

# The **business structure** and the **employment** characteristics of the **restaurants industry**: The dominance of small family-run businesses – Evidences from the city of **Aveiro**, Portugal

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**Abstract** | Nowadays tourism is a very important sector in most economies, being its relevance also recognized in the academia. Many researchers have been studying this sector in several different perspectives, but there is not much evidence on the restaurants industry and on its characteristics. Therefore, this study aims to present the main specificities associated with the restaurant business in the city of Aveiro (Portugal), as well as managers' and employees' employment characteristics. For that purpose, a questionnaire survey was conducted. Results show that both managers and employees present low educational qualifications, work long hours, and have low salaries. As for businesses, the restaurants industry is mostly characterised by the dominance of SMEs, which in the current economic situation, are facing a harsh time and need to be creative to be able to surpass a number of barriers in order to become more competitive. Managers are required to carefully analyse the most important aspects of their businesses so that they can stay competitive in the long run.

**Keywords** | Tourism, Restaurants industry, Business structure, Employment, Aveiro.

**Resumo** | Hoje em dia o turismo é um setor muito importante na maioria das economias e vários investigadores têm vindo a contribuir para o estudo de diversas temáticas relacionadas com este sector. No entanto, existem poucas evidências em relação ao subsector da restauração e das suas características. Desta forma, este estudo pretende contribuir para a literatura, ao apresentar as suas principais especificidades, com base num estudo levado a cabo junto de restaurantes da cidade de Aveiro (Portugal). Foi aplicado um inquérito por questionário aos funcionários e gestores destes negócios, de forma a compreender as principais características dos restaurantes, assim como as características do emprego dos gestores e funcionários. Os resultados mostram que tanto os gestores como os funcionários têm baixos níveis de qualificação, trabalhar longas horas, e têm salários baixos. Quanto à estrutura empresarial, o sector da restauração é caracterizado pelo predomínio das Pequenas e Médias Empresas (PME), que se encontram a enfrentar um período de recessão económica particularmente difícil. No entanto, as empresas têm de ser capazes de ultrapassar um conjunto de barreiras para sobreviverem e se tornarem competitivas, pelo que os gestores têm de analisar quais são os aspetos mais importantes para a empresa garantir margens de lucro estáveis e permanecer competitiva a longo prazo.

**Palavras-chave** | Turismo, Sector da restauração, Estrutura empresarial, Emprego, Aveiro.

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1. Introduction

The tourism sector is characterized for suffering constant changes over short periods of time. A growing number of researchers are studying this subject to either understand its daily needs or to foresee future trends. However, most of tourism studies within the scope of hospitality focus on the hotel industry and on its effect on destinations' supply and demand (Nickson, 2007; Pozo, Soria, Ollero, & Lara, 2012; Testa & Sipe, 2012; Varum, Eusébio, Melo, Alvarenga, & Carvalho, 2012). Little is known about the restaurants industry. Therefore, this article aims to provide information about it, its relevance for the tourism sector and its business and employment structure; and to unveil the key elements for a successful business, based on data collected from restaurants located in the city of Aveiro

2. Business structure of restaurant businesses

2.1. SMEs and their importance

The tourism sector, and more specifically the restaurants industry, is mostly composed of Small and Medium Enterprises (SMEs). According to the European Commission (2003), these businesses are fundamental for the economic growth and the development of all countries. Costa (2005) mentions that the economic recovery of countries relies on how small businesses respond to market opportunities and characteristics.

But how can SMEs be defined? Why is the tourism sector, in particular the restaurants industry, dominated by SMEs? First, according to the European Commission (2003), SMEs are businesses that employ less than 250 people and that have either an annual turnover that does not exceed 50 million Euros or an annual balance sheet not exceeding 43 million Euros (Table 1).

Table 1 | SMEs classification according to the European Union.

Company category	Employees	Turnover OR Balance sheet total	
Medium-sized	< 250	≤ € 50 M	≤ € 43 M
Small	< 50	≤ € 10 M	≤ € 10 M
Micro	< 10	≤ € 2 M	≤ € 2 M

Source: European Commission (2003).

There are three categories of businesses within the SME definition: (i) medium-sized, (ii) small firms and (iii) micro companies. Not surprisingly, according to the Observatory of European SMEs (2003), 99.8% of all businesses are SMEs and over 90% are micro companies. In absolute terms, in 2003, there were over 19 million SMEs in Europe, employing over 140 million people. It is difficult to present an actual number of SMEs since business birth and death rates are very high (Storey, 1994). Moreover, the economic crisis may have accentuated these business demographics characteristics, condemning many companies to a short life. Larger businesses are usually less affected by economic cycles (namely downturns), but they are more bureaucratic and less innovative than smaller firms (OECD, 1997). Therefore, SMEs also present some advantages related to their small size, which may allow them more flexibility to adapt to market changes and needs.

Despite their small size, SMEs play a significant role in the economy. Buhalis and Peters (2006, pp. 117-118) highlight the main reasons for the importance of SMEs:

- i) Small businesses and entrepreneurship stimulate regional development;
- ii) SMEs boost innovation and growth, providing a continuous stream of new ideas, concepts, products and resources;
- iii) SMEs apply flexible and specialized strategies to improve competitiveness;
- iv) SMEs provide a specialized social and economic laboratory where entrepreneurs can be better trained;

- v) SMEs are more sensitive and responsive to market changes than large business, due to plain hierarchies, thus adapting and changing faster;
- vi) Self-employment can decrease unemployment, mostly in less privileged social groups (e.g. ethnic minorities, young people with little training, redundant managers in middle career, unemployed women that join late the labour market);
- vii) SMEs generate clusters in a region, creating value and sustaining multiple effects;
- viii) Most economic benefits stay in the region instead of being exported;
- ix) SMEs frequently preserve local culture and its characteristics, using local resources;
- x) Employers/managers become self-motivated to survive, so they provide superior incentives to work better and in a smarter way.

It is, thus, easy to understand why SMEs are essential for the economy. In Portugal SMEs comprise 99.9% of the total number of companies (INE, 2012). Smallbone and North (1996) agree that, even though they have a positive impact in job creation, their managers have to focus on the businesses' ability to survive in the long term. This ambition to survive and generate profits is a result of the limited volume of consumers, lack of resources, and SMEs' inability to sustain and implement external changes (Curran & Blackburn, 2001).

## 2.2. Tourism sector and SMEs

Mill and Morrison (1992) reveal that many countries choose tourism as their main strategy to increase investments in order to boost economic growth. Nonetheless, managers need to understand how to operate globally and how to react to business changes (Go & Klooster, 2006), because the tourism sector is very dependent upon global events. Although it is one of the least affected sectors by economic crises, it does suffer from seasonality, which impact on the turnover and employment.

Eurostat (2010) reveals that tourism employs directly between 12 and 14 million of people. Clearly, if indirect jobs are taken into consideration, the numbers of jobs would be significantly higher.

Buhalis and Peters (2006) conclude that most tourism businesses are SMEs, mostly family-run enterprises. These businesses benefit from knowledge associated with local resources, culture, stakeholders and networks. Getz and Carlsen (2005) add that family businesses do not necessarily have to be profitable since their main objective is to fulfil the owner's preferences. According to Zapalska and Brozik (2007), the number of SMEs have been constantly increasing.

Concerning the restaurants industry, the situation is similar. Most restaurants are indeed within the SMEs group, having a small number of employees, who generally have low educational levels, but a good training basis or a lot of experience to compensate eventual knowledge gaps (Nickson, 2007). Thomas (2000) believes that these companies are not necessarily homogeneous and should not be considered in the same way. High business death rates in the restaurants sector are, however, quite high amongst all companies.

Wanhill (2000) studied small hotels and verified that SMEs can enter more easily in competitive markets due to their lower costs and their ability to sell their services directly to customers. SMEs, thus, become crucial for areas that rely on the tourism activity. Therefore, cooperation and competitiveness levels should increase, as well as the number of opportunities for their development.

## 3. Success factors in restaurants

When trying to find detailed information about the restaurants industry, most of the findings focus on the importance of new technologies and innovation (Pantelidis, 2010). However, since SMEs comprise most of the restaurant business, and

this type of companies are an important source of employment generation, this issue constitute a good ground for research. In Portugal, over 240 thousand people are employed in this sector (INE, 2008; Turismo de Portugal, 2008), most of the jobs being held by women, young people or part-time employees (Eurostat, 2009). People also tend to work after hours and during the night, and even on Saturdays, Sundays and holidays. Unfortunately, wages are considerably lower than the average of the whole economy and employees tend to have more trouble in conciliating work with family, because they work long hours (Costa, Carvalho, & Breda, 2011).

Moreover, restaurants are strongly associated with the experience economy, since meals are part of the basic needs of the human being, and gastronomy is nowadays an important element of the tourist experience. Weppen and Cochrane (2012) mention that it is crucial for any type of business to have a strong leadership, as well as a good product/ service in order to enhance the tourism experience. Restaurants, thus, need to focus on a couple of aspects in order to increase their competitiveness levels and to achieve, not only their goals, but long-term success.

As seen on Figure 1, there are a lot of aspects concerning the success of a restaurant. However, it is possible to divide them in two distinct categories: (i) internal factors and (ii) external factors. It is

mandatory for any restaurant owner/manager to focus on both categories since they represent a fundamental part of a restaurant’s success.

Internal reasons are directly associated with the restaurant and can be controlled by managers and employees. Usually the focus is the equipment. The more developed it is, the faster and more efficient the service is. Another aspect that managers can control is the quality and variety of the dishes they present to their customers. Restaurants should focus on providing local food in order to enhance tourists’ experiences. Still, it is possible to understand that many restaurants choose to innovate and serve different dishes. These restaurants may be quite successful, since many people want to try something new rather than taste local cuisine. Additionally, human resources are crucial, not only for restaurants, but for any kind of businesses. In the tourism sector, and specifically in the restaurants industry, most people do not possess high educational levels but their experience and their skills are fundamental to provide a good service. However, this tendency should be fought against and human resources (both managers and employees) should have proper training/skills according to their specific role (Costa, Carvalho, Caçador, & Breda, 2012). This could help to maximize service quality.

The external factors, i.e. those that restaurants cannot control, influence the sector as a whole. Socioeconomic and cultural factors are related to people’s interests and their willingness to have new experiences, as well as to the destinations’ traditions and characteristics. Environmental issues may prevent the expansion of the restaurant or either have an impact on the dishes served. Managers should also be aware of the current trends in technology, as it might be decisive towards the development of new techniques. Politics and governmental factors have a tremendous impact in many ways, such as establishing new laws and regulations, and creating support and financing schemes. Last but not the least, time has a huge impact on the restaurant business, yet it cannot be controlled. This aspect

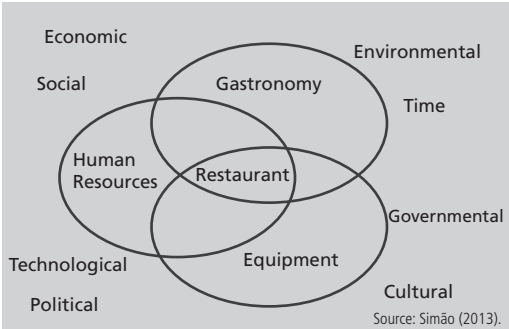


Figure 1 | Main success factors in a restaurant.

is mostly related to seasonality, since peak season usually represents a higher volume of customers, but it also implies more employees.

Pantelidis (2010, p. 483) explains that during an economic crisis, word of mouth and interpersonal communication are fundamental ways to promote businesses. Therefore, restaurant managers may also choose to expand their business through social media, websites and blogs, which usually do not involve costs. In this way they can provide information about their services and prices, as well as eventual discounts or events. Wang (2011, p. 505) reveals that consumers discuss/review online products and services. This is a decisive aspect both for innovative and traditional restaurants, because they are able to determine their position in a competitive environment.

It is important to understand that restaurants influence the tourism experience. Gilmore and Pine (1999) showed that experiences are associated with long-lasting sensations, which then become memorable. Customers nowadays tend to seek unique experiences, mixing both culture and typical gastronomy. This, therefore, presents a unique opportunity for restaurants. However, there is a lot of work to be done in order to position a restaurant in a competitive environment, a process that usually takes some time, so that possible difficulties can be easily overcome.

## 4. Methodology

In order to obtain more detailed information about the restaurant business, the approach undertaken was to conduct a survey-based research. Therefore, taking into consideration the characteristics of the population and the nature of the study itself, interviews were directed to managers and employees of all restaurants located in the city centre of Aveiro (N=68), more specifically in the parishes of *Vera-Cruz* and *Glória* (which constitute

the central part of the city). The response rate was 82%, representing 83 managers (all managers were interviewed, and in some establishments, with shared management, more than one manager was surveyed) and 155 employees (which constitute 50% of all the employees of the surveyed restaurants). The SPSS software was used to perform statistical analysis; and qualitative data was treated through content analysis.

## 5. Discussion of results

### 5.1. Employees

Of the 155 surveyed employees, 80 are men and 75 are women. So, gender-wise, there's no significant difference since men and women represent a similar portion. The average age is 37.46 (37.72 for men and 37.17 for women), and there are no significant statistical differences between both groups ( $p = 0.785$ ). 78.1% of all employees live in the municipality of Aveiro, meaning that they live relatively close to their working places, which represents less time and money spent in commuting. As far as marital status is concerned, most employees are married (45.8%), but there is also a considerable number of single workers (38.7%).

It is also important to present the qualifications of the employees. As already mentioned previously, people who work in restaurants usually do not have high qualifications but they compensate it with a lot of effort, training and experience. In this study, most of the interviewed employees (58%) only possess basic education studies; 29.7% have finished secondary school, 5% attended professional schools and only 7% have a university degree. Gender-wise, women possess higher qualifications than men: 36% of them have finished secondary school, while only 24% of all men did so; at university level, the percentages are very similar (7.5% of men vs. 6.7%

of women). Only 12.3% of all employees have some sort of educational experience within the tourism sector.

There are different positions that employees can hold in a restaurant. In this study, 52.3% are 'waiters', while 24.5% are 'chefs', representing the majority of all jobs. In terms of the type of contract, half of the employees have a permanent position (49.7%), and 41.9% are temporary workers. As mentioned before, many jobs are temporary because of the seasonal nature of tourism demand; therefore some employees tend to work only a couple of months, being forced to leave when the peak season is over.

Results show that, on average, people tend to have a long working experience in restaurants – 13.55 years (14.1 for men and 12.9 for women). Employees also tend to spend a lot of time on their jobs. The average weekly number of hours spent on the job is 43.5 (45 for men and 41.7 for women), and 63.8% of the employees work on Sundays and 92.9% on Saturdays. 64.5% of the employees work extra hours and in shifts, and 88% work at night. This implies more difficulties in conciliating work and family. Although employees work long hours, in terms of the monthly wage, they do not get high salaries. Most employees (61.3%) earn between 310€ and 600€, and around 30% earn between 600 and 900€. In terms of gender, no significant statistical differences were found ( $X^2=0.272$ ).

## 5.2. Managers

Of the interviewed managers (83), 73.5% are men and 26.5% are women. Clearly, it is possible to understand that the restaurant business is dominated by men. Women are underrepresented in leadership positions, holding managerial positions only when they are married to the owner/manager or have inherited the business.

Managers are slightly older than employees, the average age being 46.94 years old (46.77 for men

and 47.41 for women). Similarly to the employees, the majority of managers also live in Aveiro (73.5%), a city that they recognize potential for restaurant businesses, however also pointing out the problem of the seasonality, which might force unexpected cuts in human resources or in their wages.

When comparing the level of qualifications, a slight difference can be identified: managers are more qualified than employees. Most men (50.8%) and women (31.8%) have a secondary school degree, showing that schooling is important to run a successful business. Women are also more qualified than men ( $X^2=0.025$ ) since 16.2% hold a university degree compared to 4.9% of male managers. It is possible to state that qualifications are not very high since both managers and employees chose to start working early in their lives. Only 25.3% of all managers have a tourism related qualification, which is still a low percentage.

Managers tend to hold their jobs for a longer period than employees. Results show that the average duration is 20 years (21.67 years for men and 16.45 for women). Moreover, managers spend more time in their workplace than employees: they work on average 67 hours per week. This can be explained by the fact that the majority of them work, not only on Saturdays (91.6%) and Sundays (57.8%), but also at night (86.7%) and do extra hours (67.5%). The majority mentioned having two children (45.8%), and the time they spend working prevents them of having a balanced work-family relation.

When analysing managers' monthly wages it was verified that the majority (55.4%) earns between 600€ and 900€. In terms of gender, significant differences were found ( $X^2=0.000$ ): while 65.57% of male managers earn from 600€ to 900€, 63.64% of female managers only earn between 310€ and 600€. Women in leadership positions earn less than men, almost the same level as employees.

Managers were also inquired about the reasons why they invested in the restaurant sector. Many (33.7%) mentioned that they have a special interest

in the restaurant business and also in tourism sector, in general. A part of managers (27.7%) mentioned the influence of family and friends in the decision to invest in the business. However, previous experiences (9.6%) can also explain why they decided to create their own company in this area. Others (8.4%) simply have engaged in the business as a way to escape from unemployment, although several risks were taken while starting a business on their own.

5.3. Restaurant businesses

Regarding the structure of the restaurants industry in Aveiro, and in accordance with the global trend, they all fall under the category of SMEs, with 87.5% of them corresponding to micro businesses, which means that they employ less than ten workers (Figure 2). Around 18% of all businesses have two or less workers. It is clear that restaurants do not depend on many employees, especially since they are family businesses who rely on other family member in the peak periods of demand. It is essential, however, that workers are experienced and well trained.

In businesses, owners/managers have in profit their main goal, as they cannot survive in the long run unless revenues are higher than costs. However, only 5% of the restaurants have been generating profits over the last three years. The reasons for this are attributed to the pronounced seasonality and lack of support from the local government. Location

is also a key factor in determining the success of a business. Despite the fact that most businesses are located in the city centre and are close to the main attractions, the number of people visiting the establishments is not as high as expected.

6. Conclusions

Nowadays businesses are struggling to survive in a competitive environment and restaurants are no exception. Managers need to differentiate their restaurants and position them in order to attract more consumers. The restaurants industry is mostly characterised by the dominance of SMEs, which need to be profitable in order to ensure the business’s continuity.

Even though the restaurants industry contributes greatly to tourism employment and to tourism revenues, it has not been the object of many academic studies. This work, thus, contributes to the literature, by providing useful information about this subsector’s business and employment structure, considering both managers’ and employees’ perspectives.

Results show that employees present low academic qualifications. Even though experience and training are important assets, formal educational or vocational training would strengthen their skills, as argued by Costa et al. (2012). As they tend to work long periods and during unsocial hours, it is hard for them to conciliate work and family, as they, especially female workers, also perform unpaid work at home. Women thus face some difficulties in developing their careers in the tourism sector (Costa, Carvalho, & Breda, 2010).

On the other hand, managers have to face hard decisions every day, yet no business can survive without them. Their academic qualifications are higher than employees’, however these are also low. Managers benefit from their large experience, but they lack on creative ways to push their businesses

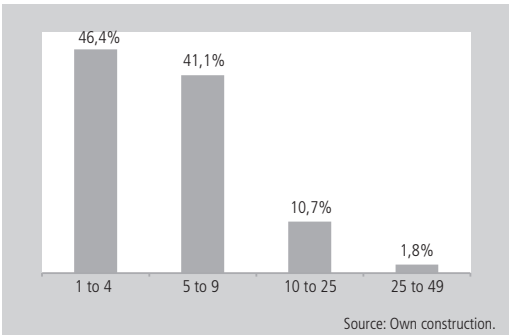


Figure 2 | Number of employees within restaurants.

forward. They also need to know the best ways to position their restaurants, as well as benefit the most from the peak season.

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