

Revelando Factores de Éxito entre Pequeños Emprendedores Turísticos Durante la Pandemia del COVID-19 en Destino Patrimonial Guanajuato

**Uncovering Business Performance Factors Among Tourism Small Enterprise Owners
During the COVID-19 Pandemic in Heritage Destination Guanajuato**

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Abstract

The objective of the article is to uncover what makes local tourism business owners commercially successful in times of prosperity and crisis i.e., before and during the COVID-19 shock. High performance owners can reveal their advantages in terms of profiles, practices, superior decision-making and innovativeness. A survey instrument was applied to owners who provide hospitality, food and drink, and event and excursion services to tourists, day-trippers, and locals in heritage destination Guanajuato, Mexico. Analysis using descriptive statistics and multiple regression reveals critical success factors. The research contribution is the connection found between economic performance and owner profile, work habits and reactions to crisis. Specifically, successful local business owners are educated and experienced, analyse both their business numbers and the decisions of their competitors, start up more businesses, and react to shocks by implementing a wider range of changes to products, services, operations, marketing and finances. Corroboration of the results in similar Mexican heritage destinations can strengthen our understanding of how to improve small and micro tourism enterprise performance, however, in view of local general reluctance to use bank and government program credit, municipal small business policy should reorientate to management training through revitalised tourism sector associations.

Keywords: Heritage tourism, business owners, performance, COVID-19, reactions.



Resumen

El objetivo del artículo es descubrir los factores de éxito de emprendedores de alto rendimiento en tiempos de prosperidad y crisis, o sea, antes y después del choque de COVID-19. Se aplicó un cuestionario a proveedores de servicios de hostelería, comida y bebida, y eventos y excursiones, a turistas, excursionistas y locales en destino patrimonial Guanajuato, México. Estadística descriptiva y regresión múltiple revelan factores críticos de éxito en sus negocios. La contribución del artículo es el develamiento de conexiones entre rendimientos de negocio y el perfil del dueño, sus hábitos de trabajo y sus reacciones frente al crisis. Los emprendedores locales cuentan con educación universitaria, con experiencia de negocios, que analizan meticulosamente sus resultados y las actividades de sus competidores, emprenden más negocios y reaccionan a los choques con un mayor número de cambios e innovaciones a productos, servicios, operaciones, su mercadotecnia y sus finanzas. Se requiere corroborar los resultados obtenidos con otros destinos patrimoniales, pero dado la resistencia de emprendedores locales a endeudarse con los bancos y programas gubernamentales, sería recomendable reorientar políticas municipales de emprendimiento hacia prácticas empresariales exitosas a través de asociaciones revitalizadas de proveedores turísticos.

Palabras clave: Turismo patrimonial, emprendedores, rendimientos de negocios, COVID-19, reacciones.

1 Introduction

The research analyses the performance of tourism business owners in Guanajuato before and during the COVID-19 crisis with respect to two objectives. The first is to uncover keys to local tourism business commercial success. Simpson et al., (2012) report that the complex interactions between performance, critical success factors and different definitions of success by owners themselves means there is no agreed theory on what foments business success, while De Hoyos, et al. (2013) advocate interpreting success on a country-by-country basis due to geographical diversity, all of which justifies examining business success in heritage destination Guanajuato. The second objective is to identify business reactions to the COVID-19 crisis which severely reduced visits to Guanajuato during 2020 and 2021 (SEDETUR- GTO, 2021). The literature distinguishes common cost-cutting, product, and marketing adaptations in the face of crisis (Leta & Chan, 2021), sometimes adopted on a trial and error or bricolage basis (Kuckertz et al., 2020). However, it is perhaps more interesting to identify which business profiles reacted most to the COVID-19 crisis and whether those reactions constitute innovative behaviour.

The remainder of the article is structured as follows. Section 2 introduces some frameworks for analysing Heritage Tourism (with some local context), business performance, crisis management and innovation in times of crisis. Understanding what makes business owners commercially successful is important for improving small business promotion policy (Bateman et al., 2018, GEM, 2021), and with that purpose, an in-depth questionnaire was applied to 101 business owners and managers during the summer of 2021, including most of town's independent tourism offering, and particularly hospitality, food and drink establishments, event and excursion providers. As the business cycle requires managing periodic crises, the questionnaire also identifies which businesses were most predisposed to reaction and change during the COVID-19 crisis. The survey instrument is presented in Section 3 and the results concerning business performance and crisis management are analysed qualitatively in Sections 4.1., while Sections 4.2 and 4.3 undertake quantitative analysis of business performance and crisis management, respectively. Finally, Section 5 discusses key findings concerning performance, crisis reactions and innovation, and Section 6 concludes with recommendations for further study and public policy.

2 Conceptual Frameworks

2.1 Cultural and Heritage Tourism in Guanajuato and Mexico

By participating in cultural tourism visitors experience and consume cultural attractions and products, both passively or actively, including arts, crafts, gastronomy, heritage and living cultures (Alsos et al, 2014, Ebejer, 2018, Gordin, 2012, Richards, 2018). According to McKercher & Du Cos, 2003, the cultural experiences of visitors can be deep or shallow, and the importance of cultural tourism in the decision to visit, high or low, leading to a classification of cultural tourists as “purposeful”, “serendipitous”, “sightseeing”, “casual” or “incidental”.

In the World Economic Forum, Travel & Tourism Development Index of 117 countries (Calderwood & Soshkin, 2022), Mexico scored very highly on the Natural Resources Pillar (1st ranked in 2019 and 2nd in 2021) and on the Cultural Resources Pillar (7th in 2019 and 5th in 2021) but badly on Safety and Security (114th in 2019 and 117th in 2021). Mexico should be able to diversify its tourism strategy by strengthening its inland, heritage destinations to complement its coastal resorts (as exemplified by Cancún and Los Cabos). It has 27 cultural World Heritage Sites, six natural heritage and two mixed sites (WHC, 2022), and also 177 *Pueblos Mágicos* (magical villages) within a federal program operated by the *Secretaría de Turismo* since 2001 (SECTUR, 2023).

Guanajuato is a United Nations World Heritage Site (WHS) with a population of 195,000 inhabitants located in the State of the same name in central Mexico (INEGI, 2022). It became a WHS as the “Historic Town of Guanajuato and Adjacent Mines”, in 1988, a result of outstanding architecture, monuments, events and living traditions (WHC, 2021). Among Guanajuato’s tourism are over 20 museums, one of which is the macabre Mummies Museum, a key source of municipal revenue. There is also the internationally famous *Festival Internacional Cervantino* which celebrated its 50th anniversary in 2022 (Frey & Steiner, 2011, Ruiz-Lanuza, 2012). The visitor profiles in Table 1 suggests that culture is a factor in the decision to visit, together with pleasure and entertainment. A lot of cultural consumption is passive as visitors watch street performances of clowns, mariachi and street serenaders, contract guided tours and excursions of key tourist attractions and attend street events on religious and other occasions during the year. According to the classification made by McKercher & Du Cos, 2003, many visitors to Guanajuato are “incidental”, “casual” and “sightseeing” tourists.

Fortunately for Guanajuato, Mexico is a large, populous country and Table 1 shows that Mexicans enjoy their heritage destinations as both overnight tourists and regional day trippers. The year 2020 is atypical due to the pandemic which reduced visitor numbers to a third of the trend level. Visitor numbers peaked in 2017 with slight decreases over 2018 and 2019. Post COVID-19 visitor numbers for 2021 and 2022 have increased although the recovery is incomplete. Four possible reasons include 1) a traditional, undiversified tourism product, based on a passive appreciation of heritage rather than participation in activities and events (Trejoluna-Puente & Virgen-Aguilar, 2020) 2) inadequate public transport and refuse collection creating an untidy urban image 3) a fragmented tourism sector cluster rather than an effective lobby which pursues improved public and tourism services, and 4) bad publicity generated by narcotraffic violence at country and state level in recent years (Heald, 2023). However, another WHS destination in the same State, San Miguel de Allende, has recovered and bettered its position since the COVID-19 crisis, which suggests that Guanajuato needs a destination reassessment.

Table 1: Visitors to Guanajuato

YEAR	TOTAL VISITORS	OVERNIGHT	ORIGEN (%)			SEGMENT %		
			NATIONAL	STATE	FOREIGN	CULTURE & RELIGION	PLEASURE & ENTERTAINMENT	ADVENTURE, NATURE, SPORT
2016	2,400,000	861,000	51	38	11	43	38	

2017	2,666,000	972,000	58	34	8	52	33	
2018	2,700,000	953,000	71	21	8	67	17	
2019	2,400,000	864,000	74	15	11	41	44	
2020	828,000	288,000	17	82	1	9	77	
2021	1,600,000	590,900	54	44	2	24	41	13
2022	2,000,000	744,200	63	30	7	49	30	8

Source: Own Elaboration from *Perfil del Visitante, Observatorio Turístico*, 2016-2022, SEDETUR GTO.

According to Guanajuato State’s tourism inventory, the town hosted around 400 tourism enterprises in 2021 (SEDETUR GTO, 2021), including accommodation (157), food & drink (196), tourism transporters (14), wedding planners (16), event spaces (7) and spas (3). Excluded from the total are recreation & sports providers who generally do not cater to visitors and a large number of privately registered tour guides who are individuals rather than companies. INEGI (2022) data reports 1,077 businesses in the hospitality sector but a proportion of them cater exclusively to locals. Tourism competition is both rampant and unequal since entry barriers can be relatively low, although renting peripheral premises is not the same as owning prime central locations. Independently owned hotels and restaurants compete in a market which includes informal Airbnb rooms and street food vendors, but only a handful of major chains.

2.2 Business Performance

Research on Critical Success Factors frequently considers constraints too, but it is more relevant to discover why a small minority of owners are successful at starting up. According to the Entrepreneurial Toolkit (Bohoney, 2011, pp. 66) “Many entrepreneurs will fail multiple times before they succeed...”, so the question should be, what are the product attributes and business processes or that finally made them succeed?

Traditionally, business performance has been evaluated from the economic perspective of accounting profit (Rasmus & Laguna, 2018). The Balance Score Card broadened financial evaluation to include internal business processes, innovation and growth, and customer service, by using both leading and lagging metrics to measure both performance and results (Kaplan & Norton, 1992). Critical success factors are sometimes divided into internal and external factors (regional business environment including competitors, suppliers, customers, banks, government, support agencies, infrastructure, business associations and clusters). The internal factors can be subdivided into “inside the business” (industry sector, labour, technology, financial base, strategies, resources and culture) and “inside the business owner’s mind” (experience, socio-economic background, skills, knowledge, personality attributes, values, ambitions, role of the extended family and networking ability) (Coulthard & Loos,

2007, De Hoyos et al., 2013; Hallak et al., 2015, Simpson et al., 2012, Teixeira et al., 2019). Defining business success requires prior knowledge of owner motivations, i.e., whether they are: “empire builders” (Lundberg & Fredman, 2012), “quality of life” seekers (Solvoll et al., 2015), “ethical” practitioners (Tomassini, 2021) or even entrepreneurs turned local politicians. Businesses owners may have mixed rather than just pecuniary motives, although at some stage businesses need to be profitable to survive (Carmichael & Morrison, 2011). This study concentrates on commercial performance.

There are few theoretical frameworks for explaining entrepreneurship success in the literature (Simpson et al., 2012), and empirical research uses interviews to identify success and constraint factors, motives and critical moments in business success (Camillo et al., 2008; Fu et al., 2019; Haber & Riechel, 2005). The understanding of service sector innovation is limited compared with manufacturing and the literature on tourism innovation is scarcer still (Hjalager, 2010).

2.3 Crisis Management and Innovation

Tourism entrepreneurs are often one step away from a crisis and require abilities of adaptability as mentioned in Section 1 with respect to the COVID-19 pandemic (Bullough & Renko, 2013; Saunders et al., 2014). Small firms often avoid debt-financing repayment traps and in crisis choose to sell off assets, scale down operations, or obtain help from family (Smallbone, et al., 2012). In times of stress, businesses adopt combinations of revenue generating and cost-cutting measures, which include shutting down or shorter operation hours, flexible work shifts, reducing inventory, exploring new products and markets, extending credit periods with suppliers, and making loan applications to government programs, as witnessed by Alves et al. (2020) in Macao, by Chanyasak et al. (2021) in Thailand, and by Leta & Chan (2021) who review international experience. Kuckertz et al. (2020) refer to crisis-facing German entrepreneurs as bricoleurs who improvise and iterate solutions during an initial crisis, while longer-term responses to crisis include improving staff profiles via training or hiring, evaluating new investments, and participating in sector lobbying. Crisis management can be modelled in stages (Leta & Chan, 2021), for example, Le & Phi (2021) propose five stages including: pre-event early symptoms, emergency, crisis, recovery, and resolutions.

Crisis may also spur innovation, which has been defined as the process of bringing problem-solving ideas into commercial use (Hall & Williams, 2008). In turbulent tourism environments innovation is driven by globalization, and also technological, competitive and behavioural change, which and can be evolutionary, crisis-driven, temporarily profitable (fleeting opportunities during shocks and crises) or

permanently game changing. Traditionally however the hospitality sector is weak in Research & Development, which is probably the reality of mature destinations with traditional, undiversified tourism products (Alsos et al, 2014).

As with tourism business performance, there is a scarcity of theory concerning crisis management in the tourism sector and a literature review by Leta & Chan (2021) found that 69 out of 88 articles on the subject used no theoretical framework at all.

3 Methodology

The survey instrument is inspired by the literature on performance indicators (Haber & Reichel, 2005, Hallack et al., 2015, Lundberg & Fredman, 2012), the Balanced Score Card (Kaplan & Norton, 1992), business networks (Coulthard & Loos, 2007, De Hoyas et al., 2013), crisis management (Smallbone et al., 2012, Kuckertz et al., 2020), and the surveys of small and microenterprises implemented by the *Institución Nacional de Estadística y Geografía* (INEGI, 2012 and 2018).

Due to obsolete of business contact information, the sample was put together incrementally via visits to business premises, sharing contact numbers after face-to-face interviews, and following up new contacts on WhatsApp. 101 independent owners were interviewed from June to August of 2021, covering the centre and other suburban tourism hubs, including 65 micro (up to 10 employees) 31 small (11 to 50) and 5 medium-sized (51 to 100) firms. Although the average entrepreneur manages 2.8 tourism businesses (refer to Section 4.1.1), the questionnaire reports only on the premises visited except for several multisite businesses which the owner pools for fiscal purposes (INEGI, 2019). Employing a simple, random sample using Cochran's (1977) formula, with a z-score of 1.96 for a 95% confidence interval, a "p" population proportion of 0.5, a margin of error "e" of 0.05 and a population size "n" of 400, which is the number of tourism firms in the town according SEDETUR-GTO, the sample requirement is 197 businesses. However, the average owner operates 2.8 businesses, so the effective sample size is $101 \times 2.8 = 283$, which is greater than 197 and equivalent to over half of the town's business owners. Interviews were conducted with accommodation, food and drink, and event and excursion providers, in equal thirds. The heterogeneity of the group seeks a broad-brush vision of business performance (while enabling analysis by sub-sector), and COVID-19 related reactions in Guanajuato. The questionnaire used Google Forms to improve the interview experience and was applied in-person and by appointment to ensure completion.

Concerning methodology, the heterogenous nature of the research data suggested the suitability of Ordinary Least Squares (OLS) multiple linear regression to identify strong specific correlations over a generally discreetly correlated data set to assemble well-fitting models which explain over a third of the variation both in revenue (loosely interpreted as commercial success) and reactions to COVID-19 (loosely interpreted as innovation). A complementary Logit model was also used to explain and corroborate the variation in revenue. The literature survey identified studies of firm performance which use Principal Component and Factor Analysis for data reduction. They use questions with Likert scale formats to identify summary variables which provide inputs for econometric analysis using Linear Regression (Lundberg & Fredman, 2012), Probit models (Giotopoulou et al., 2017) and Structural models (Hallak et al., 2015; and Lee et al, 2016). The extensive nature of the questionnaire information collected in Guanajuato does not lend itself to similar data reduction.

4. Results

4.1 Descriptive Analysis of Results

4.1.1 Business owner profile

Owners on average operate 2.8 tourism businesses each, although men have notably more than women (refer to Table 2), while 18 % of the sample have five or more businesses and only 19 % have just one. Serial hospitality entrepreneurship is a logical expansion strategy in heritage destinations which are micro and small business environments in which business growth in central locations involves converting old, traditional buildings into boutique hotels, family and contemporary restaurants, coffee shops and bars (Mottiar & Tucker, 2007, Wiklund & Shepherd, 2008). Serial entrepreneurship may also provide resilience as marginally profitable premises can be opened or closed depending on the business cycle. As Table 2 indicates, owners are on average young middle-aged (30 to 50 years old), men (two-thirds to one third women), university educated, either local (from the municipality) or from other states (often Mexico City) and speak decent to good English.

Table 2: Business Owner Profiles for Men and Women

PROFILE INDICATORS	MEN	WOMEN
Total %	66.3	33.7

Mean Age	43.507	43.824
Education %		
Primary	1.5	2.9
Secondary (high school)	17.9	17.6
University degree	50.7	56.0
Postgraduate	29.9	23.5
Origin %		
Local	56.7	58.8
State	10.4	11.8
National	26.9	26.5
Foreigner	6.0	2.9
English Proficiency (0-5)	3.209	3.029
Years of experience	10.559	10.731
Type of business %		
Restaurants	38.8	26.5
Hotels	32.8	32.4
Event and excursion business	28.4	41.1
Number of businesses owned	3.030	2.235
Financed with own resources %	83.6	76.5

Source: Own Elaboration from Survey Application

They see adequate training, client service and product competitiveness as the three major factors of business success, while ideally an entrepreneur should be an innovative, risk-taking leader, who is tenacious, action-orientated and can delegate. They work 60 hours a week, Monday to Sunday and 55 % have been operating 10 years or more. Entrepreneurs are generally co-owners, often couples, but also family members or friends. They started their businesses for the passion of providing a product or service, to be independent and to be financially free. As to the meaning of success, 63 % consider that stakeholder satisfaction is a prime motivator and 51 % work-life balance, although contradictorily they work long hours. Other important factors for them are growth/expansion (33 %), contribution to society (32 %), profit (32 %) and personal satisfaction (32 %). All of which suggests that owners aspire to economic success, but non-economic factors such as social recognition are important to them too (Section 2.2). 65 % of owners interviewed are generally reluctant members of sector business associations because they perceive few benefits to uniting.

4.1.2 Business profile

Other than accommodation (hotels, hostels, boutiques and Airbnbs), the sample includes food and drink establishments (restaurants both gourmet and economical, coffee shops, ice-cream vendors, night clubs, pubs, roof bars, and shops selling traditional sweets), event businesses (banqueters, flower arrangers, DJs, musicians, magicians, photographers and private museums) and excursion providers (sight-seeing trips, rural tourism and adventure sports). The 101 businesses employed 1,614 workers, an average of 16, but the median is 6, with an even split between female and male

employees. A subjective business valuation presents enormous diversity, from less than half a million pesos to between 20 and 100 million, because of the diversity of properties which can be owned, rented, in the town centre or in the periphery.

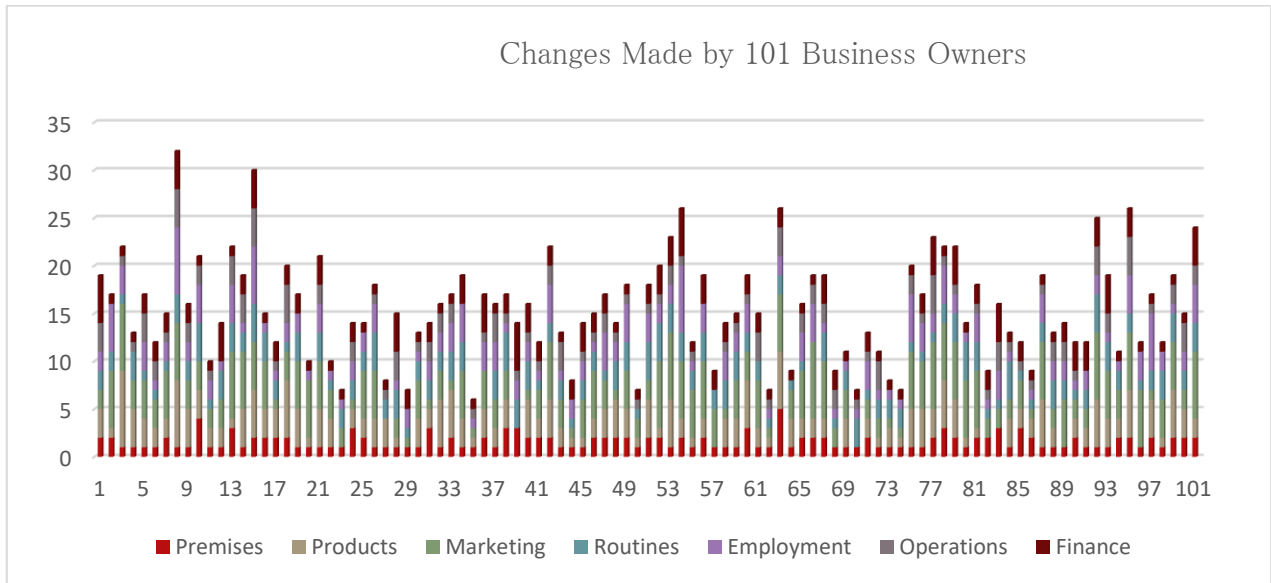
4.1.3 Business operations

For funding, 82 % of interviewees used their own resources and 14 % family loans, while only 17 % used bank debt and 6 % government programs, citing high bank interest rates and commissions, the intermittent nature of government funding, and their adversity to financial risk as reasons for snubbing debt (Sector 2.3). Between 70 % and 80 % of interviewees use their accountants to analyse their book-keeping profitability and observe competitor activity. Concerning marketing, hotel room sales are predominantly on-line, while post pandemic food and drink businesses have reverted to on-site sales. Most businesses operate a web page, are on Google Maps and Search engines, and use Facebook, Instagram and WhatsApp for advertising, customer service and closing sales. Hotels select a variety of on-line travel agents, while food and drink establishments use TripAdvisor.

4.1.4 Business crisis reactions

During the COVID-19 crisis of 2020, 97 % of owners and managers reported a decline in sales of an average of 83 % during the worst months of spring, although by summer 2021 they had recovered 60 % of revenue. 67 % of businesses shut down at the beginning of the pandemic. In crisis, interviewees took many of the actions anticipated in the literature to boost revenues and cut costs (Section 2.3). Between a third and two-thirds of interviewees made the following changes: introduced new products and services, improved the ones they already offered, incorporated new customer profiles, introduced a take-away service or home delivery, extended their networks of contacts, intensified their digital operations for marketing and sales, involved themselves and their employees in mainly COVID-19 prevention training, made redundancies of peripheral staff to enable a quick recovery post-pandemic, reduced subcontracted work, reduced inventories, contracted new suppliers (eliminating old ones), undertook minor renovations, bought new machinery and equipment, depleted their personal savings, took on debt (bank and private), lengthened creditor periods, and renegotiated supplier contracts. Whether the changes made constitute temporary remedies or long-term innovation with commercial viability (Section 2.3) would need to be ascertained case by case via a future interview. The average business made a total of 15.5 changes or innovations during the pandemic. The diversity and frequency of changes made by individual owners is captured in Figure 1.

Figure 1: COVID-19 reactions



Source: Own Elaboration from Survey Application

4.2. Quantitative Analysis of Business Performance

Quantitative analysis looks at the two research questions mentioned in Section 1. First what are the keys to economic success in Guanajuato's tourism sector? and second, which businesses reacted more to the COVID shock and whether that might be an indication of innovativeness and future success?

4.2.1 Identifying business success.

A definition of commercial success is accounting profit (Section 2.2), but that is problematic because owners prefer not to disclose it. However, there are "proxies" such as estimated business worth, which are listed in Table 3. They may not be perfect "proxies" of performance, for example, number of employees may indicate size rather than profitability, and satisfaction with the business may include non-economic motives (Section 2.2). Revenue obtained both for 2019 (pre COVID-19) and 2020 (during COVID-19) is a measure of sales rather than profit but the two are obviously linked as measures of success. Firm values represent the perceived value of the firm from the entrepreneur's perspective and a possible sale value. Number of businesses owned represents a classic serial entrepreneurship growth strategy. Salary alternative discloses the hypothetical income that the entrepreneur could obtain by closing the firm and opting for employment, while loan capacity is the hypothetical amount of credit the entrepreneur might obtain from a bank. The fact that these proxy indicators are correlated suggests that success is measurable.

Table 3: Success "Proxies"

QUESTIONS	INCOME 2019	INCOME 2020	FIRM VALUE	NUMBER OF FIRMS OWNED	SALARY ALTERNATIVE	LOAN CAPACITY
Income 2019	1					
Income 2020	0.754	1				
Subjective firm value	0.615	0.488	1			
Number of businesses owned	0.408	0.323	0.254	1		
Salary alternative or opportunity cost	0.241	0.165	0.423	0.301	1	
Loan capacity	0.538	0.457	0.706	0.349	0.421	1
Satisfaction with the business	0.093	0.087	0.208	0.027	0.281	0.198

Coefficients of Correlation, using observations 1 - 101

Critical value at 5% (two tail) = 0.1956 for n = 101. Yellow is significant. Green over 0.5.

Source: Own elaboration from survey data

Of the proxy variables available, income during 2019 shows the highest correlation with the rest of the six proposed proxies, so it was used as a measure of success. Using Principal Component Analysis on the seven success proxies, the first component has the highest eigenvalues and covers over 50% of variation, with Income 2019 as the main contributor.

Does this economic success depend on the owner's initial profile, for example, age, gender, level of education, English language proficiency or if the owner is local or from out-of-state? A simple statistical correlation analysis shows that gender turns out to be the main profile issue but not overwhelmingly. Men are involved in more businesses than women and enjoy higher revenues for both 2019 and 2020. They also have more valuable businesses according to their own estimates, which concurs with Mexican and international data (GEM, 2021).

There is obviously variety between and within tourism services, and there is also overlap because some hotels offer restaurant services to the general public, some restaurants do event banqueting, and some owners operate both hotels and restaurants. Even so, the survey shows that hotels, which are usually larger operations than restaurants, have higher estimated business worth and can more easily obtain loans. Further, hotels are correlated with satisfaction with the business while restaurants are negatively correlated. Restaurants are positively correlated with the number of employees which indicates that food and drink operations are labour-intensive. Finally, event and excursion businesses are negatively correlated with firm value.

4.2.2 Modelling business success

The first model (Table 4) uses revenue in 2019 as a proxy of economic success in a multiple linear regression using OLS. The linear model is reduced through iteration and elimination of variables to

provide better adjustment through the improved, overall significance of the variables. The starting model included: Type of business (Restaurants, hotels, events and excursion businesses), age, gender, level of education, English proficiency, place of origin (local, national, foreigner), self-evaluation of entrepreneurship skills and character traits, years running the business, whether the business was financed auto financed or not, if premises are owned or rented, if the business was founded by the owner or purchased, client characteristics (frequent or not, local, national or foreign), proportion of sales on-line, self-evaluation of business location, and weekly hours worked.

Correlations between explanatory variables are low, the highest being a negative correlation between client characteristics, specifically the percentage of clients who are tourists (as opposed to excursionists and locals) and regular users, with a negative correlation of -0.7286, which is logical since hotels, and event and excursion businesses generally have sporadic clients. Regular users are also correlated with restaurants (0.61769) which is again expected because restaurants have local clients. The highest variance inflation factor among explanatory variables in the model is 1.6 which means that collinearity is not an issue.

The regression reveals that the three most significant explainers of tourism sector revenue are: gender (male), years of experience in the business, and accounting analysis of the business. Having frequent clients is also important as are hours worked (with a negative impact). Less significant is owning a restaurant (again negative), education and the number of businesses owned. The negative signs suggest that in normal years, restaurants are relatively less profitable, and that working long hours has diminishing returns. The equation explains more than a third of the revenue variation. Similar results are obtained using 2020 income, but there is less variance in the dependant variable due to the crisis, rendering a less accurate description.

Table 4: Dependent variable: revenue (2019) of 101 tourism businesses

VARIABLE	COEFFICIENT	T STATISTIC	P VALUE	SIGNIFICANCE
Constant	-1.60427	-1.949	0.0543	*
Restaurant	-0.628343	-1.971	0.0518	*
Gender (sex)	0.817806	3.010	0.0034	***
Education	0.342162	1.980	0.0507	*
Years of experience	0.246528	3.092	0.0026	***

Number of businesses owned	0.210608	1.930	0.0566	*
Client frequency	0.0135523	2.327	0.0222	**
Hours worked	-0.0159312	-2.116	0.0370	**
Accounting analysis of business	0.188567	3.888	0.0002	***
R- squared = 0.423162		Corrected R-squared = 0.373002		

Multiple regression, using observations 1 - 101

Source: Own Elaboration from Survey Data

A second Logit model (Table 5), which defines success as a binary variable with higher levels of revenue = 1 and lower levels = 0, analyses the variables that heighten the probability of being located among the most successful businesses. The model is also reduced by iteration and elimination of variables to obtain better adjustment maintaining overall significance.

Table 5: Dependent variable: revenue (2019) of 101 tourism businesses

VARIABLE	COEFFICIENT	Z	P VALUE	SIGNIFICANCE
Constant	-4.06816	-1.148	0.2510	
Hotel	2.49594	2.790	0.0053	***
Events and excursion businesses	1.52285	1.763	0.0799	*
Gender (sex)	2.08646	2.076	0.0379	**
Education	0.68588	1.409	0.1589	
English Proficiency	-0.59454	-1.948	0.0515	*
Entrepreneurship skills	1.45601	2.287	0.0222	**
Entrepreneur character traits	1.64266	2.321	0.0203	**
Number of businesses owned	0.803781	2.648	0.0566	*
Client frequency	0.0386731	2.215	0.0267	**
Accounting analysis of business	0.0750597	-2.324	0.0202	**
McFadden R- squared = 0.400825		Corrected R-squared = 0.168447		

Logit regression, using observations 1 - 101

Source: Own Elaboration from Survey Data

Instead of a negative influence of restaurants we obtain a positive influence especially of hotels and to lesser extent by event and excursion businesses. Gender has an appreciable impact but is less significant than in the OLS model. Education is no longer significant but has a positive impact as expected and contributes to overall model significance. English proficiency has a surprising negative impact linked with excursion businesses whose traditional owners speak little English (refer to the sector analysis in Table 6). Entrepreneur self-evaluated skills and character traits now have a significant positive impact, indicating that successful entrepreneurs correctly identify relevant management abilities and behaviours. Number of businesses, frequent clients and accounting analysis maintain a positive, significant, but low impact. Hours worked at the business are no longer relevant. The results of the OLS and Logit models are quite similar, but the Logit model interpretation is more complex, and adjustment is clearly lower.

A third model uses OLS in a multiple linear regression to analyse by sector. The 35 food and drink establishments reveal the importance of gender (male ownership), the practice of analysing accounts, and the number of businesses the owner operates. Restaurants and cafes are smaller operations than hotels and up-scaling means opening more new businesses and having frequent clients.

Table 6: Dependent variable: revenue (2019) by type of business

VARIABLE	RESTAURANTS	HOTELS	EVENT AND EXCURSION BUSINESSES
Constant	-4.56579**	-3.50937 **	-2.73207
Gender (sex)	1.21364 ***		
Education		1.12094 ***	0.465115
English proficiency		0.261284	-0.369132 **
Entrepreneurship skills	0.583813*		0.439708
Financed with own resources		-1.47732*	
Owns premises		1.91521*	
Years of experience		0.196793	0.452032 ***
Number of businesses	0.653706 ***	0.309715 *	0.506111 ***
Client frequency	0.0232527 **	0.0239857 *	0.0178405 *
Hours worked		-0.0184428	-0.00626520
Accounting analysis of business	0.233035 ***	0.221947*	0.147451
Analysis of the competition		0.373314 **	
Location			0.311498 *
Observations	35	33	33
R- squared	0.563354	0.598890	0.541848
Corrected R-squared	0.478842	0.470735	0.427310

Multiple linear regression, using observations 1 - 101

Source: Own Elaboration from Survey Data

For the 33 accommodation businesses, education comes out significantly, which may reflect the idiosyncratic profile of real estate owning wealthy families, but they also hire educated managers. Other significant factors are propensity to analyse the competition and client frequency. For the 33 event and excursion business operators, the number of businesses owned turns out to be highly significant as does years of business experience. The ability to speak English has a negative sign which is probably idiosyncratic in that most excursion firms happen to be highly local, traditional operators.

4.3 Quantitative Analysis of Business Reactions and Innovation

4.3.1 Analysing reactions to the COVID-19 crisis

After looking at the measurement of commercial success, the second question analyses the COVID-19 shock to examine how owners and managers reacted. Shocks are standard for small entrepreneurs, but they also represent opportunities, so during recessions, poorer performing businesses close operations, while more successful ones start up.

COVID-19 had varied impacts on the tourism sector. Hotels and tourism transport excursionists were hardest hit because they depend entirely on visitors, while restaurants, cafes and bars recovered quickly, as have event businesses such as wedding planners, banquetters and D.J.s, who can exploit a local customer base. Event businesses were also partially insulated by advance payments on events which were subsequently rescheduled. They can also select outdoor locations and work with smaller groups. Having local customers is negatively correlated with loss of sales due to COVID-19 which makes sense because restaurants and event businesses can cater to locals which creates resilience. Conversely, clients who are overnight visitors are highly correlated with foreigners, digital sales and a loss of revenue due to COVID-19. So, in the good times when there are plenty of visitors, hotels and excursion operators do well, but crisis periods favour restaurants and event operators which cater to locals.

Shocks require decisions, and the quality of those decisions may be part of the difference between success and failure. Entrepreneurs were asked if they implemented changes or not in six different dimensions of their business operations, relating to: Premises (11 options), Products (12 options), Marketing (13 options), Employment (12 options), Operations (10 options) and Finance (9 options). One hypothesis is that making changes is related to being flexible and innovative (Section 2.3), and ambitious owners may react to shocks by reacting more thoroughly and diversely. The correlations in Table 6 partially supports this hypothesis, however it remains to determine the characteristics of business owners who reacted more to the COVID-19 challenge.

Table 7: Number of Crisis Reactions

DIMENSIONS	PREMISES	PRODUCTS	MARKETING	EMPLOYMENT	OPERATIONS
Premises	1				

Products	0.128	1			
Marketing	0.041	0.277	1		
Employment	0.239	0.333	0.356	1	
Operations	0.202	0.347	0.182	0.260	1
Finance	0.174	0.043	0.155	0.242	0.297

Coefficients of Correlation, using observations 1 - 101

Critical value at 5% (two tail) = 0.1956 for n = 101. Yellow is significant.

Source: Own Elaboration from Survey Data

4.3.2 Modelling COVID-19 reactions, innovation and performance

Innovativeness can perhaps be analysed by summing through changes made by business owners to the COVID shock within each of the six reactions dimensions and then overall, which is the justification behind the creation of a total changes or reactions variable. So, a fourth model (Table 7) uses multiple linear regression with OLS to analyse the connection between total business reactions and owner profiles to discover who was attempting to innovate their way out of crisis between spring 2020 and summer 2021 when interviewing took place. The innovators turn out to be higher revenue businesses, which analyse the competition and undertake accounting analysis of their operations, speak English, work hard, and have access to credit. Hotels have a negative sign, but they have less flexibility to change their offer at short notice than restaurants which can move consumption off-site. The negative signs for salary opportunity cost and education probably reflects the crisis profile of hotels, while the number of businesses owned may reflect the poor profitability of peripheral businesses during economic downturns. The equation explains a little over a third of total COVID-19 reactions. Again, as with the previous OLS models, correlations between explanatory variables and variance inflation factors are satisfactorily low.

Table 8: Dependent variable: sum total of COVID-19 reactions of 101 tourism businesses

VARIABLE	COEFFICIENT	T STATISTIC	P VALUE	SIGNIFICANCE
Constant	6.41840	1.111	0.2696	
Hotels	-2.98555	-3.138	0.0023	***
Education	-1.16267	-1.793	0.0765	*
Speak English	0.895036	2.391	0.0190	**
Key requisites to start up	-1.34929	-2.151	0.0342	**
Years of experience	0.593990	1.925	0.0575	*
Number of businesses	-0.782593	-2.076	0.0409	**
Revenue 2019	0.932777	2.735	0.0076	***
Hours worked	0.0556315	2.090	0.0395	**
Salary opportunity cost	-0.522748	-1.999	0.0487	**
Analysis of the competition	0.608366	2.682	0.0088	***
Accounting analysis of the business	0.431156	2.142	0.0350	**
Credit availability	1.28930	1.855	0.0669	*
Satisfaction with the business	1.29775	1.679	0.0967	*
R- squared = 0.457158			Corrected R-squared =0.376044	

Multiple linear regression, using observations 1 - 101

Source: Own Elaboration from Survey Data

5. Discussion

The research objectives proposed in Section 1 are to uncover Critical Success Factors (Haber & Reichel, 2005, Hallak et al., 2015, Lundberg & Fredman, 2012, Simpson et al., 2012) behind firm performance and also to identify the profile of business owners who reacted most to the adverse conditions created by the COVID-19 crisis (Smallbone et al., 2012, Kuckertz et al., 2020). The heterogeneity of Guanajuato's business owners means that finding connections between performance, crisis reactions, and owner profiles and practices is challenging, however the results are thought-provoking and significant.

Business owners interviewed link their business behaviour to certain character traits (innovativeness, leadership and risk-taking) and Critical Success Factors (training, customer service and competitive product) (Hallak et al., 2015, Simpson et al., 2012). The survey used business success "proxies" such as revenue, estimated firm value, loan capacity, opportunity cost (of not working elsewhere), and number of businesses owned, and it turns out that most of them are correlated, which suggests performance is measurable. Relating success back to business owner profiles proved less conclusive as the most significant factor happens to be the male-female dichotomy, but only because there are more men in profitable ownership positions. Education is also important, especially for larger hotels. Interestingly other profile aspects such as age, birthplace, and ability to speak English do not relate to performance.

However, successful owners do have business practices in common. First, owning several businesses, is linked to revenue, which may seem obvious, but it is evidently a relevant strategy for small-scale services like independent restaurants, family hotels and event providers in heritage destinations with strict building regulations. It is a highly significant characteristic of Guanajuato's tourism sector which is discussed in the serial and portfolio entrepreneurship literature that examines business owner strategy rather than simply firm level performance (Mottiar & Tucker, 2007, Wiklund & Shepherd, 2008). Operating multi-site business operations provides a way to up-scale in a highly fragmented family business tourism sector, but also resilience because portfolios can be streamlined or expanded depending on the business cycle. Another winning strategy is analysing the accounting numbers of the business and also the product and marketing decisions of the competition. Experience counts too, which connects to other behaviours such as training staff. Having frequent clients is another success factor, which again may be obvious, but it is not automatic, even for food and drink establishments.

Hotels tend to be more successfully established operations than exclusively food and drink operations, with more revenue and spend on infrastructure, furniture and decoration, and more customers identified as out-of-state or foreign who tend to spend more. Paradoxically, hotels suffered greater revenue losses during the COVID-19 shock, as did excursion providers as their long-distance customers disappeared, while restaurants and event businesses recovered faster with a local customer base.

The COVID-19 crisis provided a natural laboratory to test reactions to adversity. Statistical evidence connects pre COVID-19 revenue with the number and diversity of reactions made during the crisis, so a working hypothesis which requires further research is that successful businesses experiment and innovate more readily with changes to products and services, operations, marketing, and finance (Hall & Williams, 2008). There is evidence of the bricolage approach to innovation mentioned by Kuckertz et al., (2020) in Section 2.3 in which owners implement continuous changes. However, hotels reacted less to the pandemic because they have fewer short-term flexibility options, while restaurants can change menus, offer home delivery, or even off-premises cooking, and event providers provided smaller festivities in outdoor locations and postponed pre-paid services to later dates.

6. Conclusions

There are three main conclusions, two of which address the research questions outlined in Section 1 while the third questions government entrepreneurship policy.

First, interviews with business owners reveal key performance factors in Guanajuato's tourism sector. Business revenue correlates with a number of success "proxies" like estimated business value and loan capacity. Revenue also correlates with years of management experience (and the latter with staff training), the meticulous analysis of quantitative business performance, and in the case of hotels, with owner education, and analysis of competitor product and marketing strategy. It also correlates with the number of businesses the owner operates and a large majority of owners operate two or more businesses. In other words, certain firm characteristics appear to predict superior performance. An obvious recommendation for further research on success factors should be to focus on owners as well as their businesses, as a key growth strategy in this heritage destination is operating multiple businesses and on multiple sites.

Second, higher revenue businesses, except perhaps hotels, revealed their innovativeness by reacting to the COVID-19 pandemic by making more changes to products, services, marketing, finance and operations. That might suggest that a proclivity to react by trial-and-error, is a sign of innovativeness

which presages future success. A recommendation for further research is empirical testing to ascertain whether higher revenue business owners implement more crisis reactions and change in general, and whether that implies innovation and a virtuous circle of improvement through the business cycle.

Third, local businesses avoid bank and government program finance and instead auto-finance through the extended family, which calls into question a policy emphasis on credit. A recommendation for future research is to analyse whether support for small business should emphasise alternative targets such as training and information sharing rather than credit provision.

Concerning federal policy implications of the research, the key Mexican government funding program for entrepreneurs (*Instituto Nacional del Emprendedor* or *INADEM*) closed in 2019, and its successor, *Crédito a la Palabra* (Credit on Trust) has also been discontinued, perhaps reflecting failures of international microcredit at the informal end of the market (Bateman et al., 2018). Internationally, there is a reemphasis on support for innovation-driven firms integrated within clusters and supply chains (Villegas-Mateos & Amorós, 2019), so Mexican micro and small business policy support might concentrate on training for building business capability in the areas of strategy, product definition and marketing rather than on credit.

As to local policy implications, although most business owners in Guanajuato are university educated, they have not necessarily been coached in entrepreneurship. Experience implies learning on the job, but some of that can surely be communicated via training to bring members up to date on best practice through alliances with instructors and practitioners. Training through sector associations may be the best way to bring a fragmented sector together which should also provide a forum for establishing municipal development priorities concerning social infrastructure provision and potentially high-performance tourism products.

Finally, the analysis spotlights a single destination, and our case study results may not be generalizable. Corroboration of the results concerning successful ownership/business profiles and best policy practice requires comparative research of other inland Mexican heritage destinations, several of which are in the same state such as San Miguel de Allende and Dolores Hidalgo and can be surveyed in a subsequent study. These and others make up 27 Cultural World Heritage Sites and 177 officially designated, predominantly inland, *Pueblos Mágicos* (SECTUR, 2023) which offer a tourism development alternative away from the large coastal resorts.

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