

UNIVERSITY OF KWAZULU-NATAL

**THE IMPORTANCE OF MANAGEMENT DISCIPLINES AND
ENTREPRENEURIAL FLAIR TO SMME TOURISM SERVICE PROVIDERS**

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DECLARATION

I, Theresa Ndlovu, declare that

- (i) The research reported in this dissertation/thesis, except where otherwise indicated, is my original research.
- (ii) This dissertation/thesis has not been submitted for any degree or examination at any other university.
- (iii) This dissertation/thesis does not contain other persons' data, pictures, graphs or other information, unless specifically acknowledged as being sourced from other persons.
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ABSTRACT

This quantitative study focused on the KwaZulu-Natal (KZN) based Small, Medium and Micro Enterprises (SMMEs), from a tourism perspective, to determine their overall understanding of complexities involved in operating a tourism business; their level of entrepreneurship to drive tourism and economic growth; their ability to acquire and implement fundamental management principles to ensure sustainability of the tourism business and their contribution to job creation. Given the commitment by the South African government to promote small business development, it became imperative to ascertain whether tourism business within the KZN province is driven by an entrepreneurial society which places importance on management principles to realise long-term, tourism and economic growth. A quantitative approach in the form of questionnaires was adopted for this study. A simple random probability sampling approach was implemented. Out of 100 questionnaires distributed, only 35 were suitable for analysis. Overall, the findings of the study revealed that the KZN SMME tourism service providers are characterised by individuals who exhibit high levels of entrepreneurship and who subscribe to effective management principles. Although the findings of the study revealed huge potential for tourism and economic growth through the SMME business activities, it is recommended that a similar study should be conducted by an individual who is independent of Tourism KwaZulu-Natal to establish whether similar results will be obtained. A future study could incorporate a broader scale of SMMEs beyond Durban and surrounding areas and follow a qualitative approach to achieve a maximum response rate.

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List of Acronyms

B & B:	Bed and Breakfast
BEE:	Black Economic Empowerment
BOK:	Body of Knowledge
BRIC:	Brazil, Russia, India and China
CRM:	Customer Relations Management
DEDT:	Department of Economic Development and Tourism
FDI:	Foreign Direct Investment
GEM:	Global Entrepreneurship Monitor
HDE:	Historically Disadvantaged Entrepreneur
HR:	Human Resources
KZN:	KwaZulu-Natal
MEC:	Member of Executive Committee
SADC:	Southern African Development Community
SAT:	South African Tourism
SMME:	Small, Medium and Micro Enterprises
SPSS:	Statistical Package for the Social Sciences
TKZN:	Tourism KwaZulu-Natal
UK:	United Kingdom
UNWTO:	United World Tourism Organisation
US:	United States
VAT:	Value Added Tax
WTTC:	World Travel and Tourism Council

CHAPTER 1

RESEARCH OVERVIEW

1.1 Introduction

According to the World Travel and Tourism Council (WTTC) (2009), tourism plays a significant role in the global economy. The province of KwaZulu-Natal (KZN) recognises the significance of tourism in promoting economic growth and, as such, the KwaZulu-Natal Tourism Authority (trading as Tourism KwaZulu-Natal (TKZN)) is mandated to position the province to be a premier tourism destination both domestically and internationally (TKZN Corporate Strategy, 2008-2012).

Tourism is one of the sectors earmarked as having the potential to bring prosperity to people while simultaneously protecting the natural, social and cultural heritage. Weaver and Lawton (2006) agree that Small, Medium and Micro Enterprises (SMMEs) are regarded as having a major role to play in creating employment opportunities and providing diversification of the tourism products. This view is supported by Nieman (2006) who advises that SMMEs in South Africa have become a target for policy makers because they provide opportunities for aspiring entrepreneurs, especially those who are unemployed, under-employed or have been retrenched.

In terms of the National Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprises (2005), appropriate interventions are made by the relevant stakeholders at a national and provincial level to assist SMME enterprises by means of skills training and market access to contribute to the country's and the province's economic growth.

With tourism being regarded as a growth sector, priority is given to drive the tourism business. This results in a number of people deciding to venture into a tourism business, many of whom probably do not have any business acumen nor do they have adequate business skills. Fairer-Wessel and Van der Walt (2007) emphasise that any tourism enterprise, be it big or small, cannot exist in isolation, but must exist within a wider business tourism environment. They speak of the importance of understanding micro and macro environments.

The micro environment refers to variables impacting on the business and which are within the control of the business owner. Macro environmental impacts on the business are beyond the control of the owner. These consist of political, social, economic and technological aspects (Fairer-Wessel and Van der Walt 2007).

SMMEs are required to understand that tourism as a business is governed by relevant policies and legislation. It is also crucial that they understand how the tourism sector is organised and how the marketing of a destination is carried out. Furthermore, it is important to understand the market environment to know the business's target market, competitors and suppliers.

The aforementioned issues surrounding the tourism sector highlight the importance of entering the tourism sector with a clear understanding of all factors impacting on the business operations, from a tourism perspective.

Tourism plays a crucial role in creating a good reputation for a country thereby attracting investors from different parts of the world (McCabe 2009). Nurturing of SMMEs becomes essential to ensure that top quality service is delivered to visitors. A first class experience will contribute significantly to giving visitors a reason to become good ambassadors for the destination (TKZN Annual Report 2010-11).

Given the above overview on the functioning of the tourism sector, it is obvious that the role played by SMMEs is crucial in ensuring that KZN remains in the forefront of appealing destinations. This study was conducted to ascertain the importance that SMME tourism enterprises place on management disciplines and entrepreneurship to be successful in the tourism sector.

1.2 Motivation for the Study

According to Terblanche (2011), South Africa still lags behind other countries when it comes to starting new businesses and is far from becoming an entrepreneurial powerhouse. He states that only two out of every 100 South Africans run a business that is older than three years. Business failure may be caused by a number of reasons, but a business owner characterised by a strong sense of success takes failure as a learning curve and continues to look for innovative ways to penetrate the business world.

Nieman (2006) refers to the importance of entrepreneurs to have “flair” which has to do with talent, a natural ability to do something well. This indicates that an entrepreneur should demonstrate an enterprising attitude before acquiring other skills necessary to start and run own business. A number of reasons might drive people to start their own businesses. These may include organisational restructuring, retrenchment, resignations, inner drive to control one’s own destiny, opportunity to exercise creativity and be involved in an interesting venture, opportunity to take business risks and reap the rewards, opportunity to choose one’s workforce and change people’s life through provision of job opportunities.

This study aims at creating a platform for SMMEs to reflect on their competencies and capabilities to run a sustainable tourism business. The study will create an opportunity for SMMEs to identify skills gaps and thereafter formulate personal development programmes in an attempt to increase and improve their capacity to manage and grow their businesses.

SMME tourism enterprises have an ability to provide diversification of tourism products thereby attracting more visitors to the province. This is one of the reasons why the South African government is constantly involved in efforts to bolster and support SMMEs in numerous ways. The results of this study will enable the provincial Department of Economic Development and Tourism (DEDT), as well as TKZN, to assess the needs of the SMMEs and invest accordingly to provide them with an operating environment conducive to running their tourism businesses successfully and sustainably.

According to the United World Tourism Organisation (UNWTO) (2007), the tourism sector cuts across many other sectors and government departments. It is evident that tourism thrives with the existence of partnerships and joint ventures among key strategic partners (UNWTO 2007). Again, this study will enable other parties, whose businesses are impacted by tourism, to identify interventions to be implemented to assist SMMEs to deliver quality service for all parties concerned, in order for them to obtain satisfactory returns on the investment made in their respective businesses.

Overall, the study is necessary as tourism SMMEs need to understand critical success factors in business. This will assist them to seek specific interventions to grow their businesses and make significant contribution to the economy.

1.3 Focus of the Study

This study focused on the SMME tourism service providers based in KZN, particularly in Durban and surrounding areas. The main focus was on accommodation establishments and tour operators. This is because a large concentration of SMMEs is found in the aforementioned categories. The attraction and activity segments of tourism are largely run by the public sector or well-established private sector institutions, as is the case with tourism enablers, such as airlines and car rental firms (TKZN Corporate Strategy, 2008-2012).

1.4 Problem Statement

The South African government aims to combat unemployment thereby alleviating poverty and promoting the quality of life for its citizens (Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprise, 2005). Tourism is one of the sectors earmarked to achieve this mandate (National Tourism Sector Strategy 2010-2015). SMMEs, in particular, are regarded as primary drivers of growth in employment and innovation (Pender and Sharpley 2005). As such, policy making in South Africa is biased towards developing and promoting SMMEs. In line with the national mandate, the KZN government is geared towards promoting tourism and economic growth through SMMEs.

Uncertainty exists whether some of the KwaZulu-Natal-based SMME tourism service providers are equal to the task of generating employment. According to TKZN, some of the SMMEs do not have structured business plans which outline their vision, their business model, their target market, or their business development strategy. Some of the SMMEs who exit the incubation programme often struggle to operate their businesses independently. This gave rise to a need to establish whether a tourism business at an SMME level is driven by an entrepreneurial society which:

- Understands the complexities involved in the tourism sector, both at a local and global level;
- Understands and implements management disciplines necessary to run their businesses successfully and thrive in the business world; and
- Possesses a unique set of skills to identify business opportunities for business expansion and subsequently generates much-needed employment.

The research problem in so far as the KZN SMME tourism service providers are concerned is thus to ascertain whether there is a lack of entrepreneurial drive, inability to acquire and implement management disciplines to ensure sustainability of the tourism business, and inadequate knowledge of the dynamics involved in the tourism sector.

1.5 Research Questions

Based on the objectives outlined below, the research questions were formulated to aid the process of gathering relevant information to achieve the research objectives. Research objectives and questions are normally interrelated. The following key questions were of great assistance in developing the research questionnaire to gather information on SMMEs in respect of tourism, management and entrepreneurship:

- What is the level of entrepreneurial flair of SMME tourism service providers?
- To what extent do SMME tourism service providers place importance on management, experience and skills?
- What are the constraints in fostering management and entrepreneurship development?
- What is the contribution of SMME tourism service providers in terms of employment opportunities?

1.6 Research Objectives

Given the research problem, it became necessary to structure the research within the confines of the intended project deliverables. This is an essential part of the study because it is here that the tone of the project is set and begins to develop a framework within which to conduct the research study.

The following objectives were thus formulated for this study:

- To determine the degree of entrepreneurial flair of SMME tourism service providers;
- To determine the importance SMME tourism service providers place on management, experience and skills;
- To identify key impediments to management and entrepreneurship development; and
- To determine the level of job creation by SMME tourism service providers.

1.7 Limitations of the Study

Arising from various TKZN engagements with the tourism stakeholders, it has become apparent that tourism stakeholders are reluctant to share intelligence. This prevents other stakeholders from gaining insight into tourism operations and be able to make interventions when the business is in decline. The reluctance shown by the respondents to complete the questionnaire until the intervention of some of the sector role players is further evidence of the unwillingness to share information. Resources in the form of time and access to information were part of the limitations involved in this study.

Another limitation was that the study was restricted to KZN and largely to the greater Durban area. A further limitation was that the research methodology adopted was quantitative which helped to determine the extent of the problem. However, a qualitative study would have assisted to determine the depth and scope of the problem yielding subjective responses. This research was limited to tourism service providers in the SMME category in KZN.

1.7.1 Ethical Consideration

Consideration was given to ethical issues pertinent to this study and as such the obtaining of informed consent was part of the questionnaire. The informed consent form dealt with the aspects of ethics, confidentiality and anonymity.

1.7.2 Research Methodology

The study was conducted using a quantitative approach in the form of data gathering from questionnaires. A similar sentiment is shared with that of Wilson (2010), that the questionnaire is a cost-effective and reliable means of gathering accurate data. However, there is a possibility of receiving inaccurate data in the event that the participant is unclear as to what is required in a particular question, if the questionnaires are self-administered.

Brotherton (2008) maintains that the questionnaire format provides an effective vehicle for obtaining accurate information from a respondent. The questionnaire has proved to involve some cost implications such as in cases where participants had to be approached on a face-to-face basis.

Jennings (2010) says that the development of clear and unambiguous research questions is an essential part of the research process. The questionnaire for this study comprised closed-ended questions and the participants were drawn from the TKZN SMME database. The use of a 5 Point Likert scale prompted the participants to respond on issues pertinent to their specific situations. Punch (2006) is of the view that there is a need to align research questions and research methodology to develop suitable questions. While the questionnaire is regarded as an effective tool for data gathering, there were some delays in receiving feedback due to what appeared to be a lack of personal interaction with the participants.

1.7.3 Population and Sampling

A simple random probability sampling approach was adopted to gather the sample. This method gave an equal opportunity to all members of the population to form part of the sample. Dane (2011) defines simple random sampling as any technique that provides each population element an equal probability of being included in the sample. Using the TKZN's SMME database in greater Durban area, 100 SMMEs were selected from a population of 200 SMMEs. A total of 100 questionnaires were distributed of which only 35 of the 55 questionnaires returned were suitable for analysis. The other questionnaires were rejected on the basis of submission of incomplete information.

It appears that participants were reluctant to respond to certain questions and the assumption is that although the anonymity was guaranteed they still feared to jeopardise their relations with TKZN. This is because the research was conducted by the TKZN employee whereas TKZN is the organisation tasked with the responsibility to assist SMMEs with skills development and market access support. Though 35 can be regarded as a small sample size, authors such as Griffin and Hauser (2006) maintain that a minimum sample size of 30 is appropriate for most research. Therefore, a sample size of 35 is adequate for a study to be statistically sound.

1.7.4 Data Analysis

Information gathered through questionnaires was analysed using a specialised software package known as the Statistical Package for the Social Sciences (SPSS). The services of a statistician were employed to analyse but not to interpret the data. Thereafter, the process of interpreting data was undertaken.

1.8. Significance of this Research

According to the Department of Trade and Industry, South Africa aspires to have a healthy and sustainable economy. This is embodied in their vision which is “A dynamic industrial, globally competitive South African economy, characterised by inclusive growth and development, decent employment and equity, built on the full potential of all citizens.” Small business development forms part of the structured programmes to improve economic growth. According to the South African Government in its Industrial Policy Action Plan, tourism is a growth sector which has been earmarked to contribute positively in economic growth.

With tourism being in the forefront of the government agenda, it is necessary to establish whether investment made in the tourism business would yield desired results. A focus on SMMEs is aimed at determining their potential to drive economic growth. The research hoped to reveal strengths and weaknesses at an SMME level, so that appropriate and focused interventions could be proposed to strengthen entrepreneurial capacity at this level.

1.9 Report Layout

Chapter 1: Introduction

This chapter gives background information on the research problem as well as an overview of how the study was conducted to address the identified problem. The full scope of the project is outlined in this chapter to provide an insight into what the research project encompasses.

Chapter 2: Literature Review

This chapter focuses on the literature that was relevant to the research topic, delving into the findings of other researchers on similar topics. A broader theoretical framework was created to elaborate on the elements of the topic, i.e. tourism, management and entrepreneurship. The intention was to link the findings of the study with what is regarded as best practice and standards in management and entrepreneurship as they pertain to SMME tourism service providers.

Chapter 3: Research Methodology

This chapter describes the research methodology applied in this study. The motivation for choosing a particular methodology employed is given. Detailed information is also provided on data collection and administrative issues pertinent thereto. Thereafter, information is given on how the data were analysed.

Chapter 4: Findings

This chapter presents the data arising from responses of the participants. Information is presented in the form of graphs and pie charts. The presentations include descriptive and inferential statistical data.

Chapter 5: Discussions

This provides an analysis of the findings of the study in relation to the research objectives and research questions. It should be noted that in this study, chapter 4 and 5 were combined into one chapter (chapter 4) for presentation and discussion of information in a sequential manner.

Chapter 6: Recommendations

This chapter presents the conclusion of the research and provides recommendations to address identified problems in a future study. In this study, chapters 4 and 5 have been combined, thus making what was supposed to be chapter 6 to become chapter 5.

1.10 Summary

The issue of unemployment is a reality which affects many people in KZN. Tourism is one of the vehicles identified to reduce unemployment. This is due to the ability of this sector to generate employment without the necessity for intensive capital supplies.

On the other hand, SMME enterprises are considered the primary drivers of employment and innovation. To ensure that the tourism sector thrives and meets its expectations through SMMEs, it is important to assess the level of entrepreneurship coupled with management and leadership skills. This is aimed at ensuring the sustainability of the tourism business and begins to make significant contribution in improving the economy of the province.

Tourism is at the head of the government agenda and people are encouraged to start tourism businesses (National Tourism Sector Strategy 2010-2015). The intention is to cultivate a culture of entrepreneurship, which is lacking within our country (Terblanche 2011). Training alone will not equip a person for entrepreneurship, but inner drive and passion to bring about change is required to run a successful business.

This study intended to ascertain whether or not the tourism business at an SMME level is driven by individuals who place importance on management disciplines and entrepreneurship, as well as whether or not they have acquired the skills to do so. It is important to find answers to these questions and to make interventions where necessary to capacitate the SMMEs to live up to their expectations of generating employment and innovation in terms of tourism businesses.

Information was gathered through the use of a quantitative approach in the form of questionnaires. Out of 100 questionnaires distributed only 35 were suitable for analysis. Chapter 2 deals with the review of literature pertinent to this study to establish the opinions of the other academics in relation to the subject at hand.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

According to TKZN, tourism is increasingly regarded as a major contributor to the economic growth due to its ability to generate employment opportunities without significant capital investment, in many instances. The tourism sector is therefore significant in the growth of the economy of KZN. The province has wonderful natural tourism attractions and is thus well positioned to take advantage of the continued growth in international and domestic tourism.

George (2007) highlights that, in South Africa, tourism is one of the key drivers of the economy, supporting around 947 500 jobs and generating over R100 billion every year. He points out that the industry is dominated financially by a small group of large, well established, mostly locally-owned tourism enterprises and by a considerable number of SMMEs.

As outlined by the United Nations World Tourism Organisation (UNWTO), it can never be over-emphasised that the success of tourism is dependent upon a number of factors. The service provided by tourism support industries contributes to the success or failure of tourism initiatives.

The country's Industrial Policy Action Plan (2010-2013) lists some of the industries which impact on tourism and these include transport and tours (airlines, car rental, transfer services, travel agents and tour operators), hospitality (accommodation, food and beverage, meetings and events), attractions and activities (game reserves, scenery, outdoor adventure, museums and entertainment).

With Bennet, Jooste and Strydom (2005) confirming that there is increased competition within the tourism sector, the KZN tourism fraternity should think "out of the box" to identify innovative ways of improving destination attractiveness. This is even more crucial because the province competes with many other provinces to win tourists from the same total of visitors to visit their destinations.

The SMME role in the economy is further mentioned in the DEDT 2011 quarterly economic and statistical overview, where they are considered to have great potential to create jobs. As such, the provincial government places emphasis on tourism and its perceived economic benefits. Tassiopoulos (2008) agrees that entrepreneurial SMMEs bring about creativity and innovation thus stimulating economic growth and competitiveness.

This study focused on SMMEs that operate accommodation and tour operator businesses. The UNWTO 2007 maintains that one of the main determinants of the competitiveness of a destination is the quality and extent of its inbound tour operating services and accommodation facilities. The findings of a study conducted by the TKZN's Research Unit in 2009 on KZN Tour Operator and Bed & Breakfast Capacity revealed that a strategic focus is required to ensure effectiveness of tour operators and accommodation establishments (TKZN Annual Report 2009-10). The findings included the following:

- KZN has a smaller inbound tour operator base both in terms of scale and quality as is the case in the Western Cape and Gauteng.
- KZN has a fair amount of accommodation establishments in the form of Bed and Breakfast establishments but some are not operated in a professional business manner.
- A need exists to train KZN inbound tour operators and accommodation establishments in business management skills and development of short and long term an annual marketing plans.

To drive tourism growth through SMMEs, it is important to ascertain whether or not the SMME tourism service providers have entrepreneurial capacity and are able to acquire and apply business management skills. The findings above support the importance of the current study. The literature review in this study will focus on the nature of the tourism sector, nature of SMMEs, business management and entrepreneurship.

2.2 Tourism and Value Chain Approach

According to the KZN MEC for Economic Development and Tourism in his budget speech presented on 25 March 2011, KZN continues to recognise the tourism sector as having tremendous potential for future growth. He advised that the latest domestic tourism statistics for South Africa indicated that some 30,3 million domestic trips were undertaken in 2009. The value of this market was approximately R22,4 billion. KZN's share of this market in terms of domestic trips was approximately 29,1% and 28,4% in terms of value.

2.2.1 The Significance of Tourism

Goeldner and Ritchie (2006) list three major goals in tourism as follows:

- To maximise the amount of psychological experience for tourists;
- To maximise profits for firms providing goods and services to tourist; and
- To maximise direct and indirect benefits of tourist expenditures on a community or region.

Cooper, Fletcher, Fyall, Gilbert and Wanhill (2005) are of the view that the economic significance of tourism activity to a developing country may be measured in terms of its ability to generate an inflow of foreign exchange. Although there is a general understanding that tourism positively impacts economic growth, Ateljevic and Page (2009) advise that there is a challenge associated with the economic evaluation of tourism due to it being an activity which cuts across other sectors in the economy.

2.2.2 Maximising Visitor Satisfaction: A Value Chain Approach

The UNWTO (2007) states that the tourism sector requires effective partnership among the various partners to the value chain to deliver and maximise tourist value. Detailed in Figure 2.1 below are the components of the value chain as described by Porter.

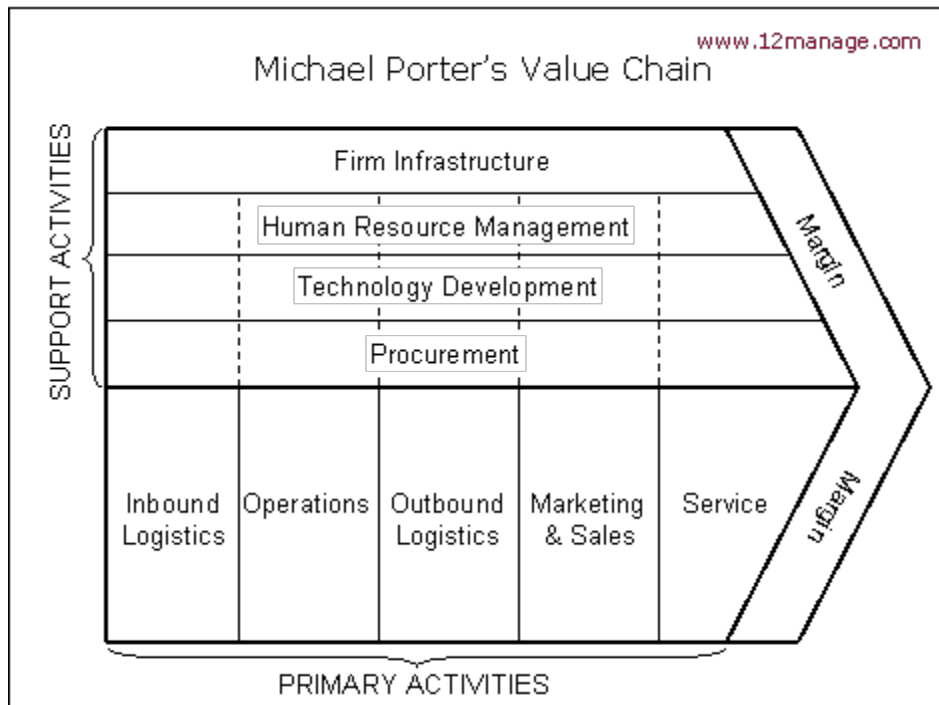


Figure 2.1: Value Chain

Adapted online from www.12manage.com

The UNWTO (2007), supported by Pender and Sharpley (2005), defines the activities in the value chain from a tourism perspective as follows:

Destination Planning and Infrastructure: This involves effective provision of infrastructure such as transport infrastructure in the form of public transport, roads, and airports as well as bulk infrastructure in the form of telecommunications, water and electricity. Provision of good infrastructure results in improved destination image and provides visitor value.

Training and Skills Development: Tourism is a service sector, hence, the quality of service experienced at the destination has a significant impact on business reputation. Ongoing training and skills development is crucial to create and maintain service excellence.

Technology and Systems Development: Technology is increasingly becoming a driving force in support of the value chain. Technology results in competitive advantage for the tourism stakeholders such as airlines, hotels, car rental companies due to the usage of online bookings.

Supply Chain Management: The tourism sector uses a number of other service providers to supply services. The hoteliers, for instance, procure furniture, food and beverages, and car hire. All of these require effective supply chain management processes.

Inbound and outbound logistics: The choice of a destination is influenced by a number of factors such as availability and cost of flights, visa and passport provisions, airport facilities and services, emigration services, baggage handling, in-flight services, check-in and gate operation.

Destination Operation and Service: The largest part of the tourist experience happens at the destination and this has a determining effect on the enjoyment levels and value experienced by the visitor. These include transfers, taxis and public transportation, accommodation, food, tours, attractions, and entertainment.

Marketing and Sales Service: This concerns the usage of appropriate channels to disseminate generic and commercial information. These include consumer enquiry lines, mailing services to distribute destination information, brochure display facilities, and retail travel agency networks to quote, sell and market reservations.

Aftercare: A good customer relationship is essential to establish loyalty and positive attitudes among clients. Aftercare services include establishing, managing and maintaining a database of client information, tracking consumer attitudes and profiles and conducting industry feedback and follow-up programme.

The efficient delivery of activities in the value chain contributes to positive experience for tourists. This is sometimes challenging since some of the activities should be delivered by parties that do not consider tourism as their core business. The UNWTO suggests that delivery can be pursued within the framework of public-private partnerships, strategic alliances and institutional co-ordination among the various players in the value chain.

SMME tourism service providers are expected to understand the tourism value chain to gain insight into the key factors impacting the tourism business. They also need to understand the importance of upholding the principle of effective partnership in pursuit of the tourism agenda so that they will add value to the tourism experience.

2.3 Promoting Small, Medium and Micro Enterprises

2.3.1 Reasons for Developing Small Business

It is accepted worldwide that the development and growth of SMMEs can play an important role to improve economic growth. In support thereof, Bovee, Thill and Schatzman (2004) comment that the economic roles of a small business include job creation, introduction of new products, provision of specialised goods and services. Therefore, policies and programmes to support the development of SMMEs are a critical requirement.

2.3.1.1 Description of SMMEs

The table below comprises description of SMMEs differentiated by the size of business, capital and its turnover. The SMME categories have been adapted from the National Small Business Act of 1996.

Table 2.1

Adapted from National Small Business Act 102 of 1996

SMME CATEGORY	DESCRIPTION
Survivalist enterprises	Operates in the informal sector of the economy. Mainly undertaken by unemployed persons. Income generated below the poverty line, providing minimum means to keep the unemployed and their families alive. Little capital invested few assets.
Micro enterprises	Between one and five employees, usually the owner and family. Informal - no license, formal business premises, labour legislation. Turnover below the VAT registration level of R300 000 per year. Basic business skills and training. Potential to make the transition to a viable formal small business.
Very small enterprises	Part of the formal economy, use technology. Fewer than 10 paid employees. Include self-employed artisans (electricians, plumbers) and professionals.

SMME CATEGORY	DESCRIPTION
Small enterprises	Fewer than 100 employees. More established than very small enterprises, formal and registered, fixed business premises. Owner managed, but more complex management structure.
Medium enterprises	Up to 200 employees. Still mainly owner managed, but decentralised management structure with division of labour. Operates from fixed premises with all formal requirements.

The table above defines SMMEs based on staff compliment, legality of the business, management structure, business premises, business skills and technology requirements. This classification is instrumental in deciding on the relevance of SMME empowerment programmes and assessing capacity and capability of individual SMMEs to handle business that might be awarded to them. According to information collated on SMME tourism enterprises under this study, the majority of them fall between micro enterprises and very small enterprises due to their staff compliment and business skills.

Committed to promoting SMMEs, the South African government has put in place various measures and has set up organisations such as the Small Enterprise Development Agency, Tourism Enterprise Partnership, Khula, Ntsika, National Empowerment Fund, and the Accelerated and Shared Growth Initiative for South Africa to develop this sector. This initiative is aimed at harnessing and nurturing entrepreneurial capacity (Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprises 2005).

While there is a global understanding that SMMEs contribute largely to job creation and innovation, Buhalis and Costa (2006) advise that, on the contrary, there are internal and external developments that may hinder SMME tourism enterprises, in particular, to live up to their expectations. Some of the external developments cited include unpredictable market developments due to changing economic situations, technological development, consumer requirement growth and altering competitive situation. The internal developments include inefficient and ineffective management, missed market opportunities, incorrect investment, insufficient adjustment of entrepreneurial capacities and behaviour and challenges related to quality management.

2.3.2 Promoting Small Enterprises

The fact that there is a national mandate to focus on small enterprises is evidence that SMMEs are now regarded as an essential part of a successful formula for achieving economic growth.

The Minister of Trade and Industry in the Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprises (2005) advises that the promotion of entrepreneurship and small business remains an important priority of the South African Government. Therefore, in order to have a vigorously expanding economy, a vigorously expanding small business sector is required.

According to the Global Entrepreneurship Monitor (GEM) as cited by Terblanche (2001), both the government and the business sector need to focus on investment in high growth, small and medium size business which have the potential for job creation. Furthermore, the GEM survey indicates that South Africa is one of the countries having the highest failure rates of business start ups in the world. Thus, investment and support of small businesses through empowerment policies is critical.

As part of promoting investment and entrepreneurship, DEDT hosted the Inaugural International Entrepreneurship and Investment Promotion Conference from 01 to 03 June 2011 at the Durban International Convention Centre. The following is a summary of the factors listed in the conference report as challenges that have the potential to derail effective investment and entrepreneurship promotion within KZN and the rest of the African continent.

- (i) Poor infrastructural links between countries thus hindering trade and investment;
- (ii) Lack of integration of African economies;
- (iii) Issues of poverty, poor skills levels, crime, corruption, inequalities affect global competitiveness;
- (iv) Poor economic infrastructure development in terms of rail, energy and transport;
- (v) Ineffective public private partnerships;
- (vi) Lack of beneficiation and value addition;
- (vii) Volatility of currency thus affecting exports sectors;

- (viii) Red tape issues such as long time of business registration, obtaining environmental impact assessments and land rezoning;
- (ix) Poor co-ordination and institutional support to entrepreneurs;
- (x) Labour market inefficiencies; and
- (xi) Emerging unsustainable culture of tenderpreneurship

The KZN government is serious about the promotion of entrepreneurship to boost the province's economy. This is evidenced by the following resolutions which were taken to address the aforementioned challenges:

- (i) Integration of KZN economy with the regional economy through the identification and leveraging of Foreign Direct Investment (FDI) opportunities offered by the country's participation in BRIC and other related structures, to work towards creating a single SADC regional market and currency, collaboration with other African countries in both trade and infrastructure development to improve regional economic integration, develop African trade promotion strategies and to market KZN aggressively as a trade destination and gateway to Africa.
- (ii) Creating an enabling environment for investment to streamline, co-ordinate and manage trade agencies trying to attract limited FDI opportunities, to effectively promote the financial incentives available for industrial development revitalisation and job creation, create an enabling environment for South African companies to identify opportunities to supply goods and services to Africa and the rest of the world through KZN trade and investment agency and other similar agencies, and to package and promote the existing incentives, opportunities and structures making them more accessible to entrepreneurs.
- (iii) Develop a culture of entrepreneurship through instituting and strengthening practical support measures, such as embedding entrepreneurship in education curriculum from basic to higher education, establishing entrepreneurship development academies; encouraging and supporting entrepreneurs who are innovative, able to grasp opportunities and less reliant on government tenders, and to encourage established entrepreneurs to give back by mentoring, incubating and identifying new opportunities.

It is clear that the public sector is playing its role to promote entrepreneurship in KZN. The components of entrepreneurship will be analysed further in this study to determine whether the SMME tourism service providers are geared to complement the public sector initiatives on tourism enterprise development.

2.4 Business Management

2.4.1 Defining Management

Jones and George (2006) describe management as the planning, organising, leading and controlling of human and other resources to achieve organisational goals efficiently and effectively. Management involves a process of accomplishing tasks through people, therefore, people management skills are an essential component of management.

Table 2.2 below explains the tasks involved in pursuit of the four functions of management:

Table 2.2

Adapted from Jones, G. R. & George, J. M. 2006. **Contemporary Management**. New York: McGraw-Hill. p192.

PLANNING	Choose appropriate organisational goals and courses of action to best achieve those goals.
ORGANISING	Establish task and authority relationships that allow people to work together to achieve organisational goals.
LEADING	Motivate, co-ordinate and energise individuals and groups to work together to achieve organisational goals.
CONTROLLING	Establish accurate measuring and monitoring systems to evaluate how well the organisation has achieved its goals.

The above principles of management are standard irrespective of the nature and size of the business. Effective implementation of these principles leads to organisational success. Their implementation follows a standard process where each step builds on the other. Planning involves mapping out exactly what the organisation should achieve and culminates in a detailed action plan drawing from the vision and mission of the organisation.

Organising has to do with the allocation of resources and delegation of authority to achieve set goals as detailed in the action plan. Leadership is key towards ensuring effective communication and motivating staff towards achieving high level of productivity. Controlling has to do with the evaluation of results against predetermined goals and take necessary corrective actions in the event the set goal is not being met.

It is important to note that for SMMEs, staffing is another business management principle that can be added. In large organisations this task is handled by the human resources department. However, in small businesses, the manager has to do with staff evaluation, recruitment, selection and placing them appropriately into defined job roles.

2.4.2 Effective Small Business Management

Small businesses face many responsibilities in pursuit of the operations of the business. The owner has to become knowledgeable in many different areas. He is often a bookkeeper, accountant, salesperson and personnel manager all rolled into one. In support thereof, Du Toit, Erasmus and Strydom (2007) point out that, in addition to creativity, a successful entrepreneur has to master a range of management disciplines.

Cronje, Du Toit, Motlatla, Marais (2003) state that the performance and success of an organisation, whether large or small, profit-making or non-profit making, private or public, depends on the quality of its management. Management has a role to direct a business to reach the goals of the organisation at the highest possible level of productivity.

Cronje et al maintain that one of the commonest causes of failure in a business, especially, a small business, is poor management. This is clearly illustrated in Table 2.3 below where circumstances leading to business failure are highlighted with specifics being given on the extent of failure as a result thereof.

Table 2.3: Causes of business failure

Adapted from Cronje, G. J. de J., Du Toit, G. S., Motlatla, M. D. C. & Marais, A. de K. 2003. **Introduction to Business Management**. New York: Oxford University Press. p120.

Percentage of business failure	Cause of failure	Explanation
40%	Managerial incompetence	Inability to run the business, either physically, morally or intellectually
30%	Lack of leadership	Inability to think strategically and to bring about change in the organisation
20%	Lack of managerial experience	Little, if any, experience in managing employees and other resources before going into business
10%	No industry experience	Little, if any, experience in the product or service before going into business

Table 2.3 above emphasises the importance of acquiring management and leadership skills to run a successful business. It is apparent that 70% of business failure is due to managerial incompetence and lack of leadership skills. Considering the four functions of management, as depicted in table 2.2 in conjunction with table 2.3, it is clear that to succeed in business people must focus on planning, leading, organising and controlling as well as ensuring that there is managerial competence and good leadership together with adequate experience.

Hodgetts and Kuratko (2007) are of the view that small businesses are advantageous in terms of giving independence, financial opportunities, community service, job security, family employment and good challenges. However, they also mention that going into a business can also be disadvantageous due to sales fluctuation, competition, increased responsibilities, financial loss, employment relations, laws and regulations.

2.4.3 Business Strategy

Scarborough, Wilson and Zimmerer (2009) point out that few activities in the life of small businesses are as vital or overlooked as that of developing a strategy for success. This view is supported by Tassiopoulos (2008) who indicates that owners and managers of new tourism ventures are often not aware of strategic issues that can be crucial to the survival of new tourism ventures. This means entrepreneurs may have optimism and enthusiasm but launch businesses destined for failure by not defining a workable strategy to set them apart from competitors.

Scarborough et al (2009:59) list nine steps involved in strategic management as follows:

- Step 1: Develop a clear vision and translate it into a meaningful mission statement
- Step 2: Assess the company's strengths and weaknesses
- Step 3: Scan the environment for significant opportunities and threats facing the business
- Step 4: Identify the key factors for success in the business
- Step 5: Analyse the competition
- Step 6: Create company goals and objectives
- Step 7: Formulate strategic options and select the appropriate strategies
- Step 8: Translate strategic plans into action plans.
- Step 9: Establish accurate controls

Strategic issues within the business are dealt with at different levels. There is a corporate level where the overall scale and scope of the organisation is crafted, followed by the business level responsible for strategic issues that enable the organisation to remain competitive, and lastly the operational or functional level which is the implementation phase of the corporate and business level strategies.

Louw and Venter (2010) elaborate on the strategy adopted by Mr Price Group which has led to the Group achieving tremendous success. The Group's choice of strategy is a low-cost provider strategy with an intention to serve a large market that is fashionable but price sensitive. Louw and Venter advise that Mr Price opened its operation in 1987, thereafter, Mr Price Group partnership was launched in 1993 with 176 stores. In 1998 the Group launched Mr Price Home and by this time there were 534 stores.

Mr Price has contributed largely to job creation and during the country's recession the Group proved extremely resilient to a poorly performing economy and had continued to create new employment opportunities while many businesses were laying off staff. Their continued success can be ascribed to their simply retailing philosophy of providing popular fashion at a low price.

Table 2.4 below describe business level strategies as outlined by Louw and Venter:

Table 2.4: Business Level Strategies

Adapted from Louw, L. & Venter, P. 2010. **Strategic Management – Developing Sustainability in South Africa.** South Africa: Oxford University Press. p295.

High

<p>A: Opportunistic</p> <p>Strategies in this quadrant are generally not sustainable but may be possible under specific conditions, for instance, monopolistic conditions such as Eskom or Local Government</p>	<p>B: Premium</p> <p>Strategies in this segment rely on achieving high profit margins</p> <ul style="list-style-type: none"> • Broad differentiation (e.g. BMW) • Differentiation focus (e.g. Alston Martin) 	
<p>C: Economy</p> <p>Strategies in this segment rely on reducing production costs and price and rely on high sales volumes or competing in segments less attractive to competitors</p> <ul style="list-style-type: none"> • Cost leadership (e.g. Mr Price) • Cost focus (e.g. Pep Stores) 	<p>D: Best Value</p> <p>Strategies in this quadrant rely on providing good quality at competitive price and achieving sales volumes</p> <ul style="list-style-type: none"> • Broad (e.g. VW Citi Golf) • Focus (e.g. Pep Stores or Hollard Insurance) 	
<p>Low</p>	<p>Average</p>	<p>High</p>
<p>Perceived quality/price</p>		

In terms of table 2.4 above, quadrant A represents the fact that when high cost/price is coupled with low perceived quality or value, this results in a monopolistic approach. An Eskom example is cited where during 2008/09 there was poor service delivery but the Eskom rates were increased at the same time during this period.

Quadrant B represents strategies based on high prices but that also offer high value. This is explained through a luxury motor manufacturer such as Aston Martin that builds high-value components into their vehicles knowing that this will lead to an increase in the price/cost to customers. However, they also know that customers are willing to pay a premium for these added features.

Quadrant C represents strategies that are low in cost/price and also low in perceived quality/value. This is a typical strategy for organisations that serve a price-sensitive market and that usually sell in high volumes. Pep stores are cited as focusing their strategies on the lower income groups. They keep their costs low and transfer the cost saving to a price sensitive market.

Quadrant D represents strategies that offer value for money (low cost and best value strategies). In cases of lower economies of scale and rising costs, this strategy is not commercially viable. This is illustrated in the case of the VW Citi Golf which has now been discontinued due to rising costs and low economies of scale.

The above strategy explanation is important for SMMEs to gain insight on various strategy levels and to make informed decision on which strategy to choose for success. While a strategy plan is necessary, Mintzberg, Ahlstrand and Lampel (2005) state that strategy does not only have to position but it also has to inspire. They are of the view that the whole strategy business should be taken less seriously to end up with more serious results. They promote the notion of moving away from standard, generic and uninspiring strategy.

Therefore, it is clear that starting a business should not involve a haphazard process to avoid business failure. Several writers have similar views on strategy development. Okumus, Altinay and Chathoth (2010) describe strategic management as a field of study that involves the process through which firms define their missions, visions, goals and objectives, as well as craft and execute strategies at various levels of the business to create and sustain a competitive advantage. Strategy formulation assists business owners to prioritise important activities for the business. Pender and Sharpley (2005) confirm that without strategy, organisations are susceptible to strategic drift, which is a consequence of failure to monitor and respond to the changing environment.

2.4.4 Information Technology

Information technology plays an important role in strategy implementation. In terms of the King III Report on Corporate Governance, information technology should facilitate and enhance the company's ability to reach its objectives. Appropriate decisions should be made to incorporate information technology into business operations. It is incumbent upon every business to determine business applications relevant to its business needs.

Ateljevic and Page (2009) point out that the internet and e-commerce pose new challenges and provide new competitive opportunities for SMMEs. They maintain that integrating technology into the business process and operating in an e-business environment can offer SMMEs many advantages in daily operational procedures such as sales, marketing, distribution and procurement.

Botha, Bothma and Geldenhuys (2008) agree that technology is central to success. Companies that will thrive are those that will use their information technology assets to leverage their people's knowledge. This means good information technology infrastructure is of no use if staff is not capacitated to use the technology which is in place.

2.4.5 Human Resources Management

People management skills are necessary to build capacity for people to think and act appropriately in pursuit of the business goals. Acquiring people in possession of skills, abilities and knowledge that are appropriate to the needs of the business is important.

Nickson (2007) advises that the human resources management principles include, among other things, recruitment and selection, performance management and performance appraisal, reward strategies, skills development and diversity management.

Price (2007) draws from Storey (2001) the definition of Human Resources Management, as a distinctive approach to employment management which seeks to achieve competitive advantage through the strategic development of a highly committed and capable workforce using an integrated array of cultural, structural and personnel techniques.

Nickson (2007) points out that generally tourism and hospitality have often struggled with negative perceptions about employment practices and conditions and that this perception has often been matched by reality. The personnel problems cited are summarised as follows:

- Generally low wages, unless there is skills shortage;
- Unsocial working hours and shift patterns;
- Overrepresentation of women in low-level operative positions, with men occupying better paid, higher status and more skilled jobs;
- Poor or non-existent career structures and use of casualised seasonal employment;
- Over reliance on informal recruitment methods;
- Lack of evidence of good practice personnel/HRM practices;
- Little or no trade union presence;
- High levels of labour turnover; and
- Difficulties in recruitment and retention of employees

Managing people is challenging yet they represent a critical tool for achieving the business goals. George (2007) states that most of the challenges stem from the fact that people have their own will and plans which do not necessarily fit in with those of the organisations. Human resource management is even more crucial in the tourism sector in view of the high degree of customer interaction .

2.4.6 Financial Management

Every business exists for the purpose of making profit. To run a business one must have an understanding of financial matters relating to, among other things, the budgeting process, interpretation of the income and expenditure report, cash flow report, balance sheet, taxation and audit process.

Scarborough et al (2009) state that every business, no matter how small, will benefit from preparing the basic financial statements to measure a company's overall financial position. Biermann (2005) indicates that most SMME owners are extremely proud to show around their physical place of business and boast about how successful their business is.

However, when asked to see the audited financial statements, they immediately tell you that these are not yet available and when they become available they would not reflect the true profitability of the business.

George (2007) advises that financial information is required to support decision-making as well as to highlight the result of decisions that have already been taken. SMMEs should understand the financial position of the business to determine its potential to survive in the business world.

2.4.7 Marketing Management

According to Cant, Strydom, Jooste and du Plessis (2006) marketing contributes to the achievement of the fundamental objectives of most businesses, which include, survival, profitability and growth. Marketing involves finding out what individual customers want for efficient delivery of goods and services.

The traditional marketing mix involves the 4 Ps, namely, Product, Price, Place and Promotion (George 2008). Product refers to the actual goods and services being provided, the goods and services should be priced at a certain value matching the quality of the goods and services. However, there may be some other factors influencing pricing such as the price of the competitors. Place refers to the distribution of goods and services while promotion refers to the encouragement of consumers to purchase the goods and services being offered.

There are other elements relating to marketing other than the 4 Ps referred to above. These elements are discussed below as follows:

2.4.7.1 Customer Relations Management (CRM)

Provision of excellent service serves as a differentiation factor. A dedicated approach to winning and keeping customers by creating and delivering value better than the competitors would lead to business growth. Without customers, one has no business. Happy customers will recommend you to their personal network while unhappy ones will grumble to all.

Rickman (2005) advises that small businesses cannot rely on big budget advertisement spend to push their brands, but that maintaining a positive reputation becomes even more crucial. Van Looy, Gemmel and Van Dierdonck (2003) state that goods are becoming more and more alike in terms of their quality and performance and that it is becoming difficult to differentiate from competitors, hence the importance of maintaining good customer relations.

George (2008) refers to CRM as an ability to identify and recognise repeat customers and to address them individually by name. Tourism SMMEs should keep database of customers and other key stakeholders and conduct activities to create top of the mind awareness on an ongoing basis.

2.4.7.2 Brand Management

At the heart of any company is the promise that it makes to its customers. Companies keep their promise by understanding their brands and acting on that understanding in every endeavour. That promise is carried out by people at all levels of the company (Aggarwal 2008). According to George (2008), the value of established brand names is closely related to perceptions of quality and consistent standards. Slogans, logos and names are a significant aspect of branding. Small businesses should strive for distinct recognition in their product offering to become more identifiable than their competitors.

2.4.7.3 Quality Control

A business should aim to meet and exceed customer expectations. It is important for the business to exercise honesty to customers on issues of quality. A platform should be created for customers to query issues of defects and the business should have good turnaround time in terms of implementing remedial actions. This promotes customer-business relations. Besterfield (2009) indicates that quality control involves integrating the following related techniques and activities:

- Specifications of what is needed
- Design of the product or service to meet the specifications
- Production or installation to meet the full intent of the specifications
- Inspection to determine conformance to specifications
- Review of usage to provide information for the revision of specifications if needed.

Marketing has the responsibility of exercising quality control as a technique to achieve, sustain and improve the quality of a product or service. Biemans (2010) points out that it is marketing's task to focus all departments on the customer's definition of quality and co-ordinate their efforts in delivering superior quality.

2.4.8 Public Relations Management

Public relations has to do with reputation management and creation and sustaining business image. Manning (2001) is of the view that if you don't make a difference, you don't matter. He maintains that public relations has an important role in defining and promoting a firm's image but that if the business falls short on delivery, their hype will hurt more than help.

2.4.9 Performance Measurement

The strategy communicates business objectives and plans to be put in place to execute the strategy. It is important to keep track whether a business is performing well to meet its objectives. Niven (2005) comments that performance measure is used to track and evaluate progress on each of the objectives appearing on the strategy map.

The UNWTO (2004) states that performance indicators are tools providing accurate information for decision-making and assist in better planning and management. Business activities should be measured against predetermined targets to ensure efficiency and effectiveness towards achieving the corporate objectives. Therefore, targets should be set for elements of business management impacting on the organisation to ensure that the company derives the desired value. The balance scorecard is a tool that is mostly recognised to measure the strategy activities. As the term implies, the scorecard is an aid in creating a balance among various factors to be considered within the business in pursuit of strategic choices.

Niven (2005) illustrates that in the centre of the balance scorecard is vision and strategy and lists four components to be influenced by the scorecard as follows:

- Financial – how should the business appear to shareholders to succeed financially;
- Customer – how should the business appear to its customers to achieve the set vision;

- Internal business process – what business processes are necessary to satisfy shareholders and customers;
- Learning and growth – how to sustain ability to change and improve to achieve the business vision

2.5 Entrepreneurship

2.5.1 Defining Entrepreneurship

Scarborough, Wilson and Zimmerer (2009) define an entrepreneur as the one who creates a new business in the face of risk and uncertainty for the purpose of achieving profit and growth by identifying opportunities and assembling the necessary resources to capitalise on those opportunities.

Schaper and Volery (2004) advise that entrepreneurship remains difficult to define because it is a multifaceted phenomenon that spans many disciplinary boundaries. Entrepreneurship overlaps with the other concepts such as management of change, innovation, new product development and small business management. Scarborough et al (2009) define entrepreneurial profile as follows:

2.5.1.1 Desire and Willingness to Take Initiative

Entrepreneurs feel a personal responsibility for the outcome of ventures they start. They prefer to be in control of their resources and to use those resources to achieve self-determined goals. They are willing to step forward and build businesses based on their creative ideas.

2.5.1.2 Preference for Moderate Risk

Entrepreneurs are not wild risk-takers but are instead calculating risk-takers. Entrepreneurs often have a different perception of the risk involved in a business situation. The goal may appear to be high, even impossible from other's perspective, but entrepreneurs typically have thought through the situation and believe that their goals are reasonable and attainable.

2.5.1.3 Confidence in their Ability to Succeed

Entrepreneurs typically have an abundance of confidence in their ability to succeed, and they tend to be optimistic about their chances for business success.

Entrepreneurs face many barriers when starting and running their companies, and a healthy dose of optimism can be an important component in their ultimate success

2.5.1.4 Self-Reliance

Entrepreneurs do not shy away from the responsibility for making their business succeed. Perhaps that is why many entrepreneurs persist in building business even when others advise them of the folly of their ideas.

2.5.1.5 Perseverance

Even when things don't work out as planned, entrepreneurs don't give up, they simply keep trying. Real entrepreneurs follow the advice contained in the Japanese proverb, "fall seven times, stand up eight."

2.5.1.6 Desire for Immediate Feedback

Entrepreneurs like to know how they are doing and are constantly looking for reinforcement. There is nothing that gives one feedback like one's own business.

2.5.1.7 High Level of Energy

Entrepreneurs are more energetic than the average person. That energy may be a critical factor given the incredible effort required to launch a start-up company. Long hours and hard work are the rule rather than the exception. Building a successful business requires a great deal of stamina.

2.5.1.8 Competitiveness

Entrepreneurs tend to exhibit competitive behaviour, often early in life. They enjoy competitive games and sports and always want to keep score.

2.5.1.9 Future Orientation

Entrepreneurs tend to dream big and then formulate plans to transform those dreams into reality. They have a well-defined sense of searching for opportunities. They look ahead and are less concerned with what they accomplished yesterday than what they can do tomorrow. Ever vigilant for new business opportunities, entrepreneurs observe the same events other people do, but they see something different.

2.5.1.10 Skill at Organising

Building a company from scratch is much like piecing together a giant jigsaw puzzle. Entrepreneurs know how to put the right people and resources together to accomplish a task. Effectively combining people and jobs enables entrepreneurs to bring their visions to reality.

2.5.1.11 Value Achieving over Money

One of the most common misconceptions about entrepreneurs is that they are driven wholly by the desire to make money. On the contrary, achievement seems to be the primary motivating force behind entrepreneurs. Money is simply a way of keeping score of accomplishments, a symbol of achievement.

The other characteristics of entrepreneurs include high degree of commitment, tolerance for ambiguity, flexibility and tenacity.

2.5.2 Types of Entrepreneurs

Scarborough et al (2009) and Martin (2010) describe types of entrepreneurs as follows:

2.5.2.1 Serial Entrepreneur

A serial entrepreneur continuously comes up with new ideas and starts new businesses and has a higher propensity for risk, innovation and achievement. Serial entrepreneurs are more likely to experience repeated entrepreneurial success. They are more likely to take risks and recover from business failure.

2.5.2.2 Lifestyle Entrepreneur

A lifestyle entrepreneur places passion before profit when launching a business in order to combine personal interest and talent with the ability to earn a living.

Many entrepreneurs may be primarily motivated by the intention to make their business profitable in order to sell to shareholders. In contrast, a lifestyle entrepreneur intentionally chooses a business model intended to develop and grow their business in order to make a long-term, sustainable and viable living working in a field where they have a particular interest, passion, talent, knowledge or high degree of expertise.

2.5.2.3 Growth Entrepreneur

A growth entrepreneur strives to create fast-growing businesses and look forward to expansion. The companies that these types of entrepreneurs create are known as gazelles. Typically, a gazelle business has at least 20 percent sales growth every year for 5 years.

It would be interesting to identify which type of entrepreneurs the SMME tourism service providers are. Tourism is sometimes associated with passion and therefore could easily be categorised under lifestyle entrepreneurship.

2.5.3 Stimulating Entrepreneurship

Entrepreneurial activity is regarded the essential source of all economic growth and social development. Without the spirit of enterprise as expressed in entrepreneurial activity, there can be no economic growth. The entrepreneur is the prime mover of economic development.

According to Lumsdaine and Binks (2007), the overall health of our economies depends largely on dynamic entrepreneurial activity, hence, national strategies to stimulate entrepreneurship and to foster an entrepreneurial culture is required. Special efforts are needed to harness the entrepreneurial talents and skills of all communities and entrepreneurs.

2.5.4 Barriers Faced by Entrepreneurs in Tourism SMMEs

Hall and Williams (2008) state that there are three main types of barriers faced by entrepreneurs in tourism SMMEs and that these are related to capital, human resources and a complex of lifestyle-related motivations and behaviour. With regard to obstacles related to capital, this is caused by strong reliance on individual or family sources of capital and on informal as opposed to formal channels such as banks.

Lack of formal training or working experience specific to the industry is also a challenge, resulting in lack of knowledge of networking, co-ordination and human resources to oversee successful innovation. Tourism is sometimes perceived as an industry with low entry barriers and some people may get involved in the tourism business to supplement their income during the tourist season but can hardly be described as people intending to make a long-term career in the tourist industry.

2.6 Principles of Good Corporate Governance

Corporate governance has received increased attention because of high-profile scandals involving abuse of corporate power and in some cases, alleged criminal activity by corporate officers who conduct unethical or illegal acts in the name of the enterprise (Wixley and Everingham 2002).

Clarke (2007) says corporate governance is concerned with holding the balance between economic and social goals and between individual and communal goals. The governance framework is there to encourage the efficient use of resources and equally to require accountability for the stewardship of those resources. The aim is to align as nearly as possible the interest of individuals, corporations and society.

The Institute of Directors in South Africa (IODSA), the main drivers of corporate governance, describes corporate governance as a term that refers broadly to the rules, processes, or laws by which businesses are operated, regulated, and controlled. The term can refer to internal factors defined by the officers, stockholders or constitution of a corporation, as well as to external forces such as consumer groups, clients, and government regulations.

The importance of adhering to the principles of good corporate governance is crucial to promote greater corporate accountability, transparency and stakeholder confidence. Some elements of corporate governance might not be very practical in small enterprises due to the size of their businesses. However, it is important for the SMMEs to follow operational processes aligning within good corporate governance to improve their reputation, particularly, to lure prospective investors.

2.7 Ethical Standards

Business ethics involves the moral values and behavioral standards that business executives draw on as they make decisions and solve problems. Clarke (2007) states that entrepreneurs who succeed in the long term have a solid base of personal values and beliefs that they articulate to their employees and put into practice in ways that others can observe.

Scarborough et al (2009) comment that ethical standards involve three levels, namely, the law which defines for society as a whole which actions are permissible and which are not, organisational policies and procedures, which serve as specific guidelines for people as they make daily decisions, the moral stance in terms of values that people learn early in their life and is practiced when one encounters a situation that is not governed by the law or organisational policies and procedures.

Business executives are normally confronted with situations that test their ethical behaviour on a daily basis. The immoral behaviour is caused by greed and selfish reasons. Unethical conduct may bring short-term success but in the long run the business is sure to enter into disrepute and taint its image such that it might even close down. In terms of the King III Report on Corporate Governance emphasis is put on responsible leadership characterised by ethical values of responsibility, accountability, fairness and transparency.

2.8 SMMEs and Creation of Job Opportunities

According to the studies conducted by the Development Policy Research Unit of the University of Cape Town, on the Environmental Context for SMME Entrepreneurship in KwaZulu-Natal (2008), SMMEs are an important source of jobs and contribute significantly to the economic growth of countries and to advancing national and individual prosperity. On the contrary, Botha, Fairer-Wessel and Lubbe (2006) state that small businesses are dependent upon the talents and energies of the proprietors. Therefore, lacking in basic management skills, they tend to neglect market opportunities and contribute little on job creation.

According to Mpafa of SMME Solutions, in his article posted on the internet on 25 November 2008, tax incentives may help job creation. He maintains that the point that SMMEs are the key to job creation and a source for economic growth has been made several times. Government has also created various support organisations for the promotion of the SMME business. The most pertinent question though is to what extent such investment in SMME development yielded the much-desired employment opportunities.

How is job creation placed as a priority item on the agenda of entrepreneurs? In other words, how can job creation result in an opportunity for entrepreneurs to make money? Mpafa (2008) suggests that there should be tax incentives for businesses that create employment. The incentives should take into account the quality of jobs created measured by the salary paid, the number of jobs created and the sustainability of those jobs measured by the period of employment. This will encourage entrepreneurs to prioritise employment creation.

In terms of the minutes of the meeting of the Parliamentary Monitoring Group (2011), it was presented that the Tourism Enterprise Partnerships' achievements from 1 April 2010 to 31 December 2010 revealed that 4, 200 small business products were registered, 5, 057 enterprises were assisted, 3, 257 historically disadvantage entrepreneur (HDE) enterprises and 1, 270 rural enterprises were assisted.

Furthermore, 200 SMMEs were assisted with market access, and 19, 000 jobs and 13, 000 HDE jobs were created. In the area of skills development, 3, 749 SMMEs were trained, 80% of HDE SMMEs were trained and 934 rural SMMEs were trained. This represents the achievements by government on SMME development initiatives.

The public sector places great emphasis on job creation and tourism is one of the sectors earmarked to achieve the job creation objectives for the country. The SMME tourism service providers are given significant assistance to promote their businesses to contribute to the creation of jobs for the country.

A study of this nature is important to assess whether or not the government initiatives are complemented by the businesses driven by owners who have ambition to access available opportunities and go all the way to revolutionalise the tourism industry, particularly, at a provincial level.

2.9 Summary

Tourism is an exciting yet complicated sector in view of its success being dependent on good service, promotion, marketing, management and entrepreneurial flair as well as effective partnerships with other strategic parties. Entrepreneurial flair and drive is vital in any business yet entrepreneurial flair alone is inadequate. To be successful, one needs to learn and apply management disciplines. All of this must be supported by a commitment to good service quality. Drawing from the findings of the TKZN study on the capacity of SMME tour operators and accommodation establishments, it becomes even more significant to determine the importance placed by SMMEs on management disciplines and their entrepreneurial flair. The literature review covered the objectives set for this study. The following chapter outlines the methodology of how this research was conducted.

CHAPTER 3

RESEARCH METHODOLOGY

3.1 Introduction

The previous chapter dealt with a review of a literature pertaining to tourism, entrepreneurship and the principles of management. The review was conducted drawing from the elements of the research topic, namely, the importance of management disciplines and entrepreneurial flair to SMME tourism service providers. The primary intention was to determine the economic impact as a result of tourism activities in South Africa and in particular, the province of KwaZulu-Natal, whether a decision to venture into a tourism business was taken based on inner drive and to assess the level of management experience and skills possessed by the SMME tourism service providers.

Chapter 3 focused on the review of the research methodology. Different methods were critically analysed and a motivation given on the method selected for this research. The structure of this chapter entails, among other things, a procedure to be implemented to collect data; an overview and description of each instrument or measure, an overview of participant in the study and data analysis.

3.2 Aim and Objectives of the Study

Tourism is increasingly regarded to make significant contribution in economic growth. As such, a number of people decide to venture into tourism business to derive economic value. Running own business has its pros and cons, thus a need to critically analyse the prospects of success and one's ability to sustain the business.

This study seeks to identify entrepreneurial flair within SMME tourism service providers and their ability to acquire and apply managerial skills to grow their businesses. Accordingly, the following objectives and research questions were formulated in an attempt to obtain information required in this study:

3.2.1 Research Questions

- What is the level of entrepreneurial flair of SMME tourism service providers?
- To what extent do SMME tourism service providers place importance on management, experience and skills?
- What are the constraints in fostering management and entrepreneurial development? and
- What is the contribution of SMME tourism service providers in terms of employment opportunities?

3.2.2 Research Objectives

- To determine the degree of entrepreneurial flair of SMME tourism service providers;
- To determine the importance SMME tourism service providers place on management, experience and skills;
- To identify key impediments to management and entrepreneurship development; and
- To determine the level of job creation by SMME tourism service providers.

3.3 Data Collection Strategies

Wilson (2010) distinguishes between primary and secondary data. He states that primary data collection entails personal collection of data using a range of collection tools such as interviews, observation and questionnaires rather than simply relying on existing data sources. This enables the data to be unique to your own particular study. With regard to secondary data, Wilson (2010) defines this as data that have been collected by other researchers and are in a form of general reports, theses, newspapers, academic journals, textbooks, internet websites, abstracts, catalogues, dictionaries etc.

In this study, data was collected using both primary and secondary data. The primary data was collected in a form of questionnaires distributed to participants while secondary data was obtained through literature survey in a form of textbooks, newspapers, general reports and other strategic documents in the tourism field.

According to Fink (2008), using existing data can be economical and relatively speedy. However, Wilson (2010) points out that secondary data may be outdated, access might be difficult and costly, information may not match your research problem and that it might be difficult to verify reliability.

Although this study is characterised by both primary and secondary data, analysis would be undertaken using primary data as obtained through questionnaires. The secondary data was gathered for the purpose of reviewing literature pertinent to this study.

3.4 Research Design and Methodology

The terms research design and research methodology are sometimes used interchangeably while there is a distinction between the two terms. Distinguishing between research design and research methodology, Wilson (2010) refers to the research design as a framework or plan for the collection and analysis of data. Research method refers to the different techniques for collecting data e.g. interviews, questionnaires and focus group.

3.5 Quantitative versus Qualitative Research

The two main schools of thought used in conducting research are the quantitative and the qualitative research. The selection of a preferred method is dependent upon the intended research outcome. The two methods can also be linked in one study. However, Flick (2006) poses some guiding questions for assessing examples of combining qualitative and quantitative research as follows:

- Are both approaches given equal weight, in the plan of the project, in the relevance of the results, and in judging the quality of the research for example?
- Are both approaches just applied separately or are they related to each other? For example, many studies use qualitative and quantitative methods rather than independently, and in the end, the integration of both parts refer to comparing the results of both.
- What is the logical relation of both? Are they only sequenced, and how? Or are they really integrated in a multi-methods design?

- What are the criteria used for evaluating the research all in all? Is there a domination of a traditional view of validation or are both forms of research evaluated by appropriate criteria?

The table below refers to the differences in the characteristics of quantitative and qualitative technique as highlighted by Klopper and Lubbe (2005) and cited in Nunan (2006):

Table 2.5 Quantitative versus Qualitative Research

Adapted from Nunan, L. 2006. **Investment Strategies and Related Risk Adversity of the Master of Business Administration Students at the University of UKZN, Westville,**

Quantitative Data Characteristics	Qualitative Data Characteristics
<ul style="list-style-type: none"> • Reality is objective and singular, apart from the researcher • Researcher is independent from that being researched • Unbiased and free of values • Language is: formal, based on definitions, impersonal • Research process is: deductive, involves showing cause and effect, contains generalisation leading to prediction, explanation and understanding, accurate and reliable through validity and reliability 	<ul style="list-style-type: none"> • Reality is subjective and multiple as seen by participants in a study • Researcher interacts with that being researched • Value-laden and biased • Language is: informal, based on evolving decisions, personal • Research process is: inductive; emerging design – categories identified during the research process, context bound, patterns, theories developed for understanding, accurate and reliable verification

Quantitative research involves analysis of numerical data whereas qualitative research involves analysis of words. Silverman (2005) says in modern research a combination of qualitative and quantitative approach is adopted to allow statistically reliable information obtained from numerical measurement to be backed up and enriched by information about the research participants' explanations.

3.6 Data Collection Methods

Data collection methods range from questionnaires and interviews, to observation or other unobtrusive measures (Gray 2004 and Wilson 2010). According to Silverman (2005), observation is not generally seen as a very important method of data collection in quantitative research. It is not regarded as a very reliable data collection method because different observers may record different observations. If used, it may only be appropriate at a preliminary or exploratory stage of research.

Silverman (2005) maintains that there are no right or wrong research methods but that its appropriateness is determined by the research topic and the model chosen. For the purpose of this study a questionnaire was used to gather data.

3.6.1 Questionnaire

A research questionnaire is formulated drawing from the research objectives to gather information required to address the research problem. A questionnaire is an important data gathering tool which is widely used to gather primary data (Gray 2004). Wilson (2010) highlights advantages and disadvantages of using a questionnaire and these are summarised below. He points out though that the advantages outweigh the disadvantages of questionnaires:

- **Advantages**
 - (i) Accurate information is gathered through thoughtful design of a questionnaire.
 - (ii) Provision of cost-effective and reliable means of gathering feedback.

- **Disadvantages**
 - (i) Inaccurate data may be obtained where there is no opportunity to provide clarification.
 - (ii) In the event of a respondent misinterpreting a question, inaccurate data may end up being part of final analysis.

Although questionnaires are regarded as an effective method in quantitative research, Gray (2004) highlights issues which should be avoided when constructing individual questions. These include prejudicial language, imprecision, leading questions, double barrelled questions, assumptive and hypothetical questions.

3.6.2 Interviews

Interviews are more commonly associated with a qualitative research strategy. This method might be costly, since interviewers may have to be trained on how to interact with interviewees in a professional manner. Advantages and disadvantages outlined by Fink (2008) are summarised as follows:

- **Advantages**

- (i) Interviews allow for an opportunity to ask about the meaning of questions.
- (ii) Interviews can be useful in collecting information from people who are unable to complete a questionnaire due to various reasons.

Additional advantages were cited by Wilson (2010) as follows:

- (i) The ability to engage in verbal and non-verbal communication.
- (ii) The respondent's feedback can often be recorded, thereby providing accurate information.
- (iii) The greater flexibility regarding the delivery of questions.
- (iv) Completion is immediate and straightforward.

- **Disadvantages**

- (i) Interviews are time consuming and labor intensive.
- (ii) Interviewers require extensive training and monitoring if they are to elicit accurate information in a timely manner.
- (iii) Special skills may be required to interpret responses that are off the record.

3.7 Selection of Research Instrument

This study was conducted using a quantitative approach using questionnaires. A questionnaire was formulated drawing from the research objectives and the research questions. The questionnaire was developed using a 5 point Likert scale where a respondent was requested to answer what is true to him or herself. Scoring for the scale was as follows:

- 1 = Strongly Disagree
- 2 = Disagree
- 3 = Neutral
- 4 = Agree
- 5 = Strongly Agree

The quantitative method was selected based on its objectivity and its ability to generate precise responses to facilitate quantitative analysis. The questionnaire was structured to cover the research objectives and other elements included in the research topic.

It was opted to use closed rather than open questions to facilitate easier and quicker administration of the questionnaires. However, Gray (2004) is of the view that closed questions may restrict the richness of alternative responses but confirms that they are easier to analyse. The table below comprises the research objectives and the questions related thereto as contained in the questionnaire:

Table 2.6
Research Objectives and Related Questions
Student’s Own Generated Table

Research Objectives	Questions Addressing Objectives
<ul style="list-style-type: none"> • To determine entrepreneurial flair of SMME tourism enterprises; • To determine the importance SMME tourism service providers place on management, experience and skills; • To identify key impediments to management and entrepreneurship development • To determine job creation by SMME service providers 	<ul style="list-style-type: none"> • Questions 20 – 23 • Questions 1, 2, 7 – 9 • Question 19 • Questions 24 and 25

Questions 3 to 6 and 10 to 18 relate to management and entrepreneurial skills required specifically for the tourism business. Through these questions, it was aimed to establish what prompted service providers to venture into the tourism business. A total of 25 questions were included in the questionnaire in an attempt to address the research problem from different angles and ultimately assess the effectiveness of the SMME tourism service providers.

3.8 Participants and Location of the Study

In line with the research topic, the study targeted the SMME tourism service providers operating within KwaZulu-Natal. The main focus though was on the service providers based in Durban and surrounding areas, mainly the tour operators and the accommodation establishments.

3.9 Administration of Questionnaires

Getting the respondents to complete the questionnaires proved to be a challenge due to the fact that the research was perceived to be linked to the activities of TKZN, the body responsible for the marketing and promotion of tourism within the KZN province and the custodian of transformation programmes for tourism SMMEs.

The first phase of the attempt to collect data involved emailing the questionnaire to the 20 SMME service providers from the TKZN SMME database. Only one response was received as a result. The view by Gray (2004) is supported that even the best-designed questionnaire will not create an impact if care is not taken with its administration to maximise the return rate.

In a further attempt to collect data, a quarterly tourism trade growth forum co-ordinated by TKZN was attended and SMME service providers were approached personally. This did not yield the desired result either. When attending these meetings, the service providers look for business opportunities and it becomes difficult to introduce a subject contrary to their objectives. Furthermore, it is assumed that the service providers viewed the research as part of TKZN activities to monitor their operations.

The intervention of the TKZN department of Tourism Development which is responsible for the activities of the SMME service providers was sought to get the SMMEs to complete the questionnaires. This approach proved to be a success as 17 respondents completed the questionnaire during the SMME training conducted by this department.

Further attempts included the e-mailing of questionnaires to the leadership of the tourism associations and this was followed up by personal visit to ensure completion of the questionnaire. What was established as well was the fact that e-mails were received by the receptionists who sometimes made little effort to refer the e-mail to the business owner.

The difficulties encountered in the administration of the questionnaires stemmed from the perception that the project was associated with TKZN. Service providers were reluctant to complete the questionnaires and it is assumed that they feared that the research project would compromise their working relations with TKZN.

3.10 Population and Sampling

Sampling is a process of selecting participants for the research project. In describing population and sampling, Dane (2011) speaks of the sampling unit and the sampling element, both of which are used to refer to a single component selected for inclusion in a research project.

Although a sample is a portion of a population, Dane (2011) maintains that, technically, the sample is not selected from the population but is selected from a sampling frame, a concrete listing of the elements in the population. Brotherton (2008) emphasises that the sample must be as identical as possible to the population from which it has been obtained, in terms of its composition and characteristics, for it to be regarded as sufficiently representative from which to be able to make valid inferences.

This study comprised a population of 200 SMMEs drawn from the TKZN SMME database. Due to time and budget constraints a questionnaire was distributed to a sample of 100 SMMEs of which only 35 of the 55 questionnaires returned were suitable for further analysis. This might be regarded as a small sample size but authors Griffin and Hauser who are Professors (2006) state that a minimum sample size of 30 is statistically sound.

Wilson (2010) outlines stages involved in the sampling process as follows:

Table 2.7 Stages in the Sampling Process

Adapted from Wilson, J. 2010. **Essentials of Business Research, A Guide to Doing Your Research Project.** London: SAGE Publications.

Sampling Stages

Clearly define your target population
Select your sampling frame
Choose your sampling technique(s)
Determine your sample size
Collect your data
Assess your response rate

It is practically impossible to examine the whole population in a survey, hence the need to do sampling. Sampling is also necessary when considering time and budget constraints. With regard to this study, a sample of 35 tourism service providers was used, based on the questionnaires which were suitable for analysis. The sample included tour operators and accommodation establishments based in Durban and surrounding areas.

Sweeney, Williams and Anderson (2009) emphasise the importance of realising that sample results provide only estimates of the values of the corresponding population characteristics. They are also of the view that some sampling error is to be expected since the sample contains only a portion of the population.

3.11 Reliability and Validity

A reliable measure is reproducible and precise, each time it is used it produces the same result irrespective of the period (Fink 2008). The extent to which things are related can be measured through correlations, a statistical procedure that estimates the extent to which changes in one variable are associated with changes in another (Dane 2011).

In analysing the correlation results, Dane (2011) indicates that a positive correlation co-efficient means the two variables are directly related, a zero co-efficient indicates no relationship and a negative correlation indicates an inverse relationship. Dane (2011) provides description of five various ways which can be implemented to assess the reliability of a measure as follows:

Inter-rater reliability – the consistency with which raters or observers make judgements;

Test-retest reliability – consistency estimated by comparing two or more repeated administration of the measurement;

Alternate-forms reliability – involves comparing two different but equivalent versions of the same measure;

Split-half reliability – involves creating two scores for each participant by dividing the measure into equivalent halves and correlating the halves;

Item-total reliability – is an estimate of the consistency of one item with respect to other items on a measure.

In this study, individual business owners characterised by different set of values and understanding were approached. While focus was on entrepreneurial capacity and the importance placed on management, experience and skills, individual business owners responded according to what mattered most to them. The implementation of alternate-forms reliability was necessary in this study to compare different but equivalent versions of the same measures.

With regard to validity, Blumberg, Cooper and Schinder (2009), cited in Moroke (2008), state that validity of the data should be judged in terms of four qualities, namely, relevance, freedom from bias, reliability and availability. According to Fink (2008), validity refers to the degree to which a measure assesses what it is supposed to measure.

Dane (2011) gives description of different techniques to be implemented to measure validity, namely,

Face validity – a consensus that a measure represents a particular concept;

Concurrent validity – involves comparing a new measure to an existing, valid measure;

Predictive validity – is established by comparing a measure with the future occurrence of another, highly valid measure;

Construct validity – involves determining the extent to which a measure represents concepts it should represent and does not represent concepts it should not represent.

The questionnaire in this study comprised a number of questions aimed at prompting relevant information in response to the research problem. The questions were structured such that they are clear and follow proper sequence.

3.12 Ethical Issues

It is important to uphold a moral responsibility to conduct research in an honest and accurate manner. The interest of the participants should be protected to build trust and show respect during the course of the research. Cooper and Schindler (2008) draw attention to unethical activities which include, among other things, violating participant confidentiality, changing data or creating false data to meet a desired objective, interpreting data from a biased perspective and omitting sections of data analysis and conclusions.

Ethical consideration forms the foundation of the research work and gives an overview on how the research process would be conducted. Ethical issues in this research were considered by seeking ethical clearance from the Research Committee of the University of KwaZulu-Natal. Following consideration of relevant documentation, approval was given to commence the research work. A formal letter of approval was issued in this respect.

Despite observing ethical issues, participants go beyond what is presented as ethical values to decide whether or not to participate in the study. Generally, a positive response is obtained from a person who understands challenges associated with conducting research work. Some individuals, however, are simply reluctant to participate in a research study even if it is stated that their anonymity is guaranteed. There is always a suspicion that their responses would be used against them in future.

3.13 Data Analysis

Upon finalising the process of data collection, data analysis commences. Wilson (2010) states that quantitative data analysis involves preparing data for analysis; summarising and presenting data using tables and graphs; describing data using suitable statistical method and examining relationship and trends between variables. According to Walliman (2005), the primary intention of analysing data is to measure, make comparisons, examine relationships, forecast, test hypotheses, construct concepts and theories, explore, control and to explain.

The data collected in this study was analysed by a specialised software package, SPSS for analysis. Correlation test was conducted to compare the results of two variables.

According to Barrow (2006), the aim of descriptive statistical methods is to present information in a clear, concise and accurate manner. The descriptive method summarises information and draw out the main features without distorting the picture. Walliman (2005) state that inferential statistics goes beyond describing the characteristics of data and the examination of correlations between variables, it is used to produce predictions through inference based on the data analysed.

3.14 Summary

This chapter outlined the research method that was applied in this study to ensure that relevant information was obtained to address the research objectives. A quantitative approach in the form of questionnaires was selected to facilitate easier analysis of data. A structured questionnaire comprising closed questions was used. The SPSS programme was used to collate, code, analyse and present the data.

It is assumed that a combination of quantitative and qualitative approach would have resulted in a maximum response rate. The qualitative method would have given an opportunity to personally interact with the respondents and clarify the research objectives such that there is a greater understanding of the distinction between the research project and the activities of TKZN. Chapter four presents the findings of this research arising from the analysis of the questionnaires. The findings will be specific to a certain population as mentioned under the sampling technique of this chapter.

CHAPTER 4

PRESENTATION AND DISCUSSION OF RESEARCH FINDINGS

4.1 Introduction

Data collected through questionnaires only become valuable once analysed and interpreted. This is supported by Bell (2010) who comments that data mean nothing until they are categorised and interpreted. Though 100 questionnaires were sent out, there was a response rate of 55 of which only 35 were suitable for analysis. The other questionnaires were rejected on the basis of missing variables. It appears that some of the SMMEs were reluctant to respond to certain questions. This is directly linked to the fact that the research was conducted by an employee of TKZN, the organisation which provides SMMEs with skills development and market access support. It can be concluded that the SMMEs who provided full responses are those that are either successful in their businesses or have courage to point out areas for improvements to make necessary interventions.

This chapter focuses on the presentation and interpretation of the research findings. In order to achieve sequential flow of information, discussion of the findings is integrated in this chapter. The findings are linked to information gathered during the literature survey undertaken in Chapter 2 of this study as well as to predetermined research objectives. The primary intention was to establish the ability and capability of the KZN-based SMME tourism service providers to drive tourism within province. The research questions were structured carefully to determine entrepreneurial capacity of the SMME tourism service providers and their ability to implement management disciplines in their course of business operations.

4.2 Presentation of Findings and Discussion

4.2.1 Case Processing Summary

	N	%
Cases Valid	34	97.1%
Excluded ^a	1	2.9%
Total	35	100.0%

a. Listwise deletion based on all variables in the procedure

The above table demonstrates that out of a sample of 35 questionnaires, only 34 were regarded as valid. One questionnaire was excluded on the basis of missing variables. Statistically, a minimum of 30 questionnaires is required to render the study statistically sound (Field 2005). A sample of 34 used for this study is within the statistical minimum requirements and therefore valid.

4.2.2 Reliability Statistics

Cronbach's Alpha	N of Items
.721	31

The reliability statistics of the questionnaire was tested using Cronbach's alpha. This is a measure of internal consistency. In terms of the interpretation rule, reliability co-efficient of .70 or higher is considered acceptable and represents relatively high internal consistency. As per the above table, a reliability co-efficient of .721 was achieved for 31 questionnaires. In line with the interpretation rule, this suggests that the questionnaire has a relatively high internal consistency.

Additional statistical information in relation to the questionnaire and the answers is contained in the document attached hereto as Appendix 1.

As mentioned above, it was considered prudent to integrate presentation of research findings and discussion thereof in this chapter. The following approach was adopted for the purpose of presenting and discussing the findings:

- Restatement of the research objective;
- Restatement of the research questions related to the objective;
- Presentation of data in the form of descriptive and inferential statistics using tables, bars and pie graphs;
- Extracting critical information from the tables, bars and pie graphs;
- Interpretation of the findings and discussion linking with the research objective; and
- Concluding remarks pertaining to the findings of the particular research question.

Prior to focusing on the format outlined above, it was considered necessary to analyse certain components of Section A of the questionnaire. It is acknowledged that this information serves as an independent variable of the study and remains insignificant from the research objectives perspective. However, generally, some of these variables were critical in determining the sustainability level of the tourism sector. For instance, analyses of the age groups and qualifications of the SMMEs could provide an indication of the prospective long-term survival and growth of the tourism business.

4.3 SECTION A: Background Information

4.3.1 Demographic Information

Table 4.1 below reveals the age groups of the respondents who participated in this study. As indicated, 48.6% of the respondents are between the age group 30 to 39 while the age groups 20 to 29 and 40 to 49 constitute a further 22.9%.

The percentages in the age groups variable symbolise potential long-term growth of the tourism sector in view of the young and middle age groups involved in this business. The age groups might comprise dynamic and visionary leaders who can drive the tourism business to bring the required diversification of products to propel tourism growth.

Table 4.1: Demographic Variable – Age

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 20-29	8	22.9	23.5	23.5
30-39	17	48.6	50.0	73.5
40-49	8	22.9	23.5	97.1
50-59	1	2.9	2.9	100.0
Total	34	97.1	100.0	
Missing System	1	2.9		
Total	35	100.0		

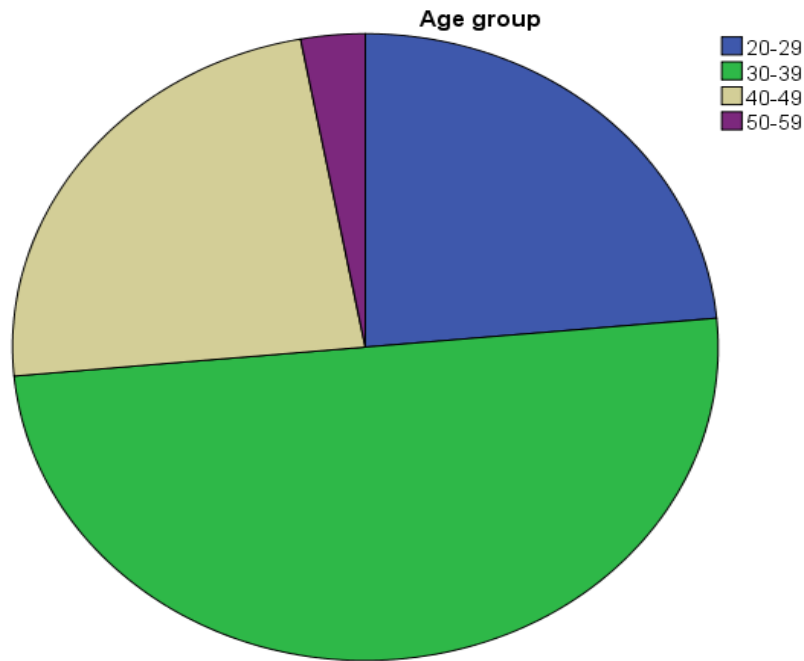


Figure 4.1: Demographic Variable – Age

4.3.2 Gender Presentation

According to table 4.2 below there is no major difference in the gender of people operating a tourism business. This indicates that there is no gender barrier in operating a business of this nature. The female ratio is higher though from that of the male ratio by 8.6% which is linked to the fact that female population is generally higher than the male population. This is supported by the 2011 mid-year report of the Statistics South Africa which records a population of 24 515 036 males compared to 26 071 721 females (2011 mid-year statistics report by Stats SA).

Table 4.2: Demographic Variable – Gender

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid male	16	45.7	45.7	45.7
female	19	54.3	54.3	100.0
Total	35	100.0	100.0	

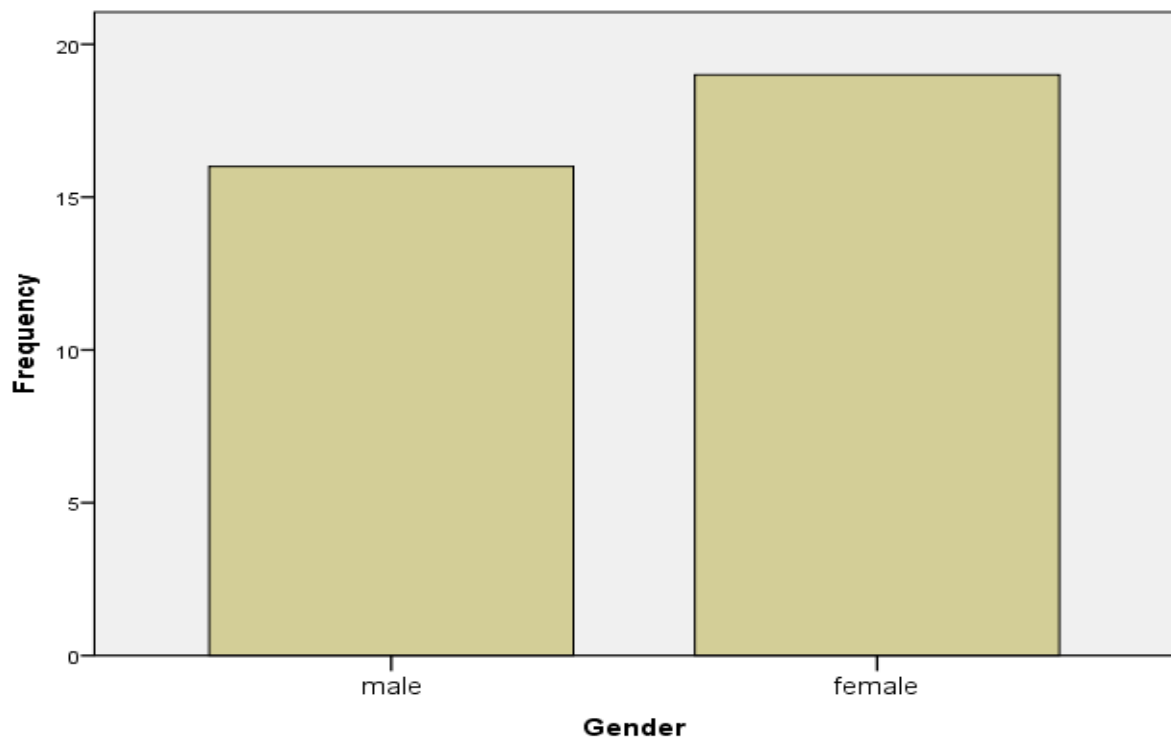


Figure 4.2: Demographic Variable – Gender

4.3.3 Race Presentation

Table 4.3 below indicates that the majority of Africans operates the tourism business at an SMME level. This is represented by 91.4% Africans compared to 2.9% White and 5.7% Coloured. The KZN government formally recognised the tourism business in the 90s. (KZN Tourism Act 1996). It is apparent that it was during this period when government took a lead role to create awareness about a business of this nature, mainly to Africans. Taking into account that fully fledged hotel businesses, shuttle service, travel agencies and other tourism related business were already in place, it can be concluded that the business is currently dominated by Whites (TKZN’s 2011 State of Tourism Report).

Table 4.3: Demographic Variable – Race

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid African	32	91.4	91.4	91.4
White	1	2.9	2.9	94.3
Coloured	2	5.7	5.7	100.0
Total	35	100.0	100.0	

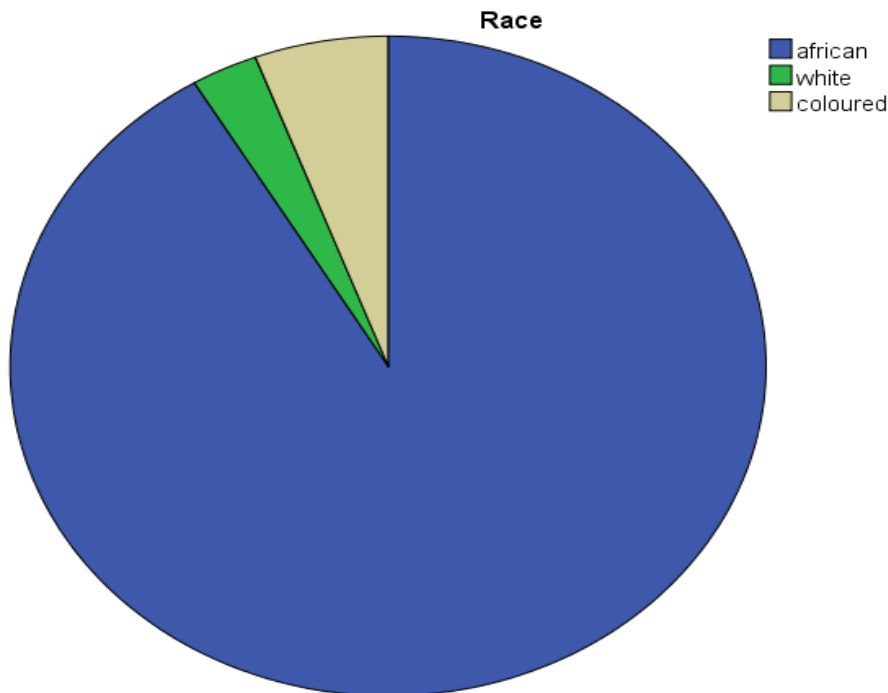


Figure 4.3: Demographic Variable – Race

4.3.4 Educational Level

The importance of education in a business’s life cannot be over-emphasised. To run a successful business one needs general understanding of business administration including, among other things, financial, legal and human resources. Professional experts assist business owners by providing certain services required to run the business but this does not exempt them from understanding the functioning of their businesses. SMME enterprises might not have the capital needed to engage business experts, and thus need to rely on their personal business knowledge to attend to the needs of the business.

As indicated in table 4.2 below, it is interesting to note that 34.3% of the respondents are in possession of post matric certificates with 25.7% having a diploma and/or a degree. The future of the tourism sector is positive because, even if we look at the 20% constituted by matriculants, this group has an opportunity to further their studies at any later stage.

Overall, the tourism sector at an SMME level is characterised by individuals in possession of an acceptable level of education in terms of the needs of their businesses. Continuous professional development is required to enhance knowledge of business and this becomes effective if one is already in possession of educational foundation.

Table 4.4: Highest academic qualification

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid below matric	2	5.7	5.7	5.7
matric	7	20.0	20.0	25.7
post matric certificate	12	34.3	34.3	60.0
degree/diploma	9	25.7	25.7	85.7
post graduate degree/diploma	4	11.4	11.4	97.1
other	1	2.9	2.9	100.0
Total	35	100.0	100.0	

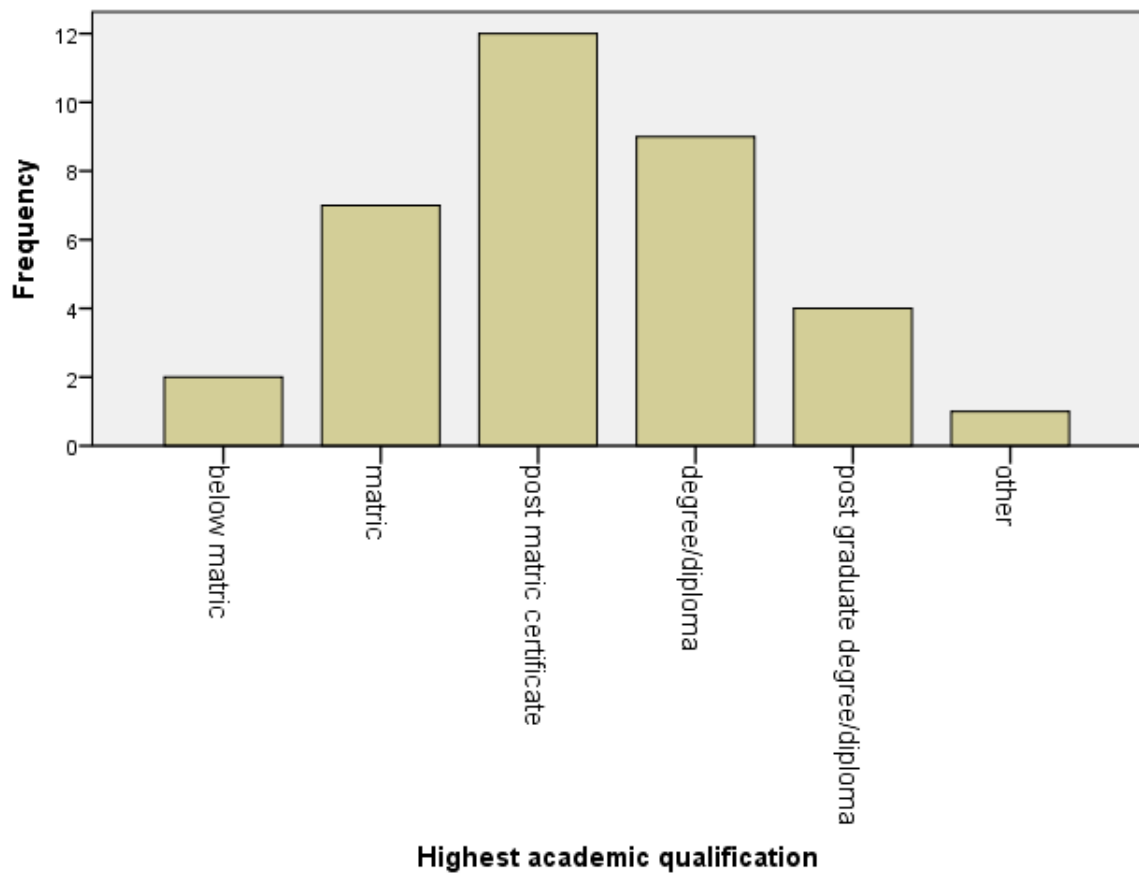


Figure 4.4: Highest academic qualification

4.3.5 Nature of Tourism Service

As seen in table and figure 4.3 below, the majority of the respondents operate accommodation (51.4%) and tour operator businesses (40%). Drawing from the TKZN SMME database, there is a high concentration of Bed and Breakfast (B&B) establishments at an SMME level, followed by the tour operating activities, mostly, in the form of shuttle service. This is possibly due to the fact that starting a B&B business is relatively easy since the conversion of existing residential homes for business purposes does not require a large amount of capital expenditure. The shuttle service is easily associated with the taxi business, which is traditionally run as an informal business. It may happen that moving to a tour operating business is regarded as a transition to a formally-run business.

Table 4.5: Indicate nature of tourism service being operated

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid accommodation	18	51.4	51.4	51.4
tour operator	14	40.0	40.0	91.4
travel service	1	2.9	2.9	94.3
game drive	2	5.7	5.7	100.0
Total	35	100.0	100.0	

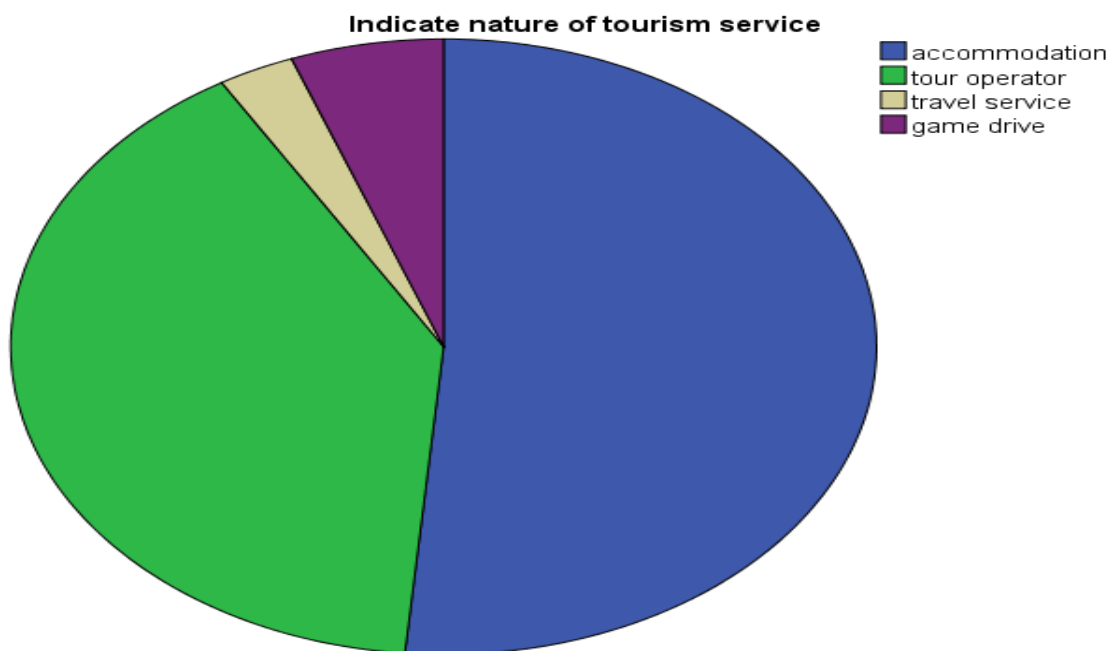


Figure 4.5: Nature of Tourism Service Provided

4.3.6 Duration of the Tourism Business

A culture of entrepreneurship is slowly being developed but a paradigm shift is required at the Department of Education level for entrepreneurship to form part of the curriculum of basic education. Lack of basic business education can be a constraint to business development thus there is a need to inculcate a sense of entrepreneurship at an early educational stage. Only 11.4% of the respondents were running businesses that have been in existence between 7 and 10 years. Looking at the age group of the respondents, as discussed above, it is anticipated that growth in the tourism business might be seen in the forthcoming years.

Table 4.6: How long have you been in the tourism business?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 1-3	16	45.7	45.7	45.7
4-6	15	42.9	42.9	88.6
7-10	4	11.4	11.4	100.0
Total	35	100.0	100.0	

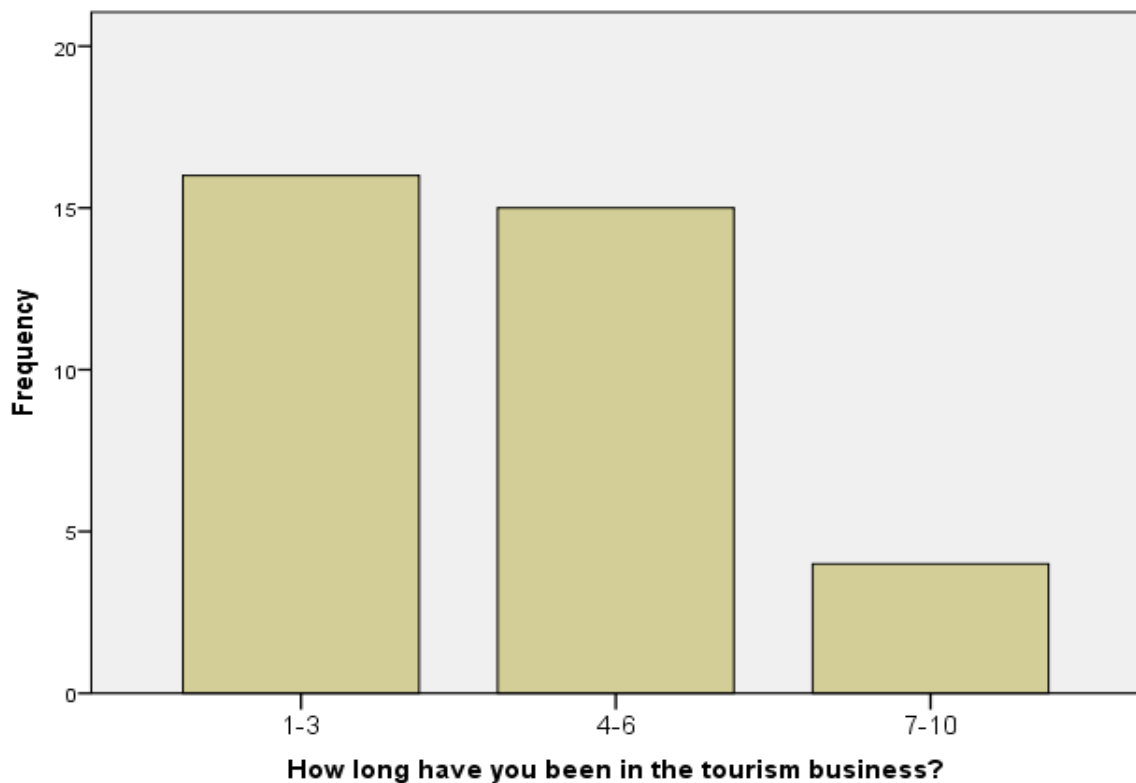


Figure 4.6: Duration of the Tourism Business

4.4 SECTION B: MANAGEMENT AND ENTREPRENEURSHIP

As per the approach adopted to present, interpret and discuss the findings, the table below outlines the research objectives and the corresponding research questions. Statistical information pertinent to the research questions will be presented and analysed in relation to predetermined objectives.

Research Objectives	Questions Addressing Objectives
<ul style="list-style-type: none"> • To determine entrepreneurial flair of SMME tourism service providers; • To determine the importance SMME tourism service providers place on management, experience and skills; • To identify key impediments to management and entrepreneurship development; and • To determine job creation by SMME tourism service providers 	<ul style="list-style-type: none"> • Questions 18, 20 – 23 • Questions 1, 2, 7 – 9 • Question 19 • Questions 24 and 25

4.4.1 OBJECTIVE 1: To determine entrepreneurial flair of SMME tourism service providers

4.4.1.1 Question 18: You have ambitions to grow your business and graduate from an SMME level to a fully established business

Table 4.7: Business Survival and Growth

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid uncertain	1	2.9	2.9	2.9
agree	9	25.7	25.7	28.6
strongly agree	25	71.4	71.4	100.0
Total	35	100.0	100.0	

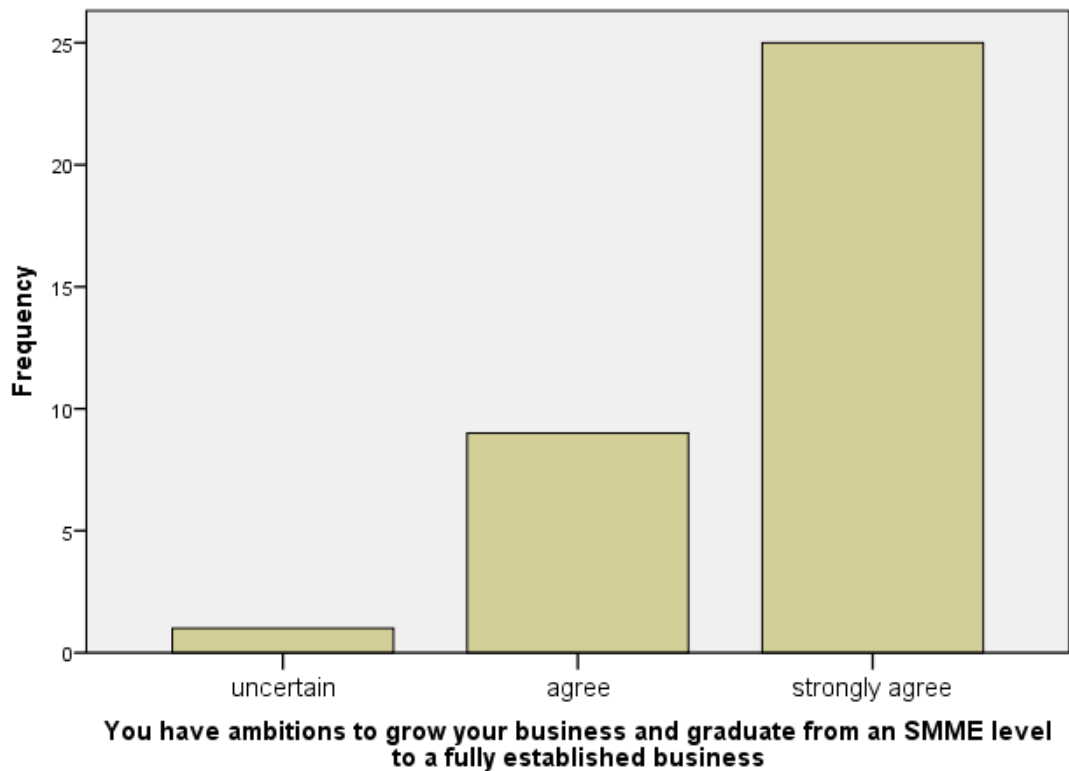


Figure 4.7: Business Survival and Growth

FINDING:

As indicated in table and figure 4.5 above, a collective of 97.1% of the respondents agreed to have aspirations to grow their businesses and graduate from an SMME level to run fully-fledged businesses. Only 2.9% of the respondents remained uncertain in this regard.

DISCUSSION:

Tourism has been earmarked as one of the growth sectors. One of the strategic goals of the KZN DEDT, as outlined in the 2005 KZN Industrial Development Strategy, is to reduce poverty by 50% by 2014 through creation of sustainable jobs, skills development and; to grow the economy through BEE and SMMEs. Various empowerment programmes are being implemented by the government agencies such as Khula Development Enterprise and Industrial Development Corporation to support emerging businesses. This is aimed at promoting self-sufficiency through entrepreneurship thereby alleviating socio-economic challenges such as poverty and unemployment.

The fact that 97.1% of the respondents had ambitions to grow their businesses is evidence that they are self-reliant and have confidence in their ability to succeed. These are characteristics of entrepreneurship. The goals set out in the empowerment programmes will be achieved if the majority of the small businesses graduate to the next level. This would also create space for the other pool of emerging businesses to enter the incubation programme.

There are 2.9% of the respondents who display no aspirations to grow their businesses. Although this might be regarded as lack of entrepreneurship, it may happen that they regard their businesses to be sustainable in its current nature. They probably prefer to refrain from the complexities involved in running a bigger business.

Fortunately, this is a smaller representation of the respondents, otherwise, this would have required close consideration to avoid having businesses that expect constant support without reaching a level of independency.

CONCLUSION:

The tourism business at an SMME level appears to be driven by individuals characterised by sense of entrepreneurship. They have a well-defined goal to search for growth opportunities. Their growth aspirations mean potential to explore new ways of doing business. This will result in innovative ideas and products diversification in a bid to differentiate their businesses and gain competitive advantage. Economic and tourism growth will be an ultimate result.

4.4.1.2 Question 20: As a successful entrepreneur you have these characteristics: flair, imagination, charisma, outgoing personality, determination, drive and enthusiasm

Table 4.8 Characteristics of Entrepreneurship

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid disagree	1	2.9	2.9	2.9
agree	25	71.4	73.5	76.5
strongly agree	8	22.9	23.5	100.0
Total	34	97.1	100.0	
Missing System	1	2.9		
Total	35	100.0		

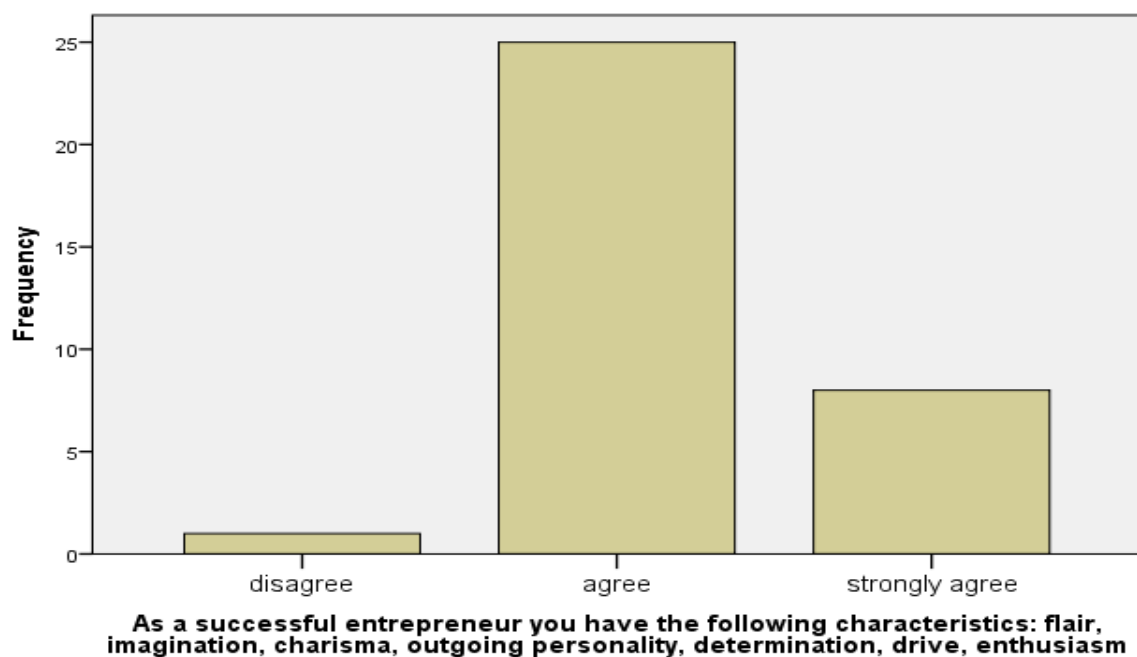


Figure 4.8: Characteristics of Entrepreneurship

FINDING:

Positive responses were received on the question relating to entrepreneurial qualities including flair, imagination, charisma, outgoing personality, determination, drive, and enthusiasm. In terms of the table and figure 4.6 above, 94.3% of the respondents agreed to be in possession of the entrepreneurial qualities with only 2.9% disagreeing.

DISCUSSION:

In chapter 2 of this study a number of entrepreneurship qualities were discussed. A true entrepreneur displays distinct set of qualities which separates him or her from the average person. Being an entrepreneur means subjecting yourself to constant development to avoid status quo and redundancy.

An entrepreneur thinks differently and always has different perspective of a particular situation. In addition to business requirements such as capital, a visionary and versatile leader is required to successfully head the business and be able to realise return on investment made into the business.

CONCLUSION:

To remain competitive, the business should be driven by a dynamic and innovative individual who displays a strong sense of leadership. The findings above give a clear picture that the tourism business is driven by individuals who are passionate and willing to invest their resources towards growing the business. This is an indication of prospective tourism and economic growth within the province. A small component of the respondents believes not to have entrepreneurial qualities. They might have entered the business world by default forced by various circumstances. They may be doing business for survival but if circumstances were different perhaps they would prefer to be employed.

4.4.1.3 Question 20: You take decisions quickly

Table 4.9: Decision-Making

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strong disagree	1	2.9	2.9	2.9
disagree	7	20.0	20.6	23.5
uncertain	5	14.3	14.7	38.2
agree	18	51.4	52.9	91.2
strongly agree	3	8.6	8.8	100.0
Total	34	97.1	100.0	
Missing System	1	2.9		
Total	35	100.0		

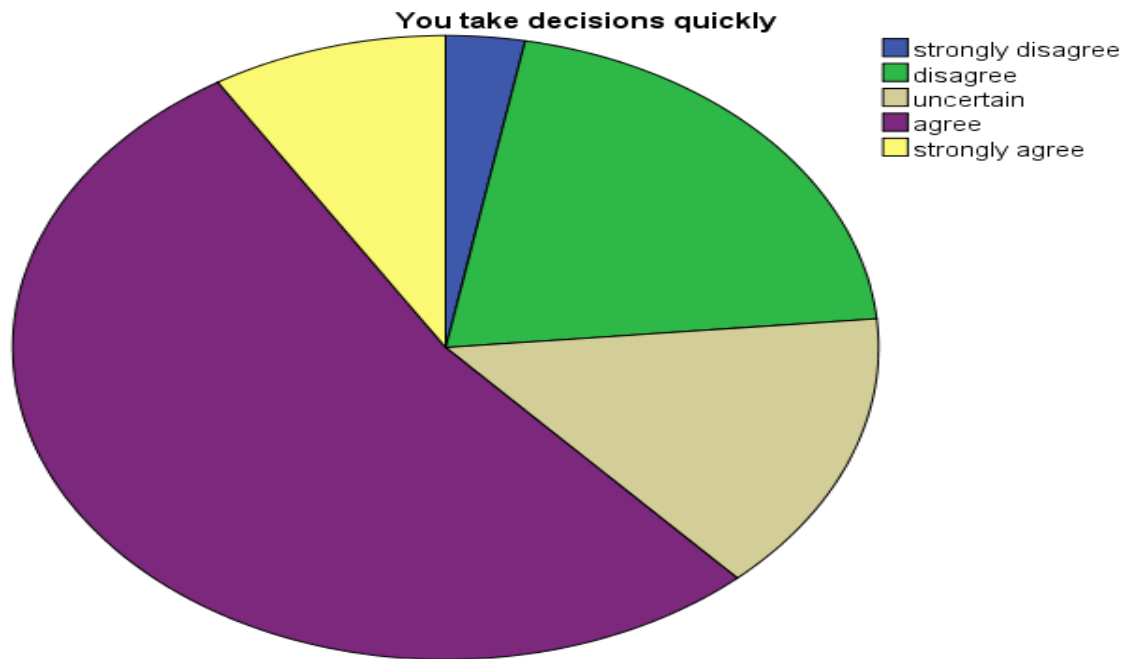


Figure 4.9: Decision-Making

FINDING:

Decision-making is part of daily business operations. Decisions are made at every level but the overall accountability rests with the business owner. It is important to have an ability to critically analyse the situation at hand and take a decision quickly to avoid losing out on a business opportunity. Not all decisions made will benefit the business but the business owner should be confident and be able to manoeuvre in the event the decision taken hampers progress. In terms of figure 4.7 above, the majority of the respondents, at 60%, agreed that they take decisions quickly with 22.9% disagreeing while 14.3% remained uncertain.

DISCUSSION:

The business operates within an adopted corporate strategy which outlines its objectives and the manner in which to carry out activities aimed at achieving predetermined objectives. A strategic document guides business activities and a number of decisions need to be taken during the scope of operation. Various business components require decision-making, be it a decision on technological requirements, number of staff members to be employed, target market, nature of product offerings, advertising channels, strategic alliance etc. Delays in decision-making may result in missed business opportunities.

The majority of the respondents advise that they are quick in taking business decisions. It should be noted that this may be a positive or negative decision. The bottom line is that the business owner does not take long to apply his or her mind on the situation at hand. A couple of respondents advised that they do not take decisions quickly. This means they need sufficient time to analyse the pros and cons of the matter at hand. This is not necessarily negative, but potential exists to lose out on good business opportunities.

On the other hand, if time is not against them, a carefully thought through business decision may be taken, particularly if it concerns a major issue which could have an adverse effect on the enterprise. Respondents who are uncertain about the time that lapse in taking decisions remained at 14.3%. Probably, their reaction varies from time to time depending on the situation at hand. This behaviour may also not be regarded as particularly bad but the owner carefully selects issues that he or she feels may impact the business in a positive manner.

CONCLUSION:

Decision-making is a key responsibility of every business owner. No matter what kind of decision should be taken, what is important is the turnaround time in making that decision. The ability to act quickly shows confidence the business owner has in handling business matters. The findings above reveal great reliance by the business owners on intuition. This is one of the characteristics of an entrepreneur. Again, this is an indication that the tourism business at an SMME level is driven by individuals who have an entrepreneurial capacity.

4.4.1.4 Question 22: You are not overly cautious about trying a new idea

Table 4.10: Innovation Measure

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid disagree	13	37.1	37.1	37.1
uncertain	5	14.3	14.3	51.4
agree	15	42.9	42.9	94.3
strongly agree	2	5.7	5.7	100.0
Total	35	100.0	100.0	

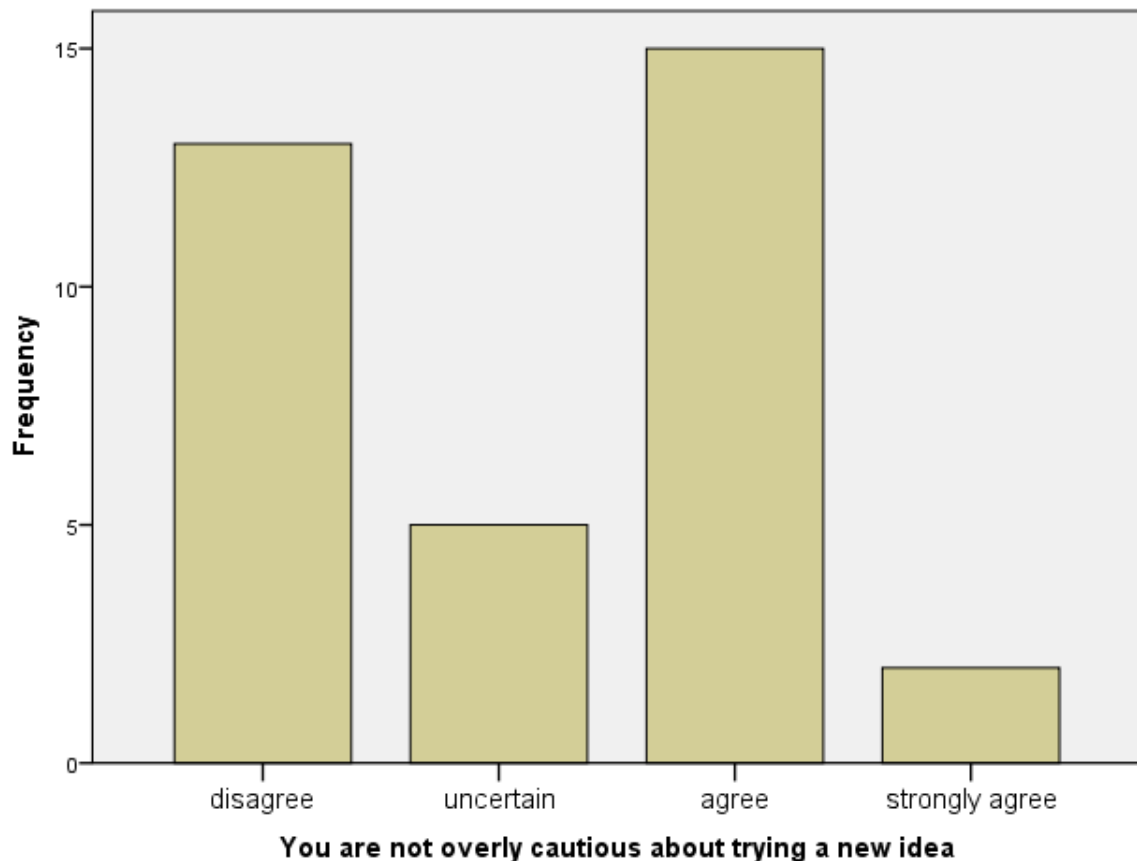


Figure 4.10: Innovation Measure

FINDINGS:

As indicated in table and figure 4.8 above, 48.6% of the respondents agreed they weren't overly cautious about trying a new idea. 37.1% of the respondents advised that they were overly cautious while 14.3% of the respondents were uncertain.

DISCUSSION:

The respondents had different perspectives relating to trying new ideas. Some 37.1% of the respondents seemed to disagree with the statement that they were not overly cautious about trying a new idea. This may affect innovation required to grow the business. However, cognisance is taken of the fact that SMME enterprises might have limited resources to pursue opportunities without giving due consideration. It is interesting to note that 48.6% of the respondents expressed the courage to take on new ideas and 14.3% were uncertain. During the literature survey, consideration was given to different kinds of entrepreneurs.

The findings of this question may relate to the nature of the entrepreneur. Those who were not overly cautious about trying a new idea may be regarded as serial entrepreneurs. A serial entrepreneur constantly comes up with new ideas and starts new businesses. On the other hand, lifestyle entrepreneurs place passion before profit. They run their businesses such that they would choose a business model intended to develop and grow their business in order to make a long-term, sustainable and viable living working in a field where they have a particular interest, passion, talent, knowledge or high degree of expertise.

CONCLUSION

Arising from the findings, it is clear that some of the respondents are willing to grow their businesses but this must be within the confines of manageable resources. The degree of entrepreneurship varies and the decision on taking on new ideas would depend on the type of the entrepreneur and the intended goals. This also relates to the amount of risk that the entrepreneur is willing to take in pursuit of business activities. Too much caution though might impact on innovation.

4.4.1.5 Question 23: You are prepared to take calculated risks when it comes to your business

Table 4.11: Calculated Risk

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly disagree	1	2.9	2.9	2.9
disagree	2	5.7	5.7	8.6
uncertain	1	2.9	2.9	11.4
agree	27	77.1	77.1	88.6
strongly agree	4	11.4	11.4	100.0
Total	35	100.0	100.0	

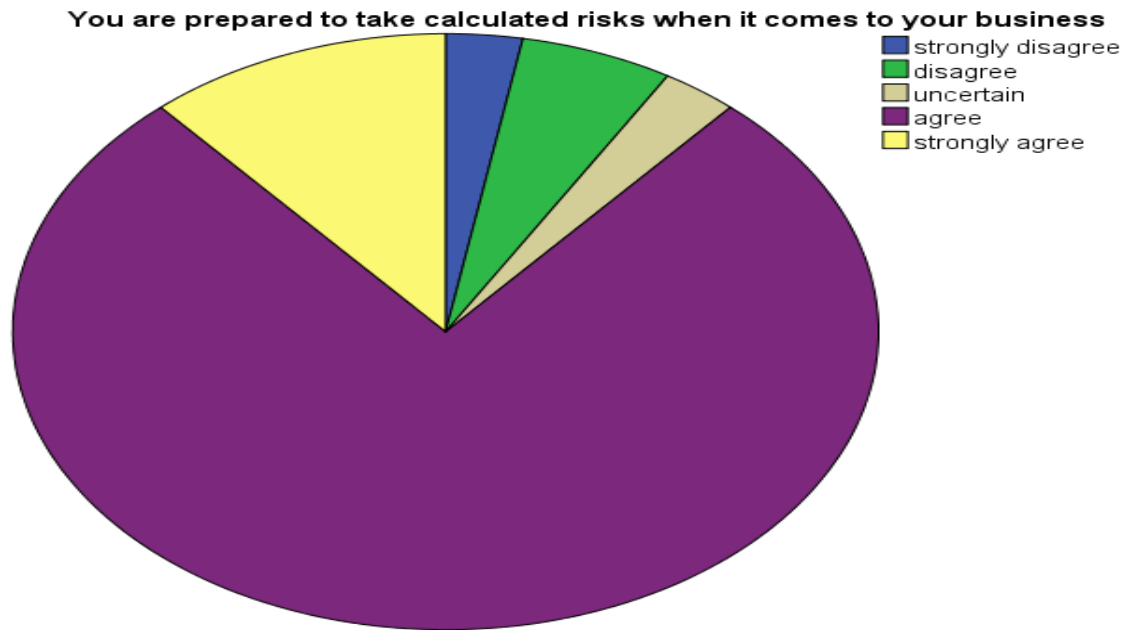


Figure 4.11: Calculated Risk

FINDINGS:

The table and figure 4.9 above shows that 88.5% of the respondents were willing to take calculated risks, while 8.6% disagreed with the statement and 2.9% remaining uncertain.

DISCUSSION:

There is a correlation between the preparedness to try new ideas as discussed above and taking calculated risks. The fact that 88.5% of the respondents are prepared to take calculated risks is in support of the discussion held in Chapter 2 of this study that entrepreneurs are not wild risk-takers but are instead takers of calculated risks. Entrepreneurs often have a different perception of the risk involved in a business situation. The goal may appear to be high, even impossible from other’s perspective, but entrepreneurs typically have thought through the situation and believe that their goals are reasonable and attainable.

CONCLUSION:

It can be concluded that while there are respondents who have advised that they are overly cautious about trying a new idea, this is because they have preference to take moderate risks. Risk does not represent negativity but may present opportunities to structure the business such that economic value is derived.

All responses to questions relating to objective 1 of this study confirm a high degree of entrepreneurial capacity by the SMME tourism service providers. The responses are also in alignment with the discussion held in chapter 2 in respect of entrepreneurship as part of literature survey.

4.4.2 OBJECTIVE 2: To determine the importance SMME tourism service providers place on management, experience and skills

4.4.2.1 Question 1: Prior business management experience is vital when running your own business

Table 4.12: Business Management Experience

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid disagree	1	2.9	2.9	2.9
uncertain	2	5.7	5.7	8.6
agree	23	65.7	65.7	74.3
strongly agree	9	25.7	25.7	100.0
Total	35	100.0	100.0	

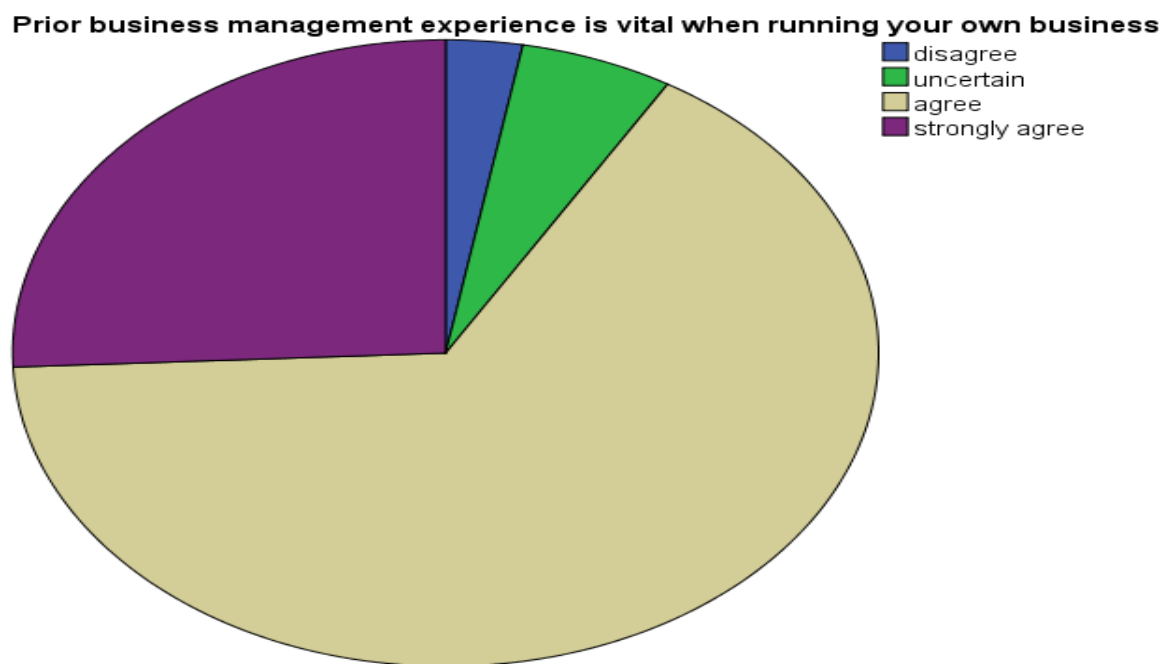


Figure 4.12: Business management experience

FINDING:

In terms of the table and the pie chart above, 91.4% of the respondents agreed that prior business management experience is vital when running your own business. There were only 2.9% of the respondents disagreeing with this statement and 5.7% remained uncertain.

DISCUSSION:

Experience accumulated in business management can be an added advantage when running one's own business. This can be experience acquired during the time when the business owner was employed in a particular company. Experience may save the business from engaging experts on certain aspects of the business operations. This is particularly important at an SMME level where the business often has limited start-up capital.

When the business owner is equipped with experience, it may take a shorter period to realise return on investment made into the business. The business is likely to have a more positive chance of being sustainable and successful. The owner may easily transfer the skills acquired thus having less of trial and error but more focus on tried and tested solutions.

CONCLUSION:

The business owners who have prior management experience have better prospects of success within a short period of time provided other business systems are in place. The majority of the respondents place great importance on prior management experience. The few respondents who do not value experience might be looking at their achievements despite having had no prior business management experience.

4.4.2.2 Question 2: A business management qualification is advantageous when running your own business

Table 4.13: Business Qualification

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly disagree	1	2.9	2.9	2.9
disagree	4	11.4	11.4	14.3
uncertain	2	5.7	5.7	20.0
agree	15	42.9	42.9	62.9
strongly agree	13	37.1	37.1	100.0
Total	35	100.0	100.0	

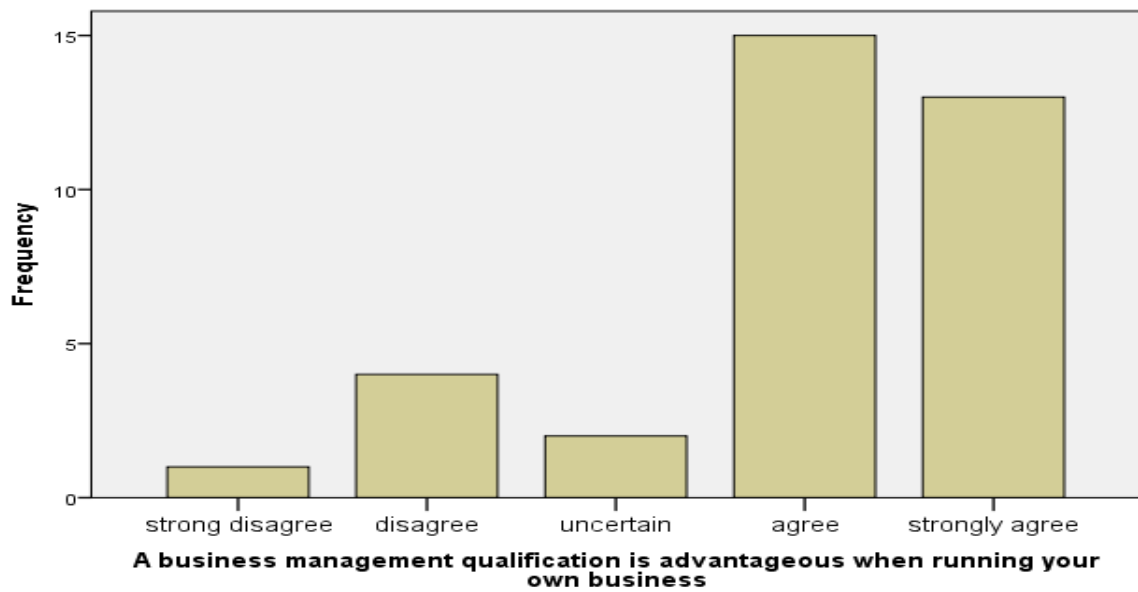


Figure 4.13: Business Qualification

FINDING:

Educational qualifications only become relevant when translated into tangible results. Qualifications represent a theoretical aspect which should be put into practice to materialise. It becomes easier to integrate business operations with a theory obtained during management studies. This is the reason why we find 80% of the respondents agreeing that a prior business management qualification is vital when running one’s own business. However, 14.3% of the respondents disagreed with 5.7% remaining uncertain.

DISCUSSION:

Through business management qualification one is equipped with a variety of business concepts which are actually put into practice when venturing into the business. For instance, a person who has business management qualification is aware that a business plan is required to map out the road ahead of the business operations.

A business owner in possession of management qualification can personally develop a business plan rather than engaging professionals for this purpose. As supported by 80% of the respondents, business management qualification enables one to gain insight on the overall requirements of the business.

CONCLUSION

As indicated in table and figure 4.10 above, the majority of the SMME tourism service providers place great value on business management qualification. This is the reason why some of them approach organisations such as TKZN for business skills development purposes. Some of the SMMEs avail themselves for the identification of training interventions required to address business knowledge and skills gaps.

Capacity building programmes are aimed at bridging the skills gap of the SMME enterprises. It is evident that the majority of the enterprises are willing to access the empowerment programmes in view of the fact that they place value on the acquisition of relevant business skills.

4.4.2.3 Question 7: You use a combination of planning, motivation, coaching and evaluation to manage and lead people to get work done through them

Table 4.14: Business Skills

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid uncertain	1	2.9	2.9	2.9
agree	26	74.3	74.3	77.1
strongly agree	8	22.9	22.9	100.0
Total	35	100.0	100.0	

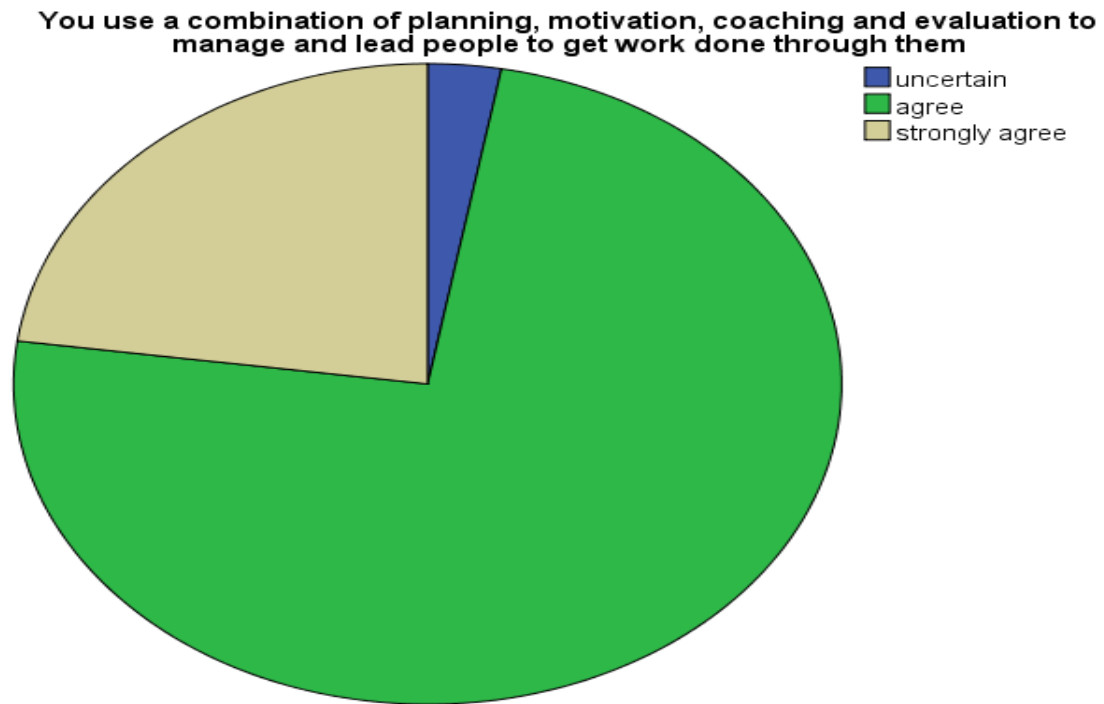


Figure 4.14: Business Skills

FINDING:

The fact that 97.2% of the respondents implemented a combination of skills required at management level to empower their staff members to accomplish business goals is evidence of leadership excellence at an SMME level. Only 2.9% of the respondents remained uncertain.

DISCUSSION:

The ability of SMME enterprises to acquire and implement leadership and management skills would positively affect staff retention. Arising from the findings, business owners are able to clarify roles and responsibilities and build capacity to enable staff to fulfill their roles and responsibilities to achieve the intended deliverables. This would result in less duplication and/or omissions in pursuit of the business activities. Moreover, staff members would feel empowered and trusted to deliver on the business goals. Delegation of duties and responsibilities free the business owner to attend to issues of strategic nature and focus on exploring opportunities for business expansion.

CONCLUSION:

Improved productivity and profitability is expected in the environment where role players have clear goals and deliverables. The conduct of the business owners in this respect provides a win-win solution. Staff members would regard the business as the great place to work for since their contributions are being valued. The business owner would have sufficient time to focus on strategic matters, knowing that business activities are well-managed at an operational level.

4.4.2.4 Question 8: You have basic skills in Information Technology to manage transactions, information and knowledge necessary to sustain your business

Table 4.15: Information Technology Skills

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid disagree	3	8.6	8.6	8.6
uncertain	2	5.7	5.7	14.3
agree	24	68.6	68.6	82.9
strongly agree	6	17.1	17.1	100.0
Total	35	100.0	100.0	

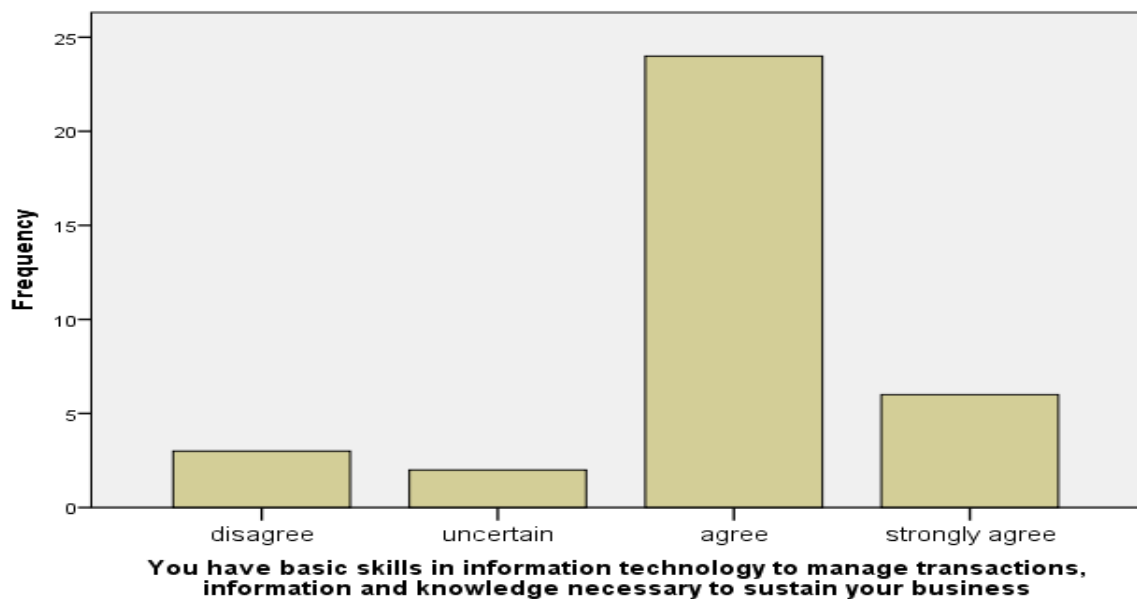


Figure 4.15: Information Technology Skills

FINDING:

Technology is increasingly dominating the business world. A business which does not invest in technological requirements might find it an uphill battle to remain competitive. Small businesses are expected to have basic information technology to manage their operations efficiently. This is an important aspect of the business which is supported by 68.6% of the respondents.

DISCUSSION:

A business, no matter how small should meet minimum requirements in terms of information technology to keep pace with the modern practices. Tourists sometimes rely on websites to choose their destination of choice and make on-line booking. To keep pace with competition, it is necessary for small businesses to invest in information technology to drive their sales and marketing of the products.

Basic information technology is also required to keep operational records as they relate to, among other things, financial and human resource records. Having an e-mail and website address for instance enables even the small business to be linked to the marketing organisations such as TKZN or the relevant tourism associations thereby having access to market. However, this is only possible provided the business is formally registered with these organisations.

CONCLUSION

Information technology skills are necessary to improve business efficiency and effectiveness. E-marketing is taking over the traditional marketing approach, thus a need to conform to the new ways of doing business. It is interesting to note that, as part of SMME skills development, the Department of Economic Development and Tourism partnered with Further Education Colleges to enable 981 SMMEs to receive business management and basic computer skills training (DEDT Annual Report 2009/10).

4.4.2.5 Question 9: You are aware of your limitations concerning management skills in such cases you consult suitably qualified people

Table 4.16: Engagement of Professional Experts

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid disagree	1	2.9	2.9	2.9
uncertain	2	5.7	5.7	8.6
agree	23	65.7	65.7	74.3
strongly agree	9	25.7	25.7	100.0
Total	35	100.0	100.0	

You are aware of your limitations concerning management skills in such cases you consult suitably qualified people

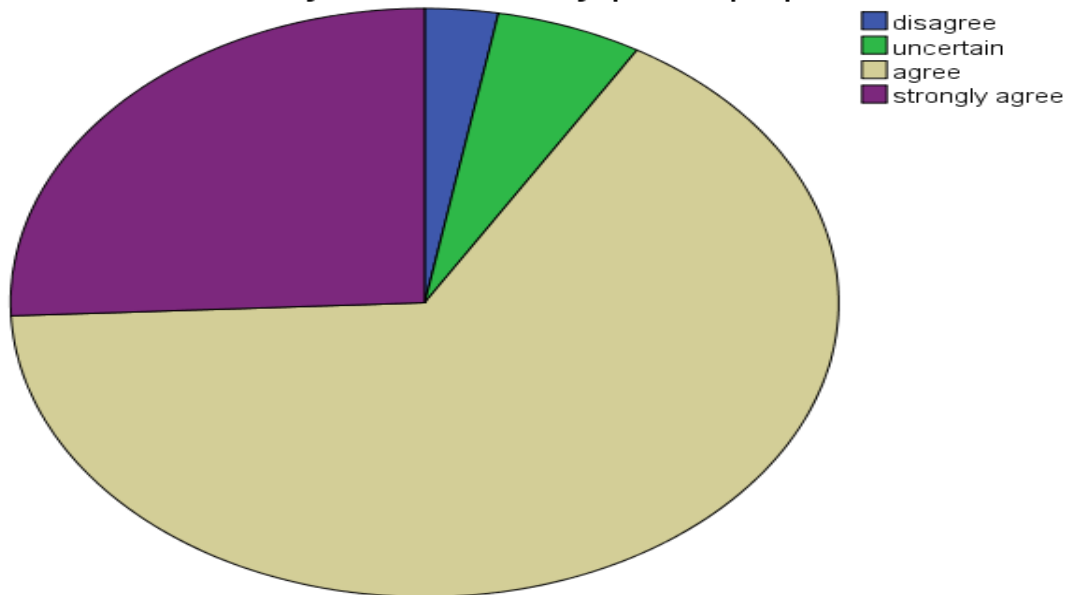


Figure 4.16: Engagement of Professional Experts

FINDINGS:

It is interesting to note that the SMMEs value management skills such that where they lack certain expertise, professional experts are engaged. With 91.4% of the respondents supporting this statement, is an indication that SMMEs are open to supplement their capacity for the survival of their businesses. A small component of the respondents disagreed at 2.9% and 5.7% remained uncertain. Probably, those business owners have not yet encountered situations requiring a different set of skills they do not have.

DISCUSSION:

Overall, the SMMEs place significance on management, experience and skills. Positive responses have been obtained to all questions relating to the aforementioned factors. It appears that SMME enterprises have chosen the correct business model and are prepared to make necessary interventions where skills gap have been identified.

CONCLUSION:

Appropriate knowledge and skills is critical to optimise business opportunities and promote growth. The SMME tourism service providers take cognisance of the fact that experience, skills and qualification form part of the basic formula to succeed in business.

4.4.3 OBJECTIVE 3: To identify key impediments to management and entrepreneurship development

4.4.3.1 Question 19: Family background plays an important role in cultivating entrepreneurial flair

Table 4.17: Family Background

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly disagree	3	8.6	8.6	8.6
disagree	12	34.3	34.3	42.9
uncertain	6	17.1	17.1	60.0
agree	10	28.6	28.6	88.6
strongly agree	4	11.4	11.4	100.0
Total	35	100.0	100.0	

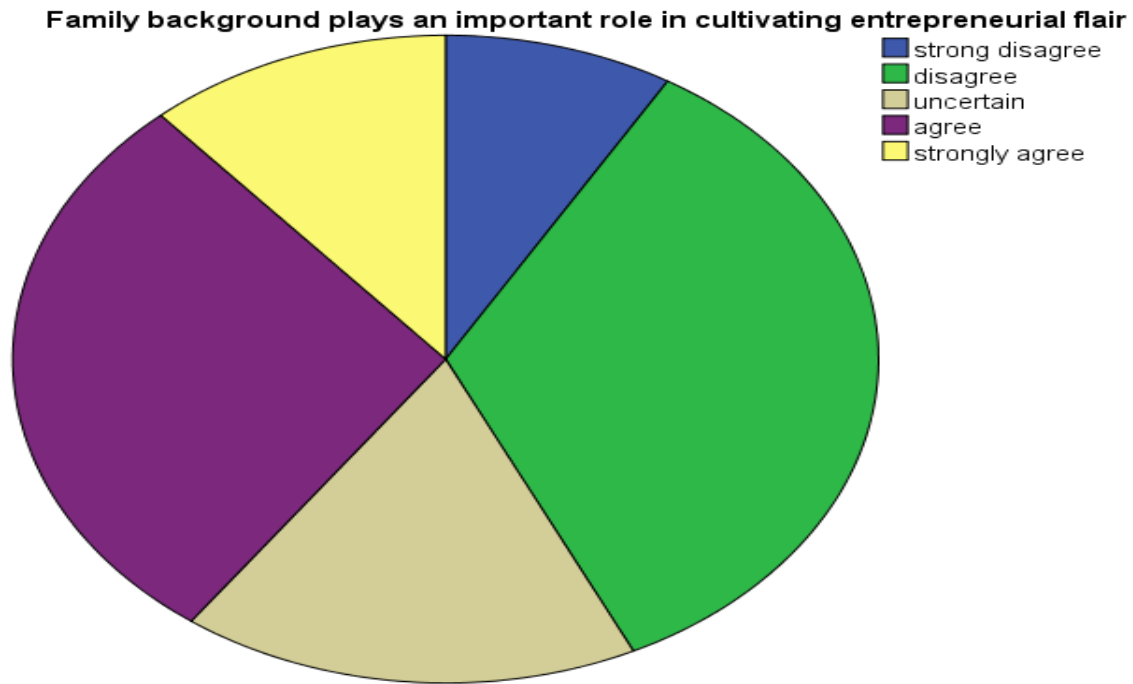


Figure 4.17: Family Background

FINDING:

Some 42.9% of the respondents disagreed with the statement, while 40% agreed with it and 17.1% remained uncertain.

DISCUSSION:

This question was aimed at determining whether one’s upbringing could be a constraint or a primary driver to venture into business. The results indicated in table and figure 4.15 above revealed no great disparity in the percentage of those who agree and those who disagree that family background plays an important role in cultivating entrepreneurial flair.

This means there is a level of balance, where at some point growing up in a business-orientated family contributes positively to one’s desire to venture into business. On the other hand, the success of one’s business is independent of upbringing and background, but largely depends on the efforts being put in place by the individual to thrive in the business world. Those who were uncertain possibly share a similar sentiment that this can be either true or false depending on the prevailing circumstances.

CONCLUSION:

In the absence of a clear direction on the relationship between family background and the business decision, it can be concluded that this can either have or not have a bearing on the individual’s decision to venture into business. It is recognised that more questions should have been asked to probe additional responses on this matter.

4.4.4 OBJECTIVE 4: To determine job creation by SMME tourism service providers

4.4.4.1 Question 24: How many people do you employ full-time?

Table 4.18: Job statistics

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 1-3	24	68.6	70.6	70.6
4-6	8	22.9	23.5	94.1
10 and more	2	5.7	5.9	100.0
Total	34	97.1	100.0	
Missing System	1	2.9		
Total	35	100.0		

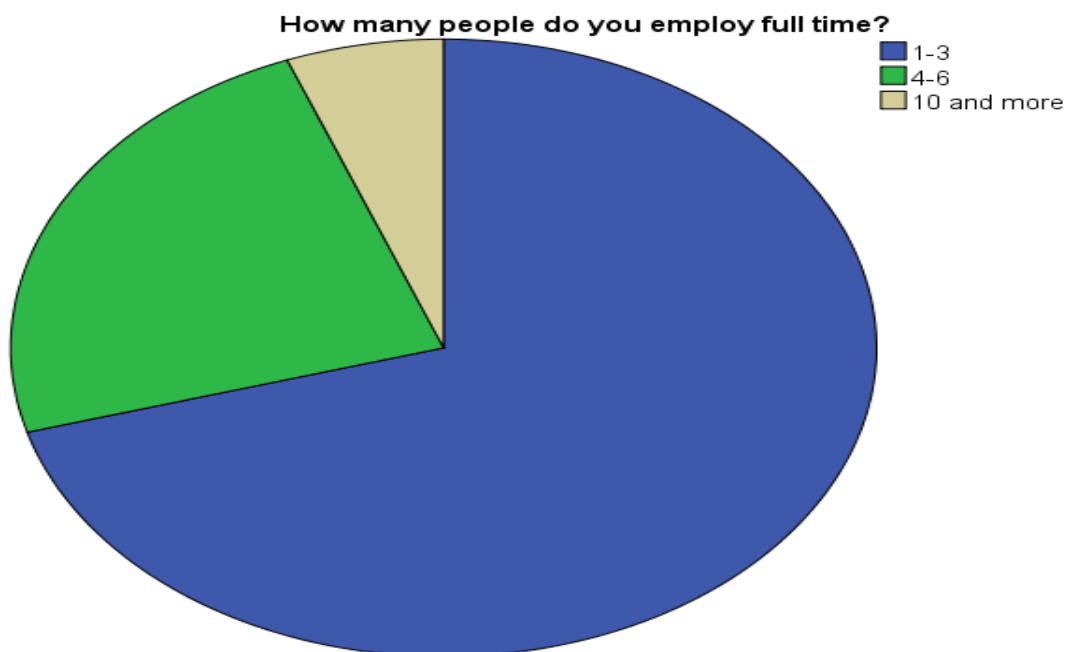


Figure 4.18: Job Statistics

FINDING:

In terms of table and figure 4.16 above, 68.6% of the respondents employed between 1 and 3 staff members, 22.9% of the respondents employ between 4 and 6 and 5.7% employed 10 or more.

DISCUSSION:

Unemployment is one of the socio-economic challenges facing the country. There is an urgent need to implement sustainable programmes to combat unemployment thereby alleviating poverty. The KZN government has instituted a number of empowerment programmes to provide integrated business support and development services to stimulate SMME enterprises.

Small businesses are regarded as the engine for economic development. Appropriate interventions should be made to encourage banks to provide finance to SMMEs. Tax incentives should also be implemented to bolster up the SMME activities. There should be ongoing awareness to instil a sense of entrepreneurship to the broader community. This should mostly target graduates to consider prioritising entrepreneurship and regard professional employment as an alternative option.

The pie graph above indicates that the majority of SMMEs employed between 1 to 3 staff members. It is anticipated that more staff could be employed in the event of business expansion. The SMMEs have potential to reduce unemployment rate within the country and the province. It is incumbent upon the authorities to relax business-related legislation to promote business development and expansion for a subsequent reduction in the unemployment rate.

CONCLUSION:

Investment in the promotion of the SMME business is necessary to ensure development of a number of businesses to assist in curbing the unemployment rate. The authorities should strengthen their initiatives aimed at attracting direct foreign investments to boost the province's economy. The province should strive to position itself such that it attracts established businesses to base their headquarters in KZN which could have a tremendous impact on employment levels and promotion of business tourism.

4.4.4.2 Question 25: How many people do you employ part-time?

Table 4.19: Job statistics

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 1-3	21	60.0	72.4	72.4
4-6	6	17.1	20.7	93.1
7-9	1	2.9	3.4	96.6
10 and more	1	2.9	3.4	100.0
Total	29	82.9	100.0	
Missing System	6	17.1		
Total	35	100.0		

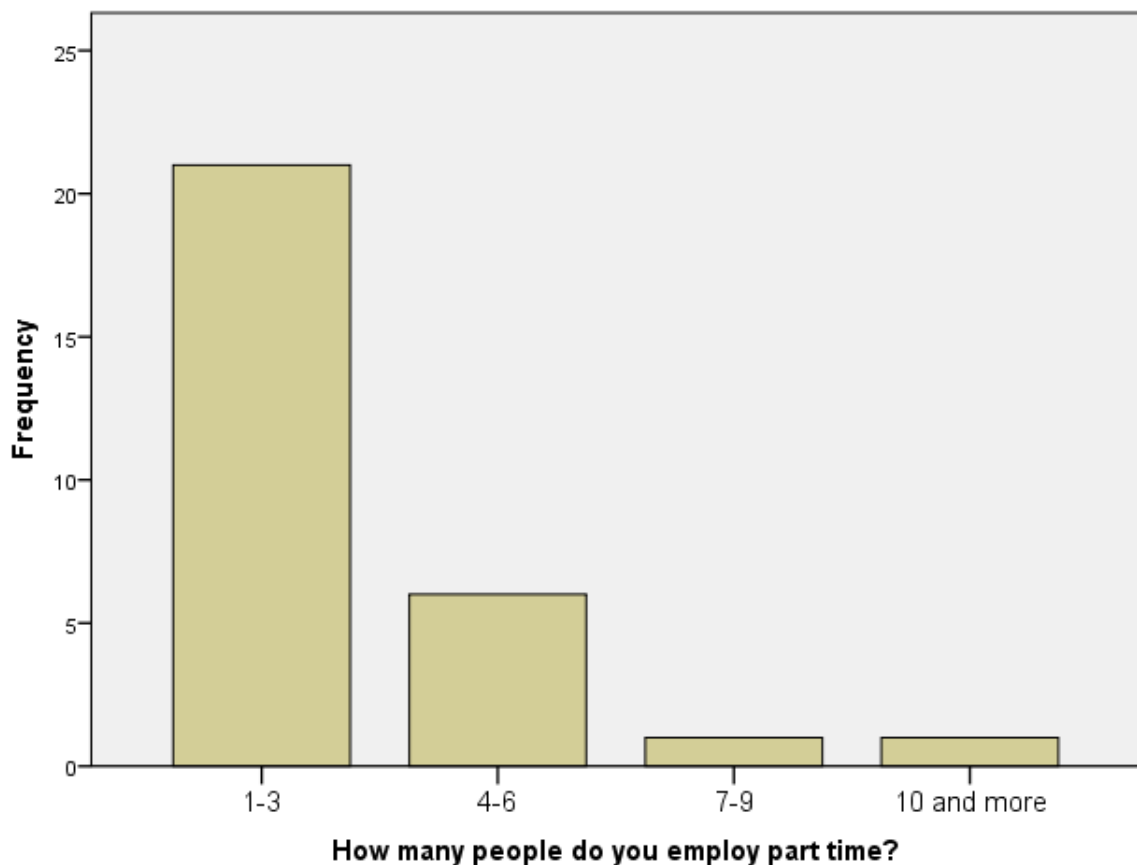


Figure 4.19: Job statistics

FINDING:

In terms of the table above, 60% of the SMME enterprises employed between 1 to 3 part-time staff members, 17.10% employed between 4 to 6, 2.9% employ between 7 to 9 and 2.9% employed 10 or more.

DISCUSSION:

Tourism is affected by seasonality, therefore, some of the jobs would be sustained only during high seasons or events hosted by the province. Continued investment in tourism and event promotion is critical to avoid seasonal employment practices and also create decent jobs.

CONCLUSION:

Concerted efforts are required to promote tourism within the province thereby increasing tourist arrivals. Looking at the number of full-time and part-time staff members, it is clear that a number of people could be employed should the tourism business becomes sustainable throughout the year. Tourism stakeholders should co-ordinate promotional initiatives to drive more tourists to the province. Government should also consider implementing incentive programmes to encourage the usage of SMME establishments.

4.5 Tourism-related Questions

Questions 3 to 6 and 10 to 18 of the questionnaire related specifically to the tourism business. It was aimed to establish what prompted service providers to venture into the tourism business.

4.5.1 Question 3: Prior tourism industry knowledge led to the decision to enter the tourism business

Table 4.20 Tourism Industry Knowledge

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid disagree	9	25.7	25.7	25.7
uncertain	3	8.6	8.6	34.3
agree	15	42.9	42.9	77.1
strongly agree	8	22.9	22.9	100.0
Total	35	100.0	100.0	

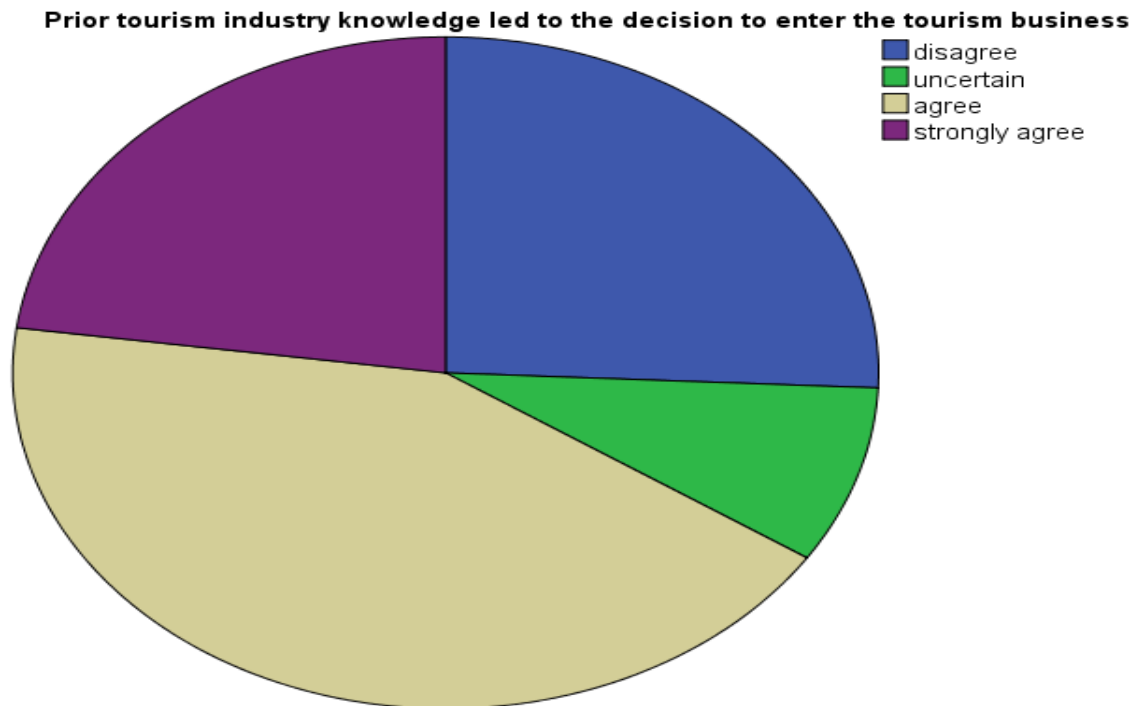


Figure 4.20 Tourism Industry Knowledge

FINDING:

Table and figure 4.18 above revealed that 65.8% of the respondents were influenced by prior tourism knowledge to enter the tourism business. On the other hand, 25.7% of the respondents were just entrepreneurs who saw an opportunity in tourism without having prior knowledge in the business.

DISCUSSION:

It is common practice to identify a business opportunity in one's line of employment. It becomes easy to venture into the type of business where one has the highest understanding of its functioning. One may find that people who run B & B establishments once worked in hotels. This made them aware of issues such as service levels, suppliers, pricing strategy, room set up and competition.

Besides that, an entrepreneur constantly searches for business opportunities, and in this case, they might be represented by 25.7% of the respondents who saw an opportunity to succeed in the tourism business without having prior knowledge in the business of this nature.

CONCLUSION:

An entrepreneur constantly searches for business opportunities to start and/or to expand the business. Prior business knowledge is an added advantage because of exposure in the business, hence, the understanding of trade secrets associated therewith. However, other entrepreneurs can also thrive in this business without having prior knowledge but based on research undertaken on the functioning of the business.

4.5.2 Question 4: You ended up in the tourism business because you were unemployed

Table 4.21: Reason for starting a tourism business

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly disagree	11	31.4	32.4	32.4
disagree	14	40.0	41.2	73.5
agree	8	22.9	23.5	97.1
strongly agree	1	2.9	2.9	100.0
Total	34	97.1	100.0	
Missing System	1	2.9		
Total	35	100.0		

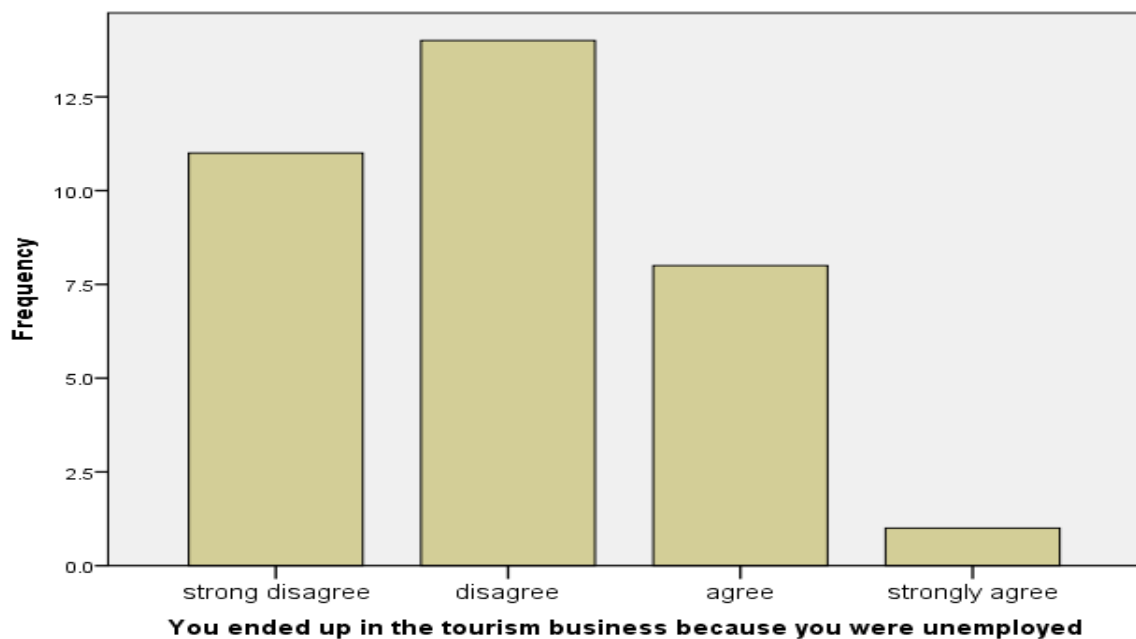


Figure 4.21: Reason for starting a tourism business

FINDING:

The majority of the respondents, at 71.4% were not driven to the tourism business because of unemployment though a sizable 25.8% ventured into this business because of their unemployment status.

DISCUSSION:

Different circumstances drive individuals to start their own businesses. This might include inner passion about the business, unemployment, retrenchment or restructuring. It is interesting to note that the majority of the respondents entered the tourism sector through making a conscious decision. This might have great impact on business sustainability in view of the great likelihood for business owners to remain committed in the business despite challenges that might arise.

The fact that the other people entered the tourism business because of unemployment is also interesting. It indicates that people did not decide to form part of the statistics of discouraged work seekers but looked for alternative means of survival. These people managed to create work for themselves whilst also creating work for others.

CONCLUSION:

A combination of factors leads to a decision to start a business. Since not everybody reaches a level where he/she sees an alternative in the business world, it can be safely said that an entrepreneurial quality exists within those who are able to see alternative options in the midst of unemployment.

The findings in this regard can be linked to the findings of the prior question where the majority of the respondents claimed to have had prior tourism industry knowledge. Likewise, the highest number of the respondents claimed not to be in the tourism business because of unemployment. The sequence of responses to these questions substantiates the fact that the respondents made a conscious decision to venture into the business of this nature.

4.5.3 Question 5: You ventured into the tourism business due to inner drive to succeed in this industry

This question is also related to the preceding two questions and the consistent approach in the responses given is evidence that proper planning was done prior to opening a tourism business.

Table 4.22: Reason for venturing in the tourism business

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid uncertain	3	8.6	8.6	8.6
agree	23	65.7	65.7	74.3
strongly agree	9	25.7	25.7	100.0
Total	35	100.0	100.0	

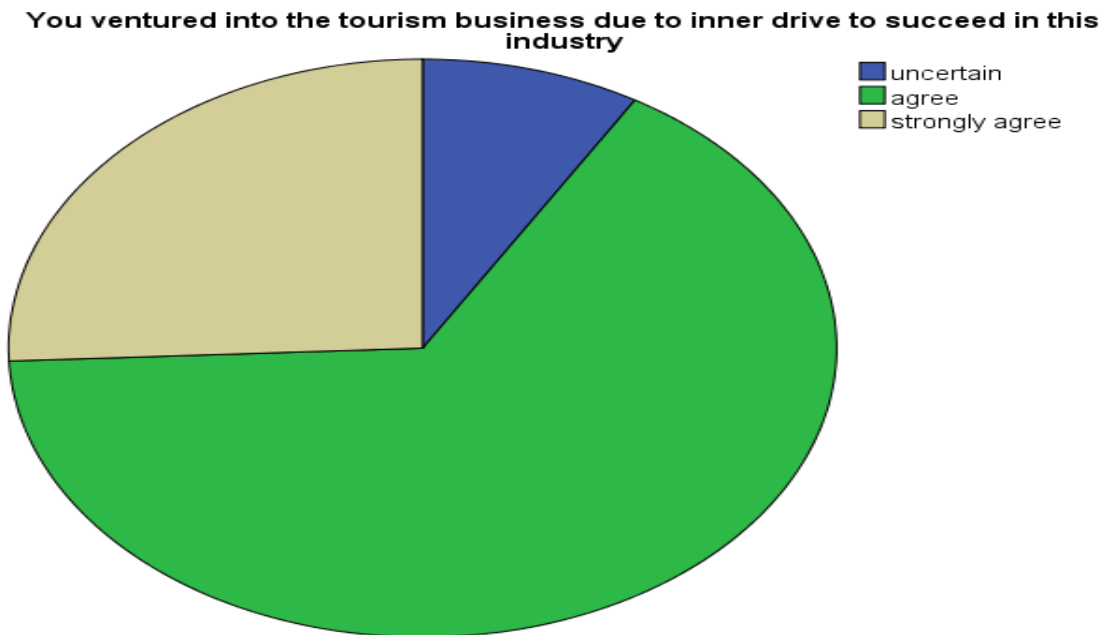


Figure 4.22: Reason for venturing in the tourism business

FINDING:

Some 97.7% of the respondents supported the above statement. Those who remained uncertain at 8.6% may represent those who were initially driven by unemployment to start their business and perhaps only found passion along the way.

DISCUSSION:

Long-term growth is expected in the tourism business since the majority of the SMME enterprises are highly passionate about the business. According to South African Tourism, 95% of firms in the South African tourism industry are SMMEs (SAT Annual Report 2010/11). It is therefore clear that the SMME sector represents the bulk of businesses in the country and therefore plays a critical role in economic development, job creation and thus poverty alleviation.

CONCLUSION:

The investment by government should focus on strengthening the SMME sector through provision of skills development and facilitation of access to finance. Entrepreneurship should be featured prominently at the basic education level. Market access should be created for SMME enterprises.

4.5.4 Question 6: The decision to open your tourism business was taken based on research you did

Table 4.23: Business Research

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid disagree	1	2.9	2.9	2.9
uncertain	1	2.9	2.9	5.7
agree	23	65.7	65.7	71.4
strongly agree	10	28.6	28.6	100.0
Total	35	100.0	100.0	



Figure 4.23: Business Research

FINDING:

An informed decision was taken by the respondents to pursue the tourism business. That 94.3% of the respondents confirmed they conducted research means few individuals might have landed in the tourism business by default.

DISCUSSION:

The fact that the respondents conducted research implies their decision was based on thorough analysis of strengths, weaknesses, opportunities and threats facing the tourism business. The respondents were aware of the micro and macro environments affecting the tourism business. This is a further indication of the entrepreneurial capacity within the SMME tourism service providers.

CONCLUSION:

Intelligence gathering gives a clear picture on the economic impact as a result of the business activities. Through the research conducted, the respondents were able to analyse potential growth thus the viability of the tourism business.

4.5.5 Question 10: You are satisfied with the marketing of your business

Table 4.24: Marketing Activities

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strong disagree	1	2.9	2.9	2.9
disagree	9	25.7	25.7	28.6
uncertain	9	25.7	25.7	54.3
agree	14	40.0	40.0	94.3
strongly agree	2	5.7	5.7	100.0
Total	35	100.0	100.0	

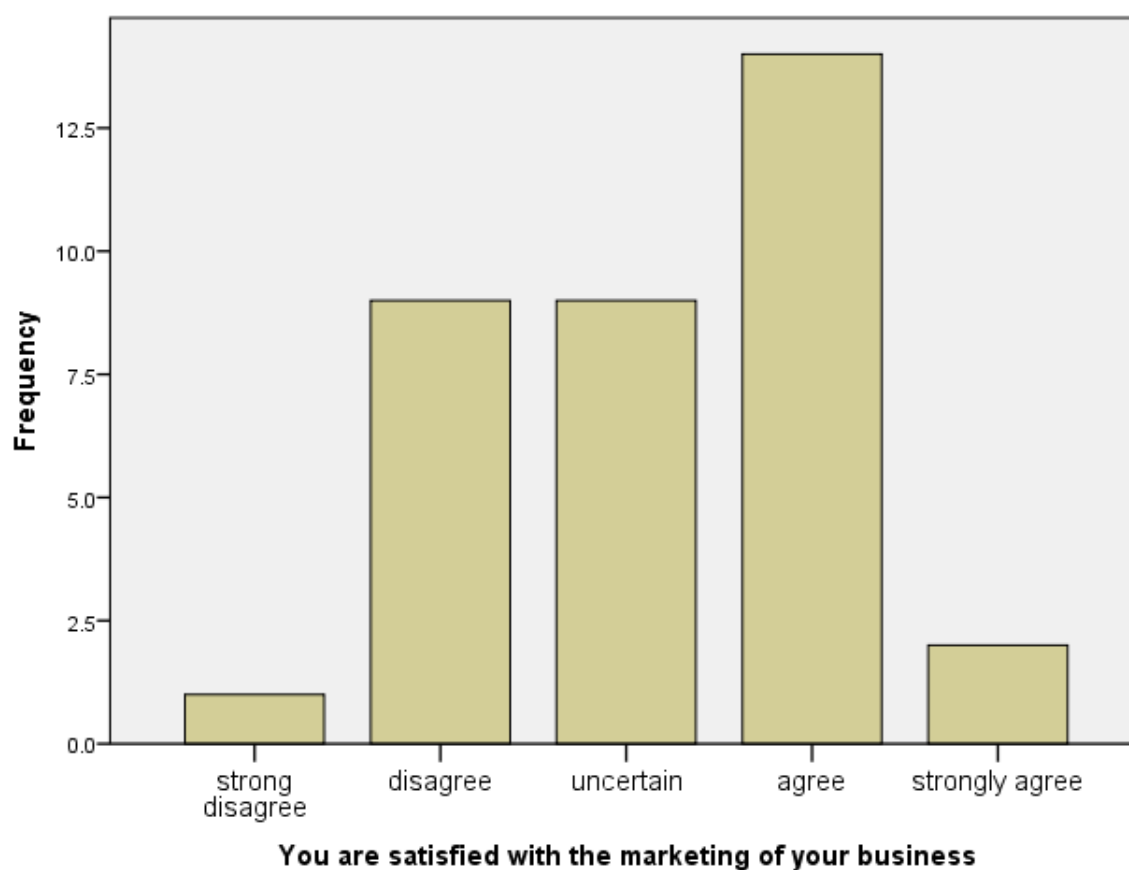


Figure 4.24: Marketing Activities

FINDING:

In terms of figure and table 4.22 above, 45.7% of the respondents indicated satisfaction with the marketing of their businesses. This is denied by 28.6% of the respondents while 25.7% remained uncertain.

DISCUSSION:

The marketing aspect is influenced primarily by the level of networking being done by the business as well as investment made on the marketing activities. Businesses who register with relevant associations receive a fair amount of marketing. The responses obtained on this matter might have been influenced by the level of success of individual businesses.

Other entrepreneurs would constantly look for promotional aspects, at no point would claim to be satisfied with the marketing of their business. It can also be assumed that 25% of the respondents were uncertain simply because businesspersons may desire constant growth.

CONCLUSION:

Marketing is an ongoing activity irrespective of the age of the business. This is the reason why well established brands, such as Coca-Cola still maintain their presence. Due to the very nature of the SMME enterprises, time and money should be invested to gain access on promotional platforms and remain effective in the business world.

4.5.6 Question 11: Excellent customer service has earned your business good reputation

Table 4.25: Customer Relations Management

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid uncertain	1	2.9	2.9	2.9
agree	15	42.9	44.1	47.1
strongly agree	18	51.4	52.9	100.0
Total	34	97.1	100.0	
Missing System	1	2.9		
Total	35	100.0		

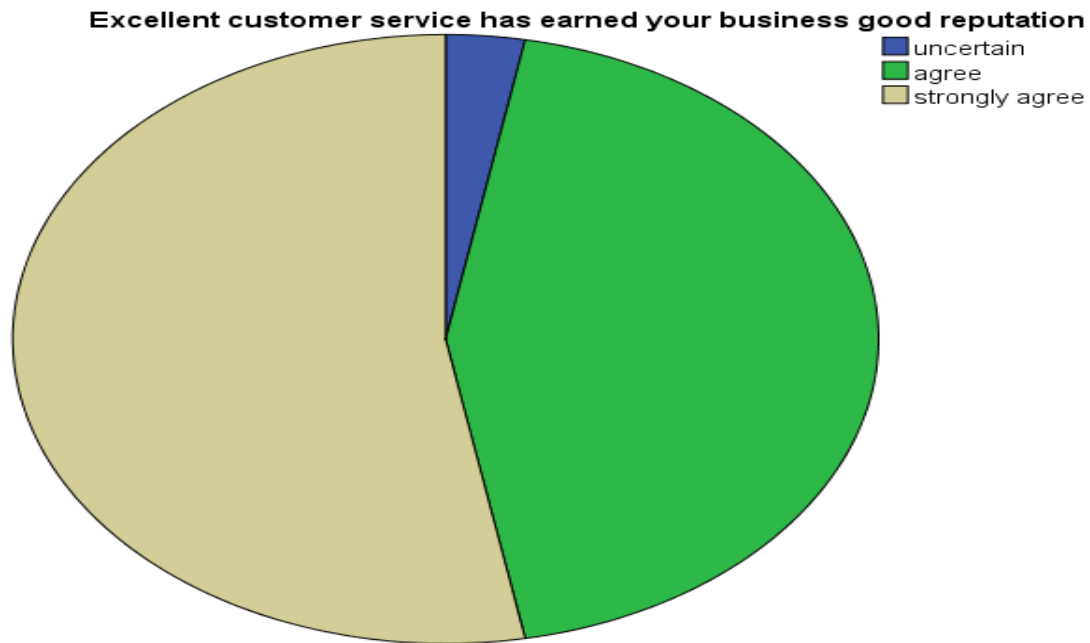


Table 4.25: Customer Relations Management

FINDING:

Service excellence is a key component of the business, more so than the price of the actual product. It appears that SMME enterprises are fully aware of the impact of this aspect since 94.3% of them agreed that excellent customer service has earned their businesses good reputation. Only 2.9% of the respondents were uncertain.

DISCUSSION:

As discussed under literature survey in Chapter 2 of this study, products are becoming the same, therefore service excellence serves as a differentiation factor. Small businesses might not have big budget to spend on advertisement, therefore, maintaining positive reputation becomes even more crucial. The findings in this regard symbolise the value placed by small businesses on service excellence.

CONCLUSION:

A dedicated approach to winning and keeping customers by creating and delivering value better than the competitors is required. Small businesses should strengthen their customer relations management to enjoy repeat business without forfeiting huge amounts of money on advertising.

4.5.7 Question 12: Access to mentorship programme assists business people to understand the dynamics of the business world

Table 4.26: Mentorship Programme

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid agree	21	60.0	61.8	61.8
strongly agree	13	37.1	38.2	100.0
Total	34	97.1	100.0	
Missing System	1	2.9		
Total	35	100.0		

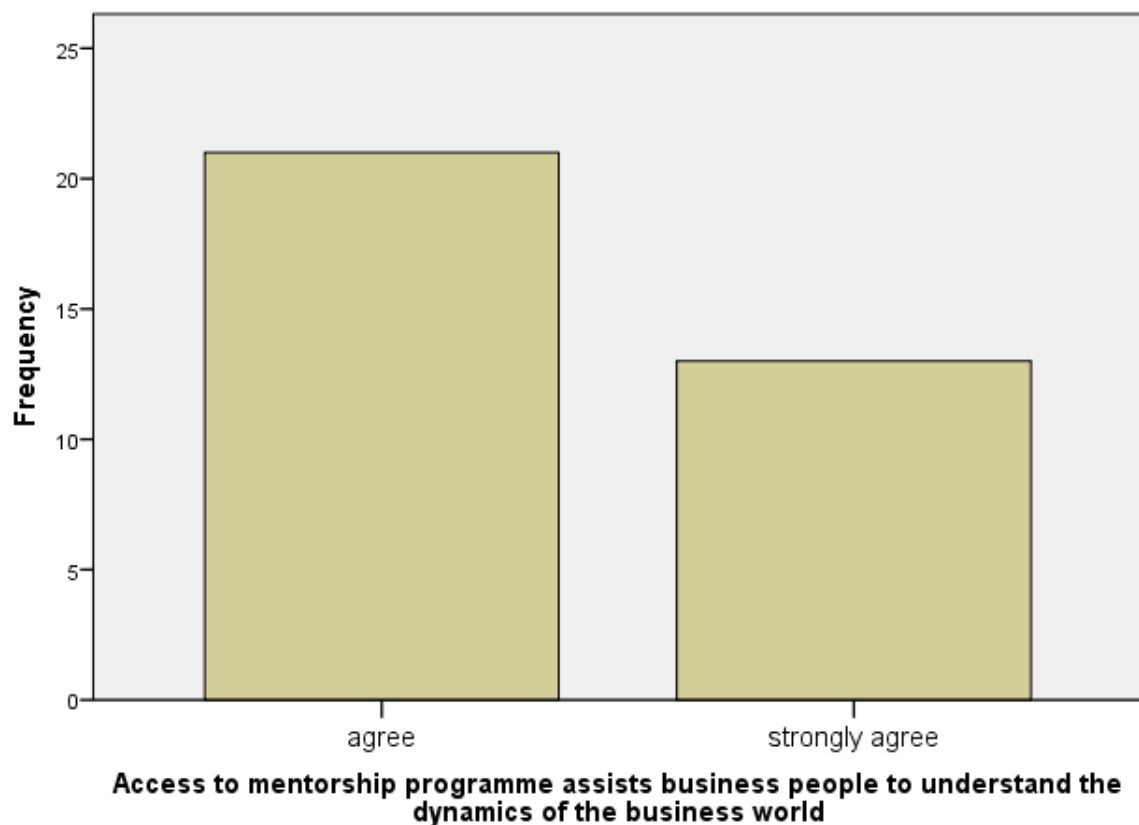


Figure 4.246 Mentorship Programme

FINDING:

A large percentage (97.10%) of the respondents supported the implementation of mentorship programmes.

DISCUSSION:

Government has introduced a number of programmes to create an enabling environment for the empowerment and development of small businesses. The organisations such as TKZN also run empowerment programmes for the SMMEs and creating market access opportunities for them. To this end, TKZN has formulated a secondary market strategy where SMMEs are sponsored to tap into unsaturated markets internationally.

CONCLUSION:

Government is playing a pivotal role in creating an enabling environment for small businesses. It is incumbent upon the enterprises to absorb as much information as possible and leave the incubation and empowerment programmes fully equipped to independently drive their tourism business.

4.5.8 Question 13: You receive a good deal of mentorship from support organisations such as Tourism KwaZulu-Natal

Table 4.27: Mentorship Organisations

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid uncertain	3	8.6	8.6	8.6
agree	20	57.1	57.1	65.7
strongly agree	12	34.3	34.3	100.0
Total	35	100.0	100.0	

You receive a good deal of mentorship from support organisations such as Tourism KwaZulu-Natal

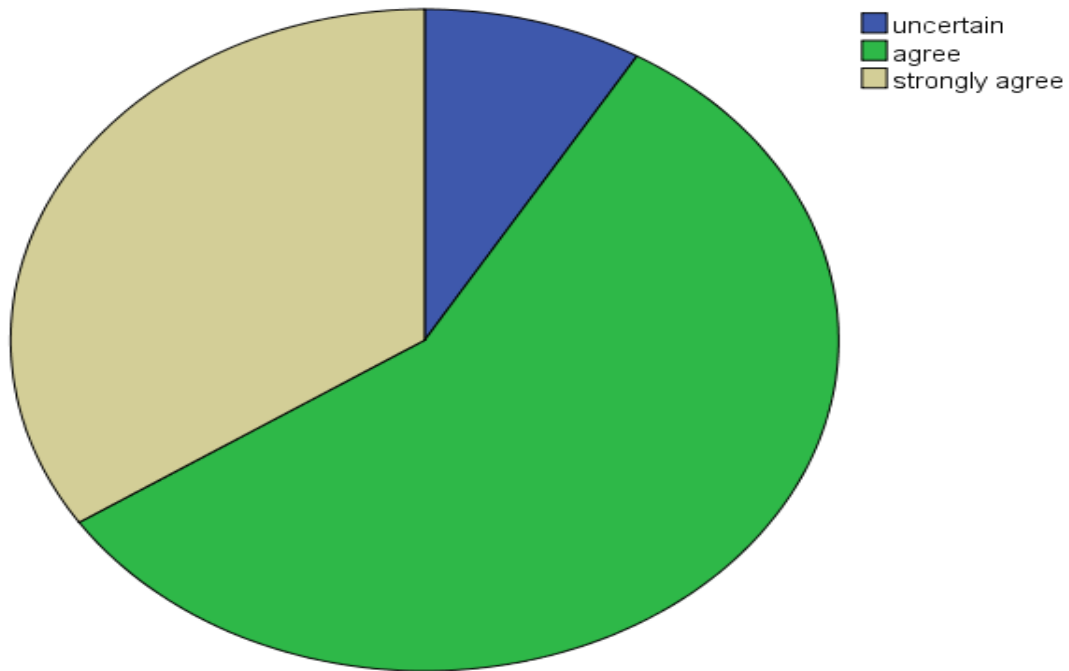


Figure 4.27: Mentorship Organisations

FINDING:

A number of small businesses subscribe to the mentorship programmes, with 91.4% of the respondents confirming to be engaged in the mentorship programmes. Only 8.6% of the respondents were uncertain.

DISCUSSION:

TKZN in particular has a dedicated unit for the empowerment of small businesses and aspiring tourism entrepreneurs. This unit offers tourism-related training to emerging businesses, and helps to facilitate mentorship, in-service training and market access.

CONCLUSION:

Capacity building programmes are available for small businesses. It is incumbent upon them to register with relevant organisations to enjoy the SMME benefits including enrolling on the empowerment programmes.

4.5.9 Question 14: Linkages with the other tourism service providers are essential for business growth

Table 4.28: Strategic Alliance

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid uncertain	2	5.7	5.7	5.7
agree	20	57.1	57.1	62.9
strongly agree	13	37.1	37.1	100.0
Total	35	100.0	100.0	

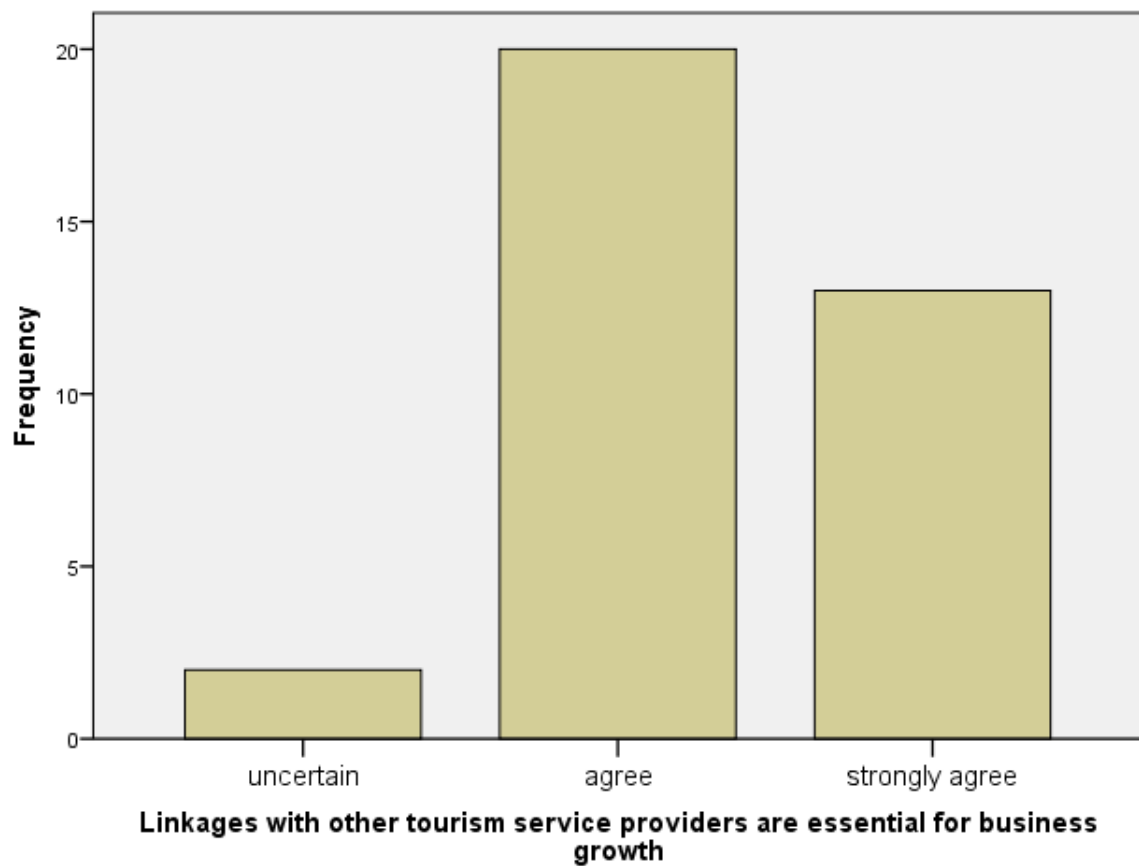


Figure 4.28: Strategic Alliance

FINDING:

It has been established that small businesses value networking opportunities, this being supported by 94.2% of the respondents with 5.7% remaining uncertain.

DISCUSSION:

Effective partnership is required in the tourism business to provide satisfactory tourists experience. The networking platforms are therefore necessary to share learnings and best practice in the tourism industry. This requires small businesses to work in competition and in co-operation with the other service providers. This is necessary because a dissatisfied tourist, through bad service received from one service provider, can ruin the reputation of the entire tourism destination.

CONCLUSION:

Co-operation among the tourism stakeholders is necessary to ensure responsible tourism practices, thereby making significant contribution to economic development within the province.

4.5.10 Question 15: Affiliation to Tourism KwaZulu-Natal is important for marketing opportunities

Table 4.29: Affiliation Status - TKZN

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid uncertain	1	2.9	2.9	2.9
agree	22	62.9	62.9	65.7
strongly agree	12	34.3	34.3	100.0
Total	35	100.0	100.0	

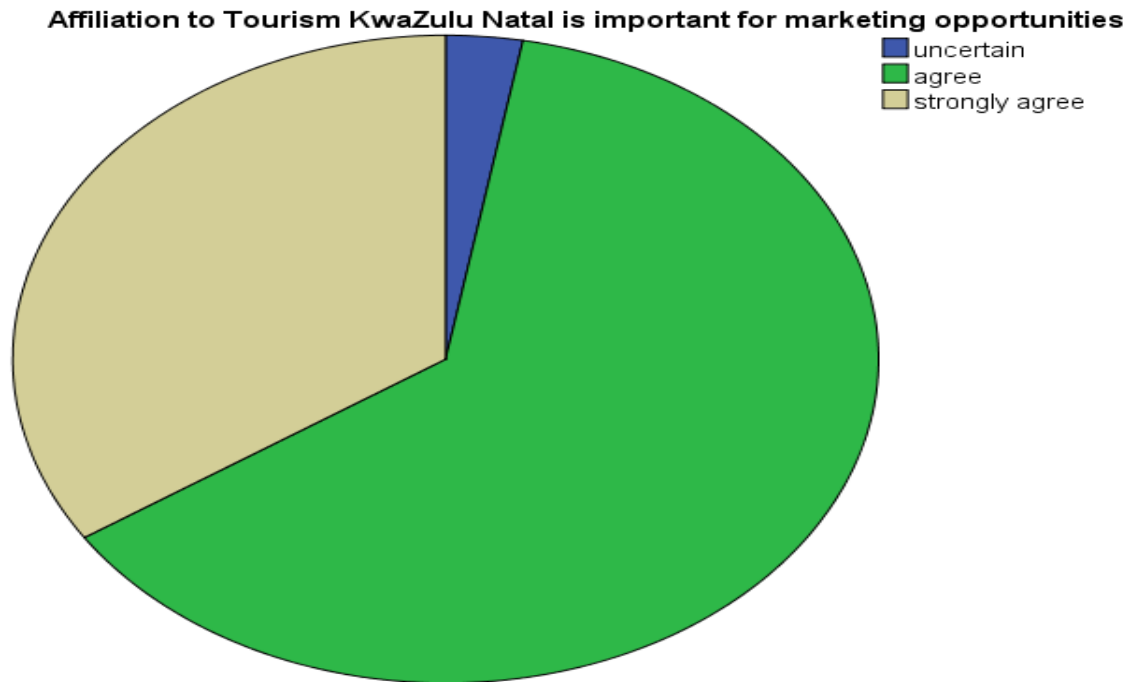


Figure 4.29: Affiliation Status - TKZN

FINDINGS:

TKZN is responsible for generic promotion of the province to create an enabling environment for the tourism trade. It appears that 97.2% of the small businesses were satisfied with the TKZN activities in this regard. It is recorded that 2.9% of the respondents remained uncertain.

DISCUSSION:

Tourism service providers are required to register with TKZN to access market opportunities. The province is the official host of the premier event called Tourism Indaba.

Exhibition opportunities are created for SMMEs to interact with international buyers. TKZN also exhibit in various other national events with SMME service providers registered with the organisation being offered promotional opportunities on a rotational basis.

During the trade forum facilitated by TKZN, a structured criteria is followed to select two service providers to be sponsored to participate in upcoming international events. It may happen that the 2.9% respondents who were uncertain are not registered with TKZN, hence, are excluded from receiving member benefits.

CONCLUSION:

Affiliation with relevant bodies is important for the individual business growth and for development of the entire tourism destination.

4.5.11 Question 16: Affiliation to other tourism organisations is important for marketing opportunities

Table 4.30: Affiliation Status – Tourism Trade

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid uncertain	1	2.9	2.9	2.9
agree	22	62.9	62.9	65.7
strongly agree	12	34.3	34.3	100.0
agree				
Total	35	100.0	100.0	

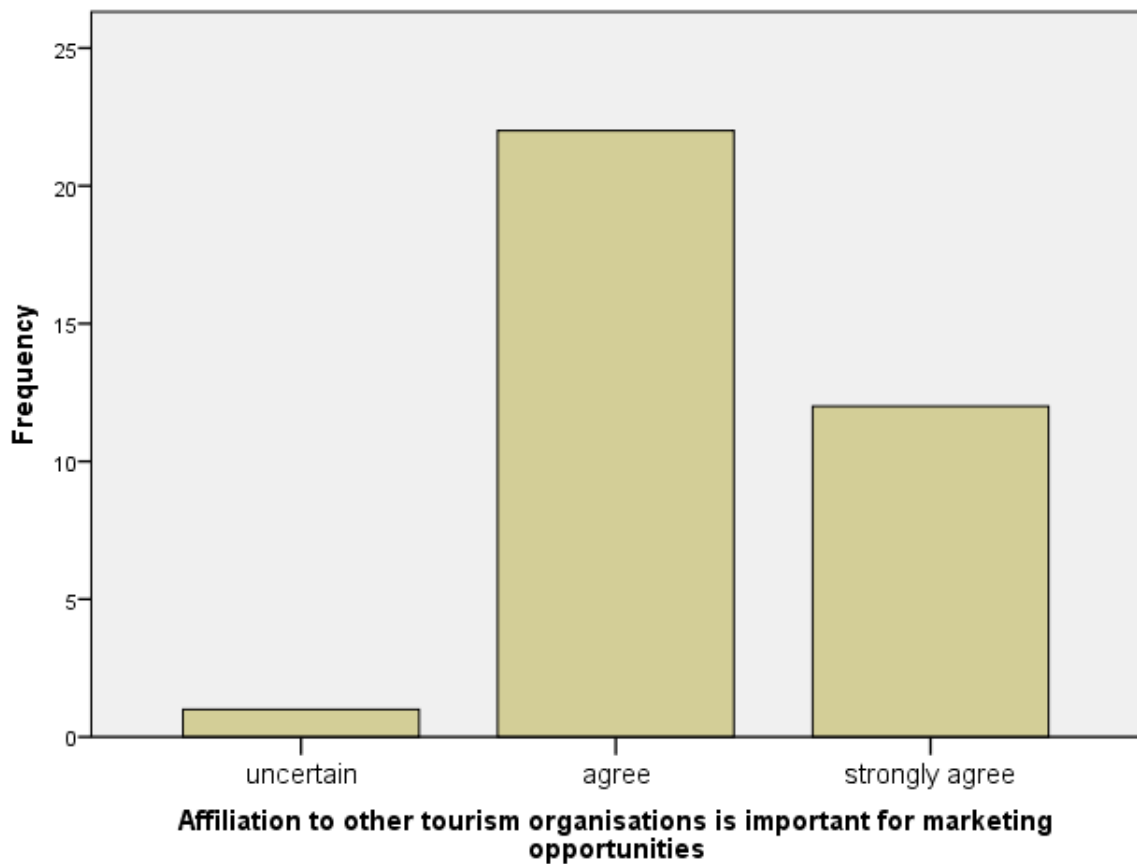


Figure 4.30: Affiliation Status - Tourism Trade

FINDINGS:

The majority of the SMMEs are registered with the relevant tourism associations and this is recorded at 97.2% of the respondents with 2.9% being uncertain.

DISCUSSION:

Tourism is a highly organised business and affiliation to the relevant association becomes crucial for the business to remain competitive. The associations assist with market access and skills development. For bed and breakfast establishments, the KwaZulu-Natal Bed and Breakfast Association caters for this group.

For established hospitality businesses such as hotels, they register with the Federation of Hospitality Association in Southern Africa. For tour operating services, registration is done with the Southern African Tour Operator Service Association, and for tour guiding, the KwaZulu-Natal Tour Guiding Association is the relevant body.

CONCLUSION:

To register with the relevant tourism association is not an option but a must if the owner is serious about business development and growth. A collective agenda carries significant weight rather than individual voices. Therefore, registration is encouraged to build the tourism business within the province and be able to compete on an equal footing with its counterparts.

4.5.12 Question 17: You create opportunities to share business intelligence with established tourism business, to grow your business

Table 4.31: Sharing of Business Intelligence

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid disagree	2	5.7	5.7	5.7
uncertain	5	14.3	14.3	20.0
agree	16	45.7	45.7	65.7
strongly agree	12	34.3	34.3	100.0
Total	35	100.0	100.0	

You create opportunities to share business intelligence with established tourism businesses, to grow your business

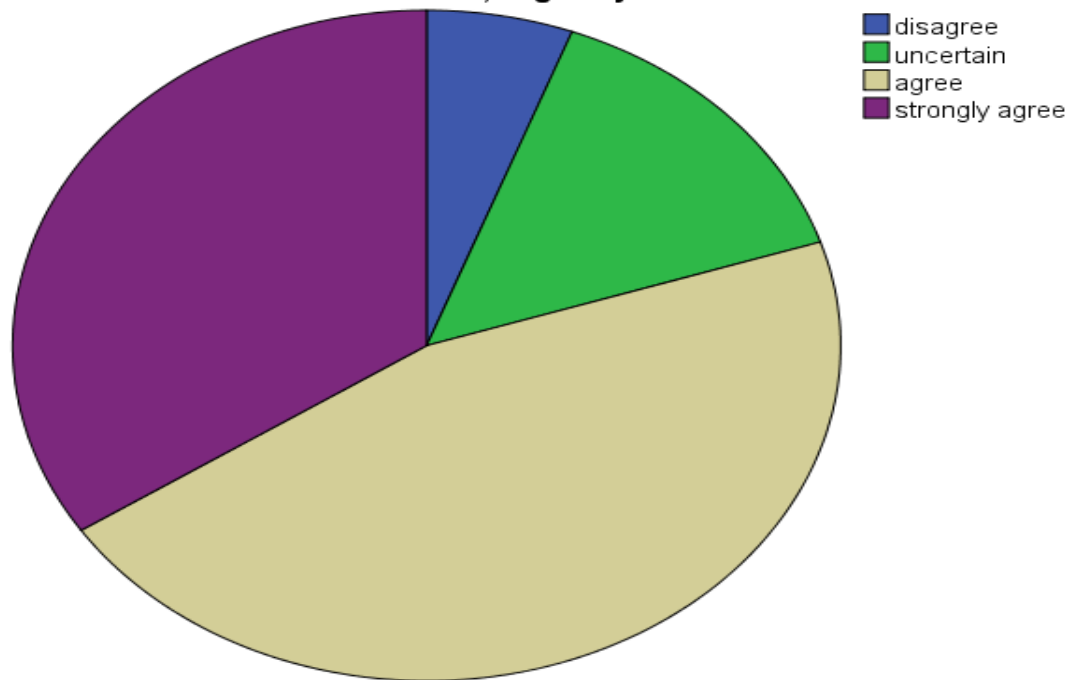


Figure 4.31: Sharing of Business Intelligence

FINDINGS:

Established businesses can also be approached for mentorship and 80% of the respondents are willing to share intelligence with the established businesses, with 5.7% of the respondents disagreeing and 14.3% remaining uncertain.

DISCUSSION:

It is considered prudent to share business intelligence with the established businesses to gain insight on key strategic issues impacting on the tourism business. Others may view this as sharing your business goals with a competitor, hence, 14.3% of the respondents remained uncertain in this regard and 5.7% disagreed.

Business owners should realise that not everything is about competition, but other platforms are created just to share learnings. The SMMEs and the established businesses might be doing a similar business but their target market is different. For instance, business tourism delegates might be targeting established businesses while SMMEs cater for domestic leisure tourism.

CONCLUSION:

As previously discussed, tourism stakeholders should have a common vision of creating a safe and attractive tourism destination for tourists. Therefore, sharing of information is critical to ensure common understanding on issues impacting on the tourism business.

4.6 Summary

Significant contribution is made by small businesses in economic development. Concerted efforts should be made to strengthen programmes aimed at stimulating small business, especially in the tourism sector, to bring about positive economic changes within the province. The findings of this study revealed a high degree of entrepreneurship among a sample population of the SMME tourism service providers. Furthermore, the SMMEs are characterised by individuals having a strong sense of leadership excellence and who subscribe to the highest level of management disciplines.

The SMME tourism enterprises have shown great potential to take the tourism business to the highest level. To promote a shared vision, ongoing joint strategic sessions between government and tourism associations are recommended. The sessions are intended to focus tourism associations and the collective membership towards a common goal and ensure synchronised, synergistic strategies and complementary activities that will maximise the investment made by the KZN tourism fraternity. The main conclusion of this study focusing on the achievement of predetermined objectives will be presented in the next chapter as well as recommendations for a future study.

CHAPTER 5

CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter focuses on the end result of the research study. The primary intention was to ascertain whether the findings were appropriate to the predetermined research objectives. Recommendations are made and suggestions for future research are proposed.

5.2 Overview of Findings and Recommendations

This study was undertaken based on the premise that the KZN-based SMME tourism service providers are characterised by individuals not driven by the spirit of entrepreneurship. There was an assumption that tourism is regarded as a relatively easy business, therefore, a number of people venture into this business without conducting appropriate research to serve as basis of their decisions. The discussion below focuses on linking the research objectives with the findings of the study.

5.2.1 Objective One: To determine entrepreneurial flair of SMME tourism service providers

In chapter 2 of this study, a description of SMMEs was given. In line with the description, the tourism service providers, as per the population sample, fall under the category of very small enterprises. This is because the majority of the SMMEs employ between 1 to 10 employees.

With regard to their entrepreneurial levels, 94.3% of the respondents agreed that they were in possession of entrepreneurial characteristics including flair, imagination, outgoing personality, determination, drive and enthusiasm. The majority of the respondents advised of their willingness to take calculated risks and spoke of their ambitions to grow their businesses. According to Nieman and Nieuwenhuizen (2009), there is a direct relation between entrepreneurial activity and improved economic development in the country. They refer to the success of countries such as the US, Japan and the UK economy through the growth of SMMEs. KZN therefore has an opportunity to improve its economy through SMMEs.

Recommendation:

To prevent decline in the economy, the South African government should continue devising strategies to boost SMME enterprises to ensure sustainable economic development. While structured SMME programmes are implemented at the government level, the SMME enterprises should take ownership and accountability for the success of their business. They should put business strategies in place to monitor achievements and to implement necessary interventions where required.

SMMEs should develop competencies to independently drive their business activities with the government support becoming an additional tool. Academically, more focus is on the development of business management skills such as general management, operations, finance, human resources, public relations, marketing etc. It is important that entrepreneurial skills also form part of the academic curriculum to instil in individual persons the desire and confidence to pursue entrepreneurial activities.

5.2.2 Objective Two: To determine the importance SMME tourism service providers place on management, experience and skills

In a small business environment, an entrepreneur is also a manager responsible for the day-to-day operations of the business. In this view, fundamental management activities such as planning, organising, leading and control form part of his or her core management responsibilities. Nieuwenhuizen (2007) confirms that one of the reasons for business failure in South Africa, particularly, at a small business level, is mainly due to lack of management skills, capital, technical and negotiation skills.

The findings in relation to this objective were positive, with the majority of the respondents placing great value and emphasis on acquiring and implementing management skills. Most importantly, the majority of the respondents advised of their ability to acquire professional assistance when they are not in possession of the expertise required at a given time.

In an established business, an entrepreneur and a manager pursue different roles. However, it should be noted that an entrepreneurial process requires management skills. Nieuwenhuizen (2007) speaks of a need to have a combination of training to develop entrepreneurial and business skills to prepare and develop successful entrepreneurs.

Recommendation:

In addition to management skills, entrepreneurs should invest in acquiring leadership skills. This is because people management is important in achieving business goals. Business owners should not only be concerned with profitability but should empower people to take charge to accomplish strategic business goals. Successful business owners should set clear roles and responsibilities, set standards, motivate staff, give feedback, coach and mentor staff.

Business growth is the ultimate goal for entrepreneurs, it is therefore important to invest in people who share similar business vision and who are keen to introduce revolutionary ways to keep pace with modern ways of doing business.

People management is even more critical in the tourism business since there is greater interaction with customers. Guest satisfaction becomes a primary driver for growth. Morrison (2010) refers to what is termed as relationship marketing. This has to do with treating guests as people with long-term value. The ultimate aim is to develop and manage long-term and trusting relationships with customers, distributors, suppliers and any other parties in the marketing environment.

5.2.3 Objective Three: To identify key impediments to management and entrepreneurial development

Certain factors hinder management and entrepreneurial development. Access to appropriate finance can be a major constraint on the successful development of SMMEs. Poor education can be a significant barrier to management and entrepreneurial activity. Lack of work experience can result in difficulties when pursuing management and entrepreneurial activities.

The respondents provided mixed responses on the question relating to the role played by family upbringing in developing entrepreneurial capacity. Some agreed that family circumstances might impact on the decision to venture into business, but on the other hand, another group felt that success in business was independent of family background and rested entirely on individual efforts.

Recommendation:

In chapter 2 of this study, a number of barriers to entrepreneurship were cited. Cognisance is taken of the fact that this study did not manage to uncover constraints associated with entrepreneurship and business management at SMME level. Thus, it is recommended that a separate in-depth study be conducted on challenges facing entrepreneurs and SMMEs in KZN.

5.2.4 Objective Four: To determine job creation by SMME tourism service providers

To open a new business one requires access to human resources. With every business established, a positive impact is made on the employment rate of the country. An increase in the number of businesses formed brings about an opportunity for job seekers to get employment provided they are in possession of the skills required.

SMMEs are largely associated with the creation of employment. This view is supported by Nieuwenhuizen (2009) who advises that SMMEs are even able to absorb employees of large businesses who have been laid off in the event some of the sections of the large businesses were outsourced to SMMEs. Nieuwenhuizen distinguishes between entrepreneurial ventures and small businesses stating that while both are critical to the performance of the economy they serve different economic functions. Small businesses are satisfied with profitability while entrepreneurial ventures look for innovative ideas, explore growth opportunities and set strategic objectives in relation to market targets, market development, market share and market position.

Arising from the findings of the question relating to full-time and part-time employment provided by a population sample, it was discovered that SMMEs had potential to alleviate unemployment within the province. The number of employees often matched the size of the business. This means the larger the business, the greater the staff requirements.

Recommendation:

Tourism competes for the same skills required by the other sectors. Positions such as Accountants, HR and Marketing are transversal in nature, therefore, the tourism sector should be able to provide decent employment to avoid losing staff to the other sectors often regarded to have quick upward mobility and offer lucrative salary packages.

5.3 Suggestions for Future Study

- 5.3.1 The findings of the study revealed that SMME tourism service providers are characterised by individuals with high level of entrepreneurial flair. They also place significant value on management principles.

It is suspected that some respondents considered the research to be related to the TKZN activities where most of the SMMEs receive mentorship and market access support. This might have prompted the respondents to give positive feedback in a bid not to jeopardise their business relations with TKZN.

In view of the foregoing, it is recommended that a similar study should be conducted independently of TKZN, to establish whether such study would result in findings similar to those obtained in this study. Furthermore, the study should follow a qualitative approach to obtain maximum response rate.

- 5.3.2 The study was limited to tourism service providers based in Durban and surrounding areas. A broader study encompassing the provincial-wide service providers is recommended to gain better insight on the functioning of the tourism business beyond B&Bs and tour operators.
- 5.3.3 A separate in-depth study is recommended based on challenges facing entrepreneurs and SMMEs in KZN. This would enable tourism stakeholders to channel investment to programmes aimed at alleviating these challenges and be able to stimulate entrepreneurial and SMME activities to promote tourism and economic growth.
- 5.3.4 Other government departments such as the Department of Transport and the Department of Education are able to give business to their SMMEs through tenders. The tourism business benefits indirectly from the government through generic promotion of the province and through events and conferences hosted within the province. A separate study should be conducted to identify a suitable business model which could be adopted by government to create business opportunities to ensure the promotion and sustainability of the tourism business.

5.3.5 The tourism businesses should strive to attract and retain skilled and competent personnel. This requires the provision of career growth opportunities and lucrative salary packages. A study on the nature and extent of employment offered within the tourism business in general is necessary to establish the economic impact as a result of the tourism activities. This would also determine the ability of the tourism business to attract and retain personnel of high calibre.

5.4 Conclusion

Data collected through a quantitative approach have addressed the following research questions and have resulted in the conclusions drawn and recommendations made:

5.4.1 What is the level of entrepreneurial flair of SMME tourism service providers?

The findings have revealed that the SMME enterprises are passionate about the tourism business and their decision to venture into the tourism business was based on detailed analysis of the tourism environment. The service providers have strong aspirations to grow their tourism businesses. Should proper interventions made to assist the SMMEs, there is great potential to improve tourism and economic growth within the province.

5.4.2 To what extent do SMME tourism service providers place importance on management, experience and skills?

The results have revealed that more than 90% of the respondents subscribe to the characteristics of entrepreneurship. They have inner drive to succeed in business and are prepared to take calculated risks in pursuit of the tourism activities. They also place great emphasis on acquiring and applying management principles to ensure improved productivity and profitability.

5.4.3 What are the constraints in fostering management and entrepreneurial development?

It should be noted that the questionnaire was not structured such that meaningful information is obtained in this regard. It has since been recommended that a further study is required since there are a couple of barriers to management and entrepreneurial development such as lack of basic education and work experience as well as inadequate start-up capital. It should be noted as well that entrepreneurship constraints had been outlined during the literature survey in chapter 2.

5.4.4 What is the contribution of SMME tourism service providers in terms of employment opportunities?

In terms of the findings, the service providers are making a fair contribution towards employment opportunities. Their contribution corresponds with the sizes of their businesses. This indicates that business growth will result in more personnel being required. A further study in this regard has been recommended to establish the quality of jobs created by the tourism sector.

5.5 Implications of the Study

It is believed that this study has enabled the tourism service providers to be introspective concerning their entrepreneurial levels and their ability to acquire and apply management principles. This was an opportunity for them to identify skills gaps and develop appropriate intervention measures to ensure that they remain relevant in the tourism sector.

The findings of the study will assist the public sector to gauge the SMME's potential to drive economic growth and subsequently structure its tourism investment to contribute to the survival and growth of the SMMEs thus bringing economic prosperity to those operating in this field within the province. This research has considered tourism, entrepreneurship and related issues. The objectives were suitably researched and appropriate recommendations have been made that should, if well implemented, address the identified shortcomings.

5.6 OVERALL CONCLUSION

The existence of sustainable firms translates to the availability of sustainable employment. The study has revealed that the KZN SMME tourism service providers uphold the highest standards of entrepreneurship, business principles and aspire to remain significant in business. In practice, there might be shortcomings in the SMMEs ability to effectively operate their businesses. However, their determination calls for implementation of collaborative efforts to strengthen their entrepreneurship levels. Partnerships between government and stakeholders such as the corporate sector; financial institutions and academic institutions remain critical in small business development. This will promote the establishment of new firms and results in an improved socio-economic status. To promote innovation and business sustainability, a dedicated incentive scheme, should be implemented to recognise SMMEs making a significant contribution in the economy.

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APPENDIX 1

STATISTICAL ANALYSIS

4.1 Correlation Statistics

A correlation test was performed to establish relationship between two variables. Field (2005), advises that the correlation statistics show whether there is or there is no signification relationship between the two variables. The correlation statistics below was performed using the Pearson Product Moment Correlation: interval + interval. For the purpose of this study, analysis will focus on statistically significant relationship between the two variables.

Interpretation: In terms of the correlation statistics, there is a significant relationship between two variables if the correlation coefficient is less than 0.05.

Table 4.1.1: Correlation of Question 1 of Section A and Question 1 of Section B of the Questionnaire

		Age group	Prior business management experience is vital when running your own business
Age group	Pearson Correlation	1	.291
	Sig. (2-tailed)		.096
	N	34	34
Prior business management experience is vital when running your own business	Pearson Correlation	.291	1
	Sig. (2-tailed)	.096	
	N	34	35

Explanation: The probability $p=.096$ which is greater than 0.05 thus implying that there is no statistically significant relationship between age group and prior business management is vital when running your own business.

Table 4.1.2 Correlation of Question 4 of Section A and Question 2 of Section B

		Highest academic qualification	A business management qualification is advantageous when running your own business
Highest academic qualification	Pearson Correlation	1	.532**
	Sig. (2-tailed)		.001
	N	35	35
A business management qualification is advantageous when running your own business	Pearson Correlation	.532**	1
	Sig. (2-tailed)	.001	
	N	35	35

Explanation: The correlation coefficient between highest academic qualification and a business management qualification is advantageous when running your own business is .001. This is lesser than 0.05 thus implying that there is statistically significant relationship between highest academic qualification and a business management qualification is advantageous when running your own business.

Table 4.1.3 Correlation of Question 6 of Section A and Question 6 of Section B

		How long have you been in the tourism business	The decision to open your tourism business was taken based on research you did
How long have you been in the tourism business	Pearson Correlation	1	.367*
	Sig. (2-tailed)		.030
	N	35	35

The decision to open your tourism business was taken based on research you did	Pearson Correlation	.367*	1
	Sig. (2-tailed)	.030	
	N	35	35

Explanation: There is no statistically significant relationship between how long have you been in the tourism business and the decision to open your tourism business was taken based on research you did since the coefficient is .030 which is greater than 0.05.

Table 4.1.4 Correlation of Question 4 and Question 5 (Both of Section B)

		You ended up in the tourism business because you were unemployed	You ventured into the tourism business due to inner drive to succeed in this industry
You ended up in the tourism business because you were unemployed	Pearson Correlation	1	-.274
	Sig. (2-tailed)		.117
	N	34	34
You ventured into the tourism business due to inner drive to succeed in this industry	Pearson Correlation	-.274	1
	Sig. (2-tailed)	.117	
	N	34	35

Explanation: The correlation coefficient is at .117 which is greater than 0.05 thus implying that there is no statistically significant relationship between you ended up in the tourism business because you were unemployed and you ventured into the tourism business due to inner drive to success in this industry.

Table 4.1.5 Correlation of Question 7 and Question 9

		You use a combination of planning, motivation, coaching and evaluation to manage and lead people to get work done through them	You are aware of your limitations concerning management skills in such cases you consult suitably qualified people
You use a combination of planning, motivation, coaching and evaluation to manage and lead people to get work done through them	Pearson Correlation	1	.096
	Sig. (2-tailed)		.583
	N	35	35
You are aware of your limitations concerning management skills in such cases you consult suitably qualified people	Pearson Correlation	.096	1
	Sig. (2-tailed)	.583	
	N	35	35

Explanation: The correlation coefficient is at .583 which is greater than 0.05 thus implying that there is no statistically significant relationship between you use a combination of planning, motivation, coaching and evaluation to manage and lead people to get work done through them and you are aware of your limitations concerning management skills in such cases you consult suitably qualified people.

Table 4.1.6 Correlation of Question 20 and Question 22

		As a successful entrepreneur you have the following characteristics: flair, imagination, charisma, outgoing personality, determination, drive enthusiasm	You are not overly cautious about trying a new idea
As a successful entrepreneur you have the following characteristics: flair, imagination, charisma, outgoing personality, determination, drive enthusiasm	Pearson Correlation Sig. (2-tailed) N	1 34	.092 .604 34
You are not overly cautious about trying a new idea	Pearson Correlation Sig. (2-tailed) N	.092 .604 34	1 35

Explanation: It should be noted that there is no statistically significant relationship between the variable “as a successful entrepreneur you have the following characteristics: flair, imagination, charisma, outgoing personality, determination, drive and enthusiasm” and the variable “you are not overly cautious about trying a new idea.” This is because the coefficient achieved is .604 which is greater than 0.05.

Table 4.1.7 Correlation of Question 24 and Question 25

		How many people do you employ full time	how many people do you employ part time
How many people do you employ full time	Pearson Correlation	1	.678**
	Sig. (2-tailed)		.000
	N	34	28
How many people do you employ part time	Pearson Correlation	.678**	1
	Sig. (2-tailed)	.000	
	N	28	29

Explanation: The correlation coefficient is at .000 which is lesser than 0.05 thus implying that there is statistically significant relationship between how many people do you employ full time and how many people do you employ part time.

Table 4.1.8 Correlation of Question 19 and Question 8

		Family background plays an important role in cultivating entrepreneurial flair	You have basic skills in information technology to manage transactions, information and knowledge necessary to sustain your business
Family background plays an important role in cultivating entrepreneurial flair	Pearson Correlation	1	.000
	Sig. (2-tailed)		1.000
	N	35	35

You have basic skills in information technology to manage transactions, information and knowledge necessary to sustain your business	Pearson Correlation Sig. (2-tailed) N .000 1.000 35	1 35
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Explanation: The correlation coefficient is at 1.000 which is greater than 0.05 thus implying that there is no statistically significant relationship between family background plays an important role in cultivating entrepreneurial flair and you have basic skills in information technology to manage transactions, information and knowledge necessary to sustain your business.

APPENDIX 2
QUESTIONNAIRE

A. BACKGROUND INFORMATION

Please tick the appropriate response

1. **Your age group:**

20-29	30-39	40-49	50-59	60 and over
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2. **Your gender:**

Male	Female
------	--------

3. **Your race:**

African	White	Indian	Coloured	Other
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4. **Your highest academic/ professional qualification:**

Below Matric	Matric	Post Matric Certificate	Degree/ Diploma	Post Graduate Degree/ Diploma	Other
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5. **Indicate nature of tourism service you provide**_____

6. **How long have you been in the tourism business**_____

B. MANAGEMENT AND ENTREPRENEURSHIP

Please give your opinion in relation to each of the following statements by placing a cross (X) in the appropriate space next to each statement. The responses are categorised as follows:

- (i) Strongly Disagree
- (ii) Disagree
- (iii) Uncertain
- (iv) Agree
- (v) Strongly Agree

1. Prior business management experience is vital when running your own business	Strongly Disagree	Disagree	Uncertain	Agree	Strongly Agree
--	-------------------	----------	-----------	-------	----------------

2. A business management qualification is advantageous when running your own business	Strongly Disagree	Disagree	Uncertain	Agree	Strongly Agree
--	-------------------	----------	-----------	-------	----------------

3. Prior tourism industry knowledge led to the decision to enter the tourism business	Strongly Disagree	Disagree	Uncertain	Agree	Strongly Agree
--	-------------------	----------	-----------	-------	----------------

4. You ended up in the tourism business because you were unemployed	Strongly Disagree	Disagree	Uncertain	Agree	Strongly Agree
--	-------------------	----------	-----------	-------	----------------

5. You ventured into the tourism business due to inner drive to succeed in this industry	Strongly Disagree	Disagree	Uncertain	Agree	Strongly Agree
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6. The decision to open your tourism business was taken based on research you did	Strongly Disagree	Disagree	Uncertain	Agree	Strongly Agree
--	-------------------	----------	-----------	-------	----------------

7. **You use a combination of planning, motivation, coaching and evaluation to manage and lead people to get work done through them**
- | | | | | |
|-------------------|----------|-----------|-------|----------------|
| Strongly Disagree | Disagree | Uncertain | Agree | Strongly Agree |
|-------------------|----------|-----------|-------|----------------|
8. **You have basic skills in Information Technology to manage transactions, information and knowledge necessary to sustain your business**
- | | | | | |
|-------------------|----------|-----------|-------|----------------|
| Strongly Disagree | Disagree | Uncertain | Agree | Strongly Agree |
|-------------------|----------|-----------|-------|----------------|
9. **You are aware of your limitations concerning management skills in such cases you consult suitably qualified people**
- | | | | | |
|-------------------|----------|-----------|-------|----------------|
| Strongly Disagree | Disagree | Uncertain | Agree | Strongly Agree |
|-------------------|----------|-----------|-------|----------------|
10. **You are satisfied with the marketing of your business**
- | | | | | |
|-------------------|----------|-----------|-------|----------------|
| Strongly Disagree | Disagree | Uncertain | Agree | Strongly Agree |
|-------------------|----------|-----------|-------|----------------|
11. **Excellent customer service has earned your business good reputation**
- | | | | | |
|-------------------|----------|-----------|-------|----------------|
| Strongly Disagree | Disagree | Uncertain | Agree | Strongly Agree |
|-------------------|----------|-----------|-------|----------------|
12. **Access to mentorship programme assists business people to understand the dynamics of the business world**
- | | | | | |
|-------------------|----------|-----------|-------|----------------|
| Strongly Disagree | Disagree | Uncertain | Agree | Strongly Agree |
|-------------------|----------|-----------|-------|----------------|
13. **You receive a good deal of mentorship from support organisations such as Tourism KwaZulu-Natal**
- | | | | | |
|-------------------|----------|-----------|-------|----------------|
| Strongly Disagree | Disagree | Uncertain | Agree | Strongly Agree |
|-------------------|----------|-----------|-------|----------------|
14. **Linkages with the other tourism service providers are essential for business growth**
- | | | | | |
|-------------------|----------|-----------|-------|----------------|
| Strongly Disagree | Disagree | Uncertain | Agree | Strongly Agree |
|-------------------|----------|-----------|-------|----------------|

15. **Affiliation to Tourism KwaZulu-Natal is important for marketing opportunities**
- | | | | | |
|-------------------|----------|-----------|-------|----------------|
| Strongly Disagree | Disagree | Uncertain | Agree | Strongly Agree |
|-------------------|----------|-----------|-------|----------------|
16. **Affiliation to other tourism organisations is important for marketing opportunities**
- | | | | | |
|-------------------|----------|-----------|-------|----------------|
| Strongly Disagree | Disagree | Uncertain | Agree | Strongly Agree |
|-------------------|----------|-----------|-------|----------------|
17. **You create opportunities to share business intelligence with established tourism businesses, to grow your business**
- | | | | | |
|-------------------|----------|-----------|-------|----------------|
| Strongly Disagree | Disagree | Uncertain | Agree | Strongly Agree |
|-------------------|----------|-----------|-------|----------------|
18. **You have ambitions to grow your business and graduate from an SMME level to a fully established business**
- | | | | | |
|-------------------|----------|-----------|-------|----------------|
| Strongly Disagree | Disagree | Uncertain | Agree | Strongly Agree |
|-------------------|----------|-----------|-------|----------------|
19. **Family background plays an important role in cultivating entrepreneurial flair**
- | | | | | |
|-------------------|----------|-----------|-------|----------------|
| Strongly Disagree | Disagree | Uncertain | Agree | Strongly Agree |
|-------------------|----------|-----------|-------|----------------|
20. **As a successful entrepreneur you have the following characteristics: flair, imagination, charisma, outgoing personality, determination, drive, enthusiasm**
- | | | | | |
|-------------------|----------|-----------|-------|----------------|
| Strongly Disagree | Disagree | Uncertain | Agree | Strongly Agree |
|-------------------|----------|-----------|-------|----------------|
21. **You take decisions quickly**
- | | | | | |
|-------------------|----------|-----------|-------|----------------|
| Strongly Disagree | Disagree | Uncertain | Agree | Strongly Agree |
|-------------------|----------|-----------|-------|----------------|
22. **You are not overly cautious about trying a new idea**
- | | | | | |
|-------------------|----------|-----------|-------|----------------|
| Strongly Disagree | Disagree | Uncertain | Agree | Strongly Agree |
|-------------------|----------|-----------|-------|----------------|

23. **You are prepared to take calculated risks when it comes to your business**

Strongly Disagree	Disagree	Uncertain	Agree	Strongly Agree
-------------------	----------	-----------	-------	----------------

24. **How many people do you employ full time?** _____

25. **How many people do you employ part time?** _____

End of Questionnaire

Thank you for taking time to complete the questionnaire.