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ABSTRACT

The hospitality industry generates benefits for many host communities including employment generation and foreign exchange earnings. However, the hospitality industry often leads to external dependency contributing to a loss of local control over resources, migrant workforce and leakages outside the local economy, seriously reducing industry's potential for generating net financial advantages and growth for the local economy. Despite the variation of size of hospitality firms, there is still limited research on how well different size hospitality firms contribute to local economic development, something which this paper addresses, taking as a case the island of Crete. The findings suggest that the smaller the size of hospitality firm the larger the benefits to the local economy.

Keywords: Hospitality firms, Scale, Economic development, Crete.

INTRODUCTION

In 1998, worldwide arrivals reached 625 million; tourist receipts (excluding air transport) were estimated at US\$ 445 billion and employment at 190.5 billion (WTO, 1999). Many of these positive economic effects of tourism are drawn from the hospitality industry. As Goss-Turner (1996) reports accommodation accounts for approximately one third of total trip expenditure. Therefore, the importance of the hospitality industry in economic development is a subject that has been receiving increasing attention in literature (Sharpley, 2000).

Employment generation, foreign exchange and community welfare are the major manifestations of tourism-induced development cited in the literature. Nevertheless, these gains often are diminished due to exogenous domination of the tourism industry and regional inequalities (Khan, 1997; Kontogeorgopoulos, 1998). The attraction of outside investment was one of the prime policies of less developed regions during the 1960s and 1970s (Maillat, 1998; Richardson, 1984; Vazquez-Baruero, 1999). It was believed that the promotion of development in peripheral regions could be achieved through inward investments that would structurally strengthen their economy (Kontogeorgopoulos, 1998; Vazquez-Baruero, 1999). Even in cases where developing countries give higher priority to local investment, mainly capital and employment, the option between local and external driven development may not be available (Gartner, 1999; Wanhill, 2000).

Numerous studies have attempted to show that tourism can not only stimulate regional development, but can also produce regional imbalances (Bryden, 1973; de Kadt, 1979; Komilis, 1994). Tourism is very often confined to a few attractive regions which benefit significantly from all kind of investments and tourist expenditures, while other regions tend to be more or less neglected (Oppermann & Chon, 1997; Peppelenbosch & Tempelman, 1989). In addition, tourism very often results in weak inter-sectoral links (backward linkages), showing the inability of the tourism industry to play a leading or mobilising role in regional development.

Modern capitalist economies are comprised of industrial sectors with enterprises of various sizes (Maggina, 1992). Although the primary motive of businesses is profit, the impacts on the local economy will vary according to their size. In the hospitality literature, there is a variety of studies which have researched various aspects of development for small firms (e.g. Beaver & Lashley, 1998; Friel, 1999; Getz & Carlsen, 2000; Glancey & Pettigrew, 1997; Holjevac & Vitodusic, 1999; Horobin & Long, 1996; Main, Chung & Ingold, 1997; Morrison, 1998; Smith, 1998; Thomas, 1995; Williams, Greenwood & Shaw, 1989). However, there is limited research for larger hospitality firms. The reason for this may be that the hospitality industry tends to be dominated by a large number of small firms operating alongside a few large ones (Shaw & Williams, 1994, p. 100). For example, Shaw, Williams and Greenwood (1988) in Cornwall found that only 6.3 percent of the 159 hospitality firms interviewed had more than 40 rooms.

Although there is a growing consensus that hospitality firms' size has important influences on the economic development of a destination there has been a comparative neglect of tourism research into this issue. Notable exceptions include the studies of Kontogeorgopoulos (1998) and Rodenburg (1989) that investigate economic patterns of various size tourism enterprises and their contribution to local economic development. Bearing in mind the limited research on hospitality firms' size variations, it is the aim of this paper to investigate how well different scales of hospitality firms contribute to local economic development taking as a case the island of Crete. It does this in five sections. These sections cover: the literature background; an examination of tourism and hospitality industry in Crete; the methodology of the study; the results of the study; and the conclusions.

LITERATURE BACKGROUND

Rodenburg (1980, p.178) identified two meanings of scale: the relative size and capitalisation, i.e. physical plant of an enterprise, and its correlate; and the relative bureaucratisation, i.e. degree of industrial organisation. With reference to the accommodation sector Rodenburg (1980, p.178) stated that size and bureaucracy define scales of enterprise which attract different categories of customers and based in Bali, Indonesia, he identified three different scales of tourism enterprises: large industrial (international standard hotels of 100 rooms or more), small industrial (economy class hotels) and craft tourism ("homestays", small independent restaurants and souvenir shops). Rodenburg (1980) reported that the economic objectives of increased earnings, foreign exchange, investment, job opportunities, production, entrepreneurship, infrastructure and minimisation of adverse social and cultural effects were not best met by the development of large industrial enterprises.

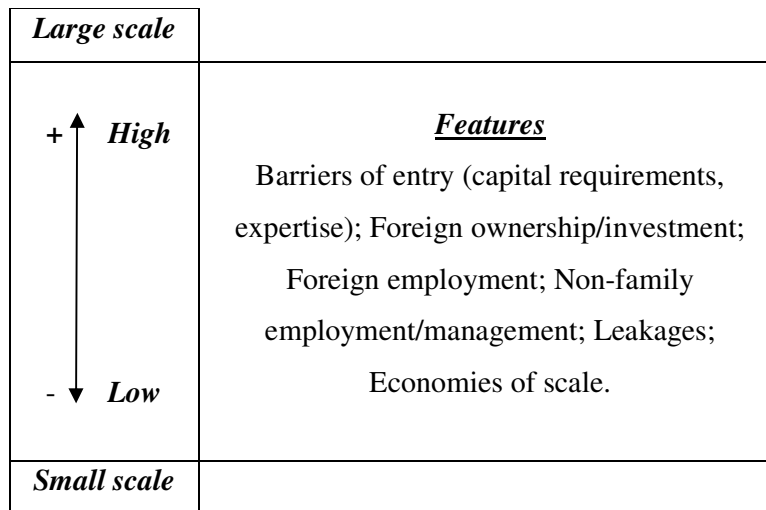
Kontogeorgopoulos (1998) assessed the economic patterns and opportunities associated with accommodation sector employment on the islands of Samui and Phuket, in Thailand. He identified three size categories of hospitality firms based on their number of rooms: small (1 to 14 rooms), medium (15 to 39) and large (40 rooms or more). His findings show that distinctions according to size reveal crucial differences in the nature of tourism-related impacts on employment and proposes that future planning of tourism development must take into account how particular local conditions foster different types of accommodation sector linkages, leakages and economic opportunities.

Most research on firms' size has been based upon the notion that larger firms have more resources (financial, technological, personnel) and are more capable of achieving economies of scale (Aaby & Slater, 1989; Main, Chung & Ingold, 1997;

Moen, 1999). The entry barriers to establishing a small hotel are quite small, mostly requiring capital investment within the realms of domestic property investment (Beaver & Lashley, 1998; Shaw & Williams, 1988). However, the limited ability to invest makes small enterprises vulnerable in competing with larger firms (Beaver & Lashley, 1998). In addition, small firms require relatively small amounts of expertise (Shaw & Williams, 1988) and “the management process is characterised by the highly personalised preferences, prejudices and attitudes of the firm’s entrepreneur, owner and/or owner manager” (Beaver & Lashley, 1998, p.146). In addition, smaller enterprises tend to be locally owned and employ more family members (Cukier, 1996; Kontogeorgopoulos, 1998). For example, a study of New Zealand tourism industry by Aitken and Hall (2000) reports that as the size of enterprise (defined by the number of employees) increases, the tendency of businesses to be foreign owned increases. In Samui, Thailand, Kontogeorgopoulos (1998, p.337) found that small and medium sized hospitality firms require higher numbers of family ownership/management and employees, and since most of them are locally based, they require a higher proportion of local labour compared to the larger ones.

Figure 1 summarises various features differentiating small firms from larger ones, showing that as the size increases, enterprises tend to require higher amounts of these features.

Figure 1: Features differentiating small firms from larger ones



TOURISM IN CRETE

Its significance

Cretan economy is heavily dependent on tourism. In 1997, close to 2.5 million tourists visited the island, creating incomes of approximately 500 billion Greek Drachmas, 58 percent of the total travel exchange in Greece (HNTO, 1998; RITTS, 1999). On average each tourist spent 365,349 Greek Drachmas (TEI, 1998). It is estimated that 42 percent of this expenditure was paid to foreign tour operators for the purchase of the tourist package (transport and accommodation). From the remaining 58 percent, 24 percent was spent on shopping, 17 percent on catering expenditure, 12 percent on local transportation and 5 percent on services (TEI, 1998). It is estimated that approximately 40 percent of the local population are directly or indirectly involved in tourism activities (Anagnostopoulou et al., 1996; Region of Crete, 1995).

Crete has no production of heavy engineering, transport equipment and manufactured goods, e.g. cars, television sets, and most of the machinery and utensils used for the operation and the construction of hospitality firms is imported (Andriotis, 2000). Nevertheless, the Cretan economy heavily relies on the tourism industry for its prosperity, mainly because a handful of other regional sectors, especially agriculture, commerce, transportation, construction and services, are strongly related to tourism (Andriotis, 2000; Tzouvelekas & Mattas, 1995).

The hospitality industry

In 1998, the island had 751 declared accommodation units (excluding rented rooms). In addition, there was a considerable number of undeclared, unlicensed, units and rooms, usually of small size, known as 'parahoteleria'. These establishments increase the bed supply, evade taxation and operate without control and regulation (Apostolopoulos, 1994; Leontidou, 1998).

More than 70 percent of hospitality firms are concentrated in the northern coastal areas of the island and approximately 45 percent of beds are located in the Prefecture of Heraklio (HNT0, 1998; OANAK, 1995). As a result, Theodosakis (1994) found that in August 1993 half of the island's hotel employees were working in the Prefecture of Heraklio, approximately 20 percent in each of the two Prefectures Rethymno and Lassithi, and only 10 percent in the Prefecture of Chania.

Businesses in the island's hospitality industry vary in scale from small family run operations to chains. However, there is a paucity of published statistics on the scale of hospitality firms. Likewise, official statistics and past research on hospitality jobs in Crete are rare. One exception is the study by Theodosakis (1994) focused specifically on the scale of hotel employment in Crete. This study found that in 1993, 14,123 people were working in the hospitality industry of the island. However, the real number of hotel employees may be much higher, since the study was only concerned with employees declared to the Insurance Agency of Hotel Employees (TAXY), in August 1993, and does not cover non-registered family members, expatriate employees without any work permit and employees in undeclared hospitality firms.

Tourism policy

In the past, the Greek government realised the significance of tourism and small and medium sized enterprises for economic and social development. As a result, the early five-year plans for Economic Development 1968-1972 and 1973-1977 viewed tourism as one of the most dynamic sectors of economic development and as a solution for the economy of the underdeveloped areas of the island. The five-year plans 1976-80 and 1983-1987 attempted to support local control by giving incentives to local investors and for the construction of small units. In addition, it recognised "the need to obstruct the action of intermediaries and the tourist black economy" (Leontidou, 1991, p.100). The year 1983 in Greece was dedicated to small businesses, "the backbone and the organisation for economic development" (Maggina, 1992, p.87). EC (1987, p. 601-602) summarises the reasons for the interest of the Greek authorities in small and medium sized enterprises, as follows:

1. Small and medium sized enterprises have been a powerful force for distributing and redistributing traditional powers and economic development within the society.

2. Small enterprises are mostly owned by locals; something that leads to higher market efficiencies in profits and production when compared to larger enterprises.
3. Products and services which large-scale industry is unwilling to provide can be economically provided by smaller firms.
4. Small enterprises can provide both an alternative to unemployment for many individuals and an important buffer in the economy where the large firm suffers fluctuating demand.
5. In Greece it is thought that the quality of working life in a small firm may be better than in a large one.

However, many problems resulted from the concentration of numerous small and medium sized hospitality firms mainly related to the physical transformation of the island as the building of more and more tourist enterprises dots the landscape and makes it difficult to control their activities. As a result, the five-year plan of Economic Development 1988-1992 and the last Development Laws 2234/94 and 2601/98 changed direction toward the promotion of selective tourism in large hotels and large-scale developments.

METHODOLOGY

Overall approach

Given the scarcity of official data on most aspects of economic development in Crete, face-to-face interviews were conducted with the owners/managers of a diverse range of tourist-related businesses encompassing: hospitality firms, travel agencies/car rentals, catering units (restaurants and bars) and tourist shops. This paper reports results from one part of the business survey and focuses specifically on the hospitality firms. The findings of the survey with regard to the other types of enterprises have been discussed elsewhere (Andriotis, 2000; Vaughan, Andriotis & Wilkes, 2000).

Questionnaire design

To develop the questionnaire, the research questions from the literature review were used. These questions were then expanded to cover other relevant issues. Questionnaires used in previous studies (e.g. Hennessy et al., 1986; Shaw, Williams & Greenwood, 1987; Stallibras, 1980; Vaughan & Wilkes, 1986; Williams, Greenwood & Shaw, 1989) were also used as input into the questionnaire design process. The questions analysed in this paper are concerned with personal information of owners/managers, business profile, ownership and operational characteristics, employment and economic structure. (Tables 1 and 2 present the profile of respondents and hospitality firms). Before undertaking the final survey the questionnaire was tested on various size hospitality firms to check whether the answers obtained would provide the information sought. After minor amendments made to the questionnaire the final survey was undertaken.

Table 1: Profile of Owners/Managers

| | N | Sample % |
|--|----------|-----------------|
| <u><i>Year of Joining the Business:</i></u> | | |
| After 1993 | 17 | 33 |
| 1988-1992 | 20 | 38 |
| Before 1987 | 15 | 29 |
| <u><i>Working Years in the Tourism Industry:</i></u> | | |
| 19 years and over | 13 | 25 |
| 13-18 years | 14 | 27 |
| 7-12 years | 13 | 25 |
| 6 years or less | 12 | 13 |
| <u><i>Main Previous Occupation</i></u> | | |
| None | 30 | 58 |
| Services | 14 | 27 |
| Retailing/Wholesaling | 5 | 10 |
| Other | 3 | 6 |
| <u><i>Length of Residence:</i></u> | | |
| Lifelong residents | 31 | 60 |
| Over 16 years | 10 | 19 |
| 15 years or less | 11 | 21 |
| <u><i>Education:</i></u> | | |
| No degree | 23 | 44 |
| School of Tourism Enterprises (STE/ASTER) | 17 | 33 |
| Technological Educational Institute (TEI/KATEE) | 6 | 12 |
| University degree | 5 | 9 |
| Other | 1 | 2 |

Table 2: Profile of Hospitality Firms

| | N | Sample % |
|-----------------------------|----|----------|
| <i>Year of Foundation:</i> | | |
| Before 1986 | 22 | 42 |
| 1987-1992 | 23 | 44 |
| After 1993 | 7 | 14 |
| <i>Type of Ownership:</i> | | |
| Individual | 6 | 12 |
| Societe Anonyme (S.A.) | 45 | 86 |
| Limited Company | 1 | 2 |
| <i>Number of Units:</i> | | |
| 1 unit | 37 | 71 |
| 2 units or more | 15 | 29 |
| <i>Number of Beds:</i> | | |
| 1-75 | 17 | 33 |
| 76-200 | 18 | 34 |
| Over | 17 | 33 |
| <i>Category:</i> | | |
| Furnished Apartment | 11 | 21 |
| Hotel Lux' | 5 | 10 |
| Hotel A' | 9 | 17 |
| Hotel B' | 12 | 23 |
| Hotel C' | 15 | 29 |
| <i>Sources of Capital*:</i> | | |
| Own Savings | 39 | 80 |
| Inheritance | 10 | 20 |
| Bank Loan | 40 | 82 |
| Private Loan | 1 | 2 |

*** Responses do not add up to 100 percent, due to multiple answers.**

Sampling

The island has a large number of tourist businesses spread over myriad locations. Therefore, a selection of locations had to be undertaken. In terms of location, four areas were selected in each of the four Prefectures of the island, a total of 16 areas. These areas were selected because they exhibited extensive tourism development. They included the capital city of each Prefecture and three major resorts.

The sample of 80 hospitality firms was drawn from a list assembled using the following sources: the Hotel Directory of Greece 1997, Local and National Directories, Internet and local information. Systematic stratified sampling was seen as the most appropriate way to select enterprises from the list. The basis for stratification was the category of the hospitality firm awarded by the Hellenic National Tourism Organisation according to the standards of each establishment. Specifically, 20 tourist enterprises in each area were approached, one unit from each of the categories Lux',

A', B' C', as well as one apartment from each area, selected by using a random number¹. The overall response rate was 65 percent (52 interviews).

Analytical Procedure

When the data were collected they were analysed using the Statistical Package for the Social Sciences (SPSS) version 8.0. To identify statistically significant relationships between two variables where one was nominal and the other nominal or ordinal, χ^2 tests were performed². Cramer's V was calculated (and is given in the text where appropriate) in order to identify the strength of the relationship. Alternatively, when both independent and dependent variables were ordinal, Spearman's ρ correlation coefficient was used to assess not only the strength of the relationship but also the direction. The level of probability for rejecting the null hypothesis for all tests was based on the significant value of .05. Other statistics carried out and, where appropriate, reported in this paper were frequency distributions, range, and mean.

Size of firms

There is limited agreement in the literature about the differences in size in the hospitality industry. According to Gartner (1999) and Morrison and Thomas (1999) some authors prefer quantitative criteria including number of employees, number of beds or rooms, total assets, annual revenues, whereas others adopt qualitative criteria such as lack of specialisation in the labour force, family employment, owner/management structure, etc. The identification of different size hospitality firms adopted for this survey was the number of rooms for the reason that other measures were not appropriate. For example, some respondents were suspicious and refused to reply, or replied with diffidence, to many of the financial and employment questions, e.g. capital investments, annual revenues, number of employees etc.

The sub-group used as independent variable in the analysis was the size of hospitality firms. Specifically, hospitality firms with 40 rooms or less were labelled as small (N=19), 41-100 rooms were labelled as medium (N=16) and more than 100 rooms were labelled as large (N=17).

FINDINGS

Respondents' characteristics

The business survey was addressed to the managers or owners of hospitality firms. As Koufopoulos and Morgan (1994) suggest, in most private enterprises in Greece, management consists of family members who both own and manage the company. As a result, in this survey, the proportion of owners among the respondents was higher (56 percent) compared to managers (44 percent). There was a quite strong

¹ The Greek hotel classification system is different from the international 'stars' system. Generally, hospitality firms can be classified in the following categories according to their standards:

- Category LUX' ⇒ 5*
- Category A' ⇒ 4*
- Category B' and C' ⇒ 3*
- Category D' and E' ⇒ 2* and 1*
- Furnished apartments ⇒ 4*, 3*, 2* and 1*.

In this survey hotels D' and E' and rented rooms were excluded from the sample, as they are not well-organised, the majority are not declared and as a result they are not included in the sources used to create the list.

² The main limitation faced in the use of χ^2 is that in order to use this test, no more than 20 percent of cells should have expected frequencies of less than 5, and none should contain expected frequencies of less than 1. In instances where any of these happened the χ^2 was used for descriptive reasons, although its validity is questioned.

positive association (Cramer's $V = .749$) between position of respondents and size of hospitality firms, with 95 percent of respondents from small hospitality firms and 62 percent of medium being the owners, whilst the percentage for large hospitality firms was only 6 percent. This pattern has been also influenced by legislation, since hospitality firms of greater than C' category and more than 200 rooms, are required by law to employ a qualified manager when the owner does not have the educational background to manage the unit.

The survey has also given attention to the educational background of owners/managers. A moderate positive relationship was found (Spearman's $\rho = .470$), with owners/managers of larger establishments being more likely to have a degree in tourism (88 percent), compared with owners/managers from medium hotels (50 percent) and smaller (32 percent). This was not unexpected since usually larger hospitality firms require educated owners/managers to manage the business.

Significant statistical association was recorded between previous occupation of owners/managers and size of hospitality firms (Cramer's $V = .347$). The majority of small hospitality firms have attracted their workforce from services (47 percent), although the vast majority of respondents from medium and large hospitality firms did not have any other profession. It might be assumed that respondents from small hospitality firms (who were mostly owners) were stimulated by the low barriers of entry into the tourism industry (Shaw & Williams, 1988), since the establishment of hospitality firms does not demand high capital investment to create employment (Brown, 1985; Culpan, 1987; Hall, 1994; Mings, 1969), and experience and education are not pre-conditions for ownership in the tourism sector (Shaw & Williams, 1988). Consequently, since the tourist sector in Crete is considered an easy source of income (Herzfeld, 1991), they might have decided to leave their employment in services, or after retirement to invest in a small accommodation unit.

Hospitality firms' characteristics

Ownership, size and category

Owners/managers were asked to indicate the type of their enterprises' ownership in order to see if variations are related to differences in ownership. There was a significant relationship between size and ownership (Cramer's $V = .368$). Specifically, all medium and large hospitality firms used in the sample were in Societe Anonyme (S.A.) ownership, and only 32 percent of small hospitality firms was in individual ownership and one was a limited company. Also, a moderate positive relationship (Spearman's $\rho = .528$) was found between the number of units and the size of hospitality firms. 90 percent of small hospitality firms and 88 percent of medium-sized had only one unit, whereas 12 percent of the large hospitality firms had two units and 53 percent three units or more. As a result, the larger the accommodation unit, the higher the possibility of belonging to a group.

Not surprisingly, there is a quite strong relationship between size of hospitality firms and their category (Cramer's $V = .639$), with all the Lux' category hospitality firms and 89 percent of the A' category belonging to the large size group, whereas the higher share (58 percent) of B' category hospitality firms belonged to the medium and 73 percent of the C' category and 55 percent of the apartments in the small group. As was anticipated the larger the hospitality firm the better the category it belongs to (and consequently its standards).

Employment/Migration

In the literature it is suggested that smaller hospitality firms employ a higher number of family members. This was also evident in this survey, where there was a moderate negative relationship (Spearman's $\rho = -.447$), where the smaller the hospitality firm, the higher the number of family employees. Usually, family members running small firms have a wider variety of roles and different priorities from those running larger enterprises. As Buhalis (1995) reports, the small hospitality firms in Greece are operated mainly by the owner's family, with the help of a very small number of non-family, salaried employees. The male members of the family are usually responsible for the management, maintenance, supplies, bar, negotiation and signing up of contracts, as well as financial functions, whereas women are more involved in cleaning, cooking, serving and reception duties (Buhalis, 1995).

Since tourism development creates an increase in tourist facilities, it often creates a shortage of local labour (Cukier, 1996; de Kadt, 1979; Tsartas, 1989). Likewise in Crete, tourism development has attracted a migrant workforce (Papadaki-Tzedaki, 1997). However, in this study it was not possible to investigate the extent to which the hospitality firms used in the sample employ any non-local staff, for the reason that since most of the foreign employees are not registered with the appropriate National Insurance Agency, owners/managers were reluctant to reveal their number when asked. As a result, this question was excluded from further analysis. However, from observation during the primary research and through past research (Herzfeld, 1991; Mourdoukoutas, 1988; Papadaki-Tzedaki, 1997), it was evident that the island's hospitality industry employs many foreigners, although the extent of foreign workforce is not known.

The existence of expatriate management/ownership was evident in the survey where 40 percent of respondents had moved to Crete from other places. Owners/managers moved to the island on average 14.7 years ago, with the longest 30 years ago. Among the owners/managers that moved to the island from other places, 43 percent came from abroad, mainly Germany and the USA, indicating that foreigners have played a significant role in the ownership/management of the hospitality industry in the study areas. Thirty eight percent of owners/managers had moved to the island from Athens and 19 percent from other Greek regions. This influx of in-migrants can be attributed to the Greek government's development policy since 1960, which used tourism as a tool for re-habitation, and encouraged the return of emigrants who migrated between 1961 and 1971 to other large urban cities of Greece and abroad (Eurostat, 1994; Kousis, 1984). The hospitality industry has acted as a magnet attracting a significant number of owners/managers, since the most frequent reason given by owners/managers for their choice to live in Crete was business creation and/or employment opportunities (52 percent). Additional reasons mentioned were repatriation/in-migration (33 percent), family reasons (10 percent) and other reasons (5 percent).

Length of respondents' residence is negatively correlated with hospitality firms' size ($\rho = -.310$). As establishment size increases, the proportion of owners/managers who have lived longer on the island decreases. More specifically, the smaller sized hospitality firms had a higher percentage of respondents (79 percent) having lived all their life in Crete, whereas the percentage was 50 percent and 47 percent respectively of respondents from medium and large hospitality firms. Since the vast majority of respondents from large hospitality firms were managers and respondents from small businesses owners, it can be assumed that large hospitality firms have attracted expatriate management, although smaller hospitality firms are

usually owned by life-long residents (locals). These findings are similar to the findings of studies in Bali, Indonesia (Cukier, 1996) and in Samui, Thailand (Kontogeorgopoulos, 1998).

Linkages/Leakages

Many studies have identified concern about the leakages and the low multiplier effects created by the tourism industry. For the development of an economy, one of the most important economic linkages is the geographical location of retailers and wholesalers supplying tourist enterprises. In an attempt to investigate the leakage resulting from tourist expenditure, owners/managers were asked to estimate the proportion of supplies bought within their locality, from other Cretan regions or outside Crete. Within the sample, 85 percent of enterprises purchased all fresh food supplies within their locality and only a minority purchased part of fresh food supplies from other Cretan regions. This was not unexpected, since Crete has a very large and high quality agricultural production, sufficient to supply hospitality firms with all their needs in fresh foods. Negative relationships were found for the purchase of other food products (Spearman's $\rho = -.535$), furniture (Spearman's $\rho = -.455$), drinks (Spearman's $\rho = -.431$), linen (Spearman's $\rho = -.424$), kitchenware and china (Spearman's $\rho = -.377$), stationery (Spearman's $\rho = -.382$) and building materials (Spearman's $\rho = -.358$) showing that the larger the unit the greater the possibility of purchases outside the locality. Indeed, large hospitality firms in Crete tend to buy their supplies outside their locality in order to enjoy economies of scale that are unavailable to their smaller counterparts (Papadaki-Tzedaki, 1997). As a result, the findings of this study confirm previous studies (Rodenburg, 1989; Seward & Spinard, 1982) which suggest that smaller hospitality firms are more likely to purchase their supplies locally.

CONCLUSIONS

The data presented in this paper emphasise the importance of studying the effects of different size hospitality firms. However, before any conclusions are drawn it is important to mention the limitations of this study. Due to the relatively small sample and the fact that the firms studied may not be representative of the hospitality industry of the island, caution needs to be applied in generalising the findings. In addition, a major problem faced in this study was the reluctance of many respondents to reply to questions related to financial and employment characteristics, something that prevented a better understanding of the contribution of the firms under investigation to local economic development.

Despite those limitations, the study provides some insight into the effects of different size hospitality firms in the sample areas. From this research it was evident that the contribution of hospitality firms to local development is not uniform. In particular, larger hospitality firms tend to import managerial labour, compared to small and medium-sized establishments, linkages for purchases of supplies from the local economy by large establishments fall dramatically, where smaller and medium-sized establishments tend to purchase locally and the smaller hospitality firms tend to employ a higher number of family members. The findings of this study are consistent with the findings of Rodenburg (1980) who found that "smaller scale enterprises offer a greater opportunity for profit and control to local people than do enterprises on a large scale" (p. 193).

However, if this is the case why do incentives for new investments in Crete promote industrial scale hospitality firms? Although large-scale developments may

increase public sector revenue through the easier control of large hospitality firms and increased taxation, they increase leakages, foreign employment, government expenditure on large-scale investments, and cumulate negative threshold effects. Therefore, Gannon (1993) suggests that “local entrepreneurs of small enterprises can, with modest outlay, contribute considerably to economic growth because they supply smaller markets, demand relatively small amounts of capital, use local resources and raw materials and do not require costly and sophisticated infrastructure” (p.54). Likewise, Wilkinson (1989) believes negative effects can be lessened “if governments were to adopt policies which favoured small-scale development with a high degree of local involvement, thus avoiding dependence on multinational hotel chains” (p.167). Therefore, programs should be developed in Crete to assist small enterprises to survive and expand further since small-scale enterprises contribute better to local economic development and local people’s welfare.

In addition, to increase benefits from the local hospitality industry through higher participation of local investors in development, create employment opportunities for locals and reduce leakages from future developments, incentives should be given for the establishment of small-scale hospitality firms on the island, mainly in the underdeveloped southern and inland areas, where tourism activity is limited. However, mechanisms should be introduced to control their number, curb illegal building, eliminate the establishment and operation of unlicensed enterprises, as well as any kind of illegal transactions.

To conclude, the study of hospitality firms scale in economic development is in its infancy, and as a result there is a dearth of reliable information. While the results presented in this paper give some insights into economic development aspects of different size hospitality firms, further research is necessary. A more certain impression of key issues related to size of hospitality firms and their impacts on local economic development should emerge giving the challenges which face hospitality in the near future resulting from the tension of globalisation of the industry. There is a need to establish a more permanent system of monitoring hospitality firms’ contribution to local development in order to help the public sector to adopt effective initiatives in the future.

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