



JÖNKÖPING INTERNATIONAL  
BUSINESS SCHOOL  
JÖNKÖPING UNIVERSITY

# **Financial bootstrapping**

Motivation and usage of bootstrapping methods among SMEs in the tourism sector

Master thesis within Business Administration

Authors: Andreea Feti & Aiga Dudele

Tutor: Karin Hellerstedt

Jönköping May 2012

## Acknowledgements

We would like to express our gratitude to Karin Hellerstedt and Anna Jenkins for guiding us through the entire process of writing this master thesis. The support and advices provided were extremely valuable and useful. They helped us in lifting up our master thesis, in this way being able to improve its quality.

Moreover, we would like to thank the entrepreneurs who devoted their time and contributed to our research, which would not have been possible without them.

Additionally we thank our colleagues who shared their opinions, gave recommendations and contributed with useful objective insights to our master thesis.

Andreea Feti

Aiga Dudele

---

---

## Master Thesis in Business Administration

Title:	Financial bootstrapping. Motivation and usage of bootstrapping methods among SMEs in the tourism sector.
Author:	Andreea Feti & Aiga Dudele
Tutor:	Karin Hellerstedt
Date:	2012-05-14
Subject terms:	<b>Bootstrapping, motivation, SMEs, tourism sector, Sweden, Latvia, Romania</b>

---

## Abstract

Bootstrapping plays a vital role in the life of small and medium-sized enterprises. By providing a large variety of financing alternatives bootstrapping ensures the existence of entrepreneurship, even though, too less attention is paid to bootstrapping in the specific literature. Therefore, the master thesis strives to eliminate the gaps in the theory by bringing new insights in the field of bootstrapping.

The purpose of the master thesis is **to investigate the usage of bootstrapping methods and understand the main motives for using these methods from a sectorial and cross-national point of view.**

In order to accomplish the purpose, the research has been carried out among travel agencies and tour operators (both belonging to the tourism sector) from Sweden, Latvia and Romania by conducting 11 semi-structured interviews, as well as by collecting 50 internet-mediated questionnaires.

Empirical findings were analyzed and interpreted through the 4-category Model that was created for gaining a deeper understanding of the phenomena of bootstrapping. Results showed that **there is a certain trend in the usage of bootstrapping methods within the tourism sector.** Thus, seeking out best conditions possible with supplier/s and obtaining payments in advance from customer are recognized to be the most important bootstrapping techniques for the travel agencies and tour operators. Moreover, it was found that the main motive for bootstrapping is **cost reduction.** In addition, the results revealed that **there are no significant differences in the usage of bootstrapping methods and in the motivation that lay behind bootstrapping from a cross-national point of view.**

# Table of Contents

<b>I</b>	<b>Introduction.....</b>	<b>1</b>
1.1	Problem.....	2
1.2	Purpose .....	3
1.3	Research questions.....	4
<b>2</b>	<b>Frame of reference .....</b>	<b>5</b>
2.1	Defining “bootstrapping” .....	5
2.2	Bootstrapping methods .....	6
2.3	Usage of bootstrapping methods .....	7
2.4	Importance of social networking in the process of bootstrapping .....	9
2.5	Motives for bootstrapping .....	10
2.6	Defining the model for the research .....	11
<b>3</b>	<b>Method .....</b>	<b>14</b>
3.1	Research strategy.....	14
3.2	Selecting samples.....	15
3.3	Data collection .....	16
3.3.1	Semi-structured interviews .....	16
3.3.2	Internet-mediated questionnaire.....	17
3.4	Data analysis.....	18
3.5	Nature of research .....	19
3.5.1	Mode of research .....	19
3.5.2	Research approach.....	19
3.5.3	Ambition of research.....	19
3.6	Credibility of research .....	20
<b>4</b>	<b>Empirical findings.....</b>	<b>21</b>
4.1	General trend and patterns in the usage of bootstrapping methods.....	22
4.2	Implementation of the 4-category Model.....	24
4.2.1	Usage of each category from a cross-national perspective .....	25
4.2.2	Usage of each category in the interviewed companies.....	25
4.3	The motivation for bootstrapping.....	26
4.3.1	The main motives identified by following the list of Winborg (2009).....	26
<b>5</b>	<b>Analysis and interpretation .....</b>	<b>29</b>
5.1	The context in which each category is used.....	29
5.2	Other stakeholders’ influence on bootstrapping.....	30
5.2.1	External cash-increasing category.....	30
5.2.2	External cost-decreasing category.....	33
5.3	Entrepreneurs’ direct influence on bootstrapping .....	35
5.3.1	Internal cash-increasing category .....	35
5.3.2	Internal cost-decreasing category .....	36
5.4	Motives resulted after the analysis and interpretation of the empirical findings .....	38

5.5	Cross-national differences that influence the tourism sector .....	38
<b>6</b>	<b>Conclusions.....</b>	<b>41</b>
<b>7</b>	<b>Discussion and implications .....</b>	<b>42</b>
	<b>List of references .....</b>	<b>43</b>

## **Figures**

Figure 2-1 4-category Model.....	12
Figure 4-1 Implementation of the 4-category Model in the tourism sector .....	24
Figure 4-2 Usage of the categories of bootstrapping methods in Sweden, Latvia and Romania.....	25
Figure 4-3 Usage of bootstrapping methods among the case companies.....	26
Figure 4-4 Motives identified during the interviews (multiple-case study).....	27
Figure 4-5 Motives identified in the survey .....	28

## **Tables**

Chart 2-1 Categories of bootstrapping methods.....	13
Chart 4-1 Interviewed companies in Sweden .....	21
Chart 4-2 Interviewed companies in Latvia.....	21
Chart 4-3 Interviewed companies in Romania .....	21
Chart 4-4 Most used bootstrapping methods (multiple-case study) .....	22
Chart 4-5 Most used bootstrapping methods (survey) .....	22
Chart 4-6 Least used bootstrapping methods (multiple-case study).....	23
Chart 4-7 Least used bootstrapping methods (survey).....	23

## **Appendix**

Appendix 1 .....	46
Appendix 2.....	47
Appendix 3.....	48
Appendix 4.....	50
Appendix 5.....	51
Appendix 6.....	52
Appendix 7.....	53
Appendix 8.....	54
Appendix 9.....	55
Appendix 10.....	56

# **I Introduction**

It is world-wide recognized that small and medium-sized enterprises (further in the text – SMEs) play a significant role in the global economy – SMEs are the backbone of economic growth and job creation in the society (Winborg & Landström, 2001; Ebben & Johnson, 2006). Consequently, SMEs financing has always been of great interest for the entire society, including practitioners and academics.

The success of SMEs mainly depends “on the entrepreneurs’ ability to identify and access sufficient sources and levels of capital” (Neeley & Van Auken, 2009, p.399) and for this reason “one of the most important decisions that entrepreneurs make is financing the operations of their enterprises” (Carter & Van Auken, 2005, p.129). For funding SMEs and their growth there are two main options for raising funds – internally or externally. When it comes to internally funded resources, the enterprise can choose to use its own savings, the cash flow of the enterprise or retained earnings. If the enterprise decides on resorting to externally funded resources, it can choose between equity, such as funding resources from venture capitalists, business angels, private equity placement or debt, such as bank loans (Welter, 2011). However, in spite of many funding options, SMEs encounter a large variety of problems in their search for funds to support their business ideas or for the development or growth of their enterprises.

Thus, applying for external funding usually turns out to be unsuccessful for most SMEs, because there are many difficulties in obtaining external funding resources. It comes out that SMEs have limited access to external capital due to many constraints, such as information asymmetry (Winborg & Landström, 2001; Ebben & Johnson, 2006; Neeley & Van Auken, 2009), high transactions costs (Winborg & Landström, 2001; Ebben & Johnson, 2006; Neeley & Van Auken, 2009), credit rationing (Cassar, 2004; Neeley & Van Auken, 2009) and poor credit ratings (Neeley & Van Auken, 2009). Taken together, external capital usually is relatively expensive, if available at all (Winborg & Landström, 2001) and even if it is available, SMEs are often not able to meet the criteria requested by potential investors (Bhide, 1992). Although limited access to external funding is the main reason for searching other funding possibilities, sometimes SMEs choose not to seek credits, because they prefer internal funding in principle (Neeley & Van Auken, 2009).

There are many internal funding possibilities for SMEs and they encompass a wide range of bootstrapping methods. “Bootstrapping methods include a combination of techniques that reduce overall capital requirements, improve cash flow, and take advantage of personal sources of financing” (Ebben, 2009, p.347). In other words, bootstrapping refers to the use of different methods available for SMEs, in order to meet the need for resources without relying on external sources of finances (Winborg & Landström, 2001). Being such a widespread solution for businesses (Winborg & Landstrom, 2001; Ebben & Johnson, 2006), bootstrapping allows the entrepreneurs to choose between a large variety of financing alternatives. Basically, the entrepreneurs have the opportunity to juggle with the resources that they have for using the financial bootstrapping methods (Neeley, 2004).

“Many small firms cope with the challenges of capital acquisition through bootstrap financing methods” (Carter & Van Auken, 2005, p.131). SMEs use bootstrapping methods in obtaining financial resources, since they are more accessible and more convenient than external debt or equity, as well as seizing achievable benefits from the bootstrapping methods, such as financial independence.

## 1.1 Problem

Although bootstrapping is crucial for the survival of SMEs, the field of bootstrapping is not researched sufficiently. By reviewing the literature on entrepreneurial finance it can be concluded that the higher importance is given to external financing, such as debt and especially equity and not to financial bootstrapping, even though the last one is the most important means of entrepreneurial finance used (Lam, 2010). It is recognized that too little attention is paid to research on bootstrapping (Winborg & Landström 2001; Harrison, Mason & Girling, 2004; Carter & Van Auken, 2005; Ebben, 2009; Lam, 2010; Perry, Chandler, Yao & Wolff, 2011).

Although there have been aspirations to expand the investigation on bootstrapping by many researchers such as Winborg and Landström (1997, 2001), Harrison et al. (2004), Van Auken (2005), Carter and Van Auken (2005) Winborg (2009), Ebben (2009), Neeley and Van Auken (1996, 2009), Perry et al. (2011), extant research is rather limited due to relatively small samples or specific location of samples and findings cannot be generalized. For this reason researchers have suggested other essential directions for future research, in order to expand the knowledge and understanding of bootstrapping.

Firstly, Van Auken and Neeley (1996), Cassar (2004), Carter and Van Auken (2005) and Winborg (2009) have suggested to research the usage of bootstrapping methods more in depth, as well as to examine the motives for using the bootstrapping methods. Taking into account that SMEs contribute significantly to the global economy (Winborg & Landström, 2001; Ebben & Johnson, 2006) and knowing that SMEs have difficulties in obtaining financial resources (Winborg & Landström, 2001; Ebben & Johnson, 2006; Neeley & Van Auken, 2009), it is crucial to develop and disseminate the useful knowledge of bootstrapping among both practitioners and academics. By having knowledgeable professionals, there will be much more successful enterprises and the global economy will flourish, bringing many benefits to the society. On this basis, this particular master thesis will be focused directly on bootstrapping methods and the motives that lay behind them.

Secondly, Cassar (2004) has suggested examining specific industries, in order to understand better the financing and the capital structure, as well as the specific motivations related to the type of industry. Until now some studies have been conducted in the software and technological/non-technological industries (Freear, Sohl & Wetzel, 1995; Harrison & Mason, 1997; Harrison et al. 2004; Van Auken, 2005), and little attention has been given to the services industry (Ebben & Johnson, 2006; Neeley & Van Auken, 2009) and no attention has been given to a specific sector. Consequently, it would be valid to do further research in a particular sector of the services industry.

In particular, the tourism sector creates a special interest for bootstrapping studies due to the aspect of seasonality. Statistics have shown that the demand for tourism services is influenced by the season (Eurostat, 2010). Seasonality is a distinctive feature of tourism sector, as well as the major challenge (Butler, 1998), because it causes a number of problems. It is believed that the main problem is irregular cash flow that in turn leads to the difficulties in accessing capital. Therefore, SMEs within the tourism sector are forced to obtain the resources they need in all possible ways by embracing internal potentialities and external possibilities by using also social networking. Respectively, the entrepreneurs are constrained to practice bootstrapping.

Even though there are many players in the economy that are affected by the tourism, according to statistics tourism “is the most important to travel agencies and tour operators,



where tourism represents 100% of the added value” (Swedish Agency for Economic and Regional Growth, 2011, p.16). It means that especially the travel agencies and tour operators are totally dependent on the tourism activities and are affected directly by the seasonality and following problems. For the sake of clarity, travel agency is “an agency that makes the necessary arrangements for travellers” (Oxford Dictionary of English, 2012a), but tour operator is “a travel agent specializing in package holidays” (Oxford Dictionary of English, 2012b). Eventually, by taking all arguments together it seems relevant to expand the research on bootstrapping in the tourism sector, particularly among the travel agencies and tour operators.

Moreover, along with the sectorial research on bootstrapping, Carter and Van Auken (2005) and Winborg (2009), who examined the motives for using different financial bootstrapping methods, have suggested extending the studies on bootstrapping, to other countries, because there are different influential factors in different countries (for instance, legislation, culture, economic situation etc.). Therefore, they believe that the motives for choosing different bootstrapping methods should be also different. In addition, Li, Lam and Qian (2001) have revealed that “some past research has suggested that there is a moderating effect of societal culture on firm behavior (Li et al., 2001, p.116). Besides, national culture can affect managerial decision-making (Puffer, 1993) and it means that financing decisions, including decisions regarding the use of bootstrapping, might be also influenced by national culture. Li et al. (2001) have pointed out that also economic, political and judicial factors influence firm behavior.

Consequently, it is expected that there could be differences in the usage of bootstrapping methods, as well as in the motivation for choosing bootstrapping methods in different countries, and a cross-national study could support this expectation. For this reason this master thesis will strive to elucidate these issues and it will provide not only a sectorial, but also cross-national study. In particular, Sweden, Latvia and Romania are chosen as the countries where the cross-national study will be conducted. Even though all these countries are the members of European Union (further in the text – EU), they present different economic, political, judicial and cultural conditions. Additionally, it should be emphasized that another important reason for selecting these specific countries is the authors’ easy access to the necessary data for the empirical study.

To sum up, in order to fill the gaps in the theory and in this way bringing new knowledge on bootstrapping, this master thesis will elucidate the usage of bootstrapping methods and the motives behind them among travel agencies and tour operators from Sweden, Latvia and Romania by conducting a sectorial and cross-national study.

## **1.2 Purpose**

**The purpose of the master thesis is to investigate the usage of bootstrapping methods and understand the main motives for using bootstrapping methods from a sectorial and cross-national point of view.** More precisely, the master thesis seeks to investigate these issues among travel agencies and tour operators from Sweden, Latvia and Romania.

Until now there has been no research conducted that reveals the phenomena of bootstrapping from a sectorial and cross-national point of view. Therefore, by accomplishing the purpose of the master thesis, new knowledge about bootstrapping will be brought from an absolutely different perspective.

### **1.3 Research questions**

In order to accomplish the purpose of the master thesis, the research questions are defined:

- Are there any differences in the usage of bootstrapping methods among the travel agencies and tour operators from Sweden, Latvia and Romania?
- Are there any differences in the motivation that lies behind the choice of using particular bootstrapping methods among the travel agencies and tour operators from Sweden, Latvia and Romania?

Contributory questions help to answer the main research questions (Andrews, 2003) and the contributory questions of the master thesis are:

- Which bootstrapping methods are used by travel agencies and tour operators from Sweden, Latvia and Romania?
- What are the main motives of travel agencies and tour operators from Sweden, Latvia and Romania for choosing particular bootstrapping methods?

## 2 Frame of reference

It is already a well-known fact that the majority of businesses all over the world are SMEs that face many difficulties in obtaining external funding (Bhide, 1992; Winborg & Landström 2001; Lam, 2010). For this reason, business owners need to find alternative ways of financing. Thus, bootstrapping is considered to be the most important way of obtaining entrepreneurial finances, much more important than equity or debt, 90% of new ventures being financed by non-traditional means of finance according to the Global Entrepreneurship Monitor (2004) as mentioned by Lam (2010). Traditionally theory links bootstrapping solely to the necessity of obtaining financial resources, calling it a last resort (Winborg, 2009). In reality, however, bootstrapping as a way of obtaining financial resources also provides a number of considerable benefits to business owners: (1) bootstrapping offers the business owners the opportunity to obtain the results they prefer, (2) the resources tend to be obtained more cost effectively through bootstrapping methods, and (3) the usage of bootstrapping methods tend to be a less risky variant for the business owners (Neeley & Van Auken, 2009). Apparently, bootstrapping is more than just a last resort and it presents a great value for entrepreneurship.

Regardless of the fact that bootstrapping methods are used very often in practice (Harrison et al., 2004, Carter & Van Auken, 2005; Van Auken, 2005; Lam, 2010), many authors that have investigated bootstrapping emphasize that the field of bootstrapping has not received enough attention from researchers, the finance and business development literature on bootstrapping being very limited (Harrison et al., 2004, Carter & Van Auken, 2005; Van Auken, 2005; Lam, 2010). Nevertheless, different directions in the research on bootstrapping have been pursued since a number of researchers have been looking for the answers related to the phenomena of bootstrapping.

In order to answer the main and contributory research questions of the master thesis, in this way accomplishing also the purpose, the available literature on bootstrapping is reviewed and the frame of reference is created as the guide for the empirical research. The following frame of reference starts with the definition of bootstrapping, the review of bootstrapping methods and their usage among SMEs, continuing with revealing the importance of social networking, the motives that lay behind bootstrapping and ending with defining a model that separates the bootstrapping methods in 4 categories.

### 2.1 Defining “bootstrapping”

Bootstrapping is a widely used term that is known in a large variety of fields, from biology to physics, software, law, linguistics, etc. According to Cornwall (2010) the term bootstrapping was first mentioned in the early 1900s in the America and was used in the phrase “to pull oneself up by the bootstraps”, meaning self-reliance. Over time, this term started to be used in the business environment, meaning the capacity of an entrepreneur to use limited funds for starting or growing an existing business. A concrete definition in the business literature was given by Bhide in 1992 after interviewing the founders of 100 companies in the United States. He defined bootstrapping as a way of “launching ventures with modest personal funds” (Bhide, 1992, p.110). Bhide’s (1992) conception of bootstrapping was narrow, because he related bootstrapping only with starting a new business. Afterwards bootstrapping was also defined as “highly creative ways of acquiring the use of resources without borrowing money or raising equity financing from traditional sources” (Freear et al., 1995).

Nevertheless, in 2001 Winborg and Landström stated that “financial bootstrapping refers to the use of methods in order to meet the need for resources without relying on long-term

external finance from debt holders and/or new owners” (Winborg & Landström. 2001, p.235-236). Starting from the Swedish study of Winborg and Landström (2001), the concept of bootstrapping has been defined also as: (1) an “opportunity for a firm to develop and grow without necessarily incurring additional debt (which would represent a further drain on working capital and cash flow) or involving a loss of control of the business (which is a widely perceived, if misunderstood, consequence of selling equity in the business)” (Harrison et al., 2004, p.310), (2) “a set of methods used to meet a venture’s resource needs while avoiding financial transactions” (Neeley, 2004, p.4), (3) the “methods for obtaining resources that collectively reduce the need for outside financing” (Ebben, 2009, p.346) and (4) “finding ways to avoid the need for external financing or funding through creativity, ingenuity, thriftiness, cost-cutting, or any means necessary” (Barringer & Ireland, 2010, p.344). Moreover, Cornwall (2010) stated that “bootstrapping is not just finding the cheapest way to do something; rather, bootstrapping is about creating the desired impact using only those resources that are necessary to achieve the desired outcomes” (Cornwall, 2010, p.146).

In result, it can be concluded that bootstrapping refers to the use of different methods and techniques available to entrepreneurs in case of necessity for raising funds internally, simultaneously reducing the need for external finances. However, in the research of the master thesis the definition given by Winborg and Landström (2001) is used – “financial bootstrapping refers to the use of methods in order to meet the need for resources without relying on long-term external finance from debt holders and/or new owners” (Winborg & Landström. 2001, p.235-236)

## **2.2 Bootstrapping methods**

A number of researchers, such as Freear et al. (1995), Winborg and Landström (1997, 2001), Harrison et al. (2004), Neeley (2004), Barringer and Ireland (2010), Perry et al. (2011), have indicated the variety of bootstrapping methods. Moreover, bootstrapping methods have been studied from different perspectives, in this way bringing different insights into the field of bootstrapping.

Freear et al. (1995) and Harrison et al. (2004) identified over 30 bootstrapping methods used particularly in the software industry and in addition they divided the bootstrapping methods utilized specifically in product development and in business development. For instance, Freear et al. (1995) and Harrison et al. (2004) indicated that in the product development such bootstrapping techniques as research grants, royalties from customers or customer funded research and development are used, but in the business development the entrepreneurs use different bootstrapping methods such as payment delaying, barter arrangements, reduced compensations etc. Although Freear et al. (1995) and Harrison et al. (2004) identified many bootstrapping methods, many of them are utilized specifically in the software industry and their usage cannot be generalized directly to other SMEs from different industries.

Also Neeley (2004) identified over 30 bootstrapping techniques, which he divided in the following 12 categories: (1) the owner’s financial and real assets, (2) the entrepreneurs personal borrowing, (3) relationship resources, (4) barter, (5) quasi-equity, (6) cooperative assets, (7) customer and client financing, (8) cash and asset management, (9) leases, (10) outsourcing, (11) subsidies and incentives and (12) foundations. Nevertheless, Neeley (2004) ranked the bootstrapping methods that are available for the entrepreneurs, considering and summarizing only the theory.

The studies mentioned previously do not offer the broad overview of bootstrapping methods due to limited scope. However, Winborg and Landström (1997, 2001) and Perry et al. (2011) have offered a wider and more comprehensible view on bootstrapping methods.

By focusing on financial bootstrapping methods used by business owners in Sweden, Winborg and Landström (1997, 2001) identified 32 bootstrapping methods, 19 of them aiming to minimize the need for capital and 13 aiming at meeting the capital needs of the businesses without involving external funding, such as loans or involving new partners (see Appendix 1). They argued that there are bootstrapping techniques, such as buying used equipment instead of new or using routines in order to speed up invoicing, that reduce the need for capital; and bootstrapping techniques such as seeking out best conditions possible with supplier/s or withholding manager's payments for shorter or longer periods, in order to meet the need for capital (Winborg & Landström, 1997, 2001). Winborg and Landström (1997, 2001) offered the first comprehensive studies on bootstrapping.

An interesting aspect on the bootstrapping methods is offered by Perry et al. (2011). They provided consistent insights on bootstrapping differentiating between two groups of bootstrapping techniques: cash-increasing versus cost-decreasing and internally versus externally oriented bootstrapping methods (Perry et al., 2011). Perry et al. (2011) defined: (1) cash-increasing bootstrapping methods as the techniques that bring cash for the company, and (2) cost decreasing bootstrapping methods as the techniques that reduce the need for cash. In addition, Perry et al. (2011) also grouped the bootstrapping methods as: (1) internally oriented – the ones that can be used within the direct control of the founders, and (2) externally oriented – the ones that require intervention from stakeholders of the company.

Interestingly, the separation between cash-increasing and cost-decreasing bootstrapping methods identified by Perry et al. (2011) reflect Winborg and Landström's (1997, 2001) separation between the bootstrapping techniques that contribute for meeting the need for capital and the ones that help to reduce the need for capital. However, Perry et al. (2011) and Winborg and Landström's (1997, 2001) have used different bootstrapping methods for their studies.

## **2.3 Usage of bootstrapping methods**

Since there are different bootstrapping methods identified by researchers, also the usage of bootstrapping methods from different aspects has been examined in the course of time.

Freear et al. (1995) and Harrison et al. (2004) examined the usage of bootstrapping methods in the software sector, the former in the United States and the latter in United Kingdom. They found that there are different bootstrapping methods exploited in product development and in business development (Freear et al., 1995; Harrison et al., 2004). Moreover, Harrison et al. (2004) found that small enterprises tend to bootstrap more for business development and they more likely use bootstrapping, in order to reduce costs. Additionally, the results of the research conducted by Harrison et al. (2004) showed that there are the differences in the usage of bootstrapping methods between the two countries – the United States and United Kingdom. In fact, the studies completed by Freear et al. (1995) and Harrison et al. (2004) were the first sprouts of sectorial studies on bootstrapping, because they conducted their researches in a particular sector; and these were also the first studies that compared the usage of bootstrapping methods in two countries, in this way striving to make cross-national studies.

On the basis of the findings of Freear et al. (1995) and Harisson et al. (2004), **it is expected that: (1) small enterprises from the tourism sector, in this case travel agencies and tour operators, mainly use bootstrapping, in order to reduce costs, and (2) there will be differences in the usage of bootstrapping methods from a cross-national perspective.**

Later, also Van Auken (2005) conducted a sectorial study, more precisely he investigated the usage of bootstrapping methods in technological and non-technological sectors in the United States and the results showed that there are differences in the usage of bootstrapping methods among the technological and non-technological firms. Basically, Van Auken (2005) found that the bootstrapping methods that improve cash inflows are more important for the firms from technological sector, but the techniques that reduce costs are more important for the firms from non-technological sector, this being explained with the fact that traditional sources of capital are more available for nontechnology-based enterprises than for technology-based enterprises (Van Auken, 2005). Taking into account that the tourism sector is non-technology sector **the findings of Van Auken (2005) lead to the same assumption that was based on the findings of Freear et al. (1995) and Harisson et al. (2004). Respectively, it is expected that the travel agencies and tour operators value more the bootstrapping methods that reduce costs.**

Additionally, by taking together the findings of the studies conducted by Freear et al. (1995), Harrison et al. (2004) and Van Auken (2005), it can be concluded that the usage of bootstrapping methods among SMEs differ depending on the sectors they work in. Consequently, **it is expected that the travel agencies and tour operators within the tourism sector also use specific bootstrapping methods.**

Also Winborg and Landström (2001) examined the usage of bootstrapping techniques. They investigated small business managers' use of financial bootstrapping methods in Sweden by using the 32 bootstrapping methods identified in 1997. The findings of the study conducted by Winborg and Landström (2001) revealed the usage of 32 bootstrapping methods, including the results that showed the six most commonly used and the six less commonly used bootstrapping methods. The most commonly used bootstrapping methods are:

- (1) buy used equipment instead of new (78%),
- (2) seek out the best conditions possible with suppliers (74%),
- (3) withhold manager's salary (45%),
- (4) deliberately delay payments to suppliers (44%),
- (5) use routines for speeding up invoicing (44%),
- (6) borrow equipment from others (42%) (Winborg & Landström, 2001).

The most commonly used bootstrapping methods have different impacts on the financial situation of the business: the first five mentioned groups have the tendency to decrease the use of financial resources that belong to the business, but the sixth eliminates completely the use of financial resources because it relies more on social networking (Winborg & Landström, 2001).

In turn, the less commonly used bootstrapping methods are:

- (1) obtain subsidy from the Swedish foundation Innovationscentrum (0%),
- (2) raise capital from a factoring company (3%),
- (3) obtain subsidy from the Swedish National Board of Industrial and Technical Development (6%),

- (4) obtain subsidy from the Swedish County Labor Board (8%),
- (5) share employees with other businesses (8%),
- (6) share equipment with other businesses (8%) (Winborg & Landström, 2001).

Considering the previously mentioned assumption that the travel agencies and tour operators within the tourism sector most probably use specific bootstrapping methods, **it is assumed that the most used and the least used bootstrapping techniques in the tourism sector could differ from the ones identified by Winborg and Landström (2001).**

Nevertheless, there is still insufficient research conducted among different sectors, in order to be able to make relevant comparisons between them. For this reason, the research of the master thesis will investigate the usage of bootstrapping methods among travel agencies and tour operators from the tourism sector, in this way contributing to the studies that have been conducted in certain sectors and thereby coming one step closer to offering a comparison between different sectors related to the usage of bootstrapping methods. Moreover, there has not been any research conducted in the tourism sector that relates to bootstrapping.

## **2.4 Importance of social networking in the process of bootstrapping**

Bootstrapping requires the intervention of different stakeholders, such as customers, suppliers, government, friends, family, other businesses etc.; thereby social networking presents a great importance in the process of bootstrapping (Jones & Jayawarna, 2010). Moreover, it is already known that there is a relationship between the success of a business and social networking that is dependent on a large variety of factors, including type of sector, strategy, characteristics of entrepreneurs and networking skills, etc. (Jones & Jayawarna, 2010).

The theory has identified three types of relationships between different stakeholders: strong ties, weak ties and “brokerage”. Strong ties have been defined as “entrepreneurs’ links with those people they know well and trust” (Jones & Jayawarna, 2010, p.133). Strong ties are usually formed with family members and friends and are known as providers of information, knowledge, also skills that are complementary to the ones of the entrepreneurs and emotional support (Jones & Jayawarna, 2010). According to Larson and Starr (1993) as stated by Jones and Jayawarna (2010), strong ties are especially used in the crucial starting years of the businesses, but along with the growth of the businesses, entrepreneurs start also using weak ties. Weak ties are formed in relation to various stakeholders such as customers, suppliers, other businesses they get in contact with, etc. and usually provide diverse types of information and even more important the necessary or sometimes complementary resources needed (Jones & Jayawarna, 2010). Furthermore, a link between the strong and weak ties, called “brokerage”, provides even more access to information and knowledge as well as resources and other benefits for the entrepreneurs. This is why, Evald, Klyver and Svendsen (2006) as stated by Jones and Jayawarna (2010) argue that entrepreneurs prefer to combine all the types of ties.

Taking into account all the previously mentioned information related to the importance of social networking, **there is a supposition that in the tourism sector social networking might present even a greater importance for entrepreneurs since their businesses rely on the relationships with various stakeholders, mainly customers and suppliers but not only.**

## 2.5 Motives for bootstrapping

For a long time bootstrapping was seen as a measure of a last resort (Winborg, 2009), therefore the lack of the capital was seen as the main motive for bootstrapping. However, the motives that lay behind the choice of bootstrapping are much more complex than they look like (Cornwall, 2010). Over time the issue of actual motives that lead entrepreneurs to use specific bootstrapping methods started to receive more attention from researchers, pursued more in-depth by Carter and Van Auken (2005) and Winborg (2009).

Carter and Van Auken (2005) found an interest in researching the connection between owners' perceptions of their businesses and bootstrapping. They argued that "financing decisions are the most important and challenging issues faced by small firms" (Carter and Van Auken, 2005, p.130) and that the perceptions of business owners related to the environment motivate their decisions and not necessarily how the environment really is. The findings revealed that owners' perception on the importance of bootstrap financing is associated with risk (Carter & Van Auken, 2005). Respectively, the results showed that owners of riskier businesses find financial bootstrapping more important than owners of less riskier businesses, one of the reasons being the difficulty in attracting funds for their businesses from external sources (Carter & Van Auken, 2005).

However, more recent studies showed that business managers who use bootstrapping methods despite the fact that they do not need additional financial resources (Winborg and Landström, 2001) and that the bootstrapping techniques are used intentionally, consciously and deliberately by company owners (Winborg, 2009). The motives identified by Winborg (2009) were:

- (1) lower costs,
- (2) manage without external funding,
- (3) lack of capital,
- (4) risk reduction,
- (5) fun helping others and getting help from others,
- (6) time saving,
- (7) freedom of action.

Further, the study showed that the most important motive is "lower costs" and "lack of capital" (Winborg, 2009, p.81). It is obvious that this particular motivation is prior for the bootstrappers, because also the findings of the studies that investigated the usage of bootstrapping methods (sub-chapter 2.3) showed that mostly bootstrapping methods that reduce costs or allow meeting the need for capital are used. On this basis, **it is expected that the main motives that lay behind the choice of bootstrapping made by the entrepreneurs from the travel agencies and tour operators will be "lower costs" and "lack of capital"**.

Lowering the costs and fulfilling the need for capital are reflected in the cash flow management of a company. Managing efficiently the cash-flow of a company ensures the success of a business, by propelling its growth and development. The tourism sector requires a more precise and strict cash flow management, including the flows of the accounts payables and receivables. One of the most important elements in cash flow management is cash conversion cycle, which is calculated as "the number of days of receivables plus the number of days of inventory less the number of days of payables" (Ebben & Johnson, 2011, p.385). Ebben and Johnson (2011) found that an understanding and an efficient monitoring of the cash conversion cycle will contribute to increasing the performance of a small



enterprise. By having a balanced cash conversion cycle small firms insure a higher liquidity. Entrepreneurs that are not able to ensure a short cash conversion cycle face financial constraints and have to search for additional external (equity or debt) or own funds (Ebben & Johnson, 2011). Therefore, an improvement of the cash flow is an essential stimulus for the usage of bootstrapping methods.

Although there has been done research related to the motivation for bootstrapping, by reviewing the existing literature, it can be concluded that this is not sufficient and additional studies should be conducted.

## **2.6 Defining the model for the research**

The frame of reference revealed that the theory identifies a large variety of bootstrapping techniques and specifies also the motives that lay behind bootstrapping. Keeping in mind that the purpose of the master thesis is to investigate the usage of bootstrapping methods and understand the main motives for bootstrapping from a sectorial and cross-national point of view, it is obvious that the most valid theories should be gathered together, in order to conduct the research. Moreover, after reviewing the existent literature, it is considered that a model for the current research would be useful. Therefore, a model has been created by combining the bootstrapping methods identified by Winborg and Landström (2001) and the categories of bootstrapping techniques defined by Perry et al. (2011). A suggestion for further research on this sense was given also by Perry et al. (2011). For this specific reason, the model is based on the combination of the two classifications of the bootstrapping methods defined by the previously mentioned authors. The combination led to a **4-category Model** (see Figure 2-1).

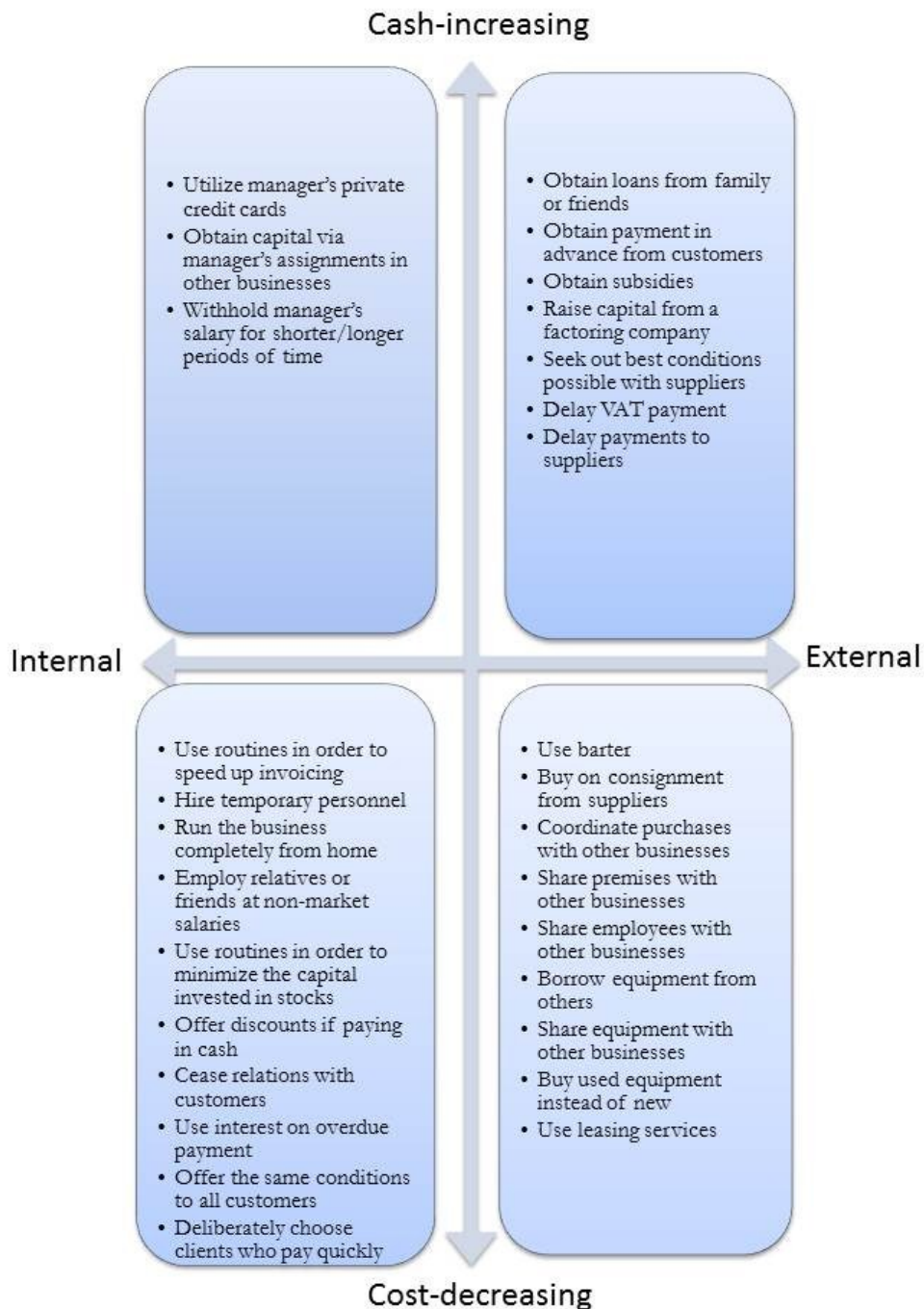


Figure 2-1 4-category Model

In order to create the 4-category Model, a 2x2 matrix was taken as the basic element, placing the bootstrapping categories identified by Perry et al. (2011) on X and Y axis. Basically, X axis shows the internally and externally oriented bootstrapping methods. Perry et al. (2011) stated that **internally oriented bootstrapping methods are used within the control of the founders**, but **externally oriented bootstrapping techniques are used with the intervention from the stakeholders**. In this case the term “stakeholders” refers to suppliers, customers, government, friends, family, other businesses etc. However, Y axis

shows cash-increasing versus cost-decreasing bootstrapping methods. Perry et al. (2011) defined the **cash-increasing bootstrapping methods as techniques that bring cash to a company**, but the **cost-decreasing methods have been defined as techniques that reduce a company's need for cash**. Eventually, after placing the bootstrapping categories identified by Perry et al. (2011) on X and Y axis, the 2x2 matrix offered 4 categories of bootstrapping methods (see Chart 2-1).

Chart 2-1 Categories of bootstrapping methods

<b>INTERNAL CASH-INCREASING</b>  <b>Bootstrapping methods that are used within the direct control of the founders, in order to bring cash to a company.</b>	<b>EXTERNAL CASH-INCREASING</b>  <b>Bootstrapping methods that are used with the intervention from the stakeholders, in order to bring cash to a company.</b>
<b>INTERNAL COST-DECREASING</b>  <b>Bootstrapping methods that are used within the direct control of the founders, in order to reduce a company's need for cash.</b>	<b>EXTERNAL COST-DECREASING</b>  <b>Bootstrapping methods that are used with the intervention from the stakeholders, in order to reduce a company's need for cash.</b>

For a better understanding of each category, the explanations provided by Perry et al. (2011) have been used.

In order to complete the model, the bootstrapping methods identified by Winborg and Landström (2001) were placed in the appropriate category by taking into account the context (internally/externally, cash-increasing/cost-decreasing) in which the particular bootstrapping methods are used among SMEs. The 32 methods of Winborg and Landström (2001) were reduced down to 29 by conflating the subsidy related methods in one single method (see Appendix 2). Eventually, after dividing the 29 selected bootstrapping methods in 4 categories, the 4-category Model was completed and it provided 4 different categories of bootstrapping methods:

- (1) internal cash-increasing,
- (2) external cash-increasing,
- (3) internal cost-decreasing,
- (4) external cost-decreasing.

The 4-category Model will be used as the base for the research of this master thesis, in order to identify the specificity in the usage of bootstrapping methods, as well as in the motivation by investigating all these in the tourism sector.

### 3 Method

The method includes “the techniques and procedures used to obtain and analyse research data, including for example questionnaires, observation, interviews, and statistical and non-statistical techniques” (Saunders, Lewis & Thornhill, 2007, p.602). In other words the method addresses to the entire process of research. In order to answer the research questions of the master thesis, thereby accomplishing the purpose of the master thesis, the appropriate method is chosen and applied for the research.

Saunders et al. (2007) have pointed out that the research is undertaken in order to find out the things in a systematic way, thereby increasing the knowledge (Saunders et al., 2007). Moreover, the research process is “a sequence of clearly defined steps within a research study” (Cooper & Schindler, 2011). Apparently systematic approach plays a significant role in conducting the research and for this reason further the framework of the method is described step by step.

#### 3.1 Research strategy

Since the master thesis seeks to investigate the usage of bootstrapping methods and understand the main motives for using bootstrapping methods among the travel agencies and tour operators from Sweden, Latvia and Romania, the data needs to be obtained from specific companies (travel agencies and tour operators) in the 3 selected countries (Sweden, Latvia and Romania), and this fact directly has affected the process of decision making on the research strategy. Consequently, in order to ensure the credibility of the findings, the research strategy is a combination of two research strategies – **a multiple-case study strategy (as a basic strategy) and a survey strategy (as a supportive strategy)**.

The case study strategy is chosen as the basic research strategy. According to Robson (2002) case study is “a strategy for doing research which involves an empirical investigation of a particular contemporary phenomenon within its real life context using multiple sources of evidence” (Robson, 2002, p.178). The case study allows accomplishing the research in the real life context and gain deeper understanding of the phenomenon. Taking into account that the purpose of the master thesis is to investigate the usage of bootstrapping methods and understand the main motives for bootstrapping, it is vital to get deeper understanding of the real life context in travel agencies and tour operators from 3 different countries, more precisely from Sweden, Latvia and Romania.

Moreover, to ensure the generalizability of the findings, the research is done in multiple cases. “The rationale for using multiple cases focuses upon the need to establish whether the findings of the first case occur in other cases and, as a consequence, the need to generalise from these findings” (Saunders et al., 2007, p.140). Saunders et al. (2007) have recognized that it is necessary to investigate multiple cases, in order to generalize the findings, and for this reason not only one travel agency/tour operator from each country, but several travel agencies and tour operators from Sweden, Latvia and Romania are chosen as cases for the research.

However, in order to expand the generalizability to a higher level, the survey strategy is chosen as additional, as a supportive strategy for the case study strategy. Although the survey strategy is another approach, “it is quite possible to use the survey strategy as part of a case study” (Saunders et al., 2007, p.135). A survey is a “research strategy that involves the structured collection of data from a sizeable population” (Saunders et al., 2007, p.612).

To conclude the research strategy of the research on the usage of bootstrapping methods and the motives behind them is the mixture of the case study strategy and survey strategy. In practice it means that the data are obtained from multiple cases within the case study strategy and the findings from the case study are supported by the survey that seeks to obtain more data from other travel agencies and tour operators from Sweden, Latvia and Romania.

### **3.2 Selecting samples**

The sampling frame is referred to a full list of all cases in the population from which the samples will be drawn (Saunders et al., 2007). In this case the data for the research of the master thesis should be obtained from the travel agencies and tour operators in Sweden, Latvia and Romania; thereby the sampling frame includes all travel agencies and tour operators from Sweden, Latvia and Romania. However, considering time and budget constraints, as well as the necessity to collect data and gain the results quickly (Saunders et al., 2007), it is needed to select samples from the sampling frame.

In the research on the usage of bootstrapping methods and the motives behind them the probability or representative sampling is used, in order to select the samples – travel agencies and tour operators from Sweden, Latvia and Romania. The probability sampling is defined as “selection of sampling techniques in which the chance, or probability, of each case being selected from the population is known and is not zero” (Saunders et al., 2007, p.607). Consequently, the approximately equal number of the travel agencies and tour operators from each country – Sweden, Latvia and Romania, is selected for the research by using the available and accessible databases that provide necessary contact information of the travel agencies and tour operators.

The major part of the travel agencies and tour operators from Sweden belong to the Association of Swedish Travel Agents and Tour Operators. Association of Swedish Travel Agents and Tour Operators represents 85% of travel agencies and nearly 50% of tour operators in Sweden (Association of Swedish Travel Agents and Tour Operators, 2012). Taking into account that the Association of Swedish Travel Agents and Tour Operators provides the full list of the head offices of the travel agencies and tour operators in Sweden, including necessary contact information, the travel agencies and tour operators that are the members of Association of Swedish Travel Agents and Tour Operators are selected as the samples from Sweden. Eventually, 205 travel agencies/tour operators are selected for the research in Sweden. However, it is necessary to mention that selecting the travel agencies and tour operators from the list provided by the Association of Swedish Travel Agents and Tour Operators can be seen as limitation to the research of the master thesis, because the members of Association of Swedish Travel Agents and Tour Operators do not reflect all travel agencies and tour operators from Sweden.

According to the Ministry of Economics of Republic of Latvia (2012) there are 238 travel agencies/tour operators in Latvia and all 238 travel agencies/tour operators are selected for the research in Latvia.

Similarly like in Sweden, there are many travel agencies and tour operators in Romania, but not all of them are selected for the research. In order to balance the sampling among 3 countries, 229 travel agencies/tour operators are chosen from the members of the National Agency of Travel Agencies from Romania (2012). Similar to the samples from Sweden, also the selecting samples from Romania in previously described way set the limitations for the

research, because selected travel agencies and tour operators do not reflect all travel agencies and tour operators in Romania.

In sum, **205 travel agencies/tour operators from Sweden, 238 travel agencies/tour operators from Latvia and 229 travel agencies/tour operators from Romania are selected for the research** on the usage of bootstrapping methods and the motives behind them.

### **3.3 Data collection**

Primary data are “data collected specifically for the research project being undertaken” (Saunders et al., 2007, p.607). In order to obtain feasible primary data, the triangulation is used in the process of data collection. “Triangulation refers to the use of different data collection techniques within one study in order to ensure that the data are telling you what you think they are telling you” (Saunders et al., 2007, p.139).

In other words multiple methods are used in the research on the usage of bootstrapping methods and the motives behind them. Multiple methods mean using “more than one data collection technique and analysis procedure or procedures” (Saunders et al., 2007, p.603). Tashakkori and Teddlie (2003) have pointed out that multiple methods provide better opportunities to answer the research questions and allow to better evaluate the extent to which the findings of the research can be trusted (Tashakkori & Teddlie, 2003). Moreover, mixed methods are chosen and used in the research of the master thesis. “Mixed method is the general term for when both quantitative and qualitative data collection techniques and analysis procedures are used in a research design” (Saunders et al., 2007, p.139). Eventually, the primary data for the research have been collected through two techniques of data collection – **semi-structured interviews** and **an internet-mediated questionnaire**. Consequently, both the qualitative and the quantitative techniques of data collection are used in the research, in order to answer the research questions and fulfil the purpose of the master thesis. The semi-structured interviews are chosen as both qualitative and quantitative techniques of data collection, but an internet-mediated questionnaire is chosen as the quantitative technique of data collection.

#### **3.3.1 Semi-structured interviews**

A semi-structured interview is a “wide-ranging category of interview in which the interviewer commences with a set of interview themes but is prepared to vary the order in which questions are asked and to ask new questions in the context of the research situation” (Saunders et al., 2007, p.611). Semi-structured interview is chosen, because it provides a number of benefits for the research on the usage of bootstrapping methods and the motives behind them. Firstly, semi-structured interviews allow collecting rich and detailed sets of data (Saunders et al., 2007). Secondly, semi-structured interviews prescribe asking the same questions for each of the interviewees (Saunders et al., 2007). In this case identical questions are asked for the travel agencies and tour operators from Sweden, Latvia and Romania and in this way the major part of primary data are obtained on the same topics. Thirdly, semi-structured interviews allow asking different questions depending on the context and it means that every case can be understood more in depth. Fourthly, taking into account that there are certain questions set for the semi-structured interviews these questions can be also implemented in the internet-mediated questionnaire, in order to obtain more primary data from travel agencies and tour operators from Sweden, Latvia and Romania on the same topics.

In order to accomplish the purpose of the master thesis, specific questions were set as the guideline for the semi-structured interviews. Every question was set by taking into account that “four stages that must occur if a question is to be valid and reliable” (Saunders et al., 2007, p.366). In accordance with Foddy (1994) in the first stage the researcher designs a question, in the second stage the respondent decodes the question in the way the researcher intended, in the third stage the respondent answers the question and in the fourth stage the researcher decodes the answer of the respondent.

Opening questions of the semi-structures interviews were related to the profile of the enterprise (name of the enterprise, year of establishment, name of interviewee, number of employees, turnover, principal activity), as well as every interviewee told about his or her enterprise in general, including a description and short history. Continuing the conversation, each of the entrepreneurs was asked whether he or she has any prior knowledge regarding the concept of “bootstrapping.” Many of the entrepreneurs were not aware of this concept, therefore they were offered a thorough explanation of what bootstrapping is and what are the main methods used in this process. Consequently, open questions were addressed to each of the interviewees concerning the methods used for bootstrapping. The entrepreneurs were asked whether they have used (or still use) certain bootstrapping methods and if they did/do, in which situation, how and why? Particularly the “why” question was very essential and important, because it revealed the main motives that lay behind bootstrapping. In this manner, interesting results of bootstrapping and the motivation were unveiled at the end of the research, which will be presented in the chapter of empirical findings, analysis and interpretation. Additionally, the positive and negative effects of using bootstrapping methods were investigated, as well as the impact of the business environment in each country, the economic development and culture of the country on the business was discussed. The semi-structured interview was concluded with “smooth” questions about the importance of obtaining more information from the literature related to bootstrapping.

During the whole process of data collection, 26 travel agencies/tours operators from Sweden, 13 travel agencies/tour operators from Latvia and 14 travel agencies/tour operators from Romania were asked to contribute with participating in a semi-structured interview. First of all, the introductory e-mails were sent to them and afterwards the entrepreneurs from all these companies were called over the phone, in order to discuss the possibility of holding a semi-structured interview. Unfortunately, there were many refusals, because of the entrepreneurs’ lack of time or disinterest in the research. In spite of that, 3 travel agencies/tour operators from Sweden, 3 travel agencies/tour operators from Latvia and 5 travel agencies/tour operators from Romania agreed with the semi-structured interviews. These semi-structured interviews were held between March 20, 2012, and April 5, 2012; they were conducted “face to face” and held in the language that the interviewee preferred. The length of the semi-structures interviews varied from 40 minutes to 3 hours and additionally every interview was recorded and transcribed, in order to complete the data analysis correctly. Also the anonymity of each enterprise was ensured by signing a confidentiality agreement.

### **3.3.2 Internet-mediated questionnaire**

“The questionnaire is one of the most widely used data collection techniques within the survey strategy. Because each person (respondent) is asked to respond to the same set of questions, it provides an efficient way of collecting responses from a large sample prior to quantitative analysis” (Saunders et al., 2007, p.355). In this case the questionnaire is used in order to obtain more primary data from the samples, in this way supporting the case study.

Internet-mediated questionnaire is a “questionnaire administered electronically using the Internet” (Saunders et al., 2007, p.600). The internet-mediated questionnaire is chosen as the most appropriate type of the questionnaire for the survey, because the questionnaires are sent to the amount of travel agencies and tour operators from Sweden, Latvia and Romania via e-mails. Taking into account that the purpose of the master thesis is to investigate the usage of bootstrapping methods and understand the main motives for using bootstrapping methods, the internet-mediated questionnaire is based on the list of bootstrapping methods identified by Winborg and Landström (2001) and on the list of motives identified by Winborg (2009), being considered as the most complete and relevant for accomplishing the purpose of the master thesis (see Appendix 3). The questionnaire starts with the questions that reveal the profile of the enterprise (principal activity, year of establishment, number of employees, turnover). Afterwards there is the question that identifies the bootstrapping methods that are used in the enterprise and the question that mirrors the motives for using the bootstrapping methods. The questionnaire ends up with an open question about the factors that affect the business of the travel agency and tour operator in the certain country.

The internet-mediated questionnaire was made via Internet and distributed through the e-mail. The internet-mediated questionnaire was sent to 202 travel agencies/tour operators from Sweden in English (this can be seen as the limitations to the research, because the questionnaire for Swedish enterprises is sent only in English, not in Swedish), 235 travel agencies/tour operators from Latvia in English/Latvian and 224 travel agencies/tour operators from Romania in Romanian. Taking into account that there were difficulties to gain the responses from the samples, the internet-mediated questionnaire was sent two times for the same samples, as well as approximately 45 calls were made with the purpose to gain more responses. In spite of these efforts and entrepreneurs’ promises to complete the questionnaires, only 9 questionnaires in Sweden, 23 questionnaires in Latvia and 18 questionnaires in Romania have been fully completed.

### **3.4 Data analysis**

As it has been discussed above the data collection is accomplished by using semi-structured interviews and internet-mediated questionnaire. Both qualitative and quantitative data have been obtained from the samples, however, the first being more important.

The quantitative data are “based on meanings derived from numbers” (Saunders et al., 2007, p.472) and their analysis is “conducted through the use of diagrams and statistics” (Saunders et al., 2007, p.472). In the research of the master thesis the quantitative data are obtained from both the semi-structured interviews and internet-mediated questionnaire. The quantitative data of the research are exported to Excel and analysed by using the analytical tools of Excel.

Nevertheless, the qualitative data are “based on meanings expressed through words” (Saunders et al., 2007, p.472) and their analysis is “conducted through the use of conceptualisation” (Saunders et al., 2007, p.472). In this case qualitative data are obtained from the semi-structured interviews and these data provide the opportunity to make the research of the master thesis more in depth. Obtained qualitative data from the semi-structured interviews are used for understanding the real life context, getting deeper knowledge and making main conclusions about the usage of bootstrapping methods, as well as the motives behind it among the travel agencies and tour operators from Sweden, Latvia and Romania. Moreover, the results obtained after conducting the interviews are applied to the 4-cluster



Model defined in the frame of reference in the Figure 2-1, and qualitative data are analyzed and interpreted through this model.

### **3.5 Nature of research**

In order to understand the heart of this particular research, the nature of the research is described. The nature of the research varies depending on different aspects, such as the mode of research, research approach and the ambition of the research, and these aspects of particular research are discussed below.

#### **3.5.1 Mode of research**

Many authors (Saunders et al., 2007; Zikmund, Babin, Carr & Griffin, 2010; Cooper & Schindler, 2011) believe that all research projects of business and management are positioned on a continuum in accordance with their purpose and context. One extreme of the continuum is applied research, but the opposite extreme is basic research (also called as fundamental or pure research) (Saunders et al., 2007). Applied research is conducted “to address a specific business decision for a specific firm” (Zikmund et al., 2010, p.6), but basic research “attempts to expand the limits of knowledge in general” (Zikmund et al., 2010, p.7). The research on the usage of bootstrapping methods and the motives behind them lies down somewhere between previously mentioned extremes, because on the one hand the particular research is undertaken in order to understand the phenomena of the business in general, but on another hand the findings of the research might be relevant and very useful not only for academicians, but also for the entrepreneurs, future entrepreneurs and managers in the tourism sector.

#### **3.5.2 Research approach**

The research approach is referred to as the way the novel knowledge is built up. There are two research approaches – deductive and inductive (Saunders et al., 2007; Crowther & Lancaster, 2009; Cooper & Schindler, 2011). Deductive research firstly develops theory and afterwards tests the theory through the empirical observation (Crowther & Lancaster, 2009), but to the contrary inductive research develops the theory only when the data is collected and analyzed (Saunders et al., 2007). Although the deductive and inductive researches are diametrically opposed, Cooper and Schindler (2011) have argued that at times it is useful to combine the deductive and inductive approaches, in order to reduce the potential bias of the research. Considering previous reasoning, there are efforts to combine these both approaches also in the research on the usage of bootstrapping methods and the motives behind them. In particular research the existing theory about bootstrapping, bootstrapping methods and the motives for using bootstrapping methods is tested through the empirical observation and at the same time the novel knowledge is developed by explaining empirical findings that derived from the data obtained from travel agencies and tour operators from Sweden, Latvia and Romania.

#### **3.5.3 Ambition of research**

Taking into account the ambition or the purpose of the research, the studies can be applied for exploratory, descriptive or explanatory studies (Saunders et al., 2007; Zikmund et al., 2010; Cooper & Schindler, 2011). The purpose of this master thesis is to investigate the usage of bootstrapping methods and understand the main motives for using bootstrapping methods. It is apparent that the purpose is more explorative than descriptive or explanatory and for this reason the exploratory study is adopted. According to Saunders et al. (2007)

the exploratory study is defined as a “research that aims to seek new insights into phenomena, to ask questions, and to assess the phenomena in a new light”.

### **3.6 Credibility of research**

The credibility of the research is ensured by the reliability and validity of the research (Saunders et al., 2007). Reliability means “the extent to which data collection technique or techniques will yield consistent findings, similar observations would be made or conclusions reached by others researchers or there is transparency in how sense was made from the raw data” (Saunders et al., 2007, p.609) and there are four main threats to the reliability: (1) subject or participant error, (2) subject or participant bias, (3) observer error, and (4) observer bias (Robson, 2002). But validity is “the extent to which data collection method or methods accurately measure what they were intended to measure or the extent to which research findings are really about what they profess to be about” (Saunders et al., 2007, p.614). Robson (2002) has identified five threats to validity: (1) history, (2) testing, (3) mortality, (4) maturation, and (5) ambiguity about causal direction.

To overcome the obstacles of the reliability and validity and ensure the credibility of the research of the master thesis, the data collection methods – semi-structured interviews and internet-mediated questionnaire – are designed and conducted according to the existent literature, using common sense and following the rules of ethics, and the data collection is done accurately, carefully and precisely, taking into account advises from professionals.

## 4 Empirical findings

The aim of the master thesis is to offer a clear understanding on the bootstrapping methods that are used in a specific sector, more specifically in the tourism sector, and to clarify the motives that lay behind the bootstrapping choices made by entrepreneurs from a cross-national point of view. In order to achieve this goal a study was conducted among travel agencies and tour operators from Sweden, Latvia and Romania. As it was already described in the chapter of method there have been 11 interviews conducted – 3 in Sweden, 3 in Latvia and 5 in Romania, as well as a questionnaire was completed by 50 travel agencies/tour operators – 9 from Sweden, 23 from Latvia and 18 from Romania. The descriptive information of these travel agencies and tour operators can be seen in Appendixes 4, 5 and 6. However, more detailed information of the case companies is provided in Charts 4-1, 4-2, 4-3 which will follow below.

For the sake of respecting the confidentiality agreement signed with all the entrepreneurs interviewed, code names are given to each of the companies represented by the interviewees. Every code name is made by using the following formula: country code (SWE, LV, RO) + assigning letter (A-E) + principal activity of the company (agency or operator).

Chart 4-1 Interviewed companies in Sweden

SWE-A-operator	Established in 2004 by organizing the trips for colleagues. Business as hobby! At this moment still just a hobby, but there is wider range of trips and many loyal clients.
SWE-B-operator	Founded in 1997 by having a passion for sports. Now an entrepreneurial company that provides mainly packages for sport events and concerts.
SWE-C-agency	Started in 1987 having just a garage and providing buss trips. Now they provide a large variety of buss trips with unique services and having many clients.

Chart 4-2 Interviewed companies in Latvia

LV-A-agency	By sharing the premises with a university in 1994 they started to bring runners to marathons. At this moment one of the largest and most popular travel agencies in Latvia.
LV-B-operator	Started their business exactly before the financial crisis in 2006 by providing individually tailored trips for the upper-class clients. Now they are merging with another travel agency, in order to grow and become stronger.
LV-C-agency	Started in 2008, is growing at this moment and tries to expand the business.

Chart 4-3 Interviewed companies in Romania

RO-A-agency	Established in 2006, started from home with the aid of the family members. The owner is very young and open-minded, and the business grew significantly.
RO-B-operator	Established in 1997 after a trip to South America which inspired the owner and made him realise that tourism is his passion. For a few years the firm also worked as a school for tour-guides. Now they are expanding their incoming services.
RO-C-agency	Established in 2002 by a very young and un-experienced entrepreneur. The entrepreneur gained the trust of the customers, therefore the business grew significantly and now the company offers a large variety of destinations and has a large database of loyal customers.
RO-D-agency	Established in 1993 as a family business offering incoming services and worked from home until 1998. Now the company has loyal customers and focuses more on outgoing services.
RO-E-operator	Established in 2006 in a small town working from home, working as tour operators having experience as tour guides in Greece. Later expanded the business in a larger city and now offer customized travels in many countries but more focused on Greece and Austria.

The empirical findings related to the usage of bootstrapping methods and the motives that lay behind the choice of bootstrapping comprise two parts. The first one represents the pure results of the research based on the 4-category Model presented in the sub-chapter 2.6. The second one is based on the analysis and interpretation (chapter 5) of the conducted interviews by describing the 4-category Model implemented in the tourism sector.

#### 4.1 General trend and patterns in the usage of bootstrapping methods

The results obtained from the interviews and questionnaires revealed that all the entrepreneurs from the tourism sector who were involved in the research have used various bootstrapping methods; there was no company that has not recognized using at some extent at least 3 bootstrapping methods (lowest number of methods, used by a company in Sweden). The results agree with the findings of Harrison et al. (2004) which showed that all but 5% of the companies on which they based their research on, all from the software sector, have used “at least some bootstrapping methods” (Harrison et al., 2004, p. 318). Winborg (2009), who conducted a research on new businesses established in business incubators, has found that 88% of the businesses have used bootstrapping methods at some extent. The general trend in the usage of bootstrapping methods among the travel agencies and tour operators can be seen in Appendix 7 that shows the results derived from the multiple-case study, and in Appendix 8 the results from the survey are shown.

When discussing about the general trend, it is interesting to look at the most and the least used bootstrapping methods among travel agencies and tour operators. The following two charts show the 5 most used bootstrapping techniques, Chart 4-4 reflecting the results from the multiple-case study and Chart 4-5 mirroring the results of the survey.

Chart 4-4 Most used bootstrapping methods (multiple-case study)

Multiple-case Study	Sweden	Latvia	Romania	Total	Total (%)
Seek out best conditions possible with supplier/s.	3	3	5	11	100%
Obtain payment in advance from customers.	3	3	5	11	100%
Use routines in order to speed up invoicing.	2	3	4	9	82%
Hire personnel instead of employing permanently.	2	3	3	8	73%
Buy used equipment instead of new.	2	3	3	8	73%

Chart 4-5 Most used bootstrapping methods (survey)

Survey	Sweden	Latvia	Romania	Total	Total (%)
Seek out best conditions possible with supplier/s.	8	16	9	33	66%
Obtain payment in advance from customers.	5	15	11	31	62%
Cease business relations with customers frequently paying late	1	11	7	19	38%
Withhold manager's salary for shorter/longer periods.	3	11	4	18	36%
Deliberately choose customers who pay quickly.	0	11	7	18	36%

As it is obvious from the two tables shown previously, the most important methods for the travel agencies and tour operators within the tourism sector were found to be **seeking out best conditions possible with supplier/s** and **obtaining payment in advance from customers**. These patterns were revealed by the multiple-case study and supported also by the survey conducted in the three countries. This shows that entrepreneurs from various

countries that run their travel agencies/tour operators in the tourism sector choose to use the two particular methods and find them the most important for their businesses.

In comparison to the findings of Winborg and Landström (2001) which showed the two main bootstrapping methods as being: the first one buy used equipment instead of new and on the second place seek out the best conditions possible with suppliers, the research conducted for this master thesis revealed that the travel agencies and tour operators within the tourism sector present some similarities with the SMEs in Sweden as it seems that seeking out the best conditions possible with suppliers is one of the most commonly used bootstrapping methods, for the tourism sector being seen as the most important one. What differentiates the tourism sector from other SMEs is the fact that the entrepreneurs seek to obtain payment in advance from customers, this being the way they work.

When it comes to the least used bootstrapping methods, the multiple-case study and the survey showed at some extent different results (see Chart 4-6 and 4-7).

Chart 4-6 Least used bootstrapping methods (multiple-case study)

Multiple-case Study	Sweden	Latvia	Romania	Total	Total (%)
Offer the same conditions to all customers.	1	0	0	1	9%
Offer customers discounts if paying cash.	0	1	0	1	9%
Cease business relations with customers frequently paying late.	0	1	0	1	9%
Raise capital from a factoring company.	0	0	0	0	0%
Use interest on overdue payment from customers.	0	0	0	0	0%

Chart 4-7 Least used bootstrapping methods (survey)

Survey	Sweden	Latvia	Romania	Total	Total (%)
Co-ordinate purchases with other businesses.	1	3	2	6	12%
Borrow equipment from other businesses for shorter periods.	1	5	0	6	12%
Obtain subsidy from public institutions.	0	4	1	5	10%
Use routines in order to minimize capital invested in stock.	0	3	1	4	8%
Raise capital from a factoring company.	0	2	0	2	4%

Although the results derived from the semi-structured interviews and the internet-mediated questionnaires differ, it is obvious that the travel agencies and tour operators do not **raise capital from factoring companies**.

By executing a comparison with the least commonly used bootstrapping methods underlined by Winborg and Landström (2001), who found as least used methods obtaining various subsidies and raising capital from a factoring company and also share employees or equipment with other businesses, the conclusion is that there is no obvious difference from this perspective that might distinguish the SMEs in the tourism sector by other SMEs.

To sum up, previously mentioned results showed only the general trend and patterns in the usage of bootstrapping methods among the travel agencies and tour operators from the tourism sector without considering the four categories of bootstrapping methods defined in the 4-category Model.

## 4.2 Implementation of the 4-category Model

Taking into account that the results of the survey have supported and shown the same results in the use of bootstrapping as the results of the interviews did, in this sub-chapter only the results obtained from the semi-structured interviews are described.

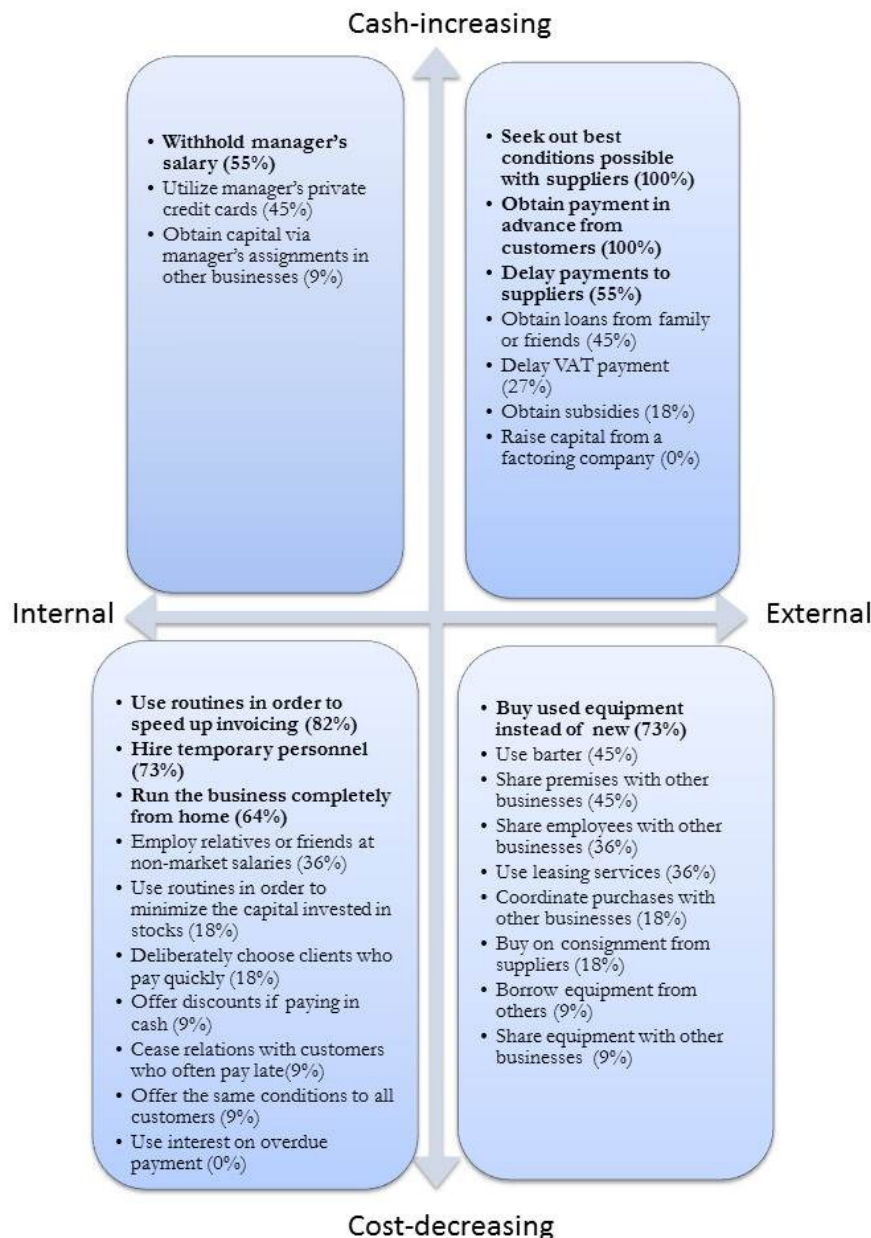


Figure 4-1 Implementation of the 4-category Model in the tourism sector

In order to get a more comprehensive insight into the usage of bootstrapping methods used by the travel agencies and tour operators, the 4-category Model was adapted to the empirical findings obtained from the semi-structured interviews and a new version was generated, which will be called Implementation of the 4-category Model in the tourism sector (see Figure 4-1) showing the specificity of the tourism sector (travel agencies and tour operators).

The categories separation shows clearly which of the bootstrapping methods from each of them are mostly used by the interviewed entrepreneurs, the methods used by more than 50% of the interviewees being bolded in the following figure. The methods are listed based on their usage as found from the interviews, expressed in percentages. It can be seen in Implementation of 4-category Model that all four categories of bootstrapping methods present the great interest of the travel agencies and tour operators.

#### 4.2.1 Usage of each category from a cross-national perspective

Interesting facts reveal when taking a look at the usage of the four categories of bootstrapping methods from a cross-national point of view (see Figure 4-2).

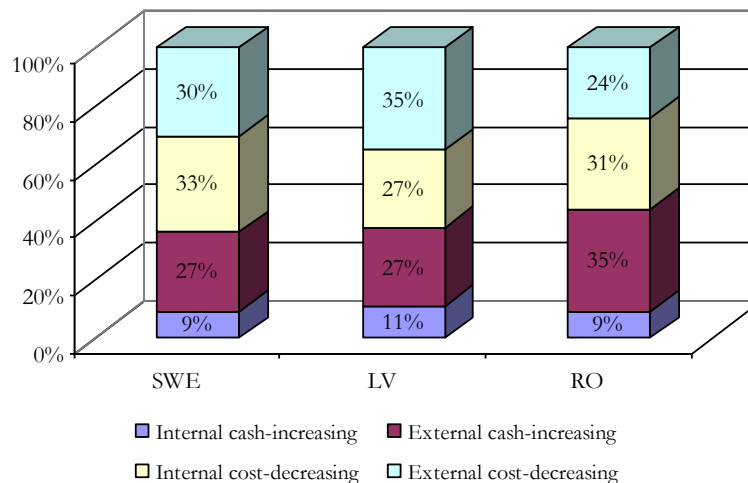


Figure 4-2 Usage of the categories of bootstrapping methods in Sweden, Latvia and Romania

Firstly, the results show that each category of bootstrapping methods is almost equally used among the travel agencies and tour operators from Sweden, Latvia and Romania, only small variations can be observed. It means that the trend in the use of bootstrapping methods is not affected by the country in which the enterprise is located.

Secondly, Figure 4-2 shows the proportion of used categories of bootstrapping methods and it reveals that the categories of external cash-increasing, internal cost-decreasing and external cost-decreasing bootstrapping methods (each presenting approximately one third of total usage of the categories) are used with very small variations among the travel agencies and tour operators. Thereby it is not possible to say that one of these three categories presents a greater interest for the travel agencies and tour operators; they are all important for these companies. Nevertheless, it can be seen that the internal cash-increasing methods are not used among the case companies so frequently.

#### 4.2.2 Usage of each category in the interviewed companies

In order to get more detailed results of the usage of the categories identified in the 4-category Model among the travel agencies and tour operators within the tourism sector, it is necessary to look at each case company individually (see Figure 4-3).



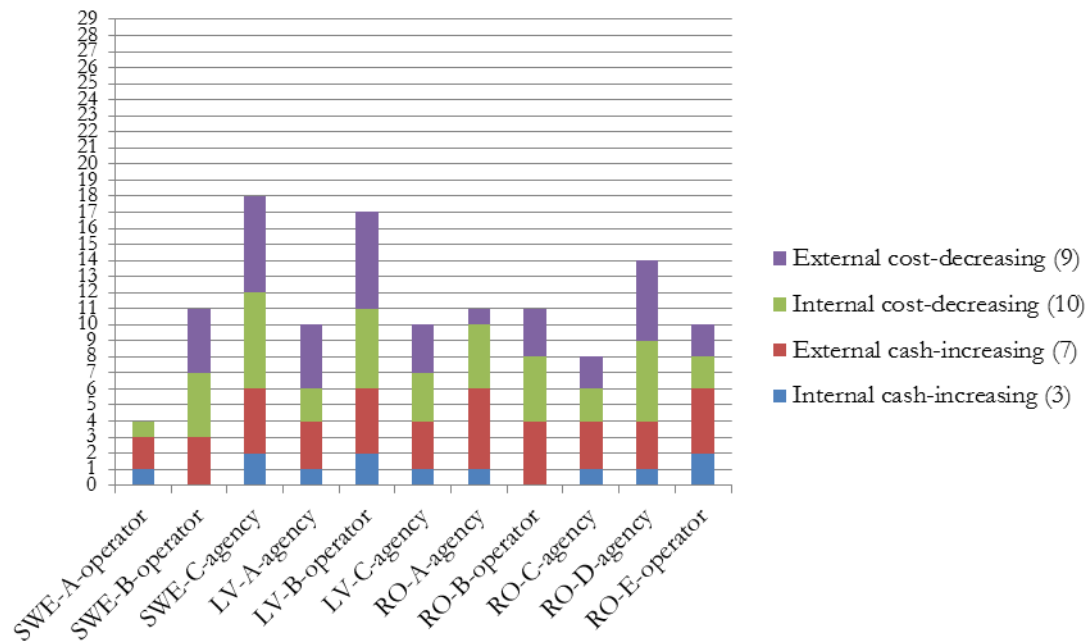


Figure 4-3 Usage of bootstrapping methods among the case companies

In average every case company has used 11-12 bootstrapping methods and this trend can be seen also in the Figure 4-3. Interestingly, in each country there has been one company that has used remarkably more bootstrapping methods (SWE-C-agency – 18 techniques, LV-B-operator – 17 techniques and RO-D-agency – 14 techniques), but there were no similarities found among these companies that could lead them to use more bootstrapping methods than in average.

Figure 4-3 also shows that all four categories of the bootstrapping methods are used among the most travel agencies and tour operators; there were only three companies (SWE-A-operator, SWE-B-operator and RO-B-operator) that had not used all categories of the bootstrapping techniques.

### 4.3 The motivation for bootstrapping

The research related to motives that lay behind the choice of bootstrapping is based on the list of motives defined by Winborg (2009). An important thing that needs to be mentioned here is that the list of motives was not shown to the interviewees. The entrepreneurs were questioned about each bootstrapping method individually along with being asked to reflect on the motives for choosing to use that method and define them. For reasons of accuracy of the explanations and for offering a better and clearer understanding to the reader the decision of analyzing the information in this manner was taken. The supportive survey conducted had also a question related to the motives for choosing to use bootstrapping methods and were given the list defined by Winborg (2009) as options for motivation as it was the most complete list of motivations for bootstrapping defined in the literature.

#### 4.3.1 The main motives identified by following the list of Winborg (2009)

By following the list of motives defined by Winborg (2009), the empirical findings showed that the most common motive identified by entrepreneurs in both multiple-case study and



survey is **cost reduction** as it is shown in the Figure 4-4 (also see Appendix 9) and Figure 4-5 (see also Appendix 10).

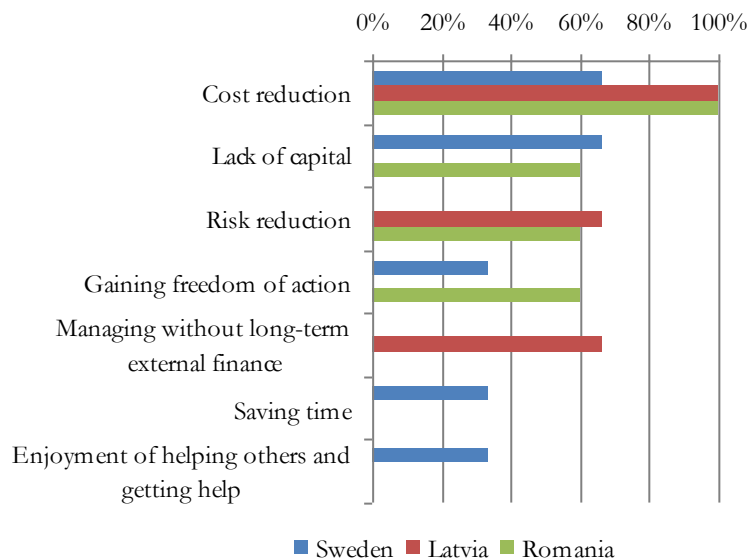


Figure 4-4 Motives identified during the interviews (multiple-case study)

The multiple-case study (Figure 4-4 and Appendix 9) supports the findings of Winborg (2005) as stated by Winborg (2009) which show that the 3 most frequently mentioned motives by entrepreneurs are cost-reduction (as many as 91% of entrepreneurs recognizing it as a motive for bootstrapping), lack of capital (45%) and risk-reduction (45%). The study also supports partially the subsequent findings of Winborg (2009) which showed that the most important three motives are lower costs, lack of capital and fun helping and getting help from others. As it can be observed from the Figure 4-4, saving time and enjoyment of helping others and getting help from others are only seen as motives by entrepreneurs from Sweden. Managing without long-term external finance and risk reduction are not considered motives for bootstrapping according to the 3 Swedish interviewees. Moreover, Latvian entrepreneurs were the only ones who found managing without long-term external finance as a motive for bootstrapping, but they do not recognize the lack of capital and gaining freedom of action as motives for bootstrapping. In Romania, the motives for bootstrapping were found to be cost-reduction, lack of capital, risk reduction and gaining freedom of action.

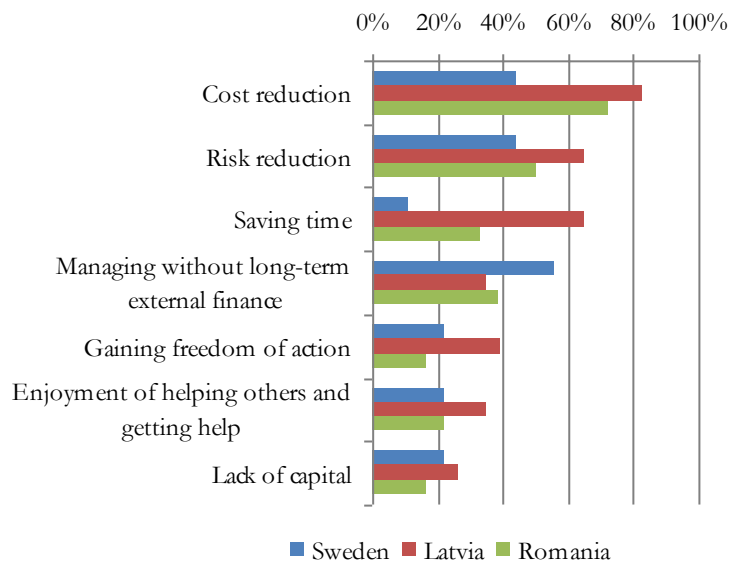


Figure 4-5 Motives identified in the survey

The results of the survey (see Figure 4-5 and Appendix 10) are rather similar to the results of the multiple-case study, especially supporting the finding that the most important motive is cost reduction.

## 5 Analysis and interpretation

The description of the pure results in the previous chapter showed the general trend in the usage of bootstrapping and in the motivation of the entrepreneurs. For a deeper understanding of the empirical findings, an analysis and interpretation of the data collected are considered to be vital. The tool used for analyzing and interpreting the data is the 4-category Model which comprises different categories of bootstrapping techniques. Therefore, the 4-category Model was adapted to the empirical findings and a new version was generated, which will be called Implementation of the 4-category Model in the tourism sector (Figure 4-1 from sub-chapter 4.2) showing the specificity of the tourism sector (travel agencies and tour-operators). This gives a thorough explanation of the bootstrapping methods used and the motivation for each of the identified categories in the tourism sector. It is worth mentioning that for the analysis and interpretation, **the data collected exclusively from the interviews were used.**

For the sake of clearness, the 4 different categories will be analyzed in the following section related to the context in which each of the bootstrapping methods has been used.

### 5.1 The context in which each category is used

Each category of bootstrapping methods is applied in different contexts, which are defined in the figure below (see Figure 5-1).

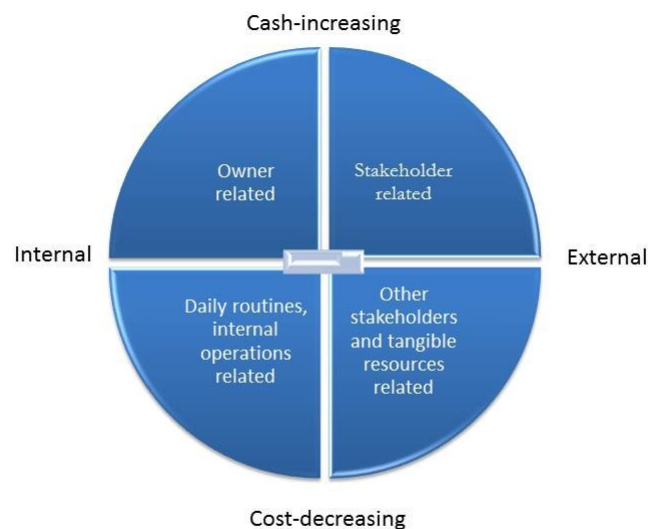


Figure 5-1 Context in which each category of bootstrapping methods

The separation into the 4 categories took into account first of all the external influence on the usage of different bootstrapping methods and the main objective for using them which is either to increase the capital of the firm, bring cash or to decrease the costs by using the help of different stakeholders. Second of all, the separation took into account the internal

influence on bootstrapping and having the same main objectives by using the owners' and company's resources without needing the help of external stakeholders.

Therefore, the "external cash-increasing" bootstrapping method category is used in a context which involves certain stakeholders different than business angels, venture capitalists, banks or other similar external stakeholders. It is worthily to emphasize that the stakeholders mentioned previously are considered to be suppliers, customers, family, friends, government, etc. The "external cost-decreasing" category is used in relation with stakeholders, most of the methods being related to the tangible resources of the company. The "internal cash-increasing" category is used in an owner-related context, all the methods being under the direct influence of the owner, and finally the "internal cost-decreasing" category is used mostly related to daily routines, internal operations of the company, being under the direct influence of the owner, without needing any help from other external stakeholders.

## 5.2 Other stakeholders' influence on bootstrapping

### 5.2.1 External cash-increasing category

To begin with, the category named "external cash-increasing" is presented first as most of the techniques refer to different stakeholder-related contexts (suppliers, customers, government, family and friends, etc.), such as obtaining capital from other stakeholders besides the owner, delaying payments to stakeholders and relationships with certain stakeholders. To avoid any misunderstanding, when discussing about external, other sources such as equity or debt are not included, because the analysis is realized around bootstrapping, therefore excluding these other external sources.

The tourism sector, represented by travel agencies and tour operators in this case, as mentioned previously, has certain specificities, confirming the findings of Freear et al. (1995), Harrison et al. (2004) and Van Auken (2005) who found that the bootstrapping methods chosen to be used by SMEs vary between different sectors and confirming also the suppositions stated in the frame of reference. First of all, the suppliers and the relationships with them can lead to many benefits for the companies, **all the interviewees stating that they use seeking best conditions with suppliers as a bootstrapping method**. The reason for doing it is to obtain the best conditions possible for their customers, which further might lead obviously to an increase in the number of customers, along with an increase in the turnover. 55% of them also stated that they can afford sometimes to delay payments to suppliers also due to their good relationships with the suppliers. RO-C-agency proved this by stating that *"we have asked many times the suppliers to allow delaying our payments until we gathered enough money from the advance payments collected from customers"*. The reason for practicing this method according to RO-C-agency is lack of current liquidity, therefore a need for capital. Nevertheless, obvious importance of good relationships with the stakeholders leads to the conclusion that social networks, in this case weak ties, present a high importance for the tourism sector.

Continuing the discussion on social networking – in order to gain more customers, obtain better conditions from suppliers, improve the cash flow management and insure the amount of liquidity needed, during the growth of the company, entrepreneurs used weak ties and also "brokerage". Therefore, when it comes to weak ties, the most commonly used bootstrapping methods in this sector reveal the importance of this level of networking for all the countries, all the entrepreneurs mentioning using them.

Moreover, friends of friends might help in sharing the information, promoting the travel agency or tour operator further, by linking strong ties with weak ties and bringing benefits to the companies. For example, for SWE-A-operator the entire business idea is based on networking, it started like this and continues to work like this, the entrepreneur stating that *“I do this as a passion, while having at the same time one more job, I started with organizing a trip together with my colleagues and then I was asked to organize more, and now all the customers come through recommendations from current or previous customers”* and he added that *“maybe our customer has friend interested in travelling and he/she recommends us”*. Additionally, SWE-C-operator pointed out that *“we have a good relationships with the customer, because good travel services bring more clients, so we try to offer the best conditions to our customers, this is why we bought new busses that include many facilities even a minibar so we can offer food and drinks during the trip”*.

Another specificity of the sector is **that obtaining payments in advance from customers represents the core of the business**, this being the way these companies actually work. Some specific examples are presented further. For instance, an efficient method in the tourism sector for obtaining the payment from the customers as early as possible, is “early booking”, which means offering discounts to customers who book their travels earlier, the reason for doing this being *“to control the cash flow and insuring permanent liquidity and also making sure that there will be enough customers to occupy all the villas booked and paid in advance”* (RO-A-agency) and *“ensures the positive cash flow also in the winter by providing discounts for the clients who pay during the winter for their spring/summer trips”* (LV-A-agency). Cash flow management plays a vital role in this case, because a carefully planned cash-conversion cycle leads to a better liquidity of the companies as stated by Ebben and Johnson (2011).

All the previously mentioned methods contribute to the shortening of the cash-conversion cycle, which leads to a higher liquidity and a lower need for capital, companies being in this way less cash-constrained and having more freedom when it comes to the use of resources.

Going further with analyzing “external cash-decreasing” category, it has been observed that starting with the establishment of the businesses considered for the interviews and looking at the methods used by entrepreneurs for obtaining the initial financial resources and also taking into account the statements of each of the entrepreneurs, it is obvious that some of them have used bootstrapping as a way of substituting the lack of external funding, out of necessity. At the same time, some of the entrepreneurs recognized not using external funding as being a deliberate choice, therefore supporting the findings of Neeley and Van Auken (2009) that sometimes SMEs choose not to even seek for loans, because they prefer internal funding and Winborg’s (2009) findings that show that for some entrepreneurs bootstrapping is a deliberate choice. The entrepreneurs have used their own savings or funds from family/friends due to various reasons. Basically, as start-ups, in the beginning of their activity, all of the interviewed entrepreneurs mentioned that they had a very small or no chance of obtaining external funding from banks. They have not even recognized other types of external funding except bank loans, probably because of the type of activity, as a travel agency or tour operator being not usually financed through equity financing. This brings up to the conclusion that the theory was right, SMEs facing indeed many constraints in accessing external capital (Winborg & Landström, 2001; Ebben & Johnson, 2006; Neeley & Van Auken, 2009).

The interviews revealed the fact that all the 5 Romanian entrepreneurs interviewed had used “family money”, some of them together with using their own savings, 3 of them out of necessity, having no other alternative and because of lack of capital, and the other ones because they considered it less risky and giving them more freedom, more independence. Latvian and Swedish entrepreneurs also argued that they prefer keeping the independence

and the full ownership of their company, this being the reason why they prefer not to involve family members or friends and considering this reason as important as the one for taking loans from the bank, which means that they do not take into consideration the stronger relationships with the family members or friends when it comes to financing their businesses. This leads to the conclusion that, in Romania, the strong ties present a higher importance for the entrepreneurs in this sector, social networking being used as a facilitator in the use of certain bootstrapping methods. But why is there this obvious difference between the 3 countries? The assumption is that the roots of these strong relationships with the family members and friends come from the institution of family which influences more the mentality of Romanians. The general trend is that family members are very close and consider their own financial resources as common family resources.

Moving on with the methods used in the discussed context, related to paying taxes to the state, the entrepreneurs do not see this as an effective bootstrapping method, because, according to Romanian entrepreneurs, it comes along with too high penalties which will bring them more costs instead of helping in reducing them, this is why none of them used this method. However, LV-C-agency acknowledged that *“we delay other taxes, not value-added tax”*. The entrepreneurs recognized that there are problems with paying the taxes in Latvia and Romania, for instance, LV-A-agency stated *“this is wide-spread problem in Latvia, many companies do not pay taxes”*, but probably because of the willingness to hide this information the companies did not recognize that they had ever delayed paying the VAT, this being of course just a supposition. By opposition, in Sweden it is not common to delay payments as it can damage the trustworthiness of the company, which is why it is assumed that the reason why SWE-C-operator used this method is because his company was established in 1987, therefore the economic situation of the country was different back then and evidently, since then it changed significantly.

Furthermore, in order to become acquainted with the specificity of the discussed category and relating it to the tourism sector, the matter of how entrepreneurs perceive the accessibility and the availability of subsidies have been also examined. The results showed that all-in-all, two interviewed companies obtained during their activity subsidies, subsidies being offered for this sector of activity only in Sweden and Latvia, in Latvia being offered under the form of a financial support for the international exhibitions. The explanation for why only one Latvian company accessed this financial aid (subsidy) from the state is that the amount allocated for exhibitions is very small covering only a small part of the total costs for participating to an exhibition. In Sweden the legislation favorites the businesses that work as travel agencies or tour operators by offering deductions, one of the interviewees saying that there are *“tax laws, it is deductible for our clients to go on a trip”* (SWE-B-operator), but in Romania *“there is no national plan for sustaining SMEs through economic measures that can allow their development”* argued RO-E-operator. Thus, the Romanian government does not get involved enough in the development of the tourism sector. The government should provide a proper infrastructure, basic facilities which in many locations are inexistent and support financially the tourism sector through different financial aids.

A new bootstrapping method, considered to belong to “external cash-increasing” category was identified during the interviews by one entrepreneur. This method consists of obtaining extra financial benefits by offering a new service, using the almost the same amount of resources. Thus, SWE-C-agency admitted offering an extra service as a means of earning new revenues by involving insignificant extra costs. He was the only one who found an opportunity of using the resources he had for offering one more service by using his ingenuity. SWE-C-agency revealed that *“we have enough space in our parking for other trucks too and al-*

*so the facilities needed, so besides organizing travels we also offer this parking service and we discovered that the trucks needed also to be washed, thus, now we provide them this service too*". In the tourism sector it is not a common thing to offer services that are not directly related to this sector, even though the travel agencies or tour operators could offer to their clients also certain products that might be useful for them during their travel (for example: sun-glasses or sun protection creams).

To conclude, the "external cash-increasing" bootstrapping methods present **several patterns typical to the tourism sector**. All the entrepreneurs **seek to find the best conditions with suppliers and to obtain payments in advance from customers**, this representing the core of the businesses acting in this field of activity. An interesting fact is that **the companies seek to obtain the best conditions possible for clients** in terms of quality of services and uniqueness of the experience, being aware of the importance of keeping them content with the services provided, this being the reason for always seeking the best conditions with suppliers.

All the interviewed enterprises started small, which brings up to the conclusion that, as discussed before, none of the firms **recurred to external funding**, 100% of the companies sustaining that they have started either with own savings or with capital borrowed from family or friends.

**Social networks, both strong and weak ties, present a high importance for the tourism sector**, strong ties being considered more important for Romania though. Networking helps sharing the information, promoting the travel agency or tour operator. Moreover, a **carefully planned cash-conversion cycle** is very important for firms acting in this sector because it will lead to a better cash flow management and therefore company's performance, this is why the entrepreneurs pay much attention to this aspect.

### 5.2.2 External cost-decreasing category

When it comes to "external cost-decreasing" bootstrapping methods, the context involves as in the previous category other stakeholders besides the owner, but the reasoning behind this is to reduce the need for extra capital by using different ingenious methods.

Most of the methods included in this category refer to the tangible resources of the companies. The findings showed that the majority of the firms (73%) **bought used equipment instead of new during their activity**. Except 3 companies, all the other ones have bought used equipment at some extent, even though it was just a matter of choice, the ones that have not used this method considering that used equipment might involve more costs on the long term. It is considered though to be a successful bootstrapping method as none of the interviewees have mentioned regretting to have bought used equipment.

Moreover, leasing equipment is a method used by 36% of the interviewees, not being very popular in the tourism sector except in the cases of the tour operators that own busses such as SWE-C-agency that works also as tour operator or in other cases just for buying a car but not for other equipment. Travel agencies and tour operators do not have too many tangible assets except some office equipment and own cars and as it was mentioned before in some cases busses.

The multiple-case study showed that borrowing equipment from other companies or sharing equipment with other companies are two methods used only by Latvian entrepreneurs. LV-B-operator said that *"at this moment we have the same premises, as well as the same equipment"*,

reasoning this with the fact that they will merge into one company with the business that they shared or borrowed the equipment from.

The main reasons for using all the previously mentioned methods are reducing the costs and lack of capital. Cost reduction and lack of capital are also the reasons for practicing barter, exchanging services with other companies, such as advertising companies, 45% of the interviewees practicing this method. Barter is seen by the companies that used it as useful for obtaining mainly advertising services by offering in return travel packages for the advertising companies. The views upon this method are different from one company to another, the ones that have not used this method considering it not useful because often times involves more costs instead of reducing them. By interpreting the information barter is considered an efficient method for getting certain services when the businesses lack the necessary financial resources when the service is needed and often times it might decrease costs by exchanging for example some packages already bought but that have a low probability of being sold with a service that is needed in that moment, such as advertising in order to gain more clients.

On the same line of ideas, cost-reduction is one other motive for using bootstrapping, entrepreneurs mentioning that they seldom cooperate with other businesses in purchasing for this reason. *“Cooperating with other businesses helps us offer better rates to our customers together with increasing our efficiency and competitiveness”* sustained RO-D-agency. The two companies that cooperate in purchasing different services identified this opportunity and fructified it, though the study showed that this is not such a common bootstrapping method.

One important aspect in the discussed context of available resources is lack of enough financial resources and for reducing the costs, which represent the reasons why many of the interviewed entrepreneurs have shared their premises with other businesses. When it comes to sharing premises, there have been identified two types of businesses: the ones that shared their premises in the beginning of their activity and the ones that still share premises with other businesses. For the former ones the reason for sharing premises is lack of capital, therefore they have done it out of necessity, but for the latter ones the reason is cost-reduction as they identified an opportunity to reduce the need for resources and at the same time to share the premises with a company that provides complementary services, thus an opportunity to gain more clients.

Another aspect is that in the tourism sector, more specifically in the travel agencies and tour operators, the human resources present a high importance, being very important assets of a company but also very expensive, SWE-C-agency arguing that *“employees are the most expensive asset in our company”*. Which is why, in order to reduce the costs with salaries, in the researched sector a frequently used bootstrapping method is sharing employees with other businesses, such as tour guides. Many of the interviewed companies work both as travel agencies and tour operators, and sharing employees with other businesses such as tour guides is a specific method used by the tour operators.

Related to networking, sharing employees and premises with other businesses, cooperating with other businesses all use weak ties and sometimes “brokerage” for achieving their goals of cost-reduction or obtaining better prices for clients, helping the companies also in improving their reputation, reaching customers’ expectations and maybe sometimes overcome them.

**The patterns affiliated to this category include buying used equipment instead of new for reducing the costs and specific for the tourism sector is sharing premises with**



**other businesses** as a result of a lack of financial resources needed. Adopting the method of sharing the premises with other businesses has the capacity to lead to special benefits, such as offering to customers complementary services (for example: insurance company which can provide insurance to travelers). Human resources are a very important asset in the tourism line of business. A **pattern** found in this respect being that only the firms that work as **tour operators**, this being either primary or secondary activity, **share employees with other businesses** and these are the tour guides employed for temporary periods, for one trip or for one season.

## 5.3 Entrepreneurs' direct influence on bootstrapping

### 5.3.1 Internal cash-increasing category

The category "internal cash-increasing" relates to a context focused on the owner/entrepreneur and his/her contribution to bringing cash to the business. The research has shown that the travel agencies and tour operators were all aware of the difficulty of obtaining initial funding from external sources, such as debt or equity, some of them directly recognizing that they prefer being independent. SWE-B-operator even recognized that *"we are against obtaining loans from the banks"*.

The financial resources that the company has or needs are very important for the performance of the company, lacking financial resources resulting in applying various bootstraping methods. Lack of current liquidity and the impossibility of obtaining quick funding from other sources were seen as the reasons for using own private credit cards of entrepreneurs to cover the company's expenses, withhold or reduce the manager's salary when needed, but also to use capital obtained through manager's assignments in other businesses.

Withholding owners' salary for a period of time is a method used by more than half of the interviewed entrepreneurs as a means of reducing the costs when they do not have enough financial resources. The entrepreneurs that do not need to use this method are assumed to have a good cash flow management, therefore not having this need for bootstrapping in this way.

However, using managers' private credit cards for covering the company's expenses was found to be more common in Latvia and Sweden than in Romania according to the multiple-case study (only 1 Romanian company out of 5 recognized using this method). LV-A-agency noted that *"I used my credit card even in the last night, in order to get client back home"*. It is assumed that the companies that decide not to use their own private credit cards for covering the expenses of their businesses do this because they prefer to keep business apart from their private life.

Not that common is for managers to have assignments in other businesses, just one Latvian entrepreneur recognized obtaining capital for his business via his assignments in another business. Even though, LV-A-agency admitted *"it was long time ago"*. The reason for not getting involved in other businesses is that the **entrepreneurs** that work in the tourism sector are extremely passionate about what they do, this is how the majority of interviewees **recognized starting their business from a passion**, putting all the effort and time in making their business work.

All these, lead to the conclusion that "internal cash-increasing" category has a **pattern in withholding manager's salary for shorter or longer periods of time due to lack of current liquidity** and the impossibility of obtaining quick funding from other sources.

Many entrepreneurs started by developing a hobby, a passion into a business. This is why they do not have enough time and will to get involved in other businesses.

### 5.3.2 Internal cost-decreasing category

The last category “internal cost-decreasing” is set up in a context of **daily routines and general internal operations** of the investigated businesses.

In the context of how companies conduct their internal operations, it was found that in each of the three countries there have been businesses run completely from home in the beginning of their activity. As a general trend, running the business completely from home in this sector of activity is due to financial constraints and usually happens right after the establishment of the business, in the first 1-2 years of activity. For some companies it is a way of avoiding unnecessary expenses in the beginning of their business when the uncertainty is still significantly high. This method is also considered to be a way of starting the business while keeping the actual job. In Sweden, all the interviewed companies ran their businesses from home for a while, one of them still working from home without needing an office and having at the same time a database with approximately 1500 clients and organizing between 10-15 trips/year. He argued that *“I do not need office; my business is small and I can run it from home”* (SWE-A-operator).

Continuing in the same context, a frequently used bootstrapping method is **hiring temporary personnel** (75% of the total), the trend is to employ temporary the tour guides who are employed for a shorter period of time. Applying this method contributes to reducing the cost with employees and having a larger variety of more skilled tour guides for each destination. Some examples are:

- *“Our tourist guides are employed also in other companies or institutions, for example teachers that during the summer work as tourist guides”* (RO-C-agency).
- *“We have tour guides who work for short term, for example, for one/two days”* (SWE-C-agency).
- LV-C-agency acknowledged the fact that some tourist guides are employed just for particular trips and *“they are not permanent employees”*.

Another method is employing friends/family, 64% of the interviewees recognizing using this method. LV-B-operator even confessed that he has employed a close relative *“without any salary”*. An interesting fact though is that in Romania it seems that all the interviewed companies have used this method. This shows once more that the strong ties are more commonly used in Romania than in the other 2 countries, the interpretation being the same as in the case of borrowing money from family or friends.

By focusing on the context of daily routines, it should be noted that as many as 82% **use certain routines in order to speed up invoicing**, such as special programs and processes for improving their accounts payable and accounts receivable or e-invoicing. Another issue related to the daily routines is how to efficiently deal with stocks. The findings showed that travel agencies do not usually have stocks, but some of the tour operators do, therefore, 18% of the interviewees recognized using various routines in order to minimize the capital invested in stocks. For instance, SWE-B-operator argued that *“due to the experience gained during our 15 years of activity in selling tickets for different events, now it is easier to predict the amount of tickets required by customers, therefore we can estimate better the quantity we need. We have good relationships with the football clubs, so in case we need more tickets we can always ask for more or in case we need to give back some tickets, we can return them without having any losses”*. The usage of both of these

routines brings up once more the subject of cash-conversion cycle and how this can be shortened. Apparently, companies are aware of the importance of cash flow management, as it was concluded before, recognizing the importance of managing efficiently their working capital for reducing the need for outside capital.

Furthermore, in the same examined context, the issue of dealing with customers presents importance, bringing to light some interesting facts. It seems that entrepreneurs do not know how to deliberately choose the customers who pay quickly, the results of the case studies showing that only 2 out of 11 entrepreneurs have knowledge about this method and use it. There have not been identified any methods of deliberately choosing customers who pay quicker, in addition, travel agencies and tour operators cannot afford to select certain customers, all customers presenting importance for their businesses.

Nevertheless, travel agencies and tour operators do not offer discounts to customers if they pay in cash, except one Latvian entrepreneur who mentioned that *“sometimes we offer discounts for the customers who pay in cash, but really rare”* (LV-B-operator). The Romanian companies do not offer discounts to customers who pay in cash because most of their customers indeed pay cash, just a few of them pay through bank. RO-E-operator stated that *“our customers are physicals persons, this is why they usually pay in euro, most of the times in cash, seldom paying through bank”*. On the contrary, in Sweden all the interviewed companies found it normal for the customers to pay through bank. During the interviews, Swedish entrepreneurs mentioned that they did not even consider the option of being paid in cash by their clients. SWE-A-operator pointed out that *“all transactions are completed through bank, not cash”*. Also, they do not cease business relations with customers who frequently pay late because this scantily occurs. One exception exists though, LV-C-agency, who admitted that *“in case a client pays late very often, we are not interested in cooperating with him/her anymore”*.

Additionally, except SWE-A-operator who stated that *“I offer the same conditions to all the customers, no discounts, because I struggle to offer them the lowest possible prices”*, all the other entrepreneurs acknowledged that they offer discounts to their customers depending on a large variety of factors, some examples being:

- *“We offer discounts to customers who pay for their spring/summer trip in advance already in the winter. In this way the company ensures the positive cash flow also in the winter”*(LV-A-agency)
- *“We have discounts depending on clients’ financial situation, age etc.”* (SWE-C-agency)
- *“We have a program called early booking consisting of offering discounts for customers who book their travels earlier”* (RO-E-operator).

Offering discounts is again specific for this sector of activity as they are considered to be a good incentive and are used also as a marketing tool for gaining more customers.

Still in the context of internal operations, the findings showed that using interest on overdue payment from customers is not used at all by the interviewed entrepreneurs, as it will contradict the method of obtaining payments in advance from customers, travel agencies and tour operators obtaining the entire payments before the departure of the customer.

“Internal cost-decreasing” category also has some **patterns specific for the tourism sector**, such as **running the business completely from home** due to various reasons: financial constraints, avoiding unnecessary expenses, being able to keep the current job or because they simply do not need an office. Another pattern is to **employ temporary per-**

sonnel, such as tour guides. A pattern for this sector is also to **offer discounts to customer**, being a very good incentive and helping in attracting more customers.

## **5.4 Motives resulted after the analysis and interpretation of the empirical findings**

After analyzing and interpreting the empirical findings, the main reasons for using the bootstrapping methods for each of the categories are cost reduction and lack of capital. This confirms the findings of Harrison et al. (2004) who stated that small businesses have the tendency to use bootstrapping methods for reducing their costs and the findings of Van Auken (2005) which showed that non-technological firms use bootstrapping methods in order to reduce their costs. However, the research conducted within the master thesis revealed that there are also other important motives for bootstrapping.

As it was already mentioned in the introduction, the seasonality of the businesses in the tourism sector causes problems with cash flow. The analysis showed that for overcoming these problems, entrepreneurs used various bootstrapping methods in order to improve cash flow management.

Other motives for bootstrapping identified by the interviewees were: keeping their freedom, independence and keeping full ownership of the companies, lowering the financial risks, as well as earning new revenues by providing complementary services. An interesting motivation for choosing to bootstrap was considered to be shifting their hobbies into feasible businesses, taking into account that most of the interviewees started their businesses by developing a passion for tourism and travels.

## **5.5 Cross-national differences that influence the tourism sector**

According to Li et al. (2001) the institutional theory has defined two “sets of constraints” that influence the performance of a business and the decision-making process. The authors stated that one set consists of “economic, political and judicial rules” and the other one consists of culture and the way it influences the behavior in a business. According to these findings in the literature, the research had part of the focus also on the influence of these aspects in the decision-making process of the entrepreneurs, how they influence the reasoning of the entrepreneurs in the tourism sector.

In order to identify if there are any differences between the three countries, the interviewees and the survey-based questioned entrepreneurs were asked to give their opinion regarding the influence of the business environment, economic development of their country, cultural influence, or define other factors they consider important in influencing their business and implicitly the sector in which they do business. The differences between countries are important for analyzing the bootstrapping methods that the entrepreneurs in each of the countries have used and their reasons in choosing to use those specific methods.

As a general trend, entrepreneurs consider that all the above mentioned factors have an impact on their businesses in all of the three countries.

The economic development of the country has an influence on the performance of the businesses, an important factor being the living standard because *“people don't travel as much if the economic development is low”* (SWE-A-operator). The obvious difference is shown between the three countries when it comes to legislation, infrastructure, basic facilities, emphasis and promotion of the touristic resources of each country. In Sweden none of the entrepreneurs identified such problems, being quite satisfied with the economic development of the

country and considering that it affects them positively. Latvians and Romanians do not share the same opinion; instead they believe that the impact is negative because the two countries are not as developed as Sweden.

In Latvia, the entrepreneurs share the general opinion that business environment affects negatively their businesses because there are many unreliable tourism agencies and tour operators, LV-B-operator stating that *“the main problem in the business environment in Latvia is unequal rules of the game. For example, there are a lot of travel agencies and tour operators who do not pay taxes and it is the fundamental problem. Many companies pay the salaries “in the envelopes”. In this case we cannot compete with the companies who cheat...”*. Similar problems were identified also in Romania, where *“during the last 2 years there were many tour-operators that tricked the clients (by promising them very low prices and then going bankrupted, leaving the clients with the money paid and no trip), therefore the entire tourism sector lost credibility and many clients”* stated RO-D-agency.

Another entrepreneur believed that *“the business environment among travel agencies and tour operators in Latvia is not friendly; people are not willing to cooperate with each other”*(LV-A-agency). By comparison Romanian entrepreneurs identified that the poor quality of services influences their businesses and a big problem is the legislation, which is unstable, there are *“frequent changes in legislation (different taxes appear or are being modified “over the night”) and the high number of taxes and fees that need to be paid plus the forms that need to be filled in for paying them (bureaucracy) forces the small companies to employ a person to do this, involving therefore more expenses for the company”* said RO-D-agency.

In Sweden the legislation favorites the businesses that work as travel agencies or tour operators by offering, one of the interviewees saying that there are *“tax laws, it is deductible for our clients to go on a trip”*, but in Romania *“there is no national plan for sustaining SMEs through economic measures that can allow their development”* argued RO-E-operator.

When asked about the influence of the culture on the businesses, mainly the entrepreneurs talked about the customers, their behavior, habits, beliefs and traditions. It is logical, because the business of travel agencies and tour operators is directly dependent on the customers.

The major part of Swedish entrepreneurs emphasized that their clients always pay on time, one of them stating that *“our customers are very honest and reliable”*. It means that the companies from Sweden always know that the money will come on time and in this way it is easier for the entrepreneurs to have a better management of the cash flow. In comparison, Latvians praised their clients as great travelers, not payers: *“Latvians are one of the biggest travelers in the world. The nation is really small, but people travel a lot”* and *“Latvians' willingness to travel increases all the time”* (LV-C-agency). Not so optimistic about the culture of their clients are Romanian entrepreneurs, one of them stating that *“the tourism sector in Romania is not, unfortunately, mature enough, for example, the fact that people do not travel frequently, they are not used to travel also in extra-season and take advantage of the lower prices; everyone hurries up in July-August when they plan their holidays”* (RO-A-agency).

Although the entrepreneurs did not revealed how exactly the culture influences their businesses, considering entrepreneurs' answers it seems logical that the travel agencies and tour operators appreciate people' willingness to travel and ability to pay on time, because these two issues are the fundamentals for their businesses.

By looking back at the empirical findings, their analysis and interpretation, it can be summarized that the travel agencies and tour operators from Sweden, Latvia and Romania use a wide range of bootstrapping methods, considering seeking out best conditions possible with supplier/s and obtaining payment in advance from customers as the most important techniques. Even though there are different motives that lay behind the choice of bootstrapping, the entrepreneurs from the tourism sector (travel agencies and tour operators) recognized that the main motive for bootstrapping is cost-reduction. In general, it can be concluded that there are not significant differences in the usage of bootstrapping methods and in the motivation from cross-national point of view, even though three countries differ in the terms of economic development, as well as of internal business environment and culture.

## 6 Conclusions

The purpose of the master thesis was to investigate the usage of bootstrapping methods and understand the main motives for utilizing bootstrapping from a sectorial and cross-national point of view. In order to accomplish this purpose, the research has been conducted among the travel agencies and tour operators, both of them being the main players in the tourism sector, from Sweden, Latvia and Romania. The empirical findings showed that there are no significant differences in the usage of bootstrapping methods and in the motivation that lays behind bootstrapping among particular enterprises within the tourism sector from three different countries, in this way rejecting the initial supposition that suggested that there could be various differences because of the distinctive economic development, internal business environment or culture stated by Puffer (1993), Li et al. (2001) and Winborg (2009).

By implementing the empirical findings into the 4-category Model, it was lighten up that the travel agencies and tour operators have used bootstrapping techniques from each of categories (external cash-increasing, external cost-decreasing, internal cash-increasing, internal cost-decreasing). However, the results unveiled that the most used bootstrapping methods among the travel agencies and tour operators from Sweden, Latvia and Romania are: (1) **seeking out best conditions possible with supplier/s** and (2) **obtaining payment in advance from customers**.

The usage of the two most popular bootstrapping techniques demonstrates the great importance of **social networking** in the tourism sector; therefore this supports the findings of Jones and Jayawarna (2010) who argued that social networking have a clear influence on a company's performance, contributing to the acquisition of financial resources. In fact, there were identified small differences from a cross-national point of view. Romanian entrepreneurs used their strong ties in the process of bootstrapping more frequently than Swedish and Latvian entrepreneurs, this being explained by the differences in the perception of the family institution.

When it comes to motives, the results revealed that even though there are a number of motives for using bootstrapping methods, the main motive is **cost reduction**. However, one other important motive is lack of capital. Taking into account that the businesses in the tourism sector are highly influenced by the **seasonality**, the companies are forced to pay more attention to their **cash flow management**.

To sum up, it can be concluded that there are no notable differences in the usage of bootstrapping methods and in the motivation from a cross-national point of view. There have been found a few patterns in the use of bootstrapping techniques that are specific for the tourism sector (more precisely, for the travel agencies and tour operators).

## 7 Discussion and implications

The purpose of the master thesis was to understand the phenomena of bootstrapping from a sectorial and cross-national point of view. The study focused on the usage of bootstrapping methods and the motivation that lays behind bootstrapping. The empirical findings showed that there are a few sectorial specificities in the use of bootstrapping and that there are no significant differences from a cross-national perspective.

The strength of the master thesis is that the study combined both sectorial and cross-national perspectives, focusing on the tourism sector which has not received too much attention in the literature and not at all in the bootstrapping related literature, as well as expanding the existent research in more countries. There have been identified certain specificities of the tourism sector. The interpretations of the results showed that social networking is a facilitator for many bootstrapping methods, tourism sector implying a continuous interaction with different stakeholders. Another aspect resulted from the interpretations is that cash flow management plays a vital role for the businesses in the tourism sector, this being explained by the problems caused by seasonality and a constant need of a carefully planned cash-conversion cycle.

Taking into account the previously mentioned findings, there are some suggestions for future research. First of all, it is considered that one of the directions in the future research could be to deeper examine social networking as a prerequisite for successful bootstrapping. Secondly, taking into consideration the fact that bootstrapping is tightly interlinked with cash flow management, it would be useful to examine the link between bootstrapping and cash flow management. Additionally, it would be interesting to study how the financial performance of the businesses is affected by the way the bootstrapping methods are used over time.

However, there are certain limitations of the study. Firstly, even though there are many players in the tourism sector, the research has been based only on the travel agencies and tour operators, which limits the observations of the tourism sector as a whole. Secondly, there were selected only three countries (Sweden, Latvia and Romania) that are rather similar than different, therefore, probably that is the reason why the results did not show the differences in the usage of bootstrapping methods and in the motivation for bootstrapping from the cross-national point of view. Moreover, due to the time limitation there has been collected a small scope of samples, this leading to a limited amount of data used for analysis and interpretation.

The master thesis has brought additional knowledge and understanding in the field of bootstrapping, useful both for academicians and practitioners. Although the theory emphasized the importance of bootstrapping in the business, in the real life context it was felt that bootstrapping is much more important and vital for the enterprises, as one entrepreneur from Latvia stated “*the only way for small enterprise to survive is to bootstrap*”! Unfortunately, it was found that entrepreneurs lack the knowledge about bootstrapping and there is still a need for future research.



## List of references

- Andrews, R. (2003). *Research questions*. London: Continuum.
- Association of Swedish Travel Agents and Tour Operators. *About SRF*. Retrieved April 1, 2012, from [http://www.srf-org.se/about\\_srf](http://www.srf-org.se/about_srf)
- Barringer, B., & Ireland, R. (2010). *Entrepreneurship: successfully launching new ventures*. Upper Saddle River, NJ: Pearson Education.
- Bhide, A. (1992). Bootstrap Finance: The Art of Start-ups. *Harvard Business Review*, 70(6), 109-117.
- Butler, R. (1998). Seasonality in tourism: Issues and implications. *Tourism Review*, 53(3), 18-24.
- Carpenter, R., & Petersen, B. (2002). Is the growth of small firms constrained by internal finance? *Review of Economic Statistics*, Vol. 84, 298-309.
- Carter, R., & Van Auken, H. (2005). Bootstrap financing and owners' perceptions of their business constraints and opportunities. *Entrepreneurship and Regional Development*, Vol. 17, 129-44.
- Cassar, G. (2004). The financing of business start-ups. *Journal of Business Venturing*, Vol. 19, No. 2, pp. 261-83.
- Cooper, D., R., & Schindler, P., S. (2011). *Business Research Methods*. 11 ed. Singapore: McGraw-Hill.
- Cornwall, J. (2010). *Bootstrapping*. New Jersey: Pearson Education.
- Crowther, D., & Lancaster, G. (2009). *Research Methods*. 2 ed. UK: Elsevier Butterworth-Heinemann.
- Ebben, J. (2009). Bootstrapping and the financial conditions of small firms. *International Journal of Entrepreneurial Behaviour & Research*, 15(4), 346-363.
- Ebben, J., & Johnson, A. (2006). Bootstrapping in small firms: an empirical analysis of change over time. *Journal of Business Venturing*, Vol. 21, 851-65.
- Ebben, J., & Johnson, A. (2011). Cash Conversion Cycle Management in Small Firms: Relationships with Liquidity, Invested Capital, and Firm Performance. *Journal of Small Business and Entrepreneurship*, 24(3), 381-396.
- European Commission (2003, May 8). *Commission adapts a new definition of micro, small and medium sized enterprise in Europe*. Retrieved 2012-02-14, from <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/03/652&format=HTML&aged=0&language=EN&guiLanguage=en>
- European Commission (2012). *Supporting European tourism*. Retrieved 2012-04-06, from [http://ec.europa.eu/enterprise/sectors/tourism/index\\_en.htm](http://ec.europa.eu/enterprise/sectors/tourism/index_en.htm)

## List of references

- Eurostat (2010). *Seasonality in tourism demand*. Retrieved 2012-04-30, from [http://epp.eurostat.ec.europa.eu/statistics\\_explained/index.php/Seasonality\\_in\\_tourism\\_demand](http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Seasonality_in_tourism_demand)
- Freear, J., Sohl, J. E., & Wetzel, W.E. (1995). Who bankrolls software entrepreneurs? In *Frontiers of entrepreneurship research*. Babson College, 394-406.
- Foddy, W. (1994). *Constructing Questions for Interviews and Questionnaires*. Cambridge: Cambridge University Press.
- Harrison, R., & Mason, C. (1997). Developments in the promotion of informal venture capital in the UK. *International Journal of Entrepreneurial Behaviour & Research*, 2(2), 6-33.
- Harrison, R., Mason, M., & Girling, P. (2004). Financial bootstrapping and venture development in the software industry. *Entrepreneurship and Regional Development*, 16 (4), 307-333.
- Jones, O. & Jayawarna, D. (2010). Resourcing new businesses: social networks, bootstrapping and firm performance. *Venture Capital*, 12, (2), 127-152.
- Lahm R. J. Jr, (2007). Entrepreneurial Startups and The Importance Of Bootstrap Marketing. *Allied Academies Internet Conference Proceedings*, 2007: Allied Academies, Inc., 67-70.
- Lam, W. (2010). Funding gap, what funding gap? Financial bootstrapping: Supply, demand and creation of entrepreneurial finance. *International Journal of Entrepreneurial Behaviour & Research*, 16 (4), 268-295.
- Li, J., Lam, K., & Qian, G. (2001). Does culture affect behaviour and performance of firms? The case of joint ventures in China. *Journal of International Business Studies*, 32 (1), 115-131.
- Ministry of Economics of Republic of Latvia. *TATO database*. Retrieved April 1, 2012, from <http://www.em.gov.lv/em/2nd/?cat=30361>
- Morris, M., Kuratko, D., Allen, J., Ireland, R., Schindehutte, M. (2010), Resource Acceleration: Extending Resource-Based Theory in Entrepreneurial Ventures, *Journal of Applied Management and Entrepreneurship*, 15 (2), 4-25.
- National Agency of Travel Agencies from Romania. Membri Anat. Retrieved April 11, 2012, from [http://anat.ro/membri/membri\\_anat.html](http://anat.ro/membri/membri_anat.html)
- Neeley, L. (2004). Bootstrap Finance. In H.P Welsch (Ed.), *Entrepreneurship: the way ahead*, 105-115. London: Routledge.
- Neeley, L., & Van Auken, H. (2009). The Relationship Between Owner Characteristics and Use of Bootstrap Financing Methods. *Journal of Small Business and Entrepreneurship*, 22(4), 399-412, 535-536.
- Oxford Dictionary of English. *Travel agency*. Retrieved February 26, 2012, from <http://oxforddictionaries.com/definition/travel%2Bagency?q=travel+agency>

## List of references

- Oxford Dictionary of English. *Tour operator*. Retrieved February 26, 2012, from <http://oxforddictionaries.com/definition/tour%20operator?q=tour+operator>
- Perry, J., Chandler, G., Yao, X., & Wolff, J. (2011). Bootstrapping Techniques and New Venture Emergence. *New England Journal of Entrepreneurship*, 14(1), 35-45.
- Puffer, M. (1993). A Riddle Wrapped in an Enigma: Demystifying Russian Managerial Motivation. *European Management Journal*, 11, 473-480.
- Robson, C. (2002). *Real World Research*, 2<sup>nd</sup> edition. Oxford: Blackwell.
- Saunders, M., Lewis, P., & Thornhill, A. (2007). *Research Methods for Business Students*. Harlow: Pearson Education.
- Swedish Agency for Economic and Regional Growth (2011). Tourism in Sweden 2010. Facts & Statistics.
- Tashakkori, A. & Teddlie, C. (2003). *Handbook of Mixed Methods in Social and Behavioural Research*. Thousand Oaks: Sage.
- Vanacker, T., Manigart, S., Meuleman, M. & Sels, L. (2011). A longitudinal study on the relationship between financial bootstrapping and new venture growth. *Entrepreneurship & Regional Development: An International Journal*, 23:9-10, 681-705.
- Van Auken, H. (2005). Differences in the usage of bootstrap financing among technology-based versus nontechnology-based firms. *Journal of Small Business Management*, Vol. 43, 93-103.
- Van Auken, H., & Neeley, L. (1996). Evidence of bootstrap financing among small start-up firms. *Journal of Entrepreneurial and Small Business Finance*, Vol. 5, 233-47.
- Winborg, J. (2009). Use of financial bootstrapping in new businesses: a question of last resort? *Venture Capital*, 11(1), 71-83.
- Winborg, J., & Landström, H. (1997). Financial bootstrapping in small businesses – a resource-based view on small business finance. In: Reynolds, P.D., Bygrave, W.D., Carter, N.M., Davidsson, P., Gartner, W.B., Mason, C.M., & McDougall, P.P. (eds.), *Frontiers of entrepreneurship research*. Babson College, Center for Entrepreneurial Studies, pp.471-485. Wellesley, MA.
- Winborg, J., & Landström, H. (2001). Financial bootstrapping in small businesses: examining small business managers' resource acquisition behaviours. *Journal of Business Venturing*, 16, 235-254.
- Welter, F. (2011), *Entrepreneurial Growth Course, Session 4: Financing growth* [Power Point Slides]. Jönköping, Jönköping International Business School.
- Zikmund, W., G., Babin, B., J., Carr, J., C., & Griffin, M. (2010). *Business Research Methods*. 8 ed. Canada: South Western, Cengage Learning.

## Appendix I

### Bootstrapping methods identified by Winborg and Landström (1997, 2001)

<b>Bootstrapping methods with the purpose to reduce the need for capital</b>
1. Buy used equipment instead of new.
2. Use routines in order to speed up invoicing.
3. Borrow equipment from other businesses for shorter periods.
4. Use interest on overdue payment from customers.
5. Hire personnel instead of employing permanently.
6. Use routines in order to minimize capital invested in stock.
7. Co-ordinate purchases with other businesses.
8. Lease equipment instead of buying.
9. Cease business relations with customers frequently paying late.
10. Offer the same conditions to all customers.
11. Practice barter instead of buying/selling goods.
12. Offer customers discounts if paying cash.
13. Buy on consignment from supplier/s.
14. Deliberately choose customers who pay quickly.
15. Share premises with others.
16. Employ relatives and/or friends at non-market salary.
17. Run the business completely in the home.
18. Share equipment with other businesses.
19. Share employees with other businesses.
<b>Bootstrapping methods with the purpose to meet the need for capital</b>
1. Seek out best conditions possible with supplier/s.
2. Withhold manager's salary for shorter/longer periods.
3. Deliberately delay payment to supplier/s.
4. Obtain payment in advance from customers.
5. Use of manager's private credit card for business expenses.
6. Obtain capital via manager's assignments in other businesses.
7. Obtain loan from relatives/friends.
8. Deliberately delay payment of value-added tax.
9. Obtain subsidy from County Administrative Board.
10. Obtain subsidy from County Labour Board.
11. Obtain subsidy from Swedish National Board for Industrial & Technical Development.
12. Raise capital from a factoring company.
13. Obtain subsidy from the foundation Innovationscentrum.

## Appendix 2

**Bootstrapping methods used during the semi-structured interviews and in the questionnaire from the ones identified by Winborg and Landström (1997, 2001)**

1. Buy used equipment instead of new.
2. Seek out best conditions possible with supplier/s.
3. Withhold manager's salary for shorter/longer periods.
4. Deliberately delay payment to supplier/s.
5. Use routines in order to speed up invoicing.
6. Borrow equipment from other businesses for shorter periods.
7. Use interest on overdue payment from customers.
8. Hire personnel instead of employing permanently.
9. Use routines in order to minimize capital invested in stock.
10. Co-ordinate purchases with other businesses.
11. Lease equipment instead of buying.
12. Obtain payment in advance from customers.
13. Cease business relations with customers frequently paying late.
14. Use of manager's private credit card for business expenses.
15. Offer the same conditions to all customers.
16. Obtain capital via manager's assignments in other businesses.
17. Obtain loan from relatives/friends.
18. Practice barter instead of buying/selling goods.
19. Offer customers discounts if paying cash.
20. Buy on consignment from supplier/s.
21. Deliberately choose customers who pay quickly.
22. Share premises with others.
23. Employ relatives and/or friends at non-market salary.
24. Deliberately delay payment of value-added tax.
25. Run the business completely in the home.
26. Obtain subsidy from public institutions.
27. Share equipment with other businesses.
28. Share employees with other businesses.
29. Raise capital from a factoring company.

## Appendix 3

Internet-mediated questionnaire in English that was distributed via Internet

**1. What is the principal activity of your company?**

- ☐ Travel agency
- ☐ Tour operator

**2. When was your company established?**

---

**3. How many employees are in your company?**

- ☐ < 10
- ☐ < 50
- ☐ < 250
- ☐ ≥ 250

**4. What was the turnover of your company in 2011?**

- ☐ ≤ EUR 2 million
- ☐ ≤ EUR 10 million
- ☐ ≤ EUR 50 million
- ☐ > EUR 50 million

**5. Which of these bootstrapping methods do you recognize using in your company now or in the past?**

- ☐ Obtain loan from relatives/friends.
- ☐ Use of manager's private credit card for business expenses.
- ☐ Run the business completely in the home.
- ☐ Obtain capital via manager's assignments in other businesses.
- ☐ Withhold manager's salary for shorter/longer periods.
- ☐ Hire personnel instead of employing permanently.
- ☐ Employ relatives and/or friends at non-market salary.
- ☐ Share employees with other businesses.
- ☐ Use routines in order to speed up invoicing.
- ☐ Use routines in order to minimize capital invested in stock.
- ☐ Co-ordinate purchases with other businesses.
- ☐ Deliberately delay payment of value-added tax.

- ☐ Obtain subsidy from public institutions.
- ☐ Raise capital from a factoring company.
- ☐ Buy used equipment instead of new.
- ☐ Borrow equipment from other businesses for shorter periods.
- ☐ Share premises with others.
- ☐ Share equipment with other businesses.
- ☐ Lease equipment instead of buying.
- ☐ Seek out best conditions possible with supplier/s.
- ☐ Buy on consignment from supplier/s.
- ☐ Deliberately delay payment to supplier/s.
- ☐ Practice barter instead of buying/selling goods.
- ☐ Offer the same conditions to all customers.
- ☐ Offer customers discounts if paying cash.
- ☐ Obtain payment in advance from customers.
- ☐ Use interest on overdue payment from customers.
- ☐ Cease business relations with customers frequently paying late.
- ☐ Deliberately choose customers who pay quickly.
- ☐ Other.

**6. What are the main motives for using bootstrapping methods in your company?**

- ☐ Cost reduction.
- ☐ Managing without long-term external finance.
- ☐ Lack of capital.
- ☐ Risk reduction.
- ☐ Gaining freedom of action.
- ☐ Saving time.
- ☐ Enjoyment of helping others and getting help.
- ☐ Other motive.

**7. Which of these factors affect your business and how? Please explain.**

Business environment. \_\_\_\_\_

Economical development of country. \_\_\_\_\_

Culture of country. \_\_\_\_\_

Other. \_\_\_\_\_

## Appendix 4

### Descriptive information of the samples from Sweden

What is the principal activity of your company? (Q1)	When was your company established? (Q2)	How many employees are in your company? (Q3)	What was the turnover of your company in 2011? (Q4)
1 - Travel agency		1 - < 10	1 - ≤ EUR 2 million
2 - Tour operator		2 - < 50	2 - ≤ EUR 10 million
		3 - < 250	3 - ≤ EUR 50 million
		4 - ≥ 250	4 - > EUR 50 million
Multiple cases			
Q1	Q2	Q3	Q4
2	2004	1	1
2	1997	1	1
1	1987	2	1
Survey			
Q1	Q2	Q3	Q4
2	2006	1	2
1	2005	1	1
2	2007	1	1
2	1992	1	1
1	2001	1	1
2	1992	1	2
1	2001	1	1
2	1976	1	2
1	1983	1	2



## Appendix 5

### Descriptive information of the samples from Latvia

What is the principal activity of your company? (Q1)	When was your company established? (Q2)	How many employees are in your company? (Q3)	What was the turnover of your company in 2011? (Q4)
1 - Travel agency		1 - < 10	1 - ≤ EUR 2 million
2 - Tour operator		2 - < 50	2 - ≤ EUR 10 million
		3 - < 250	3 - ≤ EUR 50 million
		4 - ≥ 250	4 - > EUR 50 million
Multiple-cases			
Q1	Q2	Q3	Q4
1	1994	2	2
2	2006	1	1
1	2008	2	2
Survey			
Q1	Q2	Q3	Q4
1	2006	1	1
1	1998	1	1
1	1997	1	1
1	2008	1	1
1	2007	1	1
1	1993	2	3
2	2008	1	1
2	2005	1	1
2	2009	1	1
2	2006	1	1
1	1993	1	1
2	2009	1	1
2	2008	1	1
1	2001	1	1
1	1995	1	1
2	2011	1	1
1	2005	1	1
1	2010	1	1
1	1969	1	1
1	2006	1	1
1	2007	1	1
1	2005	1	1
2	2008	1	1

## Appendix 6

### Descriptive information of the samples from Romania

What is the principal activity of your company? (Q1)	When was your company established? (Q2)	How many employees are in your company? (Q3)	What was the turnover of your company in 2011? (Q4)
1 - Travel agency		1 - < 10	1 - ≤ EUR 2 million
2 - Tour operator		2 - < 50	2 - ≤ EUR 10 million
		3 - < 250	3 - ≤ EUR 50 million
		4 - ≥ 250	4 - > EUR 50 million
Multiple-cases			
Q1	Q2	Q3	Q4
1	1993	1	1
2	2002	1	1
1	2006	1	1
1	2006	1	1
2	1997	1	1
Survey			
Q1	Q2	Q3	Q4
1	1993	2	1
1	2000	1	1
2	1990	2	1
1	2007	1	1
2	2002	1	2
2	1995	1	1
2	1998	2	1
1	2007	1	1
2	1996	1	1
2	1999	1	1
1	2009	2	2
2	2006	1	1
1	2007	1	1
2	2000	1	1
2	2009	1	2
2	1992	1	1
1	2010	1	1
2	1998	2	2

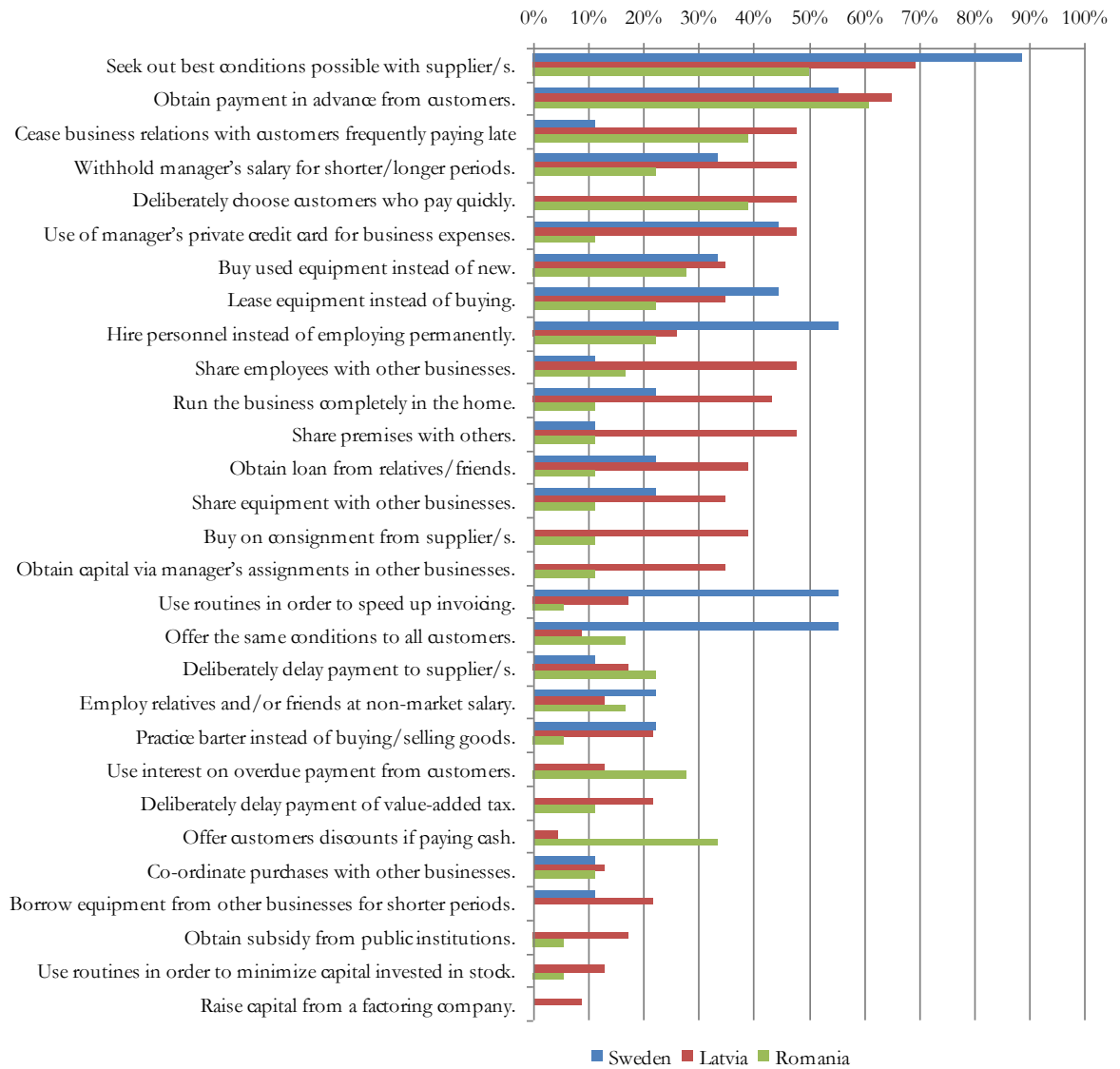
## Appendix 7

### Bootstrapping methods used among the travel agencies and tour operators (multiple-case study)



## Appendix 8

### Bootstrapping methods used among the travel agencies and tour operators (survey)



## Appendix 9

### Motives identified during the interviews (multiple-case study)

Multiple-case Study	Sweden	Latvia	Romania	TOTAL	TOTAL (%)
Cost reduction	2	3	5	10	91%
Lack of capital	2	0	3	5	45%
Risk reduction	0	2	3	5	45%
Gaining freedom of action	1	0	3	4	36%
Managing without long-term external finance	0	2	0	2	18%
Saving time	1	0	0	1	9%
Enjoyment of helping others and getting help	1	0	0	1	9%

## Appendix I0

### Motives identified in the survey

Survey	Sweden	Latvia	Romania	TOTAL	TOTAL (%)
Cost reduction	4	19	13	36	72%
Risk reduction	4	15	9	28	56%
Saving time	1	15	6	22	44%
Managing without long-term external finance	5	8	7	20	40%
Gaining freedom of action	2	9	3	14	28%
Enjoyment of helping others and getting help	2	8	4	14	28%
Lack of capital	2	6	3	11	22%