for regional and local budgets and affects job creation.

Poland is a country with a stable political system. Although the economy has slowed down recently, economic growth in relation to other European Union countries is strong. Specifically, the tourism and

hospitality sector among small family businesses continues creating jobs and contributing to economic growth in local markets. Tourism development has been facilitated by both multi-national corporations and locally owned and operated small enterprises. Capital-rich multinational corporations are the key players in the international tourism sector, but they have been criticized for generating minimal direct benefits to the local communities (Glancey and McQuaid, 2000).

There have been few studies examining female entrepreneurial firms, particularly those operating in the tourism industry of Central and Eastern Europe (Butler, 2001). A comprehensive and integrated examination of female entrepreneurs and their firms should provide insights that can be used to formulate public policy on entrepreneurial development. As both entrepreneurship and leadership have been recognized as important factors in the process of economic development, job creation, and poverty reduction, this study analyzes both transformational and transactional leadership styles to examine their effects on the level of innovation and success across various stages of business growth and development.

### 1. The life-cycle growth and development model and leadership model

Several models have been advanced that attempt to label and explain the various stages of development of small business firms (Cowan, 1990; Galbraith, 1982). Models of organizational life cycles and stages of development provide information on the types of problems encountered by firms over time and suggest that each stage of development is associated with a unique set of problems (Kazanjian, 1988; Kuratko and Hodgetts, 1989). The most widely supported model of life cycle growth and development was developed by Kazanjian (1988) and identifies four specific stages that entrepreneurial firms pass through (Table 1).

Table 1. Stages of growth and development of an entrepreneurial firm

| Stages of growth and development |           |
|----------------------------------|-----------|
| Conception and development stage | Stage I   |
| Commercialization stage          | Stage II  |
| Growth stage                     | Stage III |
| Stability stage                  | Stage IV  |

Entrepreneurial competence plays an important role in strategic management and is particularly important for a new venture. A firm's competence is understood in terms of how it matches the basic requirements for success in its industry environment and in terms of skills and capabilities relative to firm's competitors. The entrepreneurial skills that can be applied include financial, managerial, functional, and organizational

skills and are influenced by an entrepreneurial firm's reputation and history (Andrews, 1987). Distinctive competence arises from the strengths and weaknesses of the individuals in the firm, the degree to which an individual's capability is effectively applied to a common task, and coordination of a group task. In a wider definition of competence, Kay (1995) refers to four types of general competence that a firm may possess: architecture, reputation, innovation, and control of strategic assets (Table 2).

Table 2. Types of general competence that a firm may possess

| Type and characteristics  |
|---|
| <i>Architecture:</i> The venture must have the ability to create knowledge, respond to changing circumstances, foster easy and open exchanges of information within the firm and other groups of firms, know where critical interactions occur, and collect information about such interactions in a timely and cost-effective manner.  |
| <i>Reputation:</i> The positioning of the venture and its managers in external status hierarchies communicates information to customers and shareholders on quality, efficiency, dependability, and related performance attributes. Possession of a positive reputation serves to lower the search costs for customers, buyers, and suppliers and thus aids them in their decisions regarding doing business with the venture.                                      |
| <i>Innovation:</i> Innovations are resources which when skillfully developed and marketed can lead to strong advantages. The capabilities involved in bringing new innovations to market include limiting bureaucratic pressures during product development, providing a place within a firm where new products can mature without being stifled by standardized control systems, and creating channels through which innovations can be matched to customer needs. |
| <i>Control of strategic assets:</i> Skills at exploiting market situations that limit the extent of price competition, restrict entry or imitation, or raise the price of switching to substitute products can provide long-term advantages to the firms that possess them. Competence in controlling strategic assets enhances a firm's profitability.   |

A firm with limited competence lacks important contacts, credibility with buyers, and other industry-specific information and may have a greater possibility of failure (Bruderl and Schussler, 1990). This implies that industry-specific information is a significant determinant of venture survival (Bruderl et al., 1992). New entrepreneurial ventures appear to be enhanced by a management team with high levels of industry-related competence. Success is more likely to be achieved by those entering an industry in which they have prior experience and entrepreneurial and leadership competencies (Vesper, 1990; Chandler & Hanks, 1991).

The conceptual framework for identifying the determinants of entrepreneurial success in this study incorporated two determinants, innovation and leadership style, in order to collect information on how both practices affected the success of small female businesses within the Polish tourism industry. This approach is supported by a model developed by Damanpour (1991) that includes (1) *new product/service*: introducing new products/services, improving quality of existing products/services, and

repackaging existing products/services; (2) *new process*: adopting new production methods, using new technology in the production process, and acquiring new production skill; (3) *new supply*: using new raw materials/supplies and changing suppliers; (4) *new market*: changing price structures, penetrating new market segments, relocating, and developing new promotional strategies; and (5) *new administrative process*: restructuring departments or functions, using flexible operating hours, and adopting new communication methods. The authors added a sixth element, *innovative practice*, consisting of organizational innovation represented by changes in the structure and processes of an organization due to implementation of new managerial practices and leadership styles.

Researchers also have found leadership, the process of influencing and directing people to attain organizational goals, as one of the most important factors affecting organizational innovation and firm's performance (Jung, 2001). Some studies argue that all the types of leadership styles can be the key for making a change and create innovation (Jung and Wu, 2004; Lee and Chang, 2006) and achieve a higher productivity and performance (Atwater, 2004), a higher level of organizational culture (Ahmed, 1998), and a higher level of emotional intelligence (Gardner and Stough, 2002). Transformational leadership has been described as a process of influencing followers and improving their devotion, loyalty, excitement, and enthusiasm, and it is considered to be an important source for the development of radical entrepreneurial approaches. Transactional leadership involves an exchange process between leaders and followers and uses monitoring behavior and controlling others to ensure that the workplace is stable and procedures are followed (Bass, 1985). It is sometimes referred to as authoritative leadership and involves a preoccupation with power and position and a need to get the job done. This leadership style involves a work for reward attitude with an emphasis on good performance and productivity and focuses on clarifying the responsibilities of subordinates and responding to how well subordinates execute those responsibilities (Lowe and Kroeck, 1996).

This paper focuses on two main types of leadership styles, transformational leadership and transactional leadership. These dimensions of leadership serve as the foundation for a model of effective leadership and the impact of leadership on the innovation process. Following Bass' (1985) model of transformational leadership, this paper considers four forms of transformational leadership style: (1) idealized influence, (2) inspirational motivation, (3) intellectual stimulation, and (4) individualized consideration.

## 2. Business characteristics and environment

Entrepreneurial firms within the tourism industry had developed in many areas of Poland prior to the collapse of the Soviet regime. The most common tourist activities are related to national parks and nature experiences and other outdoor, country, and farm oriented activities as well as arts festivals, cultural events, and art galleries. The entrepreneurs in these businesses were able to increase productivity and competitiveness primarily in domestic markets that contributed to regional economic growth particularly in the 1990s and then during the financial crisis of 2005. The businesses included in this study are not young; the average length of activity is about twenty five years in operation. The sizes of businesses are relatively small with staffing of between 10 and 30 employees.

Successful small tourism and hospitality businesses are typically those that developed a strong competitive advantage by focusing on a particular product or niche market rather than by diversifying services. Offering higher quality services and products has been the key to the business included in this study. The tourism businesses in Poland have been perceived to be oriented towards more tourists who are better educated, more culturally aware, better attuned to the natural environment, and more active and health conscious. These social trends have generated new demand patterns for travel and tourism and changing product needs during late 1990s and later in the 2000s.

The decision to set up a business was based on a variety of reasons such as a better way of life, a recognized market opportunity, the desire for independence, supplementing family income, and elimination of unemployment. Related studies of small and family-based businesses operating within tourism industry have highlighted similar results stressing that strong motivational elements associated with lifestyle and family-related goals contributed to the firm's success (Getz and Carlsen, 2000). The overall education level of the entrepreneurs has been above the national average as all respondents had graduated from college with graduate degrees other than a MBA degree.

**2.1. Innovation strategies.** All respondents stated that finding a new and unique product or service that is based on unique Polish cultural, traditional, or natural resources was a driving force for success. Most of the respondents started their businesses from scratch in a product, service, or market niche. All respondents were confident about their business direction, and their success was achieved after they introduced some degree of innovation in strategy or developed the product or service that was innovative



and new to the local economy. They stated that finding an innovative product or marketing practices made their businesses successful during financial crises. The country's natural resource base, socio-

cultural and traditional, and ecological characteristics have produced a positive impact on female involvement and ownership. Examples of innovation exercised by respondents are summarized in Table 3.

Table 3. Examples of innovation strategies

| Name of business                   | Selected examples of innovation strategies  |
|------------------------------------|---|
| Art gallery and studio             | <i>new service</i> : folklore art and graphics designer classes; <i>new market</i> : international clients; <i>new marketing method</i> : via Internet and new artistically made graphic brochures, national radio advertising, and programs; and <i>new organizational culture and climate</i>   |
| Beauty salon and wellness spa      | <i>new product</i> : organic and natural beauty products; <i>new service</i> : sauna, massage sessions, folk dance sessions, and yoga classes; <i>new supply</i> : natural cosmetic products; <i>new market</i> : national and international via webpage and local/regional radio; and <i>new administrative process</i> : marketing through Internet   |
| Agro-tourism bed and breakfast     | <i>new product</i> : folklore and art displays, old Polish cuisine, and home-made beer and nonalcoholic beverages; <i>new service</i> : mushroom and berry picking; <i>new supply</i> : organic produce and natural products; <i>new market</i> : joining the national and international network for bed and breakfast services; and <i>new organizational culture and climate</i>  |
| The farm and guesthouse            | <i>new service</i> : horseback riding and traditional cooking classes; <i>new strategy</i> : new organizational culture and climate, accepting creative and innovative thinking and decision making from employees, new marketing via Internet, and incorporating local cultural events with marketing strategy; <i>new market</i> : Western European market; and <i>new organizational culture and climate</i>   |
| The health and spa guesthouse      | <i>new service</i> : home cooking, organic food and ingredients, yoga and low impact aerobics classes for elderly customers, and Polish language lessons; <i>new strategy</i> : welcoming guests with a pamphlet of home cooking recipes and local traditions and a schedule of annual folk events; <i>new market</i> : elderly clients of Polish Polonia from Canada and the US; <i>new administrative process</i> ; and <i>new organizational culture and climate</i>   |
| Horseback riding farm              | <i>new strategy</i> : creative and innovative thinking and decision making; and <i>new market</i> : handicapped children and adults and special strengthening exercises for the handicapped   |
| The café shop                      | <i>new product</i> : traditional bakery products and other organic foods and drinks; <i>new service</i> : Bingo sessions, cooking and baking lessons, and making home-made jams and marmalades lessons; <i>new strategy</i> : marketing with the Internet, use the folk music as a background to attract tourist customers, staff wearing folk costumes and clothes, and traditional decor in the Café shop; <i>new process of production</i> : introduction of an old style oven; <i>new supply</i> : organic products; <i>new market</i> : shipping bakery products nationally; and <i>new organizational culture and climate</i> |
| Cosmetic, dental, plastic surgery  | <i>new product</i> : new dentures and zircon implants; <i>new supply</i> : permanent hair removal and elimination of scars and tattoos, hair restoration, and laser face treatments and wrinkle removal; <i>new market</i> : new clients from the Western Europe, the US, and Canada; and <i>new administrative process</i> : new marketing and advertising methods, internet advertising, joining international dental network   |
| Horseback riding in the wilderness | <i>new market</i> : fox chasing, horseback hunting, and old style carriage rides for children and elderly; and <i>new organizational culture and climate</i>  |
| The pottery house                  | <i>new product</i> : new ceramic patterns based on folklore and old Polish designs and motives; <i>new service</i> : relaxation and yoga sessions, pottery sessions for elderly and travel groups and local elementary school students, and guitar lessons; <i>new strategy</i> : allowing employees to make decisions on product and lesson selection, remodeling the location with new accents on folklore, heritage, history, and traditional art, and the use of Polish folklore and traditional music; <i>new supply</i> : use of organic materials; and <i>new organizational culture and climate</i>                         |

The conceptual product, service, and business ideas for most entrepreneurs demonstrate a high degree of innovative and original thinking. According to the respondents, their success came from their abilities to recognize and utilize the best market conditions and socio-cultural elements. With the unique characteristics of their services or products provided to their clients, all respondents were able to develop their businesses quickly throughout the various stages of business cycle growth and development. Table 4 illustrates the importance of innovation strategies

across the four stages of growth and development. The results suggest innovation played an important role in later stages of firms' development. During the development stage, firms were not concerned about innovation within their strategies and products or services, but the importance of innovation increased as businesses grew larger, stayed in business longer, and faced more competition in local markets. In order to stay competitive all nine firms had to use innovation strategies to outcompete other businesses and continue serving their clients.

Table 4. Importance of innovation strategies across four stages of growth and development

| Name of business               | Leadership style and the stage growth and development |                   |        |           |
|--------------------------------|---|-------------------|--------|-----------|
| Stages                         | Development   | Commercialization | Growth | Stability |
| Art gallery and studio         | No  | No                | Yes    | Yes       |
| Beauty salon and wellness spa  | No  | Yes               | Yes    | Yes       |
| Agro-tourism bed and breakfast | No  | Yes               | Yes    | Yes       |

Table 4 (cont.). Importance of innovation strategies across four stages of growth and development

| Name of business                   | Leadership style and the stage growth and development |                   |        |           |
|------------------------------------|---|-------------------|--------|-----------|
| Stages                             | Development   | Commercialization | Growth | Stability |
| The farm and guesthouse            | No  | Yes               | Yes    | Yes       |
| The health and spa guesthouse      | No  | Yes               | Yes    | Yes       |
| Horseback riding farm              | No  | Yes               | Yes    | Yes       |
| The café shop                      | No  | No                | Yes    | Yes       |
| Cosmetic, dental, plastic surgery  | No  | Yes               | Yes    | -         |
| Horseback riding in the wilderness | No  | No                | Yes    | Yes       |
| The pottery house                  | No  | Yes               | Yes    | Yes       |

Success also came from an organizational culture and climate as well as from an optimal use of environmental resources, maintaining essential ecological processes, and helping to conserve natural resources and biodiversity. The new business strategies utilized by respondents included a climate of respect for the socio-cultural authenticity of host communities, conserving established and living cultural heritage and traditional values, and contributing to inter-cultural understanding and tolerance. This helped ensure viable, long-term economic operations and provided benefits to local communities including stable employment, income opportunities, social services, and contributing to an improved standard of living.

**2.2. Leadership competences and strategies in the business cycle.** The findings demonstrate that the female entrepreneurs included in this study displayed transformational and transactional leadership practices or strategies that allowed employees to share and contribute to decision-making of the business in support of the mission and vision of the firm. The respondents avoided the use power or authority, but they strongly focused on personal characteristics such as charisma, interpersonal skills, and personal contacts. Charismatic personalities made the female leaders become role models who were respected and followed by their employees. The respondents were, they did not use a hierarchical social order. Their relationships were based on mutual trust and respect and making sure that all employees felt like respected members of the family. They also let their employees use personal initiative in decision-making and in seeking solutions to problems. Respondents recognized that the success of their business operations came from an element of caring leadership practices together with participative involvement of employees.

Most of the respondents believed that their workers accepted them as their leaders and mentors because of these charismatic and democratic personal traits. They thought they were highly motivated and self-confident in their leadership styles which assisted them with influencing their inspirational and motiva-

tional characteristic on employees' performance. Job satisfaction was present in all businesses. It was a positive emotional feeling created through transformational leadership. They encouraged and motivated their followers to have creative ideas and gave rewards if employees are performed well and helped increase in revenues and the number of clients. This unique organizational culture had a positive effect on leader performance and contributed to human resource development, employee satisfaction, more efficient communication, and better cooperation.

Examples of all four strategies of transformational leadership are summarized in Table 5. Each female entrepreneur stated that she effectively communicated the projected plans of the firm to her employees and established interpersonal relationships with the workers.

Table 5. Examples of transformational leadership strategies

| Name of business                   | Transformational leadership strategies  |
|------------------------------------|---|
| Art gallery and studio             | idealized influence, inspirational motivation, intellectual stimulation, individual consideration |
| Beauty salon and wellness spa      | idealized influence, individual consideration   |
| Agro-tourism bed and breakfast     | idealized influence, inspirational motivation, individual consideration                           |
| The farm and guesthouse            | idealized influence, inspirational motivation, individual consideration                           |
| The health and spa guesthouse      | idealized influence, inspirational motivation, individual consideration                           |
| Horseback riding farm              | idealized influence, inspirational motivation, individual consideration                           |
| The café shop                      | idealized influence, inspirational motivation, individual consideration                           |
| Cosmetic, dental, plastic surgery  | idealized influence, individual consideration   |
| Horseback riding in the wilderness | inspirational motivation, individual consideration  |
| The pottery house                  | idealized influence, inspirational motivation, intellectual stimulation, individual consideration |

*Idealized influence* was the most important characteristic of transformational leadership. They all were able to meet the needs of their employees and the needs of their clients before their own personal needs, avoid the use of power for personal gain, demonstrate high moral standards, and set challenging goals. The

*inspirational motivation* strategy exercised by eight of the ten respondents was achieved by motivating and inspiring the employees, displaying enthusiasm and optimism, involving the employees in decision making, communicating high expectations, and demonstrating commitment to the shared goals. All respondents expressed that they motivated their workers to be fully committed to the vision of their business organizations. The *intellectual stimulation* strategy was evident by the consistent commitment and effort to stimulate their employees to be innovative and creative. All respondents promoted critical thinking and problem solving to make the organization better, more efficient, and competitive. *Individual consideration* was demonstrated by the respondents' consistent effort to treat each individual employee as a special person and act as a coach and mentor who continually attempted to develop the followers' potentials.

All ten respondents were also aware that *individual consideration* is critical for the firm's profitability. The use of intellectual stimulation through *individual consideration* encouraged employees to reach the goals and consequently helped the organization to become competitive. These results are consistent with the elements of transformational leadership described in the leadership literature. Jung and Wu (2004) and

Jung (2001) that suggested that transformational leadership was associated with innovation at the organizational level and due to creating an environment that facilitates follower innovation.

Some female entrepreneurs stated that they supervised their employees and clarified tasks to be performed, supporting the notion that while female entrepreneurs often exhibit transformational leadership qualities, they can be transactional leaders when necessary. By providing their employees with strict restrictions, some authoritarian approach, and clear expectations, they were more oriented towards a male style of leadership. This result is supported by Northouse (2007) who argues that women are becoming increasingly more self-confident, aggressive, and masculine in their leadership approach, without losing some feminine qualities. As effective leaders they all were production focused and driven to achieve successful results by transformational leadership and gaining cooperation from their workers and building relationships based on mutual respect.

The female entrepreneurs involved in the study stated that transactional leadership assisted them to become successful especially during the Development and Commercialization Stages (Table 6). Transformational leadership played an important role in both the Growth and Stability Stages.

Table 6. Importance of transformational and transactional leadership styles across the four stages of growth and development

| Name of business                   | Leadership style and the stage growth and development |                                   |                                   |                                   |
|------------------------------------|---|-----------------------------------|-----------------------------------|-----------------------------------|
| Stages                             | Development   | Commercialization                 | Growth                            | Stability                         |
| Art gallery and studio             | Transactional   | Transactional                     | Transactional<br>Transformational | Transactional<br>Transformational |
| Beauty salon and wellness spa      | Transactional   | Transactional<br>Transformational | Transactional<br>Transformational | Transactional<br>Transformational |
| Agro-tourism bed and breakfast     | Transactional<br>Transformational                     | Transactional<br>Transformational | Transactional<br>Transformational | Transactional<br>Transformational |
| The farm and guesthouse            | Transactional<br>Transformational                     | Transactional<br>Transformational | Transactional<br>Transformational | Transactional<br>Transformational |
| The health and spa guesthouse      | Transactional   | Transactional<br>Transformational | Transactional<br>Transformational | Transactional<br>Transformational |
| Horseback riding farm              | Transactional   | Transactional                     | Transactional<br>Transformational | Transactional<br>Transformational |
| The café shop                      | Transactional   | Transactional                     | Transactional<br>Transformational | Transactional<br>Transformational |
| Cosmetic, dental, plastic surgery  | Transactional   | Transactional                     | Transactional                     | Transactional<br>Transformational |
| Horseback riding in the wilderness | Transactional   | Transactional<br>Transformational | Transactional<br>Transformational | Transactional<br>Transformational |
| The pottery house                  | Transactional   | Transactional<br>Transformational | Transactional<br>Transformational | Transactional<br>Transformational |

**2.3. Entrepreneurial competencies and strategies in the business cycle.** The success of these businesses in an inadequate economic and financial environment

indicates that there must be some competencies working in the background. Table 7 summarizes the competencies reported by the respondents.

Table 7. Occurrence of competencies expressed as necessary for success across the four stages of growth and development

| Type of competency          | Number of occurrences according to the stage of firm's development |                   |        |           |
|-----------------------------|--|-------------------|--------|-----------|
|                             | Development  | Commercialization | Growth | Stability |
| Architecture                | 10   | 10                | 10     | 5         |
| Reputation                  | 5  | 5                 | 10     | 9         |
| Innovation                  | 10   | 10                | 10     | 9         |
| Control of strategic assets | 7  | 9                 | 4      | 5         |
| Leadership                  | 7  | 8                 | 10     | 9         |

Architecture plays an important role as an entrepreneurial competency. It involves the skills of knowing where critical interactions occur for a business to become and stay competitive and collecting information about such interactions in the most timely and cost-effective manner. This competency played a very important role among all respondents in the first three stages. The majority of the respondents stated that they were able to respond to changing and developing market conditions and to foster easy and open exchanges of information within the firm and other groups of locally operating firms and to focus on critical tasks and efforts related to market interactions. They also were able to observe the dynamics of the markets and the demands of their clients and collect information about such interactions.

Reputation played an important role in the later stages of the firm's growth and development. A positive reputation lowers the search costs of customers, buyers, and suppliers and aids businesses in their decisions regarding business direction, innovation, investment, and marketing decisions. Because it takes time to develop a reputation, all respondents stated that their business reputation can be considered a source of sustainable competitive advantage in a difficult environment.

Innovation was a key element of the entrepreneurial competency at all stages. All respondents were

oriented towards innovative strategies, products, and services since they were all low in key resources such as financial, technical, and social capital. Respondents stated that the resources that a start-up family business has at its disposal must be sufficient to pioneer the market and create a competitive product or service by using all available.

The control of strategic assets was considered more important at the earlier stages of growth and development. Skills developed in exploiting market situations and decreasing the costs of switching to substitute products or services provided long-term advantages. All respondents stated that leadership is critical in Growth and Stability Stages. The specific competencies that are necessary for success varied. A family business can be successful with largely industry-specific competencies at the time of initial entry but would require leadership and organizational and marketing capabilities to grow and prosper.

Respondents were asked to identify important economic concerns regarding running their family businesses at various stages of their growth and development. They were asked to comment on the stages they have reached, but answers were not expected on stages that they had not obtained. Table 8 presents the occurrence of the problems encountered at the four different stages of family business development.

Table 8. Important concerns while running the family business across the four stages of growth and development

| Concern                 | Number of occurrences according to the stage of firm's development |                   |        |           |
|-------------------------|--|-------------------|--------|-----------|
|                         | Development  | Commercialization | Growth | Stability |
| Domestic competition    | 0  | 2                 | 4      | 5         |
| Foreign competition     | 0  | 2                 | 3      | 7         |
| Growth of economy       | 5  | 7                 | 7      | 8         |
| Regulatory environment  | 1  | 3                 | 6      | 6         |
| National or local taxes | 5  | 7                 | 9      | 9         |
| Financial assistance    | 10   | 10                | 10     | 2         |

The majority of problems did not occur during the first Development Stage. The majority of firms managed not only to survive but also to increase their business activities during all stages of their operations. More problems were faced during the third and fourth stages of operation. The identified problems were related to

the economic downturn of the Polish economy during and after the financial crises. The respondents repeatedly expressed that the greatest hurdles to the economic growth of their businesses were related to lack of access to financial assistance and the high level of taxes across all stages of growth and development.



Financial problems did not curtail development and growth. The firms all survived the most recent crisis because they realized that the product and service strategy and its quality provided were of paramount importance. They also concentrated on providing products and services with cost advantages, and the reduction in costs was achieved by taking advantage of natural resources as well as cultural and historical elements of Polish society. The successful businesses became more market oriented, willing to seek out customers and delivering a high-quality products and services.

### Policy implications and conclusions

The private sector in the tourism industry in Poland has created economic growth during difficult economic and financial times, but these entrepreneurial businesses have faced difficulties. Environmental pressures have altered the basic nature of their businesses bringing an increase in quality and concentration to their services and products. Successful entrepreneurs focused on a particular product or niche market and developed a strong competitive advantage. The chances of a small family business firm's survival and growth at different stages of development were related to the numbers and types of barriers to operation they encountered.

There is a positive correlation between transformational leadership with organizational innovation thus arguing that transformational leadership style is necessary in the relationship between manager and employees. These results were supported by Sarros et al. (2008). Respondents were able to inspire and motivate their employees to perform and identify with organizational objectives, goals and interests. As a result, the employees felt engaged, content, and personally rewarded, and outcomes such as work gratification, satisfaction, and extra effort were enhanced. As transformational leaders they were able to exercise strong influence on their workers by giving them individualized attention, discussing possibilities for the future, and acting with self-sacrifice and increasing employees' fulfillment, satisfaction, and motivation enhancing organizational effectiveness and performance. These results support studies of Ogbonna and Harris (2004) and Yang (2008).

Based on the results presented in this paper, it can be concluded that specific policy measures are needed to promote business growth and development. Innovation requires a clear vision or idea of what an entrepreneurial firm wants to achieve, and a safe

entrepreneurial climate allows a business to propose ideas and policies that support innovation and attract customers. It is important that local authorities pursue economic and tax incentive policies to improve and promote the creation of the necessary economic conditions to support the growth of already operating firms and encourage a development of new entrepreneurial activities. Local and regional governments need to promote the conditions that will encourage private investors to consider tourism development as an attractive investment opportunity.

The results also indicate that entrepreneurial development and small business growth is still hindered by relatively high level of taxation and the unavailability of low-cost financing for small business. Government policies should be enacted to improve these conditions. Planning and implementation of such measures are the responsibility of local and regional government. Those strategic challenges of the regional policy included have been developed and included in Regional Policy in Poland (2011). Some of the strategies that have been proposed to: (1) better use of the potential of important urban areas to generate growth and employment and to stimulate the development of the remaining areas; (2) increase the potential to create, diffuse, and absorb innovations; (3) prevent negative demographic trends and a more complete use of workforce resources; (4) use cultural and tourist potential for regional development; (5) protect environment resources; (6) improve the quality of workforce resources; (7) support the development of the social capital; (8) ensure the transportation and infrastructure to support competitiveness and guarantee territorial cohesion; (9) enhance institutional capabilities to manage the development at the national and regional level; and (10) respond to climate change and ensure energy security.

Analysis of the Polish tourism industry has identified priority areas for strengthening the industry. Success and growth require a competitive tourist product, development of human resources contributing to tourism, and marketing support. The private sector in Poland has proven to be an important factor that contributed to economic growth and job creation. There is a need for more research on the tourism industry in Central and Eastern Europe. This research should explore the problems small businesses face and examine the importance of the regulatory environment on the growth and development of small businesses in tourism industry.

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