

# **OPPORTUNITIES FOR SMALL, MEDIUM AND MICRO-TOURISM ENTERPRISES IN SOUTH AFRICA**

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*For South Africa to become a tourist nation we need to not only educate our people on the important role that tourism plays in our economy, but also equip them with the skills to play this role ever more effectively.*

**- Minister Valli Moosa**

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## **SUMMARY**

The purpose of this study was to determine the opportunities for small, medium and micro tourism enterprises (SMMEs) in South Africa. In view of the complex nature of the tourism industry, it was deemed necessary to clarify the role and position of entrepreneurs in South Africa by means of a SWOT analysis (an analysis of Strengths, Weaknesses, Opportunities and Threats) as well as a survey amongst stakeholders in the industry.

By these means it emerged that various aspects play a role in the running of an effective, successful tourism organisation. Anyone can start a tourism business, but maintaining it successfully is a different story. Certain characteristics are required, a few of these being leadership, commitment and determination, adaptability, self-reliance, creativity, an obsession with opportunity, as well as a tolerance of risk, ambiguity and uncertainty. To conclude: entrepreneurs need not be "born", but can be developed. Environmental factors or events can be instrumental in the shaping of perceptions and attitudes in individuals.

The aim of the SWOT analysis is to clarify the current position of SMMEs in South Africa. The relevant aspects, namely strengths, weaknesses, opportunities and threats, were determined by combining the views of different authors, viz Bennett, 2000; Dannhauser, 2000; Dean, 1999; Dott, 2000; Harrison et al., 1997; Heath, 1993; Koh, 1996; Kuscus, 1996; Lambris et al., 2000; Lund et al., 1999; McGrath et al., 1997; Rogerson, 2000; Schwenke, 2002; Sheridan, 2000; Saayman & Saayman, 1999; Saayman, 2000; Visser, 1997 and Zulu, 1998. Following the literature study, a survey was conducted in order to determine current opportunities of tourism SMMEs in South Africa. The information thus obtained was reproduced and reviewed statistically.

The tourism industry is discussed to provide a description of the environments that influence opportunities in the tourism industry. Tourism has the potential of stimulating the much-needed demand for SMME products and services.

Opportunities for SMMEs are available and entrepreneurs should just take advantage of it. It is emphasized that a successful tourism industry is based on entrepreneurship and the involvement of the private sector on the one hand, and the guidance and support of the Government on the other.

## **OPSOMMING**

Die doel van hierdie studie was om vas te stel watter geleenthede bestaan vir klein, medium en mikro-toerismeondernemings (KMMO's) in Suid-Afrika. Weens die komplekse aard van die toerismebedryf, is dit nodig geag om die rol en posisie van entrepreneurs in Suid-Afrika uit te lig met behulp van 'n SWOT-analise (ontleding van sterk punte (Strong points), swak punte (Weak points), geleenthede (Opportunities) en bedreigings (Threats), sowel as 'n opname onder belanghebbendes in die bedryf.

Langs hierdie weg het dit duidelik geword dat verskeie aspekte 'n rol speel om 'n toerisme-organisasie effektief en suksesvol te bedryf. Enigeen kan 'n toerisme-onderneming begin, maar dit is iets heel anders om dit suksesvol in stand te hou. Sekere eienskappe is nodig, waarvan toegewydheid ("commitment"), vasberadenheid, leierskap, innovering, 'n obsessie met geleenthede, aanpasbaarheid, selfstandigheid en 'n toleransie vir risiko, dubbelsinnigheid en onsekerheid en risiko slegs 'n paar is. Die afleiding is dus dat 'n entrepreneur nie slegs "gebore" hoef te wees nie, maar wel "ontwikkel" kan word. Omgewingsfaktore en gebeure kan bydraend inwerk op die persepsies en ingesteldheid van individue.

Die doel van die SWOT-analise is om die huidige posisie van klein, medium en mikro-toerismeondernemings in Suid-Afrika te uit te lig. Die relevante aspekte, naamlik sterk punte, swak punte, geleenthede en bedreigings, is bepaal deur 'n beskouing van die oogpunte van verskeie outeurs, te wete Bennet, 2000; Dannhauser, 2000; Dean, 1999; Dott, 2000; Harrison et al., 1997; Heath, 1993; Koh, 1996; Kuscus, 1996; Lambris et al., 2000; Lund et al., 1999; McGrath et al., 1997; Rogerson, 2000; Schwenke, 2002; Sheridan, 2000; Saayman & Saayman, 1999; Saayman, 2000; Visser, 1997 en Zulu, 1998. Na afloop van die literatuurstudie is 'n opname geloods ten einde vas te stel wat die huidige toerismegeleenthede vir KMMO's in Suid-Afrika en 'n statistiese verwerking en beskouing is uitgevoer op die inligting wat so bekom is.

Vervolgens word die toerismebedryf bespreek om die omgewings wat geleenthede in die betrokke bedryf beïnvloed, te illustreer. Toerisme het die potensiaal tot stimulasie van die uiters nodige aanvraag na daardie produkte wat KMMO's lewer. Geleenthede vir KMMO's is inderdaad beskikbaar en entrepreneurs hoef dit bloot aan te gryp. Dit moet beklemtoon word dat 'n suksesvolle toerismebedryf gebaseer is op entrepreneurskap en die betrokkenheid van die privaatsektor aan die een kant en die leiding en ondersteuning van die Regering aan die ander kant.

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# 1. CHAPTER ONE: INTRODUCTION

*If we all did the things we are capable of doing, we would literally astound ourselves.*

- Thomas A Edison

## 1.1 INTRODUCTION

Tourism is vital to the development of our country and its people and it is currently the fastest growing industry in South Africa. Being the single largest industry in the world, it is at present the fourth largest industry in South Africa, after mining, agriculture and trade (Satour, 1995; WTTC, 1995; De Kock & Saayman, 1999; Pearce, 1985). Also being the biggest employer, with an estimated growth of 20-30% annually, it has the potential to become the biggest earner of foreign currency (Keller & Koch, 1995; Swart, 1997; WEFA, 1993).

Equally as important as recent political changes in South Africa, is the fundamental restructuring of the economy. Not only is there a need for an economic transformation to support the political changes, but, equally vital, is the fact that the community should feel that it has equal access to the economic mainstream (Kuscus, 1996).

Because of the influence of tourism on economic growth and development, the South African Government has committed itself to encourage and support tourism entrepreneurship and the development of small, medium and micro-enterprises (SMMEs) in its White Paper on Tourism (1996). With these facts and the growing number of foreign tourists and tourist expenditure in South Africa in mind, opportunities are knocking in different sectors within the tourism industry. The industry need only to be well managed and benefits will be

reaped for many years to come (Saayman, 1997; White Paper on Tourism, 1996).

Statistics indicate small and medium businesses in the United States account for 99,7% of employers, 47% of sales and 52% of jobs. The United States service industry generated 1,4 million jobs, and businesses with fewer than four workers generated 2,6 million jobs between 1989 and 1991. South Africa has in the past tended to follow the United States' economic development trends (Schwenke, 2000). The tourism industry in South Africa directly and indirectly employs an estimated 600 000 persons (Anon, 1998). These statistics therefore point to under-utilisation of opportunities in the small and medium enterprise (SME) sector in South Africa.

## **1.2 PROBLEM STATEMENT**

According to the White Paper on Tourism (1996), South Africa's resource base for tourism is phenomenal and it is of the utmost importance that small, medium and micro-tourism enterprise (SMMEs) opportunities are exploited to enable the tourism industry to grow to its full potential.

All indications are that, in line with the trend elsewhere in the world, the SMME sector in South Africa is the country's only real hope for meaningful economic growth and job creation (Anon, 1998; Anon, 2002; Godongwana, 2001). The contribution of small and medium-sized enterprises to the economy is substantial: it is reliably estimated that small and medium-sized enterprises account for more than 50% of total employment of the combined group (large, medium and small, micro) and about 41% of the country's formal sector Gross National Product (GNP). Their largest relative contributions are in agriculture, where this enterprises account for some 65% of employment and 63% of value-addition and in trade, where they absorb some 52% of employment and produce some 65% of value-addition. In the construction industry small and medium-sized enterprises provide 58% of employment and 64% of value-addition.

These figures do not include informal sector activities which are mostly micro and survivalist in nature, but whose contribution to the Gross National Product (GNP) is growing. About 20% of the economically active population engages in informal sector activities (including domestic worker services). This underscores the fact that, each year, many South Africans are pushed rather than pulled into informal sector activities in the face of the inability of formal sector companies to create enough jobs (Anon, 2002).

Tourism SMMEs have a major role to play in the South African economy in terms of employment creation, income generation and output growth (Rogerson, 1997). SMMEs account for approximately 60% of all employment and 40% in the economy. Often, small and medium-sized enterprises also are the vehicle by which the lowest-income people in South African society gain access to economic opportunities – at a time that distribution of income and wealth in South Africa is amongst the most unequal in the world. In the current macro-economic context, it is imperative that significant investment is made in SMMEs, in order to create both short- and long-term capacity for labour absorption and output growth, as well as to improve income generation and redistribution (Anon, 1998; Rogerson, 1997).

Development of SMMEs and entrepreneurship is an emerging priority in virtually every country in the world, as governments pursue new avenues for economic development and growth (Stevenson, 1997). The Organisation for Economic Co-operation and Development (OECD) stated in its 1998 Employment Outlook report that the most significant action a country could take to stimulate economic growth in the future, would be to ensure that members of its general population had the knowledge and skills to become self-employed and to start own businesses. Research on small, medium and micro-enterprise (SMME) trends and the role of entrepreneurship in economic development reveals that small enterprises consistently provide more gross and net jobs than large firms and that a high level of business start-up activity and growth in the small enterprise sector correlates positively with increases in Gross National Product (GNP) (Stevenson, 1997; Sapa, 2001).

South Africa's entry into the 1990s was dramatic. Change became a reality and change always implies both opportunities and threats (Visagie, 1997). The new Government's Reconstruction and Development Programme (RDP), being a statement of intent, outlines definite principles in promoting SMMEs in South Africa and focuses on challenges facing tourism SMMEs in South Africa, amid present changes and resistance to change.

De Coning (1992) believes that businessmen in particular are talking in almost euphoric terms about new business opportunities and internal markets which can now be fully exploited.

From the above statistics one can see that tourism in South Africa is growing very fast. Tourism has the potential of stimulating the much-needed demand for SMME products and services. Nowadays more and more people can afford to travel. Tourists are more educated and more demanding of the products and services they buy, and the way those products and services are delivered (Bennet, 2000; Lewis, 1989). This people have specific needs that the tourism entrepreneur must fulfil. This leads to tourism opportunities for SMMEs that are available during the construction and the operating phases of tourism ventures (Rogerson, 1997).

This leads to the question: What opportunities exist for SMMEs in tourism in South Africa?

### **1.3 AIMS OF THE STUDY**

The main aim of this study is to determine the opportunities for SMMEs in South Africa.

In order to achieve the above, the objectives are as follows:

- To identify the different aspects of entrepreneurship.

- To do a SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis of SMMEs in South Africa.
- To do a survey in order to determine current opportunities of tourism SMMEs in South Africa.
- To form a synthesis between the literature study and the survey results in order to draw conclusions and make recommendations.

## **1.4 METHODOLOGY**

The study is based on a literature study and the results of a survey.

### **PHASE 1: LITERATURE STUDY**

The study is based on a well-developed literature study. This research will be focused on information that already exists, and will include mediums such as:

- Computerised databases;
- Books;
- Research articles;
- Internet search results; and
- Other, such as popular articles and magazines.

The aim of the literature study is to develop a questionnaire to gather essential information from tourism entrepreneurs in South Africa.

### **PHASE 2: STUDY POPULATION**

The target population was South African tourism entrepreneurs of SMMEs established for longer than 2 years. The objective of this survey is to administer precisely 150 questionnaires during the period of August and September 2002.

### **PHASE 3: QUESTIONNAIRE**

A questionnaire was developed in order to gather the necessary information, that consists of open and closed questions.

A list with names and addresses of SMMEs in South Africa were obtained from SATSA (South African Tourism Standards Association). 150 (one hundred and fifty) tourism businesses from all nine provinces in South Africa were selected at random and owners of SMMEs in the tourism trade were asked to take part in the survey by filling in a questionnaire (see Appendix 1). The objective was to have all 150 completed questionnaires returned, but in the eventual response only 100 were returned.

### **PHASE 4: STATISTICAL ANALYSIS**

A statistical analysis of data was conducted in co-operation with statistical consultants at the P.U. for C.H.E.

## **1.5 DEFINITION OF CONCEPTS**

The following terms will be discussed in order to clarify the meaning of key terms that will be used throughout the study.

- Tourism;
- Types of entrepreneurs; and
- Difference between small and medium tourism enterprises (SMMEs).

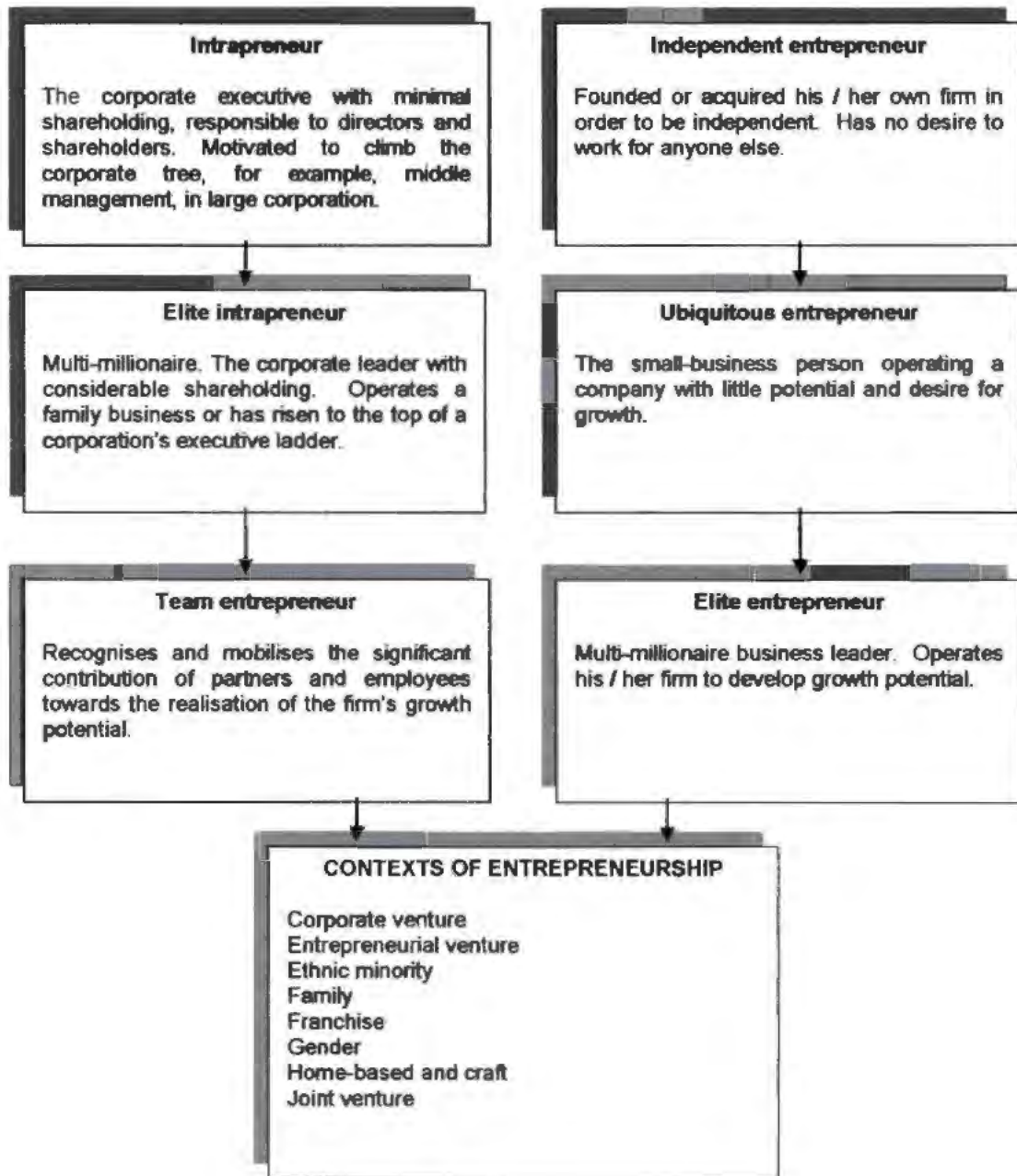
### **1.5.1 Tourism**

Tourism can be described as the total experiences and relationships that originate from the interaction between tourist, job providers, Government systems and host communities in the process of attracting, entertaining, transporting and accommodating tourists (Saayman, 2000). Tourism therefore

includes the "movement" of people. This could refer to the movement of either domestic or foreign tourists. Domestic movement includes movement within the boundaries of a specific country, whereas foreign movement is over the boundaries of a country. This movement takes place through the individual's traveling, be it by car, boat, train, aeroplane or any other existing form of transport. It is also true that not every person who travels can be regarded as a tourist (Saayman, 2002).

### **1.5.2 Types of entrepreneurs**

Figure 1.1 gives an overview of the types of entrepreneurs and the context in which one can describe them.



**Figure 1.1:** Entrepreneurship: dual segmentation

(Source: Morrison et al., 1999)

Each of these sub-sets of entrepreneurs and intrapreneurs are products of a social development process. The origins and life experiences may be different or the same, but the careers are markedly different. The distinction between entrepreneur and intrapreneur reflects a difference in both attitude of mind, and ability between individuals. It would be misleading to suggest that an

individual, once identified as an entrepreneur or an intrapreneur, continues playing the respective role of the type. As indicated in Figure 1.1 there may well be crossover in typologies given a certain set of circumstances (Saayman, 2000).

- **The intrapreneur**

An intrapreneur envisions something new and then proceeds to make it work. Intrapreneurs do not start businesses, but improve existing organisations. Being an intrapreneur equates to being a changemaster (Kanter, 1994). It is not only more challenging, requiring more from an employee than the normal work role, but it also has the potential to generate great self-satisfaction. Three key challenges faced by intrapreneurs are to: *formulate and sell a vision; find power to advance the vision; and maintain the momentum once the vision is bought*. Achievement requires highly effective skills of a personal as well as and interpersonal nature. Generally, such motivated persons will be found in middle-management positions (Morrison et al., 1999).

- **The elite intrapreneur**

The elite intrapreneurs have risen to positions as CEOs by working up through the corporate structure of major and highly successful corporations. While instrumental to the development and expansion of the organisation, elite intrapreneurs did not make any financial contribution to its foundation. Essentially, the elite intrapreneurs are high-level, high-profile employees of the organisation (Morrison et al., 1999). An example in is Mr Piet van Hoven, Managing Director of Comair. Management has improved Comair by starting Khulula.com, a daily flying service from Johannesburg to Cape Town as well as Durban, on a much cheaper basis.

- **The independent entrepreneur**

The independent entrepreneur has founded, or acquired, his own business organisation. Independent entrepreneurs have no desire to work for anyone else, their business being an integral part of their identity, reflecting a desire to be alone. According to Bruce (1978) independent entrepreneurship is an act of revolution, but not in the sense of political upheaval. It enables the entrepreneurial individual to give concrete expression to desires and dissatisfactions. It does so in a way that brings material benefit to society. Achievement and growth is driven by the energies and vision of the solo entrepreneur. In this way, independent entrepreneurship provides a safety valve in our society. This typology refers to a multitude of self-employed persons within the hospitality, tourism and leisure industries, for example tour operators or people who own guesthouses (Morrison et al., 1999).

- **The ubiquitous entrepreneur**

The ubiquitous entrepreneur desires independence and achieves it through private enterprise. The organisation starts out small and remains small, as such posing no threat to the established order. These entrepreneurs are generally moving away from a structured authoritarian situation and are motivated by a desire not to be controlled (Jennings et al., 1994). This typology of a *status quo*, steady-state business represents the majority of organisations within the United Kingdom. Examples of ubiquitous entrepreneurs are bed & breakfast operations, small, specialised tour and activity organisations, cafés and snack bars. Some academics consider that such individuals should be classed as small business operators, since ubiquitous entrepreneurs behaviour cannot be regarded as sufficiently entrepreneurial. Certainly such people were entrepreneurial at the outset of their own ventures, but have since settled into the situation where they are content with much and are operating life-style businesses. Alternatively, ubiquitous entrepreneurs may not have the necessary vision, drive or expertise to take own businesses further (Morrison et al., 1999).

- **The elite entrepreneur**

The elite entrepreneur represents the most successful category of independent entrepreneur. Initially, according to the rather critical view of Jennings et al. (1994, people who fall under this category were searching for an unstructured situation, which could be personally controlled. Later, these individuals come to terms with authority, which tend to manipulate towards own interests through a form of Machiavellian management. Elite entrepreneurs may often see themselves in superior roles relative to other participants in society and economy. As elite entrepreneurs have demonstrably achieved huge success by own efforts, this is perhaps unsurprising. Certainly, whatever their motivations and management styles, such entrepreneurs have been wonderfully creative (Morrison et al., 1999; Jennings et al., 1994).

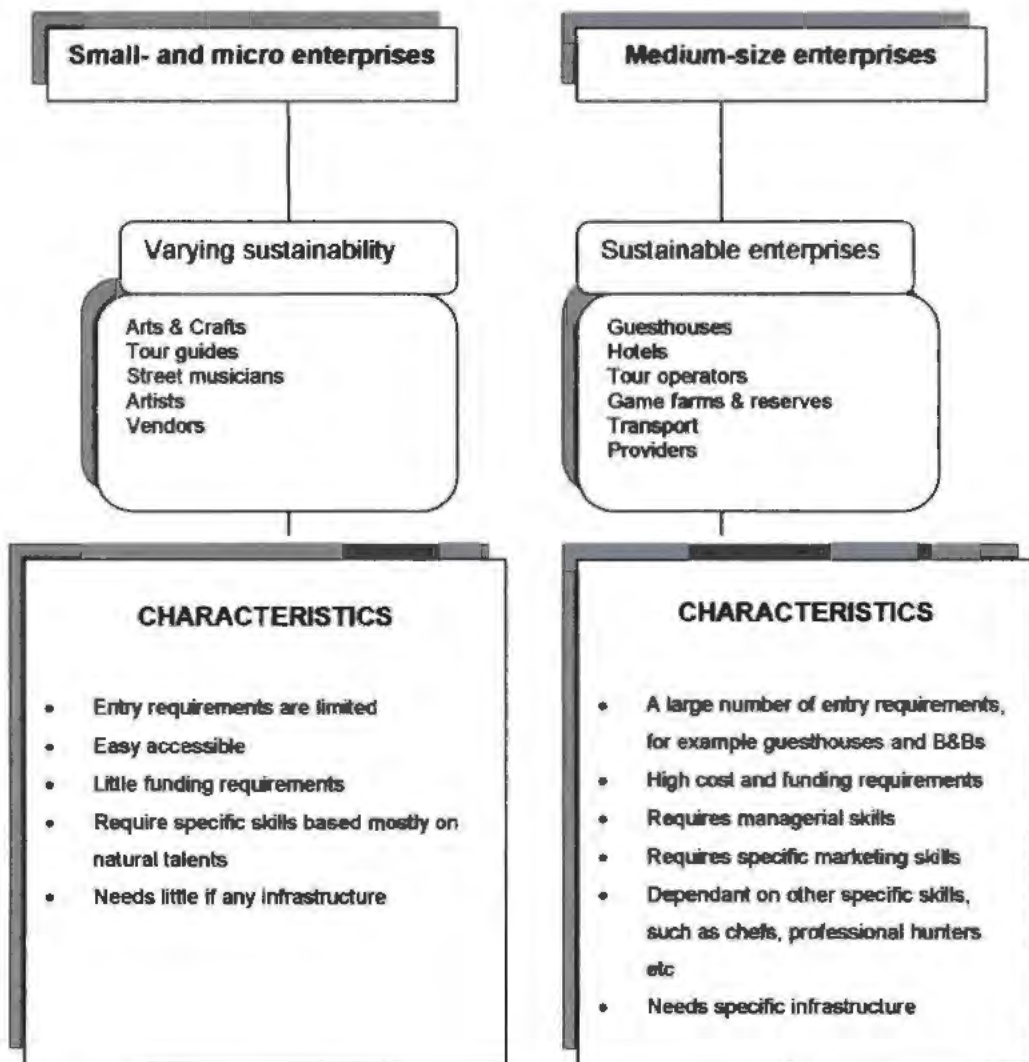
- **The team entrepreneur**

If an entrepreneur's aspirations include growing a business large and profitable enough to realise a capital gain, then perhaps entrepreneurs need to think in terms of an entrepreneurial team. Research (Timmons, 1994) confirms that, although there are exceptions, a team grows a business, while a solo entrepreneur makes a living. Many of the high-profile elite individual entrepreneurs are actually very proficient at building and motivating a team of specialists around them (Timmons; 1994; Morrison et al., 1999).

### **1.5.3 Difference between small and medium tourism-enterprises (SMMEs)**

The sustainability of tourism enterprises varies between different types of enterprises (Gee et al., 1989). Micro- and small enterprises in the tourism industry tend to be less sustainable in the long term than medium-sized enterprises. This is important for South Africa because the country needs more sustainable jobs, especially in tourism (Saayman & Saayman, 1999). If the concept of increasing black entrepreneurs in tourism is to succeed, then the

emphasis should be on medium-size operations. Figure 1.2 illustrates how different types of tourism enterprises can be classified:



**Figure 1.2:** Classification of small and medium -tourism enterprises

(Source: Saayman & Saayman, 1999)

Micro and small tourism enterprises tend to be less sustainable than medium tourism enterprises and seem to be much more influenced by external factors, for example weather. If it rains for a couple of days, it becomes a business impediment for these enterprises, leading to a loss of revenue.

Medium-sized tourism enterprises create more job opportunities than small and micro-enterprises, although medium-sized enterprises cost considerably more

to develop (Saayman, 1999).

The following is an explanation of the differences between small and medium tourism enterprises (SMEs):

- **Small enterprise**

Small enterprises constitute the bulk of the established businesses, with employment ranging between five and about fifty paid employees (Schwenke, 2000). The enterprises will usually be owner-managed or directly controlled by the owner-community. Small enterprises are likely to operate from business or industrial premises, will be tax-registered and meet other formal registration requirements. Examples of small enterprises are:

- Arts & Crafts;
- Tourist guides;
- Artists;
- Guest houses;
- Mini-taxis; and the
- Household industry.

Growth from a small to a medium-sized enterprise requires an accumulation of resources as well as a set of appropriate incentives for enterprise expansion. Small enterprises constitute an estimated 7,6% of all enterprises and contribute 19,9% of employment. Classification in terms of assets and turnover is difficult, given the wide differences in the various business sectors like retailing, manufacturing, professional services and construction (White Paper of the Department of Trade and Industry, 1995).

- **Medium enterprise**

Medium-sized enterprises are enterprises with up to 100 paid employees - although in the mining, electricity and manufacturing sectors, up to 200.

Although usually still controlled by an owner / manager, the ownership and management structure is more complex. Often the decentralisation of power to an additional management layer and a greater division of labour are the main differences between small and medium-sized enterprises. A more complete separation of ownership and management is often the natural barrier between medium and large enterprises. Medium-sized enterprises make up 1,4% of enterprises recorded and account for approximately 13,8% of employment (Schwenke, 2000). Examples of medium-size enterprises are:

- Hotels;
- Tour operators;
- Game farms & reserves;
- Transport; and
- Providers.

Medium-sized firms generally have established relationships with bankers, with those having growth potential also being targeted by equity financiers. Various institutions serve the financing needs of medium enterprises. Medium-sized enterprises are also more likely to seek a listing on the stock exchange (White Paper of the Department of Trade and Industry, 1995).

## **1.6 ORGANISATION OF THE STUDY**

This dissertation will consist of five chapters. In Chapter One, a general introduction to the study will be given, providing aims, problem statements and a description of terms to be used in the study. In Chapter Two, the different aspects of entrepreneurship will be identified. In Chapter Three, a SWOT (strengths, weaknesses, opportunities and threats) analysis of SMMEs in South Africa will be discussed. In Chapter Four the questionnaire's focus will be to determine the current prospects and problems of SMMEs in South Africa.

Chapter Five will conclude with recommendations to improve SMMEs in South Africa.

## **2. CHAPTER TWO: ENTREPRENEURSHIP**

*“It is not the literal past, the facts of history, that shape us, but the images of the past embodied in language. We must never cease renewing those images, because once we do, we fossilise.”*

- Brain Friel

### **2.1 INTRODUCTION**

Entrepreneurship as the emergence of organisations or the operationalisation of opportunity is a process that lives in all arenas of life, although the field of entrepreneurship generally has studied entrepreneurial forms and practices in business and industrial contexts (Katz & Steyaert, 2000).

Entrepreneurship is incorrectly equated only with starting a small business (SBAB, 1995). While new venture creation is the most prevalent form of entrepreneurship, it is not the only form. To limit the definition of entrepreneurship to new venture creation only, unnecessarily limits the study of entrepreneurial activity.

Entrepreneurship may be the result of a team effort in an existing organisation such as a large corporation or even within a Government bureaucracy. There is a tendency to lump entrepreneurs and managers together. While out of necessity entrepreneurs often manage own enterprises, it is misleading to equate entrepreneurship with management. The essential difference between entrepreneurship and management is perception. Entrepreneurs do more than just combining the other factors of production. Entrepreneurs perceive a need in the marketplace for goods and services or for new technologies (SBAB, 1995).

Entrepreneurs are willing to act on these perceptions and to take a risk that the new product or technology will succeed in the market. This quality of perception, and subsequently acting on the perception, distinguishes entrepreneurs from managers. Entrepreneurs should be considered a separate economic resource, whereas managers should be viewed as a specialised form of labour (SBAB, 1995).

The entrepreneur sees an unexploited niche, and fills it by developing a new product, devising a new service, discovering a new technology, or formulating a new organisation. Invention is not innovation. Invention involves seeing the niche and developing a way to satisfy the perceived need. Innovation goes further, however, requiring that the idea be actually implemented or at least tried in the market. This involves the risk inherent to the introduction of new ideas (SBAB, 1995; Kirzner, 1985).

The aim of this chapter is to identify the different aspects of entrepreneurship. All the relevant aspects of entrepreneurship, namely entrepreneurial theories, the context of entrepreneurs, aspects of entrepreneurship and are entrepreneurs born or made were determined by combining the views of different authors of entrepreneurship and will be discussed throughout the chapter.

## **2.2 ENTREPRENEURIAL THEORIES**

A consistent universal theory does not exist in entrepreneurship. Instead, it consists of several different approaches including psychology, sociology, anthropology, regional science and economics. No common theoretical framework exists to synthesise the different points of views (Virtanen, 1997).

Throughout the theoretical history of entrepreneurship, scholars from multiple disciplines in the social sciences have grappled with a diverse set of interpretations and definitions to conceptualise this abstract idea (Burnett, 2000). Over time, "some writers have identified entrepreneurship with the

function of uncertainty-bearing, others with the coordination of productive resources, others with the introduction of innovation, and still others with the provision of capital" (Hoselitz, 1952).

Although there is only limited consensus about the defining characteristics of entrepreneurship, the concept is almost as old as the formal discipline of economics itself. The term "*entrepreneur*" was first introduced by the early 18<sup>th</sup>-century French economist Richard Cantillon (1755). In writings, Cantillon formally defined the entrepreneur as the "agent who buys means of production at certain prices in order to combine them" into a new product (Schumpeter, 1951). Shortly thereafter, the French economist J.B. Say (1800) added to Cantillon's definition by including the idea that entrepreneurs had to be leaders. Say claims that an entrepreneur is one who brings other people together in order to build a single productive organisation (Schumpeter, 1951; Steyaert, 2002).

Over the next century, British economists such as Adam Smith, David Ricardo, and John Stuart Mill (1961) briefly touched on the concept of entrepreneurship, although they referred to it under the broad English term of "business management". Whereas the writings of Smith and Ricardo suggest that they possibly undervalued the importance of entrepreneurship, Mill (1961) stresses the significance of entrepreneurship for economic growth. Mill (1961) claims that entrepreneurship requires "no ordinary skill," and laments the fact that there is no good English equivalent word to encompass the specific meaning of the French term "*entrepreneur*" (Schumpeter, 1951).

The necessity of entrepreneurship for production was first formally recognised by Alfred Marshall in 1890. In Marshall's famous treatise *Principles of Economics*, Marshall (1994) asserts that there are four factors of production, viz land, labour, capital and organisation. Organisation is the co-ordination factor, which brings the other factors together and Marshall (1994) believed that entrepreneurship is the driving element behind organisation. By creatively organising, entrepreneurs create new commodities or improve "the plan of

producing an old commodity" (Marshall, 1994). In order to do this, Marshall believed that entrepreneurs must have a thorough understanding about the industries, and entrepreneurs must be natural leaders. Additionally, Marshall's entrepreneurs must have the ability to foresee changes in supply and demand and be willing to act on such risky forecasts in the absence of complete information (Marshall, 1994).

Mill (1961) as well as Marshall (1994) suggests that the skills associated with entrepreneurship are rare and limited in supply. Marshall (1994) claims that the abilities of the entrepreneur are "so great and so numerous that very few people can exhibit them all in a very high degree". Marshall (1994) implies that people can be taught to acquire the abilities that are necessary to be an entrepreneur. Unfortunately the economic environment surrounding them often limits the opportunities for entrepreneurs. Additionally, although entrepreneurs share some common abilities, all entrepreneurs are different, and successes depend on the economic situations in which the entrepreneur is attempting his endeavours.

Since the time of Marshall (1994), the concept of entrepreneurship has continued to undergo theoretical evolution. For example, whereas Marshall believed entrepreneurship was simply the driving force behind organisation, many economists today, but certainly not all, believe that entrepreneurship is by itself the fourth factor of production that co-ordinates the other three (Arnold, 1996). Unfortunately, although many economists agree that entrepreneurship is necessary for economic growth, economists continue to debate over the actual role that entrepreneurs play in generating economic growth. One school of thought on entrepreneurship suggests that the role of the entrepreneur is that of a risk-bearer in the face of uncertainty and imperfect information. Knight claims that an entrepreneur will be willing to bear the risk of a new venture if there is a significant chance for profit (Swoboda, 1983). Although many current theories on entrepreneurship agree that there is an inherent component of risk, the risk-bearer theory alone cannot explain why some individuals become entrepreneurs while others do not. For example, Swoboda (1983) claims any

person who bears the risk of losses or any type of uncertainty could be called an entrepreneur under this narrow-definition of the entrepreneur as the risk-bearer.

Another modern school of thought claims that the role of the entrepreneur is that of an innovator; the definition of innovation is still widely debatable. Kirzner (1985) suggests that the process of innovation is actually that of spontaneous, "undeliberate learning" (Kirzner, 1985). The necessary characteristic of the entrepreneur is alertness, and no intrinsic skills other than that of recognising opportunities are necessary. Other economists in the innovation school side more with Mill and Marshall than with Kirzner. Mill and Marshall claim that entrepreneurs have special skills that enable them to participate in the process of innovation. Leibenstein (1995) claims the dominant, necessary characteristic of entrepreneurs to be gap-fillers: entrepreneurs have the ability to perceive where the market fails and to develop new goods or processes that the market demands but which are not currently being supplied. Leibenstein (1995) posits that entrepreneurs have the special ability to connect different markets and make up for market failures and deficiencies. Leibenstein (1995) suggests that entrepreneurs have the ability to combine various inputs into new innovations in order to satisfy unfulfilled market demand.

Many economists accept the idea that entrepreneurs are innovators. It can be difficult to apply this theory of entrepreneurship to less developed countries. Often in less developed countries, entrepreneurs are not truly innovators in the traditional sense of the word. For example, entrepreneurs in less developed countries rarely produce brand-new products. They rather imitate the products and production processes that have been invented elsewhere in the world (typically in developed countries). This process, which occurs in developed countries as well, is called "creative imitation" (Drucker, 1985). The term appears initially paradoxical. It is quite descriptive of the process of innovation that actually occurs in less developed countries. Creative imitation takes place when the imitators better understand how an innovation can be applied, used, or sold in a particular market niche (namely own countries) than do the people

who actually created or discovered the original innovation. Thus, the innovation process in less developed countries is often that of imitating and adapting, instead of the traditional notion of new product or process discovery and development.

The basic category of economic development is the entrepreneurial function as embodied in the entrepreneur. Development proceeds as changes in firms and industries result in more resilient, diverse local economies. The essential dynamic driving the development process is innovation. Innovation is conceptualised variously in different theories as new combinations, improvisation, or creative risk-taking. To its credit, entrepreneurship theory is mediated theory; people make development happen. This strength, however, leads to the weakness that entrepreneurship theory is not easy to apply consistently. The most general application is to support an industrial environment or ecology favourable to entrepreneurs (Anon, 2002).

Attempts have traditionally been made to describe entrepreneurship relative to:

- an economic function;
- ownership structure;
- degrees of entrepreneurship;
- size and life-cycle of firm; and
- a resource base.

These descriptions are outlined in Table 2.1 and described below.

**Table 2.1:** Process of entrepreneurship: definition approaches and features

<b><i>Approaches</i></b>	<b><i>Features</i></b>
Economic function	<ul style="list-style-type: none"> <li>• Personal initiative of entrepreneur</li> <li>• Risk-bearing function</li> <li>• Harnessing of factors of production</li> </ul>

Ownership structure	<ul style="list-style-type: none"> <li>• Creation of business with entrepreneur as founder</li> </ul>
Degrees of entrepreneurship	<ul style="list-style-type: none"> <li>• Size of firm</li> <li>• Personal financial risk</li> <li>• Creativity and innovation</li> <li>• Growth realisation</li> </ul>
Resource base	<ul style="list-style-type: none"> <li>• Primordial to potential production process</li> </ul>
Size and life-cycle of firm	<ul style="list-style-type: none"> <li>• Association with young start-up firm</li> </ul>
Consolidation approach	<ul style="list-style-type: none"> <li>• Conditions of uncertainty and competition</li> <li>• Entrepreneurial management and strategy</li> <li>• Initiation of change</li> <li>• Innovatory process</li> <li>• Ownership, structure and size of firm irrelevant</li> <li>• Personal initiative through the spirit of enterprise</li> </ul>

**Sources:** Cantillon, (1755); Say, (1800); Gilder, (1971); Kirzner, (1979, 1980); Curran & Burrows, (1986); Drucker, (1986); Dale, (1991); Morrison et al., (1999).

- **Economic function**

Economists are attracted to the subject of entrepreneurship because the economist sees it as a means of stimulating the economy through the harnessing of personal initiative in the creation of firms and jobs. Thus, it is seen as an economic function. In these terms, Cantillon (1755) stated that entrepreneurship entails bearing the risk of buying at a certain price and selling at an uncertain price. Implicit in this activity is a risk-bearing function. Say (1800) broadened this economic perspective to include the concept of the bringing together of the factors of production, within which the entrepreneur is primordial. This approach assumes an entrepreneur who responds to an outside force, which then impacts on the market system.

- **Ownership structure**

Entrepreneurship has also been defined relative to ownership structure, represented as the creation of a new enterprise, which has the entrepreneur as the founder, for example a tour operator. This approach deliberately excludes businesses, which have a different ownership structure, such as the shareholder-owned corporate groups, charities, or public-sector organisations. It suggests that the process of entrepreneurship is not appropriate to, or applied by such organisations. Entrepreneurship is widely agreed to take place within all sizes and types of organisations.

- **Degrees of entrepreneurship**

Efforts have been made to categorise the degree of innovative and creative behaviour that can be deemed to represent entrepreneurship. Many small-firm owners create the business and then simply maintain it, providing a steady-state, reasonably stable lifestyle income. Organisations that were inherited are often run by the next generation in the same manner their forebears did. To what degree can these three categories, namely small-firm, steady-state, and inherited, then be classed as examples of entrepreneurship? Dale (1991) proposes that the focus for the measurement of entrepreneurship should be on the degree of success achieved through the change initiated. Such measures could be related to growth factors such as market size, return on personal investment, number of employees, and increased diversity of products/services.

- **Resource base**

Kirzner (1980) describes entrepreneurship as both a costless and a priceless resource from which economic development models can benefit. Kirzner (1980) emphasizes that it is not something that can be deliberately introduced. Entrepreneurship is a factor primordial to the very idea of a potential production process awaiting possible implementation. This is based on the assumption

that, within our social and economic system, there is an initial stock of entrepreneurial resource waiting to be mobilised.

Entrepreneurship is concerned with the initiation of change. As such, it challenges, and perhaps destroys, the established order and the complacency of traditional social and economic systems. According to Gilder (1971) one of the key principles of entrepreneurship is the absence of clear and fast rules. With no rulebook to control the game that is entrepreneurship, it is inevitable that there will be winners, losers and unruly behaviour. Consequently, it would be delusory to accept that all outcomes from the process of entrepreneurship will be positive.

It can be concluded that entrepreneurship concerns more than an economic function. The essence is the application of innovatory management processes, directed at bringing about change of both a social and economic nature. The key to unlocking the potential of entrepreneurship lies within the individual members of society and the degree to which the spirit of enterprise exists or can be stimulated. Without this personal initiative, originating in the spirit of enterprise, the process of entrepreneurship is a non-starter.

As the above demonstrates, throughout the evolution of entrepreneurship theory, different scholars have posited different characteristics that they believe are common among most entrepreneurs. By combining the above disparate theories, a generalised set of entrepreneurship qualities can be developed. In general, entrepreneurs are risk-bearers, co-ordinators and organisers, gap-fillers, leaders, and innovators or creative imitators. Although this list of characteristics is by no means fully comprehensive, it can help explain why some people become entrepreneurs while others do not. Thus, by encouraging these qualities and abilities, governments can theoretically alter the country's supply of domestic entrepreneurship (Burnett, 2000).

## 2.3 CONTEXT OF ENTREPRENEURS

A successful tourism industry depends on the entrepreneurial skills, drive and dedication of entrepreneurs. The following will discuss the context of entrepreneurs, namely:

- **Corporate venture**

As the embryonic entrepreneurial organisation grows, ownership is likely to become more diffused and entrepreneurship may become a group quality rather than be confined to any one individual. Southern Sun and Sun International are examples (Saayman, 2000).

- **Entrepreneurial venture**

A minority of firms in South Africa may be classified as truly 'entrepreneurial'. Owners or managers will be driven by the managerial objective of growth realisation, and maximising the potential opportunities that can be developed from the originally created venture. These organisations are characterised by innovative strategies and practices (Saayman, 2000).

- **Ethnic minority**

Entrepreneurship has been identified as a vehicle through which members of ethnic minority groups can overcome disadvantage and achieve personal success. In South Africa considerable emphasis is placed on disadvantaged communities and disabled persons. The question remains on how to get more of the latter in the tourism industry (Saayman, 2000).

- **Culture and social norms**

When aspects of cultural norms in South Africa are discussed, the importance of an entrepreneurial culture or entrepreneurial mindset is mentioned. To talk

about "South African cultural and social norms" is difficult, because South Africa have such a diverse society. There is the complex question of the relationship between societal norms and individual attitudes and mindsets. Many experts used the term "*mindset*" when talking about those conditions that are needed for entrepreneurship to flourish – individuals with the right mindset are required to be entrepreneurs. This is influenced by, among a range of factors, family, education, religion, and the local environment, including role models, economic activity that individuals are exposed to, and values that are explicitly or implicitly espoused. The Indian race is a good example of an entrepreneurial culture: these persons are born entrepreneurs.

- **Family**

A large percentage of smaller firms represent family enterprises. Very often the small hotel, visitor attraction, or activity centre will involve most of the family performing different roles. Within such firms, issues of importance are the social systems that exist and the question of succession. The family also has an important role to play in terms of being a supplier of resources, such as finance and labour (Saayman, 2000).

- **Franchise**

The highly standardised nature of some products and services, and the strength of the brands involved, have resulted in franchising becoming a dominant feature of operations in the industry sector. Business format franchising entails the franchiser granting a license to local operators (franchisees) to use the brand name, product, service and associated goodwill for a specific period of time. Franchisees are supplied with a complete, proven, business concept together with the unique know-how, thereby removing from the franchisee some of the uncertainties of setting up a business. The required investment could range from R20 000 upwards, with the average investment being R45 000. Industry examples are Rennies Travel, Protea hotels, Kentucky Fried Chicken and McDonalds Restaurants (Saayman, 2000).

- **Gender**

It is often the high profile male entrepreneur who is cast, and identified with, as role models. Consequently, there has been an increased emphasis on the encouragement of female entrepreneurship as statistics indicate a generally low business start-up rate within this group (Saayman, 2000).

- **Home-based and craft**

Within the hospitality, tourism and leisure industries, this represents a small, highly specialised segment. The restricted size is mainly due to the nature of the businesses in this sector with fixity to the service provider's home, rather than the location of the customers. The most obvious example is that of the bed & breakfast operation. As a result of information technology developments, however, new varieties of home-based businesses are emerging, such as Internet marketing support, central reservations services, and bespoke tourist itinerary planning (Saayman, 2000).

- **Joint venture**

This represents an arrangement whereby firms remain independent but set up a new organisation jointly owned by the parent firms. Firms are typically focused on a particular venture, project, or activity. Each will vary in terms of formality, ranging from a loose, voluntary agreement to one that involves financial shareholding (Saayman, 2000).

## **2.4 ASPECTS OF ENTREPRENEURSHIP**

The entrepreneur's role within economic activities has been a part of economic literature for centuries, yet the description of the entrepreneurial function has been different among the various economists who have addressed the topic. Timmons (1994) approach represents an evolving view that those variables might be more usefully studied in clusters or constellations. Other desirable,

but not so acquirable, aspects are recognised by Timmons (1994) as:

- Energy, health and emotional stability;
- Intelligence;
- Capacity to inspire;
- Personal and ethical values.

An approach such as this, which works on the principle of a critical mass of attitudes, behaviours and features, recognises that a critical mass can take many different forms. Effective entrepreneurs come in very different combinations of qualities that work for them in a particular context. This approach allows more individuals to be identified as potential entrepreneurs and supports the stance adopted throughout this text. Some entrepreneurs will have strengths in some dimensions that offset weaknesses in others. It is vital to recognise that each entrepreneur will develop these characteristics in association with the particular influences which have shaped, and continue to shape, that entrepreneur's social development process, as set out in Table 2.2. It has been established that these influences are not static, but dynamic in nature due to human beings' continual evolution.

Timmons (1994) assists understanding in the production of a consensus around six dominant themes, which can be called desirable and acquirable. These are presented in Table 2.2.

**Table 2.2:** Desirable and acquirable aspects

<i><b>Theme</b></i>	<i><b>Attitude or behaviour</b></i>
Commitment and determination	<ul style="list-style-type: none"> <li>• Tenacity and decisiveness, able to recommit / commit quickly</li> <li>• Discipline</li> <li>• Persistence in solving problems</li> <li>• Willingness to undertake personal</li> </ul>

	<p>sacrifice</p> <ul style="list-style-type: none"> <li>• Total immersion</li> </ul>
Leadership	<ul style="list-style-type: none"> <li>• Self-starter; high standards but not perfectionist</li> <li>• Team builder and hero maker; inspires others</li> <li>• Treat others as you want to be treated</li> <li>• Share the wealth with all those who helped to create it</li> <li>• Integrity and reliability; builder of trust; practices fairness</li> <li>• Not a lone wolf</li> <li>• Superior learner and teacher</li> <li>• Patience and urgency</li> </ul>
<b>Theme</b>	<b>Attitude or behaviour</b>
Opportunity obsession	<ul style="list-style-type: none"> <li>• Having intimate knowledge of customers' needs</li> <li>• Market driven</li> <li>• Obsessed with value creation and enhancement</li> </ul>
Tolerance of risk, ambiguity, and uncertainty	<ul style="list-style-type: none"> <li>• Calculated risk-taker</li> <li>• Risk minimiser</li> <li>• Risk sharer</li> <li>• Manages paradoxes and contradictions</li> <li>• Tolerance of uncertainty and lack of structure</li> <li>• Tolerance of stress and conflict</li> <li>• Ability to resolve problems and integrate solutions</li> </ul>

<p>Creativity, self-reliance, and ability to adapt</p>	<ul style="list-style-type: none"> <li>• Non-conventional, open-minded, lateral thinker</li> <li>• Restlessness with <i>status quo</i></li> <li>• Ability to adapt and change; creative problem-solver</li> <li>• Ability to conceptualize</li> </ul>
<p>Motivation to excel</p>	<ul style="list-style-type: none"> <li>• Goal-and-results orientation; high but realistic goals</li> <li>• Drive to achieve and grow</li> <li>• Low need for status and power</li> <li>• Interpersonally supporting</li> <li>• Aware of weaknesses and strengths</li> <li>• Having perspective and sense of humour</li> </ul>

- **Commitment and determination**

Entrepreneurs are generally committed and determined characters. Entrepreneurs need these qualities to survive. This represents a positive approach to life, in part resulting from the high level of self-confidence. Commitment is demonstrated relative to high dedication to the job. Entrepreneurs work long hours and regard the firm as by far the most important element of their own lives, with the possible exception of the family. Much of the entrepreneur's personal fulfilment, and confirmation of his worth as a successful individual comes from the dedication to the work ethic (Timmons, 1994).

- **Leadership**

Leaders, by definition, achieve organisational objectives through others. It follows that, to be successful, leaders must have a high degree of interpersonal

skills. The leadership style will reflect the personality of the lead entrepreneur. Consequently, it can range from authoritarian to participative; the skills required are the same. These include the ability to select appropriate team members, communication, mediation, negotiation, and persuasion skills. Motivation and empowerment of, and the sharing of credit for achievement with, team members and/or employees are crucial. In this way, entrepreneurs appreciate own strengths and weaknesses when it comes to managing the business. Moreover, leaders understand that future prospects of the business depend on addressing existing skills and knowledge deficits through entrepreneurial teams and external networks. Building and developing relationships to sustain an effective internal team requires strong leadership and vision (Timmons, 1994).

- **Opportunity obsession**

The entrepreneur is market-driven, continuously seeking that one idea on which the window of opportunity is opening and which offers the prospects of a worthwhile return on effort and resources, for some time to come. The entrepreneur is steeped in the market and sensitive to the challenges the market place is likely to present to the fulfilment of ambitions. Jennings et al. (1994), propose that while intrapreneurs also search for the next opportunity, the approach is more moderate and cautious than that of independent entrepreneurs. This may be due to seeing the role within an organisation as that of a steward, rather than an opportunist. Although this may hold true in general, there are, however, examples of the converse being true. Both intrapreneurs and entrepreneurs understand that a systematic progression of steps is required to achieve identified opportunities (Timmons, 1994).

- **Tolerance of risk, ambiguity, and uncertainty**

The environment of the entrepreneur is characterised by ambiguity, inconsistencies and insubstantial knowledge. For many, such an environment would be unacceptable and debilitating. For the entrepreneur, however, opportunity lies in such dynamic change, from which the potential degree of risk

is evaluated. Risk can be financial risk and damage to personal standing and reputation, not only in the entrepreneur's own eyes but also in the eyes of his social peers. This results in a level of caution and measured calculation of the risk element involved in entrepreneurial decision-making. Thus, it is helpful to regard the entrepreneur as a risk-manager, rather than a risk-taker. In this role the entrepreneur deals with uncertainty by identifying, assessing, evaluating, managing, and transferring risk. It is a systematic process, not a function left solely to chance and luck. This represents a critical entrepreneurial skill (Timmons, 1994).

- **Creativity, self-reliance, and ability to adapt**

Entrepreneurs are creative and innovative. Entrepreneurs are not constrained by existing systems, and challenge established procedures and assumptions. Entrepreneurs often produce something new rather than just modifying currently existing commodities. Entrepreneurs combine these creative and innovative skills with the ability to analyse a problem and quickly reach an effective solution. Problem-solving here is seen as a fundamental skill, often not highly intellectual or rational, but more intuitive in nature. Central to this theme is an entrepreneurial learning curve that involves an experiential interactive process. It is highly personal, established from observation and confirmation of both a positive and negative nature. The entrepreneur tends to act first and learn later from experiences of his / her actions (Timmons, 1994).

- **Motivation to excel**

Entrepreneurs and intrapreneurs are ambitious individuals with a strong passion to achieve. These individuals are highly proactive and respond to challenges with enthusiasm, self-confidence, and the determination that they have the potential to excel. This motivation is driven by a need to achieve a combination of personal and economic goals. In addition to business profitability, many entrepreneurs measure success by the degree to which an inner sense of achievement has been satisfied. While entrepreneurs, perhaps

more so than intrapreneurs, seem to be motivated by a self-belief that one can succeed, that does not imply a complete lack of the fear of failure. Entrepreneurs as businesspersons are both goal- and result-oriented, setting ambitious but realistically do-able goals (Timmons, 1994).

Strong evidence that many entrepreneurs are motivated by achievement rather than simply monetary reward is shown by the existence of serial entrepreneurs, those who, having built up one organisation and achieved great personal wealth, start all over again!

Entrepreneurs can be categorised in two ways, those who are entrepreneurial to be different, to make money and to get on top of the social ladder, and those who are only entrepreneurial to survive, not born as such, but pushed to be like that. Looking at entrepreneurs in general they have certain common characteristics, which are listed in Table 2.3. These characteristics can be taught (Morrison et al., 1999).

**Table 2.3:** Entrepreneurial characteristics and properties

Inputs	<ul style="list-style-type: none"> <li>• Ambition</li> <li>• Creativity</li> <li>• Dedication</li> <li>• Initiative</li> <li>• Innovation</li> <li>• Management capabilities</li> <li>• Risk-taking propensity</li> <li>• Positive state of mind</li> <li>• Vision</li> </ul>
Outputs	<ul style="list-style-type: none"> <li>• Run / pain</li> <li>• Rewards / losses</li> <li>• Success / failure</li> <li>• Satisfaction / unworthiness</li> </ul>

(Source: Morrison et al., 1999)

Table 2.3 consolidates some of the characteristics and properties generally associated with being an entrepreneur. These can be divided into the inputs that are needed from the entrepreneurs to animate and direct resources, the outputs or profit of actions. These outputs, in turn, reinforce the inputs, either negatively or positively. It can be observed that profit has a wider meaning than purely financial. Pearce (1985) is astute in using a metaphor comparing entrepreneurs with bees to describe what these individuals do. Pearce believes that, in most respects, entrepreneurs are ordinary human beings, seeking to do good for themselves in terms of material gain and social status. In the process, entrepreneurs are unwitting catalysts, as with bees, whose strictly private activities are the first cause of almost everything else. Likewise, the entrepreneurs' seeking for honey also serves to pollinate. Entrepreneurs can be regarded as first among equals in the process of wealth creation. In creating own wealth, entrepreneurs also create wealth for others and bring about social consequences in the wider society (Pearce, 1985).

That brings us to the question whether entrepreneurs are born or made. This debate has not been concluded. Although not the purpose of this study, a measure of curiosity exists to see how the tourism generation views this aspect

## **2.5 ARE ENTREPRENEURS BORN OR MADE**

Are individuals born with certain characteristics that predispose them to entrepreneurial endeavours? Is there a set of traits that can be attributed to an entrepreneurial personality? Or does environmental context, such as early exposure to entrepreneurialism make the entrepreneur (Faris, 1999)?

Questions such as these are often the topic of inquiry and debate among researchers in the field of entrepreneurship. Considering the fact that small businesses have created nearly all of the net new jobs (number of new jobs created minus number of jobs that have been terminated) in recent years, it is the practical significance of whether entrepreneurs are born or made that makes this question important.

Professor of Psychology Alan Jacobowitz (Cohen, 1980), holds that entrepreneurs are born, not made. According to Cohen (1980) entrepreneurs commonly share certain personality characteristics. These include: *restlessness, independence, a tendency to be a loner and extreme self-confidence*. Other researchers have added innovative, action-oriented, high on the need for personal control and highly autonomous to the list of what can be seen as uniquely entrepreneurial characteristics (Schein, 1994).

To identifying personality traits common to entrepreneurs, Jacobowitz (Cohen, 1980) devised a chronological schema of entrepreneurial indicators called the five ages of the entrepreneur. The ages include: *early childhood exposure, trouble in school, problems with work, desire to risk, and bliss in business independence*. Trait theories such as Jacobowitz's suggest that entrepreneurial attitude is static - that is, individuals are either born with the related characteristics, or they are not. Although the majority of theorists have supported this approach since the dawn of entrepreneurial research, some criticise that it has yet to be empirically proven (Naffziger et al., 1994).

Various researchers support Jacobowitz's identification of entrepreneurial-type characteristics, but most opt for a more dynamic approach to entrepreneurial personality, in which personality traits and subsequent behaviour are shaped by a variety of factors (Krueger & Brazeal, 1994; Naffziger et al., 1994).

Kreuger & Brazeal (1994) offer a dynamic model that suggests entrepreneurial intention is based on the interaction between personal characteristics, perceptions, values, beliefs, background and environment (situational context). Researchers base this approach on Shapero's model of the entrepreneurial event in which entrepreneurship is defined as "the pursuit of an opportunity irrespective of existing processes" (Krueger & Brazeal, 1994). Unlike the trait models, Shapero's approach incorporates the influence of environment, and the notion that entrepreneurial behaviour is planned and intentional. This approach is process-focused, in that the interaction of several factors is examined in order to predict behaviour.

Kreuger & Brazeal (1994) argue that beliefs, perceptions and assumptions are learned within the context of a given environment (such as a business or community). Kreuger & Brazeal (1994) also argue that these attitudes and perceptions predict intentions that in turn influence behaviour. Thus by indirect relationship, the Kreuger and Brazeal model suggests that entrepreneurial intention is mediated in the following manner: The environment or event causes an individual to form perceptions, attitudes and assumptions (consider the assumptions and beliefs that might be formed in a change-oriented environment as opposed to a static environment). These perceptions then translate themselves into intentions, or potential, which are expressed through behaviour. This model suggests that entrepreneurial characteristics not only can be learned, but they can vary across individuals and situations (Kreuger & Brazeal, 1994).

While it would appear that the "made" side of the born / made argument is winning, criticisms exist for both sides. The way in which entrepreneurship is defined, differs across approaches and studies. Some define it as having the intent to own, or already owning a business (Crant, 1996; Langan-Fox, 1995). Others counter that there are qualitative differences among business owners that distinguishes between true entrepreneurialism and engaging in business ownership as a means of financial survival (Schein, 1994).

On the question whether an entrepreneur is born or made the latter would be the answer, according to Banfe (1991) the reason for this is that the situation and environment in which individuals find themselves have a lot to do with the drive to become an entrepreneur. Not everyone is born to be an entrepreneur – some are "forced" into becoming entrepreneurs.

## **2.6 CONCLUSION**

Entrepreneurs are products of society. Responses to events affecting entrepreneurs will be influenced by the value system of their society, as well as their earlier formative experiences and personal characteristics. Individuals

may enter into entrepreneurship as a result of push and pull factors at work within social context, such as unemployment, family tradition, need for independence, or lack of personal or financial security.

According to Timmons (1994), stimulation of such behaviour needs a favourable climate that combines social, political and educational attributes in the following manner:

A culture encouraging entrepreneurship – an imperative to educate our population so that the entrepreneurial potential is second to none, and a Government that generously supports pure and applied science, fosters entrepreneurship by means of enlightened policies and schools that are enabled to produce the best educated students in the world.

Entrepreneurship does not take place in a vacuum and factors external to the individual and his/her organisation may make the climate more or less favourable to the birth of a new venture.

Clearly factors at work in the environment external to the organisation, such as unemployment, the state of the economy and financial influences such as interest and exchange rates, will impact in terms of the available volume of opportunities and resources, and the nature of consumer demand. These combine to influence entrepreneurial activities and degrees of success achievable within certain markets.

The debate regarding the supremacy of different approaches to the development of entrepreneurs continues, and each has its individual champion.

All contribute significantly in a way to enhancing understanding about who the entrepreneur is and what the entrepreneur does. Cooper's approach (Carson et al., 1995) is in itself limiting, but does provide the insight that different factors working together contribute to entrepreneurial behaviour. Not one approach has the definite answer, but together allows some degree of understanding

(Carson et al., 1995). It is clear that any approach to defining what shapes an entrepreneur must work from a consolidation of understanding relative to a wide range of factors at work in society, and the social and family background and the wider economy which all influence entrepreneurial behaviour (Morrison, 1998). In this way a constructive, holistic perspective can be developed, rather than attempting to categorise it according to one specific academic discipline.

### **3. CHAPTER THREE: ANALYSIS OF SMALL, MEDIUM AND MICRO- TOURISM ENTERPRISES**

*"When we come to look at the human and social factors affecting small firms, we can see that firms are, in fact, as varied and individual as the men who founded them".*

- Boer 1997

#### **3.1 INTRODUCTION**

Although numerous opportunities exist for small, medium and micro- tourism enterprises, for example in the accommodation and transport sector, there are also a number of constraints that restrict spontaneous growth in South Africa. These include political violence and instability in South Africa (Saayman, 1993), economic performance and investors' trust in South Africa (Satour, 1994), legislation, limited development scope due to past political policies and inadequate training for entrepreneurs, to name a few (Saayman & Slabbert, 2001; Swart, 1997).

Another constraint is that local, small, medium and micro-tourism enterprise entrepreneurs lack the technical, managerial, accounting, marketing, and sales skills required for successful management for small, medium and micro-enterprises in the global village (Kaunda & Miti, 1995). Many tourism entrepreneurs lack the ability to recognise that the nature of international competition is changing, and that exports need to be differentiated, of high quality, and tailor-made to the needs of the tourist (Ismail, 1995).

Not only is the lack of such entrepreneurial ability a serious micro-economic constraint in South Africa, the lack of skills and education among workers is a

serious constraint factor for existing black entrepreneurs. In addition, those entrepreneurs who do not have the necessary skills to manage the risks accompanying South Africa's changing circumstances may not be hiring labour (Collier et al., 1994), thus accounting for persistent unemployment.

The challenge facing South Africa today, is to turn this existing situation into an opportunity whereby the majority of citizens in the country are empowered to generate own wealth, and in so doing raise the wealth of all. The existing monopolistic controlled economy cannot generate the increases required in the gross domestic product (GDP). The South African Government's macro economic plan target for gross domestic product (GDP) growth is 6% and the plan relies to a large extent on the growth and strength of the SMME sector. For Government employees to receive remuneration that will keep pace with inflation and avoid the corruption seen in some other countries in Africa, growth in the economy is essential to ensure that the tax base is increased, not by increasing taxes, but increasing the number of contributors in the economy. Small enterprise development will ensure this, and it is therefore of the utmost importance that the private sector should contribute to this drive. In view of the South African economy's low growth rates and high unemployment in recent years, the role and contribution of the country's small enterprises has become a priority sector for the current Government (Field, 1997).

The aim of this chapter will be to do a SWOT- (Strengths, Weaknesses, Opportunities and Threats) analysis of SMMEs in South Africa. The information of the literature study will be compared to the survey results in order to identify the current situation of tourism entrepreneurs in South Africa.

### **3.2 THE NEEDS OF SMALL, MEDIUM AND MICRO-ENTERPRISES (SMMEs)**

Although large corporations may contribute the major share to a country's Gross Domestic Product (GDP), the influence and stabilising role that SMMEs

play within an economy has been receiving increasing attention from both the academic and government sectors in recent years.

The importance of small enterprises as a contributor to economic success is reflected in the extent to which small enterprises have featured in the successful economies of developed countries such as Japan and Sweden, and newly industrialised countries (NICs) such as Taiwan and South Korea (Mitra, 1995).

In recognition of the importance of small enterprises, the Government's White Paper on the National Strategy for the Development and Promotion of Small Business in South Africa emphasises the need to create an enabling environment within which a small enterprise culture can be developed (White Paper on Small Business, 1995).

The key objectives of the Government's national small-business strategy are the following and the White Paper on Tourism (1996) has similar ideas (White Paper on Small Business, 1995):

- To create an enabling environment for small enterprises.
- To facilitate greater equalising of income, wealth and earning opportunities.
- To address the legacy of apartheid-based disempowerment of black businesses.
- To support the advancement of women in all business sectors.
- To create long-term jobs.
- To stimulate sector-focused economic growth.
- To strengthen cohesion between small enterprises.
- To level the playing fields between bigger companies and small businesses, as well as between rural and urban businesses.
- To prepare small businesses to comply with the challenges of an internationally competitive economy.

To a greater or lesser extent, the Internet, as a business environment as well as a business tool, presents opportunities and can play a facilitating role in respect of each of these objectives.

### 3.3 GOVERNMENT POLICIES

As one can see from above, the Government regards the development of small businesses as a priority. The support for new and growing organisations are a high priority for policy at national government level. Putting that commitment into practice has proved complex, in terms of both the general policy environment and programmes aimed specifically at supporting small enterprises (GEM, 2001).

A policy environment in which public accountability exists, bureaucratic requirements are kept to a minimum, effective legal and financial institutions exist and crime and corruption are tackled, is important for tourism entrepreneurship. But without people who have what it takes to be entrepreneurs, the best set of policies and programmes and financial institutions is likely to have minimal impact (GEM, 2001).

The following are actions taken by the Government to promote SMMEs in South Africa:

- **White Paper on Tourism**

Due to the positive effect tourism has on the long-term economic growth of a country, the Government of South Africa has committed itself to promote tourism development in all its facets and to support the tourism industry in such a way that the economy and society as a whole can gain from it (White Paper on Tourism, 1996). This commitment by the Government may contribute to the development of entrepreneurship in the tourism industry.

The White Paper on Tourism (1996) was the first to dictate not only a policy for

tourism development in South Africa but also a plan of action. In the mission of the national tourism strategy (as indicated in the White Paper on Tourism, 1996), tourism is encouraged to ensure that it is accessible to entrepreneurs, which will lead to an improvement in the socio-economic welfare of all people in Southern Africa by means of SMMEs.

With the decentralisation of functions, more money is made available to locals for the development of SMMEs. Provinces also have specific SMME funds available to kick-start the tourism industry. In addition, the Small Business Development Corporation is also involved in the development of SMMEs. e.g

Key supportive values to the advantage of tourism entrepreneurship include the following (White Paper on Tourism, 1996):

- Equitable access to information, sources, market opportunities and socio-economic advantages for all potential participants and the community.
- A competitive environment that contributes to the effective use of available resources and a broad / wide participation in the economy.
- Community involvement through effective inputs in management and institutional structures on local as well as international level.
- Supportive production, which requires responsible management of potential tourism resources, to ensure the best long-term advantage for the community.

In the national tourism strategy, the public sector should play a supportive role through (Saayman & Saayman, 1999):

- The development of a business climate, which supports tourism development.
- Support of upcoming tourism entrepreneurs and facilitation of equal access to market opportunities.
- Funding of international promotion of South African tourism enterprises by the South African Tourism (SA Tourism).

- The preservation of South Africa's cultural and environmental heritage.
- The provision and maintenance of infrastructure and public areas.
- The encouragement of decentralised planning and decision-making to facilitate community involvement.

- **Tourism Growth, Employment and Redistribution**

The Growth, Employment and Redistribution (GEAR) document was developed to address the issues of economic growth, employment creation and redistribution of income in South Africa (Saayman & Saayman, 1999). The Department of Environmental Affairs and Tourism together with wide consultation developed a framework for tourism growth in line with the national Growth, Employment and Redistribution (GEAR) principles. This framework indicates that free enterprise is the cornerstone of a successful tourism industry and that sufficient public and private support should be given to tourism entrepreneurs.

- **SA Tourism focus on entrepreneurship**

With the White Paper on Tourism (1996) in place, SA Tourism has committed itself to support tourism entrepreneurs in a number of areas, namely by:

- Investigating the needs, problems and expectations of tourism entrepreneurs on a regular basis. In this respect, SA Tourism has published a guide, which provides advice to current and future tourism entrepreneurs.
- Supporting entrepreneurs by means of information regarding viability studies, the various licenses required, road signs and marketing of products. This includes an inventory of all the investment possibilities in each region.
- Presenting workshops for upcoming tourism entrepreneurs. These workshops contribute to better communication channels between the industry and SA Tourism and lead to the inclusion of Tourism as a subject

at school level as well as training programmes in management and financial skills for tourism entrepreneurs (Heath, 1993; Satour, 1993 & Satour, 1994; Saayman, 1999).

### 3.4 ADVANTAGES OF TOURISM ENTREPRENEURSHIP

There are some advantages regarding tourism entrepreneurship, as can be seen from the following:

- **Employer and creator of job opportunities**

SMMEs are exceptionally labour-intensive. They provide a range of employment opportunities (Bennett, 2000), with a large portion of the workforce being employed by the small business sector. This especially holds for rural districts where the population is too small to justify big businesses. Employment and the creation of new job opportunities by the small business sector are not only advantageous to the socio-economic development of rural areas, but also to the maintenance of a healthy balance of economic growth in urban and rural areas (SBAS, 1995).

An example is Walter Ndala, an owner of the famous *Wandie's Tavern* in Soweto. Mr Ndala started involving young people in a simple way that works very well: Mr Ndala gives them "responsibility" for certain areas in his parking space and the streets around, to be kept clean and tidy, to look after cars, clean them if asked, generally being responsible for their own areas (Dean, 1999).

- **Innovator and personal initiatives**

The unique nature of small enterprises lends itself exceptionally well to the role of inventor of new products, ideas and techniques. The small businessman has more freedom and own initiative at his disposal to personally realise his initiatives.

The small businessman also serves his own interest and is not a mere slave to the big business sector. He / she is therefore more motivated and usually strives towards "better". This greater motivation can contribute to the fact that many imaginative improvements can emerge in methods and techniques in the field of manufacturing, marketing and even administration. Small enterprises continually contribute to product development of consumer goods and often lead the way to new fields that can be explored and developed (SBAS, 1995). *Strategies*

The tourism industry is very demanding and tourists need change from time to time. The need for certain activities arise and entrepreneurs can perceive an opportunity to fulfil these needs. If there is a demand for a new tourism product, the entrepreneur can see the gap and develop something, for example an adventure tour package that includes white-water-river rafting, bungee-jumping and more adventure activities for teenagers or students. The tourism industry is concerned with people and therefore will always need creative individuals with initiative.

- **The multiplier effect of SMMEs**

When the total environment of the SMME sector is investigated, it will be found that the small business exerts a multiplier effect on socio-economic activities. Although not all small enterprises necessarily offer long-term advantages to an area, there are often a significant number that have the ability to stimulate activities in that particular area. *to*

With regard to the internal system of small enterprises, working owners or managers, as well as the staff complement, often have to be recruited from elsewhere. This labour-force has a need for housing and normal provisions. The remuneration obtained from the small enterprises is used to satisfy needs. In this way a community can develop, thus providing for further contributions to the extension of a total infrastructure. *opportunities*

As businesses grow, more businesses establish themselves in an area. The demand for certain business facilities such as banking, insurance services, local authorities, recreation facilities and other services can increase. This involuntary situation leads to the establishment of support services and instances to satisfy the need (SBAS, 1995).

- **Expansion of new market opportunities**

As a result of the dominant position of existing, largely white-owned enterprises, the structural environment that confronts informal entrepreneurs is largely relegated to a set of narrow economic spaces with limited prospects for growth, for example, the tourism industry, which is heavily dominated by white-owned tourism enterprises. Despite the opening up of Soweto to growing numbers of international tourists, the domination of large enterprises has meant that few opportunities have been opened up for informal entrepreneurs in servicing the growing tourism economy of Soweto (Zulu, 1998).

Numerous examples are also known where the growth and success of SMMEs, the inability to retain personnel and the productivity of employees are restricted by conflicts among family members in the business, or the partiality of the owner (Kuscus, 1996).

### **3.5 SWOT (STRENGTHS, WEAKNESSES, OPPORTUNITIES AND THREATS) ANALYSIS OF SMALL, MEDIUM AND MICRO- TOURISM ENTERPRISES**

One useful instrument that may help tourism managers to identify key internal and external variables and pinpoint potential business opportunities is the SWOT analysis. A SWOT analysis is the process of systematically identifying an organisation's *strengths, weaknesses, opportunities* and *threats* (Bennett, 2000).

*Strengths* are those resources or abilities that give a tourism organisation the advantage over competitors. *Weaknesses* must also be acknowledged. *Opportunities* are the potentially favourable conditions in the organisation's environment. *Threats* are major unfavourable circumstances or impediments to an organisation's present or future position.

The SWOT analysis is also used here to clarify the current position of SMMEs in South Africa. The relevant aspects were determined by combining the views of different authors, viz Bennett, 2000; Dannhauser, 2002; Dean, 1999; Dott, 2000; Harrison et al, 1997; Heath, 1993; Koh, 1996; Kuscus, 1996; Lambris et al., 2000; Lund et al., 1999; McGrath et al., 1996; Rogerson, 2000; Schwenke, 2000; Sheridan, 2000; Saayman & Saayman, 1999; Saayman, 2000; Visser, 1997 and Zulu, 1998. The tourism industry will be discussed to provide a description of the environments that influence tourism.

### 3.5.1 STRENGTHS

SMMEs can be considered a reflection of the free market system (Lambris et al., 2000). It reflects the freedom of the individual to start, operate, sell and even close a business to his or her own advantage. This choice and absolute freedom of the entrepreneur to establish an own enterprise, and do with it as he / she pleases, confirms the basic principles of the free economic system of the Western World. Clearly, small enterprises are a vital force in the economy. Considering that the SMME sector in South Africa contributes roughly half of national Gross Domestic Product (GDP) and job opportunities, then the sector is of key importance in the future economic growth and social upliftment of South Africa (Dannhauser, 2002).

The following are the more important strengths of SMMEs in South Africa:

- **The Socio-economic strength**

SMMEs can satisfy the needs of communities to a large extent. The socio-economic contribution to communities finds expression in two areas especially: Firstly, the wide range and high standard of personal service and products offered by the SMME to the community, and secondly, the willingness of the owner to plough back into the community what has been taken out of it, which is a remarkable characteristic of tourism SMMEs. It often serves as a valuable source of practical expertise to provides individuals to serve in the local authorities, welfare and social organisations (SBAS, 1995).

An excellent example of this are the cultural tours to Soweto. A tour guide takes national or international tourists to Soweto, involving the community. These tourists want to experience the day-to-day life of people living in Soweto. The tour guide encourages the tourist to buy goods from the "locals". In most of the packages a lunch at one of the local "shebeens" is included. Cultural dances can be watched, at a price of course. This tour guide normally involves as many people as possible and everyone then benefits from tourism.

- **Flexibility and adaptability**

The smaller size and simplicity of SMMEs usually enable them to quickly adapt to environmental changes and make the appropriate decisions. With regard to production, SMMEs are often in a position to adapt quickly to changes in demand. The tourism demand differs from time to time, and one should quickly change and adapt. If not, the competition's adaptation may be faster and if that happens, it's a matter of "snooze and you lose". The flexibility and adaptability of small enterprise can mainly be ascribed the three factors:

- SMMEs have shorter channels of communication.
- Faster decision-making is possible.
- Relatively fewer rules and regulations are coupled with decision-making.

No business, regardless of its size, can function as a closed system within the greater economic environment. Therefore, considerable interdependence exists between all businesses, large as well as small (SBAS, 1995).

- **Entry into the business world**

Small, medium and micro-tourism enterprises (SMMEs) offer entry into the business world. Many business people made the entrance to the business world by means of a small tourism business, which in the course of time developed into a flourishing business.

A small business offers the entrepreneur the opportunity to prove himself, to become part of the business world and to grow and develop in it. It is essential to offer the individual the opportunity to be part of the economic process and in itself it is an important factor in support of the tourism SMMEs in the economy (SBAB, 1995).

As can be seen from the above, there are a lot of strengths that exist when opening a small business is being considered.

### **3.5.2 WEAKNESSES**

Although there are also good news and success stories, the general phenomenon is that the SMME sector in South Africa is unco-ordinated, ineffective and does not warrant the millions of Rands being pumped into it in the name of development (Dannhauser, 2002). There are also weaknesses in operating SMMEs. Some enterprises fail because managers do not always take a good look at own weaknesses. Entrepreneurs just see an opportunity and do not stop to think about all the negative aspects involved in the running of an own business.

As such it is a vast subject open to much debate, but the point is that the SMME sector in South Africa does not succeed because of the following

weaknesses (Dannhauser, 2002; Visser, 1997; McGrath et al., 1996; Rogerson, 2000; SBAB, 1995; Kuscus, 1996):

- **Lack of proper business support structures**

A proper SMME support structure should have two characteristics: Firstly, it must help to distinguish between entrepreneurs who can make it and those who cannot. Not all people are entrepreneurs, although multitudes are driven to it because of no other options. A system must be devised in South Africa to distinguish between people who can make it as entrepreneurs and those who do not have the ability. The second characteristic is that those who continue on the road to entrepreneurship must be duly trained and guided. Business involves basically the seven *P*'s - product, price, personnel, plan, premises, procedure and promotion - and entrepreneurs must be assisted by knowledgeable business support centres to emphasise all seven these pistons in order to maximise their individual business engines. Ignorance is a devastating malaise among SMMEs (Dannhauser, 2002).

- **National strategy**

Government must put a national, provincial and local strategy together. In particular, the Department of Trade & Industry and the Department of Environmental Affairs and Tourism must put into place a workable national SMME strategy. What is currently mainly lacking is coherence and targeted goals (McGrath et al., 1996).

- **Communication**

Governmental structures involved in the SMME sector must communicate more effectively with each other. The role-players get budgets of millions of Rands, but nobody knows what these departments are doing or how the resources are being applied. This constitutes a sad state of affairs, because the different departments tend not to communicate with each other (Dannhauser, 2002).

- **Managerial competence**

Many studies and surveys have shown that the single greatest cause for the failure or unprofitability of small enterprises can be ascribed to managerial incompetence (SBAB, 1995). Additionally, factors such as managerial ignorance, inability to manage and limited managerial experience play an important role.

Were the lack of managerial competence to be analysed further, it would appear that the following managerial weaknesses are found in small, medium and micro- tourism enterprises:

- *Lack of purposeful managerial planning*

Formal objective setting, managerial planning, budgeting systems and guidelines to achieve the objectives are often insufficient or even totally lacking. Often people think that it is easy to start a small tourism enterprise without having any background of the tourism industry.

- *Management information*

Management information and regular feedback on business activities and achievements for evaluation and decision-making purposes are often inadequate. Information on matters such as turnover, purchases, products, stock levels, gross profit, costs and productivity are seldom found. Decision-making is often based on intuition and personal opinion rather than on factual information.

- *Poor Control*

Too often the fact is that small businessmen are controlled by their own businesses instead of them being in control of their businesses. These issues lead to an inability to apply basic managerial functions as well as carelessness

pertaining to the administrative functions of management. Gross profit control, stock control, credit control and the daily control of operating costs and cash control are generally neglected.

- ***Unsatisfactory financial management***

Although poor financial management is often responsible for the financing problems of small, medium and micro-tourism enterprises, it is a recognised fact that the small business constantly experiences a shortage of capital. The main cause of this is that too many small businesses are started with insufficient capital. Capital is also too readily withdrawn from the business while capital formation by means of reinvestment of profits is not always satisfactory.

The majority of entrepreneurs do not have a proper policy and procedure whereby the finances can be planned and managed. Businesses are run on a day-to-day basis without cash flow budgets and capital forecasts. Financial problems are tackled on an *ad hoc* basis and often too late to find solutions. Entrepreneurs start businesses without any financial skills, in the hope to just make money.

- **Education and training for entrepreneurs**

In an era of globalisation and heightened completion, there is a need for informal entrepreneurs to be "smart", that is, to have the necessary entrepreneurial skills to compete (McGrath et al., 1996). Although South Africa has an abundance of entrepreneurs, the educational standards of existing entrepreneurs are often low, thus undermine the ability to adapt and compete. As a result of the legacy of apartheid education, the majority of the population is, in general, neither socialised nor educated to become entrepreneurs but rather trained to enter the labour market as employees (Visser, 1997).

The majority of informal entrepreneurs come from a background where predecessors were marginalised and precluded by apartheid from ownership of property, businesses and the capacity to create wealth. A mass of new training programs for business skills has been initiated since 1994 in order to address the problems of entrepreneurs (Rogerson, 2000).

- **Having to serve undesirable customers**

Although it may be true that an individual operating an own business is not dependent upon an employer's dictating how, when, and where to do a job, effectively the worker is everyone's subordinate. The cliché "the customer is always right", certainly contains more truth than fiction, especially in the tourism industry. Tourists pay for a service and the client expects only the best – the tourist is not going to be satisfied with second-best. For example, when an individual has a tourism business, some market research must be done as to what tourists like and do not like (SBAB, 1995). An entrepreneur cannot give his clients apples when they want pears.

- **Administration**

Mostly those who enter the small, medium and micro-tourism enterprise sector (SMMEs) acknowledges that there will be paperwork. Many do not, however, recognise the amount of work involved, particularly if the enterprise happens to be a booming success. Although not all people detest paperwork, some individuals that work in the field may not care for "paper-pushing". Other people attend to the detail in their paperwork, only to neglect the real purpose of their business (SBAB, 1995).

- **A lack of information and sales techniques**

This entails a lack of information on where and how to sell, inadequate market research, a tendency to duplicate and serious competition. When someone

wants to start an own tourism enterprise, the person must have knowledge about the market that he / she wants to enter (Kuscus, 1996).

- **Marketing**

SMMEs often experience difficulties with the marketing of products or to conform to modern marketing requirements. Various basic causes can be ascribed to this situation.

It is a fact that the small business manager is often so involved with the day-to-day problems of the business that the marketing function that is essential for continuity is neglected. Small businesses often also neglect to budget funds for advertising promotions and other marketing expenses (Kuscus, 1996).

Many SMMEs have good products to offer, but do not have the knowledge to properly introduce them to the market, causing the enterprises to fail. In general there is a major lack of tourism marketers who firstly understand tourism marketing and secondly understand how to package products (Saayman et al., 2001).

These are the main weaknesses found in practical business life to be the obstacles that should be overcome if South Africa is to foster a thriving SMME sector. The single greatest problem, however, remains a lack of sufficient business knowledge. Knowledge - especially developmental knowledge - is power.

- **Personnel restrictions**

SMMEs in rural areas and those distant from favourable labour markets often experience a lack of suitable, trained and skilled personnel. Small businesses cannot offer the same benefits, security and opportunities for promotion that big businesses are able to. As a result, a large proportion of the workforce is not interested in a career in small business. In spite of the simplistic, informal

organisational structure of SMMEs and the more congenial labour relations accompanying it, the small enterprise often finds it difficult to recruit sufficient personnel.

SMMEs are often characterised by being family businesses or owner-manager businesses. Occasionally, the phenomenon also creates specific problems for SMMEs. Because of the owner-managers' own interest in the business, the owner-manager himself often gives personal attention to nearly all aspects, thereby limiting the essential function of delegation.

- **Provision of infrastructure and service support**

Local research shows that when publicly provided infrastructure is deficient, informal entrepreneurs may be forced to undertake significant expenditures to substitute or complement for these shortcomings (Rogerson, 2000). In many townships and informal settlements the absence of basic infrastructure or lack of reliable services, such as electricity or telephones, renders sustainable business activities almost impossible (Harrison et al., 1997). A further serious constraint is access to suitable work premises. For survivalist informal enterprise, key infrastructure needs are for well-located, permanent markets or the planning of periodic markets to provide access to selling spaces for the relatively immobile home-based enterprise. In addressing these needs for infrastructure improvement, the major responsibility often falls on the municipal or local government in South Africa. The financial crises of many local governments across South Africa, including Gauteng, have reduced the prospects for successful local initiatives to augment infrastructure for the groups of growing micro-enterprise as well as survivalist informal enterprise.

- **Access to finance and credit**

A major problem limiting tourism entrepreneurship is the unavailability of financing on favourable terms over a long period of time, to invest in tourism development.

Even though more than 90 percent of businesses in South Africa are small and generate about 75 percent of all new jobs and the fact that there are more than 90 000 SMMEs in the country (Anon, 2002), absorbing more than one-quarter of the workforce of 15 million people, excluding about 3,5 million people involved in survivalist enterprise activities (Government White Paper of Trade and Industry, 1995), the culture of financing and supporting small businesses was not taken seriously in the past. Institutions that funded small business activities were the Small Business Development Corporation (SBDC) (the major retail fund provider) the Development Bank of Southern Africa (wholesale provider), the Industrial Development Corporation (wholesale provider) homeland corporations, commercial banks, private sector institutions, regional development agencies and National Governmental organisations (NGOs). The Small Business Development Corporation was the main institution responsible for financing small businesses in orientation and enjoyed significant support from the Government. The Small Business Development Corporation strove to harness the power of entrepreneurship by developing small and medium enterprises. It preferred the business to be independent, have total assets of less than R15 million, be economically viable, to be under the control of somebody with appropriate experience, knowledge, managerial ability, and entrepreneurship and be profit motivated. It offered assistance in areas of general financing, a credit guarantee scheme, a mini-loan programme for a maximum of R5 000, at 1 percent and repayment period of six months (SBDC financing Programmes). It is the opinion of the Government that services provided by these institutions because of past policies were available to only a few South Africans, and were also race- and gender-based. There were gross overlapping of functions and these institutions were unnecessarily competing with each other. Also, at the level of central government, little co-operation extended directly to the black sector. These observations necessitated the development of a new small business strategy (White Paper, 1995). <sup>the</sup> challenges of a small business are high and the risk is enormous. As the increase in small business establishment is precipitated mainly by crisis of unemployment, the incidences of business failures has been on the increase. Nine out of 10 new micro and small businesses close within 12 months (Zimu,

2000). In South Africa, the liquidation figure for the first quarter of 1993 rose from 41 to 638. Forced insolvency went up to 1004. Besides considerable business risk, entrepreneurs face significant financial risk, as they invest most, if not all of their financial resources in the business. People take a career risk when leaving a secure job for a venture with a highly uncertain future (Donnelly et al., 1992).

Current levels of investment in SMMEs are inadequate for achieving the growth levels anticipated in the Growth, Employment and Redistribution programme (GEAR). SMMEs receive approximately 2,6% of investment capital flow, through both formal and informal agents. According to the Council of South African Banks (COSAB), there are an estimated 375 000 loans on the books of two major commercial banks, that can be considered to be micro-enterprise credit (R4 billion, averaging R11 700 per loan). Yet, in the period between January 1997 and January 1998, only 633 indemnities were granted under the Khula Credit Guarantee scheme, indicating a lack of activity in areas Government has prioritised need (Rogerson, 2000). In order to benefit from the dynamism and labour absorption capacity of SMMEs, South Africa must substantially redirect public and private investment flow.

A key factor against increased investment in the SMME sector is the structure of the financial sector. The sector is composed of a concentrated formal banking sector targeting corporate accounts and competing with smaller niche banks and investment banks. Few second-tier banking institutions exist that can absorb savings and extend credit to SMMEs. There is a dearth of strong alternative financial institutions providing credit to the self-employed for productive purposes (Kuşcus, 1996).

The smaller end of the enterprise spectrum, ranging from survivalist, micro and very small enterprises, have very little access to capital, from either alternative financial institutions or the formal financial sector. This is a critical issue in the South African context, as most previously disadvantaged entrepreneurs operate in these sectors, thus perpetuating a situation of racial and gender

inequality regarding access to finance. Yet these sectors have the greatest potential for labour absorption in the short run (Kuscus, 1996).

Given the potential of existing formal financial institutions to utilise and expand their infrastructure and outreach to SMMEs, in relation to the alternative institutions, it is critical that formal sector financiers adopt more innovative approaches and partnerships.

It must also be recognised that, for various reasons associated with the administrative costs of banking and limited entrepreneurial sophistication, most formal financial institutions are unlikely to be successful at serving the full needs of survivalist and small micro-enterprises. For this reason, it is necessary to accelerate the expansion of alternative financial institutions to address these sectors.

While equity funds have been seen as a way to stimulate the growth and development of small and medium-sized enterprises, particularly those owned by the previously disadvantaged, the preferred investment ranges are too high to significantly reach these enterprise sectors.

Financing the additional funds required is a problem for all firms that grow faster than the rate that can be achieved through internally generated funds (Sexton & Smilor, 2000). State-of-the-art knowledge about the availability, requirements, and techniques of gathering financial resources to pursue growth opportunities have expanded exponentially since the early 1980's. Much more is now known about matching the type and level of funding to the strategic plans of the business and matching the type, amount, and requirements of funding with the appropriate funding institutions (Kuscus, 1996).

Achieving growth carries with it all the problems of starting a business, plus a whole lot more. The same happens in the financing area. An organisation without growth plans most likely will not encounter many areas, namely, the informal venture capital market (private investors), the formal venture capital

market, financing, and the initial public offering market. Firms that do not grow do not achieve the necessary magnitude, and therefore do not have the opportunity to utilize a number of methods to "cash out" or "harvest" their investment in the business. This aspect is without doubt one of the most serious problems experienced by the SMME sector (Chong, 2000; Kuscus, 1996).

Many potential entrepreneurs lack collateral for obtaining loans, largely as a result of the small quantity of housing stock in black hands and the undeveloped market for housing in black townships. In rural areas, the tribal land tenure system prevents farmers from borrowing against their land holdings, which cannot be sold (Department of Trade and Industry, 1998).

Efforts of commercial banks to finance small business activities probably have very little impact on the financing requirements of this sector. This reluctance is a worldwide phenomenon, the reasons being that costs related to these small loans are high and that there is a large risk element involved.

The lack of access to funding is even more acute for the previously neglected groups.

Specific factors limiting previously neglected groups access to finance include:

- The requirement of substantial security and collateral.
- The lack of assets in the form of land or home ownership that would act as security for loans.
- Administrative red tape.
- Request for submissions such as business and marketing plans and little "technical assistance" or guidance in the preparation of such.
- Lack of localised institutions that provide funding.

The Government could consider the following policies and actions aimed at improving the access to finance by neglected groups as well as making investment funds more widely available to the tourism sector:

- The establishment of a dedicated tourism development fund to provide funds for tourism enterprises and activities not catered for by existing state financing agencies. Such funds should be managed in a transparent fashion and should be subject to regular auditing and scrutiny.
- Ensuring that state funding is accessible to the wider business community, emerging entrepreneurs, micro enterprises, sole traders and the informal sector.
- Considering creating a subsidised financing facility to accommodate the entry of the previously neglected into the tourism industry.
- Ensuring that technical assistance is provided to potential entrepreneurs, as far as possible utilising existing institutions.
- Encouraging existing private enterprises to assist in guaranteeing the loans of small entrepreneurs through, for example, the advance purchase of services.
- Encourage the reform of land holding and property rights to allow previously neglected groups to obtain collateral to facilitate loan acquisition.

Lack of start-up financing or upgrading finance is not the culprit it is generally perceived to be. Healthy and risk-minimising finance is available from various sources – the problem is rather the lack of knowledge and skills to turn a good business idea into profitability. What seems to actually be the requirement is that a culture should be instilled in OSMMEs that debt is dangerous and should be avoided as far as possible. Expansion as cash flow increases should rather be the motto.

Improved access to finance and credit is of major concern. Access to loans for working capital stands out as a priority issue. The formal finance system in South Africa has been a reluctant partner in the support of developing informal enterprise (Rogerson, 2000). As a result, the majority of informal

entrepreneurs rely on personal savings, loans from family or friends, or informal credit sources. The World Bank, for South Africa, identifies "the existence of a substantial, unmet demand for financing and to variations in the type of financing needed over the life of the enterprise" and endorses the need for active financial support for emerging enterprise (World Bank, 1993).

Despite the establishment of Khulu or Ntsika, it is clear that the desperate shortage of financial support for emerging entrepreneurs results in available funding still being inadequate to match the needs in the micro-enterprise economy. For female entrepreneurs in particular, special intervention to support groups or organisations of female entrepreneurs appears essential (Lund et al., 1999).

- **Insufficient capital**

A major problem limiting tourism development in South Africa is the raising of the necessary capital to start a business (Rachman et al., 1996). Almost all new companies underestimate the need for capital or fail to consider where the business will obtain more funds when needed (Anon, 2001). An example is with restaurants, which typically need sufficient capital to run for one year without any income. This includes not only a shortage of funds, but also a lack of knowledge with regard to accessing foreign funding. Another aspect is a lack of knowledge on how to approach financing institutions. Funding for tourism SMMEs is also not sufficient and the reason could be that the funding mechanisms are not co-ordinated (Saayman et al., 2001).

- **Shortage of cash**

New entrepreneurs almost always fail to recognise the importance of cash flow. Entrepreneurs underestimate the amount of cash that will be needed to operate and over-estimate the speed with which customers will pay them. This is critical, because most businesses grow from their cash flow (Anon, 2001).

When cash does not become available on schedule, the business is severely constrained, even if it is making a profit. Business plans must focus on cash flows, not profit-and-loss projections.

- **Incorrect sales forecasts**

It is extremely easy to overestimate potential buyers for product or service – especially in the first year. Many entrepreneurs are “terminally optimistic”. The only sales an entrepreneur should count on are those that have already been paid for. When the entrepreneur does not have any of those as yet, the projections should be based on firm commitments. If an entrepreneur has to depend on own guesstimates, they should be halved (Anon, 2001).

- **Inadequate market testing**

Too often businesses are founded on the basis of polling one’s friends. Friends may or may not be representative of a larger clientele. Find out before starting a new business: first make sure whether there is a market for the specific product or service (Anon, 2001).

- **Weak business plans**

A detailed business plan is invaluable for raising money, and for making you think through the long-range implications of running a business. The plan should include a clear statement of the objectives, a timetable, a thorough analysis of the competition and a description of the administrative systems and procedures intend to use.

- **Bad pricing**

Mostly, pricing mistakes are caused by underestimating the costs involved in the production or development of the product, as well as the cost of overheads and support systems needed when the product is marketed.

It is also important to research in advance what price the market will bear. The entrepreneur may find the cost of providing a higher quality of product and / or service worth the effort, in view of the higher prices that can be demanded.

- **Failure to delegate authority**

Most entrepreneurs have a strong ego that says, "I know better and I can do better than anyone else". Entrepreneurs may also fear that subordinates will steal ideas or want to share wealth. In fact, ideas are nearly always of minor importance in business – it is the execution that matters – and one will find that sharing wealth, within reason, is the route to much greater wealth (Saayman et al., 2001).

The trap that lies in the failure to delegate is that, sooner or later, the business will grow to the point where it is impossible to take care of everything oneself.

- **Rushing to market**

Too often, new business owners put a product on sale before it has been tested properly – sometimes before development has been completed. This is a mistake for many reasons, but mainly because the product could earn a bad name from which it may never recover (Anon, 2001).

- **Ego of owners**

The well-known ego of entrepreneurs has a lot of positive aspects, but unfortunately it causes many new business owners to refuse to recognise mistakes. That, in turn, means that entrepreneurs often fail to seek help or advice until it is too late.

- **Lack of experience**

In terms of research done on SMMEs that failed, the lack of experience of how

to run a business was one of the main reasons. It is therefore not just training that is important, but also experience. If experience is lacking, then a support process is of paramount importance.

### 3.5.3 OPPORTUNITIES

Tourism has become a fiercely competitive business, and in the light of transformation in South Africa, numerous "windows of opportunity" have opened for entrepreneurs in the tourism industry. These opportunities were created by the following (Heath, 1993; Saayman & Saayman, 1999):

- a) The lifting of sanctions against South Africa, which opened new markets for South Africa. Previously closed markets, such as Eastern and Central Europe, the Far East and the rest of Africa, can now be exploited. It also leads to specialised tourism as reflected in the increase in the frequency of conferences, business travel and sports tours to South Africa.
- b) **Liberalisation** of South Africa's international aviation policy, and the expansion of air traffic capacity.
- c) An increase in the recognition of and **positive reports** on South Africa as a key "long-haul destination".
- d) The paradigm shift to globalisation.
- e) **Better access** to a wide variety of international communication channels to market South Africa, especially the Internet. This includes more positive media reports and advertisements regarding South Africa as a tourist destination.
- f) **Government support** in the provision of sufficient tourism infrastructure has increased.
- g) **Spatial development initiatives**, for example a road from Walvis Bay in Namibia to Maputo in Mozambique (Coast to coast).
- h) Negotiations between South Africa, Mozambique, Botswana and Namibia for more co-ordinated co-operation with regard to packaging and marketing initiatives.

The question that one needs to answer is how entrepreneurs can benefit from this. There are several ways, because most of the casino developments for example Monte Casino and Sun City also include hotels, conference venues and restaurants. This is where the core aspects of tourism come in, for example accommodation, which creates jobs in terms of catering, maintenance and transport. These aspects can be outsourced to SMMEs.

The sky is the limit when a person owns a small enterprise. Potential for growth in the small and medium enterprise sector is virtually unlimited in at least the first two decades of the new millennium. The challenge lies in cultivating the required expertise to make this happen (Schwenke, 2000). *Free*

The South African tourism industry is recognised throughout the world as one of the fastest growing industries and, more importantly, the industry that will continue to grow employment opportunities (Wigley, 1998). It is also an industry that creates a variety of opportunities to the potential entrepreneur. Different entry levels to the tourism industry make it easier for SMME developments (Saayman, 2000).

The success of developing a tourism industry can be measured by optimising the number of tourist enterprises per capita. For a community to develop its tourism industry successfully, two strategies can be applied (Saayman & Saayman, 1999):

- a) Try to attract foreign entrepreneurs to create tourist enterprises in the community,
- b) Encourage own residents to create tourism enterprises in the community.

If both strategies are pursued simultaneously, the community will obtain the best results (Koh, 1996).

The following oppsortunities can be identified in brief:

- **Accommodation sector**

Excellent opportunities exist for tourism SMMEs in the accommodation sector of the industry – especially in the development and operation of camping grounds, caravan parks, game parks, holiday camps, hotels, motels, chalets, bed and breakfast establishments and guesthouses. Guesthouses and bed & breakfast establishments in particular have become very popular (Saayman, 1994).

- **Transport sector**

Opportunities in transport for the potential tourism SMME are mostly in terms of taxis, car hire, boat trips and bus services. In becoming a tour operator, the enterprise can package tours and then make use of other entrepreneurs for rendering support services such as transporting people (Saayman, 1994).

- **Tourism developments**

There are opportunities in the development of man-made attractions, for example monuments, theme parks, waterfront developments, zoos, parks, game reserves, arts and crafts galleries and cultural tourism, which includes cultural villages. Support services such as catering and tour guides, marketing and training could also offer good opportunities for entrepreneurs. The fields of entertainment, restaurants, shebeens, coffee shops, tea gardens, acting, traditional dancing and music offer just a few of the many opportunities (Saayman, 1994; Swart & Saayman, 1996).

The development of the South African tourism industry also holds major benefits for economic progress, new employment opportunities and foreign exchange earnings.

The Tourism Business Council of South Africa (TBCSA) has contributed to a voluntary private sector fund that would, in part, play a vital role in the

marketing of South Africa to key international markets. The initiative forms part of a triumvirate agreement spearheaded by the recent announcement of a National Business Initiative by the SA Foundation – comprising South Africa’s “really big” industrial business players – to highlight tourism as being the country’s number one hope for substantial job creation, human capacity development and fast-track income generation. The Tourism Business Council of South Africa (TBCSA), committed to establish a Business Trust which would create a fund of approximately R1 billion over the next five years, comprising a minimum yearly inflow of R50 million each from the three entities “coming to the table” – the SA Foundation, the TBCSA and the South African Tourism (SA Tourism). The joint venture concept is that a “Newco” Marketing South Africa should be formed, its money being utilised in the following three key industry areas (Sheridan, 2000):

- Tourism marketing.
- Tourism training and development, and
- Entrepreneurial development.

The Industrial Development Corporation (IDC) therefore supports the development of the tourism industry by providing finance for (Anon, 2000):

- The development, improvement and / or expansion of tourist facilities.
- The development of select new accommodation facilities with potential, and
- Other capital-intensive tourism projects which could have a significant impact on the growth of the tourism industry and require medium- to long-term finance.

- **Major tourism Development**

Major tourism developments are currently taking place in Southern Africa. The Government is co-operating with the private sector in developing macro-tourism ventures, for example the Cape Wildlife Reserve, which is a \$40 million project. This is done because of the Government’s policy of sustainable tourism

development, which can be summarised as Government-led, private sector-driven and community based (White paper on Tourism, 1996; Fabricius, 1998).

This policy implies that SMME development is important to the Government because the private sector needs to drive tourism in South Africa. The partnership with the private sector also leads to the National Business Initiative (NBI), and specifically the business trusts, where R1 billion will be spent on marketing, education and SMME development in tourism. It is important to realise that SMME development in tourism depends on major projects in order to attract a huge number of tourists, which then activates the four core aspects of tourism, namely accommodation and catering, transport, attractions and entertainment. These aspects create the demand for a number of enterprises, as mentioned earlier. The section below demonstrates that major developments are in place, for example Spatial Development Initiatives (SDIs).

- **Spatial development initiatives (SDIs)**

The South African Spatial development initiatives (SDI's) programme is a short-term investment strategy, which aims to unlock economic potential in specific Southern Africa locations. Based on detailed economic studies, potential investment projects in areas with inherent economic potential have been identified and are being marketed to investors. All tiers of government have undertaken to remove constraints on investment where possible, for example to develop the necessary infrastructure; reducing bureaucratic red tape; encouraging skills training and resource building; and negotiating cross-border agreements with neighbouring countries.

As one of the key investment strategies of Government, the SDIs aim to unlock inherent economic potential in specific Southern Africa locations by enhancing their attractiveness for investment. The SDIs aim to facilitate the creation of viable new jobs, as potential investment opportunities, identified through the process, are taken up by the private sector.

South Africa has a well-established national SDI programme, with twelve SDIs at varying stages of delivery. Through a variety of studies, locations have been selected for their under-utilised potential for economic development, lead sectors have been identified and potential investment opportunities have been investigated for their viability.

The SDIs are run by the Department of Trade and Industry in collaboration with the other departments, for example the Development Bank of Southern Africa, Department of Environmental Affairs and Tourism and the private sector. The SDI process identifies strategic investment opportunities for the private sector and prepares the area for inward investment. The primary objective is the generation of viable new jobs in the locality, created as the private sector takes up the suggested Spatial Development Initiatives (SDI) projects. Although these SDIs do not just focus on tourism, tourism remains one of the important role players.

Gauteng MEC for Finance and Economic Affairs, Jabu Moleketi, allocated R25 million for the development of tourism in the Gauteng province alone. An amount of R10 million will be spent on marketing and R15 million on the development of infrastructure. These funds will ensure that sufficient resources are available to realise the tourism potential of the Gauteng province (De Sousa, 2000).

These funds will help further development of tourism products, and more importantly create jobs and uplift communities. With Government backing tourism, business will follow suit, creating confidence and enthusiasm. Moleketi (De Sousa, 2000) also gave more details on the Gauteng SDI in which ten specific economic zones have been identified for their strategic importance to the economy. Some of these SDI projects will have a positive effect on tourism. Below are some of the developments that are going to take place in Gauteng Province in the next couple of months:

- **Johannesburg International Airport:** and surrounds aiming to create an adjoining International Development Zone allowing investment targets in tourism.
- **Newtown Cultural Precinct:** In Newtown, a dedicated implementation agency will take the lead to build a vibrant cultural and creative industries hub, to contribute towards the revitalisation of the Johannesburg Central Business District.
- **The High-Speed Train:** A new rapid-rail transport system planned to serve Johannesburg, Pretoria and the Johannesburg International Airport.
- **The Cradle of Humankind:** This World Heritage Site, containing paleo-anthropological treasures, has major tourism potential for the region. A detailed plan has been drawn up to promote public and private sector investment through environmental, cultural and ecological resource management and to market the tourism potential of the area.
- **North Eastern Gauteng Initiative:** This initiative aims to establish a biosphere-type reserve in the northeast quadrant of the province with the aims of establishing reserves that can accommodate the so-called "Big 5" and promote a local economy based on eco-tourism and wildlife.
- **Constitution Hill:** This project located at the old Johannesburg Fort site, will seek to promote access to the public by creating a vibrant community-orientated environment around the construction of the constitutional court and other constitutional committees (Anon, 2001).

Seven of South Africa's Spatial Development Initiatives (SDIs) have identified nearly 800 investment opportunities worth \$32,4 billion with the capacity to create 85 000 jobs and are currently marketing these projects to potential investors through a variety of mechanisms. These are:

- **The Maputo Development Corridor:** The first SDI to be established, it has succeeded in delivering investment and jobs along a corridor stretching from Gauteng to the Port of Maputo in Mozambique. It has attracted \$2,3 billion worth of investment and created around 20 000 jobs in industrial projects, tourism and SMMEs.

South Africa's Industrial Development Zones (IDZs) will be close to a port and will produce goods mainly for export. Companies located in the zone will also benefit from streamlined import and export procedures and the packaging of investment incentive schemes for easy use. There are plans for IDZs at Richard's Bay on the East, Saldanha on the West Coast and Coega, near Port Elizabeth (Anon, 1998).

- **Lubombo Initiative:** This SDI covers northern KwaZulu-Natal, southern Mozambique and eastern Swaziland and comprises mainly agricultural and tourism investment projects. Projects valued at around R1,2 billion that should create up to 4 000 jobs in the tourism and agricultural sectors. A transnational SDI, Lubombo includes projects in Swaziland and Mozambique. One of its key infrastructure projects is the upgrading of the road between Richard's Bay and Maputo and a link to Swaziland. A joint anti-malaria campaign between the three countries, to improve the health of local communities and help open the area to tourists, is also being run. The SDI is improving and easing border controls and ensuring international co-operation in managing and conserving the region's environment. At present, investment projects are being packaged and clear tendering procedures are being prepared for investors (Anon, 1998).
- **Richards Bay-Empangeni SDI:** The SDI stretches between Richard's Bay and Empangeni in northern KwaZulu-Natal, entailing twenty-five industrial projects worth more than R16 billion and five new tourism developments. In October 1998 the Richard's Bay Investment Centre has opened its doors to assist companies set up shops in the region. The SDI will facilitate an upgrade of transport and municipal infrastructures, including the John Ross

Highway linking Durban and Richard's Bay, as well as the development of a container terminal at the harbour (Anon, 1998).

- **Wild Coast SDI:** The Wild Coast SDI stretches along the Eastern Cape coast between East London and the KwaZulu-Natal border, entailing more than 30 commercial projects in tourism, forestry and agriculture. These projects could bring more than R500 million worth of new investment into the Wild Coast and create more than 20 000 new jobs. A special effort will be made to direct tourists to projects owned by residents of the Wild Coast, especially craft manufacturers and families who have turned their homesteads into traditional guest houses. These measures will help to deal with the criticism that SDIs only offer major investment opportunities to established companies and multinationals (Anon, 1998).
- **Fish River SDI:** The SDI consists of a series of development zones between East London and Port Elizabeth. Nine projects worth R156 million are already up and running or under construction. When all nine are completed, 1 325 jobs will have been created in the automotive, clothing and textiles, transport and tourism industries. Three tourism projects are to be set up in partnership with local communities. These are the development of the Great Fish River Nature Reserve, a fly-fishing venture near King William's Town and the setting up of a nature reserve near Bathurst. Other key Fish River projects are a R1,3 billion programme by international automakers, Delta, Volkswagen and Mercedes Benz, to increase their production for the local export market. A number of investment opportunities in the automotive component, textile, wool and mohair, food processing and timber and wood product industries are under development (Anon, 1998).
- **West Coast Investment Initiative:** The initiative is centred on the region around Saldanha on the Cape West Coast. The West Coast Investment Initiative has projects in mining and mineral beneficiation, fishing, agriculture, tourism and infrastructure – valued at around R20 billion. The

120 projects that are ready for investment are expected to create some 20 000 jobs. The Anglo American Corporation announced that it would take up one of the initiative's biggest projects and build a R1,6 billion zinc smelter at Saldanha (Anon, 1998).

- **Phalaborwa SDI:** This SDI is currently identifying and preparing investment projects for the market and the Durban and Gariep SDIs are under early investigation.

In each SDI the programme attempts to identify the constraints to wealth creation and to put in place processes to remove or ameliorate them, thereby unleashing the inherent economic potential of the area.

The SDI programme is part of the Government's macro-economic growth strategy, and ties in with its economic strategy and policies. It is a practical implementation of the Government's economic strategy as set out in its Growth, Employment and Redistribution (GEAR) policy.

- **Government support**

The Government and especially public enterprises will facilitate the entry of entrepreneurs into opportunities that arise from the Redistribution and Development Programme (RDP) investments. These include especially the sale, installation and servicing of domestic appliances and wiring, construction, and related manufacturing and service activities such as software. The Government will encourage entrepreneurs to move into the manufacturing sector, since the restriction of small and medium enterprises to retailing and distribution will severely inhibit the growth and viability of this sector. The Government will therefore encourage entrepreneurs to seek technical training and joint ventures with the formal sector.

### 3.5.4 THREATS

SMMEs are confronted with numerous threats. Firstly, the small business sector is exposed to all the problems, fluctuations and uncertainties of the economy. Indeed the small business sector forms an integral part of the economic activities of the national economy. As a result, the general problems and bottlenecks of the national and international business community also exert an influence on the small business sector. Trade cycle changes, recessionary conditions, <sup>external</sup>inflation and growth rate changes in the economy are therefore also reflected at tourism SMMEs. Under certain circumstances small enterprises may be protected from general economic fluctuations, but then again in other cases be totally vulnerable. The local conditions within which a small enterprise conducts its business can in the short term have a specific influence on the enterprise. In the long term, however, the small business sector is subject to current macro-economic conditions in the country.

Although numerous opportunities exist for small, medium and micro-tourism enterprises, some factors restrict spontaneous growth of SMMEs in South Africa's tourism industry. These include:

- **A culture of entrepreneurship**

A culture of entrepreneurship has to be cultivated in South Africa, starting from primary school level right through to tertiary and even adult level. Education plays a central role in building an entrepreneurial culture. South Africa must cut down drastically on the existing 80% entrepreneurial failure rate (Dannhauser, 2002).

- **Possible low income**

Another real problem with operating any tourism SMME is the potentially low income. While everyone thinks entrepreneurs will "hit it big", the odds are that a person will fail, losing assets in the process. It entails hard work and money

does not roll in for the first year or so. Certain things need to be paid for in the first couple of months. For example, if a tour guide has to buy a new kombi, that must be paid for. If an individual buys a guesthouse or game farm and is unable to pay cash, money must be borrowed and paid back on a monthly basis. In the beginning, therefore, the income is very low most of the time (SBAB, 1995).

- **Negative factors**

Factors smothering spontaneous tourism entrepreneurship in South Africa must be significantly reduced, notably the unacceptably high crime rate, the safety of tourists, employer-unfriendly labour legislation and neo-apartheid measures (Dannhauser, 2002).

- **Political and legal restrictions and deregulation**

The small, medium and micro-tourism enterprises are particularly sensitive regarding the influence of Government Policy and to certain restricting legal measures. Whereas policy and legislation are formulated by the central government, local and regional authorities determine ordinances and regulations. A policy that has its implementation and legal measures aimed at promoting and developing entrepreneurship, and has empathy for the small business, may make a valuable contribution to the growth of this sector in the economy (Kuscus, 1996).

The multiplicity of laws, regulations procedures and red tape that confronts the potential businessman will, by its very nature, limit the establishment of small, medium and micro-tourism enterprises.

It is also common knowledge that unrealistic and often unreasonable legal restrictions seriously hamper activities in the small, medium and micro-tourism sector. Following are examples:

- Political violence and instability in South Africa (Saayman, 1993) and the lack of real action to combat crime (Dott, 2000).
- Economic performance and investors trust in South Africa (Satour, 1994).
- Legislation: There are a number of Acts of Parliament, provincial ordinances and local by-laws that hamper both the effectiveness of entrepreneurs in the tourism industry and the tourist experience.

These acts include the:

- Customs and Excise Act 91 of 1964.
  - Currency and Exchange Act 9 of 1933.
  - Liquor Act 27 of 1989.
  - Gambling Act 51 of 1965
  - Gambling Act 33 of 1996.
  - National Building Regulation and Building Standards Act 103 of 1985.
  - Public Holidays Act 36 of 1994.
  - Environmental Conservation Act 73 of 1989 (Swart & Saayman, 1996; Swart, 1997), and
  - Labour laws inappropriate to the tourism industry that needs to work 24 hours a day 365 days a year (Dott, 2000; Marsh, 2000).
- **Animosity of big business and authorities**

Probably due to fear of competition, big businesses display animosity or a lack of support towards the SMME sector, resulting in difficulties to obtain credit.

Regarding the attitude of authorities, it is said that, despite support at high levels, such support is seldom put into practice at executive level. Related to this, is the ever-present problem of excessive bureaucracy, both in Government and private institutions (Kuscus, 1996).

- **General economic climate**

The general economic situation has an influence on the economic activities of all businesses in a country. During an economic recession the small business sector often experiences problems relating to its small size, making it particularly vulnerable to changes in the economic conditions in a country.

For example, credit facilities to tourism SMMEs (but not only them) are the first to be tightened in times of credit restrictions. In such times the financial institutions and commercial banks inevitably first limit the less valuable and weaker capitalised SMMEs before denying credit to the big concerns, which, because of its size, does not always receive the same treatment. Such treatment in fact indicates discrimination at the cost of the small business. On the other hand, the financial institution has a responsibility to its shareholders and must invest its funds safely at all times. This is especially true in weak economic conditions (SBAS, 1995).

The probability for survival of small businesses experiencing insufficient owner's equity and reserves is also drastically reduced.

The small tourism enterprise that is often committed to specialisation for its survival cannot easily reduce its risk through diversification. In cases where specialisation is in durable and luxury goods and services, a rapid decline in turnover is usually experienced during times of a general decline in consumer spending. In contrast, big businesses concentrate largely on a wide variety of basic and essential products and are therefore less susceptible to economic fluctuations. Tourism SMMEs, in contrast, are particularly sensitive and vulnerable in times of economic fluctuations.

- **Demographic changes**

Demographic changes contain specific problems regarding small, medium and micro-tourism enterprises. The urbanisation of the rural area is a worldwide

phenomenon that is reaching alarming proportions in South Africa and the situation will deteriorate even further due to the abolition of influx control measures. Changes are also taking place in the composition of the rural population. In absolute numbers the farming population is decreasing; young people are relocating to the cities and professional practices and service industries are moving to larger areas. There are numerous examples of stagnating country towns. SMMEs that have always had customers in the past, no longer have anybody to serve (SBAS, 1995).

Changing patterns of distribution mainly have a dual nature. Firstly, there is the physical, namely the physically distinguishable changes in marketing patterns such as the establishment of shopping centres, relocation of economic activities to the city centre and the development of an infrastructure such as transport systems, roads and highways. Secondly, a change in consumer behaviour, <sup>global</sup> buying patterns, preferences and demands come to the fore (SBAS, 1995).

In the past two decades a dynamic worldwide change has been experienced in the distribution trade. At best these changes are illustrated by the establishment of new shopping centers outside the central business district the modernisation of <sup>threats</sup> existing buildings and centers and the building of hypermarkets. These developments inevitably offer small businessmen new opportunities. In contrast, SMMEs that are bound to existing locations and buildings are adversely affected by these developments. Also, in the past decade in South Africa, vast changes have been experienced in the physical appearance of shops, establishments of new shopping centers and the improvement of communication routes. The appearance of consumerism, especially in the sixties, also led to specific problems and challenges for the small, medium and micro-tourism enterprises.

Present-day consumers are less loyal, more price-conscious, and more quality-conscious and better informed than twenty-five years ago. The modern successful business must take note of the consumers' demands, buying

patterns, preferences and wishes. The more experienced a tourist, the more particular he gets. Considering that consumer <sup>external</sup> behaviour is dynamic, it is essential that constant contact be kept with the consumer. Admittedly the small businessman keeps in close personal contact with the customer, yet is not always in a position to make a projection of global changes or trends. This is why small businesses often lag behind big businesses.

- **Buildings and facilities**

Many SMMEs have difficulty in obtaining suitable, modern and appropriate business premises and buildings that are available and affordable. ~~There is a~~ great need for buildings in the rural areas especially, to fulfil the requirements of the modern distribution trade. The fact that so many rural traders have to operate in inadequate and antiquated buildings damages the image and effectiveness of the small business sector. The origin of the problem clearly arises from the growth risk and priority of the property developer and investor.

The need for adequate facilities for the small industrialist applies to both the rural and urban arm. Although the Small Business Development Corporation has already progressed well in this field, this still remains a problem for all small businessmen and the small industrialist in particular (SBAS, 1995).

- **Discrimination**

Discrimination often takes place against the SMMEs based on the small scale of their operations. This discrimination is not necessarily reflected in the principle of economics of scale. There is a strong school of thought arguing that big business is subsidised by the small business sector in more than one instance.

Of the many examples that can be mentioned in this category, the most common are purchases, rent and finance (SBAS, 1995).

SMMEs often complain that the opportunity is not given to small businesses to purchase goods at the same prices that big businesses pay. It is not quantity purchases that are the issue – that is a recognised economic principle – but the fact that small businessmen are not granted the opportunity to purchase the same quantity of goods at the same preferential price.

The same principle often applies in the case of rent payable per square metre. It is often found that the small businessman pays a considerably higher rent for space in the same building than the big business does. The difference between the rents paid by the big versus the small businessman is often so big that a careful analysis shows that the rent being paid by the small businessman is subsidising that being paid by the big business.

Regarding the limit applied to credit ceilings and determining prime lending rates by financial institutions, it is once again the small business that has the bad end of the stick, not necessarily because of the greater risk attached thereto but often as a result of the weaker bargaining power. Because of the limited size of SMMEs, they are often treated unfairly.

- **Long hours and demanding work conditions**

Another disadvantage to operating an SMME is that of long hours and hard work. Few people who successfully run small businesses do so working short hours. Even fewer have plush working conditions. But those who are dedicated to the small business will nevertheless find the challenge worth the inconveniences (SBAB, 1995).

- **Inadequately resourced and funded tourism industry**

One of the problems facing the tourism industry is that the Government has had a limited view of the potential of the industry and, as a result marginal resources have been devoted to developing and promoting the sector (Swart, 1997). Tourism is still narrowly viewed to be tourists and hotels. In many

quarters, the tourism industry is still seen as a thing of the past – a plaything for the previously privileged class. The true wealth-creating potential of the sector has not been fully grasped by policy-makers. Unless tourism is seen as strategically important to the economy of South Africa and the necessary plans, policies, actions and resources to support this initiative are put in place tourism will continue to be a missed opportunity (White Paper on Tourism, 1996).

Although there is a lot of money available for SMMEs, entrepreneurs do not know how to access the money. Funding must be making more accessible for tourism SMMEs.

- **Myopic Private Sector**

Another major problem facing the South African tourism industry is a shortsighted private sector. Hotels, and indeed many other tourism establishments, tend to have a rather limited view of the product they offer – only goods and services within businesses four walls. If a visitor is harassed on the road; over-charged by a taxi driver; the environment destroyed by insensitive development; or schools are dilapidated, it is not considered the hotel's concern. Experience indicates that hotels that have taken a much broader view of own product tended to be more successful (White Paper on Tourism, 1996).

- **Limited development scope due to past political policies**

The past apartheid policies have placed severe constraints on the development scope of the industry. While the attractiveness of South Africa as a tourism destination has always been acknowledged, this potential could not effectively be realised due to many tourist not being prepared to travel to the country in protest of the policy of apartheid (Brynhard, 1995; Swart, 1997). The current growth of the industry could largely be ascribed to the political changes of the past few years and the resultant freedom of movement (White Paper, 1996).



The environmental division of the Department outranks the tourism division. Inadequately staffed and resourced, the tourism division has not been able to provide anything beyond skeletal liaison and administrative functions (White Paper on Tourism, 1996).

- **Lack of support**

This issue should be seen as aftercare. In other words, to expect of a person with limited funding, limited knowledge and limited skills to succeed without support, simply creates circumstances where such a person can only fail (Saayman et al., 2001).

- **High risk tourism industry**

Funding institutions regard tourism as risky for several reasons, namely a lack of the Government's full commitment to tourism, safety and security and the fact that it is a relatively new industry, to name but a few (Saayman et al., 2001).

- **Lack of access to information**

Most entrepreneurs do not know how and where to find the correct information on how to start a business. Information must be more accessible to find for new start-ups.

### 3.6 CONCLUSION

There are a variety of factors that contribute to the failure of SMMEs. Many small businesses die in their infancy. Why is there such a high a death rate? Perhaps the main reason is ease of entry. In fact, it is often easier for people to go into business for themselves than to find an employer. There is no law that stops individuals from choosing themselves as bosses. Entrepreneurs may have 20 years of experience in that line or none at all. Entrepreneurs may do a

textbook job of researching the markets or plunge in with no information at all. Entrepreneurs may be millionaires or penniless. Regardless of the qualifications, freedom of opportunity guarantees entrepreneurs the right to launch an own venture (Rachman et al., 1996).

One major problem of some of these new entrepreneurs is managerial incompetence or a lack of experience. Many businesses are started by individuals who have little or no management training or experience. Some think that management is just common sense and that a person can succeed on that basis alone. If basic business decisions cannot be made, success is unlikely in the long-term (Griffin et al., 1993). As economists often point out, freedom of opportunity means not only the freedom to succeed, but also the freedom to fail. Failure to see this reality often causes untold stress, trauma, and tragedy.

Should up-coming small businesspersons not be screened before the marketplace does its own screening? The right to make wrong decisions lies at the heart of our economic system. Without this right, initiative and incentive would soon dry up and our free enterprise system would then cease to be free (Lambris et al., 2000).

It can be concluded that the environment for small, medium and micro-tourism enterprise in South Africa is generally very supportive towards the hospitality, tourism and leisure industries. First, current ideologies and societal values promote the social development of potential entrepreneurs. Second, the nature of social structure combines employment patterns, industry-sector features, corporate restructuring, economic restructuring, and methods of organisation, production and distribution in a way that, on balance, promotes entrepreneurial behaviour. Finally, entrepreneurs are mobilised into action through the availability of supportive political measures, market opportunities, and financial resources. It therefore appears that there are few inhibitors to stifle entrepreneurship, and theoretically, limited barriers to those persons who wish to accept the entrepreneurial challenge.

The danger is that this environment will result in many people being mobilised into entrepreneurship without the necessary management skills and financial resources to survive. As Deakin (1996) realistically points out, the associated suffering of families of failed businesspersons is frequently ignored. Families which may have enjoyed a good standard of living can, in some cases, be left destitute and with large personal debts. Second, the social costs of running a small, medium and micro-tourism enterprise are often not appreciated, because of an emphasis on success and achievement. Costs include strains on married life and family relationships, long hours of work, and the lack of fringe benefits such as non-contributory pension schemes.

It is extremely easy to jump on the exciting roller coaster of entrepreneurship, with all the thrill, excitement, and energy and be totally sold on the adrenaline-pumping experience. The glamour of popular imagery that is currently associated with entrepreneurship is enticing. It is important, however, that the risks and consequences of failure should also be borne in mind.

Although Government has a crucial role to play in creating the policy framework for development and to bring about a fair distribution of resources, Government should not be the main agent for development. Government should rather create conditions conducive to entrepreneurial and private sector development.

The need for private sector involvement in the development of SMMEs is important. It is also important that the Government-initiated projects receive support. This is an issue that affects the future in this sub-continent and as such all stakeholders should make a contribution to its success. Government has taken some action; they need the support of business.

Throughout the world one finds that SMMEs are playing a critical role in absorbing labour, penetrating new markets and generally expanding economies in creative and innovative ways. South Africa holds the view that, with an appropriate enabling environment, SMMEs should be seen as part of an integrated strategy to promote a diversified economy and where

entrepreneurship flourishes.

Considering the important role that the small business plays in the economy of the country, especially in respect of job creation, it is a good thing that all bodies concerned, and Government through its RDP programmes, became involved in the advancement of small business. It appears that even greater <sup>gals</sup> co-ordination between the various stakeholders should be striven for, with special emphasis on guidance on how to start a small business. There appears to be a need on where to go for information when starting up a business. In this respect tertiary institutions can play a vital role in becoming more accessible to laymen, or lend more publicity to the fact that universities especially want to interact with the community and be of service to them in all fields.

## 4. CHAPTER FOUR: SURVEY RESULTS

*"The dream of the entrepreneur is the driving force".*

- Peter Morrison

### 4.1 INTRODUCTION

The opportunities for SMMEs in South Africa in general have never been better and future prospects are endless. The buying power of disadvantaged groups in this country will skyrocket new growth opportunities and ultimately economic prosperity for this country (Marx et al., 1993).

In 1990, approximately 350 000 people entered the South African labour market, of which 43 percent were owners of small, medium and micro-enterprises (Marx et al., 1993). The impact of small businesses on the economy of a country is also increasing at a high rate. The influence of SMMEs on the South African economy is vital to the growth of the country and this sector's importance is increasingly recognised by Government and educational institutions (Richardson, 1996).

A questionnaire was developed after doing the literature study. It was found that different researchers had looked at different aspects of entrepreneurship, for example entrepreneurial theories, entrepreneurship elements, the needs of SMMEs, Government Policies, advantages of tourism entrepreneurship, strengths, weaknesses, opportunities as well as threats for tourism entrepreneurs. The relevant aspects were determined by combining the views of different researchers namely Bennett, 2000; Dannhauser, 2002; Dean, 1999; Dott, 2000; Harrison et al., 1997; Heath, 1993; Koh, 1996; Kuscus, 1996; Lambris et al., 2000; Lund et al., 1999; McGrath et al., 1996; Rogerson, 2000; Schwenke, 2000; Sheridan, 2000; Saayman & Saayman 1999; Saayman, 2000; Visser, 1997, and Zulu, 1998.

After studying the different views of the researchers, a questionnaire was developed (see Appendix 1). A 4-point Likert scale was used, where respondents could select an answer out of Very True, True, Not True and Irrelevant. In some instances the Very True and True answers were combined to form a single percentage.

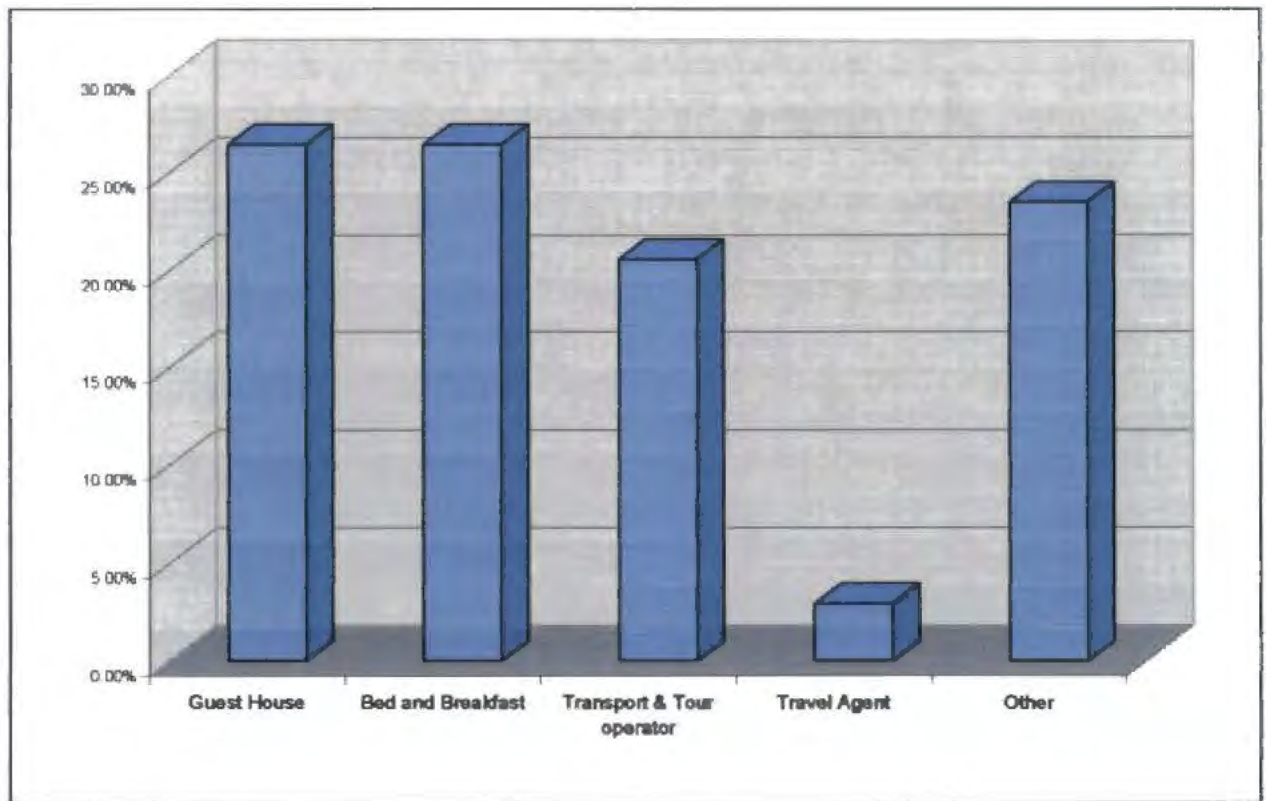
The aim of this chapter is to report the results of the empirical study of tourism entrepreneurs in South Africa and to form a synthesis between the literature study and practice.

The following aspects namely the different types of entrepreneurial businesses, the question whether entrepreneurs are born or made, entrepreneurship elements, entrepreneurial weaknesses, opportunities for entrepreneurs and entrepreneurial threats will be discussed in this chapter.

## **4.2 SURVEY RESULTS**

Following are the results of the empirical study:

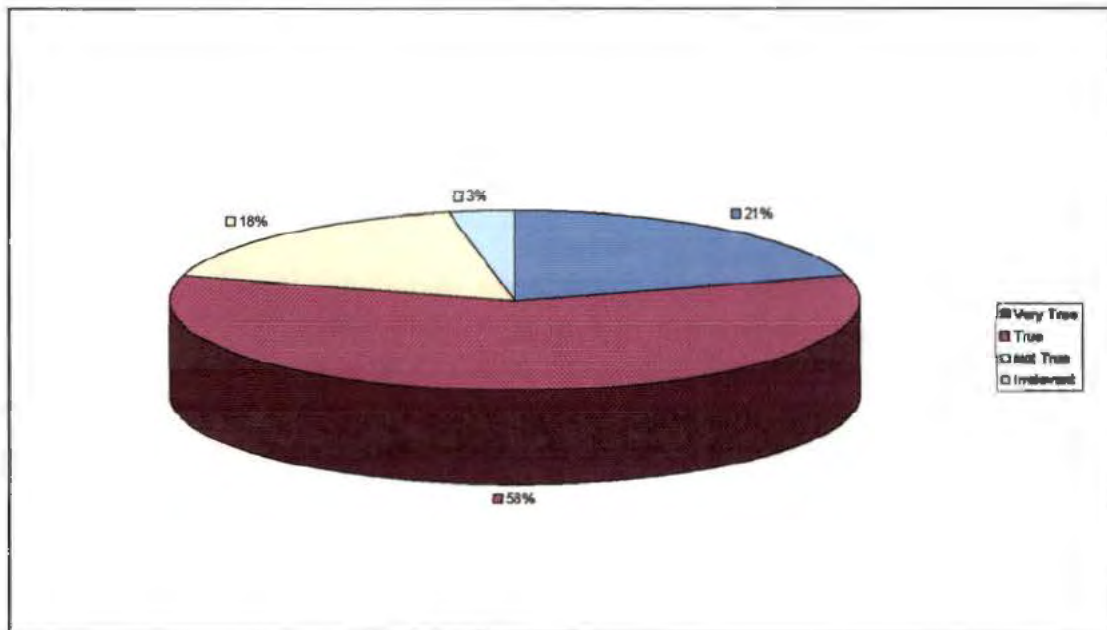
## 4.2.1 TYPE OF BUSINESS



**Figure 4.1:** Type of business

According to Figure 4.1 26% of the respondents were guest house owners. A further 26% were bed & breakfast owners. 23% had other businesses, namely game farms, curio shops, jewelry shops, game lodges and small hotels. 19% of the respondents were tour operators with own transport. Only 2% of respondents were travel agents.

#### 4.2.2 ARE ENTREPRENEURS BORN OR MADE



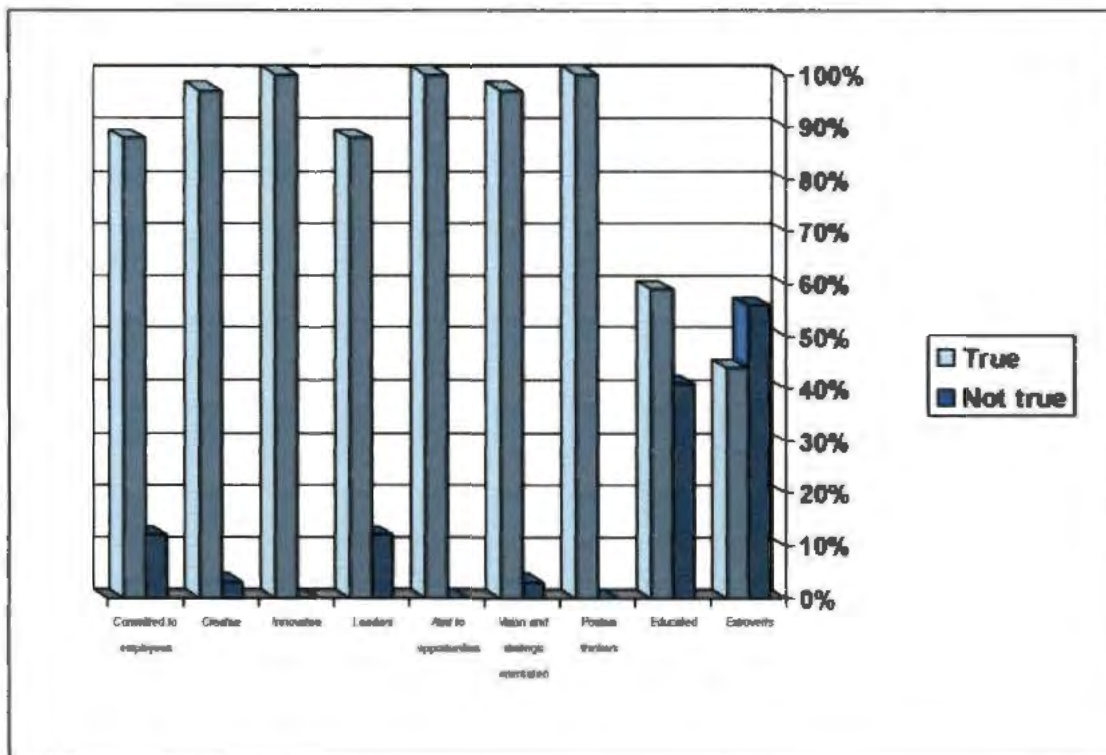
**Figure 4.2:** Entrepreneurs can be made

Entrepreneurs are products of society. Responses to events, which affect entrepreneurs, will be influenced by the value system of the society, earlier formative experiences, and personal characteristics. Individuals may enter into entrepreneurship as a result of push and pull factors at work within social context, such as unemployment, family tradition, need for independence, or lack of personal or financial security (Timmons, 1994).

Morrison (2000) believes that great entrepreneurs are born. He said that entrepreneurs are possessors of a special talent, like singers or dancers. They have a vision that the rest of us do not possess. According to Figure 4.2, however, 79% of respondents said that entrepreneurs can be made. Only 18% agreed with Morrison (2000) that entrepreneurs are born. 3% felt it to be irrelevant.

### 4.2.3 ASPECTS OF ENTREPRENEURSHIP

Entrepreneurs must have specific characteristics to be successful. According to Kirzner (1980), Timmons (1994), Carson et al., (1995), Goffee & Scase (1996), Deakins (1996) and Morrison et al., (1999) the key characteristics of entrepreneurship can be summarised as commitment to employees, creativity, innovation, leadership, alertness to opportunities, vision and strategic orientation, positive thinking, education and an extrovert nature of the individual concerned.



**Figure 4.3:** Aspects of entrepreneurship

According to Figure 4.3 only 18% agreed with Morrison (2000) that entrepreneurs are born. 3% felt it to be irrelevant. 100% of the respondents agree that an entrepreneur must be innovative, alert to opportunities and a positive thinker to be successful. Entrepreneurs combine creativity and innovative skills with the ability to analyse a problem and quickly reach an effective solution. The entrepreneur must be market-driven, continuously

seeking that one idea on which the window of opportunity is opening and which offers the prospects of a worthwhile return on effort and resources, for some time to come. Last but not least, opportunities can mostly only be seen when thinking positively.

97% said that it is necessary to be creative, have a vision and be strategy-orientated. Entrepreneurs must be quick thinkers as well, to handle unexpected situations. Entrepreneurs often produce something new rather than merely modifying that which currently exists. Only 3% said that being creative, having vision and being strategy-orientated was not necessary.

88% said that entrepreneurs have to be committed to employees. Employees must be able to trust their employer. Loyalty between the two parties must exist. Only 12% said that commitment to employees is not important, but these respondents do not work closely with employees.

88% said entrepreneurs must be leaders. Leaders must have a high degree of interpersonal skills. The leadership style will reflect the personality of the entrepreneur (Timmons, 1994). 12% said that it is not necessary to be a leader, as the entrepreneur is able to appoint a manager to be the leader.

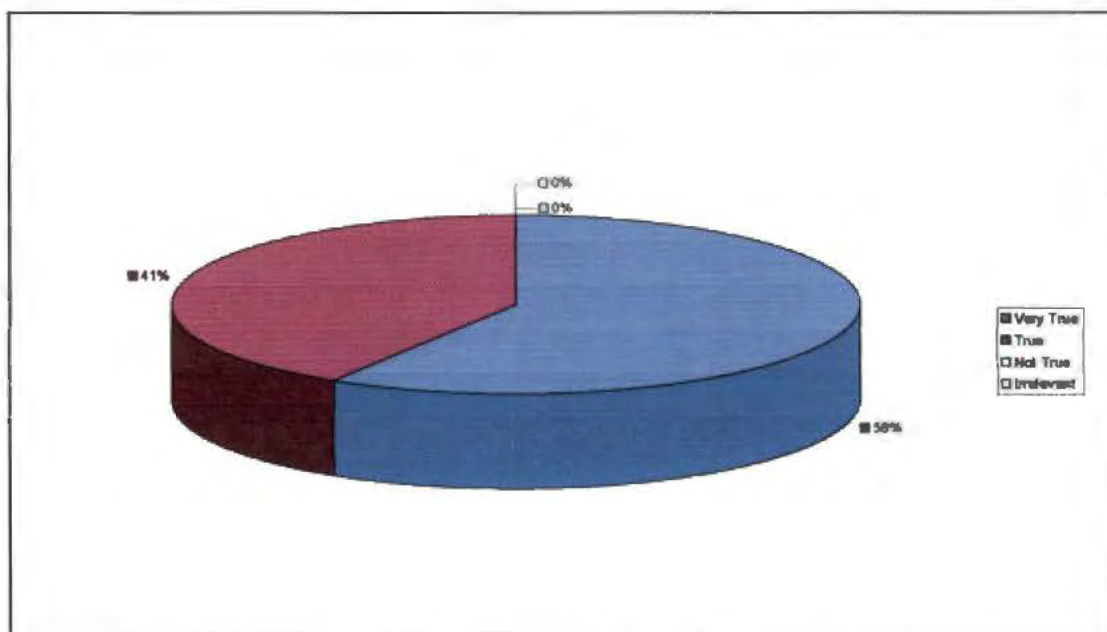
59% said it is necessary for entrepreneurs to be educated, while 41% said that is not important, depending on the field in which the entrepreneur specialises. Sometimes entrepreneurs have the required experience and skills to run a business.

56% said that it is not necessary to be an extrovert, while 44% felt that entrepreneurs have to be extroverts.

#### 4.2.4 WEAKNESSES

There are also weaknesses in operating SMMEs (Dannhauser, 2002). Some enterprises fail because managers do not always take a good look at own weaknesses. Entrepreneurs just see an opportunity and do not think about all the negative aspects of running an own business. The following weaknesses will be discussed namely:

- Managerial competence.
  - Education and training for entrepreneurs.
  - Knowledge, skills and experience, and
  - Finance for tourism entrepreneurs.
- 
- **Managerial competence**

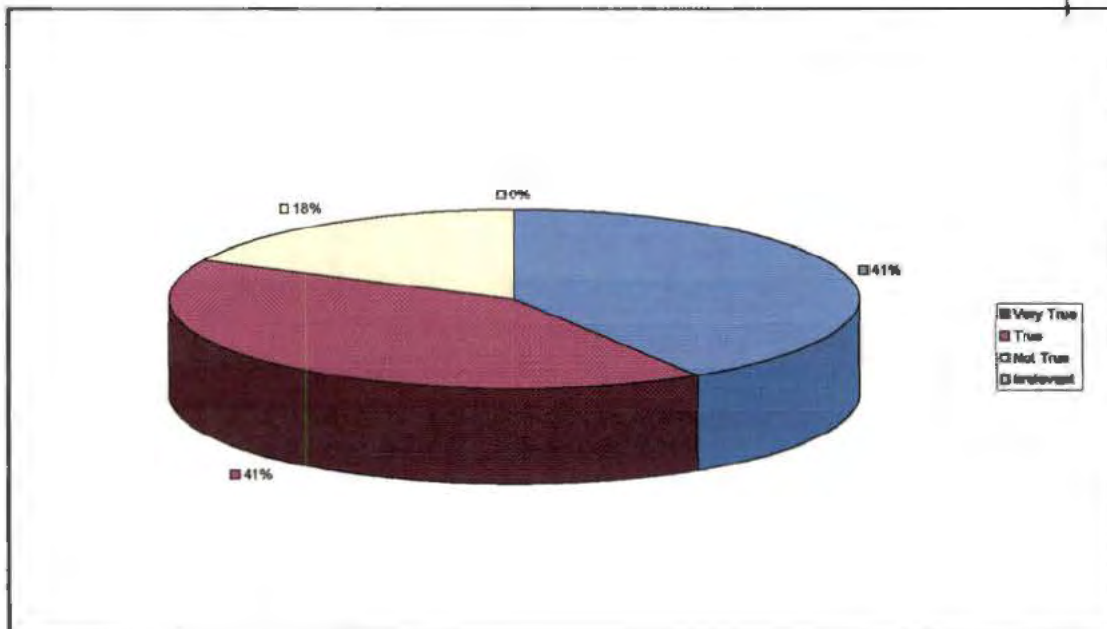


**Figure 4.4:** Managerial skills

Many studies and surveys have shown the single greatest cause for the failure of or unprofitability of small enterprises, to be managerial incompetence (SBAB, 1995). Factors such as managerial ignorance, inability to manage and limited managerial experience play an important role.

Figure 4.3 shows that 100% of all respondents agree that managerial skills are important for an entrepreneur. The very true and true answers combined gave a percentage of 100%. Although all the respondents felt that managerial skills are very important for an entrepreneur, only 91% (Figure 4.6) said that they have the know-how, managerial skills and experience to run a new business.

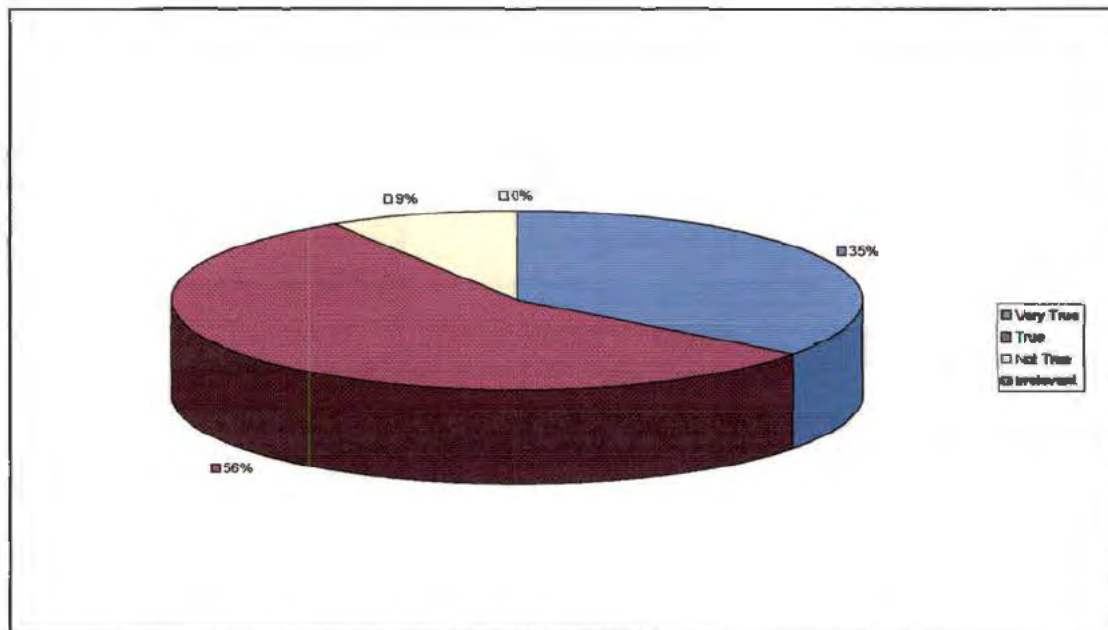
- **Education and training for entrepreneurs**



**Figure 4.5:** Education and training

According to Figure 4.5 82% of respondents said education and training are important to become an entrepreneur. 18% felt that it was not important. These respondents are people with more than 10 years of experience and knowledge of the industry. Although they do not have any formal training, they have the relevant experience.

- **Knowledge, skills and experience**



**Figure 4.6:** Knowledge, skills and experience

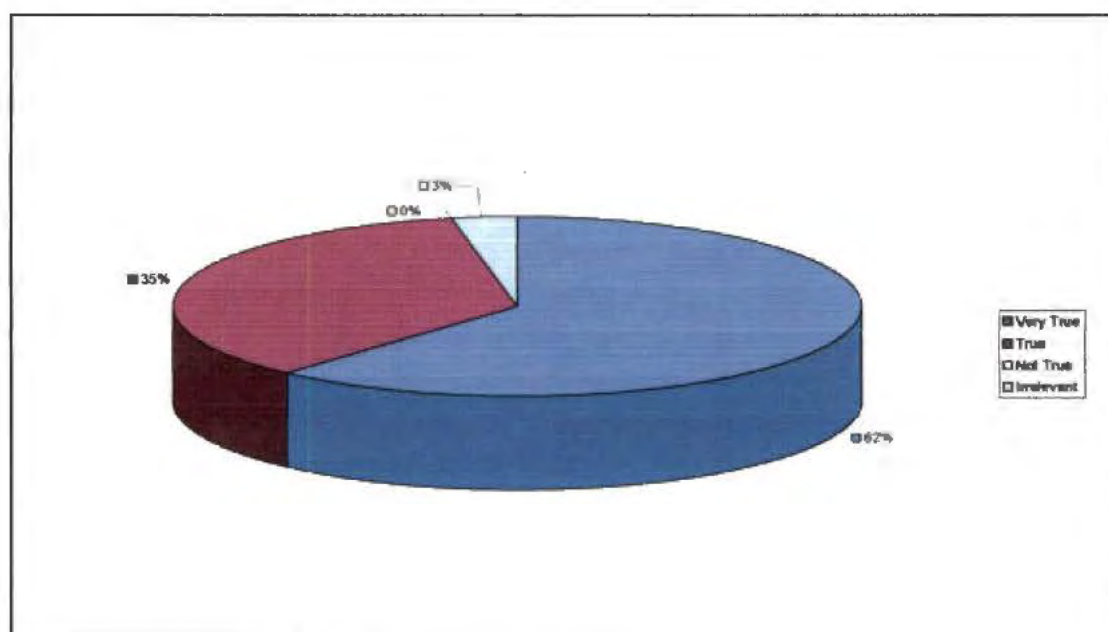
In Figure 4.6 one can see that 91% of respondents felt that they as entrepreneurs have the knowledge, skills and experience to run a new business. Only 9% felt that they do not have the knowledge, skills and experience as yet, but thought that they would have it in the next four to five years.

- **Finance for tourism entrepreneurs**

A major problem limiting tourism development in South Africa is to raise the necessary capital to start a new business (Rachman et al., 1996). In order to this, the following aspects will be discussed:

- Finance as an important factor;
- Accessibility of finance;
- Financing institutions; and
- Problems accessing finance.

- **Finance as an important factor**

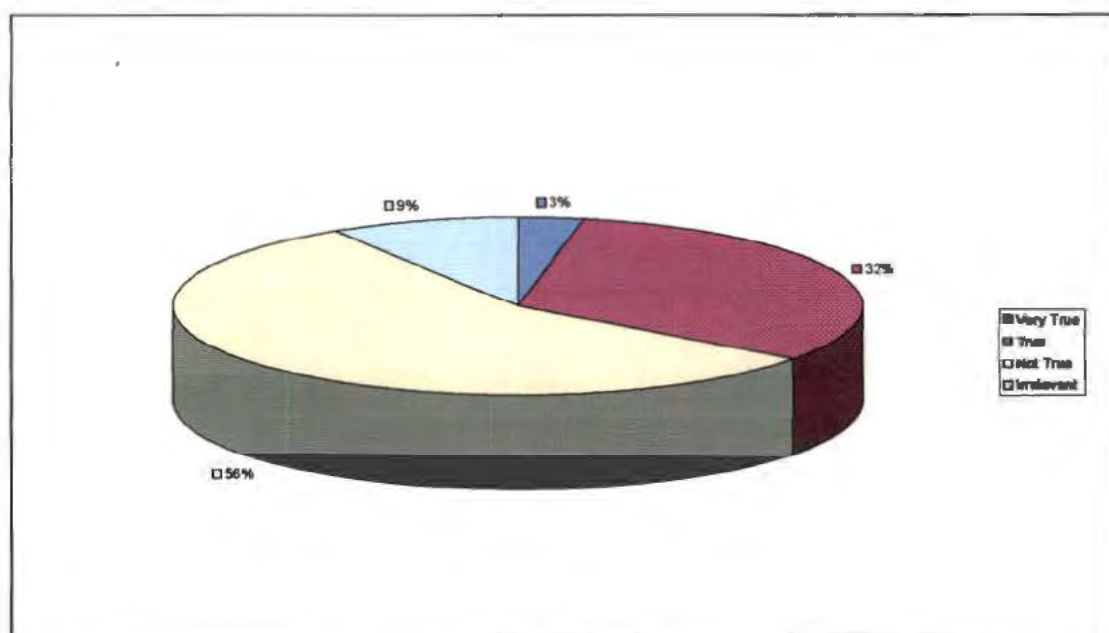


**Figure 4.7:** Finance as an important factor

According to Figure 4.7 97% of respondents said that finance was an important factor when starting your own business. Only 3% said it was irrelevant due to the fact that they had enough start-up capital.

This is the reason for one of the major problems limiting tourism development in South Africa, namely getting hold of the necessary capital to start a business (Rachman et al., 1996). Another aspect is a lack of knowledge on how to approach financing institutions. Funding for tourism SMMEs is also not sufficient and the reason could be that the funding mechanisms are not coordinated (Saayman et al., 2001).

- **Accessibility of finance**



**Figure 4.8:** Accessibility of financing institutions

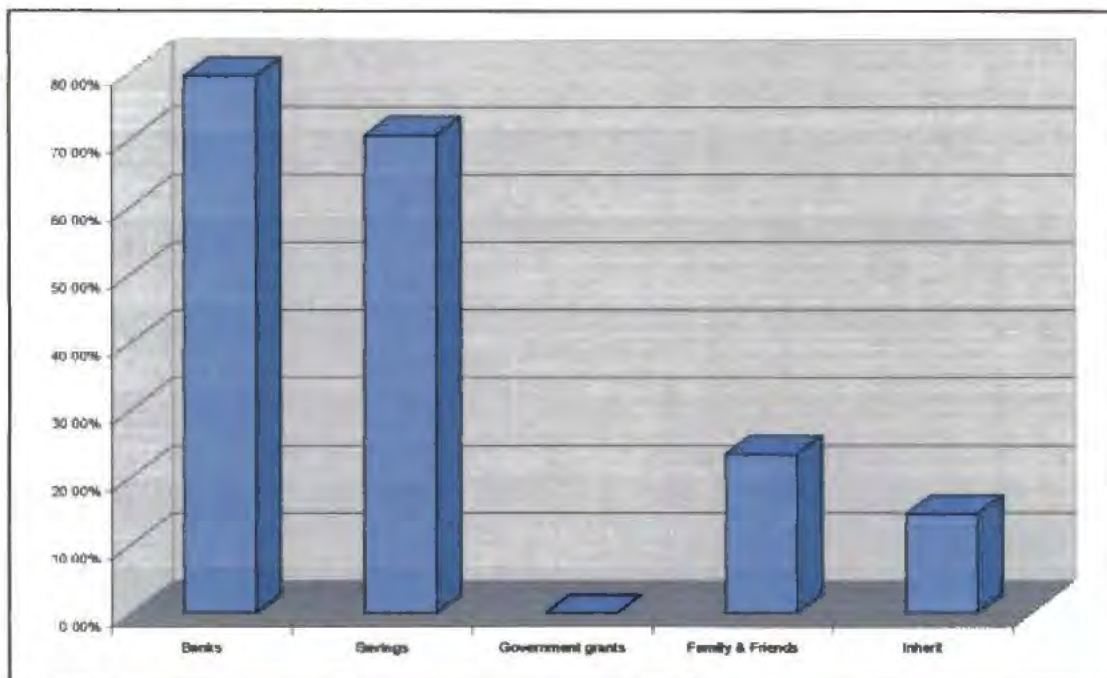
Figure 4.8 shows that 35% of respondents know where to access tourism finance in their area. 56% do not know where to find tourism finance. Only 9% said that it was an irrelevant question.

Although financing institutions exist, entrepreneurs do not know how to get hold of them.

The Government could consider the following policies and actions aimed at improving the access to financing as well as making investment funds more widely available to the tourism entrepreneurs:

- Establishing a dedicated tourism development fund to provide funds for tourism enterprises and activities not catered for by existing state financing agencies. Such a fund should be managed in a transparent fashion and should be subject to regular auditing and scrutiny.

- Ensuring that state funding is accessible to the wider business community, emerging entrepreneurs, micro-enterprises, sole traders and the informal sector.
  - Considering the creation of a subsidised financing facility to accommodate the entry of the previously neglected into the tourism industry.
  - Ensuring that technical assistance is provided to potential entrepreneurs, utilising existing institutions as far as possible.
  - Encouraging existing private enterprises to assist in guaranteeing loans of small entrepreneurs through, for example, the advance purchase of services.
- ***Financing institutions***

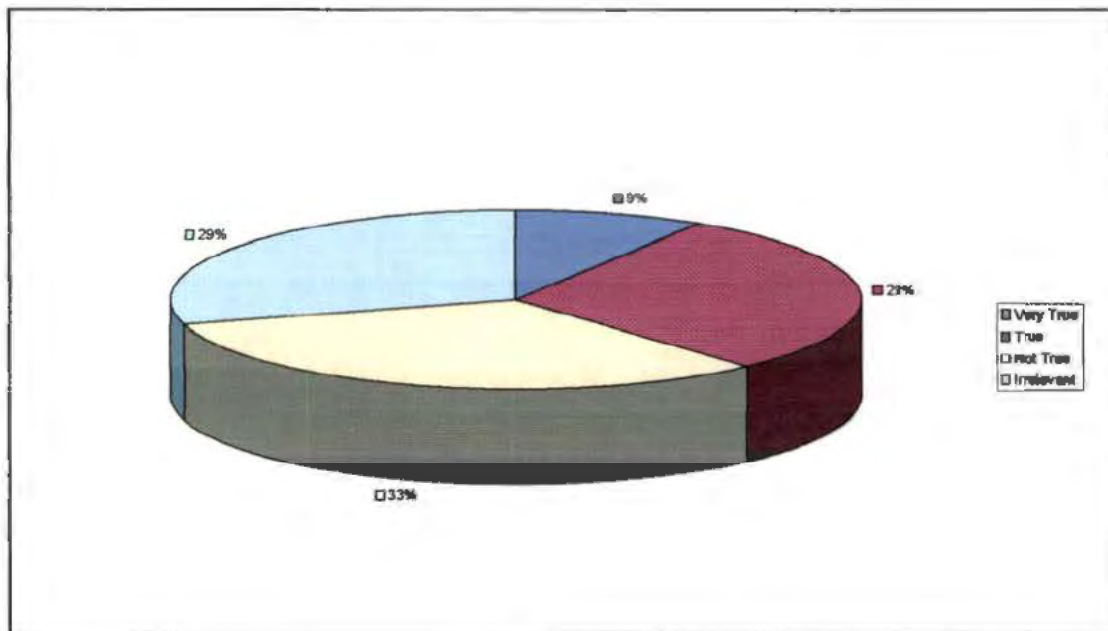


**Figure 4.9:** Financing institutions

Figure 4.9 shows that 79% of respondents said that they obtained bonds from the bank to start their own businesses. This is most probably the easiest way to get finance. 70% of the entrepreneurs used savings to start their own businesses. Many entrepreneurs used savings and borrowed the difference from the bank. 23% borrowed money from family and friends to start an own tourism business. Only 14% used money that was inherited to start an own

tourism business. None of the respondents made use of Government grants, although 50% said that grants in tourism offer new opportunities for entrepreneurs (Figure 4.15).

- **Problems accessing finance**



**Figure 4.10:** Problems to access finance

A major problem limiting tourism entrepreneurship is the unavailability of finance on favourable terms over a long period of time to invest in tourism development.

Even though more than 90% of businesses in South Africa are small and generate about 75% of all new jobs and the fact that there are more than 80 000 small, medium and micro-enterprises in the country, absorbing more than one-quarter of the workforce of 15 million people, excluding about 3.5 million people involved in survivalist enterprise activities (Government White Paper, 1995), the culture of financing and supporting small businesses was not taken seriously in the past. Institutions that funded small business activities were the Small Business Development Corporation (SBDC) (the major provider of retail funds) the Development Bank of Southern Africa (wholesale provider), the

Industrial Development Corporation (wholesale provider) Homeland Corporations, Commercial Banks, Private sector institutions, Regional Development Agencies (RDAs) and National Governmental Organisations (NGOs). The Small Business Development Corporation was the main institution responsible for financing small businesses in orientation and enjoyed significant Government support. The Small Business Development Corporation strove to harness the power of entrepreneurship by developing small and medium enterprises.

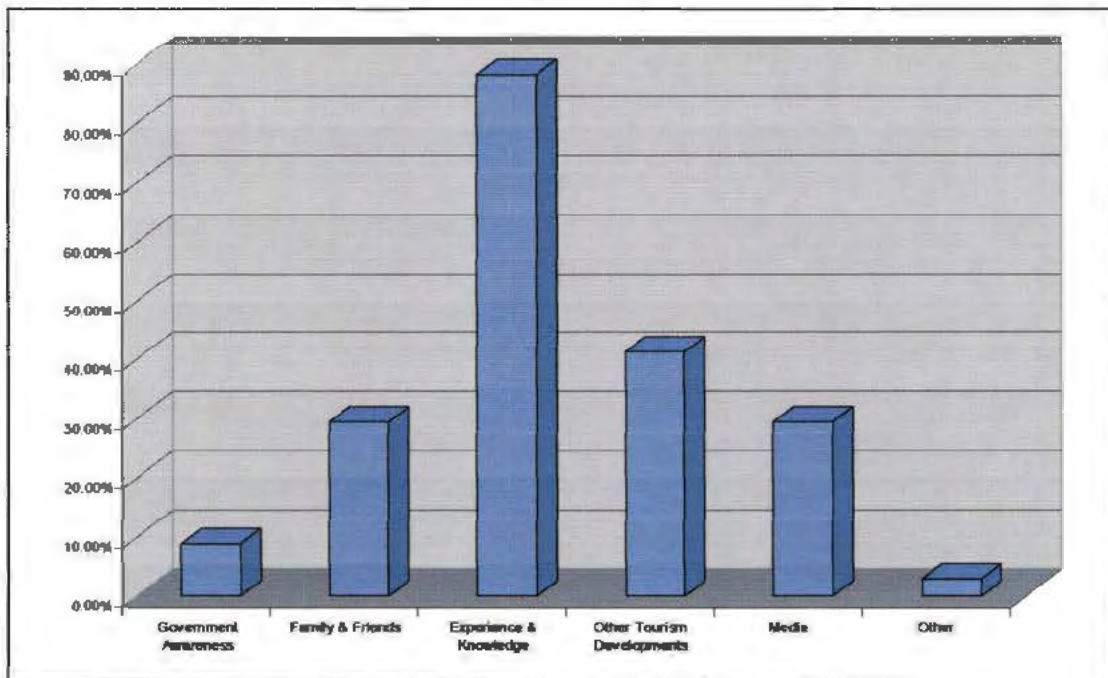
According to Figure 4.10 33% of the respondents did not encounter any problems to access finance. 38% did experience problems. 29% felt it to be irrelevant.

#### **4.2.5 OPPORTUNITIES**

Tourism has become a fiercely competitive business, and in the light of transformation in South Africa, numerous “windows of opportunity” have opened for entrepreneurs in the tourism industry. The following opportunities will be discussed:

- Opportunities to become an entrepreneur.
- Opportunities to start a new tourism business.
- Tourism opportunities.
- Spatial Development Initiatives (SDI's).
- Tourism Grants offer new tourism opportunities.
- Government promotion for new opportunities.
- Programs to assist new business ventures.

- Opportunities to become an entrepreneur

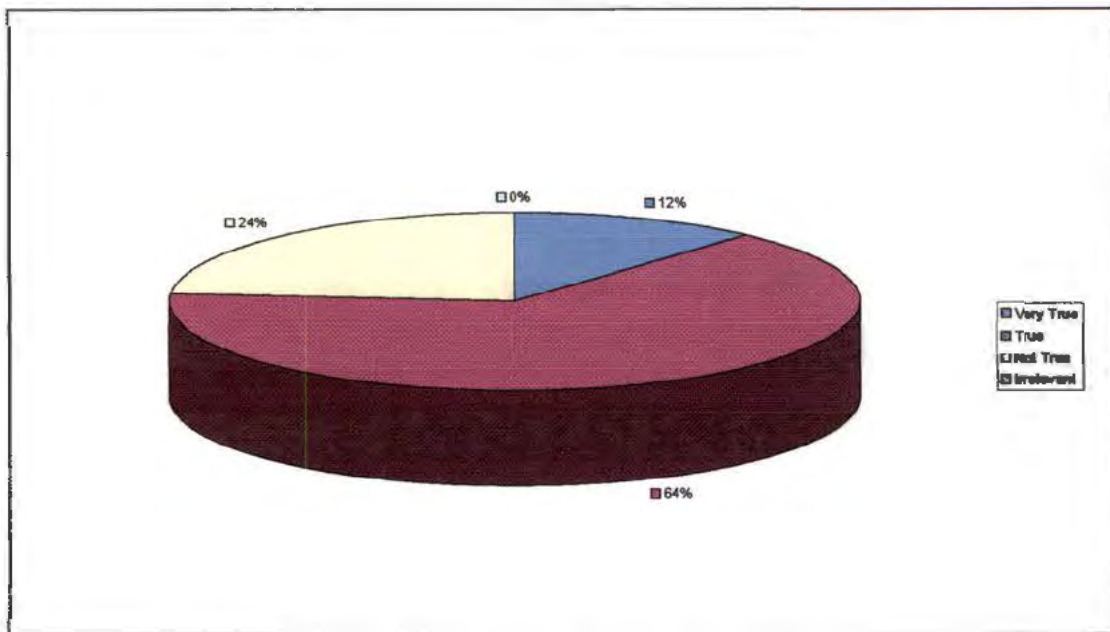


**Figure 4.11:** Opportunities to become an entrepreneur

According to Figure 4.11 88% of respondents said that experience and knowledge helped them to identify an opportunity. These entrepreneurs normally are financially well off and do not spend too much on market research. They know what tourists want from previous experience and knowledge. 41% said that other tourism developments, for example casino developments, did create opportunities for them, while 29% said that family and friends as well as advertisements in the media made them aware of tourism opportunities. For example: the development of a new casino is advertised in the media and the entrepreneur sees the opportunity to open a transport business. The entrepreneur starts a transport business between the airport and the casino for tourists. Only 8% said that the Government had made them aware of tourism opportunities.

None of the respondents identified any other elements that made them aware of tourism opportunities.

- Opportunities to start a new tourism business

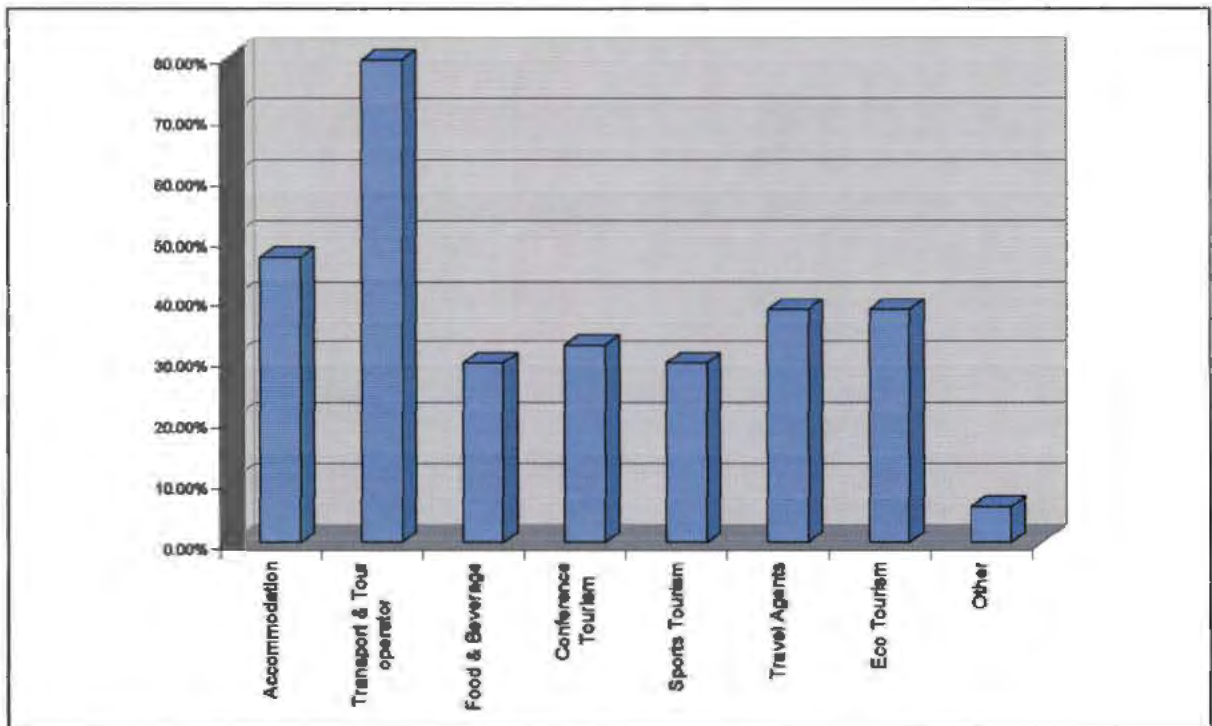


**Figure 4.12:** Opportunities to start a new tourism business

Entrepreneurs must be aware of goings-on in the area. Tourists need change and therefore the product offered by an entrepreneur must fall under the same category as the tourist's needs. A good example of an occasion where a large number of jobs were created for entrepreneurs, is at the conference venue where the recent World Earth Summit was held. But, to take advantage of something like this, the entrepreneur has to be on the lookout for such opportunities.

Figure 4.12 shows that 76% of respondents felt that an opportunity in their area will exist to start an own tourism business within the next six months 24% felt that not to be true.

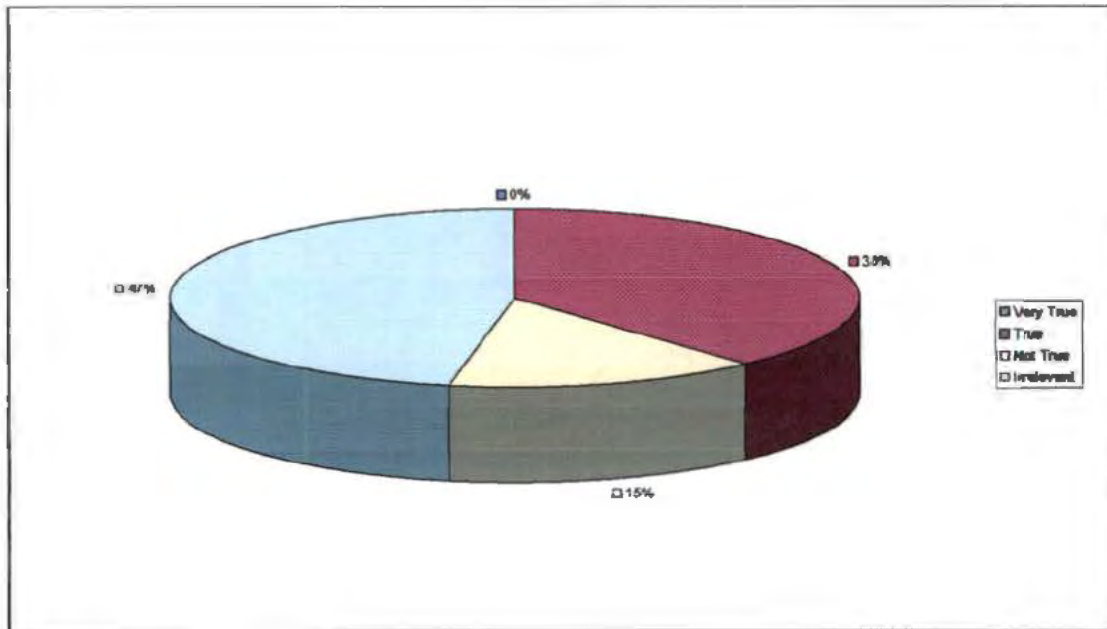
- **Tourism opportunities**



**Figure 4.13: Tourism sectors and opportunities**

According to Figure 4.13 the following emerged: 97% of respondents felt that a lot of opportunities occur in the transport and tour operator sector. 47% were of the opinion that the accommodation sector does have a lot of opportunities. 38% said opportunities to become a travel agent do exist. 38% mentioned eco-tourism. 32% mentioned conference tourism. 29% felt that opportunities existed in the food and beverage sector. 29% said that opportunities were possible in sport tourism. Only 5 % mentioned other industries that can also make money out of tourists, for example curio shops and jewellery shops.

- **Spatial Development Initiatives (SDI's)**

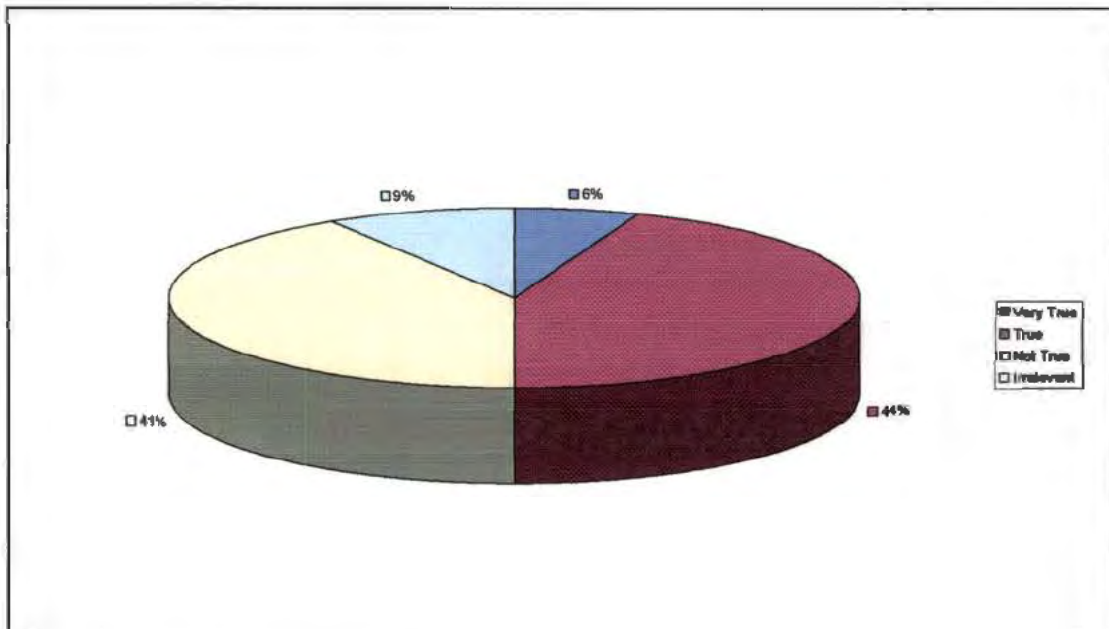


**Figure 4.14:** Spatial Development Initiatives (SDI's)

Figure 4.14 indicates that 38% of respondents said that Spatial Development Initiatives offers new tourism opportunities. 15% said that Spatial Development Initiatives (SDI) did not offer new tourism opportunities. 47% felt that SDIs were irrelevant.

Not all entrepreneurs know the meaning of SDI, however, and therefore said that the question was irrelevant. When a question is not understood, it is easy to indicate it as irrelevant. The South African Spatial Development Initiatives (SDI) programme is a short-term investment strategy, which aims to unlock economic potential in specific Southern Africa locations. The SDI aims to facilitate the creation of viable new jobs, as potential investment opportunities, identified through the process, are taken up by the private sector. Although these SDIs do not focus solely on tourism, tourism remains one of the important role players.

- **Tourism Grants offer new tourism opportunities**

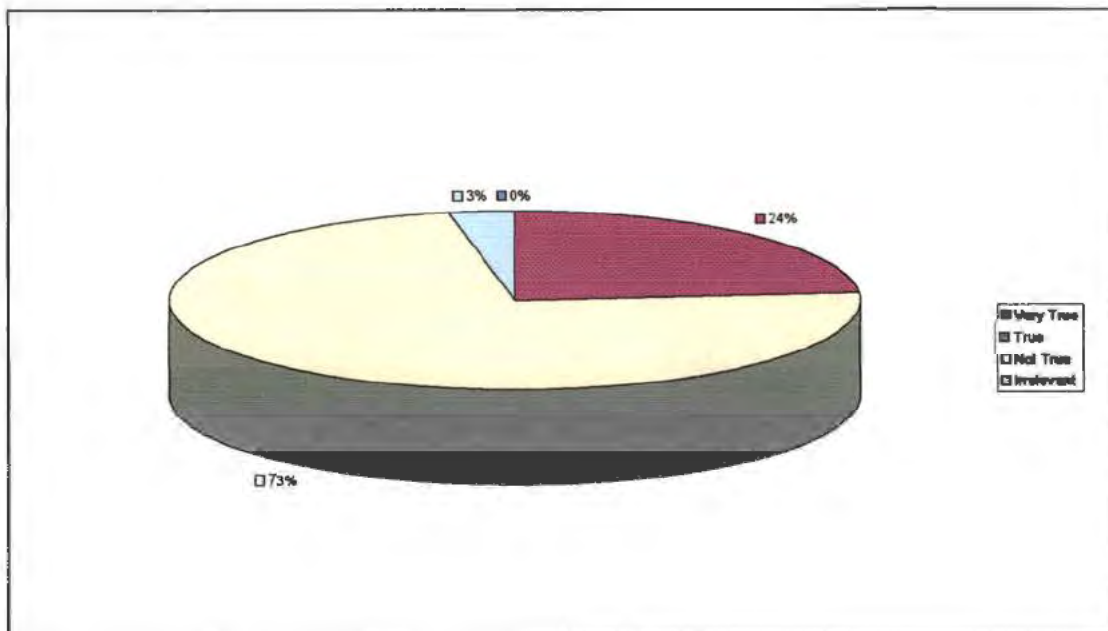


**Figure 4.15:** Grants in tourism

According to Figure 4.15 50% of respondents agreed that grants in tourism offers new opportunities. Only 41% said that it was not true. 9% felt it to be irrelevant.

Government offers tourism grants for tourism entrepreneurs. Sometimes this is all that entrepreneurs need to make a success of their businesses.

- **Government promotion for new opportunities**



**Figure 4.16:** Government promotion

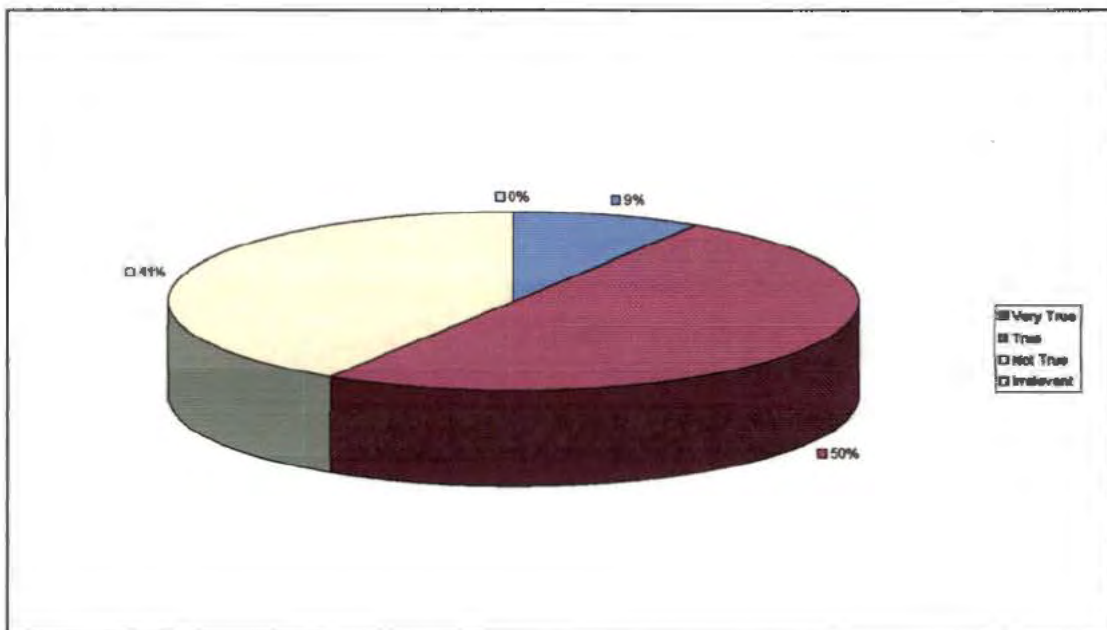
The Government sees the development of small business as a priority. The following actions are taken by the Government to promote SMMEs in South Africa:

- The development of a business climate, which supports tourism development;
- Support of upcoming tourism entrepreneurs and facilitation of equal access to market opportunities;
- Funding of South African Tourism (SA Tourism) international promotion of South African tourism enterprises;
- The preservation of South Africa's cultural and environmental heritage;
- The provision and maintenance of infrastructure and public areas;
- The encouragement of decentralised planning and decision-making to facilitate community involvement.

Figure 4.16 shows that 24% of respondents felt that Government does a lot for the promotion of tourism opportunities in South Africa. 73% think that it is not true. Only 3% thinks it is irrelevant.

Although Government does promote new tourism opportunities, tourism entrepreneurs are not always aware of that, because the Government promotes it in mediums where entrepreneurs cannot always access it. Entrepreneurs that belong to tourism associations are more aware of new tourism opportunities than those that do not belong to these associations.

- **Programmes to assist new business ventures**



**Figure 4.17:** Programmes to assist SMMEs

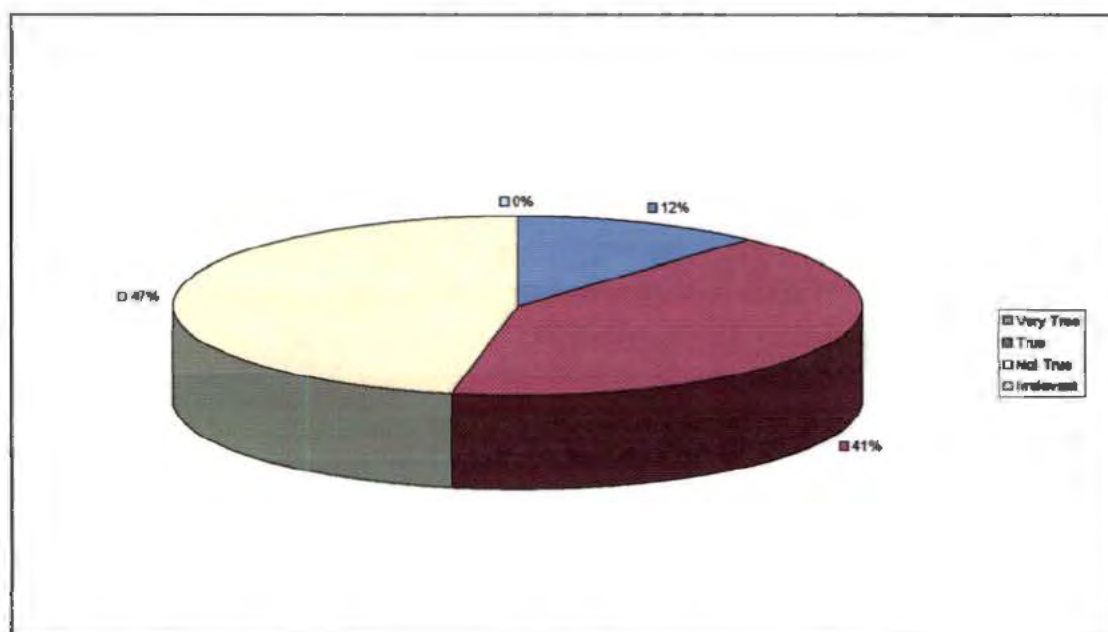
According to Figure 4.17 59% of respondents are aware of programs to assist entrepreneurs in business ventures. 41% are not aware of programs to assist them in business ventures.

#### 4.2.6 THREATS

Although numerous opportunities exist for SMMEs, some factors restrict their spontaneous growth in the South African tourism industry. These include the following aspects and will be discussed throughout the rest of this chapter:

- A culture of entrepreneurship;
- Possible low income;
- Political and legal restrictions and deregulation;
- Animosity of big business and authorities;
- General economic climate;
- Demographic changes;
- Buildings and facilities;
- Transformation;
- Long hours and demanding work conditions;
- Inadequately resourced and funded tourism industry;
- Myopic private sector;
- Limited development scope;
- Inadequate training, education and awareness;
- Lack of appropriate institutional structures.
- Lack of objective advice;
- Lack of support;
- Lack of access to information; and
- Research done by upcoming entrepreneurs.

- **A culture of entrepreneurship**

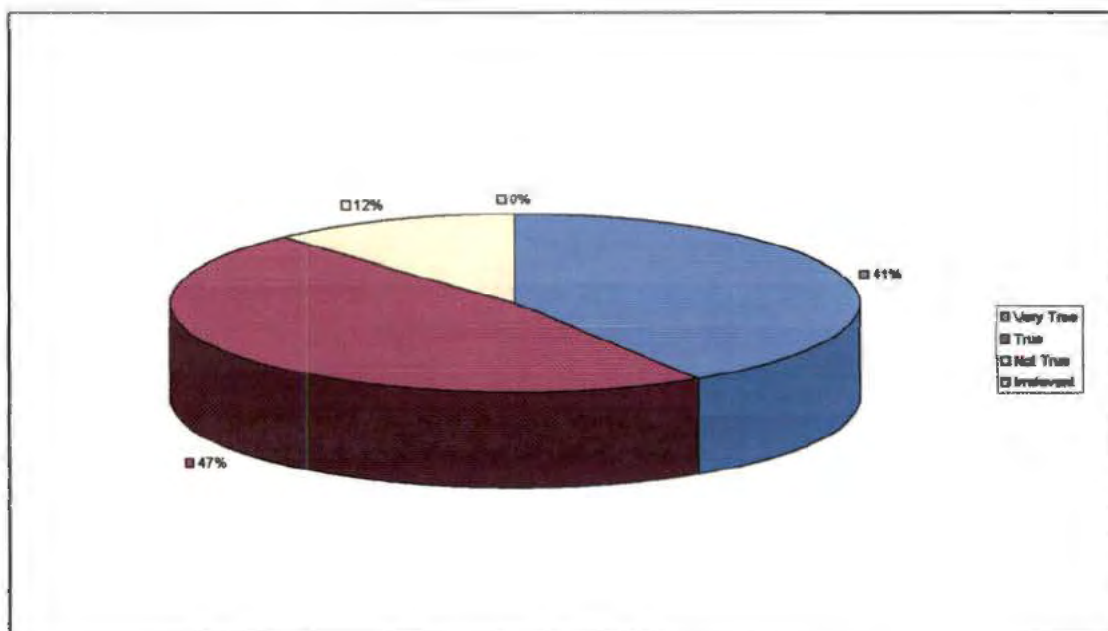


**Figure 4.18:** The lack of an entrepreneurship culture

A culture of entrepreneurship has to be cultivated in South Africa, starting from primary school level right through to tertiary and even adult level. Education plays a central role in building an entrepreneurial culture. South Africa must cut down drastically on the existing 80% entrepreneurial failure rate (Dannhauser, 2002).

According to Figure 4.18 only 53% of the respondents said that the lack of an entrepreneurship culture is a serious threat for entrepreneurs. 47% did not consider it to be any threat for entrepreneurs.

- Possible low income



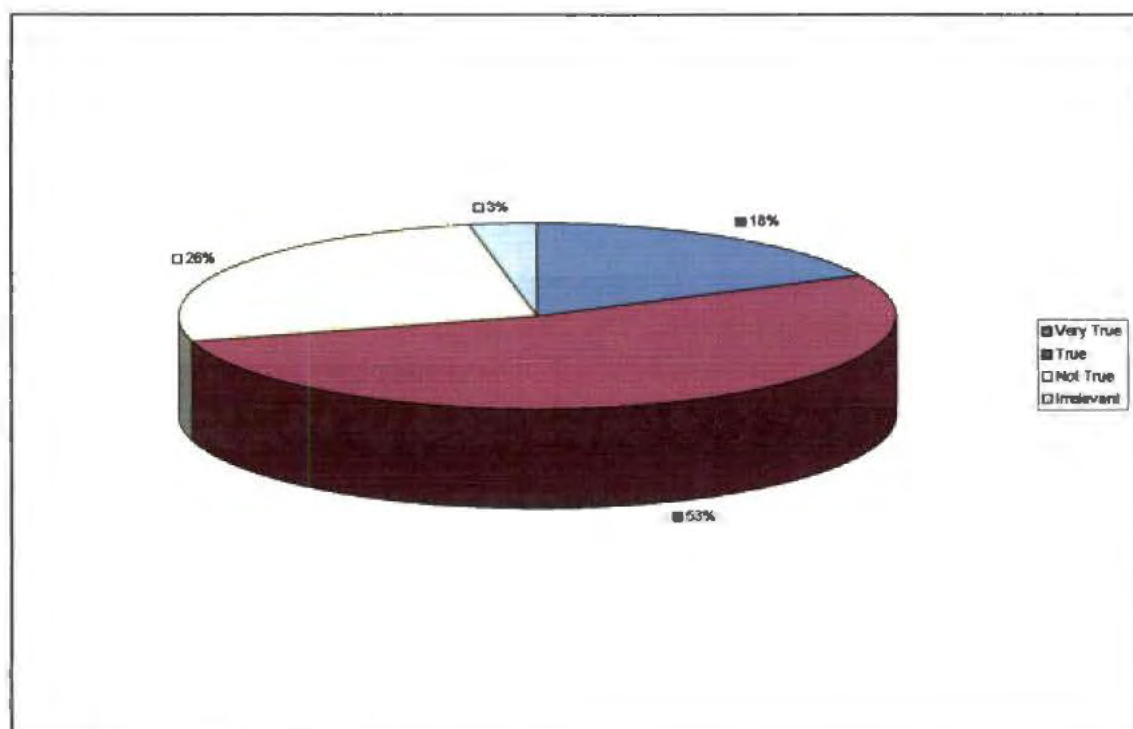
**Figure 4.19:** Possible low income

A real problem with operating a tourism SMME is the potentially low income, because most businesses take up to five years to show a profit. In the beginning the income is therefore mostly very low (SBAB, 1995).

Figure 4.19 indicates that 88% of respondents said that a possibly low income hampers entrepreneurship. 12% said that a possibly low income does not hamper entrepreneurship.

A low income will only hamper an entrepreneur when he has a family to look after. Entrepreneurs need the security that they will be able to pay their debts every month.

- **Political and legal restrictions and deregulation**



**Figure 4.20:** Political and legal restrictions

The multitude of laws, regulations, procedures and bureaucracy that confronts the potential businessman will, by its very nature, limit the establishment of SMMEs.

It is also common knowledge that unrealistic and often unreasonable legal restrictions seriously hamper activities in the small, medium and micro-tourism sector.

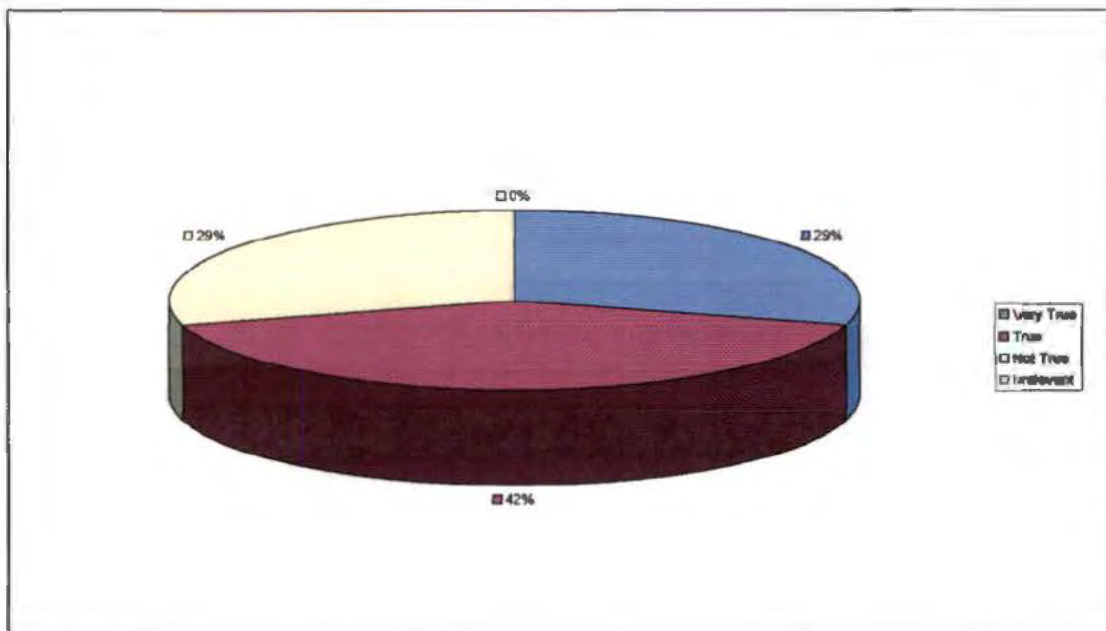
- Political violence and instability in South Africa (Saayman, 1993) and the lack of real action to combat crime (Dott, 2000).
- Economic performance and investors trust in South Africa (Satour, 1994).
- Legislation: There are a number of Acts of Parliament, provincial ordinances and local by-laws that hamper both the effectiveness of entrepreneurs in the tourism industry and the tourist experience. These Acts include the:

- Customs and Excise Act 91 of 1964.
- Currency and Exchange Act 9 of 1933.
- Liquor Act 27 of 1989.
- Gambling Act 51 of 1965.
- Gambling Act 33 of 1996.
- National Building Regulation and Building Standards Act 103 of 1985.
- Public Holidays Act 36 of 1994.
- Environmental Conservation Act 73 of 1989 (Swart & Saayman, 1996; wart, 1997), and
- Labour laws which are inappropriate to the tourism industry, needing to work 24 hours a day, 365 days a year (Dott, 2000; Marsh, 2000).

The SMMEs are particularly sensitive regarding the influence of Government Policy and to certain restricting legal measures. Policy and legislation are formulated by the central government, but local and regional authorities determine ordinances and regulations. A policy with implementation and legal measures aimed at promoting and developing entrepreneurship and empathy for the small business could make a valuable contribution to the growth of this sector in the economy (Kuscus, 1996).

According to Figure 4.20 71% of respondents felt that political and legal restrictions and deregulation hampers entrepreneurship. Only 26% felt it not to be true. 3% felt it to be irrelevant.

- **Animosity of big business and authorities**



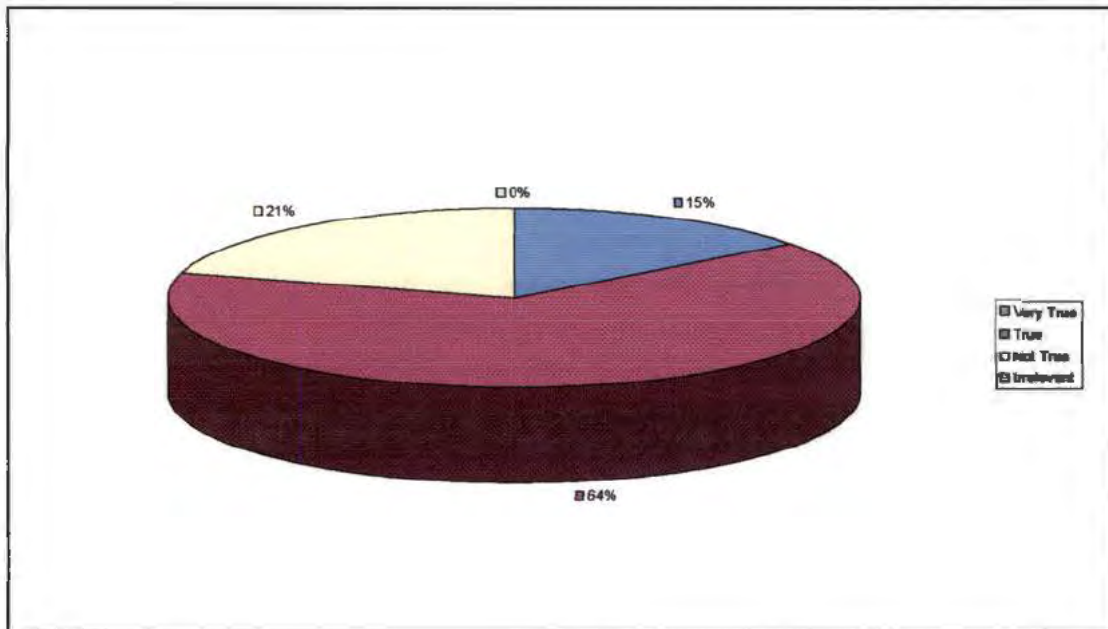
**Figure 4.21:** Animosity of big business and authorities

Figure 4.21 indicates that 29% of the respondents felt that animosity of big business and authorities is not a problem for entrepreneurs. 71% felt that the animosity of big business and authorities is a problem for entrepreneurs.

Probably due to fear of competition, big businesses display animosity or a lack of support towards the SMME sector, resulting in difficulties to obtain credit.

Regarding the attitude of authorities, it is said that, despite support at high levels, such support is seldom put into practice at an executive level. Related to this, is the ever-present problem of excessive bureaucracy, both in Government and private institutions (Kuscus, 1996).

- **General economic climate**

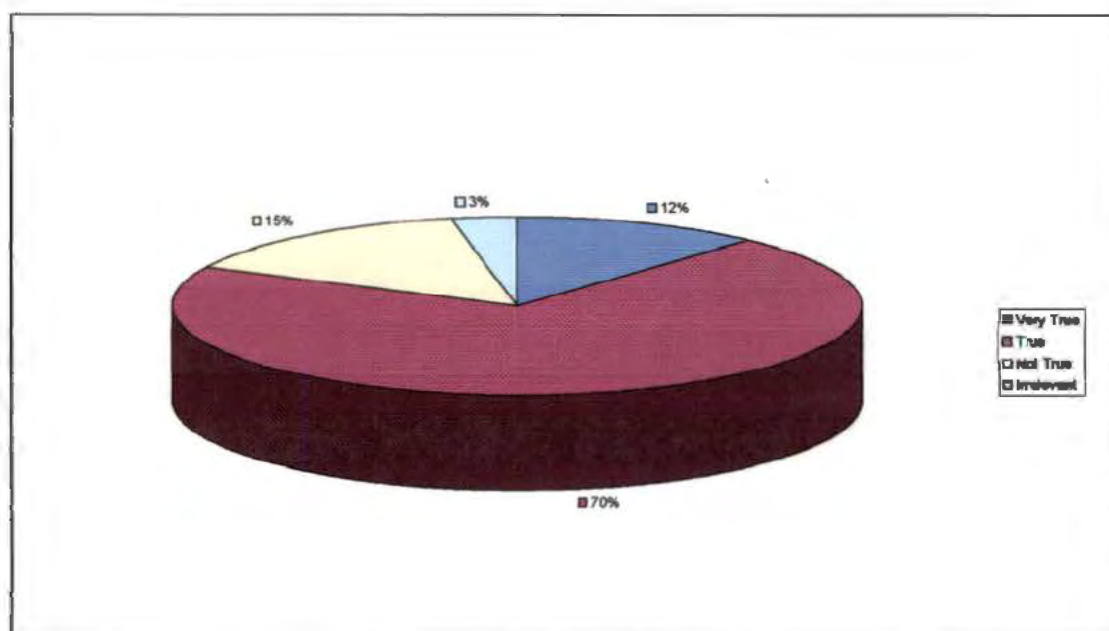


**Figure 4.22:** The general economic climate

Figure 4.22 indicates that 79% of respondents said that the general economic climate plays a positive role in developing entrepreneurs. 29% said not true.

The general economic situation has an influence on the economic activities of all businesses in a country. During an economic recession the small business sector often experiences problems relating to its small size and makes it particularly vulnerable to changes in the economic conditions in a country.

- **Demographic changes**

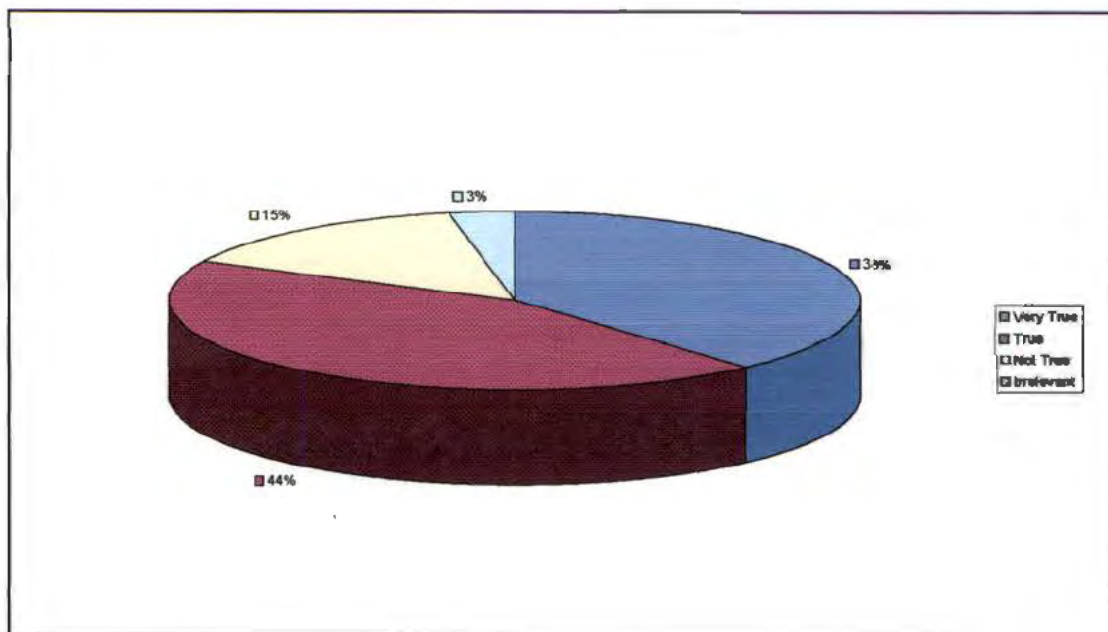


**Figure 4.23:** Demographic changes

Demographic changes contain specific problems regarding small, medium and micro-tourism enterprises. Urbanisation of rural areas is a worldwide phenomenon that is reaching alarming proportions in South Africa, and due to the abolition of influx control measures, the situation will deteriorate even further. Changes are also taking place in the composition of the rural population. The farming population is decreasing in absolute numbers, young people relocate to the cities and professional practices and service industries are moving to larger areas. There are numerous examples of stagnating rural towns. SMMEs that have always had customers in the past, now no longer have anybody to serve (SBAS, 1995).

Figure 4.23 indicates that 82% of respondents said that demographic changes create opportunities for entrepreneurship. 15% said that it was not true. 3% said it was irrelevant.

- **Buildings and facilities**

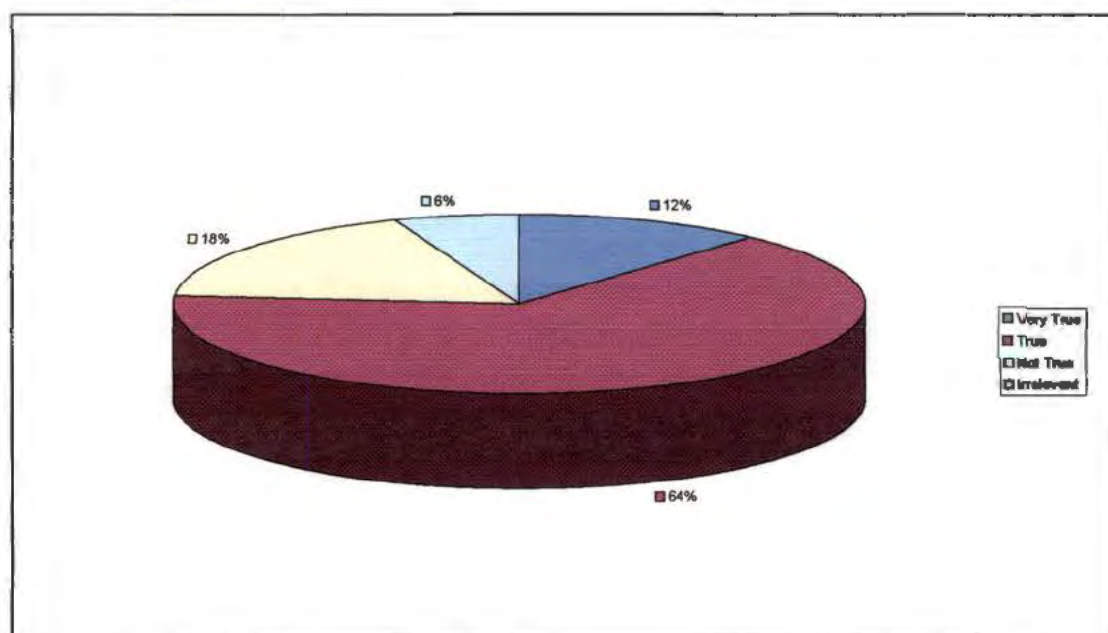


**Figure 4.24: Rent**

Many SMMEs experience difficulties in obtaining suitable, modern and appropriate business premises and buildings. Especially in the rural areas there is a great need for buildings fulfilling the requirements of the modern distribution trade. The fact that so many rural traders have to operate in inadequate and antiquated buildings is detrimental to the image and effectiveness of the small business sector. The origin of the problem clearly arises from the growth risk and priority of the property developer and investor.

According to Figure 4.24 82% of respondents said that buildings and facilities are very expensive to rent. 15% said that it was not true. 3% felt it to be irrelevant. The 3% of respondents who felt that it was irrelevant are individuals who run businesses from home and therefore do not rent facilities.

- Transformation

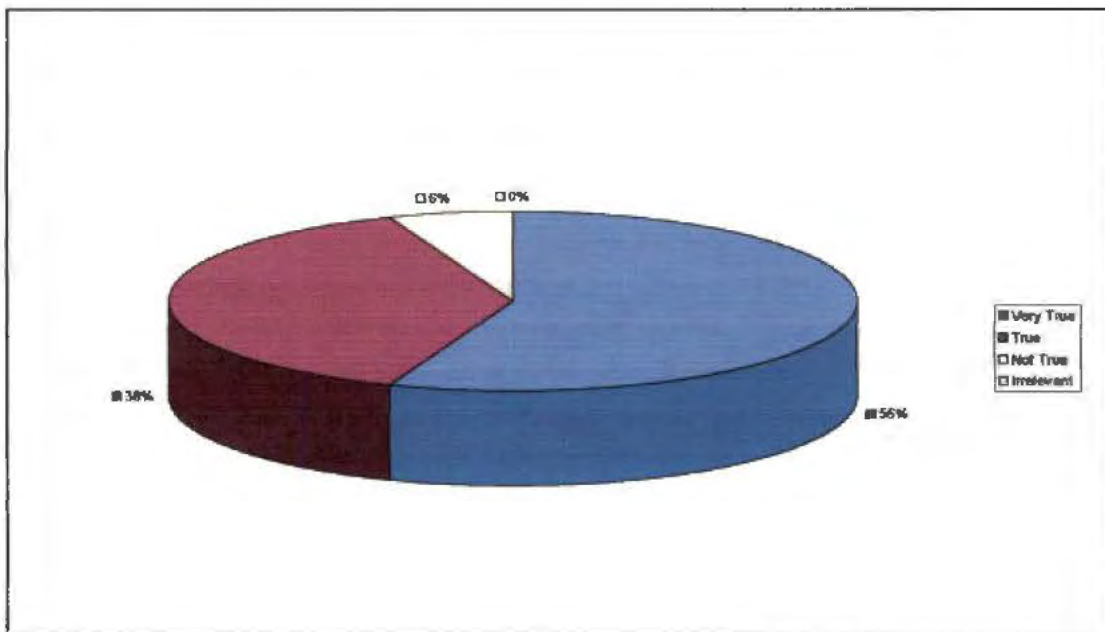


**Figure 4.25:** Transformation is positive towards tourism entrepreneurs

Figure 4.25 indicates that 76% of respondents said that transformation is positive towards tourism entrepreneurs. Only 18% say transformation is negative towards tourism. 6% felt it to be irrelevant.

Transformation has also brought about that a lot more opportunities exist for upcoming entrepreneurs, especially those that previously were disadvantaged. The Government has made a large number of grants available for upcoming entrepreneurs.

- Long hours and demanding work conditions

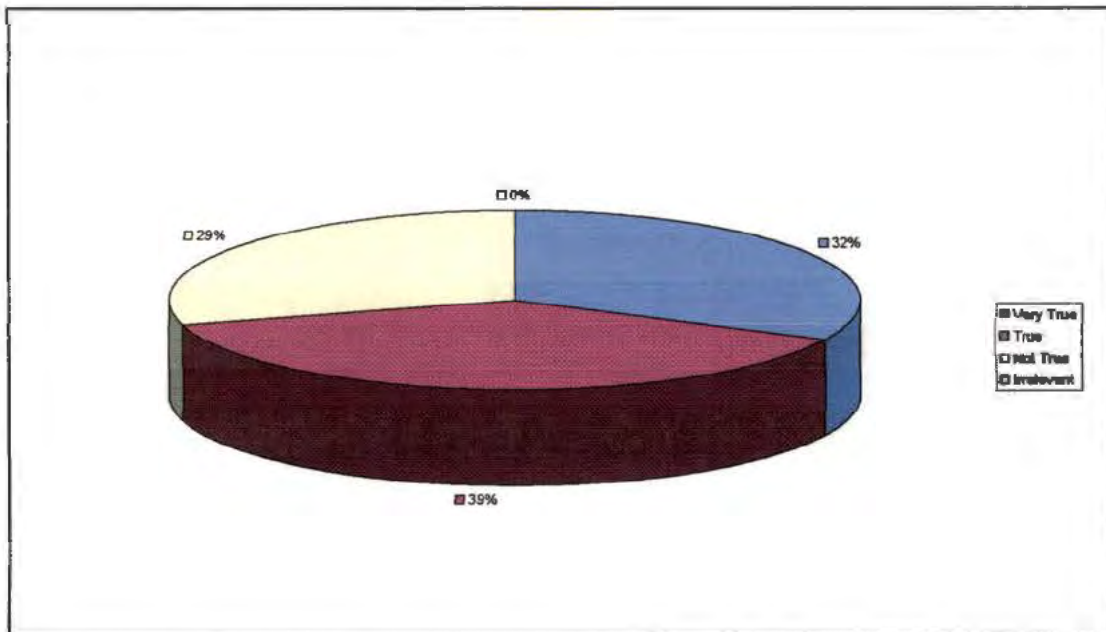


**Figure 4.26:** Long hours and demanding work conditions

One of the disadvantages inherent to operating an SMME is that it entails long hours and hard work. Few individuals who successfully run small businesses do so without working long hours (SBAB, 1995).

According to Figure 4.26 94% of respondents said that long hours and demanding work conditions is a requirement for tourism entrepreneurs. Only 6% disagreed and said that work conditions are not demanding. Only 18% said that transformation is negative towards tourism.

- **Inadequately resourced and funded tourism industry**

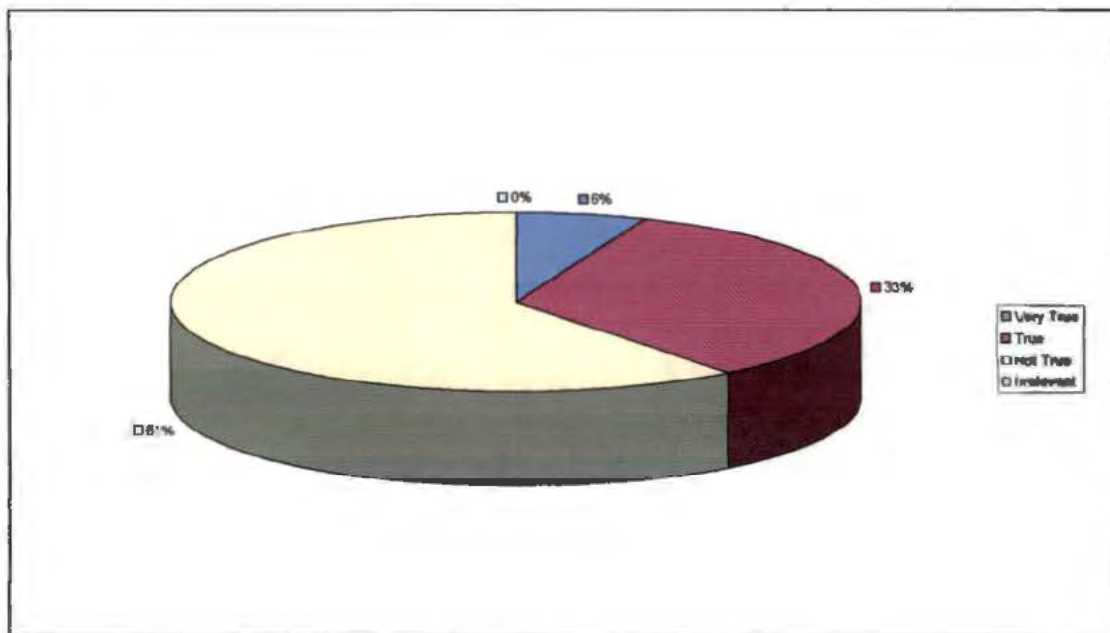


**Figure 4.27:** Inadequately resourced tourism industry

One of the problems facing the tourism industry is that the Government has had a limited view of the potential of the industry and as a result marginal resources have been devoted to developing and promoting the sector (Swart, 1997). Tourism is still narrowly viewed to be tourists and hotels. In many quarters, the tourism industry is seen as a thing of the past – a plaything for the previously privileged class. The true wealth-creating potential of the sector has not been fully grasped by policy-makers. Unless tourism is seen as strategically important to the economy of South Africa and the necessary plans, policies, actions and resources to support this initiative are put in place tourism will continue to be a missed opportunity (White Paper on Tourism, 1996).

Figure 4.27 indicates that 71% of respondents felt that South Africa has an inadequately resourced and funded tourism industry. Only 29% said that South Africa does not have an inadequately resourced and funded tourism industry.

- **Myopic Private Sector**

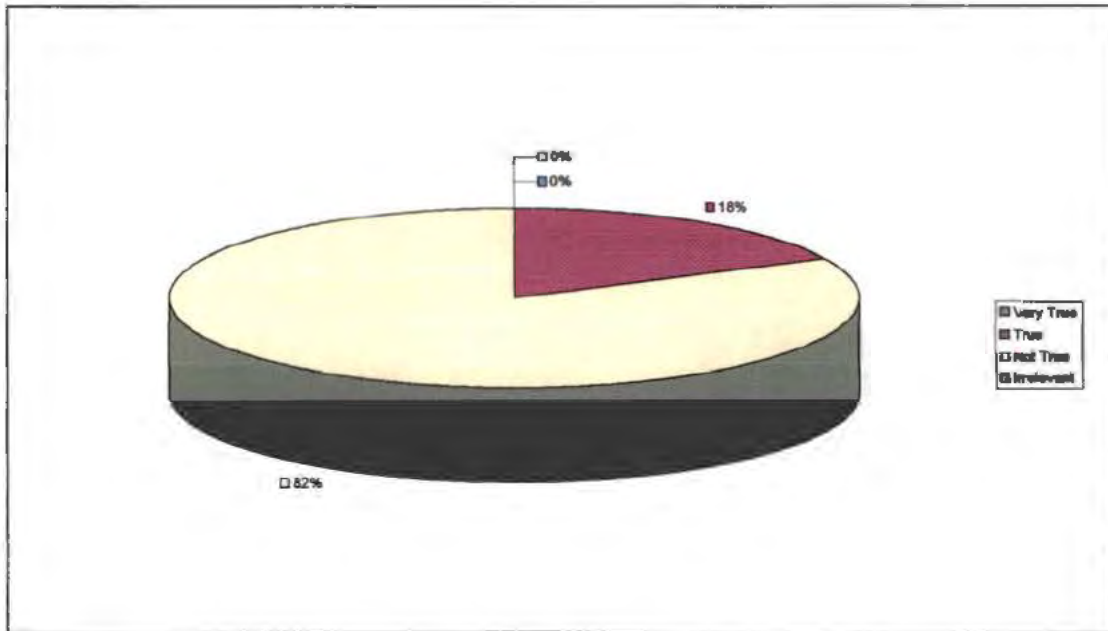


**Figure 4.28:** The myopic private sector hampers tourism entrepreneurs

Another major problem facing the South African tourism industry is a shortsighted private sector. Hotels, and indeed many other tourism establishments, tend to have a rather limited view of the product they offer – goods and services only, within the business's four walls. Should a visitor be harassed on the road, over-charged by a taxi driver, or the environment be destroyed by insensitive development, or if schools are dilapidated, these things are not considered to be the hotel's concern. Experience indicates that hotels that have taken a much broader view of their own product tend to be more successful (White Paper on Tourism, 1996).

Figure 4.28 shows that 61% of respondents said that the myopic private sector hampers tourism entrepreneurs. 39% said that the myopic private sector does not hamper tourism entrepreneurs.

- **Limited development scope**

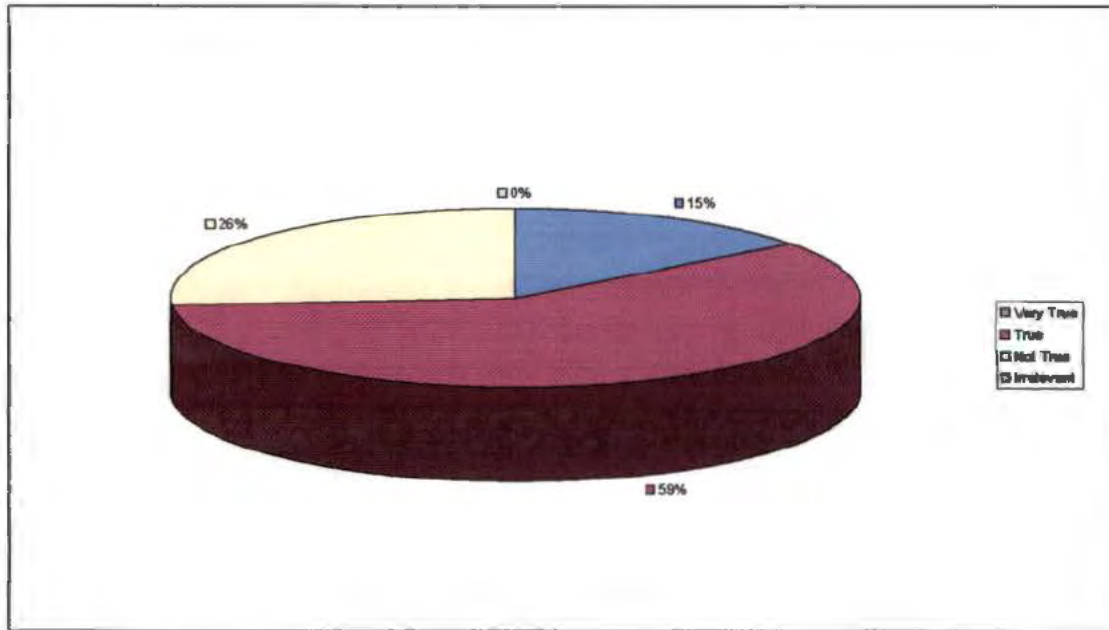


**Figure 4.29:** Limited development scope

Post-apartheid policies have placed severe constraints on the development scope of the industry. While the attractiveness of South Africa as a tourism destination has always been acknowledged, this potential could not effectively be realised due to many tourists not being prepared to travel to the country in protest of the policy of apartheid (Brynhard, 1995; Swart, 1997). The current growth of the industry could largely be ascribed to the political changes of the past few years and the resultant freedom of movement (White Paper on Tourism, 1996).

According to Figure 4.29 82% of respondents said that South Africa does not have a limited development scope due to past political policies. Only 18% disagreed.

- **Inadequate training, education and awareness**



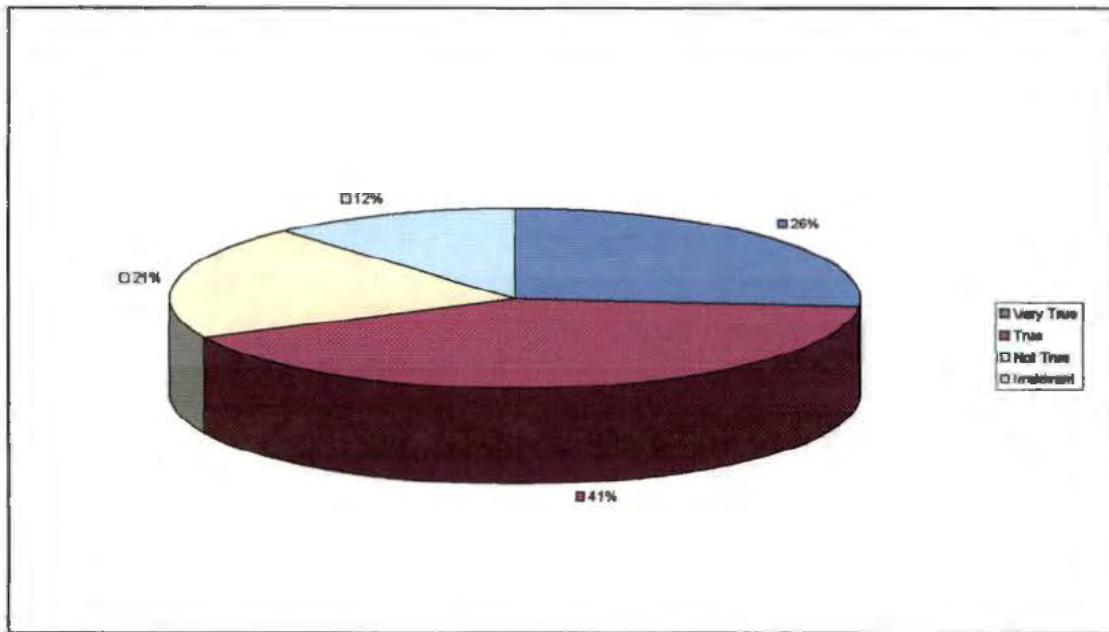
**Figure 4.30:** Inadequate training, education and awareness programmes

Perhaps the greatest deficiency in the South African tourism industry is the absence of adequate education, training and awareness programmes (Saayman & Van der Merwe, 1996; Swart, 1997). The previously neglected groups in society are highly disadvantaged and the job of leveling the playing field is a massive one. One of the key vehicles for doing so is education and training – a basic necessity that the majority of the population has not had access to (White Paper on Tourism, 1996).

According to Figure 4.30 74% of respondents said that inadequate training, education and awareness programmes exist for tourism entrepreneurs. Only 26% said that it was not true.

Training and education programmes do exist for entrepreneurs, but entrepreneurs have no information on how to access these programmes.

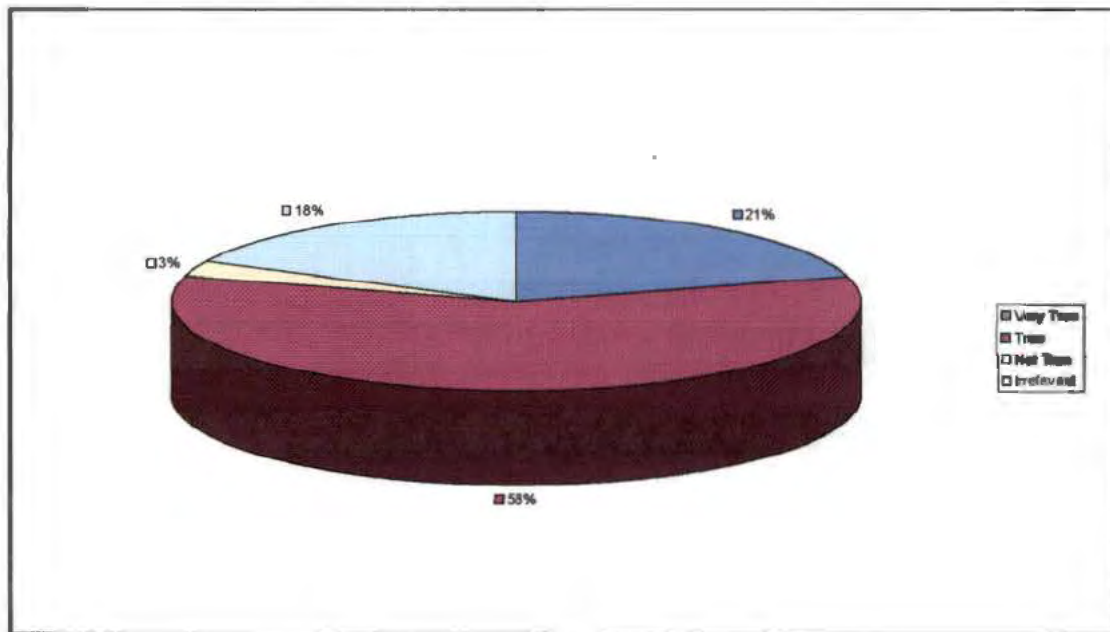
- **Lack of appropriate institutional structures**



**Figure 4.31:** Lack of appropriate institutional structures

According to Figure 4.31 21% felt that there is no lack of appropriate institutional structures for entrepreneurs. 67% of respondents said that there is a lack of appropriate institutional structures for entrepreneurs.

- Lack of objective advice

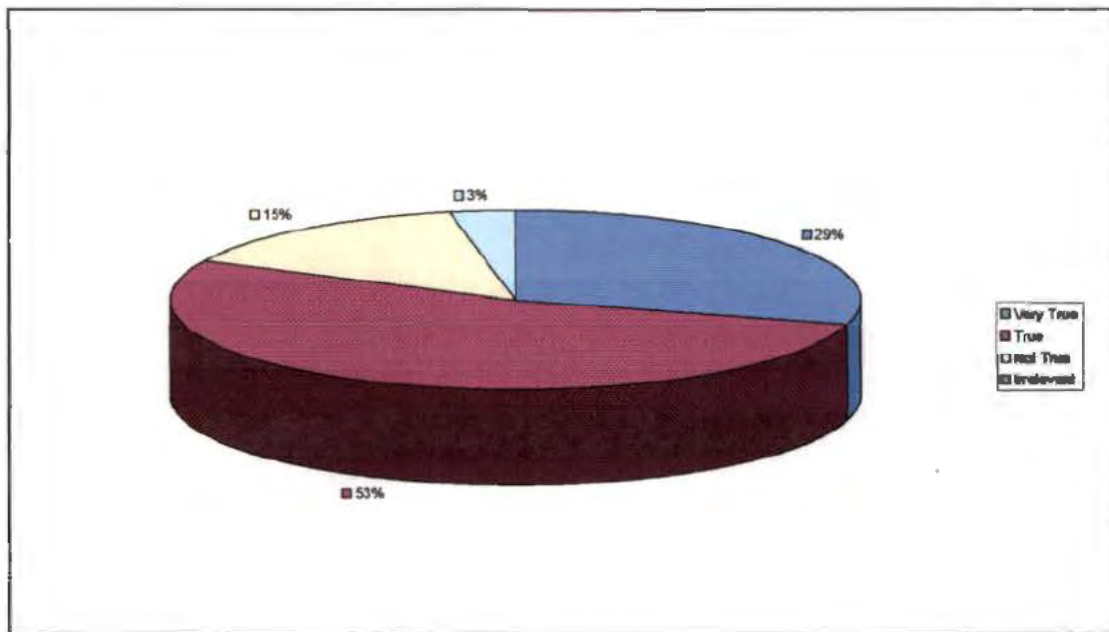


**Figure 4.32:** A lack of objective advice short entrepreneurs

Figure 4.32 indicates that 79% of respondents felt that a lack of objective advice short entrepreneurs 3% said that it is not true 18% felt it to be irrelevant

Respondents feel that Government must put structures in place where entrepreneurs can access advice on how to manage a business. Although there are such structures in place, entrepreneurs do not know how to access these places.

- **Lack of support**

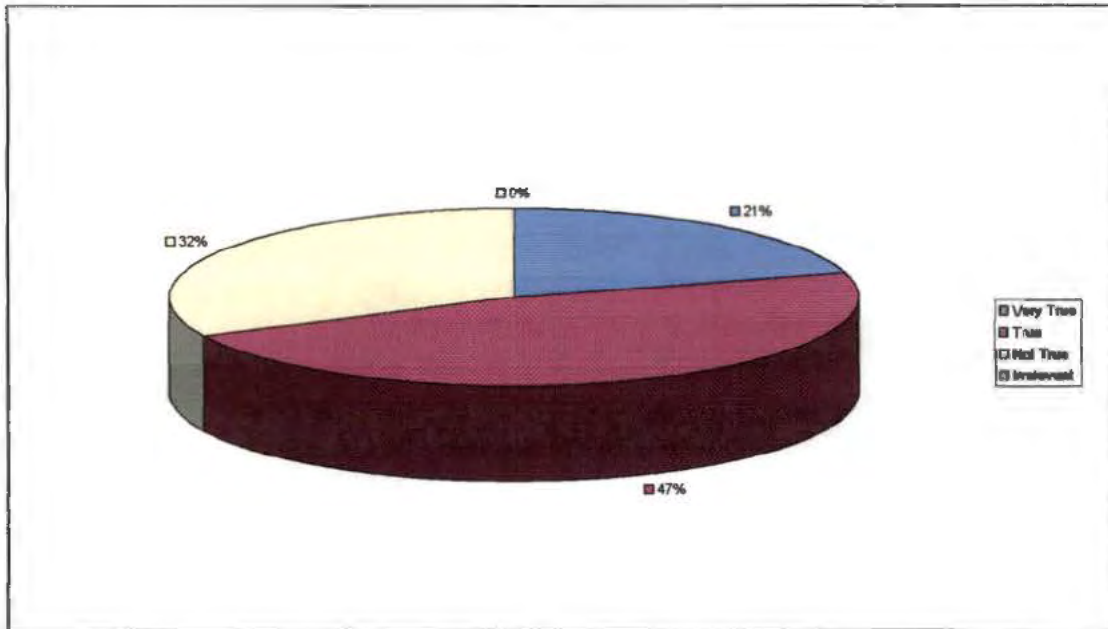


**Figure 4.33:** A lack of support for entrepreneurs

This issue should be seen as aftercare. In other words, to expect of a person with limited funding, limited knowledge and limited skills to succeed without support simply creates circumstances where such a person can only fail (Saayman et al., 2001).

According to Figure 4.33 15% of respondents said that they knew where to access support for entrepreneurs. 82% said a lack of support for entrepreneurs exists. Only 3% felt it to be irrelevant. This percentage said that they ran the business from own knowledge and experience and did not need any support.

- Lack of access to information

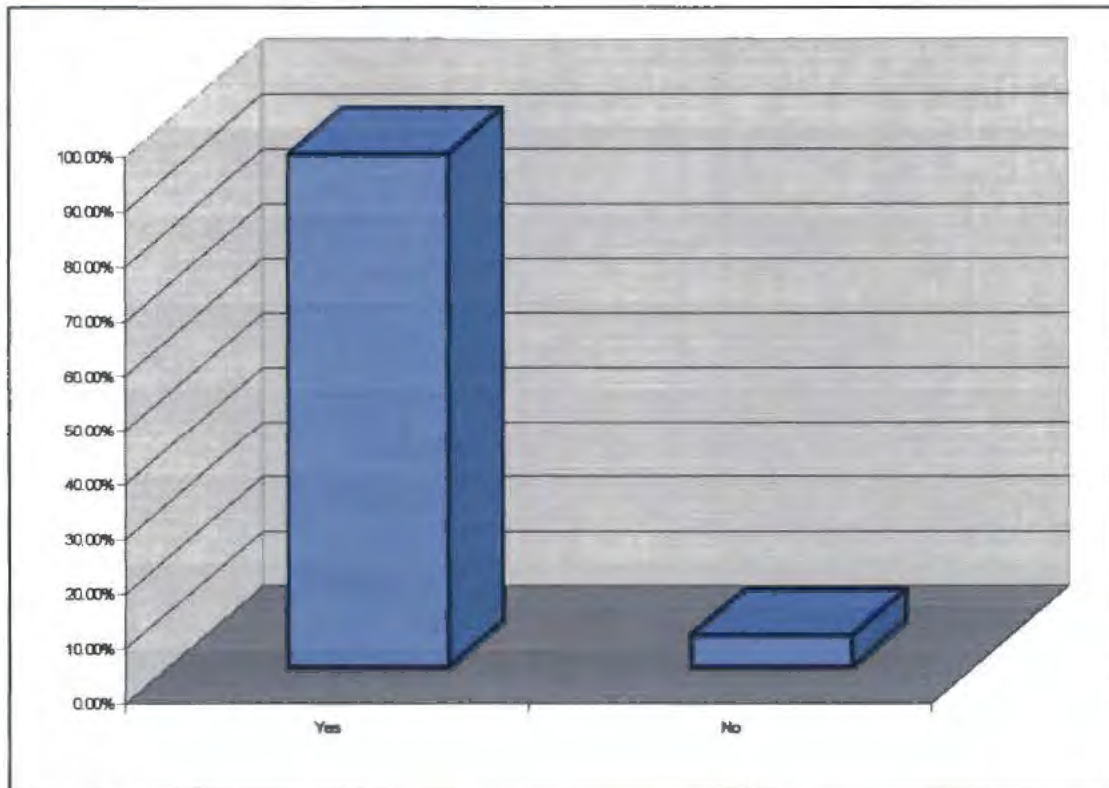


**Figure 4.34:** Entrepreneurs lack access to information

According to Figure 4.34 32% of respondents felt that entrepreneurs do not lack access to information, 68% felt that they do not get enough information.

Most entrepreneurs do not know how and where to find the correct information on how to start a business. Information should be more accessible for new starters to find.

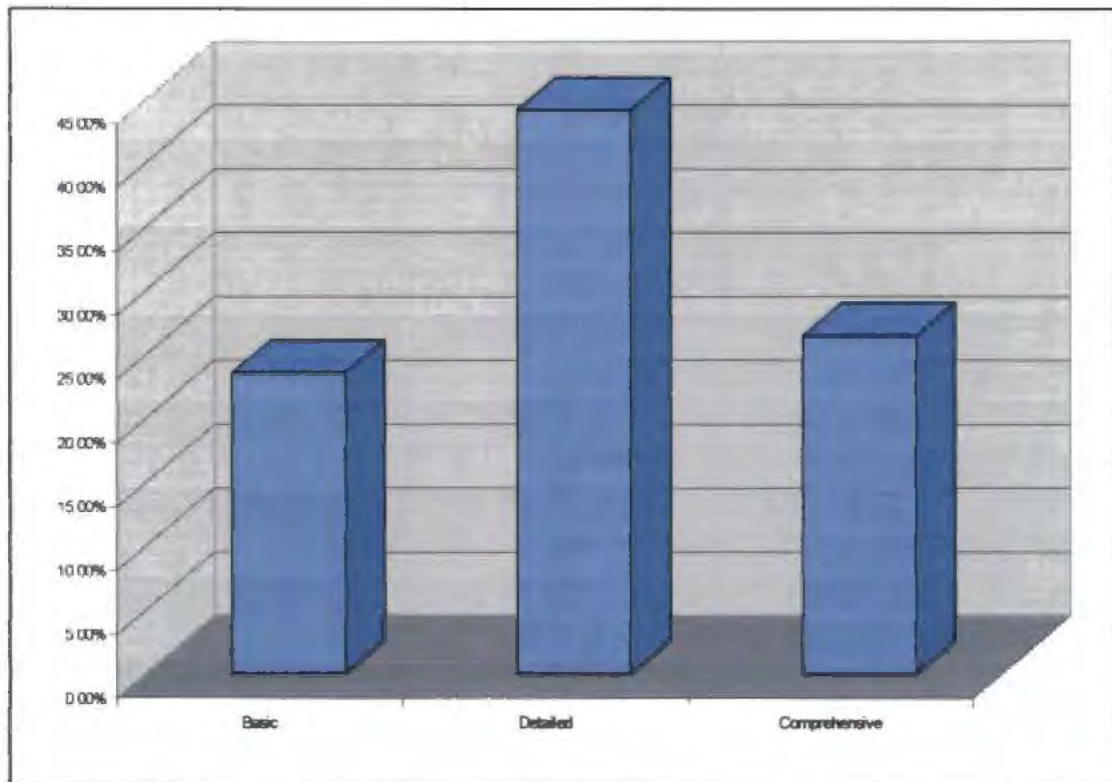
- **Research**



**Figure 4.35:** Research to determine target markets

According to Figure 4.35 94% of respondents answered yes to the question of doing some research to determine target markets before starting an own business. Only 5% answered no.

Those that answered no to the question are entrepreneurs with existing knowledge, skills and experience to see a gap in the market and fill it without doing any market research.



**Figure 4.36:** Type of research

Figure 4.36 indicates that 45% of respondents have done detailed research. This entrepreneurs have done market research before they have started a business. They have also tested the market before started the business. 30% have done comprehensive research before starting a tourism business. 25% have done basic research that means they have just ask around about what other markets have to offer.

The 25% of respondents that have done basic research, are entrepreneurs with more than 10 years of experience in the tourism sector.

### 4.3 CONCLUSION

SMMEs play a vital role in the economy of any region as well as the economic welfare of a nation. SMMEs make exceptional contributions as new jobs, are provided, innovations are introduced, competition is stimulated, big business is

aided and goods and services are produced efficiently (Longenecker et al., 1994).

Four basic factors contribute to the success of SMMEs: hard work, drive and SMME owners who are committed to succeeding, and are willing to put in the time to make it happen.

Of the respondents:

- 100% agreed that managerial skills are very important to run an own business.
- Only 91% believed that they have these qualities.
- 94% of the respondents felt that hard work and long hours is a requirement to be an entrepreneur. Entrepreneurs do indeed have to be willing to work long hours.
- Most of the respondents felt that adequate opportunity for training and education, as well as appropriate institutional structures, objective advice and support do not exist for entrepreneurs.

To run a successful tourism enterprise, the above aspects are very important. Some of these structures are in place, but the entrepreneurs do not know how to access the relevant information.

The empirical study also revealed that capital was a very important factor when starting a tourism business. Most of the respondents answered yes to the question whether they had any problems in accessing financing. Not all of them know where to access tourism financing in their area. It would appear that the easiest way to access finance was from banks.

Managerial competence is important and a final key variable that determines success or failure is luck (Griffin & Ebert, 1993).

There are a number of reasons for business failure, among them unrealistic expectations, being obsessed with making money, overgearing, and lack of

business, financial and administrative skills as well as leaving a manager to run the show (Schwenk, 1996). In Schwenke's view a successful entrepreneur is a dreamer who has a passion for what he is doing and is not obsessed with making money. The entrepreneur must have the appropriate skills and the ability to make his dream come true. After that it takes determination, hard work, and commitment to quality, a focus on the customer and good financial and administration systems. Few entrepreneurs have all these qualities, but it is possible to buy some of them. According to Richardson (1996), the reason for a failing SMME is not the need for additional capital, but because entrepreneurs have not mastered the basics of managing a business.

## 5. CHAPTER FIVE: CONCLUSIONS AND RECOMMENDATIONS

*“At some stage we have to leave the past behind because if we do not act aggressively towards trying to join the first world, we can kiss the future goodbye. We must normalise the situation so that our environment is conducive to carrying out healthy business practice.”*

- Andy Dott – SATSA President

### 5.1 INTRODUCTION

The challenge of building an entrepreneurship culture, one in which a larger number of people will choose to become entrepreneurs and be properly equipped to do so, is great. An equivalent challenge is to equip the small business support network with the knowledge, skills, tools and resources, and “ways of thinking” to properly assist this process. Placing small business at the heart of economic development is a fairly recent phenomenon and there is still a lot to learn about how to do it effectively. It represents a paradigm shift from traditional regional development policy and so hence there is a need for reorientation, education and training of a number of economic development officials who are now providing small business support services (Anon, 2000).

Subsequent to conducting a literature study and survey on SMMEs in South Africa, the aim of this chapter is to give a conclusion and make recommendations in order to improve SMMEs in South Africa.

### 5.2 CONCLUSIONS

This study aimed at indicating the opportunities for SMMEs in South Africa.

The objectives in order to achieve the above were as follows:

- Chapter 2: Identify the different aspects of entrepreneurship.
- Chapter 3: Carry out a SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis of SMMEs in South Africa.
- Chapter 4: Conduct a survey in order to determine the current opportunities of tourism SMMEs in South Africa.
- Chapter 5: Form a synthesis between the literature study and the survey results in order to draw conclusions and make recommendations.

### **5.2.1 Conclusion: Literature Study**

The following conclusions can be made regarding the literature study:

- **Entrepreneurial theories**

It can be concluded that, all through the evolution of entrepreneurship, different scholars have posited different characteristics they believe are common amongst most entrepreneurs. By combining these disparate theories, a generalised set of entrepreneurship qualities can be developed. In general, entrepreneurs are risk-bearers, co-ordinators and organisers, gap-fillers, leaders and innovators or creative imitators. This list of characteristics is by no means comprehensive, but it can help to explain why some people become entrepreneurs and others do not. By encouraging these qualities and abilities, the Government can theoretically alter the country's supply of domestic entrepreneurship.

- **Elements of entrepreneurship**

To become an entrepreneur, an individual needs various specific entrepreneurship elements, for example commitment to employees, creativity, entrepreneurial learning, innovation, opportunity alertness, vision and strategic orientation. It is vital to realise that each entrepreneur will develop these characteristics directly associated with the particular influences that have

shaped, and continue to shape, the social development process of entrepreneurs.

- **Needs of SMMEs**

A major share of South Africa's Gross Domestic Product (GDP) consists of the contribution of SMMEs. The importance of small enterprises as a contributor to economic success is reflected in the extent to which small enterprises have featured in the successful economies of developed countries such as Japan and Sweden. The Government's White Paper on the National Strategy for the Development and Promotion of Small Business in South Africa emphasises the need to create an enabling environment within which a small enterprise culture can be developed.

- **Government Policies**

The South African Government sees the development of SMMEs in South Africa as a priority. The support for new and growing organisations is a high priority policy at National Government level. A number of actions have been taken on by Government to promote SMMEs in South Africa, for example the Growth, Employment and Redistribution Programme (RDP).

- **Advantages of tourism entrepreneurship**

There are some advantages to being an entrepreneur, for example being an employer and a creator of job opportunities. SMMEs provide a range of employment opportunities to a large portion of the workforce. Employment and the creation of new job opportunities by the small business sector are not only advantageous to the socio-economic development of rural areas, but also to the maintenance of a healthy balance of economic growth in urban and rural areas.

Small business owners also have the freedom and own initiative to realise new opportunities. The tourism industry consists of people, and therefore will always need creative individuals with initiative.

- **Entrepreneurial strengths**

Tourism SMMEs offers a wide range and a high standard of personal service and products to the community. Tourism SMMEs are always willing to plough back into the community what has been taken out of it, often serving as a valuable source of practical expertise providing individuals to serve in the local authorities, welfare and social organisations.

SMMEs are usually enabled to quickly adapt to environmental changes and make appropriate decisions. It is easier for a smaller enterprise to adopt changes than for bigger enterprises.

A small business offers the entrepreneur the opportunity to enter the business world very easily. It offers the individual the opportunity to be part of the economic process and is in itself an important factor in support of the tourism SMMEs in the economy.

- **Entrepreneurial weaknesses**

There is more than one weakness to be aware of when thinking of operating a n SMME. Currently there is a lack of proper business support structures and entrepreneurs must be assisted by knowledgeable business support centers that emphasise the seven P's, namely Product, Price, Personnel, Plan, Premises, Procedure and Promotion. This will maximise entrepreneur's individual business engines.

Managerial weaknesses are also found in small, medium and micro-tourism enterprises, namely the lack of purposeful managerial planning, lack of communication and information, poor control by entrepreneurs and

unsatisfactory financial management. Entrepreneurs do not always realise that the above-mentioned factors can make or break a business. For this reason entrepreneurs have to be educated to run a business. It is necessary to have training in entrepreneurial skills to compete in the market.

SMMEs often experience difficulties with the marketing of products or to conform to modern marketing requirements. Various basic causes can be ascribed to this situation: entrepreneurs are often so involved with the day-to-day problems of the business that the marketing function that is essential for continuity is also neglected. Small businesses often also neglect to budget for funds for advertising promotions and other marketing expenses. Other items are the lack of information on where and how to sell, inadequate market research, a tendency to duplicate and serious competition. Entrepreneurs must understand tourism marketing and have the knowledge to package products.

Entrepreneurs occasionally are obliged to serve undesirable customers, especially in the tourism industry. Tourists pay for a service and the client only expects the best. Another weakness is that the entrepreneur has to do paper work. Not everybody detests paper work, but some individuals that work in the field may not care about "pushing paper".

A major problem that is also limiting tourism development in South Africa is the raising of the necessary capital to start a tourism business. Almost all new companies under-estimates the need for capital or neglects to consider where the business will get further financing should it be needed. For this reason the entrepreneur must put together an excellent business plan with correct sales forecasts and test the market before rushing in.

- **Entrepreneurial opportunities**

After the transformation process in South Africa numerous "windows of opportunity" have opened for entrepreneurs. Sanctions were lifted, that opened new markets for South Africa – previously closed markets can now be

exploited. South Africa is now recognised as a “long haul destination”. The sky is the limit for the person owning a small enterprise. Potential for growth in the small and medium enterprise sector will be virtually unlimited in at least the first two decades of the new millennium. The challenge lies in cultivating the required expertise to make this happen.

The South African tourism industry is recognised throughout the world as the fastest growing industry and, more importantly, the industry that will continue to grow employment opportunities. It is also an industry that creates a variety of opportunities to the potential entrepreneur. Different entry levels to the tourism industry make it easier for SMME developments.

Opportunities can be identified not only in the accommodation and transport sector, but also in other sectors namely tourism development, for example Monte Casino and Sun City. At these destinations accommodation is required, for example hotels. This creates more jobs for tour operators who bring tourists to conferences at these facilities. It is important to realise that SMME development in tourism depends on major projects, for example Monte Casino, in order to attract a huge number of tourists. The four core aspects of tourism, namely accommodation and catering, transport, attractions and entertainment are then activated and they in their turn create the demand for a number of enterprises.

For example, if there is entertainment like a casino available, there will be people. This people must eat and drink. This creates an opportunity for the tourism entrepreneur to open up a restaurant. Some of this people will need a place to sleep. Again it creates an opportunity for the tourism entrepreneur to open up a hotel or guesthouse. Sometimes transport will be needed for this people who again create an opportunity. But to make use of these opportunities, the entrepreneur must know what is going on in the industry, and know the needs of the tourist.

- **Entrepreneurial threats**

SMMEs are confronted with numerous threats. The small business sector is exposed to all the problems, fluctuations and uncertainties of the economy. Indeed, the small business sector forms an integral part of the economic activities of the national economy. As a result, the general bottlenecks experienced by the national and international business community also exert an influence on the small business sector. Trade cycle changes, recessionary conditions, inflation and growth rate changes in the economy therefore also reflect on tourism SMMEs.

Other aspects that are also threats for SMMEs, are a culture of entrepreneurship, the possibility of a low income, political and legal restrictions and deregulations, animosity of big business and authorities, the general economic climate, demographic changes, the rent for buildings and facilities, long and demanding work conditions, the inadequately resourced and funded tourism industry, the myopic private sector, the limited development scope due to past political policies, inadequate training, education and awareness programmes, the lack of appropriate institutional structures, objective advice and support.

Legislative constraints, poor institutional support and a lack of skills are of the biggest reasons why SMMEs fail to keep pace with the boom in international and local tourism.

### **5.2.2 Conclusion: Survey**

The following conclusions can be made regarding the survey:

- **Type of business**

Most of the respondents owned guesthouses as well as bed & breakfasts. Other tourism businesses, for example game farms, curio shops, jewelry

shops, game lodges and small hotels were also very popular tourism businesses and more popular than tour operators. Only 2% of the respondents were owners of travel agencies.

The conclusion can be made that it is more popular to have and run guesthouses and bed & breakfasts than to be a tour operator. If a person owns a guesthouse and bed & breakfast, some time can be spent at home. Tour operators have to be away from home for specific periods. For females, it is easier to run a guesthouse and be at home than to be a tour operator spending time away from home. Most of the tour operators that took part in the survey were male.

- **Are entrepreneurs born or made?**

79% of all the respondents agreed that entrepreneurs can be made. Lifestyle and the circumstances that an individual grows up in, influence personal characteristics, but entrepreneurial characteristics can be taught and developed over time.

- **Entrepreneurial weaknesses**

All of the respondents agreed that managerial competence is of the utmost importance to run a tourism business, although not all of them had these qualities. For this reason, not all entrepreneurs reach the top, some failing in the first two years of existence.

The respondents also felt that education as well as training is very important for entrepreneurs. To the question whether entrepreneurs have the knowledge, skills and experience to run a new business, 91% answered yes.

A real problem for the respondents was financing. For most of them financing was an important factor to start a business, but they did not know how and where to approach tourism financing institutions. Most of them ended up

having bank loans. Institutions that finance tourism exist, but the would-be entrepreneur does not know how to access these institutions.

- **Entrepreneurial opportunities**

Most of the respondents agreed that a lot of opportunities exist for tourism entrepreneurs as well as to become an entrepreneur. The key word is alertness to your area. Most of the respondents started their own tourism businesses through experience and knowledge of the tourism industry. To the question whether Spatial Development Initiatives (SDI's) offered new tourism opportunities, only 38% of respondents answered yes. The reason for this may be that the meaning of SDIs is not understood or that entrepreneurs are unaware of these developments.

If an entrepreneur wants to make use of these opportunities that exist in the tourism industry, one must be aware of all the new developments that does take place, because most of the times new developments creates new opportunities for the tourism entrepreneur. For example a casino development. Conference facilities as well as accommodation and catering are going hand in hand with these developments. This creates opportunities for the entrepreneur to start a restaurant, hotel, guesthouse or transport business.

- **Entrepreneurial threats**

According to the survey there are a couple of threats regarding the tourism industry, namely a lack of an entrepreneurship culture, the possible low income for entrepreneurs, political and legal restrictions and deregulations, animosity of big business and authorities, buildings and facilities that are expensive to rent, long hours and demanding work conditions, inadequately resourced industry as well as training and education awareness programmes, the lack of appropriate institutional structures, advice, support and access to information.

Although Government has put structures in place to assist and uplift tourism entrepreneurs, not all entrepreneurs have the knowledge to access this information.

### **5.2.3 General Conclusion**

Tourism is getting more and more specialised, which makes it increasingly difficult for anybody to enter the industry. Tourist and their needs in particular on the one hand create opportunities, but on the other hand require specialisation. In order for tourism to grow more entrepreneurs, a concerted effort should be made and resources combined by all concerned. This is the only way if South Africa is at all serious about SMME development.

The Tourism Business Council has already proven that, if the multi-faceted players in the tourism industry work together, the opportunities to influence successfully Government and other key political and economic role players increase significantly. The industry will only create its future and develop its potential if it works together on macro strategies under the auspices of the Tourism Business Council (Visagie, 1997).

The tourism industry is recognised throughout the world as the fastest growing industry and more importantly, the industry that will continue growing employment opportunities. The recently published report "Benchmarking South Africa for Labour-Intensive Development" commissioned by the Japanese Grand Fund and the Industrial Development Corporation South Africa, prepared by SRI International, unequivocally ranks tourism as South Africa's best opportunity to create jobs. It is no exaggeration to claim that the successful growth of the tourism industry in South Africa is probably the key to achieving the required minimum 6% growth in Gross Domestic Product and the consequent reduction in unemployment. These two factors are fundamental to creating the New South Africa envisaged by most South Africans (Wigley, 1998).

Now that the politicians have taken South Africa into a new and complete democracy, the tourism industry should anticipate that there are a number of other changes that will be taking place in the years ahead. What is important for the business community is the need for a revival in the economy. This will be against a background of many new circumstances, both within and without our international boundaries. Within the country there will be heightened expectations, especially experienced by those previously disadvantaged. It should be stressed that the most important skill needed to treat others in the way that you want to be treated is empathy or understanding. This should now become an important tool in affirmative action and equal opportunity programmes (Visagie, 1997).

Internationally, South Africa will be competing with the world, where some areas are still suffering from recession and others are showing signs of new growth. All will be out to increase their share of international trade against the background of reduced tariffs and increasing competition and that is the challenge facing SMMEs.

Resistance to change from both the left and right of the political spectrum is and will undoubtedly be one of the most important features of South African politics for the rest of this decade. The duration and intensity of resistance will depend on the development and implementation of resistance underway. The change process has already led to unrest and a loss of life. A resistance management strategy is therefore a prerequisite for successful transition (Visagie, 1997).

Individual managers and the SMMEs they work in, are often rather neutral on the question of social change. Competitiveness and growth require a supportive social and political climate. The policy implications of an environment characterised by heightened uncertainty, economic stagnation and political upheaval create profound challenges. Economic growth and the creation of employment require a climate of confidence, hope and steady

economic progress. SMMEs have a vital role to play against this background (Visagie, 1997).

Waves of unpredictable, dramatic or transformational change in society may become a vendible norm, but the uncertainty and lack of direction accompanying such change is problematic for SMMEs. Strategic and visionary leadership are required during these times: this means actively striving to align internal policies with day-to-day decisions and actions. It means aligning its resources – people, money, materials and technology.

The change / stability issue is not an "either / or" question. We are faced with a future requiring that the entrepreneur in South Africa show a "pragmatic flexibility" in his skill in dealing with everyday problems of management.

There are no easy solutions for South Africa or for South African entrepreneurs. There are few political precedents that we can call on with any certainty that they will indeed work here and this is a great challenge to management. It demands imagination, courage, perseverance, and self-control. It also demands that we rethink every aspect of business and reinvent our business from top to bottom (Visagie, 1997).

The climate for SMME development is favourable in terms of one of the critical elements for SMMEs, namely the existence of a number of major development projects.

### 5.3 RECOMMENDATIONS

The South African National strategy for the development and promotion of small business is embracive and focused in the right direction. The efforts of Governments of developing countries to finance SMMEs should encapsulate direct funding from Government or Government-related sources, not only in the funding of business activities but also in financing in part or in totality the training and entrepreneurial development costs. It is the responsibility of the

Government to ensure that the right infra-structural facilities are in place for the operation of small businesses. The Government should also go further to use experts through research to identify viable and embark able projects for entrepreneurs. The justification for this Government role derives from the responsibility of the Government to ensure the economic well-being of the citizens, especially the vulnerable ones. This should be synonymous to the provision of good medical facilities, a good road network and good education. It is important that Government should prioritise actions that need to be taken in developing SMMEs in South Africa.

The following suggestions might assist in order to create an enabling environment for the development of SMMEs in South Africa:

- **Training and educating of entrepreneurs**

In order to succeed in creating an environment where entrepreneurs can flourish, one needs to start at school level. Schools are currently training pupils for the wrong century. Pupils still believe that, if they work hard and get good grades, it will be easy to attend university, get a degree and start working for forty years and then retire (Delpont, 1998; De Lange, 1998).

As the current job market has changed significantly, schools, as well as training and education, needs to change. The focus should be on how to earn an own income legally. That is why tourism should be implemented at school level with a proviso that entrepreneurial skills form part of the curriculum.

A great number of stakeholders in the tourism industry currently do not understand tourism (or even tourists). People have no idea that cultures differ and that different individuals therefore require different things. These are all aspects in which people need training. In order to get more entrepreneurs and especially black persons involved in tourism, training has to take place at all levels.

It is not sufficient to merely say that specific training is to be done. Focus should be given to the manner in which it should be done, the important issue being that activities should be co-ordinated and a two-way approach followed. Firstly, as was said above, entrepreneurial development should be a school subject (Delport, 1998; De Lange, 1998) and secondly, a centre for SMME development in tourism specifically should be funded, with the following aims:

- To do research, co-ordinate possible opportunities and act as a one-stop shop in order to disseminate information to potential entrepreneurs in tourism.
- To train entrepreneurs accordingly.
- To assist in the development of business plans and the acquisition of funds.
- To implement a programme of after-care and monitor success or failure.

This centre should be based at a training institution that could keep entrepreneurs in tourism abreast of new developments and trends.

- **Capital**

Capitalism is called capitalism with good reason. Entrepreneurs need capital or financing in order to start a business or organisation.

In the United Kingdom it is estimated that social entrepreneurs create ten times more jobs than business entrepreneurs. A social entrepreneur is someone who runs a non-governmental organisation.

The prevailing taxation system in South Africa entails that the poor person has to pay extremely high interest rates. The richer the person, the lower the rates to be paid. This is a system that does not allow for an increase in entrepreneurs, the reason being that poor people are perceived to be a bad risk.

Capital for entrepreneurs can be raised through an organisation such as Khula (meaning "to grow" in Xhosa). Another important source is equity capital. This comes into effect when the entrepreneur does not want to be alone in carrying the risk and an important source is the Johannesburg Stock Exchange (JSE). The JSE, as was the London Stock Exchange, was initially started with the idea to raise capital for small businesses. Smaller stock exchanges should perhaps be considered to promote the growth of entrepreneurs.

Another way is by means of the Internet. EDS Africa has launched a website called [www.smme.co.za](http://www.smme.co.za) that can be helpful to entrepreneurs. Another website that might be helpful is [www.eez.co.za](http://www.eez.co.za) (eez for emerging enterprise zone). Over and above these, there are also banks, the IDC (Industrial Development Corporation) and a number of provincial authorities. The problem is, however, that entrepreneurs are unaware of these tools.

- **Safety**

Entrepreneurs need to feel safe. Entrepreneurs will not prosper where crime does. Tourism is sensitive to crime and one therefore requires a safe environment to ensure that tourists are not scared away. Situations such as the recent situation in Zimbabwe is a case in point, where thugs took over private land and the rule of law could not be made to apply. Actions such as these scare tourists away, making tourism a high-risk industry.

Entrepreneurs also need to be safe and therefore free from bureaucratic red tape. This is a major problem in South Africa for there are too many people that need to give input or approve documentation. Then one will also find a number of rules and regulations that hamper entrepreneurs from expanding and entering the markets.

- **Appropriate taxes for entrepreneurs**

Entrepreneurs need tax incentives in order for them to start a successful business. They should therefore be exempt from tax up to a certain level being gradually lifted to the maximum rate. There is no sense in trying to increase the number of entrepreneurs in South Africa when no incentives for them exist.

Specific fund allocations should be made to enhance SMME development in tourism. Government should work hand in hand with the private sector in creating an environment where tourism entrepreneurs can flourish.

- **After-care and support**

In order for any SMME to be successful, there should be support. This is a critical issue, which in most cases is ignored or forgotten. Only when businesses are motivated can one truly say that a successful SMME has been created. New entrepreneurs especially need after-care and support.

- **Support and Participation of Local Government**

It is important to have support at local government level for tourism development. Local government can provide assistance with:

- a) Funding for tourism development and promotion;
- b) The creation and maintenance of infrastructure necessary for tourism (e.g., roads airports, railways, boat launches, reliable water and power services);
- c) Zoning and beautification programs; and
- d) Training and educational programs for tourism business, employees in business-related firms and other persons working in tourist industries (Anon, 1999).

- **Co-ordination and co-operation among tourism entrepreneurs**

Co-operation among businesspersons is of key importance for a successful tourism industry, and it is important that firms, who traditionally have not worked together, learn to co-operate and co-ordinate their efforts in order to provide better service to the tourism markets.

#### **5.4 FUTURE RESEARCH PROSPECTS**

The following theme can be proposed as an area for further research:

- **Small, medium and micro-tourism enterprise (SMME) development in rural areas**

A lot of tourism opportunities do exist in rural areas. People in the rural areas are currently unaware of all this opportunities and needs guidance to take advantage of these opportunities. Through proper training these people will also be able to benefit from tourism.

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# APPENDIX 1

## TOURISM QUESTIONNAIRE

### OPPORTUNITIES FOR SMALL, MEDIUM AND MICRO TOURISM ENTERPRISES (SMMEs) IN SOUTH AFRICA

This questionnaire has been developed to measure opportunities for small, medium and micro tourism enterprises in South Africa. Please read the question and make a cross ☒ next to the weight you would like allocate to the question.

PLEASE REMEMBER THAT ALL INFORMATION IN THIS QUESTIONNAIRE WILL BE TREATED CONFIDENTIALLY. YOUR HONEST OPINIONS ARE IMPERATIVE FOR THIS STUDY.

A) How do you rate the following? (You can copy and paste the cross ☒)

	Question	Very true	True	Not true	Irrelevant
		1	2	3	4
1.	Government does a lot of promotion for new tourism opportunities.				
2.	I am aware of institutions in my area where I can access finance for tourism.				
3.	I have encountered problems in trying to access finance.				
4.	SMMEs are aware of programmes to assist them in their business venture.				
5.	SMMEs have the necessary skills to take advantage of tourism opportunities.				
6.	I have the knowledge, skill and experience required to run a new business.				
7.	In the next six months there will be good opportunities for starting a tourism business in the area where I live.				
8.	Entrepreneurs can be made and therefore are not born.				

9.	Managerial competence is important to be an entrepreneur.				
10.	Education and training are important to become an entrepreneur.				
11.	Finance was an important factor when I started my own business.				
12.	Spatial Development Initiatives (SDI's) offers new tourism opportunities.				
13.	Possible low income hampers entrepreneurship.				
14.	Political and legal restrictions and deregulation hampers entrepreneurship.				
15.	Grants in tourism offer new opportunities.				
16.	Animosity of big business and authorities is a problem for entrepreneurs.				
17.	The lack of an entrepreneurship culture is a serious threat for entrepreneurs.				
18.	The general economic climate plays a positive role in developing entrepreneurs.				
19.	Demographic changes create opportunities for entrepreneurship.				
20.	Buildings and facilities are very expensive to rent.				
21.	Transformation is positive towards tourism entrepreneurs.				
22.	Long hours and demanding work conditions is a requirement for tourism entrepreneurs.				
23.	SA has an inadequately resourced and funded tourism industry.				
24.	SA has a limited development scope due to past political policies.				
25.	Inadequate training, education and awareness programmes exist for tourism entrepreneurs.				
26.	There is a lack of appropriate institutional structures for entrepreneurs.				
27.	A lack of objective advice short entrepreneurs.				
28.	There exists a lack of support for entrepreneurs.				
29.	Entrepreneurs lack access to information.				
30.	The myopic private sector hampers tourism entrepreneurs.				

<b>How did you come to realise an opportunity to become an entrepreneur?</b>				
31.	Government made me aware.			
32.	Family & friends informed me.			
33.	Experience and knowledge help me to identify an opportunity.			
34.	Other tourism developments create an opportunity for me (example casinos).			
35.	Advertisement in media made me aware of an opportunity.			
36.	Other (specify):			
<b>Entrepreneurs have to be:</b>				
37.	Committed to employees			
38.	Creative			
39.	Innovative			
40.	Leaders			
41.	Alert to opportunities			
42.	Vision and strategic orientated			
43.	Positive thinkers			
44.	Educated			
45.	Extroverts			
46.	Other (specify):			
<b>How did you acquire the necessary finance to start your own business?</b>				
47.	Banks			
48.	Savings			
49.	Money from government grants			
50.	Family & friends			
51.	Inherit			
52.	Other, please specify:			
<b>In which tourism sector to your knowledge exist the most tourism opportunities?</b>				

		Most opportunities	Least opportunities
53.	Accommodation		
54.	Transport		
55.	Tour operator		
56.	Food and Beverage		
57.	Conference Tourism		
58.	Sport Tourism		
59.	Travel Agents		
60.	Ecotourism		
61.	Please specify if other:		
<b>What type of business do you have?</b>			
62.	Guest house		
63.	Bed & Breakfast		
64.	Tour operator		
65.	Transport		
66.	Travel Agent		
67.	Please specify if other:		

68. After identifying an opportunity, did you do any form of research to determine target markets?

- Yes  
 No

69. If yes, what was type of research?

- Basic  
 Detailed  
 Comprehensive

70. How many people do you employ? \_\_\_\_\_

Comments or recommendations:

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Thank you for your time and effort by answering this questionnaire.