

DYNAMIC STRATEGIES IN A TOURISM GROWTH INDUSTRY

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UArctic Congress 2018
September 3rd – 7th 2018 in Oulu, Finland



INTRODUCING A RESEARCH PROJECT ON SMEs IN THE EYJAFJORDUR AREA IN ICELAND A SPIN OFF FROM OUR FORMER PROJECT ON

- How small locally owned Northern firms view their relationship to their local communities and how firms' conceptions of relationships influence strategies over time?



With a Research Grant from NordRegio's Nordic Arctic Co-operation Program



Helgi Kristjánarson Gestsson, University of Akureyri



OUR FORMER PROJECT FOCUSED ON

- SMEs (mostly small) locally owned firms operating in Northern, rural communities (Northern Finland, Northern Iceland and Northern Norway - case studies of two firms in each country)
- Theory building (typology) as opposed to theory testing
- Additional insights provided through the inclusion of different industries and countries



FORMER PROJECTS TYPOLOGY

- Miles´ and Snow´s Strategy Typology
 - Prospector, Defender, Analyzer, Reactor
- Combination of Miles´ and Snow´s Strategy Typology and Teece´s modeling of Dynamic capabilities
 - Adding: Sensing, Seeing, Managing Threats/Transforming
- Fiske´s Elementary Forms of Sociality
 - Communal sharing, Authority ranking, Equality matching, Market pricing
 - a continuum from *The firm and the community is the same thing* to *Transactional vision* of the firm
- This led to Focused builder, Broad builder, Harvester and then place driven or transactional Contributor or Utilizer



RELATIONSHIP AND NETWORKS

	Place Driven Contributor	Transactional Contributor	Place Driven Utilizer	Transactional Utilizer
Relationship to community	<p>A very specific notion of the home-community. The firm = the place.</p> <p>Main reasons for operating in the region/community is something other than a local resource base</p>	<p>Operations in and/or out of the region. A focus on being local and supporting local causes – the home-community is defined in broader and less specific ways</p>	<p>The home community constitutes a business opportunity or resource-base for the firm</p> <p>Still the firm = the place.</p>	<p>The community/region constitutes first and foremost a business opportunity or resource-base</p>
Network characteristics	<p>Strong, and continuous relationships with local stakeholders that form around a strong common identity ('we are all in this together')</p>	<p>A mix of tight place relationships combined with largely transactional relationships with external partners (local- and non-local)</p>	<p>Tight inner nexus of relationships (e.g. family) to local stakeholders varying in strength.</p> <p>Relationships are maintained on a regular basis</p>	<p>Transactional relationships with external partners (local- and non-local)</p>

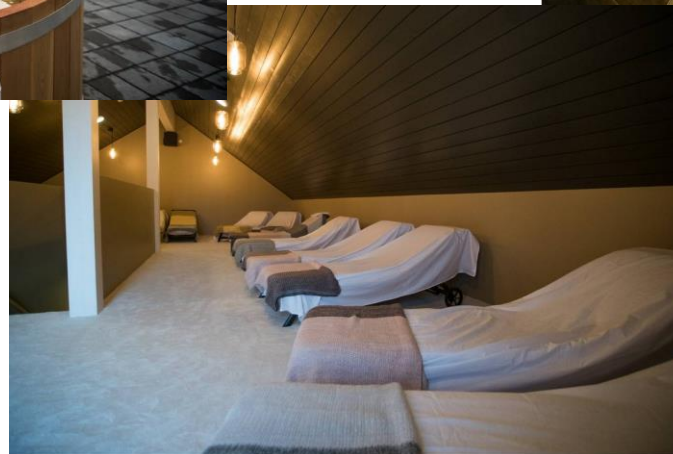


STRATEGIES AND RISKS

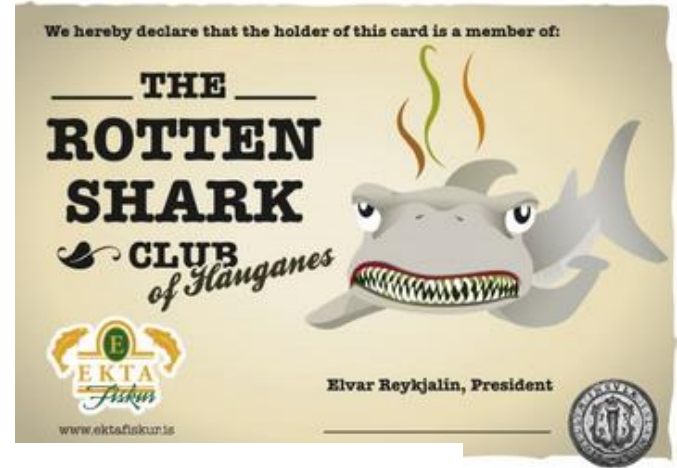
	Place Driven Contributor	Transactional Contributor	Place Driven Utilizer	Transactional Utilizer
Strategies	A focused build strategy – Building the business equals building the place	A broad build strategy – Supporting/building up the local community will ultimately rub off on my company	Dependency – Securing the critical input-factors from the local community by using and paying “justly” for local resources	Self-sufficiency – Maintaining full control over the business while securing the best possible deals on critical input-factors both locally and elsewhere
Risks	Becoming over-embedded, nepotism, tunnel vision, a narrow focus on place clouds sound business-decision making	Straddling – being too much of too little	Possibility of impractical dealings and impaired quality. Inability to secure vital resources	Rootlessness, Isolation and impeded growth.



THE NEW ICELANDIC PROJECT (NIP) IS INSPIRED BY THE BEER SPA OF BREWERY KALDI IN ÁRSKÓGSSTRÖND



THE NEW ICELANDIC PROJECT (NIP) IS INSPIRED BY EKTAFISKUR IN HAUGANES



Frávæðir, fiskurlofa og framfærsla á safliðu hefur verið alþátt okkar áttar áhug frá því all mærandi ágenda hóf að vinna sína fík um 1940. Nú er fremsta kynslóðin farna að taka til handtöku í Framfærðum, veitingastöðum og söngvél að veita ferðum þess í lokar umlofa fisklofa.

Karar þakka fyrir komuna, við vonum að þú hafi notið þess að vera hjá okkur og verið velkomin aftur!
- Elvar Reykjalin, egnandi.

Fishing and fish production has been our profession and passion for the past decades, since the current owner's grandfather started the company in 1940. Today the fifth generation has now started to contribute to the company culture both in the restaurant, in the fish production and out at sea.

Thank you for stopping by, we sincerely hope you've enjoyed your stay and feel welcome anytime again!
- Elvar Reykjalin, owner & manager.



Is for those brave souls who dare and are able to eat a piece of fermented shark along with our special schnapps

HÁKARL VIKINGASNAFS & VIÐURKENNINGARSKJAL 1.500,-
A FEW PIECES OF FERMENTED SHARK WITH OUR VIKING SCHNAPPS
- INCLUDES THE ROTTEN SHARK CLUB CERTIFICATE TO ACKNOWLEDGE YOUR BRAVERY.

EFTIRRÉTTIR DESSERTS

- KAKA MED RJÓMA700,-
CAKE WITH WHIPPED CREAM, ASK THE WAITER
- VAFFLA MED SULTU & RJÓMA700,-
WAFFLE WITH JAM & CREAM

ÍSPINNAR, ÝMSAR TEGUNDIR
ASSORTED ICE CREAM, ASK THE WAITER

DRYKKIR DRINKS

- KAFFI / TE350,-
REGULAR COFFEE / TEA
- CAPPUCCINO / LATTE400,-
- RAUÐVÍN / HVÍTVÍN, GLAS1.200,-
RED WINE / WHITE WINE, GLASS
- BJÖR Á DÆLU, GULL / BOLI800,-
LITILL 0.33L800,-
STOR 0.5L1.200,-
DRAFT BEER, GULL LAGER / BOLI LAGER800,-
SMALL 0.33L800,-
LARGE 0.5L1.200,-
- GOS, PEPSI / APPELSÍN 0.33L350,-
SODAS, PEPSI, ORANGE SODA 0.33L
- SAFI 0.33L200,-
JUICE 0.33L



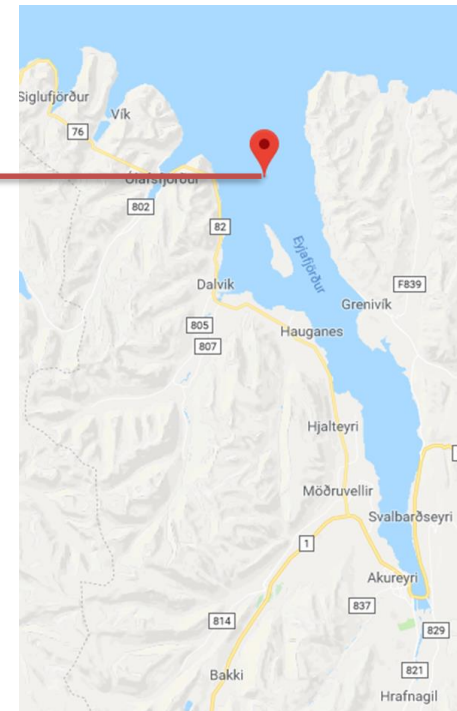
THE NEW ICELANDIC PROJECT (NIP) INSPIRED BY OUR ENTREPRENEURIAL COMPANIES

- Entrepreneurial Orientation
- Importance of place
- Family base
- Region or community
- How are the strategic growth processes of SMEs in the arctic region of Eyjafjordur similar/dissimilar to Penrose´s growth model and Teece´s Dynamic capabilities and how does the embeddedness of place affect their growth



(NIP) INTERVIEWS WITH OWNERS/MANAGERS OF COMPANIES THAT STARTED OUT MICRO/SMALL

- Eight to ten companies in the Eyjafjordur area



SURVEY OF 108 FIRMS FROM THE REGION MEMBERS OF THE VISIT NORTH ORGANISATION (THE ARCTIC NORTH)

J.C. Casillas et al. / Journal of Family Business Strategy 2 (2011) 90–100

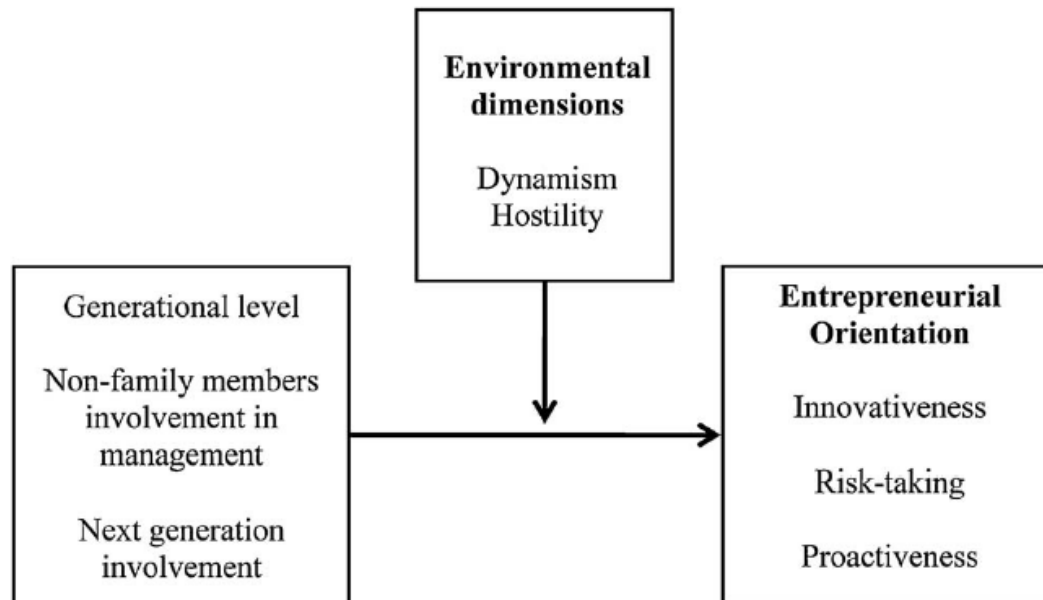


Fig. 1. Relationship between family firm and EO.

Entrepreneurial orientation of family firms: Family and environmental dimensions
Jose´ C. Casillas, Ana M. Moreno, Jose´ L. Barbero (2011)



THE NEW ICELANDIC PROJECT (NIP)

FROM FINANCIAL CRISIS TO A TOURISM GROWTH INDUSTRY

- Critical events
 - Reaction to crisis and opportunities
- Embeddedness to community
 - Founders, owners, managers, family, community
 - Engaging with the local community and competitors
- Entrepreneurial orientation
 - Innovativeness, risk taking, proactiveness, [competitive aggressiveness, autonomy]
 - Mapping: Differentiation, Cost leadership
- Strategic mapping
 - Similarities/dissimilarities to Penrose's and Teece's models
 - Penrosian mapping: vertical integration vs. diversification



THE ICELANDIC FINANCIAL (BANKING) CRISIS OF 2008

- relative to the size of its economy, Iceland's banking collapse is the largest suffered by any country in economic history
- The total assets of the banking system went from 174% of GDP at the end of 2003 to 744% of GDP at the end of 2007, a period during which real GDP rose by 5.5% each year on average
- The banking sector, with over 80% part in the country's external debt that was more than 5,9 times that of its GDP, **crashed**
- The national currency fell at once by around 45% in value as foreign currency transactions were virtually suspended



REBUILDING THE BANKING SYSTEM CONT.

- Inflation rose a from single figure to 18 percent and unemployment rose, from full employment, to 8 percent
- In 2009, GDP decreased by 6.8 per cent
- food prices rose by nearly 40 per cent in the 2-year period from early 2009
- The everyday functioning of banks and shops was almost from day one business as usual for the typical Icelander
- The international bailout support programme led by IMF officially ended on 31 August 2011, while the capital controls which were imposed in November 2008 are lifted in March 2017



THE LOTTO WIN EFFECT OF TOURISM AS SEEN IN 2016

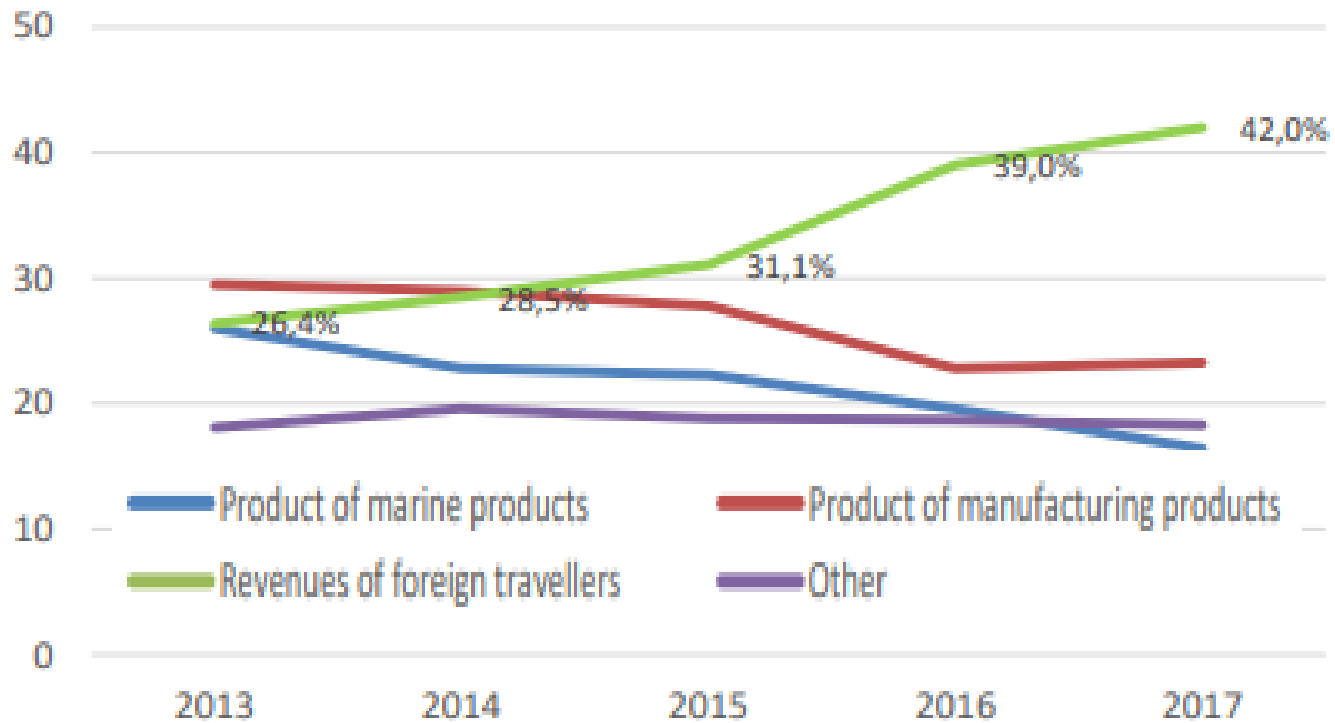
- In three years the number of foreign visitors has almost doubled, from 560 thousand in 2011 to about one million in 2014 with over 1,7 million expected in 2016
- The shift is not caused by any single reason
- The Tourist sector is becoming a leader in Iceland's economy in the labor market, currency market, as the main source of new export revenue and housing market
- Tourism is expected to generate nearly 34% of total export revenues in 2016, as opposed to 18% in 2010

https://www.islandsbanki.is/library/Skrar/English/Products-and-Services/Publications/tourism_in_iceland_2016.pdf



EXPORT OF GOODS AND SERVICES 2013 – 2017

IN BILLION IKK 2017 TOT. 1199.721 TOURISM 503.349

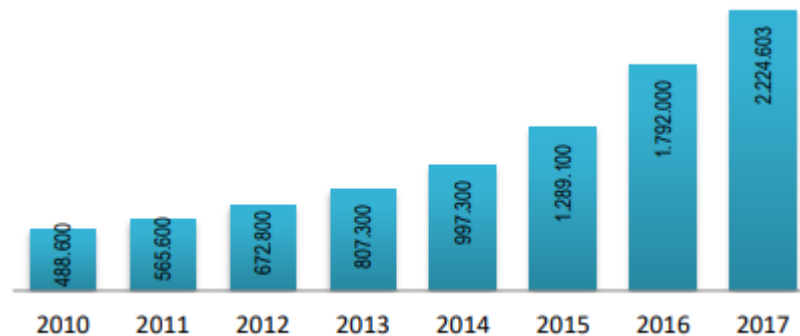


NUMBER OF INTERNATIONAL VISITORS TO ICELAND 2010 – 2017

SOURCE: FERÐAMÁLSTOFA 2018

- International visitors to Iceland

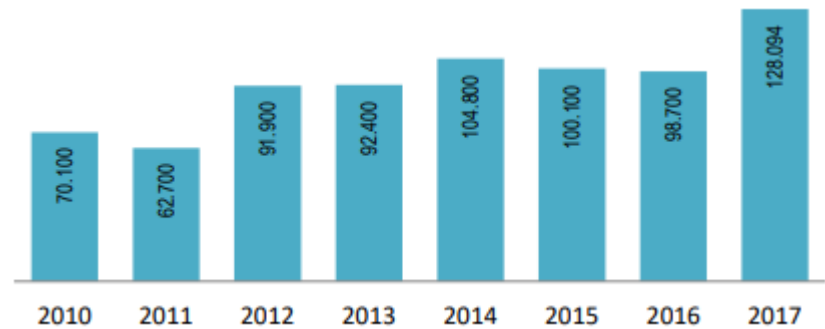
- Sources: Icelandic Tourist Board, Austfar, Isavia and Air Iceland Connect

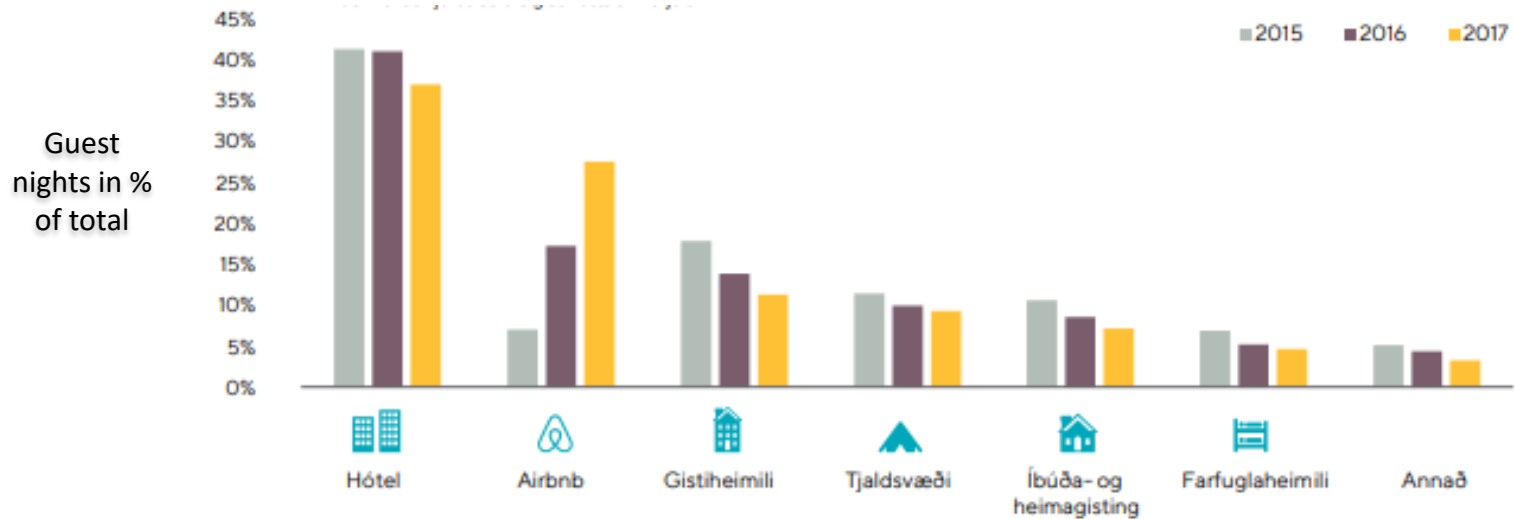
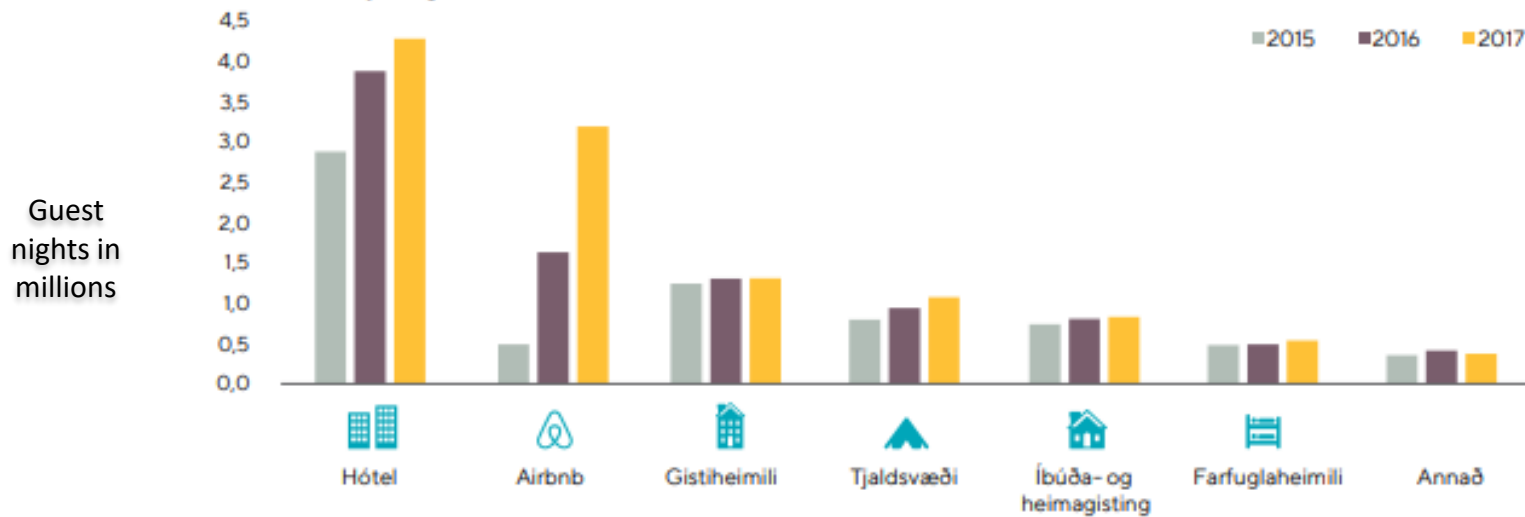


2010-11	15,7%
2011-12	18,9%
2012-13	20,0%
2013-14	23,5%
2014-15	29,2%
2015-16	39,0%
2016-17	24,1%
2010-17*	24,3%

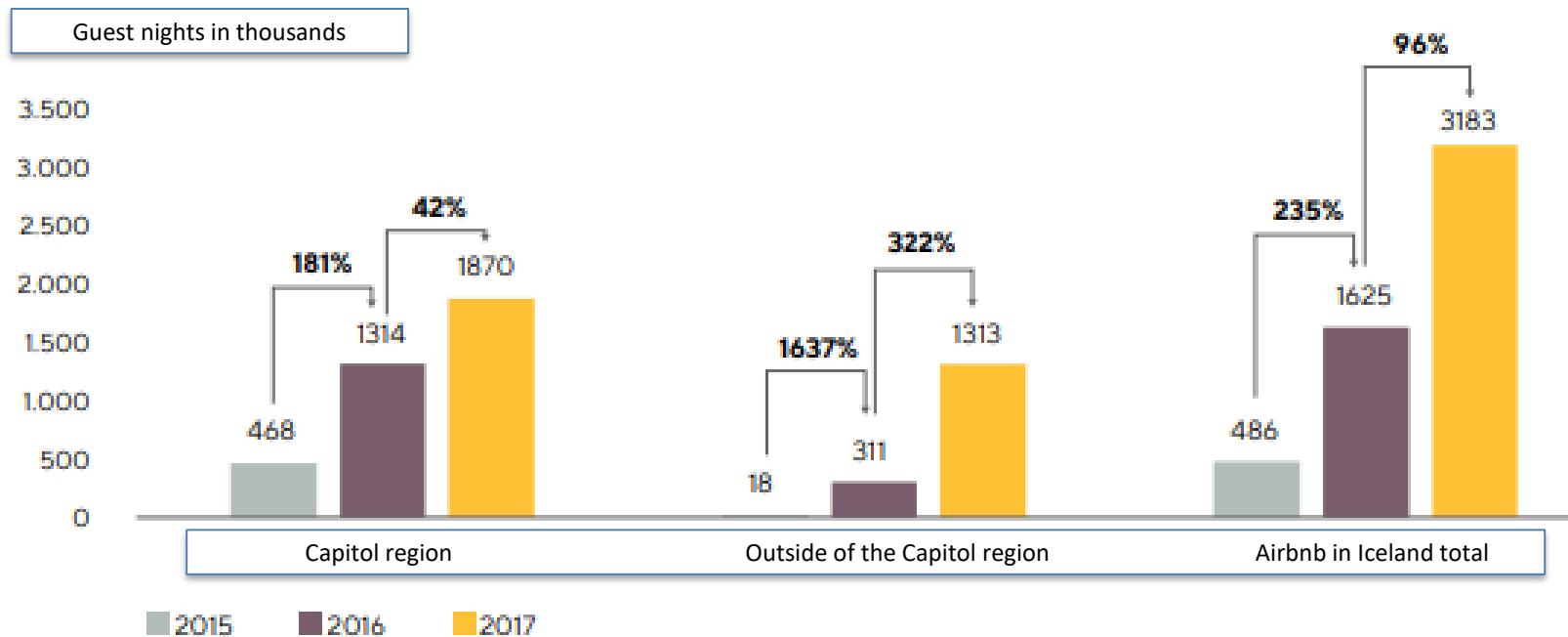
- International Cruise ship passengers to Iceland

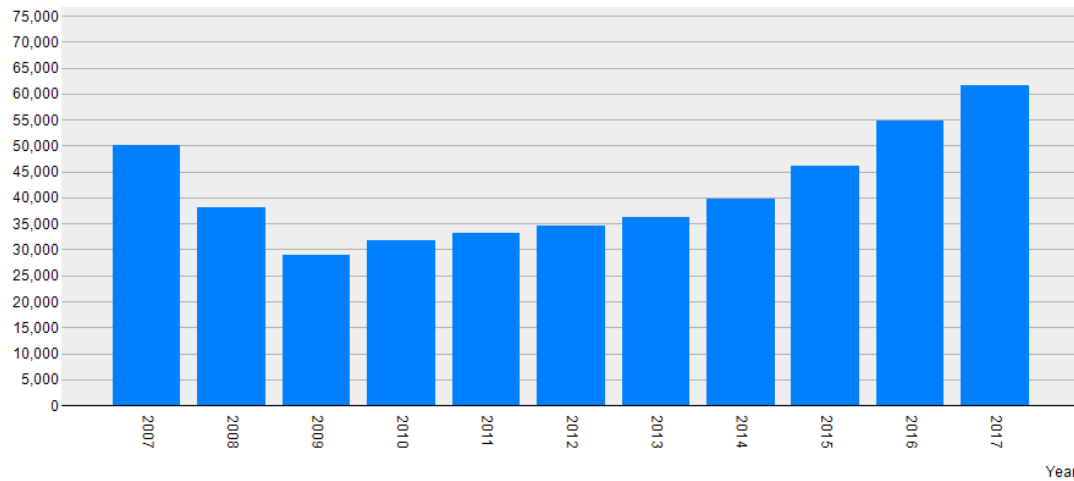
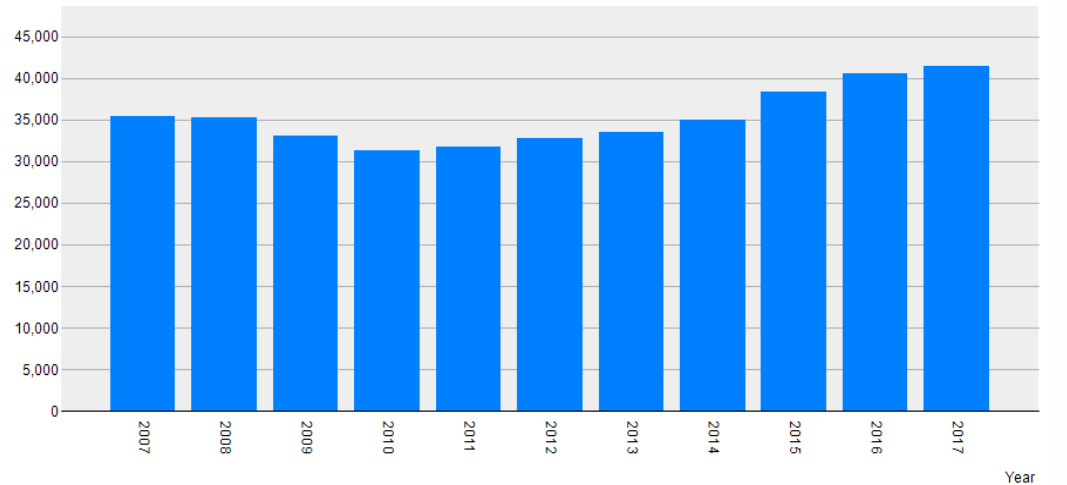
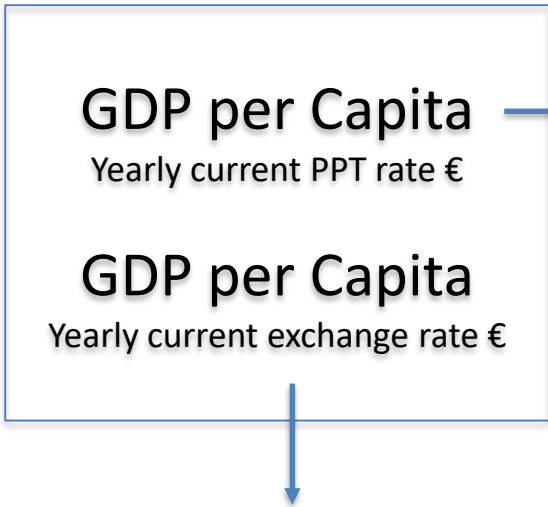
- Sources: Faxaport and Cruise Iceland





%GROWTH OF AIRBNB GUEST NIGHTS 2015 TO 2017





source: statistics Iceland



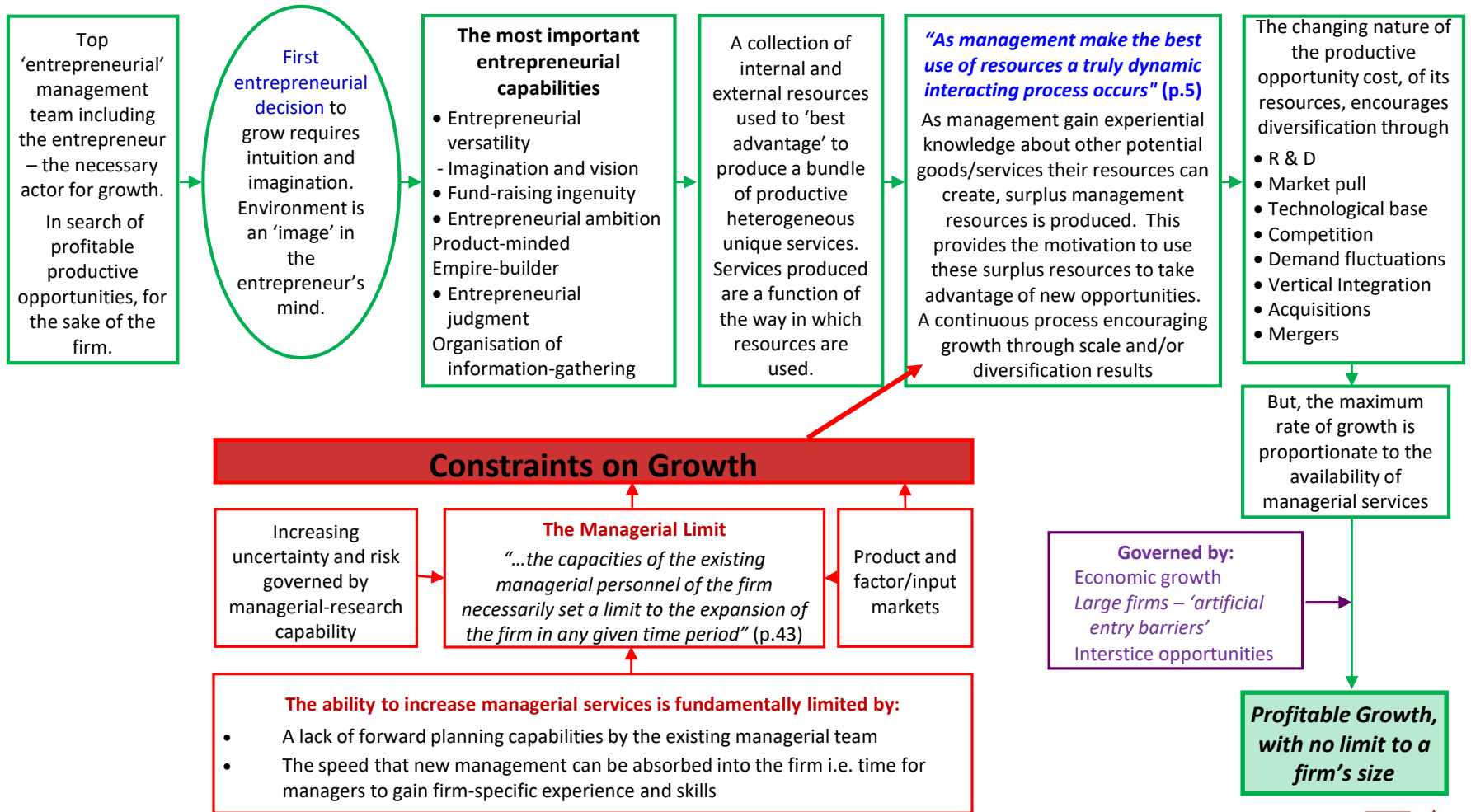
PENROSE ON GROWTH OF THE FIRM

- Firms use a combination of external and internal resources to grow, but growth is limited essentially by the capabilities of management, and whether entrepreneurial managers see opportunities for growth arising from other possible uses of resources (Penrose, 1959).
- As the firm makes the best possible use of its resources, “a truly dynamic interacting process occurs” (Penrose, 1959, p. 5). This process improves efficiency, which produces surplus management resources that can then be used to take advantage of other ‘productive opportunities’
 - Since this is a continuous process and the opportunity cost of these surplus resources is zero, there is a strong incentive to grow, in spite of the challenge to innovate.

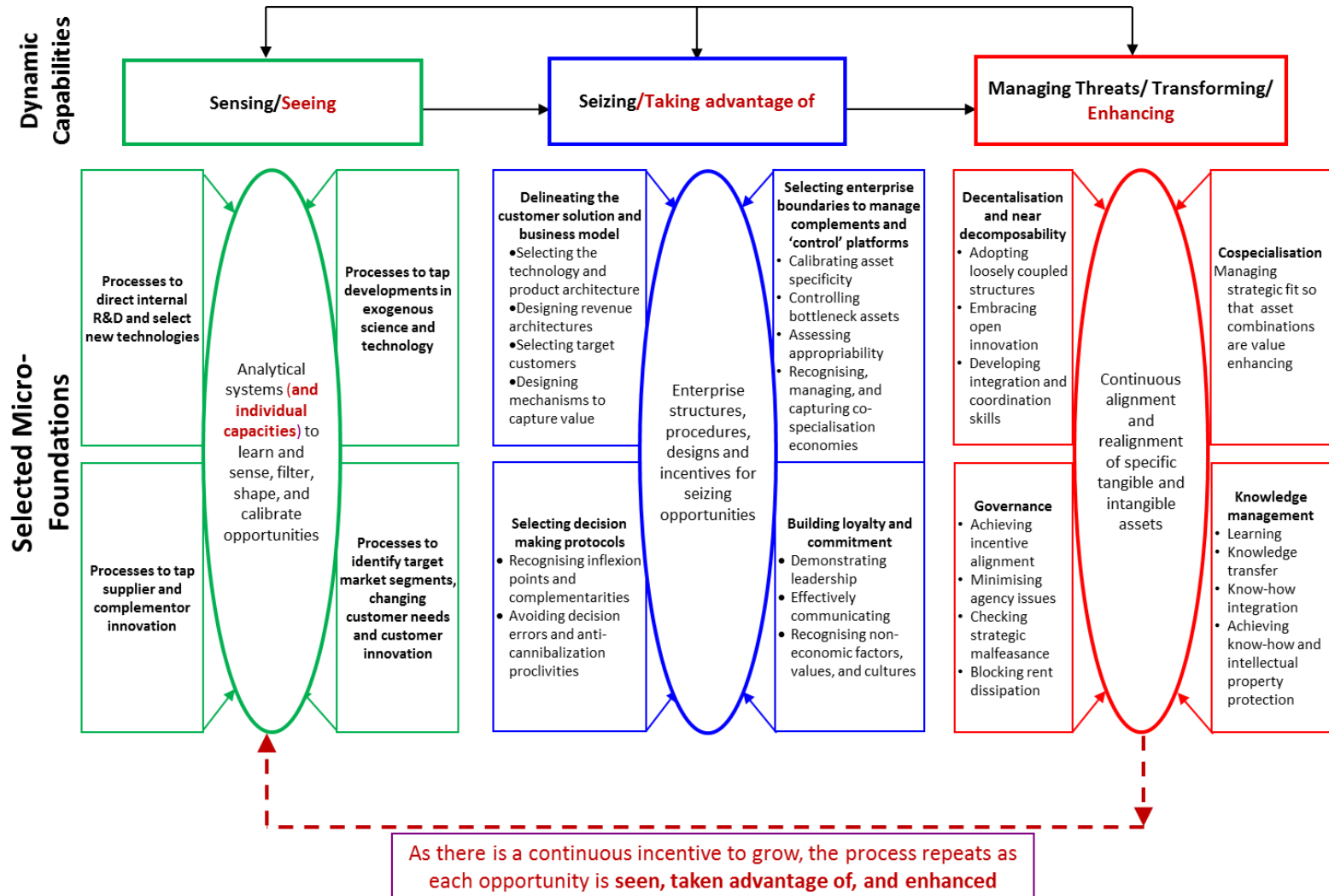


Administrative Framework within which a firm's activities - involving a collection of resources - are optimally planned and coordinated

(The 'area of authoritative communication' which should reflect the architecture of the business model)



PT framework (Growth Theory and Dynamic Capabilities)



INTERESTED IN THIS PROJECT?

CONTACT DR. ÖGMUNDUR KNÚTSSON, ASSOCIATE PROFESSOR AT UNAK AT ogmundur@unak.is

- Is there already a similar research conducted by colleagues?
- Is there an interest from other arctic regions in taking part in such (comparative) studies?
- Do you have a suggestion for us for improving our research project?
- Studies on rural SMEs' strategies need to pay greater attention to the community relationship as an important part of the firms strategy formation
 - Northern, Arctic or Rural?
 - Cultural differences (uncertainty avoidance)?
 - Size, Family, Gender, Education, Fear of relocating etc.?



THANK YOU

