

# **KEY SUCCESS FACTORS FOR DEVELOPING AND MANAGING A GUESTHOUSE**

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## SUMMARY

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*Descriptors: guesthouse, guest house, guest-house, hotel, hospitality, history of guesthouse, history of hospitality, economic contribution of guesthouse, specialist accommodation, strategic planning, financial management, tourism marketing, human resources, guesthouse operations, development, management, key success factors, tourism, tourist, guest, small business, George tourism.*

The primary goal of this study was to determine Key Success Factors (KSFs) for developing and managing a guesthouse. A literature study was done and an empirical research study was performed to determine these KSFs. Three research objectives were derived from the primary research goal.

The first objective was to indicate the development of the South African guesthouse and was achieved by contextualising hospitality within a historical perspective and by giving an indication of the economic contribution of guesthouses in South Africa. In this regard it was found that development of the South African guesthouse sector was influenced by development of French pensions and British boarding houses. As the twentieth century progressed, accommodation needs of guests shifted from traditional types of accommodation, such as hotels, to specialist accommodation, of which guesthouses are the most popular. It was found that a reason for this paradigm shift is that traditional accommodation types no longer serve the needs of modern guests. The current 26 000 guesthouses in South Africa have contributed an estimated R26 billion to the South African economy.

The second objective was to use the data acquired through the research of subject related literature to determine aspects for guesthouse development and management where it was found that aspects of strategic planning are the backbone support of strategic

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management and that aspects of financial planning and management are vital to the financial survival of the guesthouse. Aspects of human resources distinguish certain characteristics required of an owner-manager to develop and manage a guesthouse. Regarding aspects of human resources, it was found that few owner-managers in the George District incorporate legal aspects of employment with the management process of their guesthouses. These legal aspects of employment are important because law requires their implementation, seeing that it serves to protect both the owner-manager and the employee. The last identified aspects regarding the second research objective were operational aspects. Important operational aspects include operational hard and soft systems, the pre-arrival phase of guests, the arrival phase of guests, administrative procedures, the departure phase, accessories and unique services and facilities provided by the guesthouse to distinguish itself from competition.

The third objective was to reflect the results of the empirical research to determine KSFs for developing and managing a guesthouse. It was achieved by identifying a study population (N=30) in George (Western Cape) and handing out a structured questionnaire to each of the owner-managers. These questionnaires were statistically analysed to determine the KSFs for developing and managing a guesthouse. Regarding the third research objective, KSFs were identified that owner-managers can apply to overcome developmental or managerial obstacles in the process of developing and managing their guesthouses as successful small businesses, e.g. a high standard of quality, courtesy, giving credit where credit is due, self-efficiency, keeping promises, sharing positive information freely, providing services and facilities that meet the needs of guests, hygiene, efficient welcoming of guests, the right location and knowledge of target market.

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## OPSOMMING

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***Sleutelwoorde:** gastehuis, hotel, gasvryheid/huisvesting/losies, geskiedenis van die gastehuis, geskiedenis van gasvryheid/huisvesting/losies, ekonomiese hydrae van die gastehuis, gespesialiseerde akkommodasie, strategiese beplanning, finansiële bestuur, toerismebemarking, menslike hulpbronne, gastehuisbedryf, ontwikkeling, bestuur, sleutelsuksesfaktore, toerisme, toeris, gas, kleinsake, toerisme George.*

Die primêre doel van hierdie studie was om die Sleutelsuksesfaktore (SSF'e) ten opsigte van die oprigting en bestuur van 'n gastehuis te bepaal. 'n Literatuurstudie is onderneem en 'n empiriese ondersoek uitgevoer om hierdie SSF'e vas te stel. Drie navorsingsmikpunte het uit die primêre doel van die ondersoek voortgevloei.

Die eerste mikpunt was om die ontwikkeling van die Suid-Afrikaanse gastehuis aan te dui, en dit is bereik deur gasvryheid/huisvesting/losies in sy historiese perspektief te plaas en deur 'n aanduiding te gee van die ekonomiese hydrae van gastehuise in Suid-Afrika. In hierdie verband is bevind dat die ontwikkeling van die Suid-Afrikaanse gastehuisbedryf beïnvloed is deur die opkoms van Franse pensions en Britse losieshuise. In die loop van die twintigste eeu het die behoeftes vir huisvesting van gaste verskuif van die tradisionele tipe akkommodasie, soos hotelle, na gespesialiseerde akkommodasie waarvan gastehuise die gewildste is. Dit is bevind dat een rede vir hierdie paradigmaterskuiving is dat die tradisionele tipes huisvesting (losies) nie meer in die behoeftes van die moderne gaste voorsien nie. Die huidige 26 000 gastehuise in Suid-Afrika dra R26 biljoen tot die land se ekonomie by.

Die tweede doelwit was om die gegewens wat versamel is deur die navorsing van die onderwerp deur middel van tersaaklike literatuur, te gebruik om aspekte van gastehuisontwikkeling en –bestuur vas te stel. In hierdie verband is bevind dat aspekte van strategiese beplanning die ruggraat vorm van strategiese bestuur en dat finansiële beplanning en bestuur noodsaaklik is vir die finansiële oorlewing van die gastehuis. Wat betref die menslike hulpbronne, word sekere eienskappe onderskei wat van 'n eienaar-bestuurder verlang word om 'n gastehuis op te rig en te bestuur. Wat menslike hulpbronne aangaan, is bevind dat weinig eienaar-bestuurders in die distrik George wetlike aspekte van indiensneming insluit by die bestuursproses van hul gastehuse. Hierdie wetlike aspekte van indiensneming is belangrik, want die wet vereis die toepassing daarvan. Die toepassing van die wetlike aspekte van indiensneming beskerm sowel die eienaar-bestuurder as die werknemer. Laasgenoemde aspek is vasgestel met betrekking tot die tweede navorsingsdoel, en wel dié rakende die bedryf van die gastehuis. Belangrike bedryfaspekte sluit in die sg. harde en sagte stelsels, die fase wat die aankoms van gaste voorafgaan, die aankomfase van gaste, administratiewe prosedure, die vertrekfase, bykomstighede en unieke dienste en geriewe (fasiliteite) wat die gastehuis kan bied en wat dit dus onderskei van mededingers.

Die derde doelwit was om die uitkomst van dié empiriese ondersoek te weerspieël met die oog daarop om SSF'e vas te stel vir die oprigting en bestuur van 'n gastehuis. Hierdie doelwit is bereik deur die identifisering van 'n studiepulasie ( $N = 30$ ) in George (Wes-Kaap) en gestruktureerde vraelyste aan elk van die eienaar-bestuurders uit te deel. Hierdie vraelyste is statisties ontleed met die oog daarop om die SSF'e te stel wat nodig is om 'n gastehuis op te rig en te bestuur. Met betrekking tot hierdie derde navorsingsdoelwit is bevind dat die SSF'e wat eienaar-bestuurders kan toepas om ontwikkelings-

of bestuurshindernisse te oorkom in die proses van die oprigting en bestuur van hul gastehuis as 'n suksesvolle kleinsake-onderneming, bv. 'n hoë standaard betreffende kwaliteit, hofflikheid, om erkenning te verleen waar dit toekom, vindingrykheid, die nakom van beloftes, om positiewe inligting vrylik mee te deel, die verskaffing van diens en fasiliteite wat aan die behoeftes van die gaste voldoen, higiëne, bekwame verwelkoming van gaste, die regte ligging en kennis van die teiken mark.

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## LIST OF ABBREVIATIONS

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BABASA	: Bed and Breakfast Association of South Africa
BET	: Break-Even Turnover
BOC	: Budget Operating Cost
BT	: Budget Turnover
CBET	: Cash Break-Even Turnover
CR	: Capital Redemption
CRS	: Central Reservation Systems
DP	: Depreciation
ENP	: Expected Net Profit
FEDHASA	: Federated Hospitality Association of South Africa
GAA	: George Accommodation Association
GDP	: Gross Domestic Profit
GHASA	: Guesthouse Association of South Africa
GP	: Gross Profit
KSFs	: Key Success Factors
NAA-SA	: National Accommodation Association of South Africa
OC	: Operating Costs
OGB	: Occupied Guest Beds
PU for CHE	: Potchefstroom University for Christian Higher Education
RDP	: Reconstruction Development Programme

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SA	: South Africa
SABS	: South African Bureau for Standards
SAT	: South African Tourism
SATOUR	: South African Tourism Bureau
SWOT	: Strengths, Weaknessess, Opportunities and Threats
TGCSA	: Tourism Grading Council of South Africa
TGP	: Theoretic Gross Profit
TLC	: Transitional Local Council
TR	: Tax Rate
VAT	: Value Added Tax

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# CHAPTER I

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## 1. ORIENTATION

### 1.1 INTRODUCTION

Fancourt in George (Western Cape), a premier golfing and leisure destination, plans to host the President's Golf Cup 2003. This prestigious international golf event is planned to be held 18-23 November 2003 on The Links Golf Course at Fancourt (Fancourt, 2002). Should this event take place, George Municipality estimates a tourist flow of 65 000 people during the course of this sport event and tourism attraction.

An important consequence of tourism is the need for sufficient accommodation of acceptable standards that is available to tourists at an affordable price (Smidt, 1993:10-13). Accommodation is an aspect that is of cardinal importance to the tourism industry, and specialist accommodation can be seen as a primary aspect within the tourism industry (Saayman, 2000:209). This sector is vital, for tourists need overnight facilities and services during their travellings (Saayman, 2002b:6).

According to a communication by Mr. Q. Donkor (2002), Marketing Director of Fancourt, tourists attending this event will need a specialist type of accommodation that provides excellent quality services and facilities, since the target market of the President's Golf Cup 2003 is the upper-upper class tourist, mostly with a knowledge of golf. Tourists visiting this event will therefore need quality

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accommodation of acceptable standards that is effectively developed and managed.

Tourists regard the price of the accommodation product, the value it offers for money, and the quality of rendered services and facilities as very important when choosing a type of accommodation. Price is an important consideration because tourists may need to spend money on other tourism related products such as transport (for example car hiring or a taxi to the golf event and back) entertainment (for example eating out in restaurants or playing some golf themselves) and attractions (for example the President's Golf Cup or visiting the Cango Caves), during their visit to the George District (Donkor, 2002).

Tourists increasingly prefer using the services and facilities of specialist accommodation, such as guesthouses, instead of using a hotel (Muller, 1998:52). According to Smidt (1993:10-13), one of the reasons why tourists prefer guesthouses to hotels is that it offers good value for money and provides a quality type of product. On 1 October 2002 George had 30 guesthouses and 8 hotels registered at the George Tourism Bureau (George Tourism Bureau, 2002:1-7)

The aim of this chapter is to give an orientation on how the research in this study is arranged.

Firstly, the problem will be stated and consequently the research aims will be given. The research methods, namely the literature study and the empirical research that was developed by compiling a questionnaire, choosing a study population and elaborating the data by means of statistical techniques will be given next. This will be followed by giving the structure of the research and lastly the various concepts used throughout the study will be clarified.

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## 1.2 PROBLEM STATEMENT

One of the problems the South African Tourism industry is faced with, is the provision of adequate accommodation facilities of acceptable standards. (SATOUR, 1997:4). Tourism contributed between seven and eight percent of South Africa's gross domestic product (GDP) in 1998 and this was expected to grow to over ten percent by 2010 (Schumann-Bester, 2001). South Africa has shown a growth of 30% in 1994, and in 1995 the number of overseas visitors increased to 52%, exceeding a million for the first time. At this time the global tourist market grew by only 3.2%. South Africa's growth in tourism was enough to accolade the country as one of the world's fastest-growing tourist destinations (Suzman, 1998).

But amidst all this good news serious problems were emerging and early indications in 2001 were that the momentum in growth in the tourist industry was easing. Tourism's contribution to the (GDP) has been growing at 2,2% a year since 1994. The sector contributes 9% of the Western Cape's gross regional product, while contributing 10% in KwaZulu-Natal. The report by the auditing firm Grant Thornton Kessel Feinstein comes to the conclusion that overall foreign visitor numbers to this country have declined for the first time in 15 years and could come as a shock for an industry many believe to be one of the rising stars of the SA economy (Fick, 2001:2).

Preliminary figures for the first half of 1996 appear to indicate slow or no growth in overall tourist numbers, with a small increase only in the Western Cape. Wolfgang Thomas, general manager for economic development at Wesgro, an agency promoting business in the Western Cape, mentions that, in the long term, sustainable growth in tourism is

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probably more in the order of 4% to 6%, rather than the 15% to 20% the government has been predicting (Suzman, 1998).

The greatest problem has been the country's high incidence of violent crime. Sporadic high-profile incidents such as car hijackings have already led to several cancellations by tour groups. The rapid growth in the number of visitors has exposed serious capacity constraints in the hotel industry and many departing tourists have expressed dissatisfaction concerning standards of service. Both these problems are manifest in the Western Cape, which remains the country's premier tourist destination, attracting some 60% of all visitors (Suzman, 1998).

The greater Cape area has a shortage of top-quality accommodation that provides services and facilities of an acceptable international standard. Although up to twenty new hotels are being planned in the Cape Town vicinity, it will be several years before they are ready to take in guests (Suzman, 1998). Guesthouses are becoming increasingly popular in the Western Cape, as well as in the other provinces of South Africa, as an alternative to the more traditional types of serviced tourist accommodation. The reason for this kind of accommodation establishment gaining popularity with tourists is that it offers good and more affordable accommodation than many hotels (Visser & Van Huyssteen, 1997:107; Saayman, 2000:209).

Since 1994 the focus shifted from the hotel industry to the now more prominent option of guesthouse accommodation. Tourists nowadays prefer the more homely option of a guesthouse due to the fact that the guesthouse is less expensive than hotels and not as formal. It is also more profitable to use an already existing establishment and

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transforming it into a guesthouse than it is building new hotels to accommodate all the tourists.

The reality of this highly competitive industry is that guesthouses in the George District, as well as in the rest of South Africa, no longer competes primarily with other tourism destinations within South Africa (for example Knysna or Outshoorn), for globalisation necessitates guesthouses to compete internationally. The cause of a world-wide competition affects the quality of rendered services and facilities and the price charged for the guesthouse product (Van der Merwe, 1999:20). (The problem with a world-wide competition is that the majority of South African guesthouse owner-managers have little or no formal hospitality training, and therefore the quality of service suffers under such circumstances. The White Paper on Tourism (South Africa, 1996:11) mentions that a limited degree of competitiveness and mediocre levels of service characterise the accommodation sector of tourism.)

Possible obstacles facing owner-managers of guesthouses in the tourism industry may include (Van der Merwe, 1999:42-43):

- ◆ The lack of experience in how to run a guesthouse as a small business.
- ◆ The lack of management skills and managerial knowledge.
- ◆ The lack of knowledge regarding tourism trends.
- ◆ Limited knowledge regarding opportunities that exist within the guesthouse and tourism industry.
- ◆ The lack of planning certain aspects such as finance and marketing.

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Few owner-managers are tourism qualified, and consequently many guesthouses close their doors for business within the first two years because they did not overcome the obstacles they were faced with.) Therefore a serious need for information to develop and manage a guesthouse in the most professional, effective and profitable manner is appearing within the guesthouse industry (Henning & Willemsse, 1999:v; Saayman, 2000:209).

According to a communication by Mr. B. Ashmole (2002), chairperson of the George Accommodation Association (GAA) and owner-manager of Arbour Lodge, a successful and established guesthouse, the main reason why guesthouses in George are unsuccessful, is that they are not effectively marketed and don't live up to the development criteria of South African Tourism.

According to a communication by Me. S. Westwood (2002), secretary of GAA and the manager of Die Waenhuis Guesthouse adjoin that guesthouses that do not achieve success aren't developed and managed properly and don't have a network of strategic alliances. One is not always aware of the availability of guesthouses in the George District due to the fact that only 30 of the guesthouses are registered at the George Tourism Board. Many people invest in establishing a guesthouse, but don't operate through the appropriate channels. The result is that the organisation is neither being profitable nor successful, thereby resulting in the guesthouse owner-manager being left with the reality of suffering great financial loss and facing insolvency which might force the guesthouse to close down (Westwood, 2002).

From the above the following question arises: What are the key success factors (KSF's) that can be implemented to optimise the successful development and management of a guesthouse?

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## **1.3 RESEARCH GOAL**

The primary goal of this study is to determine the KSFs for developing and managing a guesthouse. From this, three objectives can be identified, namely:

### **1.3.1 RESEARCH OBJECTIVE 1**

To indicate the development of the guesthouse industry in South Africa.

### **1.3.2 RESEARCH OBJECTIVE 2**

To determine aspects for guesthouse development and management by using the data acquired through the research of subject related literature.

### **1.3.3 RESEARCH OBJECTIVE 3**

To reflect the results of the empirical research in order to determine KSFs for developing and managing a guesthouse.

## **1.4 RESEARCH METHODS**

A literature study was done and an empirical research study was performed in order to determine the KSFs for developing and managing a guesthouse.

### **1.4.1 LITERATURE STUDY**

Subject and non-subject related literature was studied. Various computer searches were launched on UCTD, ERIC, NEXUS, Dialog and Ebscohost (Business Source Premier and Academic Search Premier) databases with reference to the following key words: guesthouse, guest house, inn, bed & breakfast establishments, serviced accommodation, tourism, informal accommodation, George tourism, accommodation, strategic planning, financial management of small businesses, tourism marketing, human resource management, guesthouse operations, guest house operations, key performance factors and key success factors.

In conjunction with the above mentioned methods an Internet search on the various search engines was launched to identify relevant literature on the subject matter.

### **1.4.2 EMPIRICAL RESEARCH**

Empirical research was conducted in George in October 2002. The following research instruments were used to conduct the research:

#### **1.4.2.1 Questionnaires**

The aim of the questionnaire firstly, was to determine aspects for developing and managing a guesthouse that owner-managers regard as important, and secondly, to determine the extent to which owner-managers apply those aspects. These aspects included strategic planning, aspects of financial management, aspects of tourism marketing, aspects of human resources and operational aspects.

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The questionnaire was compiled by incorporating literature that has been researched with a questionnaire, and had four sections, namely:

- ◆ **Section A:** Biographical information
- ◆ **Section B:** Importance of aspects for developing and managing a guesthouse
- ◆ **Section C:** Importance of psychological aspects of the owner-manager
- ◆ **Section D:** Application of aspects to develop and manage a guesthouse

A Likert four point scale was used, namely:

- ◆ **Importance:** not important, important to an extent, important ,and very important
- ◆ **Extent of application:** no extent, a moderate extent, a noticeable extent and a large extent.

### 1.4.2.2 Study population

A population which includes all the registered guesthouses of the George Tourism Bureau was used (N=30). The researcher handed out the structured questionnaires to owner-managers and re-collected the questionnaires at each guesthouse, giving a 100% response by the owner-managers. When the questionnaires were collected the researcher held a personal conversation with each owner-manager in order to discuss their opinion regarding the questionnaire and to gain insight into how the individual owner-managers develop and manage their guesthouses.

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### 1.4.2.3 Statistical technique

In conjunction with the Potchefstroom University for Christian Higher Education (PU for CHE) Statistical Consultation Services, appropriate techniques were decided upon for data analysis. The data was statistically analysed by means of the SAS®-programme (SAS Institute Inc., 2001). The programme was used to determine the following:

- ◆ The Alpha Cronbach reliability of aspects researched in the structured questionnaire.
- ◆ The means of items in Section B, Section C and Section D.
- ◆ The % importance of items in Section B and Section C, where % importance is the mean divided by the maximum response X 100.
- ◆ The % application by owner-managers of question items in Section D, where % application is the mean divided by the maximum response X 100.
- ◆ The frequency response of owner-managers to aspects identified as success factors.
- ◆ The practical significant relation between importance and application of items in Section B and Section D by applying Cramer's  $\phi$ .

## 1.5 CONCEPT CLARIFICATION

The following terms are used throughout the study and therefore need clarification.

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### 1.5.1 GUESTHOUSE <sup>1</sup>

The South African Tourism Board (SATOUR, 1994:2) describes a guesthouse as an owner-managed commercial accommodation establishment of not less than 4 and not more than 16 bedrooms, and which has its primary source of income from the supply of accommodation and a substantial breakfast for residents. A substantial dinner should be provided where such facilities are not readily available in the vicinity. A guesthouse has public areas for the exclusive use of the guest. The owner-manager either lives off-site, or in a separate area within the property.

According to the Tourism Grading Council of South Africa (TGCSA) a guesthouse is either a converted house or manor adapted to accommodate overnight guests or it may be a purpose built facility. A guesthouse is run as a commercial operation and often is owner-managed. A guesthouse has public areas that are for the exclusive use of the guest. The owner-manager either lives off-site or in a separate area within the property (Tourism Grading Council of South Africa, 2002).

Visser & Van Huyssteen (1997:116-117) define a guesthouse establishment as an owner-managed commercial establishment

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<sup>1</sup> The Oxford Advanced Learners Dictionary of current English (Crowter, 1995:529) suggests the spelling as “guest-house” and the Pharos Groot Woordeboek (Eksteen, 2000:1002) suggest the spelling as “guest house”. Chambers 21<sup>st</sup> Century Dictionary (Robinson & Davidson, 1996:595) accept and suggests the spelling as “guesthouse” and for the purpose of this study, this spelling is adopted and applied throughout the research.

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providing tourist accommodation to a certain minimum number of guests; offering a certain minimum level of services, including off-street parking and at least one meal; having the character of an extended household and requires rezoning.

For the purpose of this study a guesthouse can be described as: An owner-managed commercial establishment that is either a converted house or a purpose built facility of not less than 4 and not more than 16 bedrooms, and requires rezoning. It has the character of an extended household and offers a certain minimum level of services which include a substantial breakfast and other meals to residents on request. It has public areas for the exclusive use of guests and the owner-manager either lives off-site or in a separate area within the property.

### **1.5.2 DEVELOPMENT**

Crowter (1995:318) defines the word “develop” as “...to grow gradually; to become or make larger, more advanced or more organised...” and the word “development” as “...the action or process of being developed...”.

For the purpose of this research, development implies the process owner-managers can follow in order to let their guesthouses grow gradually and organise them successfully.

### **1.5.3 MANAGEMENT**

Wehrich & Koontz (1994:4) describe management as “the process of designing and maintaining an environment in which individuals,

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working together in groups, efficiently accomplish certain selected aims” and Robbins & Coulter (2002: 6) define management as “the process of co-ordinating work activities so that they are completed efficiently and effectively with and through other people.”

For the purpose of this study the term “management” implies the processes owner-managers of guesthouses can co-ordinate, so that the aims of the guesthouse can be successfully achieved with and through other people.

### **1.5.4 TOURISM**

Tourism is defined as a resource-based industry that sells to local and non-local markets but one whose success and failure depends on careful management (Saayman, 2002b:3).

Tourism can be described as “the total experience that originates from the interaction between tourists, job providers, government systems and communities in the process of attracting, entertaining, transporting and accommodating tourists” (Saayman, 2000:17). This all-encompassing industry consists of people on the move, using tourism elements. The primary elements of the tourism industry are identified by Saayman, (2002b:6) as transport, entertainment, attractions, accommodation and catering.

### **1.5.5 TOURIST**

A tourist can be described as a person who travels from one place to another for normal reasons in order to stay more than one night and less than a year. The person spends money while travelling and in this

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way contributes to economic input in another area than where he or she lives (Saayman, 2002b:15).

For the purpose of this research, a tourist can be portrayed, together with the above mentioned definition of a tourist, as a guest who visits the guesthouse and therefore generates revenue for the owner-manager of the guesthouse.

### **1.5.6 KEY SUCCESS FACTORS**

KSFs are those aspects that most affect the ability of guesthouse owner-managers to prosper in the marketplace — the particular strategy elements, product attributes, resources, competencies, competitive capabilities, and business outcomes that spell the difference between profit and loss. KSFs concern what every owner-manager within the guesthouse industry must be competent at doing or must concentrate on achieving in order to be competitively and financially successful. KSFs are so important that all owner-managers must pay close attention to them because they are prerequisites for success within the guesthouse industry (Thompson & Strickland, 1999:96).

### **1.5.7 GUESTHOUSE OWNER-MANAGER**

In most cases the owner of the guesthouse is the manager as well (Saayman, 2002d). Crowter (1995:830, 712) describes an owner as a person who owns property and a manager as a person who controls a business or a household.

For the purpose of this research a guesthouse owner-manager therefore is a person who owns the property on which the guesthouse is established and manages the guesthouse, which has the nature of an extensive household, as a small business.

### **1.6 STRUCTURE OF RESEARCH**

Chapter 1 gives an orientation regarding the way in which the research in the study is arranged and in Chapter 2 an indication is given of the development of the guesthouse industry in South Africa by firstly, contextualising hospitality within a historical perspective and then discussing the economic contribution the guesthouse industry makes to the larger South African economy.

In Chapter 3 certain aspects for developing and managing a guesthouse are identified by researching subject related literature. These aspects are strategic planning, financial aspects, aspects of tourism marketing, aspects of human resources and operational aspects. In Chapter 4, the results of the empirical research are reflected in order to determine KSFs for developing and managing a guesthouse, and in Chapter 5 conclusions and recommendations are made.

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## CHAPTER 2

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# 2. DEVELOPMENT OF THE GUESTHOUSE INDUSTRY

## 2.1 INTRODUCTION

✧ Accommodation is an aspect that is of cardinal importance to the tourism industry, and specialist accommodation can be seen as a primary aspect within the tourism industry today (Saayman, 2000:209). This sector is vital, for tourists need overnight facilities and services during their travelling (Saayman, 2002b:6).

The aim of this chapter is to indicate the development of the guesthouse industry in South Africa. In order to achieve this aim, a two-pronged approach is followed, namely:

Hospitality will firstly be contextualised within a historical perspective and it is indicated that European hospitality, especially the development of the pension and the boarding house influenced the development of the South African guesthouse about a century later. The hospitality industry of today subsequently will be discussed and hotels are portrayed as a popular choice of guests to use within the context of traditional types of accommodation. In the modern era the needs of guests shifted to using specialist accommodation, which will be discussed next. The historical development of guesthouses, as a specialist type of accommodation, will then be given and certain criteria and guidelines for guesthouse development will be presented.

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Secondly, the economic contribution the guesthouse industry has made to the larger South African economy will be estimated and the chapter will then be concluded.

### **2.2 HOSPITALITY: A HISTORICAL PERSPECTIVE**

The word “hospitality” originates from the word “hospice”, a 14<sup>th</sup> century French word that means “to provide care/shelter for travellers”. This French word is rooted in Latin as “hospitalias/hospes”, which means “guest”. Hospitality can be described as the friendly welcome and entertainment of guests, which usually includes offering the guests food and drink (Robinson & Davidson, 1996:650). A highly renowned hospice is the Hospice de Beaune in the Burgundy region of France, also called the Hotel Dieu, or the house of God.

It was founded in a charity hospital in 1443 by Nicolas Rolin, the chancellor of Burgundy as a refuge for the poor (Walker, 1996:4). Hospitality in the form of taverns is found in writings dating back to ancient Greece and Rome, beginning with the Code of Hammurabi, in Circa, 1700 BC. A tavern is a Greek “guesthouse” that provided meals for holiday travellers and had basic bar and eating facilities and services (Robinson & Davidson, 1996:1447). Increased travel and trade made some form of overnight accommodation a necessity. Because travel was slow and journeys long and arduous, many travellers depended on the hospitality of private citizens to overnight in their homes (Walker, 1996:5).

In the Greek and Roman empires, inns and taverns sprang up everywhere. An inn can be described as a small hotel or a public

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house that provides food and accommodation for mostly travellers (Robinson & Davidson, 1996:699). The Romans constructed elaborate and well-appointed inns on all the main roads. They were located about 25 miles apart to provide fresh houses for officials and couriers of the Roman government and could only be used with special government documents that grant permission for them to overnight in the “guesthouse”. Some wealthy landowners built their own inns on the edges of their estates as overnight unit for guests, separate from the main household. The inns were often run by household slaves. Nearer to the cities, inns and taverns frequented by less affluent citizens, were run by freemen or by retired gladiators who would invest their savings in the “guesthouse business” in the same way that so many of today’s retired people open a guesthouse (Walker, 1996:5-6).

After the fall of the Roman Empire, public hospitality for the ordinary traveller became the province of religious orders. In Britain, for instance, inns catered more for the drinker than for the traveller, and travelling was discouraged. Those who did travel were mainly connected with the Royal Court or the Church and were hardly interested in the primitive accommodations provided by wayside inns. Many travellers were missionaries, priests and pilgrims in those times who travelled with the purpose to visit holy places such as temples. Consequently, inns were located close to the religious sites and provided basic accommodation that was operated by slaves of the priests and holy men from the temple (Walker, 1996:6).

On the European Continent in the medieval times, Charlemagne (Carl the Great, King of France during 768-814 AD) established rest houses for pilgrims in the eight century. One such rest house, an abbey at

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Roncesvalles, advertised services such as a warm welcome at the door, free bread, a barber and cobbler, cellars full of fruit and almonds, two hospices for the sick with beds and even a concentrated burial ground. This is one of the earliest forms of accommodation that advertised their services and hospitality publicly. Medieval guilds also held open houses to receive pilgrims. Accommodation in the medieval guilds was much like those of the monasteries (Walker, 1996:6-7).

In 1282 the innkeepers of Florence, Italy, incorporated a guild or association for the purpose of business, thus the first accommodation association with solely business purposes was established. These inns belonged to the city, which sold three-year leases at a public auction. The inns must have been profitable, because in 1290 there were eighty-six innkeepers as formal members of the guild (Walker, 1996:7). In addition, in this century, new hotels were built for commercial use, on a palatial model in Rome and Padua, Italy, or old spacious palaces were transformed into majestic and spacious hotels where large numbers of servants and courtiers served guests and travellers (Mumford, 1989:378).

As travel and travellers increased during the Middle Ages, so did the number of wayside inns in Europe, but it was still very primitive compared to today's standards. Guests often slept on mattresses strewn in what today would be known as the lobby. People ate what they had brought with them or what they could purchase from the house. The fare was usually bread, meat and beer varied occasionally with fish or capon. As the quality of inns improved, more people began to travel without religious purpose but for business or leisure. Many travellers were wealthy people, accustomed to the good life, and their expectations demanded upgraded inns. In order to meet the new

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high needs and demands of travellers, hotel development slowly emerged (Walker, 1996:7).

One of the first European hotels, the Hotel de Henry IV, was built in Nantes in 1788 at a cost of \$17 500. At that time, this was considered a vast sum of money for the sixty beds, seen to be the finest in Europe. The Royals and Nobles in these times, opened their houses to other people from the bourgeoisie in order to treat them with hospitality in their “guesthouse” and sometimes do business from their overnight stay. These Royal and Noble “guesthouses” often served hundreds of guests at each meal. Although à la carte dining was practically unknown until the nineteenth century, these households practised discriminatory feeding, where different meals were served to persons of different rank (Walker, 1996:7-8).

Sanitary standards in these kitchens were appalling, with food supplies poorly stored and overflowing onto the floor. Refrigeration was unheard of, dogs and children played freely among the provisions and dozens of kitchen helpers milled about. To add to the kitchen confusion, the food handlers themselves frequently had questionable sanitary habits and so communicable diseases spread freely to bourgeoisie and proletariat alike. Despite this, medieval hosts, who knew little about germs and sanitation, forks or finger bowls, set forth their own rules for public suppers, which include the following (Walker, 1996:8):

- ◆ Meals should be served in due time: not too early, not too late.
  - Meals should be served in a conveyable place: large, pleasant and secure.
  - ◆ He who maketh the feast should be of the heart and gladly cheer.
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- ◆ Meals should consist of many diverse messes so that who like not one, may taste another.
- ◆ There should be diverse wines and drinks.
- ◆ Servants should be courteous and honest.
- ◆ There should be a natural friendship and company among the diners.
- ◆ There should be a mirth of song and instruments of music.
- ◆ There should be plenty of light.
- ◆ The deliciousness of all that is set on the board should be guaranteed.
- ◆ Guests should eat by leisure and not too hastily.
- ◆ Each guest should rest after supper.

Few of these rules seem out of place when compared to the criteria of kitchen and dining sanitation for a guesthouse today.

The eighteenth century brought with it a new world of hospitality. Colonial inns and taverns were based on the British type and the British at this time maintained the highest standards of service to the public accommodation establishments in the Western world. Early colonial taverns and inns in America are immersed as much in history as they are in hospitality. Taverns such as the King's Arms became headquarters of the British General Gage and the Fraunces Tavern that was the revolutionary headquarters of General George Washington is still operating today (Walker, 1996:10-11).

As the colonies grew from scattered settlements to towns and cities, more and more travellers appeared, along with more accomodation

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facilities and services to meet their needs. In New York and New England, these accommodations were also usually called taverns. In the Pennsylvania district, they were called inns. The colonial inns and taverns had pluralistic functions. In addition to its social function, it became ammunition storage depots, meeting places for the revolutionary underground and occasionally recruiting offices for pirates. At this time, clear regional differences could be distinguished amongst the operational regulations of the taverns and inns. After the Revolutionary war, few changes were made to inn and tavern operations and they maintained their position as social centres, political gathering places, newsrooms, watering holes, and a resting place for the traveller. However now, these places were going by different names: Hotels, which reflected a growing French influence in the New World (Walker, 1996:11).

The nineteenth century created concepts such as à la carte dining, mass feeding, better preservation and established a culture of eating out and travelling from home to a certain destination for holiday purposes. Advanced technology and transportation in the twentieth century has opened up the world to almost everyone. People expect a wide range of dining choices, excellent service, use transportation services, need accommodation and entertainment and visit attractions, in other words a century in which tourists need and want certain tourism services and facilities (Walker, 1996:13-17).

At the turn of the century the pension started to mushroom in Paris when families with large houses started to rent out rooms as an extra income. A pension is an establishment common in Continental Europe, usually described in English-speaking countries as a guesthouse, normally owner-managed and providing accommodation,

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food and drink to residents only (Medlik, 1996:194). It involves the use of domestic-type of property that may be subdued to municipal rules and regulations (Lawson, 1995:2). The pension had its origin in the French countryside and provided rooms for travellers. It traditionally had between 4 and 16 rooms and served meals on request. The pension had very much the same characteristics as a boarding house. A boarding house is an owner-managed establishment common in the British Isles at the turn of the century, providing accommodation and meals to residents (Medlik, 1996:36). It was generally a small owner-managed establishment, which often has the character of an extended household. Medlik (1996:36, 122, 194) regards the pension, boarding houses and guesthouses as it is known today as much the same by nature, providing overnight accommodation without a full meal service and it is usually owner-managed. The historical development of the hospitality industry is intertwined with the development of transportation and in turn the tourism product (Knowles, 1994:4).

In the twentieth century the automobile led the hotel industry into a profitable business industry in the 1920's and many hotels were build. During the 1930's the Great Depression drew a setback on the accommodation industry and many smaller hotels went bankrupt. The accommodation industry didn't recover until after the war years. During World War II thousands of people, both military and civilian, travelled for troops being transported, workers going to factories and families reuniting. New hotels were built near all major military bases and industrial areas (Weissinger, 2000:8-10).

At the end of the war air travel was available to masses and the hospitality industry prospered while conventions and conferences

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became an integral part of successful commerce. Companies opened regional and branch offices and therefore business travellers became of great importance to the hospitality industry. After the war people earned a more disposable income and they were able to travel for pleasure, resulting in the development of many resort hotels for tourists to visit (Weissinger, 2000:10).

The tourism industry grew to one of the largest industries as it is known today. An important consequence of tourism is that tourists and business travellers need sufficient accommodation of acceptable standards that are available at an affordable price (Smidt, 1993:10; Anon, 1997:6).

### **2.2.1 THE HOSPITALITY INDUSTRY TODAY**

In the previous centuries many types of accommodation were developed such as inns, traveller rest houses, taverns, pensions, boarding houses and hotels. Many of these types of accommodation, such as the pension and the boarding house, influenced the development of modern types of accommodation, such as the guesthouse.

Hotels seemed to be a popular choice of accommodation for guests in the nineteenth century and in the twentieth century, and therefore started to specialise in the development of different types of hotels such as city centre hotels, resort hotels, airport hotels, freeway hotels and casino hotels.

As the twentieth century unfolded, the needs of guests were changing and a new type of accommodation, namely specialist accommodation, started developing. The various types of specialised hotels no longer

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appealed to many guests. They started preferring the option of specialist accommodation. Specialist accommodation includes bed & breakfast establishments, manors, guest farms, lodges, cottages, cruise ships, game reserves and guesthouses. Out of the various types of specialist accommodation, guesthouses seemed to be the most popular choice by guests.

The following are subsequently discussed to illustrate the development of the hospitality industry in the twentieth century:

- ◆ Hotels as a traditional type of accommodation.
- ◆ Specialist accommodation.
- ◆ Guesthouses as a specialist type of accommodation.
- ◆ Criteria and guidelines for guesthouse development.

### **2.2.1.1 Hotels as a traditional type of accommodation**

The hospitality industry since after the war years can include traditional types of accommodation such as hotels, motels, holiday resorts, furnished holiday flats, backpackers, camping facilities and game reserves. From this group of traditional accommodation types, hotels seemed to be the most popular (Weissinger, 2000:11). The hotel product played an important and dominant role in the development of the total hospitality product as it is known today and guests mainly preferred to overnight in hotels until the mid 1980's.

A hotel as it is known today can be described as an establishment held out by the proprietor as offering food, drink and, if so required, sleeping accommodation, without special contract, to any traveller presenting himself who appears able and willing to pay a reasonable

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sum for the services and facilities provided. Non-residents of the hotel may also pay to use its services and facilities (Medlik, 1996:131). Rooms and in most cases meals are provided to people. A hotel normally consists of ten or more rooms in a single complex or a building. Different rooms with a shower or bathroom are available to guests, for example single, double and family rooms (Saayman, 2000:211).

The traditional view regards a product as a single entity. This is unrealistic when applied to a hotel in the twentieth century because in reality a hotel is a combination of products (Knowles, 1994:122). The word hotel can be seen as a collective noun and can be classified according to location, types of services rendered, and price and includes the following (Walker, 1996:69-77):

- ◆ **Resort hotels:** Luxury resort hotels were built in the late 1800's to accommodate the guests brought by train. These hotels offer luxury, mid-scale economy suites, condominium, time-share and convention. They are mainly located in exotic scenery. These hotels draw guests who travel to resorts, beaches or mountain scenery for leisure and pleasure purposes. Some hotels may offer skiing, golf, fishing, activity programmes for children and conference facilities (cf. Table 2.1).
- ◆ **City centre hotels:** City centre hotels started gaining popularity in the 1960's. Its popularity reached a plateau in the 1970's but regained its popularity in the 1980's. This hotel offers luxury, first class, mid-scale, economy and suites. It also offers a range of services and facilities that may include butler services, concierge and special concierge floors, secretarial services, computers, fax machines, beauty salons, health spas, twenty-four-hour room service, swimming pools, tennis courts, valet service, ticket office,

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airline office, car rental and doctor/nurse on duty or call. Generally they offer a signature restaurant, coffee shop, a lounge, a main bar, meeting and convention rooms, a ballroom, and possibly a fancy night spot.

- ◆ **Airport hotels:** These hotels offer a variety of luxurious, mid-scale and economy suites. Guests mixed in an airport hotel consist of business, group and leisure travellers. They generally are in the two hundred to six-hundred-room size and provide full service. Some have added meeting space for business people who want to fly in, meet and fly out (cf. Table 2.1).
- ◆ **Freeway hotels:** Freeway hotels started developing in the 1950's and 1960's. They offer mid-scale and economy suites. Freeway hotels emerged along the main routes of a country to provide overnight accommodation for travellers as a tourist by-pass, who are on their way to another destination. Facilities offered can include lounges, restaurants, pools, soft drink machines, game rooms and satellite television.
- ◆ **Casino hotels:** Casino hotels came into the mainstream in the 1990's. A casino hotel may provide luxury, mid-scale and economy accommodation. It can offer casinos, restaurants, entertainment centres or golf courses.

The different types of hotels mentioned above are complex products and have various characteristics according to size, namely (Lawson, 1995:23):

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**Table 2.1: Characteristics of various hotel sizes**

Size range	Characteristics
<b>50-80 rooms</b>	Smaller independent hotels, country houses and luxurious conversions of stately houses are included in this category. Hotels of this size are large enough to employ a separate manager and may be operated independently or as part of a company or market consortium.
<b>80-120 rooms</b>	New budget hotels for example Formulae 1 and City Lodge/Town Lodge that provide standard rooms with an independent restaurant. Depending on the location, the development may include a small outdoor swimming pool and children's play area.
<b>120-200 rooms</b>	New provincial hotels, largely in Europe, tend to be in this size range. The number of rooms allows for better utilisation of space and facilities — which usually include some business meeting/private function rooms, a separate coffee shop, restaurant and health-fitness centre.
<b>150-250 rooms</b>	Luxury hotels in resorts or spas. Hotels of this size can retain a personal service while offering a wide range of exclusive facilities for example a private beach, golf-course, speciality restaurants and remedial treatments.
<b>200-300 rooms</b>	Typical size for resort hotels supporting more extensive dining areas, lounges and recreational facilities. Hotels of this size also are representative of mid-scale city centre hotels and many airport hotels, for example the Holiday Inn at Johannesburg International Airport.
<b>300-500 rooms</b>	High-grade hotels in city centre, downtown and prime resort locations. Invariably these provide more than one restaurant, a health-fitness club including an indoor pool and extensive business facilities. This size is also necessary to support more extensive convention facilities.
<b>300-800 rooms</b>	Most integrated resorts, holiday centres and club

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Size range	Characteristics
	complexes have a large capacity to support extensive recreational and entertainment facilities and marketing costs.
<b>800-1000+</b>	Mega city hotels where economies of scale can allow spectacular designs and cost savings in construction and operation. This includes larger convention hotels and casino hotels.

Many hotels as mentioned above and characterised in Table 2.1 strategically plan in order to respond to their environmental settings, whether it is to blend into the landscape or to make a dramatic statement in otherwise bland surroundings (Lawson, 1995:vii). Hotels as distinguished above and in Table 2.1 are often formed out of restored historic buildings and are used as a catalyst in attracting reinvestment into urban and rural areas, a role which is currently engaged by the guesthouse industry. The size of the hotel product, for example a mega city hotel or a resort hotel, makes it very expensive to maintain. The hotel product is also labour intensive and well-trained managers are therefore needed to run the hotel operations as well as well trained employees to perform duties.

This traditional view of the hotel industry, as the guest's dominant choice of overnight facility, is changing in many countries around the world, for example Great Britain and France, as well as in South Africa. The White Paper on Tourism (SA, 1996:11) mentions that the South African hotel industry today is characterised by a limited degree of competitiveness and mediocre levels of service. Poor quality service, room prices and the high maintenance of hotels consequence the hotel industry to lose ground to new and specialist hospitality products that started to emerge (Pincus, 1998:73).

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A reason for this new and specialist type of accommodation to emerge is that the needs of guests were changing and guests started to prefer the more homely option of specialist accommodation. Specialist accommodation is subsequently discussed.

### **2.2.1.2 Specialist accommodation**

Specialist accommodation distinguishes accommodation as it is known today from the previous era's type of accommodation and many guests currently prefer to overnight in a specialist accommodation product rather than in a hotel. A reason for this paradigm shift in the guests' preference of accommodation may be that the needs of guests are changing. A new and modern type of guest characterises the last quarter of this century and a profile of this modern guest is someone to whom the best price for quality services and facilities in return, are very important (Smidt, 1993:10).

Specialist accommodation serves accommodation needs of guests at both the budget and the expensive ends of the price range and sometimes in the mid-price category. Specialist accommodation may provide the following (Morrison *et al.*, 1999: 18-26):

- ◆ Personal service, defined as the provision of guests interacting with a small core of host personnel in a range of settings (e.g. greetings, meals, information, conservation, administration).
- ◆ Some special opportunity or advantage to guests through location (e.g. a farm or wilderness setting), features of the establishment (e.g. a heritage or historical building), or activities offered to guests (e.g. hiking trails or wildlife viewing).

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Some of the different types of specialist accommodation are described in Table 2.1 (Visser & Van Huyssteen, 1997:116-117; Saayman, 2000:211; Slabbert, 2001:2):

**Table 2.2: Specialist types of accommodation**

Specialist accommodation type	Description
<b>Bed &amp; Breakfast establishment:</b>	Sleeping accommodation is provided by a bed & breakfast establishment in no more than five rooms of double occupancy. It exists only in a private house and is owner-managed. Breakfast is served in the host's private dining area only to those accommodated.
<b>Manor:</b>	A manor house is a large house in the country with land belonging to it. It provide accommodation to guests.
<b>Guesthouse:</b>	Cf.1.5.1
<b>Guest Farm:</b>	A guest farm is a guesthouse on a farm that also offers a unique farm experience.
<b>Lodge:</b>	A lodge is a small country house or separate units for two or more people that may provide meals or self-catering facilities, depending on the owner's decision.
<b>Cottage:</b>	A cottage is a small house in the countryside that provides accommodation to guests.
<b>Cruise ship:</b>	This is a luxurious ship with many cabins, leisure and recreational facilities, which offers a total holiday package.

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<b>Specialist accommodation type</b>	<b>Description</b>
<b>Game reserve/game park:</b>	Chalets, cottages or even tent camps are situated within reserves or parks (not smaller than 10 000ha) for tourists to interact with nature. It can be service or self-service, depending on the game park.

From different types of specialist accommodation given in Table 2.2, guesthouses seem to be a very popular choice by guests as a specialist type of accommodation during their travellings. Guesthouses are becoming increasingly popular in South Africa as an alternative to the more traditional types of tourist accommodation such as hotels. A reason may be that guesthouses offer good and more affordable accommodation and therefore stretch the tourism rand so much further (Visser & Van Huyssteen, 1997:107; Saayman, 2000:209).

### 2.2.1.3 Guesthouses as a specialist type of accommodation

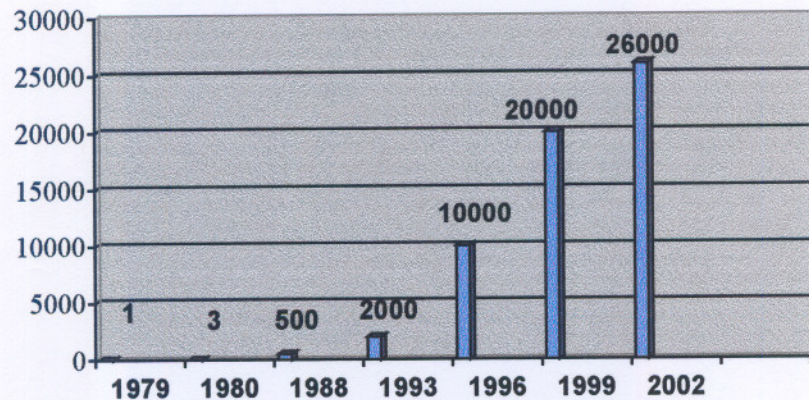
Guesthouses started to appear in South Africa in the late 1970's as a local equivalent of the Continental European pension or boarding house (cf. 2.2). It had it's beginnings in the initiative of a few South African entrepreneurs who made spare rooms in their houses or unoccupied "granny flats" available to tourists. Today the guesthouse industry has moved from it's informal beginnings to a relatively regulated and established sector of the South African tourism industry (Daniels, 1998:31). The motivation for people to establish a guesthouse differs from individual to individual. Possible reasons why people started establishing guesthouses included the following (Lowe, 2002; Payne-Bird, 2002):

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- ◆ The needs of guests were changing and they prefer the homely option of a guesthouse. People saw a niche market left vacant by many services and facilities that hotels lack to provide and therefore establish a guesthouse to accommodate the niche.
- ◆ Business people realised that the needs of guests were changing and converted their own homes into guesthouses or bought other houses and converted them into guesthouses for business purposes in order to meet the needs of guests.
- ◆ Large families ended up with large houses to themselves when their children left home. The houses were then converted into guesthouses in order to make a profit from the available space.
- ◆ Ex-hoteliers who wished to stay in the industry but on a smaller scale, established guesthouses.
- ◆ Many couples that retired moved away from the cities after retirement to more rural locations. They established their new homes as a guesthouses in order to generate a supplementary income, meet new people and keep themselves busy.

The establishment of guesthouses in South Africa had a relatively slow start, but increased as more and more guests started to prefer staying in guesthouses rather than in hotels or many other types of specialist accommodation (Nel, 1999:36). Figure 2.1 gives an indication of the estimated growth rate of the establishment of guesthouses in South Africa (Nel, 1999:36; Payne-Bird, 2002):



**Figure 2.1: Estimated growth rate of the establishment of guesthouses in South Africa**

The guesthouse industry in South Africa had a slow start in 1979-1980 when only three guesthouses were established. The real take-off came in the late 1980's where rural guesthouses played a dominant role. In the late 1980's overnight accommodation in the rural areas of South Africa consisted mainly of traditional types of accommodation such as hotels. Guests started developing a negative connotation concerning rural hotels and that resulted in many rural hotels closing down. Hotels had also become too expensive for families travelling domestically from the inland to the ocean for holidays, and guesthouses became the other option of accommodation. This tendency placed rural towns such as Colesberg, Hanover and Smithfield on the map as popular tourist overnight destinations (Cloete & Claasen, 1997, 51-52; Nel, 1999:36).

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A guesthouse located in the rural areas may have the following locational characteristics, namely (Visser & Van Huyssteen, 1997:116-117):

- ◆ It is located in attractive natural surrounding landscape like a view on mountains, valleys, ocean and farms.
- ◆ The location of the guesthouse has quiet surroundings.
- ◆ The guesthouse is close to important inter-urban traffic routes.
- ◆ The guesthouse is located close to hiking trails and has access to swimming facilities.

The growth rate of urban establishments overtook those of rural ones in 1990-1992. Guesthouses located in urban areas may have the following locational characteristics, namely (Visser & Van Huyssteen, 1997:124-125):

- ◆ The guesthouse is situated in a well-established middle-high status residential area with abundant greenery.
- ◆ The guesthouse is within walking distance from services such as restaurants, tourist information centres, shops, banks and parks.
- ◆ A central location is a more important consideration for many guests than accessibility.
- ◆ The location of the guesthouse has attractive natural surroundings.

The shift from rural to urban popularity illustrates that the guesthouse industry moved from its informal beginnings to a relatively regulated and established sector of the South African tourism industry (Nel, 1999:36). In 1993 the total of guesthouses nationally were estimated at 2 000 (Smidt, 1993:10) and in August 1994 the ratio was rural 47%:

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urban 53% (Visser & Van Huyssteen, 1997:117). After the high rise of crime in the late 1990's the preference of location again shifted to the rural areas (Visser & Van Huyssteen, 1997:118). At this time guesthouses could be divided into the following categories (Van der Merwe, 1997:8):

- ◆ In-house accommodation.
- ◆ Outside accommodation with own facilities.
- ◆ Exclusive accommodation separated from the main building.

It was estimated that 10 000 guesthouses were established in 1996 and in December 1999 the number of guesthouses was estimated at 20 000. In October 2002 approximately 26 000 guesthouses were established and operating in South Africa (cf. Figure 2.1). The establishment of guesthouses grew to a profitable industry and various organisations and associations came into existence of which guesthouse owner-managers can apply for membership, for example TGCSA, Guesthouse Association of South Africa (GHASA), SABS (South African Bureau of Standards) and the National Accommodation Association of South Africa (NAA-SA).

### **2.2.1.4 Criteria and guidelines for guesthouse development**

The establishment of guesthouses grew into a sector where the keeping of guesthouses is not only a pastime but also forms part of the a small business sector and needs effective and efficient management to be sustainable and successful (Anon, 1997:6). Certain criteria need to be met and certain guidelines can be followed in order to successfully develop a guesthouse:

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### ➤ Criteria

A criterion is a standard by which the guesthouse is judged. For the purpose of this study there are two types of criteria, namely:

- ◆ **Law enforced criteria:** For the purpose of this study law enforced criteria for a guesthouse include legal criteria for a small business and criteria for operating a guesthouse on a single residential property.
- ◆ **Voluntary criteria:** Organisations such as TGCSA and SABS have developed criteria guesthouses must comply with in order to establish a successful guesthouse product of an acceptable standard.

The owner-manager of the guesthouse needs to be registered at the local tourism board and municipal authorities and needs to meet the legal expectations of these authorities in order to operate the guesthouse. Legal criteria for a small business that apply to guesthouses include the following (Ross, 2001:12):

- ◆ The guesthouse needs to have a proper liquor license in order to sell any alcohol.
- ◆ The guesthouse needs to have municipal consent.
- ◆ Proper rezoning (from residential to business) is required to operate the guesthouse.
- ◆ Business levies need to be paid.
- ◆ The guesthouse needs to be taxed.

Guesthouse operations today are subject to certain local and provincial conditions and people can no longer establish guesthouses without complying with these conditions. Each local and provincial authority

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## **Chapter 2 : Development of the Guesthouse Industry**

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may have different terms and conditions for developing the operations of guesthouses and it is up to the owner-manager to find out whether the guesthouse involved, gratifies these requirements. The local and provincial Tourism Board as well as the City and Regional Planner may provide the owner-manager with information about terms and conditions applicable to the specific region.

For the purpose of this study criteria for developing the operations of a guesthouse on a single residential property include the following, as adopted by the Knysna Transitional Local Council (TLC) on 30 May 1996, condition 8 amended on 25 April 2000 (Knysna Town Clerk, 2000):

- ◆ Guesthouses may not operate from a site smaller than 500m<sup>2</sup>. Not more than 10 guests may at any time be accommodated in any guesthouse.
- ◆ Guesthouses may not operate from more than 1 erf unless such erven are consolidated.
- ◆ The owner-manager shall permanently reside in the building utilised as a guesthouse.
- ◆ On-site parking needs to be provided to the satisfaction of the Municipality, but in any case not less than a ratio of at least 1 parking bay per guest-bedroom as well as 2 parking bays for permanent residents, and that no vehicles be permitted to park in the street reserve or other public areas.
- ◆ No facilities may be provided by any guesthouse for non-residents of such a guesthouse.
- ◆ No delivery vehicles of any nature to service any guesthouse.

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- ◆ No on-site advertising signs or similar notices of any nature may be displayed, with the exception of a sign not exceeding 2000cm<sup>2</sup> indicating only the name and type of operation.
- ◆ Any guesthouse may fly a maximum of five flags, and the flagpoles shall not exceed the height limit of 8 meters above the natural ground level and shall be placed within the property boundary.
- ◆ Any off-site advertising signs are limited to directional signs in accordance with Council's policy in this regard.
- ◆ No activities shall be carried out which are or are likely to be a source of disturbance or nuisance to occupants of other dwelling units.
- ◆ Special rates are to be paid on residential properties used for business purposes, including guesthouses.
- ◆ A business license in respect of food premises must be obtained from the Municipal Health Department.
- ◆ Acceptance by the Municipality of the operation of a guesthouse on a single residential erf does not absolve the property owner from compliance with any restrictive conditions of title, which may be applicable to the erf in question.
- ◆ In terms of the principles of Integrated Environmental Management it is suggested that all current and prospective guesthouse owner-managers inform other residents in the general neighbourhood of the particular guesthouse with a view to obtain comments and suggestions regarding any measures which can be

## **Chapter 2 : Development of the Guesthouse Industry**

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implemented as part of the operation of the business concerned in order to mitigate any possible nuisance or similar adverse effects.

As mentioned above, each local and provincial authority may have different terms and conditions for developing the operations of guesthouses and it is up to the owner-manager to find out whether the guesthouse involved gratifies these requirements. The criteria mentioned above are valid only for guesthouses that operate within the George and Knysna District. Should any of the guesthouses in this area not comply with the above-mentioned criteria, or should any complaints regarding alleged contraventions be received, the Municipality reserves the right to immediately terminate the operation of the guesthouse in question after a valid investigation in which the complaints are confirmed.

The National Grading Scheme (introduced by TGCSA), the South African Bureau of Standards (SABS) and Qualitour are nationally accepted professional organisations that have developed a certain criteria guesthouses of acceptable standards must comply with. These criteria are voluntary and not compulsory and may help an owner-manager to establish a successful guesthouse product of an acceptable standard. The criteria established by TGCSA, are good for guesthouses to follow and include the following (Tourism Grading Council of South Africa, 2002):

- ◆ The building exterior.
- ◆ The bedrooms.
- ◆ The bathrooms.
- ◆ Public areas.

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- ◆ Dining facilities.
- ◆ Food and beverage.
- ◆ Services and service.
- ◆ Housekeeping.

The implementation of these criteria is compulsory if an owner-manager wants to register the guesthouse at TGCSA.

### ➤ Guidelines

For the purpose of this study a guideline is a piece of advice of how a successful guesthouse should be developed. Guidelines for successfully developing a guesthouse include the following (Guesthouse Guidelines, 2002):

**Table 2.3: Guidelines for developing a guesthouse**

<b>Guideline</b>	<b>Description</b>
❖ <b>Signage</b>	Signs and signposts located away from the premises may require planning permission. It should be attractive, easily read from a distance and be appropriate to their environmental location.
❖ <b>Car parking</b>	As many guests will arrive by car, adequate provision must be made for overnight parking with due regard of the needs of neighbours and the maintenance of traffic regulations. Parking, or drop-off arrangements, must take into account the fact that guests will not wish to carry baggage for long distances. Parking surfaces need to be free of mud, residual water and obstacles.
❖ <b>Entrance hall</b>	An entrance hall is necessary with reception facilities that affords easy access by means of internal or enclosed corridors and stairways to all public rooms and bedrooms.

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Guideline	Description
❖ <b>Display of charges</b>	The scale of charges for accommodation and other services (inclusive of VAT, where applicable) must be prominently displayed. Guests should see it easily before or immediately after they enter. Where food and other than breakfast is provided, these meals should be identified and the charge shown. When rates vary seasonally, or there is any condition to be satisfied (e.g. age-eligibility for children rates) these should also be included.
❖ <b>Visitor's register</b>	The name, address, date of arrival, nationality and date of departure should be included in the visitor's register.
❖ <b>Tourist literature</b>	A selection of current leaflets, brochures, maps and other literature relating to the operating guesthouse's locality must be available.
❖ <b>Dining area</b>	The dining area of a guesthouse must provide for serving of meals at separate tables.
❖ <b>Kitchen area</b>	The kitchen should be located adjacent to the dining area. A separate laundry utility room must be provided along with adequate facilities for human resources.
❖ <b>Lounge area</b>	One or more lounges are ideal that are physically separated from the dining area. Furniture should include comfortable chairs, armchairs, sofas or settees of good quality; occasional tables; carpet or if the floor surface is of suitable design or treatment, rugs.
❖ <b>Guests' bedrooms</b>	It is recommended that guesthouse bedrooms are not less than 20 square meters (inclusive of en suite facilities). Every bedroom must have a handwash basin (unless one is contained in an en suite bathroom) fitted with mirror, wash light and shaver point plus accessories for holding toilet equipment. It should be complete with plumbing for the continuous supply of hot and cold running water and the disposal of wastewater. There should

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Guideline	Description
	be an ample supply of clean towels and soap. In addition, each room should have a power outlet for a heater or electric cleaner.
❖ <b>Bathrooms and toilets</b>	Where a guesthouse contains bedrooms that do not have an en suite bathroom, it must provide the following: (1) One bathroom for every 10 guests (or proportion of 10). At least one bathroom should contain a bath; others may be equipped with a shower instead. (2) Two toilets are required for the first 20 visitors (or proportion of 20); a toilet contained in a bathroom will count as one of them. The second toilet should be in a separate room.
❖ <b>Owners' accommodation</b>	Sleeping accommodation, which is separate from that for guests and clearly identified as such, must be provided for the use of the hosts, their family and any other resident employees.
❖ <b>Special needs for people with disabilities</b>	By creating environments that are free of barriers to mobility, the guesthouse's attractiveness for guests with obvious mobility problems, such as wheelchair users and guests with impaired vision, injury, pregnancy or walking with a toddler along with a suitcase all present their mobility problems. This means that such people can use a wide range of facilities without assistance.
❖ <b>Environment safeguard</b>	Recycling, energy conservation and minimum waste is encouraged. Protection of the landscape, wildlife, infrastructures and cultural heritage is fundamental.
❖ <b>Management</b>	The establishment needs to be under the supervision of the proprietor, trained or experienced in guesthouse management. It should be staffed by persons adequate in number and training to maintain appropriate standard of service to guests at all reasonable times.

## 2.3 ECONOMIC CONTRIBUTION OF THE GUESTHOUSE INDUSTRY

The guesthouse industry has become an important element of the tourism industry and regionally has a modest (yet significant) impact on the economy.

In 1994, South Africa has shown a growth of 30% in 1994 and in 1995 the number of overseas visitors increased to 52%, exceeding a million for the first time. At this time, the global tourist market grew by only 3,2%. South Africa's growth in tourism was enough to accolade the country as one of the world's fastest-growing tourist destinations (Suzman, 1998). The sudden increase after 1994 in foreign tourism lead to capital investment guesthouses and in December 1994 an estimated 10 000 guesthouses were established (cf. Figure 2.1).

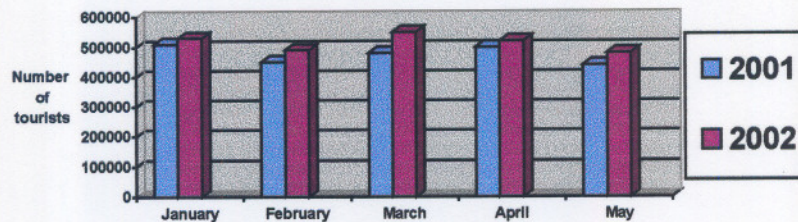
During the financial year of 1995 the total income of the accommodation industry (hotels, motels, inns, guesthouses, guest farms, furnished holiday flats, youth hostels, boarding houses, bed and breakfast establishments, nature/game reserves, resorts and caravan parks) was R6 196,4 million. This amount reflected an average annual growth of 13.9% in the period between 1983 (of which the total income of the accommodation industry at the end of the financial year was R1 303,5 million) and 1995 (Statistics South Africa, 2000).

During 1995 guesthouses contributed 2,7% (R166.6 million) to the total income and had a total capital expenditure of R21,1 million, 10,65% of the total capital expenditure on new assets. R27 430 was paid in salaries and wages to 2 929 part time and full time employees during the financial year of 1995 (Statistics South Africa, 2000).

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## Chapter 2 : Development of the Guesthouse Industry

The investment in establishment guesthouses increased and in December 1996 South Africa had an estimated 10 000 guesthouses, and by December 1999 there was an estimated total of 20 000 established guesthouses (Muller, 1999:25; cf. Figure 2.1). During 2001, the number of tourist arrivals in South Africa decreased compared to the previous years (Bisseker, 2001: 9) but steadily started to increase during the first few months of 2002. Figure 2.2 gives an indication of tourist arrivals in January to May 2001, compared to tourist arrivals in January to May 2002 (SAT, 2002):



**Figure 2.2: Increase of tourist arrivals to South Africa: Jan. to May 2001 vs Jan. to May 2002**

The 2001 Annual Report by auditing firm Grant Thornton Kessel Feinstein concluded that overall foreign visitor numbers to South Africa had declined in 2001 (cf. Figure 2.2) for the first time in 15 years and the increased violence in urban and rural areas as well as the lack of quality service offered to foreigners can be reasons for this decline (Saayman, 2002d).

Although the number of foreign tourists decreased in 2001, compared to the previous years, the overall number of room occupancies in the guesthouse industry increased with 2% in the same period. The success of room occupancies can be the result of the poor Rand that

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disables many South Africans to travel internationally. The result is that more and more South Africans travel within South Africa and prefer to stay in an affordable guesthouse rather than in a hotel (Muller, 2002:8).

Statistics of tourist arrivals to South Africa in the period January to May 2002 (cf. Figure 2.2), indicates that the number of tourist arrivals have increased compared to the same period in 2001. The reason for the increased tourist arrivals in South Africa may be that foreigners see South Africa as a relatively safe and cheap destination after the September 11<sup>th</sup> attacks in the United States (Saayman, 2002d).

The establishment of guesthouses had an increase of 30% from 1999 to 2002 (cf. Figure 2.1) and the estimated total number of established guesthouses in this period was 6 000. It was estimated that there were 26 000 guesthouses established since 1979 up to October 2002 (cf. Figure 2.1). The following assumption can be made: If the average development cost (value of property and operating costs) of a single guesthouse ( $G = 1$ ) is estimated at R1 million, the following assumption can be made in order to determine the total economic contribution that established guesthouses had on the South African economy up to 2002 (Payne-Bird, 2002; Saayman, 2002d, Van der Merwe, 2002):

Average development cost of a single guesthouse: R1 million

Estimated number of established guesthouses in 2002: 26 000

$$G = 1 \times 26\ 000$$

$$26\ 000 \times 1\ 000\ 000$$

$$= 26\ \text{billion}$$

∴ The average development costs of established guesthouses up to 2002 is an assumed R26 billion.

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It can be assumed that if the establishment of guesthouses is projected to increase with an estimated 30% in the period 2002 to 2005 (the 30% is derived from the average growth in the establishment of guesthouses between 1999 and 2002), an estimated 7 800 new guesthouses will be established in this period.

It can further be assumed that if this number of established guesthouses have an average development cost (property and operating cost) of R1 million, the estimated economic contribution to the larger economy of South Africa will be R7.8 billion during the period 2002 and 2005:

1999: 20 000 established guesthouses (estimated number)

2002: 26 000 established guesthouses (estimated number)

$$\begin{aligned} & (\text{new} - \text{previous}) \div \text{previous} \times \frac{100}{1} \\ & = (26\,000 - 20\,000) \div 20\,000 \times \frac{100}{1} \end{aligned}$$

$$= 26\,000 \times 30\%$$

$$= 7\,800 \text{ guesthouses}$$

$$= 7\,800 \times R1\,000\,000$$

$$= R7.8 \text{ billion}$$

∴ An assumed 7 800 new guesthouses will be established between 2002 and 2005 that will make an economic contribution of R7.8 billion in the same period.

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If the assumption is made that there were 26 000 established guesthouses in South Africa up to October 2002, and there is an increase of 30% in the establishment of guesthouses in the period 2002 to 2005, there will be an estimated total of 33 800 established guesthouses in South Africa by 2005. The total economic contribution the establishment of guesthouses made to the larger South African economy will be R33.8 billion in 2005 if the average development cost (property and operating cost) of a single guesthouse is estimated at an assumed R1 million:

$$26\ 000 + (26\ 000 \times 30\%)$$

$$= 33\ 800 \times R1\ 000\ 000$$

$$= R33.8\ \text{billion}$$

∴ The assumed average development costs of established guesthouses in 2005 will be

R33.8 billion

It can be concluded from the assumptions and calculations above that the total number of developed guesthouses (estimated figure) made an economic contribution of R26 billion in 2002. There will be a projected 7 800 new guesthouses established in South Africa if there is a 30% increase in the establishment of guesthouses during 2002 to 2005. This number of new guesthouses will make an economic contribution of R7.8 billion.

In 2005 there will be an estimated 33 800 established guesthouses in South Africa that will have made a total economic contribution of R33.8 billion to the larger economy of South Africa. A large proportion of money spent in this regard will find its way into the

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## **Chapter 2 : Development of the Guesthouse Industry**

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local economy in the form of payments to local builders, decorators, building suppliers, municipal fees, business levies, advertising companies, membership fees of guesthouse organisations and associations, and tourism related organisations.

If the average guesthouse in the Western Cape employs 3-4 people (cf. Figure 4.5), the average guesthouse in the North West Province employs 2-3 people (Saayman, 2002c), and the average guesthouse in Mpumalanga employs 2-3 people (Saayman, 2002a), these three provinces employ an average of 3 people. The following Assumption can therefore be made: If this number (E=3) is applied to the whole of South Africa, a total of 78 000 people is employed by established guesthouses up to October 2002:

$$(E=3) \times 26\,000$$

$$=78\,000$$

∴ The total number of established guesthouses in October 2002 could employ 78 000 people.

Guesthouses can not only make a sizeable economic contribution to the larger economy of South Africa but also offer career opportunities for people.

## **2.4 CONCLUSION**

The aim of this chapter was to indicate the development of the guesthouse industry in South Africa. This aim was realised by contextualising hospitality within a historical perspective. The development of various types of accommodation such as inns, taverns, rest houses for travellers, boarding houses, hotels and pensions were

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## **Chapter 2 : Development of the Guesthouse Industry**

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described throughout history. In this description similarities between the pension and the guesthouse were identified. From these traditional types of accommodation, hotels seemed to be the most popular for guest accommodation. As the twentieth century progressed, the needs of guests changed.

Specialist types of accommodation started developing in order to fill a niche-market left vacant by hotels. Guests started preferring specialist types of accommodation to the traditional types of hotels, because most hotels didn't satisfy their need or didn't provide value for their money spent. Guesthouses seemed to be the most popular form of specialist accommodation. Guesthouses started to mushroom in South Africa and it was estimated that by October 2002, 26 000 developed guesthouses had been established.

The development of the guesthouse industry made a large economic contribution to the larger economy of South Africa. The total number of guesthouses having been established made an economic contribution of R26 billion up to October 2002 to the larger economy of South Africa. If the average guesthouse in South Africa employs three people, career opportunities for 78 000 people could be offered.

A negative consequence of the rapid growth in establishing guesthouses is that few owner-managers of guesthouses are tourism qualified, and consequently many guesthouses close their doors for business within the first two years. The reason for this may be that owner-managers did not overcome certain developmental or managerial obstacles. In order to help owner-managers overcome these obstacles (cf. 1.2) and to do business more successfully, aspects for developing and managing a guesthouse are identified in the next chapter.

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### **3. ASPECTS FOR DEVELOPING AND MANAGING A GUESTHOUSE**

#### **3.1 INTRODUCTION**

The aim of this chapter is to focus on important aspects that can be implemented during the development and management process of a guesthouse. Although research on development and management of guesthouse establishments has not been extensive, studies of small business in general are numerous. Researchers such as Wehrich & Koontz (1994:18), Kaufman *et al.* (1996:30), Theron (1998:14), Cloete (2001:30) and Slabbert (2001:3) identify certain requirements to successfully develop and manage a guesthouse as a small business. These requirements include aspects of strategic planning, financial aspects, tourism marketing, aspects of human resources and operational aspects. These aspects are defined and argued throughout this chapter.

Firstly, strategic planning for a guesthouse will be discussed and concluded in the nature of strategic planning, business objective setting, situational analysis, identification of the strategic issues, development of business strategies, strategy implementation and control. Secondly, financial aspects will be discussed by focusing on

### **Chapter 3 : Aspects for Developing and Managing a Guesthouse**

the nature of financial management, viability analysis processes, the business plan, budgets and financial control.

Thirdly, aspects of tourism marketing will be argued and interpreted in the nature of tourism marketing, marketing research, market segmentation, market targeting, market positioning and the marketing mix. Aspects of human resources will then interpreted fourthly. The nature of human resource management, characteristics of an owner-manager, legal aspects of employment, recruitment, training of employees and performance appraisal will be discussed.

Fifthly, operational aspects for developing and managing a guesthouse will be argued by explaining operational hard and soft systems, the arrival process of guests, administrative procedures, the departure of guests and unique services and facilities to render.

At the end of the discussion of each main aspect a synthesis will be presented that concludes the important sub-aspects, after which the chapter will conclude with a brief summary.

## **3.2 STRATEGIC PLANNING ASPECTS**

Strategic planning relates to development and management of a guesthouse because it is the first step in the management process and lays the foundation for all other activities to follow (Saayman, 2002b:94). Strategic planning can be described as a proactive process during which the owner-manager decides which business opportunities to take on the basis of opportunities, challenges and restrict the guesthouse's business environment. Objectives, goals and programmes are developed as a result of these decisions in order to implement strategy (Gerber *et al.*, 1995:19).

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### **3.2.1 THE NATURE OF STRATEGIC PLANNING**

Strategic planning is the backbone support of strategic management but is not the entirety of strategic management. It is a major process and is intertwined with the conduct of strategic management. There are two different types of management. One that is done at the top of the corporate guesthouse, is called strategic management. Everything else is operational management. Just as strategic management is vitally concerned with operational management, so is strategic planning concerned with operations (Steiner, 1997: 4, 10) The focus and emphasis of strategic planning and strategic management rather is on strategy than on operations.

Strategies behind this kind of planning are described as the cohesive action plans. These action plans are implemented to get the guesthouse from the current status quo to where the owner-manager would like it to be at the end of the strategic planning period. This period is aimed at some time in the future, typically 4-5 years ahead of the present (Donnelly *et al*, 1990:4; Saayman, 2002b:96).

Fundamentally there are two different ways for the owner-manager to formulate strategic plans for the future (cf. Table 3.1). The one way of planning is to meet each day as it arrives and make strategic decisions on that basis. This way of strategic planning is called the intuitive-anticipatory approach (Steiner, 1997:8). The other approach is to formulate a formal written strategic plan (Slabbert, 2001:11).

Characteristics of the intuitive-anticipatory approach and the formal strategic planning approach, as identified by Steiner (1997:8-10), are reflected in Table 3.1.

**Table 3.1: Characteristics of the intuitive-anticipatory and formal strategic planning approach**

<b>Intuitive-anticipatory strategic planning</b>	<b>Formal strategic planning</b>
❖ It is generally done in the brain of one person.	❖ It is organised and developed on the basis of a set of procedures.
❖ It may or may not, but often does not result in a written set of plans.	❖ It is research based.
❖ It generally has a comparatively short time horizon and reaction time.	❖ Frequently instruction manuals are prepared to explain who is going to do what and when what will happen with the information.
❖ It is based upon past experience, the gut feeling, the judgement and reflective thinking of an owner-manager.	❖ It serves as support for decision-making and the process is frequently documented.
	❖ The result of the entire endeavour is a written set of plans.

Owner-managers may decide on the most suitable method of strategic planning, as given in Table 3.1, for their own guesthouse. In many guesthouses the owner-manager has conflict between the two approaches because different thought processes are involved in them (Steiner, 1997:11).

Some owner-managers have extraordinary capabilities in intuitively devising brilliant strategies and methods to carry them out. Albert

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Einstein <sup>2</sup> said: “I believe in intuition and inspiration. At times I feel certain that I am right while not knowing the reason...Imagination is more important than knowledge. For knowledge is limited, whereas imagination embraces the entire world, stimulating progress, giving birth to evolution. It is strictly speaking a real factor in scientific research.” If the owner-manager of the guesthouse is blessed by an intuitive genius, there is no need for formal strategic planning. Not many guesthouses are blessed with having an intuitive genius owner-manager and even if they are, many times the intuitive approach inclines itself to incorrect judgement (Steiner, 1997:9).

Having a proper written formal strategic plan increases the chances of the guesthouse to achieve success (Saayman, 2002b:93; Slabbert, 2001:11) because it helps the owner-manager to successfully observe, anticipate and adapt competitively to both external and internal environments (Cloete, 2001:9). The formal strategic planning approach can and should help owner-managers to sharpen their intuitive-anticipatory inputs into the planning process. The different characteristics given in Table 3.1 are therefore meshed. In fundamental sense, formal strategic planning is an effort to duplicate what goes on in the mind of a brilliant intuitive planner (Steiner, 1997:10). For the purpose of this study the formal strategic planning approach is discussed.

Taking the above mentioned into consideration, strategic planning can be defined as the set of actions and decisions made by the owner-

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<sup>2</sup> In Steiner. (1997:9) as quoted in Eugene Raudsepp, "Can you trust your hunches?" *Management review*, April, 1960. This article of Raudsepp gives other comparable quotations.

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manager that lead to the development of specific strategies, designed to help the guesthouse achieve its objectives and evaluate the direction the guesthouse is heading in (Mescon *et al.*, 1988:264).

From this definition and the above mentioned characteristics of strategic planning, certain strategic elements are identified, namely: the effect on futurity of current decisions, it is a process, it is a philosophy and a set of interrelated plans (Steiner, 1996:12-14, 34; Theron, 1998:46; Saayman, 2002b:95, 107):

- ◆ **Strategic planning deals with futurity of current decisions.** This means that strategic planning looks at the chain of cause and effect consequences over time of an actual or intended decision the owner-manager is going to make. It also looks at the alternative courses of action in the future because when choices are made among alternatives, they become the basis for making current decisions. Planning means designing a desired future and identifying ways to bring it about.
- ◆ **Strategic planning is a philosophy:** Strategic planning is an attitude and a way of life. It is more of a thought process, an intellectual exercise, than a prescribed set of processes, procedures, structures or techniques.
- ◆ **Strategic planning is a set of interrelated plans.** The financial plan, the marketing plan, the human resources plan and the operating plan of services and facilities all form part of the strategic planning process.
- ◆ **Strategic planning is a process.** It is a process that begins with setting organisational aims, defines strategies and policies to achieve them and develops detailed plans to make sure that the

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strategies are implemented aiming to achieve the goals. It is a process of deciding in advance what kind of planning effort is to be undertaken, when it is to be done, how it is to be done, who is going to do it and what will be done with the results. The process differs from one organisation to another but there are common characteristics amongst various organisations. The strategic planning process of a guesthouse has its unique steps, but is very similar to the strategic planning process of any other small business.

The strategic planning process is important for the guesthouse to achieve success because it interrelates to all other planning processes discussed in this chapter, namely financial planning, marketing planning, human resource planning and operational planning.

Gerber *et al.* (1995:20) and Theron (1998:46) are of the opinion that steps to follow in the strategic planning process for a guesthouse include setting business objectives, performing a situation analysis, performing a SWOT analysis (strengths, weaknesses, opportunities and threats), doing an external and internal environmental analysis, identifying the strategic issues that stem from the various analyses, developing strategies and implementing and controlling the strategic plan. These steps are discussed below.

#### **3.2.2 SETTING BUSINESS OBJECTIVES**

Setting business objectives relates to all aspects of guesthouse development and management because the process brings forward a set of strategic plans to operate these business aspects effectively.

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Setting objectives represents not only the starting point in the strategic planning process, but is the end towards which other processes, such as planning, organising, leading and control are aimed (Wehrich & Koontz, 1994:143).

Objectives are short and long term goals. They provide direction for all management decisions and form a guideline against which actual accomplishments can be measured. It is for these reasons that they are the foundations of planning (Robbins & Coulter, 2002:178). There are various types of objectives including aspects such as strategic, financial, marketing, human resource, operational and personal objectives. These multiple objectives form part of the over all business objective and therefore set the basic plan for the guesthouse (Wehrich & Koontz, 1994:148-149). Setting the business objectives results in formulating a vision and mission statement, philosophy and ethics of the guesthouse.

Saayman (2002b:100) and Thompson & Strickland (1999:4-5) describe a strategic vision and mission statement as follows:

- **Vision statement:** A vision is a dream of the future of the guesthouse. It is also a roadmap of the guesthouse's future — the direction it is headed in, the business position it intends to stake out, and the capabilities it plans to develop.
- ◆ **Mission statement:** A mission focuses the purpose of the guesthouse. It broadly describes present capabilities and focuses on the guest's needs, levels of quality service, facilities offered, operational activities and overall make-up of the guesthouse.

Drawing a carefully reasoned conclusion about what the long-term direction of the guesthouse should be, pushes the owner-manager to

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take a hard look at the present business of the guesthouse. It also helps the owner-manager to form a clearer knowledge of whether and how the guesthouse needs to change over the next 5 to 10 years. The owner-manager's concept of the present guesthouse mission has therefore needed to supplement a concept of future business make-up, product line and guest — base of the guesthouse (Thompson & Strickland, 1999:4).

The objectives, vision and mission may be formulated within the framework of an underlying philosophy of set beliefs, attitudes and conventions (Saayman, 2002b:101). The philosophy has more of an intuitive-anticipatory nature than a formal nature but still influences the overall conduct of the guesthouse, and the behaviour and performance of the staff.

Saayman (2002b:102) groups the foundation of business philosophy as:

- ◆ **Ethical foundation:** It implies setting behavioural codes that guide the guesthouse in its relationship with other environments.
- ◆ **Operational foundation:** It relates to the nature, operation and conduct of guesthouse activities.

Setting a business philosophy helps to determine the common behaviour codes that guide the guesthouse in its dealings with others in the conduct of its operations (Saayman, 2002b:101).

#### **3.2.3 SITUATIONAL ANALYSIS**

Performance of a situational analysis serves as a basis in determining the current position in the guesthouse's environment and industry. The

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situational analysis is also known as a strategic analysis, corporate appraisal, positional audit, situational audit, assessment of current position, planning premise and evaluation on organisational level (Steiner, 1996:19; Pearce & Robinson, 1997:382; Theron, 1998:46; Saayman, 2002b:102).

In the case where the guesthouse already has a strategic plan, the situational analysis is designed to check systematically and continuously whether the premise on which the strategy is based is still valid, for example determining whether rendered services and facilities meet the needs of guests. If a vital premise is no longer valid, the strategy may have to be changed, for example when services and facilities rendered by the guesthouse need to be modified in accordance with the change in guest needs (Pearce & Robinson, 1997:382). A situational analysis for a new and existing guesthouse primarily is concerned with environmental factors, as discussed in 3.2.3 and 3.2.4, and industry factors such as tourism attractions, entertainment, accommodation and transport. The strategic plan usually is based on these factors (Pearce & Robinson, 1997:382).

The situation analysis consists of a SWOT analysis which identifies and assesses the guesthouse's internal Strengths and Weaknesses in relation to its external Opportunities and Threats (Thompson & Strickland, 1999:105).

### **3.2.3.1 The role of a SWOT analysis**

The SWOT analysis provides a good overview of whether the position of the guesthouse is fundamentally healthy or unhealthy (Thompson & Strickland, 1999:107). To analyse the internal and external

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environment, the owner-manager can perform a SWOT analysis. The following questions can be used in this analysis:

- **Strengths**
    - ❖ What are the guesthouse's internal strengths?
    - ❖ What are the strong points of the human resources?
    - ❖ What are the strengths of the owner-manager?
    - ❖ What strengths are evidenced by performance in a consistent way over time?
    - ❖ Is there a niche focus for this kind of guesthouse?
  
  - **Weaknesses**
    - ❖ What is the sources of weaknesses in this guesthouse?
    - ❖ What are the weaknesses of the human resources in this guesthouse?
    - ❖ What weaknesses exist in the management skills of the owner-manager?
    - ❖ What weaknesses are evident in the relationship with the guests?
    - ❖ What weaknesses does the guesthouse have regarding resources, equipment, facilities and services, in terms of what we are aiming to achieve?
  
  - **Opportunities**
    - ❖ Given research, what opportunities have to change in the strategies?
    - ❖ Which opportunities do the guests want us to pursue?
    - ❖ Given managerial skills and insights, what strategy could be seen as maximising the fit between resources, staff, guests and the skills of the owner-manager?
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- ❖ What opportunities exist for the guesthouse, given the decisions being made by other guesthouses in this area?
- ❖ Given the completed industry analysis, what opportunities are most salient for the guesthouse?
- **Threats**
  - ❖ What barriers exist from within the guesthouse that prevents the effective implementation of strategy?
  - ❖ What are the potential danger signs already existing in the industry environment that could eventually derail the chosen strategy?
  - ❖ What are the threats from the guests that could damage the effective implementation of strategy?
  - ❖ What threats to effective strategy implementation exists from other sources?

### **3.2.3.2 External environmental analysis**

External environmental factors influence a guesthouse's performance and direction as well as the business structure and internal processes (Pearce & Robinson, 1997:62; Robbins & Coulter, 2002:66). Planning by the owner-manager needs to consider the needs and desires of society members outside the guesthouse since the guesthouse is part of a larger system (Weihrich & Koontz, 1994:217).

Researchers such as Saayman (2002:102-103) and Weihrich and Koontz, (1994:173) identify the characteristics of the external environment as follows:

- ◆ The owner-manager cannot control it.
- ◆ It has a difficult, diverse, dynamic and dangerous nature.

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- ◆ It has an effect on the obtainment of material like groceries, human resources and technology.
- ◆ It leads the owner-manager to act pro-actively in the changing environment.

The external environment consists of many factors that are of importance to the owner-manager. Saayman (2002b:103-103) and Saayman (2001:108) group the factors as follows:

**Table 3.2: External environmental factors:**

<b>Economic factors:</b>	❖ GDP
	❖ Consumer spending
	❖ Propensity of savings
	❖ Distribution of income
	❖ Interest rates
	❖ Taxation
	❖ Investment
	❖ Rate of inflation
	❖ Globalisation
	❖ Unemployment figures
<b>Social factors:</b>	❖ Exchange rate
	❖ Privatisation
	❖ Demographic changes
	❖ Work ethics
	❖ Life style
	❖ Cultural factors

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	❖ Leisure time patterns
	❖ Composition of population
	❖ Amount of leisure time
<b>Technological factors:</b>	❖ Mobility
	❖ New technology
	❖ Level of automation
	❖ Development of leisure time products
<b>Competitive factors:</b>	❖ Infrastructure
	❖ Development of competitors
	❖ Positioning of competitors
	❖ Potential future competitors
	❖ Product attributes
<b>Political factors:</b>	❖ Legislation
	❖ Political stability
	❖ Terrorism
	❖ Political pressure groups
	❖ Human rights

The factors mentioned in Table 3.2 have an influence on the operations of the guesthouse. Economic factors can influence the tariffs, item purchase, salaries and wages and the overhead short term budget where social factors can influence the guest's attitude towards hospitality. Technological changes create new needs with guests and have an influence on the guesthouse, because it needs to provide services that meet these new technological standards. Political factors

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like legislation, provides a legal framework for the guesthouse to operate in (Theron, 1998:18).

### **3.2.3.3 Internal environmental analysis**

The internal environment consists of situational factors within the guesthouse. Since the guesthouse is a contrived, man-made system, the internal environment is largely the result of decisions related to the management process (Meseon *et al.*, 1988:68). It is interrelated to the external environment and affects it's flow to a certain degree. The objectives and aims as well as the situation analysis influence functions of the internal environment (Saayman, 2001:109).

Researchers such as Saayman (2002b:62) and Kotler *et al.* (1996:139) identify the characteristics of the internal environment as follows:

- ◆ Is has a controllable nature.
- ◆ It affects the decision-making process of the owner-manager.
- ◆ It indicates the operations of the guesthouse.
- ◆ It indicates the internal situation of the guesthouse.
- ◆ It provides reports for making day to day planning, implementation and control of strategic plans.

According to Saayman (2001:109-110) and Saayman (2002b:105) the factors of the internal environment consist of the following:

**Table 3.3: Internal environmental factors:**

<b>Marketing:</b>	❖ Target market
	❖ Distribution/place
	❖ Services and facilities

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	❖ Product image
	❖ Positioning
	❖ Market shares
	❖ Distribution of information
	❖ Feedback mechanisms
	❖ Market research
	❖ Pricing
	❖ Service quality
<b>Finances:</b>	❖ Ability to generate capital
	❖ Budget size
	❖ Sources of income
	❖ Control procedures
	❖ Design of services and facilities
	❖ Degree of innovation
<b>Facilities and services:</b>	❖ Location of guesthouse
	❖ Quality of facilities and services
	❖ Condition of facilities
<b>Human resources:</b>	❖ Business expertise
	❖ Staff morale
	❖ Policy
	❖ Motivation levels
	❖ Experience and qualifications
	❖ Reputation
	❖ Entrepreneurship
<b>General management:</b>	❖ Image
	❖ Communication system
	❖ Management style
	❖ Use of systematic decision-making methods
	❖ Degree of synergism

The internal environmental factors mentioned in Table 3.3 are interrelated. A change in one factor therefore affects all the others to some degree. Improving one factor, such as marketing, might not improve the success of the strategic plan if the change has a negative

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effect on another internal factor, such as finances (Mescon *et al.*, 1988:90).

### **3.2.4 IDENTIFY THE STRATEGIC ISSUES**

Identification of strategic issues stems from the situational analysis (Thompson & Strickland 1993:163). Here, the owner-manager needs to draw upon all prior analysis, put the guesthouse's overall situation into perspective and decide exactly where strategic attention needs to focus. Without a precise fix on what the issues are, the owner-manager is not prepared to start developing a strategy — a good strategy must offer a plan for dealing with all the strategic issues that need to be addressed. Identifying and thoroughly understanding the strategic issues a guesthouse faces is a prerequisite to effective strategy-making (Thompson & Strickland, 1999:130).

To pinpoint issues in the guesthouse's strategic plan, Thompson and Strickland (1999:130) identify certain questions that the owner-manager should consider. These questions include the following:

- ◆ Does the present strategy offer attractive defences against the competitive forces — particularly those that are expected to intensify in strength?
- ◆ Should the present strategy be adjusted to better respond to the driving forces at work in the tourism and guesthouse industry?
- ◆ Is the present strategy adequately capitalised on the internal strengths of the guesthouse?

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- ◆ Which of the guesthouse's opportunities merit top priority? Which should be given the lowest priority? Which are best suited to the guesthouse's internal strengths and capabilities?
- ◆ What does the guesthouse need to do to correct its internal weaknesses and to protect itself against external threats?
- ◆ To what extent is the guesthouse vulnerable to the competitive efforts of one or more rivals and what can be done to reduce this vulnerability?
- ◆ Does the company possess competitive advantage or must it work to offset competitive disadvantage?
- ◆ Where are the strong points and weak points in the present strategy?
- ◆ Are additional actions needed to improve the cost position of the guesthouse, capitalise on emerging opportunities, and strengthen the guesthouse's competitive position?

Answers to these questions point to whether the guesthouse can continue the same basic strategy with minor adjustments or whether a major overhaul is necessary (Thompson & Strickland, 1999:130). The better matched a guesthouse's strategy is to its external environment and to its internal strengths and capabilities, the less need there is to contemplate big shifts in the strategy (Thompson & Strickland, 1999:131).

#### **3.2.5 DEVELOP BUSINESS STRATEGIES**

The strategy of the guesthouse consists of actions and business approaches the owner-manager apply to achieve the targeted

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organisational objectives. Objectives are the “ends” and strategy is the “means” of achieving them (Thompson & Strickland, 1999:8-9). A strategy immensely defined, is a detailed, comprehensive and integrated plan to ensure that the mission and objectives of the guesthouse are met (Mescoson *et al.*, 1988:265).

A business strategy concerns the actions and the approaches crafted by the owner-manager to produce successful performance of the guesthouse. Central to the business strategy is *how* to build and strengthen the guesthouse’s stronger long-term competitive position in the market place. A good strategy is well-matched to the external situation (Thompson & Strickland, 1999:48).

Development of sustainable strategies requires asking certain questions, related to key aspects of a guesthouse. In the process of developing strategies, key questions can be asked that will help the owner-manager to discover what it’s strategies should be.

The key questions that owner-managers should ask in order to develop strategies are reflected in Table 3.4. These questions include the following (Wehrich & Koontz, 1994:179-180; Koontz *et al.*, 1984:153-163):

**Table 3.4: Questions to be asked in order to develop business strategies**

<b>Finance:</b>	❖ Where and how is the capital generated?
	❖ How much cash is generated by the guesthouse?
	❖ What working capital levels are desired?
	❖ How should profits be disposed?

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<b>Marketing:</b>	❖ Where are the guests located and how do it prefer to buy?
	❖ Does the guesthouse product have something to offer that the competitors don't?
	❖ What is the best pricing strategy and policy for the operations?
<b>Operationality of facilities and services:</b>	❖ What is the business?
	❖ What do guests want?
	❖ What price are guests willing to pay?
	❖ Who are existing and potential competition?
	❖ How can the needs of guests be served?
	❖ What basic form should the strategy take?
<b>Human Resources:</b>	❖ What will be done in personnel selection and training?
	❖ What will the compensation policy be?
	❖ What should the strategy be with labour unions?

Answers to the various strategic business questions in Table 3.4 should result in developing the business strategies into a business action plan. This plan needs to be implemented, evaluated and controlled (Wehrich & Koontz, 1994:181-182).

### **3.2.6 STRATEGY IMPLEMENTATION AND CONTROL**

The function of strategy implementation is to convert strategic plans into actions and good results. The owner-manager's task is to convert the strategic plan into action and get on with what needs to be done to achieve the vision and targeted objectives (Thompson & Strickland, 1999:268). The test of successful strategic implementation is whether actual performance of the guesthouse matches or exceeds the formulated targets in the strategic plans (Pearce & Robinson, 1997:304).

In deciding how to implement strategies, the owner-manager has to determine what internal conditions are needed to execute the strategic plan successfully. Then they must create these conditions as rapidly as practical.

According to Thompson and Strickland (1999:270) the process of implementing and executing strategies involves the following:

- ◆ Building a guesthouse with competencies, capabilities, and resource strengths to carry out the strategy successfully.
- ◆ Developing budgets to steer ample resources into those value chain activities critical to strategic success.
- ◆ Establishing strategy-supportive policies and procedures.
- ◆ Instituting best practises and pushing for continuous improvements in how value chain activities are performed.

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- ◆ Installing information, communication, and operating systems that enable staff to carry out their strategic roles successfully day in and day out.
- ◆ Tying rewards and incentives to the achievement of performance objectives and good strategy execution.
- ◆ Creating strategy-supportive work environment and corporate culture.
- ◆ The owner-manager needs to drive implementation forward and keep on improving on how the strategy is being executed.

Controlling is the process of ensuring that the guesthouse is attaining it's objectives (Mescon *et al.*, 1988:413). Implementation control is designed to assess whether the overall strategy should be changed in the light of the results associated with the incremental actions that implement the overall strategy (Pearce & Robinson, 1997:383).

The basic control process, according to Weihrich and Koontz, (1994:578-580), involves three steps:

- ◆ Establishing standards.
- ◆ Measuring the performance against the standards.
- ◆ Correcting undesired deviations from standards and plans.

An effective technique to control implementation is the checklist-method. This implies that each person and decision receives a checklist, based on the strategic plan, of what needs to be done. The checklist-method is successful because everyone knows exactly what is required of them. Report back on a continuous basis helps to achieve sustainability (Saayman, 2002b:107).

### **3.2.7 SYNTHESIS**

From the above argumentation it seems that the following are important factors in the strategic planning process for developing and managing a guesthouse:

- ◆ Set over-all business objectives.
- ◆ Formulate a vision statement.
- ◆ Formulate a mission statement.
- ◆ Set a business philosophy and ethics.
- ◆ Analyse the external environment e.g. the economy, politics, technology and competitors.
- ◆ Analyse the internal environments e.g. facilities, human resources, services, marketing and finance.
- ◆ Analyse whether the rendered services and facilities meet the needs of the various target markets.
- ◆ Analyse the general management process.
- ◆ Identify any special strategic issues and problems unique to the guesthouse, its facilities and services.
- ◆ Develop business strategies.
- ◆ Use information derived from the strategic plan to anticipate decision-making.
- ◆ Implement and control managerial strategies.
- ◆ Implement and control operational strategies.
- ◆ Develop a checklist as a control mechanism.

The strategic plan is the end result of the strategic planning process. Development and management of financial planning and its various budgets form part of the strategic planning process, and will subsequently be discussed.

### 3.3 FINANCIAL ASPECTS

Efficient planning, development, management and control of financial incentives are vital to the financial survival of the guesthouse (Saayman, 2002b:249). Financial development and management therefore relates to the strategic planning process (cf. 3.2.1).

Finance consists of three interrelated areas, namely (Brigham & Gapenski, 1994:5):

- ◆ **Money and capital markets.** This deals with securities, markets and financial institutions.
- ◆ **Investments.** The focus of investments lies in the decisions of individuals and financial and other institutions as they choose securities for their investment portfolios.
- ◆ **Financial management.** Also called business management. It involves the actual management of non-financial firms.

This research will discuss financial development and management as part of finance, since a guesthouse is a non-financial firm.

#### 3.3.1 THE NATURE OF FINANCIAL MANAGEMENT

Financial management involves allocating money and controlling its use during every phase in the process of providing leisure, hospitality and tourism services (Saayman, 2002b:249). It cannot be seen in isolation from other managerial responsibilities, since control and planning also are important components of financial management (Saayman, 2002b:248).

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Financial management can occur in three main forms of business organisation, namely sole proprietorship, the partnership and the corporation (Brigham, 1995:9). Although each form of organisation offers some advantages and limitations, the guesthouse, as a small business, will be discussed in this study as a sole proprietorship.

A proprietorship is a business owned by one individual and most small businesses with 1-10 employees are a sole proprietorship (Block & Hirt, 1992:12). Choosing to manage the guesthouse as a sole proprietorship has advantages and limitations (cf. Table 3.5). The advantages and limitations of a sole proprietorship include the following (Brigham, 1995:9-10):

**Table 3.5: Advantages and limitations of a sole proprietorship**

<b>Advantages</b>	<b>Limitations</b>
❖ It is easily and inexpensively formed.	❖ It is difficult for a proprietorship to obtain large sums of capital.
❖ It is subject to few government regulations.	❖ It lacks continuity because the existence of the business is closely related to and dependant on the owner.
❖ It pays no corporate income taxes.	❖ The proprietor has limited personal liability for business debts.

The sole proprietorship is especially suitable for a small business that requires little capital and one person undertakes the management (Saayman, 2002b:258).

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Financial management is performed on a day to day basis as well as through infrequent approaches to the capital markets to acquire new funds (Block & Hirt, 1992:11). Financial managerial functions of the owner-manager include the following (Block & Hirt, 1992:4; Brigham, 1995:8; Saayman, 2002b:250):

- ◆ To efficiently analyse, plan and control finances.
- ◆ To manage the acquisition of funds — also referred to as finance.
- ◆ To forecast and plan the guesthouse's future financial position.
- ◆ To interact with capital markets.
- ◆ To manage the application of funds.
- ◆ To obtain the best mix of financing alternatives.
- ◆ To develop an appropriate dividend policy within the context of the guesthouse's objectives.

Steps to follow in the financial management process of a guesthouse include the following (Brümmer, 2000:57-59, Preller, 2000:33-49; Slabbert 2001:11-14; Thom, 2002):

- ◆ Determine the guesthouse's viability.
- ◆ Formulate a written business plan.
- ◆ Set certain strategic budgets.
- ◆ Develop and control finances through financial information.

Subsequently these processes will be discussed.

### **3.3.2 VIABILITY ANALYSIS**

Viability analysis is a study to determine whether the guesthouse has the ability to survive and be sustainable (cf. Table 3.6). A viability analysis pries the financial planning process because the product needs to be feasible before it can be sold to the market. Viability is

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synonymous to the possibility of success. It can be determined by processing available information and making correct predictions to indicate problem and danger areas (Preller & Engelbrecht, 2000:29). The viability analysis can be performed by asking certain questions. The questions are formulated before the owner-manager further plans and develops the guesthouse. The questions include the following (Preller & Engelbrecht, 2000:29-31):

**Table 3.6: Viability analysis**

<b>Technical viability</b>	❖ What are the government requirements for running a guesthouse?
	❖ Does the guesthouse provide enough rooms?
	❖ Does each bathroom comply with drainage tubes?
	❖ Is there enough secure parking?
	❖ Is the promotional signage visible?
	❖ Are there facilities and services for people with disabilities and children?
<b>Market and competition viability</b>	❖ Who is the target market?
	❖ Are there facilities and services that provide for their needs and demands?
	❖ Who is the competition?
	❖ Are there services and facilities rendered that are unique in relation to competition?

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<b>Organisational viability</b>	❖ Does the owner-manager have the characteristics to suit the profile of an owner-manager?
	❖ Is there sufficient people in the staff?
	❖ Is there a variation in menu items?
	❖ Can meals, other than breakfast, be served?
	❖ Is the layout of the kitchen practical and spacious?
	❖ Is there an administrative office space?
	❖ Is there recreational services and facilities?
<b>Financial viability</b>	❖ Is there a business plan?
	❖ Are the various budgets predetermined?
	❖ Are the budgets feasible?
	❖ Is there a control mechanism?

A positive answer to all these questions indicates that the guesthouse is viable and the owner-manager can continue with the financial planning. A negative answer to these questions indicates problem and danger areas. Corrections to the danger and problem areas are vital — even when one correction concerning the viability of a guesthouse is not made, the guesthouse will not survive financially (Brümmer, 2000:58; Preller & Engelbrecht, 2000:29-31; Thom, 2002).

### **3.3.3 THE BUSINESS PLAN**

Setting up a business plan (Table 3.7) and standard to speculate whether or not the guesthouse, its facilities and services are saleable, proceeds the financial planning phase of a guesthouse. Without sales, there will be no income (Preller, 2000:39). The business plan for each new venue is unique and no single format can guarantee success (Slabbert, 2001:110).

A business plan for a guesthouse includes the following aspects (Brümmer, 2000:58; Slabbert, 2001:11-14):

**Table 3.7: Outline of a business plan for a guesthouse**

<b>Title page</b>	❖ Contact information which includes the address, phone number, fax number and web address of guesthouse.
	❖ Logo of guesthouse.
	❖ Particulars of the owner-manager.
	❖ Date on which the business plan was issued.
	❖ Number of the copy.
	❖ Name of the preparer, if different from the owner-manager.
<b>Table of contents</b>	❖ Sequential listing and page reference of sections to follow.
<b>Introduction</b>	❖ Nature and type of existing or prospective guesthouse.
	❖ Services and facilities provided.
	❖ Motivation for success.
	❖ Mission and vision statement (cf. 3.2.2).

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<b>Summarising description</b>	❖ Brief description of the guesthouse.
	❖ The history is included when the guesthouse already exists.
	❖ Form of guesthouse (sole proprietorship or partnership).
	❖ Legal requirements.
	❖ Description of the guesthouse's premises.
	❖ Summary of qualifications and experience of the owner-manager and employees.
	❖ Description of any contribution to the Reconstruction Development Programme (RDP).
<b>Services and facilities plan</b>	❖ Motivation of services and facilities offered to guests
	❖ Clarification of special features.
<b>Marketing plan</b>	❖ Size of market.
	❖ Target market (cf. 3.4.4).
	❖ Summary of competitors' strategies.
	❖ Identify and quantify user benefits.
<b>Management plan</b>	❖ Discussion of the strategic management approach and the strategic planning process (cf. 3.2).
<b>Operating plan</b>	❖ Outline on methodical process of production and provision of services and facilities.
<b>Financial plan</b>	❖ Pro Forma income statements (12 months).
	❖ Break — Even Turnovers (BET).
	❖ Operating costs budget.
	❖ Cash flow budget.
	❖ Turnover budget.

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	❖ Pro Forma balance sheet.
	❖ Own financial contribution and security.
	❖ Funds required.
	❖ Any other financial aspects where applicable.

The owner-manager can use a formal business plan, as indicated in Table 3.6, to present to the bank or other institution when applying for a loan. The formal business plan also gives the owner-manager strategic guidelines concerning the aims of developing and managing the guesthouse.

Another formal plan that is valuable to have is written budgets, and this will be discussed next.

#### 3.3.4 BUDGETS

A budget is a tool that the owner-manager uses to plan and control the use of scarce resources (Hermanson *et al.*, 1998:827). Financial planning expresses possible future activities in monetary terms and provides numerical bases for decision-making (Saayman, 2002b: 292). A budget is defined as a systematic statement of the expected incomes and expenditure for a particular future period, usually a month or a year, which is prepared to control expenditure and provide a standard for assessing financial performance (Saayman, 2002b:281).

Budgeting is the process of identifying, gathering, summarising, and communicating financial and non-financial data regarding a guesthouse's future activities. This process provides the owner-manager with the opportunity to match the guesthouse's goals with the

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resources necessary to accomplish these goals (Needels *et al.*, 1999:1019).

For the purpose of this study, the planning of the following budgets will be discussed:

- ◆ Cash operating costs budget.
- ◆ Expected turnover budget.
- ◆ Break-even analysis.
- ◆ Budget turnover analysis.
- ◆ Cash break-even budget.

### **3.3.4.1 Cash operating cost budget**

The operating cost budget, as part of the financial goal, forms the basis of a financial viability study (Kroon & Moolman, 1992:263). Operating costs are those essential and recurring costs, fixed and variable, that a guesthouse incurs to keep it in business on a daily basis. It is grouped under the following headings (Preller & Engelbrecht, 2000:31):

- ◆ Human resource remuneration.
- ◆ Facilities.
- ◆ Money.
- ◆ Marketing.
- ◆ Replacement costs.
- ◆ Sundries.

These recurring costs, as researched by Preller and Engelbrecht (2000:31-36) subsequently are discussed.

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- ◆ **Human resource remuneration.** This is the material expenses which are paid to people directly or indirectly. The expenses include the following:
  - ❖ **Salaries and wages.** These include all salaries and wages of temporary and permanent employees.
  - ❖ **Owner-manager's remuneration.** This includes all money, commodities and services the owner-manager received from the guesthouse. A reasonable compensation for the owner-manager is based upon proficiency and involvement in the operations of the guesthouse.
  - ❖ **Registration fees of employees.** This includes all registration fees, which must be paid with regard to employees.
  - ❖ **Auditor remuneration.** Expenses and fees paid to an auditing firm.
  - ❖ **Medical and pension fund subscriptions.** This includes all the medical and pension fund contributions of the guesthouse.
  - ❖ **Bonuses.** These are all bonuses payable to employees and are budgeted in the month it is to be paid.
  - ❖ **Accident and unemployment insurance.** All expenses paid for this form of insurance.
  
- ◆ **Facilities.** The guesthouse needs certain facilities to make business possible. Facilities have financial implications concerning the rent, maintenance and insurance of machinery and equipment on the premises as well as usage of water and electricity.

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- ◆ **Interest and bank charges.** Capital for obtaining financial assistance of the guesthouse has linked expenses, such as interest and banking expenses. Interest includes overdrawn banking account, mortgage and insurance. Banking expenses include administration fees, usage of credit card or cheque and cash withdrawal. Interest and banking transactions all claim banking costs.
- ◆ **Marketing.** The guesthouse needs public awareness to attract business (cf. 3.4). Paid methods of marketing may include:
  - ❖ Advertisements in newspapers or tourism magazines.
  - ❖ Advertisement signage.
  - ❖ Promotional campaigns.
  - ❖ Posters.
  - ❖ Radio advertisement.
- ◆ **Administration.** Administrative expenses include:
  - ❖ Postage.
  - ❖ Telephone.
  - ❖ Stationery and printing.
  - ❖ Condiments.
  - ❖ Packing material.
  - ❖ Catering expenses.
  - ❖ Collection of debts and law expenses.
  - ❖ Delivery fees.
  - ❖ Fuel.
- ◆ **Replacement costs.** All furniture, cutlery, linen, machinery and equipment have limited life expectancy and need replacement at some stage. Depreciation of these is subtracted on the debit

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balance method from a fixed percentage of the book value of the item. Suggested depreciation for a guesthouse is:

❖	Furniture and machinery	10% per annum.	.....
❖	Office equipment	10% per annum.	
❖	Vehicles	20% per annum.	

- ◆ **Sundries.** All expenses that are not incorporated into the above categories are considered to be sundries.

### **3.3.4.2 Expected turnover plan**

The expected turnover budget is synonymous to a capital expenditures budget. This is a detailed plan, outlining the amount and timing of anticipated capital expenditure for a future period of time (Needles *et al.*, 1999:1036).

The expected turnover plan includes the following (Welsch *et al.*, 1988:401):

- ◆ Identify and generate capital addition projects and other financial needs.
- ◆ Develop and refine capital addition proposal.
- ◆ Analyse and evaluate all capital additions, proposals and alternatives.
- ◆ Make capital expenditure decisions to admit the most suitable alternatives and then assign project designations to selected alternatives.
- ◆ Develop the capital expenditures budget (cf. 3.3.4.1).
- ◆ Establish control of capital expenditures during the budget year by using periodic and special performance reports provided by tourism information centres or financial institutions.

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- ◆ Conduct postcompletion audits and follow-up evaluations of the actual results from capital expenditures in period after completion. The expected turnover plan is usually incorporated into the budget turnover analysis.

#### **3.3.4.3 Budget turnover analysis**

The budget turnover analysis enables the owner-manager to plan the amount of resources that should be invested in capital additions to satisfy the needs and demands of guests, to meet competitive demands and ensure financial growth (Welsch *et al.*, 1988:399). The aim of this budget is to estimate what the turnover must be in order to generate enough gross profit to cover enterprise expenses at a remaining net profit (Preller & Engelbrecht, 2000:38).

The formula for this calculation is (Preller & Engelbrecht, 2000:39):

$(\text{OPERATING COSTS} + \text{EXPECTED NETT PROFIT}) \div \text{GROSS PROFIT\%} = \text{BUDGET TURNOVER}$

$(\text{OC} + \text{ENP}) \div \text{GP\%} = \text{BT}$

This budget enables the owner-manager to evaluate the profitability of current services and facilities and therefore gives an indication of the efficiency and effectivity of the current strategic plan (Welsch *et al.*, 1988:400-402).

#### **3.3.4.4 Break-even analysis**

The break-even analysis is also called the cost-volume-profit analysis (Welsch *et al.*, 1988:500). The break-even point occurs where the

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volume of total costs is exactly equal to the total income and there is neither profit nor loss (Saayman, 2002b:269). Break-even is then the point where a guesthouse begins to earn net income. A guesthouse is successful when its revenue exceeds its expenses. When revenue exceeds expenses, the difference is called net income and when the expenses exceed revenue, the difference is called net loss income (Needles *et al.*, 1999:992; 16). The break-even analysis is important to the owner-manager because it helps to establish the minimum turnover that must be achieved each month in order to be financially sustainable (Preller & Engelbrecht, 2000:37).

The following formula is used to determine the break-even turnover (Preller & Engelbrecht, 2000:38):

BUDGETED OPERATING COSTS ÷ GROSS PROFIT % =  
BREAK-EVEN TURNOVER

BOC ÷ GP % = BET

The difference between net sales and cost of services and facilities sold, is called the gross profit (Needles *et al.*, 1999:179). The results of the break-even analysis are retained to show the relation between revenue, fixed and variable expenses within a relevant range of sales volume (Welsch *et al.*, 1988:513).

### **3.3.4.5 Cash break-even turnover analysis**

A cash break-even analysis is a projection of the cash receipts and cash and summaries the cash flow results of planned transactions for a future period. It excludes non-cash transactions such as depreciation, interest and banking remuneration (Needles *et al.*, 1999:1036). The

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aim of this analysis is to generate enough gross profit to cover all cash and tax obligations (Preller & Engelbrecht, 2000:39). The formula for this calculation is (Preller & Engelbrecht, 2000:39):

$$\text{CASH BREAK-EVEN TURNOVER} = \{ \text{OPERATING COSTS} + [(\text{CAPITAL REDEMPTION} - \text{DEPRECIATION})] \div (100\% - \text{TAX RATE}) \} \div \text{THEORETIC GROSS PROFIT}$$
$$\text{CBET} = \{ \text{OC} + [(\text{CR} - \text{DP}) \div (100\% - \text{TR})] \} \div \text{TGP}\%$$

The cash break-even turnover analysis is usually calculated on a yearly base for tax reasons. This budget is future orientated and composed of estimated data rather than historical data, although the estimates may be based on past operating results (Engler, 1990:325).

### **3.3.5 FINANCIAL CONTROL**

The budgets need financial maintenance after it is drawn up. To get to budgetary control, the guesthouse implements the above mentioned budgets and then controls the implementation process (Kroon, 1995: 425). Financial control is a process of measuring and evaluating the actual performance of all the components of the guesthouse and initiating corrective action when necessary to ensure efficient accomplishment of the mission and vision of the guesthouse (Welsch, *et al.*, 1988, 15).

Timeless and useful information systems concerning the activities and financial position of the guesthouse are required to enable the guesthouse owner-manager to develop and manage finances successfully. The information need to be useful in making management decisions on a daily or monthly basis (Thom, 2002).

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Currently computerised financial control programmes are available, for example Budget Hotels 2000 for Windows release (Anon, 2000), that owner-managers can use to develop and manage their financial assets. Financial management control integrates the same processes and steps as the strategic planning control process (cf. 3.2.6).

### **3.3.6 SYNTHESIS**

From the above argumentation, it seems that the following are important financial aspects in development and management of a guesthouse:

- ◆ Decide on a type of ownership, e.g. sole proprietorship, partnership or close corporation.
- ◆ Determine the guesthouse's viability.
- ◆ Formulate a written business plan.
- ◆ Plan a cash operating costs budget.
- ◆ Plan an expected turnover budget.
- ◆ Plan a break-even analysis.
- ◆ Plan a budget turnover analysis.
- ◆ Plan a cash break-even budget.
- ◆ Implement the various budgets.
- ◆ Apply financial control.

Development and management of financial aspects is a sub-process, derived from the strategic planning process. Marketing aspects are directly influenced by finance, and will be discussed next.

## **3.4 ASPECTS OF TOURISM MARKETING**

Marketing is a component of the strategic planning process and should be viewed as interdependent in contributing to the long-term success of the guesthouse (Kotler *et al.*, 1996:45; 47). Marketing is necessary in order to relay a specific, convincing message to potential guests in order to convince them to visit the guesthouse. In doing so, it will contribute to satisfying the guest's needs and wants and to generating a profit for the owner-manager (Nel, 1999:36).

### **3.4.1 THE NATURE OF TOURISM MARKETING**

Marketing is a management philosophy which, in the light of tourism demand, makes it possible through research, forecasting and selection to place tourism products on the market most in line with the organisation's purpose for the greatest benefits (Mill & Morrison, 1985:385). This definition indicates that marketing is a way of thinking about the situation that balances the needs of the tourist with the needs of the organisation or destination; that tourism marketing research leading to tourism market segmentation is essential; and that the concepts of the product life cycle and development of new and relevant product offerings are important (Leibold, 1988:113 in a discussion about a seminar Mill & Morrison proposed at the World Tourism Organisation in Ottawa in 1987).

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Tourism marketing is unique in three major respects (Leibold, 1988:118-119):

- ◆ **The service provided is a combination of several products and services.** For example, a vacation has different components, such as transport, attractions, accommodation and entertainment.
- ◆ **The role of travel intermediaries.** Many tourist destinations are located considerable distances from their potential consumers, which means that specialised intermediaries that operate between supplier of destination services and the tourist are necessary.
- ◆ **Tourism demand and supply.** Tourism demand is highly elastic, seasonal by nature and subject to factors such as taste, fashion and price. Tourism supply cannot be stored and is relatively fixed in the short term.

The fundamental concepts of tourism marketing are identified as follows (Kotler *et al.*, 1996:24-29; Saayman, 2002b:314 ):

- ◆ **Needs, wants and demands.** People may have complex physical, social, esteem and individual needs. Wants are how people communicate their needs. People have almost unlimited wants, but limited resources. They choose products that produce the most satisfaction for their money. When backed by buying power, wants become demands.
- ◆ **Products.** People need, want and demand products that are available to satisfy them (cf. Table 3.8). The product concept will be discussed as part of the marketing mix (cf. 3.4.6).
- ◆ **Value, cost and satisfaction.** Value is guests' estimation of the over-all capacity of the guesthouse's services and facilities to

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satisfy their needs. Cost not only involves money, but everything one gives up to gain the product. Satisfaction with the guesthouse's services and facilities is determined by how well the product meets the guest's expectations of the product.

- ◆ **Exchange, transactions and relations.** Exchange is the act of obtaining a desired object from someone by offering something in return, where a transaction consists of a trade of values between two parties. In building good relationships with valued customers, distributors, dealers, and suppliers profitable transactions will follow.

The above-mentioned concepts lead to the concept of a market (Kotler *et al.*, 1996:28). The tourism market is the overall group of consumers that engages from tourism-related travel and might transact with a seller involved in the tourism industry (Weaver & Opperman, 2000:203). The concept of markets fulfils the circle to the concept of marketing (Kotler *et al.*, 1996:28). Marketing is a concept that holds the key to achieve the guesthouse's goals. It determines the needs and wants of target markets and delivers the desired satisfactions more efficiently and effectively than competitors in a way that preserves or enhances the guest's and society's well-being (Middleton, 2001:23).

Marketing is a social and managerial process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others (Kotler *et al.*, 1996:8). Tourism marketing has the following key characteristics (Mawson, 2000:8; Saayman, 2002b:315):

- ◆ Recognising, stimulating and satisfying the customer's needs and demands.
  - ◆ Attracting new customers.
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- ◆ Reacting to market trends.
- ◆ Keeping up with competitors.
- ◆ Encouraging consumer loyalty.
- ◆ Targeting specific markets.
- ◆ Identifying marketing opportunities.
- ◆ Noting feedback from guests.

Derived from the above mentioned characteristics, the tourism marketing process has three phases, namely (Saayman, 2002b:314):

- ◆ Find out what the guests want,
- ◆ create it and
- ◆ sell it.

A successful way to conclude these marketing phases, is target marketing. Target marketing for a guesthouse is a process whereby the owner-manager identifies market segments, selects one or more and develops services, facilities and marketing mix tailored to each segment (Kotler *et al.*, 1996:244). Before the owner-manager starts with target marketing, marketing research is performed. Marketing research and the steps in target marketing will be discussed next.

### **3.4.2 MARKETING RESEARCH**

The terms market research and marketing research are often used interchangeably. Gerhold (1993:7) asserts that there is no difference between the two terms and that they can both be defined as any scientific effort to understand and measure markets or improve marketing performance. Kinnear *et al.* (1995:19) distinguish between these two terms by indicating that market research implies that the focus of research is on the analysis of markets. The term marketing

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research extends the role and character of research, with the emphasis on contact between researchers and the marketing management process.

This study adopts the term marketing research. Marketing research can be defined as the systematic and objective search for an analysis of information relevant to the identification and solution of any problem in the field of marketing (Green *et al.*, 1988:2). The owner-manager can use marketing research to gain relevant up-to-date information about the market, indicate trends and reduce uncertainties and risks associated with marketing decisions.

Marketing research is an organised process, which has to do with the gathering, processing, analysis, storage and dissemination of information to facilitate and improve decision-making (Middelton, 2001:171). The process of marketing research is a strategic planning tool and cannot provide solutions to managerial problems or ensure correct decisions (Mawson, 2000:26-27). It also helps to provide answers to the strategic planning questions of who? what? when? where? how? and why? (Middelton, 2001:186).

The owner-manager, as key decision maker in the guesthouse, usually applies the marketing research process. The process requires the owner-manager to undertake the following to (Kotler *et al.*, 1996:149):

- ◆ Define problems and research objectives.
- ◆ Develop a research plan for collecting information.
- ◆ Implement the research plan and analyse data.
- ◆ Interpret findings.
- ◆ Aim research at certain target markets.

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As mentioned above, marketing research should be aimed at certain target markets. Target marketing for a guesthouse is a process whereby the owner-manager identifies market segments, selects one or more and develops services, facilities and marketing mix tailored to each segment (Kotler *et al.*, 1996:244).

### **3.4.3 MARKET SEGMENTATION**

The guesthouse industry, as part of the accommodation sector of the tourism industry, is part of a competitive environment and therefore it is important to determine who the current and potential new guests are. The tourism market stretches globally, and it is not possible for a guesthouse to serve the total market. It is therefore necessary to segment markets and concentrate on a single or few segments (Saayman, 2002b:341). These segmenting decisions should be based on marketing research (cf. 3.4.2).

There are certain steps in the market segmentation process, namely (Kotler *et al.*, 1996:244; Saayman, 2001:88; 2002:246):

- ◆ To identify basis for segmenting the market.
- ◆ To develop profiles of resulting segments.
- ◆ To identify a specific target market (cf. 3.4.4).

#### **3.4.3.1 Basis for segmenting a market**

The first step in the market segmentation process is to find a basis for segmenting the market (cf. Table 3.7). Much of the research published in the *Journal of Travel Research* in 1994 (Andereck & Caldwell, 1994; Madrigal & Kahle, 1994; Mo *et al.*, 1994; Schoemaker, 1994),

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Saayman (2002b:343-345; 2001:61-98) and Kotler *et al.* (1996:247) identify market segments that differ on the basis of the following variables:

- ◆ Socio-economic segments.
- ◆ Geographic segments.
- ◆ Demographic segments.
- ◆ Psycho-graphic segments.
- ◆ Behavioural segments.

### 3.4.3.2 Profile of the market

A profile is developed from the above-mentioned variables and Saayman (2001:93) characterises these variables as follows:

**Table 3.8: Basic market segmentation classification**

<b>Demographic:</b>	❖ Age
	❖ Gender
	❖ Religion
	❖ Family size
	❖ Family life cycle
<b>Socio-economic:</b>	❖ Social status:
	❖ Ethnic:
	❖ Income
	❖ Occupation
	❖ Education
	❖ Population
	❖ Nationality
❖ Home language	

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	❖ Region
<b>Geographic:</b>	❖ City
	❖ Suburb
	❖ Climate
	❖ Population density
	❖ Personality type:
<b>Psycho-graphic:</b>	❖ Conservative
	❖ Compulsive
	❖ Ambitious
	❖ Economic considerations
	❖ Buying behaviour:
	❖ Facility considerations
	❖ Retailer loyalty
	❖ Brand loyalty
❖ Confidence in trademark	

To gain a competitive edge, the owner-manager must identify one or more subsets of guests within the total market, as classified in Table 3.8, and concentrate its efforts on meeting their needs (Kotler *et al.*, 1996:246). Effective segmentation requires the selected segment to comply with the following criteria (Kotler *et al.*, 1996:266; Saayman, 2002b:348):

- ◆ **Measurable.** The number of potential guests in a segment needs to be determinable.

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- ◆ **Actionable.** The degree to which effective programmes can be designed for attracting and serving segments.
- ◆ **Accessible.** This is the degree to which guests can be reached and served.
- ◆ **Substantial.** The segment needs to consist of sufficient numbers of profitable potential guests to support the aimed marketing strategy.
- ◆ **Reliable.** Unique characteristics of the potential guests need to be viable for any separate programme that is aimed at them.
- ◆ **Durable.** During the development of the market, the segment needs to retain its diversity.
- ◆ **Competitive.** The guesthouse needs to have a relatively competitive advantage in an effort to serve the market segment.

After segmenting the market, the owner-manager can target the market.

#### **3.4.4 MARKET TARGETING**

Market targeting and the allocation of promotional efforts across alternative markets are essential strategic concerns in tourism marketing (Perdue, 1996:36). Given limited marketing resources, increasing costs, and increasing accountability demands, the owner-manager must allocate marketing efforts across alternative markets to maintain important existing markets and penetration markets with high incremental sales potential (Hawes, Taylor, & Hampe, 1991 in Perdue, 1996:36).

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Market targeting is the process whereby each segment's attractiveness is evaluated and the selection is made of one or more segments that will form a niche market. Steps to follow in the market targeting process are identified as choosing a market-coverage alternative and then selecting the target segments (Kotler *et al.*, 1996:266). These steps are discussed next.

### 3.4.4.1 Market-coverage alternatives

An organisation can adopt the following market-coverage alternatives (Kotler *et al.*, 1996:255-257; Mawson, 2000:38):

- ◆ **Undifferentiated marketing:** This alternative ignores market segmentation differences and goes after the whole market with one market offer.
- ◆ **Differentiated marketing:** Several market segments are targeted. Services and facilities are arranged to suit these segments best.
- **Concentrated marketing:** Niche marketing is synonymous to concentrated marketing. Instead of going for a small share of a large market, the guesthouse chooses the alternative of one or more small markets. It is an appealing strategy.

Differentiated marketing is an effective alternative to choose when the guesthouse is arranged with separate honeymoon suites, family rooms and conference facilities. Concentrated marketing is an effective alternative to choose when the guesthouse has limited resources (Kotler *et al.*, 1996:257). The owner-manager, as decision-maker, usually decides what alternative or combination of alternatives to use.

### 3.4.4.2 Selection of target segments

The selection of target segments occurs in selecting one or more of the segments discussed above (cf. Table 3.7). From the selected segments, the owner-manager then identifies four to five markets that have active or potential guests who have the same characteristics. Each of those segments are then divided into two smaller segments that will serve as niche segments (Saayman, 2002b:347).

Target market selection in the tourism industry can be applied according to the following methods (Lewis *et al.*, 1995:17; Perdue, 1996:39):

- ◆ **Application of a distance criterion.** For example, a guesthouse may define its target market as people living within 1000 kilometres.
- ◆ **Usage of an existing sales criterion.** Marketing efforts in this method are allocated to target markets identified on the basis of historical sales patterns.
- ◆ **Interest survey.** This method involves conducting household surveys in alternative markets with the purpose of identifying new business potential. The new business potential is people who have not visited the destination but either have positive images of the area or exhibit some specified level of interest in visiting it.
- ◆ **Chain ratio and indexing.** Adapted from retail product marketing, these methods involve ranking alternative geographic markets on the basis of current travel indices.

Once the owner-manager has decided on market-coverage alternatives and has selected the target segments, the guesthouse can be positioned in the target market.

### **3.4.5 MARKET POSITIONING**

Market positioning is the process of developing the image of the product (Yiannakis, 1991:61). The guesthouse's position is the place the guesthouse occupies in the potential guest's minds relative to competing guesthouses and other accommodation types (Kotler *et al.*, 1996:267).

Once a target market is fitted to the image of the guesthouse, the owner-manager then determines how to best position the product in the minds of each target market. That is, decisions must be made as to the kind of image that is to be projected so that the features of the product are accurately and effectively promoted (Yiannakis, 1991:61).

Market positioning is a process of tourism marketing and therefore forms a part of the strategic planning process of the guesthouse. The owner-manager has to develop a product positioning strategy for each segment the guesthouse chooses to serve (Saayman, 2001:89). Positioning strategies include the following (Kotler *et al.*, 1996:259-261):

- ◆ **Specific product attributes:** Price and features of the services and facilities can be used to position the guesthouse.
- ◆ **Certain classes of guests:** The owner-manager can position the guesthouse for certain guests for example business people, families, honeymoon couples and conference attendants.

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- ◆ **Against an existing competitor:** The guesthouse can be positioned against existing guesthouses or other accommodation types.

The selected positioning strategy should be implemented and controlled (cf. 3.2.6). The objective of guesthouse positioning is to create a distinctive place in the minds of potential guests. The guesthouse needs to be positioned in relation to each target segment.

All the marketing mix efforts of a guesthouse must support its positioning strategy (Kotler *et al.*, 1996:267).

### **3.4.6 THE MARKETING MIX**

Based on the accumulated information from the previous marketing processes, a marketing plan is developed. This plan is divided into a strategic phase (cf. 3.2.1) and an operational phase. The former specifies what is to be done and the latter explains how it is to be implemented (cf. 3.2.6). The basic concepts employed in this plan involve the marketing mix (Yiannakis, 1991:61). This consists of five variables (product, price, place, promotion and people) which must be carefully selected so that the best combination of these is achieved with every target market. All decisions related to the marketing mix must be made with the aim to achieve the derived market position (Seaton & Bennett, 1996:136).

The final plan provides specific information about which product features are to be promoted, and how; to which target markets; using which access media; at what price; located or distributed in which areas; and sold by what types of people (Yiannakis, 1991:63).

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### 3.4.6.1 Product

Product means consumer value (Middelton, 2001:88) and is the result of a combination between services and facilities the guesthouse offers (Saayman, 2001:190) as well as its human resources (cf. 3.5.1). The hospitality product consists of five components, namely (Snyman & Lambris, 1993:10; Nel, 1999:36):

- ◆ **Location.** Location places the guesthouse geographically in or near a specific city or town. Within this area, location denotes accessibility and convenience, attractiveness of surroundings, and proximity to other tourism sectors (attractions, entertainment, and transport).
- ◆ **Facilities.** Facilities include the bedrooms, dining area, recreation facilities, conference room, accessories for children and fittings for people with disabilities.
- ◆ **Service.** Service comprises the quality of the guesthouse's services provided through its facilities.
- ◆ **Image.** Image is the way the guesthouse is perceived by an individual or group. The name, interior, logo, stationary and general atmosphere forms a unity that conveys the image. Image is a by-product of its location service and facilities.
- ◆ **Price.** Price expresses the value given by the guesthouse through its location, facilities, service and image (cf. 3.4.6.2).

These product components have two dimensions, namely features and benefits. The guest can be either satisfied or dissatisfied by the features and benefits of the guesthouse (cf. Table 3.9 & Table 3.10).

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Guest satisfactions are classified as the following (Snyman & Lambris, 1993:9):

**Table 3.9: Guest satisfactions**

<b>Physiological</b>	❖ Well catered meals
	❖ Quenched thirst
	❖ Comfortable and clean bed
	❖ Tidy household
	❖ Hospitable environment
<b>Economic</b>	❖ Best value for money
	❖ Credit facilities
	❖ Convenient location
	❖ Quality service
<b>Social</b>	❖ Pleasant company
	❖ Sound advice about other tourism products
	❖ Reliable advice about menu items and wines
<b>Psychological</b>	❖ Enhancement of self-esteem
	❖ Security
	❖ Status

Guest dissatisfactions are classified in Table 3.10 (Snyman & Lambris, 1993:9):

**Table 3.10: Guest dissatisfactions**

<b>Controllable: Internal environmental factors</b>	❖ Booking mistakes
	❖ Unhelpful staff
	❖ Dirty uniforms, cutlery, bedding, floors
	❖ Untidy household
	❖ Cramped conditions
	❖ Damaged items

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<b>Uncontrollable: External environmental factors</b>	❖ Road works
	❖ Behaviour of other customers
	❖ Seasonality of some menu items
	❖ Crime and violence

A successful guesthouse creates a consumer demand by providing facilities and services clients need and demand (cf. 3.4.1) but lacks to be provided by other accommodation types. The product needs development according to the guest's ever changing needs and preferences so that optimum guest satisfaction is reached while the guesthouse still remains profitable (Middelton, 2001:89-90).

Each guesthouse, as a rendered product, has a certain life cycle. A product's life cycle consists of five stages, namely introduction, growth, maturity, saturation phase and decline ( Russell & Lane, 1996:66; Saayman , 2002:320). These stages are discussed below.

- ◆ **Introductory stage:** The new guesthouse is introduced to the market in the introductory stage.
- ◆ **Growth stage:** A growth phase then follows that can last a few months or years, depending on the nature of the specific guesthouse.
- ◆ **Maturity stage:** The product then reaches the mature stage. The owner-manager must plan for modifications even before this phase is reached.
- ◆ **Saturation stage:** The last phase is saturation, in which the guesthouse is forced out of the market unless some modifications take place.

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Guesthouse modifications can take on many forms, for example new room decorations, free gifts, special tourism packages, menu modifications, making the guesthouse user friendly for people with disabilities, new facilities and special services (Westwood, 2002).

The price of the guesthouse product and the pricing of it is an integral part of the marketing strategy as it generates revenue for the guesthouse.

### **3.4.6.2 Price**

Price means cost (Middelton, 2001:89). In combination with the product, price tends to be the key component of strategy and in some cases can be the most important component of the marketing mix (Saayman, 2001:204). The price conveys a message to the customers about the nature of the product. In manipulating price in combination with product quality and promotional message, sales can be orientated to a new market, or market share can be increased at the expense of the competitors (Seaton & Bennett, 1996:87).

The price or rates charged, has a direct influence on the profit margins of the guesthouse. The charged rates need to fit with the character, services and facilities offered by the guesthouse product. Price also needs to be competitive and comparable with other guesthouses offering more or less the same product. The “right price” of the guesthouse product is the best rate to charge the guests in terms of operating costs, competition and what the guests will be prepared to pay (Henning, 1999:44). Determining the price of the guesthouse product includes the following steps (Henning, 1999:19; Thom, 2002):

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- ◆ Determining the operating costs (cf. 3.3.4.1) and performing a break-even analysis (cf. 3.3.4.4) are the two first steps in determining price.
- ◆ Market research (cf. 3.4.2) is carried out through comparing other guesthouses that offer a similar number of rooms, services and facilities in order to determine the industry — norm of price.
- ◆ The percentage room occupancy rate that the guesthouse product need to achieve in order to break-even, make a profit and concur with industry — norm of similar guesthouse products is estimated (33% occupancy rate is a realistic average to cover operational costs and provide a reasonable balance between the periods of full, half-full and low occupancy).
- ◆ (number of beds) X ( business days in a month)= Numbers of beds available to sell.
- ◆ Break-even rate plus profit per room is determined.
- ◆ The final price needs to be complementary with the rates other similar guesthouses charge.

The above mentioned steps to determine price can be calculated by using the following formula, for example (van der Merwe, 2002):

Operating Cost/month (OC)	R 10 000
Gross Profit/month (GP%)	80%
Number of beds available	10
Capital investment .....	R200 000
Expected return on investment/year .....	20%
1. Break-even: .....	
= .....	$\frac{OC}{GP\%} = \frac{10000}{80\%}$
= .....	12 500

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2. Determine occupancy rate:  
(Number of beds available for business × Business days/  
month) × Occupancy rate  
=  $[10 \times (365 \div 12)] \times 33\%$   
= 100, 375 Occupied Guest Beds (OGB)
  3. Cost price of beds  
= Break-even ÷ OGB  
=  $\frac{12500}{100.375}$   
= R124.53 per bed
  4. Determine profit  
= Investment × Expected return on investment  
= R200 000 × 20%  
= R40 000 per annum  
 $\therefore$  Per month =  $\frac{40000}{12}$   
= R3 333 per month
  5. Profit per bed  
= Expected profit  
OGB  
=  $\frac{3333}{100.375}$   
= R33.21
  6. Selling price per bed  
= Cost price + Profit  
= 124.53 + R33.21  
= 157.74
-

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∴ Final price per bed = R157.74

Modern computer technology can also be used to determine price. Financial management computer programmes are available that help people with a slight knowledge of financial calculations to determine the best price for their guesthouse product, for example Budget Hotels 2000 for Windows release (Anon, 2000). This programme can determine the price of the guesthouse product, as well as various budgets (cf. 3.3.4) when provided with operational cost details and number of beds available (Thom, 2002).

The price-fixing policy has an influence on the image of the guesthouse. Policies are plans for the future direction the guesthouse is heading in. The guesthouse's pricing policy therefore appears in the marketing mix as an indicator of the guesthouse's aim in fixing prices (Holloway & Robinson, 1995:95).

The basic price policy, also called the profit margin, is described as follows (Holloway & Robinson, 1995:95-100; Saayman, 2001:205):

- ◆ **Profit maximisation.** The aim of profit maximisation combines charging the market a fair price with attempts to reduce costs. The concept fair price is paramount and should be analysed in the marketing research process. The relation between the value of the product and the price charged, reflecting the quality element can be represented as follows:
  - ◆ value =  $\frac{\text{quality}}{\text{price}}$
- ◆ **Price restraint.** The owner-manager may take the decision to maintain or lower prices in order to sustain existing markets.

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- ◆ **Cost-plus pricing.** This involves pricing to achieve a mark-up on unit costs, based on the guesthouse industry's norms.
- ◆ **Market price.** Prices are fixed according to the demand in the market and are a good strategy to follow when the guesthouse is highly dependant on seasonal guests.
- ◆ **One price for all.** One price is charged for the room, breakfast and dinner.
- ◆ **Market skimming.** This method is based on setting a high, sometimes an introductory, price aimed at attracting the cream of the market. It can be a way of maximising profit in the short run.
- ◆ **Buyer-based pricing.** Based on guest's perceptions of value rather than the owner-manager's costs. The owner-manager can determine these perceptions through market research. The market function must use non-price variables such as promotion, distribution, product features and corporate identity to increase the perceived image.
- ◆ **Competition-based pricing.** This requires prices to be set by following the prices of the competitors in the market.

In the process of deciding what rate to charge guests and which pricing policy to follow, the owner-manager first determines what minimum price is required to cover costs and then determines an upper-limit. The final price will lie somewhere between these two calculations (Seaton & Bennett, 1996:142).

The three major influences on price are costs, competition and the guest (Seaton & Bennett, 1996:139; Mawson, 2000:67). The relation between these influences is described as "demand sets the ceiling,

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costs set the floor, and competition determines where on the continuum the actual price will fall” (Shaw, 1992:31).

In fixing the price of the product, certain aspects are considered hence it influences the final price (Saayman, 2001:207; Slabbert, 2001:4). These aspects are:

- ◆ **Developing costs.** This is the cost of developing the product and has certain fixed and variable costs every month (cf. 3.3.4).
- ◆ **Stage of product development.** This relates back to the product lifecycle (cf. 3.4.6.1). The image and quality service the target market experiences from the guesthouse in the various lifecycle cycles, influence the demand for the guesthouse.
- ◆ **Competition.** The less competition, the more control the owner-manager has over prices. The more competition to the guesthouse, the less control the owner-manager has over the price.
- ◆ **Pricing policy.** The pricing policy chosen by the owner-manager requires covering costs of production, promotion and distribution, plus offering a profit.
- ◆ **Location.** This is the geographical location of a site at which service products are delivered to guests. Being located in a town or a city considered as a tourist destination or tourist through-route, close to a main or side road, or located in a quiet street all influence price.
- ◆ **Seasonality.** High season implies higher prices because the demand then is higher and guests are willing to pay a fair price. Discount packages are designed to stimulate demand in off-peak periods. The owner-manager can decide to offer better value for

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group-bookings or to offer individuals who stay a certain number of nights, one night free. This doing rewards guests who purchase during the off-peak time.

### **3.4.6.3 Place (distribution)**

Place means convenience of location in terms of consumer access to the product they buy (Middelton, 2001:89). Distribution is the process whereby the guest is brought to the product and not vice versa. The product is intangible and therefore the owner-manager strives for a continuous flow of guests in the same ratio as product availability (Saayman, 2002b:332).

The main objective of guesthouse distribution is to ease the flow from one town, province or country to another, taking transport-safety into account. The guesthouse cannot be successful unless it is accessible to guests. Distribution channels make accessibility readily. A distribution channel is any organised and serviced system, utilised to provide convenient points of sale and access to guests, away from location of delivery (Middelton, 2001:293).

For channels to be effective, information should flow from the owner-manager to the guests. The owner-manager decides on the amount and type of information flowing to the guests. In these information salient points, such as the guesthouse's location, room rates and special attractions are addressed which can influence decision-making from the target market (Mawson, 2000:62).

Steps to take in distributing information or to making a guesthouse accessible include the following (Saayman, 2002b:332):

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- ◆ Compile a product test and determine the ability to satisfy needs.
- ◆ Compile a priority list of market needs.
- ◆ Choose distribution channels that are reconcilable with the market.
- ◆ Provide transport that is reconcilable with the market.
- ◆ Facilitate movement by clear directions and road signage.

Guests are brought to the guesthouse instead of the guesthouse product being brought to the guests (Saayman, 2002b:222). Channels the owner-manager can follow to bring guests to the guesthouse can include the following (Saayman, 2002b: 334):

- ◆ Guesthouse representative companies such as GHASA, BABASA (Bed and Breakfast Association of South Africa), FEDHASA (Federated Hospitality Association of South Africa), NAA-SA and GAA.
- ◆ Retail travel agents.
- ◆ Web-sites with direct access for final consumers and other intermediaries to use.
- ◆ Allocation to Internet companies specialising in travel and accommodation.
- ◆ Tourist information networks.
- ◆ Business travel agents and conference brokers.
- ◆ Call centres, linked to central reservation systems, responding to promotional communications (cf.3.6.2).
- ◆ Tour operators.
- ◆ Other guesthouses and accommodation types in surrounding area or on routes intersecting the guesthouse's location.
- ◆ State tourism agents such as SAT (South African Tourism), Provincial and Local Tourism Boards.

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The owner-manger decides on the best distribution channel or combination of channels for the specific target market and distributes and promotes information to them.

#### **3.4.6.4 Promotion**

Promotion means communication (Middelton, 2001:89). Promotion is the communication of information from the owner-manager to the potential guest in order to influence attitudes and behaviour.

Promotion tools are used as the vehicle for communicating information. The five major promotion tools, also called the promotion mix, are advertising, personal selling, direct marketing, sales promotion and public relations (Peter & Donnelly, 1991:156; Russell & Lane, 1996:444; Van der Waldt, 2000; Lowe, 2002; Saayman, 2002b:328):

- ◆ **Advertising.** Advertising is any paid form of non-personal presentation and promotion of ideas, goods or services by an identified sponsor. An advertisement is a paid promotion in magazines, newspapers, radio and television. Advertising objectives should be based on the target market, positioning and the marketing mix. There are three types of objectives, classified according to purpose:
  - ❖ **Inform.** Informative advertising is used to inform guests regarding new products, services or facilities. Its main aim is to build primary demand.

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- ❖ **Persuade.** Persuasive advertising is used to persuade potential guests that a particular guesthouse provides the best product offering. Its main aim is to build selective demand.
- ❖ **Remind.** Reminder advertising is used to remind guests of a product's existence.
- ◆ **Personal selling.** This involves direct face-to-face relationships between the seller and the guest. Word-of-mouth is an effective way to convey information about the guesthouse as a previous guest speaks about her experience at the guesthouse to other people who perhaps wouldn't have been reached by other promotion types.
- ◆ **Direct marketing.** The process consists of a group of promotional activities with the aim of creating an immediate sale, or creating interaction with potential guests to bring about an earlier sale. It is an interactive marketing system that uses one or more forms of advertising media to create a transaction.
- ◆ **Public relations.** The aim is to establish positive relations between the guesthouse and its various publics, build corporate image and handle unfavourable events. The public relations function achieves this through press relations, product publicity, corporate communications, lobbying and counselling.

The specific promotional mix that the owner-manager chooses to follow is interrelated to the other aspects in marketing. Price (cf. 3.4.6.2) and budgeted amount for marketing (cf. 3.3) are determinants of the promotional strategy and influence the distribution channels.

### **3.4.7 SYNTHESIS**

From the above argumentation it seems that the following marketing factors are important in the development and management of a guesthouse:

- ◆ Execute market research.
- ◆ Segment the market into target markets.
- ◆ Develop profiles of the various market segments.
- ◆ Aim research at predetermined target markets.
- ◆ Select a target market by applying of a strategically planned method.
- ◆ Position the guesthouse in the marketplace.
- ◆ Develop marketing mix tailored to the product's life cycle.
- ◆ Develop a price strategy.
- ◆ Locate the guesthouse in the right surroundings.
- ◆ Advertise the guesthouse.
- ◆ Do personal selling.
- ◆ Facilitate movement by means of clear directions and road signs.
- ◆ Promotion.
- ◆ Sell the guesthouse product personally to guests.
- ◆ Use direct marketing to create an immediate sale.
- ◆ Develop efficient public relations.

Marketing is a process derived from the strategic planning process and is influenced by finances. Development of and managing human resources is discussed next.

## **3.5 ASPECTS OF HUMAN RESOURCES**

South Africa has a shortage of skilled human resources, and its labour market is characterised by an imbalance between skilled and unskilled human resources (Gerber *et al.*, 1995:3). Human resources are potential and current employees working in the guesthouse and need to be managed (Van der Merwe, 2002).

### **3.5.1 THE NATURE OF HUMAN RESOURCE MANAGEMENT**

Human resource management is described as the process through which an optimal fit is achieved among employees, task, guesthouse and environment so that employees reach their desired level of satisfaction and performance and the guesthouse meets its goals (Gerber *et al.*, 1995:13). The function of human resources is a staff function that places specialised people at the owner-manager's disposal so that aims can successfully be achieved (Saayman, 2002b:187).

Four factors of human resources are derived from the above mentioned description (Gerber *et al.*, 1995:13; Saayman, 2002b:189):

- ◆ The external environment.
- ◆ The guesthouse with its internal environment.
- ◆ The task.
- ◆ The individual employees.

The various external and internal environmental factors were argued previously in this chapter (cf. Table 3.2 & Table 3.3). The task and the individual employees subsequently are described:

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### **3.5.1.1 The task**

Tasks are the activities employees perform. It must be tailor-made for the right individual. The owner-manager challenges employees with new tasks so that they will stay motivated to work hard (Saayman, 2002b:189). A challenge is the level of difficulty at which tasks and motivational activities are performed (Gerber *et al.*, 1995:13).

### **3.5.1.2 The individual employees**

The owner-manager and the recruited employees form part of the guesthouse's human resources. Both the owner-manager and the employees are part of the total guesthouse product. When focussing on creating a service culture and hospitable environment, teamwork between the owner-manager and employees is important (Kotler *et al.*, 1996:337). The productivity of the guesthouse will increase if the individuals have the right abilities and knowledge (Saayman, 2002b:189).

For the purpose of this study development and management of human resources have a dualistic nature, namely:

- ◆ Characteristics of an owner-manager.
- ◆ Development and management of people employed by the owner-manager.

These two aspects will subsequently be discussed.

### **3.5.2 CHARACTERISTICS OF AN OWNER-MANAGER**

In order to identify characteristics of an owner-manager, it is necessary to look at the individual (with her/his unique psychological characteristics) in interaction with the situation (Kroon & Moolman, 1992:15-16). Luthans (2002:4-50) uses the terms leader and manager interchangeably, and therefore characteristics of an owner-manager, as sole proprietor (cf. 3.3.1) of the guesthouse, include, for the purpose of this study, a combination of the following:

- ◆ The ability to be a leader/manager.
- ◆ The ability to be an entrepreneur.

To have leadership qualities is not a characteristic that every owner-manager of a guesthouse is born with. Leadership is a social influence process and can be taught or developed (Saayman, 2002b:133). Leadership is the ability to persuade others to seek defined objectives enthusiastically. For the purpose of this study the term leadership is referred to within the context of a relationship orientated leadership style. The relationship orientated approach centres on the person: the person with her/his feelings, attitudes, faith, ideas and sentiments. The relationship orientated leader is democratic in relationships with subordinates and promotes group interests (Saayman, 2002b:133).

The owner-manager usually is the person who instituted the concept of the guesthouse (Westwood, 2002) and therefore has entrepreneurial qualities. An entrepreneur is an individual starting a new business and who is willing to accept the related risks. The concept of an entrepreneur is hereditary described as people who had leadership and managerial qualities, were enterprising and willing to take risks,

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although not necessarily involved in the economy (Kroon & Moolman, 1992:1).

Characteristics of an owner-manager include a combination of the following leadership, managerial and entrepreneurial qualities (Kroon & Moolman, 1992:20-25; Wehrich & Koontz, 1994:21; Chernin, 2002:245-250; Dossenbach, 2002:27-30 Saayman, 2002b:147-148):

- ◆ To be self-efficient.
- ◆ To communicate the goals and performance of the guesthouse.
- ◆ To keep promises and honour commitment.
- ◆ To share positive and negative information freely.
- ◆ To be sincerely interested in others' personal and professional needs.
- ◆ To have a consistently positive personality.
- ◆ To give credit where credit is due.
- ◆ To acknowledge and apologise for own mistakes.
- ◆ To give people the opportunity to excel.
- ◆ To establish and uphold high standards of quality.
- ◆ To cultivate an interest in people.
- ◆ To have a personal and private connection to what guests and human resources need, want and demand.
- ◆ To be innovative and creative.
- ◆ To motivate others to greatness.
- ◆ To be a role model to others.
- ◆ To plan, organise, staff, lead and control processes in the guesthouse.
- ◆ To practice authority and give direction.
- ◆ To have a positive self-image and a healthy view of life.
- ◆ To have organisational and administrative abilities.

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- ◆ To maintain balance between objectives, priorities, and specific circumstances.
- ◆ To have technical skills.
- ◆ To be a master in her/his field.
- ◆ To be sensitive.
- ◆ To have driving power, perseverance and energy.
- ◆ To have a time-effective perspective.
- ◆ To handle uncertainty.
- ◆ To have an ethical approach of integrity towards the operations of the guesthouse.
- ◆ To have a healthy mindset, skilful discretion, continuous studying and infinite mindfulness create geniality.
- ◆ To approach life with guts and courage.
- ◆ To be a good listener.

Luthans (2002:7) identifies self-efficiency of the owner-manager as the key characteristic to create a positive organisational behaviour. Self-efficiency refers to an individual's confidence about her/his capabilities to mobilise the motivation, human resources and courses of action needed to successfully execute a specific task within a given context. This definition deals with efficiency for accomplishing a specific task (Stajkovic & Luthans, 1998:66).

Self-efficiency is a leadership and managerial strength that has the psychological capacity of developing and effectively managing a guesthouse. Positive organisational behaviour applies to human resources and when adapted by the owner-manager, are capable of contributing to performance improvement of the guesthouse (Luthans, 2002:7-10).

### **3.5.3 DEVELOPMENT AND MANAGEMENT OF EMPLOYEES**

Developing and managing employees can play a key role in ensuring that the strategic planning process of the guesthouse is successful (Walker, 1996:314). Because guesthouses often have similar products, the human resource element captures the success of one guesthouse over another in many cases and so gives the crucial competitive edge. In the development and management process of employees the owner-manager should think proactively in assessing the needs of the employees and gather up-to-date information on issues, trends and proposals upon which better decisions can be made (Knowles, 1994:115).

Some features of the guesthouse industry can be identified that may have implications for developing and managing employees, namely (Knowles, 1994:114-115):

- ◆ **Fluctuations in customer demand.** Business fluctuates by the week, day and hour and therefore implies an irregular workflow. The owner-manager needs to decide how to adjust labour supply to demand and in this respect many guesthouses make use of part-time or casual labour.
- ◆ **The demand of labour is direct.** Labour is demanded in the guesthouse for what it can produce. This means that productivity is based on personal ability and effort and there are differences between personnel's output and the judgement of capacities of the employees.
- ◆ **The subjective nature of standards.** Because concepts such as hospitality, service and cleanliness are all matters of subjective

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judgement, this implies that every employee's output is judged subjectively. This affects the owner-manager and employee relationship. With this relationship, rules require standards and subjectivity means that standards are open to interpretation. However, in the absence of standards, there is a potential for conflict.

In an industry whose stock trade is personal service, the success of the guesthouse often rests on the kind of employee and how he or she performs a certain job. The intricacy of developing and managing individual employees is increased by the fact that many unskilled people are employed for entry-level positions, often with little or no training (Knowles, 1994:115). For the purpose of this study, development and management of employees consists of the following processes:

- ◆ Legislation.
- ◆ Recruitment.
- ◆ Training of employees.
- ◆ Evaluation of employees.

These processes will be discussed next.

### **3.5.4 LEGAL ASPECTS OF EMPLOYMENT**

The owner-manager is subduing to legal aspects in relation to the Conditions of Employment

Act, No 75 of 1997. This act requires the owner-manager to do the following:

- ◆ Register with the Unemployment Insurance (Act 63 of 2001).

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- ◆ Register with the Compensation for Occupational Injuries and Diseases (Act No. 130 of 1993).
- ◆ Hand over a Small Business Contract of Employment (Version 1, July 1998).

These legislation aspects will now be discussed.

### **3.5.4.1 Unemployment Insurance**

The owner-manager registers with the Unemployment Insurance Fund (Act 63 of 2001) before employing employees. The government has established the Unemployment Insurance Fund in order to provide short-term relief to workers. The fund provides five types of benefits namely (Act 63 of 2001):

- ◆ Unemployment benefits.
- ◆ Illness benefits.
- ◆ Maternity benefits.
- ◆ Adoption benefits.
- ◆ Dependants benefits.

The owner-manager and the employees contribute to the Unemployment Insurance Fund on a monthly basis. The government is the underwriter of the Fund and is expected to provide assistance to the Fund during times of high unemployment (SA, 2001).

### **3.5.4.2 Aspects of the contract of employment**

Law requires a written service contract between the employee and employer. The content of the contract is as follows (SA, 1998) :

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- ◆ **Address of the owner-manager and employee.** The physical address of both the owner-manager and the employee is stated.
- ◆ **Commencement.** The date on which the contract will begin, is stated.
- ◆ **Job description.** The job title and task is clearly specified.
- ◆ **Termination of employment.** Either the owner-manager or the employee can terminate the job commencement on four weeks written notice.
- ◆ **Medical examination.** A doctor needs to perform various tests, including AIDS and heart tests.
- ◆ **Service hours.** Specification of start and end of service hours and breaks.
- ◆ **Payment.** The amount and process of how remuneration will occur.
- ◆ **Vacation leave.** Allowment of 14 working days with full payment during leave.
- ◆ **Maternity leave.** Usually a timespan of 3 months.
- ◆ **Public holidays.** The guesthouse remains open on public holidays and an overtime payment is a way to thank employees for working on that day.
- ◆ **Bonuses and incentives.** For example a 13<sup>th</sup> cheque.
- ◆ **Pension fund.** The guesthouse creates a pension fund to which the guesthouse pays a certain percentage for the employee and the employee pays the other part.

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- ◆ **Private telephone calls.** Set certain codes regarding usage of telephone and deduct the account for personal calls from each person's salary every month.

### **3.5.4.3 Compensation of Occupational injuries and Diseases**

The law requires the owner-manager to register with the Compensation for Occupational injuries and Diseases (Act No. 130 of 1993) when employees sign a Small Business Contract of Employment.

An employee is entitled to the benefits of this Act when a casualty (injury or disease) occurs through the performance of tasks on the job. The law requires a specific casualty to stem from a specific occurrence that has a definite time, place and circumstance before paying compensation (SA, 1993).

### **3.5.5 RECRUITMENT**

Recruitment is a process of seeking out and attempting to attract individuals in external markets, who are capable and interested in filling available job vacancies. The degree of owner-manager involvement determines the number of personnel needed (Saayman, 2002b:187). After strategically planning for current and future requirements of employees, the owner-manager initiates recruitment activities in order to find the most suitable person for the position (Brümmer, 2000:19). The recruitment process involves the following (Saayman, 2002b:218-219; Slabbert, 2001:33):

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- ◆ **Find qualified applicants.** To recruit effectively, the owner-manager needs to find qualified applicants. Sources include walk-ins, schools, private employment agencies and promotion of job vacancies in various media forms.
- ◆ **Ask applicants to complete an application form.** In the application form, qualifications, training, experience, personal characteristics and references are stated.
- ◆ **Follow up the references.** After the references are followed up, a shortlist of potential recruits is compiled.
- ◆ **Invite successful candidates for a final interview.** The final interview is intended to address topics such as job description, salary, hours and leave. The final interview gives both the interviewer and interviewee the opportunity to ask questions about uncertainties.
- ◆ **Assess the recruit options.** The interviewer should consider whether the particular applicant is presentable to guests, fit for the job, skilled and trainable.
- ◆ **Recruit the successful applicant.** The successful applicant is then recruited on a probation period. When the probation period is successfully completed, the individual could be hired on a permanent basis.

### **3.5.6 TRAINING OF EMPLOYEES**

The White Paper on Tourism (SA, 1997:14) notes that employees must have appropriate skills and experience and can gain these through education and training. Training and development of

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employees are needed to firstly, ensure a high level of service to all tourists and secondly, enable employees to implement the stipulated plan. Each employee is trained in the area in which they are employed, but must be multi-skilled and flexible to do tasks in other areas when one of the other employees are absent or not able to perform tasks. This enhances a feeling of teamwork (Van der Waldt, 2000).

Training and development of employees is a planned process to increase the performance of current or future employees by teaching them the ability to perform as well as new performance abilities and skills (Schuler & Huber, 1993:512). The process consists of the following steps (Schuler & Huber, 1993:434-435; Armstrong, 1995:155; Saayman, 2002b:223):

- ◆ **Identify and define training needs.** This involves assessing the employee-team to determine their individual needs to acquire new skills or abilities, or to improve existing competencies.
- ◆ **Define required standard.** The owner-manager decides what skills and knowledge have to be learnt by individuals. Individual attitudes are developed to reach an appropriate service standard and to familiarise them with the mission and vision of the guesthouse.
- ◆ **Plan training programmes.** The learning experiences are presented by using a combination of training techniques. These techniques can include the following:
  - ❖ Vestibule training, in which the employee works in a simulated environment to achieve the skills required on the job.

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- ❖ On-the-job training, in which specific learning objectives are established and integrated with the tasks.
  - ❖ Outside training, in which, for example, the cook is sent on a chef course to train in the art of fine food preparation.
  - ❖ Apprentice training, in which the new employee observes a current employee performing the tasks.
  - ❖ In-house training may include activities such as orientation of new employees, technical skills training, familiarisation with all the facilities and equipment, their acquired tasks, mission, vision, philosophy and ethics of the guesthouse.
- ◆ **Implement the training.** The owner-manager decides on a combination of training programmes and implements it (cf. 3.2.6).

Training and developing of employees add value to the employee's position in the guesthouse, because the process creates new opportunities for both the employee and owner-manager (Westwood, 2002).

### **3.5.7 PERFORMANCE APPRAISAL**

A guesthouse, as a small non-financial business (cf. 3.3), documents performance of employees for legal reasons and therefore uses a formal approach to performance appraisal (Miner & Crane, 1995:243). Performance appraisal is lined-up behind strategy development and strategic control (Miner & Crane, 1995:238).

The appraisal of performance of the individual is a basic task performed by the owner-manager (Gerber *et al.*, 1995:211; Brümmer,

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2000:19). Once job performance has taken place, the appraisal and rewarding strategies measure the effectiveness of that performance, assess its value and provide an appropriate reward, or punishment, as payment (Schuster, 1985:467; Bernardin & Russell, 1998:76-77). The performance appraisal strategy measures the performance climate and the remuneration strategy rewards the performance. Performance appraisal and remuneration have direct influence on motivation of employees to achieve the guesthouse's goals (Gerber *et al.*, 1995: 211).

Appraisal means to measure and evaluate against a standard of performance. Rewarding means to repay equitably for services, in relation to the quality of service performed by the employee. The reward reinforces the behaviour and provides motivation for behaviour in the future. Derived from this argumentation, the appraisal strategy measures performance accurately and the rewarding strategy rewards performance equitably. In not doing so, human resources will not be motivated to achieve objectives of the guesthouse in the future (Schuster, 1985:467).

Performance appraisal can evaluate the following (Gerber *et al.*, 1995:212-213):

- ◆ The behaviour of employees: the process of how they carry out the task.
- ◆ Performance results: the process of how well employees met the job requirements.
- ◆ A combination of the above.

The criteria against which performance is measured should meet the following requirements:

- ◆ The criteria are linked to the aims of the guesthouse.
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- ◆ The criteria are linked to the job.
- ◆ The criteria consider employee needs.

The quality of the appraisal strategy and criteria determines the productivity of human resources in the future (Schuster, 1985:467).

### **3.5.7.1 Performance appraisal methods**

Appraisal methods have both administrative and motivational uses. There are various appraisal methods such as (Schuster, 1985:470-476; Saayman, 2002b:232-234):

- ◆ The checklist method.
- ◆ The rating scale method.
- ◆ The interpersonal comparison and forced distribution method.
- ◆ The trait appraisal method.

Schuster (1985:482) sees the above mentioned appraisal processes as problematic: “in spite of the growing recognition of the subjectivity and bias built into strategies that rate personal characteristics, most rating scales are trait-orientated rather than job-orientated”. Schuster suggests a five-step performance appraisal programme, based on an approach by Peter Drucker, a leading researcher in the field of management. This approach to performance appraisal is called “Management by Objectives and Self-Control” and the steps include the following (Schuster, 1985:476, Drucker, 1987:122-125):

- ◆ The individual discusses the job description with the owner-manager and both agree on the job content and the importance of the major duties.
- ◆ The individual establishes performance targets for each of the responsibilities in the forthcoming period.

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- ◆ The individual meets with the owner-manager to discuss the individual's target programme.
- ◆ Checkpoints are established for progress evaluation and ways of measuring the process are selected.
- ◆ The owner-manager and the individual employee meets at the end of the period to discuss the results of the individual's effort to meet the targets previously established.

This process enables the individual employee to be intrinsically motivated in working towards goal achievement. The owner-manager can emphasise a relation between appraisal of performance against objectives and determination of incentive bonuses. Hence these two arguments, the individual is motivated in twofold dimensions.

#### **3.5.8 SYNTHESIS**

From the above argumentation it seems that the following are important aspects of human resource for developing and managing a guesthouse:

- ◆ Characteristics of an owner-manager.
- ◆ Developing and managing employees.
- ◆ Incorporation of legal aspects of employment in the management of the guesthouse.
- ◆ Recruiting the right person for the right position.
- ◆ Training employees to be multi-skilled in task performance.
- ◆ Using performance appraisal techniques to evaluate the process of how the employee carries out the task.

Human resources are necessary for the physical operations of the guesthouse. Operational aspects are argued next.

## **3.6 OPERATIONAL ASPECTS**

The basis for operating a guesthouse lies within a systems approach (Jones & Lockwood, 1995:17). The systems approach relates directly to developing, managing, and strategic planning of the operations of the guesthouse. The systems approach for operating a guesthouse is discussed in terms of the following:

- ◆ Operational hard and soft systems.
- ◆ Pre-arrival of guests.
- ◆ The arrival of guests.
- ◆ Administrational procedures.
- ◆ Departure of guests.
- ◆ Accessories and unique services.

### **3.6.1 OPERATIONAL HARD AND SOFT SYSTEMS**

The systems approach for the guesthouse industry is suggested as a soft system, with operational integration of hard systems. Within the framework of a soft system, there is full scope for application of hard methodologies, which incorporates aspects of financial budgets (cf. 3.3.4) and price of the guesthouse products (cf. 3.4.6.2). Given the occurrence in most problem situations of both technical and human dimension, a hybrid of hard and soft systems methodologies will give the best solution for guesthouse operations (Teare, 1996:66 in reaction to an article published by Kirk, 1995:13-16). Characteristics of hard and soft systems are concluded in Table 3.11 (Kirk, 1995:14 as adapted from a systems approach methodology developed at Lancaster University in 1981).

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**Table 3.11: Characteristics of operational hard and soft systems**

<b>Hard Systems</b>	<b>Soft Systems</b>
❖ It has precise objectives.	❖ It has no agreement about precise objectives of the system.
❖ It can be expressed in quantitative terms.	❖ It can be expressed in qualitative terms.
❖ It can predict change in various environments.	❖ It is used in relation to human activity.
❖ It can produce a convergent solution to change.	❖ It provides a range of equally valid alternative solutions.
❖ It may be developed through mathematical equations and processes.	❖ It needs involvement of all those affected by the system.
❖ It has a precise measure of outputs.	❖ It concerns the unique features of the guesthouse.
❖ It emphasise the probability of outputs as a response to a change in input.	❖ It identifies gaps between inputs and outputs.

Consequent from the characteristics of operational hard and soft systems given in Table 3.11 the outputs of a guesthouse result from the strategic planning process, which are implemented and operated because certain inputs are processed. Inputs are those operations that make the system function (Saayman, 2002b:46). Jones and Lockwood (1995:17) propose seven input areas that are common to all service operations:

- Asset performance.
- Employee performance.
- Demand of guests.

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- ◆ Productivity.
- ◆ Service.
- ◆ Income.
- ◆ Quality.

The rationale for identifying these seven inputs lies in the assumption of three main components of an operation, namely (Jones & Lockwood, 1995:18):

- ◆ Physical assets (facilities, equipment and financial assets).
- ◆ Employees.
- ◆ Guests.

Interaction between these components produces more operational areas. For example, interaction between guests and employees results in service. Decisions about employing physical assets to perform operational functions are an issue of productivity. The operational process necessitates the transfer of funds from the guest, hence income and the combination of assets, employees and guests identify quality as the seventh operational input area (Jones & Lockwood, 1995:18).

To yield operational inputs through a process to operational outputs, taken the above mentioned operational aspects into consideration, the following operational processes will be discussed:

- ◆ Pre-arrival of guests.
- ◆ Arrival of the guests.
- ◆ Operational administration procedures.
- ◆ Departure of the guests.
- ◆ Accessories and unique services.

### **3.6.2 PRE-ARRIVAL OF GUESTS**

Prior to arrival guests choose a guesthouse to patronise. The needs, wants and demands of guests as well as the value for money they receive for the total guesthouse product plays a role in the guest's decision of which guesthouse to patronise (cf. 3.4.1). Other factors that may affect the guest's choice can include previous experiences at the guesthouse, advertisements, recommendations, location of the guesthouse, the telephone receptionist's description of the guesthouse and the ease of making reservations (Knowles, 1994:99).

Guests often have their first contact with the guesthouse by telephone. With this telephone call a distinct impression of the guesthouse is registered with the guests and calls for exceptional telephone manner and accentuates the importance of prompt and courteous attention to all calls (Walker, 1996:111-112). The general attitude, efficiency and knowledge of the person answering the telephone may influence the caller's decision to stay (Knowles, 1994:99). When used correctly, the telephone can be an effective tool to help build constructive relationships between guests and personnel, which includes the owner-manager and other employees (Slabbert, 2001:21).

The image of the guesthouse is created through voice alone during a telephone conversation to guests and it is therefore important to choose words carefully. The following aspects are important when speaking over the telephone (Slabbert, 2001:21):

- ◆ **Clarity of voice.** A clear voice eases telephone communication and helps to convey information clearly and correctly.
- ◆ **Prompt answering.** Letting the phone ring no more than three times, ensures that the guests don't wait unnecessarily.

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- ◆ **Identify the guest's needs.** In asking open-ended questions such as what? where? when? and why? can help determine what guests need, want and demand during their stay at the guesthouse.
- ◆ **Write down information.** A writing pad and stationery at hand is a way to group information that is usually bound to get lost. If necessary, read back the relevant details to confirm accuracy.
- ◆ **Call back.** The telephone is an ideal way to keep guests informed of progress on their bookings. When a person leaves a message, the call should be returned within 24 hours.
- ◆ **Finishing the conversation.** The guest is thanked at the end of the conversation for their call or business.
- ◆ **The telephone answering machine.** A warm and friendly pre-recorded message leaves a good impression on the caller and checking the machine regularly for new messages helps the owner-manager to receive the caller's message in return.

When guests make a telephone call to the guesthouse, often it is with the intention to make a reservation. Some guests may be shopping for the best value for money and it is therefore essential for the telephone receptionist to effectively sell the guesthouse by emphasising its advantages over the competition (cf. 3.4.6.4). Most of the accommodation reservations are made pre-arrival of the guest and the desired outcome of this process is to exceed the guest's expectations. Proper handling of reservation information can be critical to the success of the guesthouse because of the actual and potential revenue generated. Reservations can also have an effect on the owner-manager's strategically planning process and help to anticipate decision-making. Through strategically analysing reservation

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information, the owner-manager can develop an understanding of the guesthouse's reservation pattern, target market and needs of guests (Knowles, 1994:99; Walker, 1996:111).

There are various ways in which guests can make reservations within the guesthouse industry. The three most common sources of reservation transactions are (Knowles, 1994:103; Walker, 1996:111):

- ◆ **Central reservation systems (CRS):** A large proportion of guesthouses belong to one or more CRS. A basic type of CRS is called non-affiliated reservation network. This is a subscription system designed to connect independent non-chain guesthouses and enable owner-managers to enjoy the same benefits as, for example, affiliated chain hotels. South-African organisations that owner-managers can subscribe to include GHASA, BABASA, FEDHASA, NAA-SA, GAA and state tourism agents (cf. 3.4.6.3). Non-affiliated systems usually assume responsibility for advertising the guesthouse, its services and facilities and may use computer networking to connect the CRS office with the member guesthouse.
- ◆ **Intercell agencies:** An intercell agency is a CRS that contracts to handle more than one product line and may include travel agents, tour operators, retail travel agents, car rental companies and conference brokers (cf.3.4.6.3). Although intercell reservation agencies may channel their reservation requests through a CRS, they also may be able to communicate directly with the individual guesthouses.
- ◆ **Guesthouse direct reservations.** A large proportion of reservation transactions are handled directly by the guesthouse

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and are described as guesthouse direct reservations. These reservations may originate from a variety of sources, for example telephone (fax, telex, letter and e-mail), referral from another guesthouse and walk-inns.

The receptionist should make clear to all guests, CRS and intercell agencies when making reservations what is included in the prices quoted for accommodation, meals, refreshments and additional services (Tourism Grading Council of South Africa, 2002). The receptionist needs to take down a number of important details when making reservations, for example: date of arrival and departure, type of room requested, intended method of payment, personal detail, meals requirements and any other special requests (Slabbert, 2001:24).

A deposit of either one night or 50% of the price paid for the whole stay can be charged to minimise and discourage non-show-ups of guests. This is done by obtaining the guest's credit card number, which may be charged automatically. Another form of preventing guests from making a reservation and then not showing up and therefore keeping the room occupied and in doing so blocking other potential business, is charging an advanced payment. Asking guests to pay the amount into the bank account of the guesthouse and fax the deposit slip back to the guesthouse is a way to receive the advance payment. The reservation is confirmed by returning a confirmation slip to the guest by mail or fax (Walker, 1996:111).

In order to guide the reserved guests to the guesthouse and encourage potential walk-inns, the general appearance of the guesthouse exterior is very important. A well-maintained guesthouse exterior may encourage walk-inns and can create a positive first impression when guests arrive. The owner-manager might need to give attention to the

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following factors prior to the arrival of guests, concerning the exterior of the guesthouse (Tourism Grading Council of South Africa, 2002):

- ◆ The guesthouse should be easily accessible and signs should be clearly visible.
- ◆ Buildings should reflect well-maintained stone or brickwork and also reflect paintwork of sound condition.
- ◆ All paths should be well lit and clear directional signage should be provided to guide guests to the entrance.
- ◆ Gardens should have a tidy and attractive appearance throughout the year.
- ◆ The driveway and entrance should be well maintained and clutter-free around the service area.

#### **3.6.3 ARRIVAL OF GUESTS**

The guesthouse should be open for business on every day of the year unless clearly indicated otherwise, closed for refurbishment or only offers seasonal accommodation. Upon arrival of guests, a hospitable business relationship is established between the owner-manager and guests. Guests are welcomed in a warm and friendly manner by the owner-manager or a capable and well-trained employee with a helpful attitude upon arrival. Discrimination to accepting guests based on their race, ethnicity, physical or mental condition is unacceptable in the guesthouse industry and reflects an inhospitable environment and an unsavoury character (Knowles, 1994:100; Tourism Grading Council of South Africa, 2002).

Procedures to follow upon the arrival of guests may include the following (Knowles, 1994:100; Walker, 1996:113; Slabbert, 2001:27-28):

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- ◆ **Ask guests to register.** Registration should be prompt and a thorough check-in because many guests arrive tired at the guesthouse after their journey and don't want to spend time filling in registration forms. The ideal is that the owner-manager or receptionist completes the registration form prior to arrival, based on information derived from the guest when making the reservation. The guest can double-check the registration form, confirm departure date, meals wanted and any special preferences, and then personally sign it. The law requires full name, nationality and date of arrival for every guest older than 16 years. Obtaining the car registration ensures further security if there is any distress concerning the guest.
- ◆ **Check intended method of payment.** The intended method of payment is an important concern and the validity of it should be checked before a guest departs or uses any paid services or facilities in the guesthouse. Credit card and cheque transactions can be verified by the bank to safeguard the guesthouse against expired or unvalued credit cards or cheques. An additional safeguard regarding tariff payment can be to ask guests to complete a credit card voucher and sign it, and then enter the final amount at the guest's end of stay.
- ◆ **Allocate room and offer assistance with luggage.** Offering help with luggage, removing it from the trunk and taking it personally to the guestroom is an excellent opportunity to demonstrate the quality service of the guesthouse. Showing guests to their rooms is an element of personal service and an opportunity to get to know the guests better.

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- ◆ **Familiarise guests with their new surroundings.** The whereabouts of the guesthouse's facilities and recreational activities are shown to guests after a room is allocated to them. The operations of technologies offered, for example television, coffee filter, air conditioning and reception/send of e-mail, are explained to guests. The time meals are served, procedures concerning security and safety are highlighted and guests are reassured to inquire when they need a specific service. This is also a good time to tell guests about other tourism activities in the vicinity of the guesthouse, for example restaurants, walking trails, shopping malls, availability of car rental companies, picnic spots, museums, cultural heritage gardens, amusement parks, galleries, waterfront developments and marines.

The owner-manager often gains information regarding the profile of guests when chatting to them. The right time to start a conversation is a discrete decision and differs from guest to guest. A conversation with guests during their stay is a method of finding out their reasons for choosing the specific guesthouse, the market segment they disembark from, and what they need and demand in a way that will encourage them to return their visit to the guesthouse (Knowles, 1994:100; Slabbert, 2001:28; cf.3.4.1).

#### **3.6.4 ADMINISTRATIVE PROCEDURES**

Administration is the systematic fixation, assimilation and provision of information used by owner-managers for the effective planning and execution of managerial duties (Preller & Engelbrecht, 2000:33). Operating and administrating a guesthouse is almost a 24-hour function. A contact number should be available when the reception is

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closed some hours of the day or night. This ensures that potential guests can make a reservation or enquiry any time.

The administration function may require the owner-manager to apply the following:

- ◆ Make reservations for guests at other tourism services and facilities.
- ◆ Guest safety and safekeeping of valuables.
- ◆ Explain the handling procedures of various bedroom keys to guests.
- ◆ Give guests a wake-up call in the mornings.
- ◆ Distribute mail, messages and faxes.
- ◆ Ensure through proper housekeeping that a high standard of cleanliness is maintained throughout the guesthouse.

These administrative functions will be discussed next.

#### **3.6.4.1 Reservations at other tourism services and facilities**

GHASA as well as the NAA-SA consider to be standard service to assist guests with reservations at regarding travel, transport entertainment and accommodation at the next destination. Foreign and domestic tourists often have little information regarding the area where the guesthouse is located and the owner-manager needs to be prepared to provide them with such information (Henning & Willemse, 1999:92).

A sign of quality service is an organised filing system or display shelves that makes provision for tourism-related brochures, information cards, maps and the month's tourism events that take place. Guests must be able to take a hard copy of the given

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information with them from the shelf or file. A self-compiled and up-to-date tourism related brochure is an effective way to convey information to guests and give an extra personal touch to the guesthouse, and it can also serve as a promotional tool (cf.3.4.6.4). Such a brochure can provide the following information (Ashmole, 2002):

- ◆ Geographical information about the area where the guesthouse is located.
- ◆ Interesting facts about the guesthouse and it's owner-manager.
- ◆ Historical information about the town/city.
- ◆ Tourism services and facilities offered by the town/city.
- ◆ Current recreational activities in the vicinity.
- ◆ List of service-accredited organisations and businesses.

In providing guests with information about tourism and recreational details, the owner-managers can help to serve as an educator to them concerning the country and tourism products it has to offer (Ashmole, 2002).

#### **3.6.4.2 Guest safety and safekeeping of valuables**

Protection of guests and their property is an important part of guesthouse operations. The owner-manager is responsible for taking all the reasonable precautions to protect guests from robbery, arson, rape and other kinds of assault (Walker, 1996:123). A strategically placed close circuit camera in public spaces and a security guard in the parking area are possible ways to monitor guest safety (Weissinger, 2000:127).

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Safe keeping facilities are a service, which provide secure keeping of any valuables ranging from money, traveller's cheques, passports, stand-over luggage and firearms of the guest. Strict control over the safe keeping area is associated with security measures of the owner-manager and creates a sense of trust between guests and the owner-manager. A receipt is issued when valuables are received for safekeeping. The receipt clearly mentions the valuables or amount of money that is handed over. This prevents misunderstanding in the future and protects both guests and the owner-manager (Henning & Willemsse, 1999:93; Weissinger, 2000:127).

A guest enters a contract with the owner-manager when staying over at a guesthouse. The terms of the agreement will determine the legal rights and obligations of both parties. It is common practice to put up a notice "At own-risk" at guesthouses. This sign can form part of the registration form that guests sign or it can be put up on a wall outside the guesthouse. This implies that the agreement is that guests use facilities at their own risk. Any damage suffered by guests because of the owner-manager's negligence will then be at the guest's own risk and the owner-manager will not be liable for it. Should the agreement not provide for an "at own risk", the owner-manager will be liable to the guest for damage caused to the guest because of the owner-manager's negligence. In this regard, the owner-manager must take reasonable precautions to prevent any damage to be suffered by guests (King's Car Hire (Pty) Ltd versus Wakeling 1970 4 SA 640 N).

In the case of safekeeping an agreement is in effect reached in terms of which the owner-manager will hold the guest's property in safekeeping. Again a term of the agreement can be that it is done at the guest's own risk. If not, the owner-manager will be held liable

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should the guest suffer any damage because of the owner-manager's negligence. The owner-manager will also be liable for damage suffered by the guest because of negligence of the employees, if they acted within the course of their employment during the guest's stay. Liability for such damage can also be excluded by including an "at own risk" term in the employment contract (King's Car Hire (Pty) Ltd versus Wakeling 1970 4 SA 640 N).

### **3.6.4.3 Handling of keys**

A guesthouse usually gives out one key per guestroom. If there is more than one guest in a room, a second key may be issued. Keys could be kept at the front desk on a rack, in the room's mail slot or in a locked key cabinet or drawer beneath the front desk of the guesthouse and great care is taken for the security of guests that the key is not given out incorrectly. (Weissinger, 2000:80).

Rules applied to keys are associated with security measures of the owner-manager and availability of employees operating the front desk. A disadvantage of keys leaving the premises is that the key can get lost, which makes lock replacement necessary. An advantage of a system which allows guests to take their room keys off the premises, is that employees don't need to wait for the last guest to return each evening before going off duty (Henning & Willemse, 1999:93-94).

### **3.6.4.4 Wake-up calls**

Wake-up calls are a service that contributes to guest satisfaction by taking the onus of guests to wake up on time themselves and are standard to most guesthouse establishments. Mismanaging of this

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function can lead to guest dissatisfaction with a guest missing an important appointment or flight and guests may sue the guesthouse for any losses suffered from not being awakened on the requested time. When receiving a wake-up call request, the owner-manager or receptionist repeats the time to the guest to be perfectly sure that the correct time slot has been marked (Weissinger, 2000:89).

The owner-manager decides whether an automatic wake-up-call system or employees are used to wake up guests (Henning & Willemse, 1999:94). An automatic way of generating a wake-up call is by a computer. When the guest makes a wake-up call request, the owner-manager keys in the correct call time and the room is automatically rung at the requested time. With voice recognition technology, a total computer system may be in operation that guests may call and get recorded prompts to press the desired wake-up time into the phone pad, followed by the number to signify a.m. or p.m. For example, “3” may indicate a.m. and “5”, p.m. An early morning call might involve pressing 6003, for 6:00 a.m. (Weissinger, 2000:89).

#### **3.6.4.5 Distribution of mail, messages and faxes**

In developing a confidential system that allows guests to see their messages, post and faxes when they return to the guesthouse, allows business persons and tourists to continue their communication functions as if they were at the office or home. Great care must be taken in handling guests' mail since the loss of an important letter on the part of the guesthouse could result in a lawsuit against the establishment (Walker, 1996:99; Henning & Willemse, 1999:95). In a case where mail is received when the guest has already departed, it can be forwarded to the guest's home address for a limited time after

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the guest departs (Weissinger, 2000:87). Guesthouses today, because of the use of fax machines and e-mail, receive very little guest-mail. The internet with e-mail facilities is a fast and effective way to send and receive messages in a confidential way. This modern facility even enables the guest to receive faxes and cell phone messages via e-mail that spare the owner-manager printing expenses of a fax machine. All messages and faxes received for the guests are kept confidential as well as giving information about the guests whereabouts to outside callers, unless requested otherwise, as part of guest safety precautions (Henning & Willems, 1999:95).

#### **3.6.5 DEPARTURE OF GUESTS**

An accurate and immediately available bill smoothens the promptness of the departure process (Tourism Grading Council of South Africa, 2002). When guests have not made a full payment before checking into the guesthouse, they need to pay for the hospitality services they received. Effective management of collecting money from departing guests are vital for the financial success of the guesthouse, and employees involved in collecting payments from guests need to be well-trained to be discreet and amiable (Weissinger, 2000:98).

The bill is determined by charging the set room rate that was established when the guest checked in and quoted on the registration form. To this, sales VAT (value added tax) (14%) must be included beforehand. Some organisations like SAT may charge a tourism levy (1%) to support tourism promotion and building projects and this amount must also be included beforehand in the final bill. In addition, the guest has most likely incurred charges for using the telephone, taking of extra refreshments or meals, and using the mini-bar or

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### **Chapter 3 : Aspects for Developing and Managing a Guesthouse**

laundry service. All these additional charges need to be added to the final bill. The final bill needs to be prepared and available for guests at departure (Weissingner, 2000:98; Slabbert, 2001:31-32 ).

When collecting the bill, the owner-manager or employee explains the charges to the guests. Each item should clearly be itemised and described that guests understand their payment. People travelling on business expenses are satisfied with receiving a VAT receipt, because they can claim money back (Slabbert, 2001:31).

The standard checkout time for all guests most often is 11 a.m. Guests sometimes request a late checkout and if it is feasible without jeopardising daily room sales, it should be granted. The guesthouse can also offer storage of luggage when guests need to check out of their room but are not yet departing (Weissingner, 2000:108).

Showing courtesy to guests by both the owner-manager and people employed is an important quality to show in order to create a high-quality and long-lasting impression on guests. Satisfied guests leaving the guesthouse is an effective marketing tool, because they speak from firsthand knowledge and not hearsay concerning the guesthouse. Courteous departure services to offer guests may include the following (Slabbert, 2001:32):

- Carry luggage to vehicle.
- Call a taxi when guests do not use own transport.
- ◆ Giving directions to the next travelling destination.
- ◆ Checking the weather and road reports.
- Making bookings at the next destination.
- ◆ Say a pleasant goodbye.
- ◆ Renewing thanks for the visit and wishing guests a safe journey.

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When guests have departed, their registration form should be filed and their computer account should be closed. Employees responsible for housekeeping should be informed that the guestroom is empty and should be cleaned and prepared for the next guests visiting the guesthouse. It is very important to ensure high levels of hygiene and cleanliness because a health inspector may visit the guesthouse in order to evaluate the cleanliness and hygiene of the kitchen and rest of the house. When found that the guesthouse is unhygienic, its permit to do business might be revoked because an unhygienic guesthouse may be a health risk to guests and others (Weissingner, 2000:110).

#### **3.6.6 ACCESSORIES AND UNIQUE SERVICES**

Offering a wide range of high quality extras in the guest bedroom and en suite bathroom, creates an impression of quality service and enhances the “home-away-from-home” feeling by providing accessories that guests use at home (Tourism Grading Council of South Africa, 2002). Accessories that may be offered to guests to use in the bedroom and bathroom are listed in Table 3.12

**Table 3.12: Bedroom and Bathroom accessories**

<b>Bedroom accessories</b>	<b>Bathroom accessories</b>
❖ Fruit bowl	❖ Luxury toilet paper
❖ Plants	❖ Wrapped soap
❖ Satellite television	❖ Shampoo
❖ Remote controls	❖ Moisturiser
❖ Books and magazines	❖ Aftershave
❖ Suit stand	❖ Cologne
❖ Suit press	❖ Shower gel

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❖ Mending kit	❖ Conditioner
❖ Pot pourri	❖ Talcum powder
❖ Shoe polishing cloth or pad	❖ Tooth brushes
❖ Biscuits	❖ Tooth paste
❖ Pack of cards or games	❖ Shower cap
❖ Mineral water	❖ Toilet bags
❖ Sweets, mints or chocolates	❖ Tissues
❖ Tea tray	❖ Cotton wool ball
❖ Variety of teas and coffees	❖ Cotton buds
❖ Chocolate drink	❖ Hand cream
❖ Fresh milk	❖ Mouth wash
❖ Comprehensive and well presented room information	
❖ Mini bar	

The owner-manager can use accessories listed in Table 3.12 as a constructive promotional tool by pasting stickers that contain the guesthouse logo on each accessory. When guests use the product in the guesthouse or take it with at departure and use it later, they are reminded of the guesthouse by viewing the logo on the accessory (Ashmole, 2002; cf. 3.4.6.4).

Rendering unique services and facilities that competition does not offer, gives a competitive advantage to the guesthouse. Unique services and facilities can include the following (Slabbert, 2001:10):

- ◆ Services and facilities for people with disabilities.
- ◆ Children safe play area.
- ◆ Transport to and from the airport or train station.
- ◆ Wash, dry and iron of clothes.
- ◆ A conference centre and matching services.
- ◆ A variety of recreational activities, e.g. a swimming pool and superb gardens.

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- ◆ Catering services for weddings, functions, parties or special requests.
- ◆ Possession of a liquor licence.
- ◆ Provide a variety of menu's.
- ◆ Provide tour inclusive package.
- ◆ Have a swimming pool.
- ◆ Make provision for special-interest groups or individuals such as anglers, vegetarians, vegans, Muslims, Hindu's and diabetes.

The owner-manager has the choice to include the additional services and facilities in the initial price or ask a separate tariff for it. The various tariffs of additional services and facilities are clearly specified and promoted to avoid misunderstandings when the owner-manager decides to exclude it from the price for the bed and meals.

The aim in providing accessories and unique services and facilities is to serve extra care to guests and maximise the comfortability of their stay. Therefore when they depart, a pleasant connotation of the guesthouse is impressed on them and the owner-manager can be ensured that they will come back to revisit the guesthouse (Ashmole, 2002).

#### **3.6.7 SYNTHESIS**

From the above argumentation, it seems that the following operational aspects are important in the development and management of a guesthouse:

- ◆ Use an operational approach that integrates hard and soft systems.
- ◆ Process inputs to produce outputs.
- ◆ Welcome guests in a personal manner upon arrival.

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- ◆ Ask guests to follow registration procedures.
- ◆ Check whether intended method of payment is valid.
- ◆ Offer assistance with luggage.
- ◆ Show guests to their room.
- ◆ Point out aspects concerning the use and procedures of services and facilities.
- ◆ Ensure high levels of hygiene.
- ◆ Provide secure car parking.
- ◆ Average a 60% + bed occupancy.
- ◆ Make reservations for guests at other tourism services and facilities if requested.
- ◆ Use the telephone as a constructive tool to promote the image of the guesthouse.
- ◆ Explain safekeeping procedures of valuables -and fire arms to guests.
- ◆ Explain procedures concerning house and room keys.
- ◆ Ask guests whether they need a wake-up call in the mornings.
- ◆ Explain procedures concerning distribution of mail, messages and faxes.
- ◆ Show courtesy to guests.
- ◆ Offer various departure services.
- ◆ Explain the charges to guests.
- ◆ Offer unique services and facilities that distinguish the guesthouse from competitors.
- ◆ Provide more than one meal, including a combination of breakfast, lunch or dinner.
- ◆ Have a liquor licence.
- ◆ Provide a variety of menu's.

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The operations of a guesthouse lie within a system consisting of physical assets, employees and guests. To yield operational inputs through a process to operational outputs various processes are applied. These processes include the pre-arrival of guests, arrival of guests, administrative procedures, departure of guests and accessories and unique services to offer.

## **3.7 CONCLUSION**

The aim of this chapter was to focus on important aspects that can be implemented during the development and management process of a guesthouse. Important strategic planning aspects, financial aspects, aspects of tourism marketing, aspects of human resources, and operational aspects were discussed.

The nature of each aspect was argued, followed by a discussion of sub-aspects or processes. Each main aspect was concluded by a synthesis, that mentions the most important sub-aspects or processes.

The synthesis of each aspect is used as basis for the questionnaire development, which is elaborated, analysed and discussed in the next chapter.

# 4. EMPIRICAL RESEARCH

## 4.1 INTRODUCTION

The aim of this chapter is to reflect the results of the empirical research. This chapter focuses on the research design in which structured questionnaires have been selected as the research method for the collection of data regarding the KSFs for developing and managing a guesthouse.

Firstly, structured questionnaires as a measuring instrument will be discussed, together with reasons why these questionnaires were selected, the advantages and disadvantages of structured questionnaires. Reasons will be given why the choice fell on a structured questionnaire as research method, the structure of the questionnaire will be outlined, the testing of the pilot investigation will be explained, the way in which the sampling of the population took place and the statistical method will be discussed.

Secondly, the responses to the questionnaires will be interpreted, and thirdly the effect size as a measure of the practical significant relation between the importance and application for aspects for developing and managing a guesthouse. Fourthly, the chapter concludes with a brief summary.

## 4.2 RESEARCH DESIGN

### 4.2.1 THE QUESTIONNAIRE AS A RESEARCH MEASURING INSTRUMENT

A questionnaire as a research instrument constitutes a self-reporting instrument for the collection of a variety of information that is relevant to the researcher, and a questionnaire consists of a number of questions or items respondents read and answer (Wolf, 1997:478). The use of a questionnaire also is a relevant research method for the collection of information received directly from people regarding their feelings, opinions, motivations, plans, beliefs and experience in the tourism and hospitality industry (Gall *et al.*, 1996:288; Neumann, 1997:33).

Consequently questionnaires are used in research to collect information that is not directly observable. This technique of data collection enquires into the feelings, motives, attitudes, achievements and experiences of individuals, and as a consequence a wide spectrum of problems may be investigated by means of it. Gall *et al.* (1996:289) defines a questionnaire as a document that puts the same question to all the respondents in the sample. Respondents then provide a written response to every question in the questionnaire, and as a consequence every researcher checks the process of data collection. Therefore respondents are able to complete the questionnaire in their own time, answer questions in any order, and do not have to complete the questionnaire at any specific point in time.

According to Neumann (1997:241) questionnaires can take two forms, namely open-ended questionnaires (unstructured) and closed-end

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questionnaires (structured). For purposes of this research the closed or structured questionnaire will be used (cf. Annexure). This type of questionnaire normally consists of a number of short questions with answers from which a choice has to be made.

Wolf (1997:422) points out that although the structured questionnaire has quite a few limitations, it is nevertheless a valid measuring instrument for the collection of data. The latter therefore bases the use of the questionnaire on the following suppositions:

- ◆ That respondents are able to read and understand the questions.
- ◆ That respondents may possibly be willing to answer the questions.
- ◆ That respondents are in a position to obtain the necessary information.

The usefulness and advantages of the questionnaire are twofold. Firstly, it stems from the fact that the target population is the owner-manager of a guesthouse, and that the latter will be interested in the final outcome of the research and its implication for professional development through integration. Secondly, it stem from the fact that experienced owner-managers who comprise a percentage of the population will be interested in the final outcome of the research and its implications, because it will lead them to develop and manage their guesthouses more successfully.

## 4.2.2 ADVANTAGES AND DISADVANTAGES OF CLOSED-END

### 4.2.2.1 QUESTIONNAIRES AS A RESEARCH METHOD

The use of questionnaires as a research method holds advantages as well as disadvantages which can be explained as follows (Gall *et al.*, 1996:241, 289-291; Neumann, 1997:251-252):

#### **The advantages of structured/closed-end questionnaires**

- ◆ Respondents can complete the questionnaire easily and quickly.
- ◆ The answers of the respondents are simpler to compare.
- ◆ Answers are easier to codify and analyse statistically.
- ◆ Respondents are more willing to answer more sensitive questions in this manner.
- ◆ Irrelevant and confusing answers to questions are mostly excluded.
- ◆ Less literate respondents are not disadvantaged.
- ◆ Repetition is easier to prevent.
- ◆ A large group of people may be reached more easily.
- ◆ Respondents may remain anonymous.
- ◆ The researcher can hand questionnaires directly to respondents or mail questionnaires to them with instructions.
- ◆ Questionnaires are more reliable as a measuring instrument than colloquiums, as the personal judgement of the researcher is eliminated.
- ◆ Respondents can complete questionnaires when it suits them.
- ◆ It is relatively easier to plan, compile and administer.

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- ◆ Instructions are normally standardised and respondents know exactly what is expected of them.
- ◆ Objective opinions can be obtained because personal contact is minimised.

### **The disadvantages of structured/closed-end questionnaires as a research method**

Structured questionnaires also have the following limitations:

- ◆ Wrong ideas that do not actually exist among respondents might be proposed in the questionnaire.
- ◆ Respondents with no knowledge regarding a particular topic answer questions instinctively.
- ◆ The respondents may become frustrated when the answer they would like to give is not one of the choices.
- ◆ A large variety of response choices respondents are offered may sometimes be confusing.
- ◆ Respondents may be forced to make choices they will not normally make in practice.
- ◆ The validity and reliability of questionnaires are difficult to determine.
- ◆ Various respondents may interpret questions differently.
- ◆ The length of the questionnaire may give rise to inaccurate responses
- ◆ The researcher cannot visually observe the reaction of respondents to questions.
- ◆ Various questions may be understood incorrectly.
- ◆ The clarity of the questions is difficult to determine.
- ◆ The questions may be answered randomly, or even by somebody else.

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- ◆ A low percentage of feed-back is a serious limitation of questionnaires and influences the validity of the research.

When a structured questionnaire is used, it should be ensured that questions are stated clearly enough in order for questionnaires to function properly during the “impersonal” interaction with respondents. Researchers should do everything in their power to maximise the possibility that respondents will complete and return the questionnaire (Ary *et al.*, 1996:422-423).

In order to limit the disadvantages or any misinterpretations, the construction of the questionnaire and significance completing it was discussed with each owner-manager when the questionnaire was handed to them.

### **4.2.3 REASONS WHY THE CHOICE FELL ON THE STRUCTURED QUESTIONNAIRE AS THE RESEARCH METHOD**

The reasons for the choice of a structured questionnaire as the research method were as follows:

- ◆ A large number of owner-managers could be reached more easily.
- ◆ Focus group discussions would have taken up more time.
- ◆ The anonymity of owner-managers is guaranteed.
- ◆ Owner-managers are more willing to answer sensitive questions in this way.

### 4.2.4 STRUCTURE OF THE QUESTIONNAIRE

The questionnaire has to be accompanied by a covering letter as a source of information to the respondents. However, this covering letter will determine whether or not respondents will complete the questionnaire (Ary *et al.*, 1996:429). The structure of the questionnaire should meet certain requirements (Ary *et al.* 1996:429):

- ◆ Questionnaires should not be too long.
- ◆ Questionnaires must provide adequate information.
- ◆ Questionnaires should be interesting.
- ◆ Questions should be structured in a meaningful way so that they are simple to complete.
- ◆ Items on the questionnaires and the pages should be arranged numerically.
- ◆ The questionnaire should contain brief and clear instructions.

This questionnaire was compiled on the basis of the information of Chapters 3 (cf. Annexure)

- **Section A: Biographical Information**

Items in Section A regard the biographical data which aim to give the researcher insight into different responses to certain question items regarding the capacity in which the questionnaire is completed. The capacity refers to the following (cf. Annexure):

- Question A.1: Age.
  - Question A.2: Duration of guesthouse management.
  - Question A.3: Duration of guesthouse ownership.
  - Question A.4: Number of bedrooms the guesthouse offers.
  - Question A.5: Number of human resources involved in the operations of the guesthouse.
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- **Section B: Importance of aspects for developing and managing a guesthouse**

The importance of aspects and their reliability, according to Alpha Cronbach reliability (1= very reliable), are the following:

Question B.1-B.16: Strategic planning (cf. 3.2.7). Reliability: 0.89

Question B.17-B.25: Financial aspects (cf. 3.3.6). Reliability: 0.87

Questions B.26-B.39: Aspects of tourism marketing (cf. 3.4.6). Reliability: 0.83

Question B.40-B.43: Aspects of human resources (cf. 3.5.8). Reliability: 0.68

Question B.44-B.68: Operational aspects (cf. 3.6.7). Reliability: 0.85

### **Scale**

Items in Section B required the owner-manager to rate the importance of the items on a four-point scale by marking it with an X (cf. Annexure). The scale was as follows:

1=Not important.

2=Important to an extent.

3=Important.

4=Very important.

- **Section C: Importance of psychological aspects of the owner-manager**

In this section the psychological aspects of an owner-manager regarding qualities of leadership, entrepreneurship and management

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are researched (cf. Annexure). A combination of these qualities is necessary to create a positive atmosphere in the guesthouse and to be a self-efficient owner-manager (cf. 3.5.2).

Aspects researched and their reliability, according to Alpha Cronbach reliability (1= very reliable), include the following:

Questions C.1-C. 23: Psychological aspects of a leader, manager and entrepreneur (cf.3.5.2). Reliability: 0.92

### Scale

Question items in Section C required the owner-manager to rate the importance of the items on a four-point scale by marking it with an X. The scale is as follows:

1=Not important.

2=Important to an extent.

3=Important.

4=Very important.

- **Section D: Application of aspects to develop and manage a guesthouse**

Items in Section D researched the application of certain aspects in the development and management of a guesthouse (cf. Annexure). The respondents may think certain items are of importance, but never actually apply them. In order to determine the application of the items, the following aspects with their reliability, according to Alpha Cronbach reliability (1=very reliable), were researched:

Questions D.1-D.17: Strategic planning (cf. 3.2.7). Reliability: 0.90

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Questions D.18-D.26: Financial aspects (cf. 3.3.6). Reliability: 0.90

Question D.27-D.43: Aspects of tourism marketing (cf. 3.4.6). Reliability: 0.90

Questions D.44-D.47: Aspects of human resources (cf. 3.5.8). Reliability: 0.70

Questions D.48-D.72: Operational aspects (cf. 3.6.7). Reliability: 0.87

### Scale

Items in Section B required the owner-manager to rate the extent of application of the items on a four-point scale by marking it with an X. The scale was as follows:

1=No extent.

2=A moderate extent.

3=A noticeable extent.

4=A large extent.

### 4.2.5 PILOT STUDY

Ary *et al.* (1996:428) considers it of importance to pre-test the questionnaire. This will determine in advance whether the questions are well constructed, relevant, meaningful and interesting, and whether they are not too long and unambiguous.

The draft questionnaire was handed out to all the owner-managers (N=04 ) of guesthouses in Parys (Free State Province) to give feedback on the manner in which the questions were constructed, the importance and meaningfulness of the questions as well as the length

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of the questionnaire. Parys was chosen as location for the pilot study because it is a tourist destination close to the Vaal River, and seeing that it could facilitate administrative procedures.

After the draft questionnaires were received back, alterations were made and the final questionnaire was constructed.

### **4.2.6 STUDY POPULATION**

For the purpose of this research the population was identified as all the owner-managers of guesthouses who are currently registered at the George Tourism Bureau and in practice (N=30).

The director of the George Tourism Bureau was consulted in order to gather data on guesthouses in the George District (George, Victoria Bay, Wilderness and Herold). The data was analysed and it indicated that there were 30 guesthouses (cf. 1.4.2.2) registered at the Bureau and in practice.

A questionnaire was personally handed out to the owner-manager of each guesthouse to participate in the research, and all the questionnaires were personally collected, giving a 100% response.

### **4.2.7 STATISTICAL METHOD**

The questionnaires were sent to the Statistical Consultation Service at the PU for CHE for further analysis after they were received back. The data was statistically analysed by means of the SAS®-programme (SAS Institute Inc., 2001). The programme was used to determine the following:

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- ◆ The Alpha Cronbach reliability of aspects researched in the structured questionnaire.
- ◆ The means of items in Section B, Section C and Section D.
- ◆ The % importance of question items in Section B and Section C, where % importance is the mean divided by the maximum response X 100.
- ◆ The % application by owner-managers of items in Section D, where % application is the mean divided by the maximum response X 100.
- ◆ The frequency response of owner-managers to aspects identified as success factors.
- ◆ The practical significant relation (effect size) between importance and application of questions in Section B and Section D by applying Cramer's  $\phi$ .

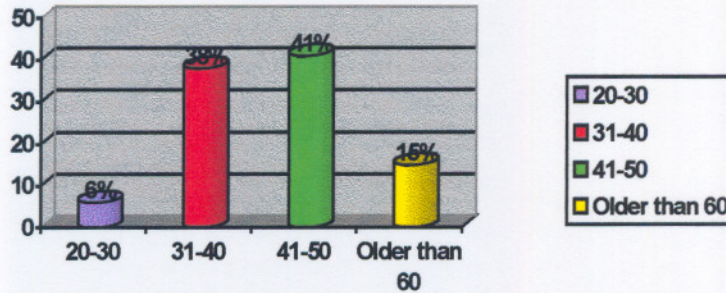
### 4.3 INTERPRETATION OF THE RESPONSE

#### 4.3.1 SECTION A: BIOGRAPHICAL DATA

The biographical data were researched to give the researcher insight into different responses at certain items regarding the capacity in which the questionnaire is completed.

- **Age**

The aim of determining the age of the owner-manager was to delineate the age group of most owner-managers.

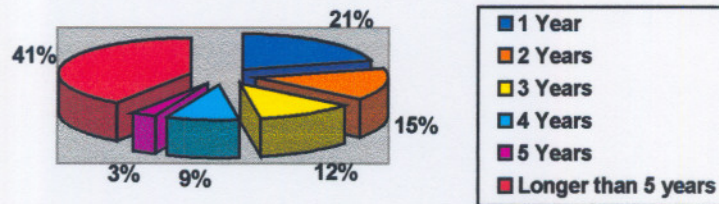


**Figure 4.1: Age**

According to Figure 4.1 41% of the owner-managers in George are between 41 and 50 years of age. In the age group 31-40 years 38% of the respondents are owner-managers of guesthouses where only 6% falls in the age group 20-30 years. Thus it seems that owner-managers mainly fall in the age group 31-50 years.

- **Experience in managing a guesthouse**

The reason why this question was included in the questionnaire was to determine the experience the owner-managers have in managing a guesthouse.



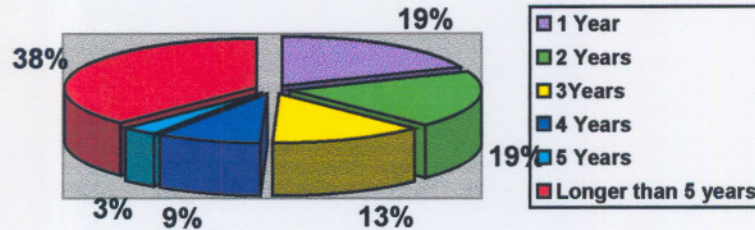
**Figure 4. 2: Years of experience in managing a guesthouse**

According to Figure 4.2, 41% of the respondents have more than 5 years experience in managing a guesthouse. It seems that the

respondents are either experienced in the guesthouse industry for longer than 5 years or are fairly newcomers because 36% have managed a guesthouse for only 1-2 years.

- **Years in existence**

To determine the number of years the guesthouse exists, this item was added to the questionnaire.

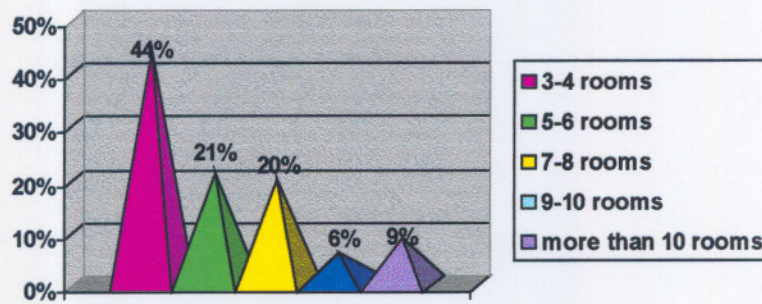


**Figure 4.3: Years in existence**

It can be concluded from Figure 4.3 that 38% of the respondents have owned a guesthouse for longer than 5 years and 38% between 1 and 2 years.

- **Number of bedrooms**

To establish whether the guesthouses registered as guesthouses comply with the definitional recommendation for bedrooms (cf. 1.5.1), this item appears in the questionnaire.

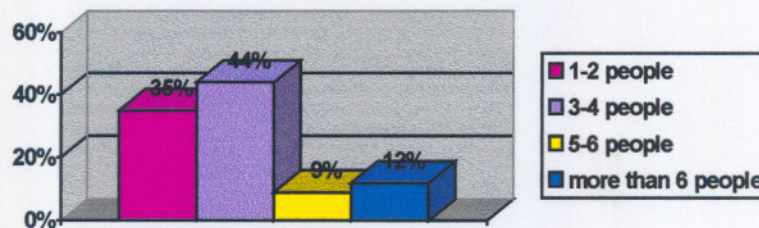


**Figure 4.4: Number of bedrooms**

According to Figure 4.4, 44% of the guesthouses in George have between 3 and 4 bedrooms and it therefore correlates with the formal definition of a guesthouse (cf. 15.1).

- **Number of people employed by owner-managers**

The reason for adding this item to the questionnaire was to determine the number of people employed by the owner-managers to work in the guesthouses.



**Figure 4.5: Number of people employed by owner-managers**

In the George District 79% of the guesthouses employ between 1 and 4 people, and 21% employ more than 5 people. The reason for the

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majority employing between 1 and 4 people may be that 65% of the guesthouses have five rooms or less and the workload isn't that heavy. The estimated total number of people employed by owner-managers of guesthouses in the George district is 100.

It appears from the research that the number of people employed by guesthouses has an influence on the management process of the employees (cf. 4.3.5). From the personal conversations with the owner-managers, it appeared that most of them don't use formal performal appraisal methods such as the checklist, rating scale, interpersonal comparison and trait appraisal method (cf.3.5.7.1) because of the few people the guesthouses employ. Many owner-managers rather have personal conversations with the employee to establish his/her general attitude towards the job and what they would like to accomplish by performing the job. The owner-manager needs to have certain psychological abilities to have such a successful conversation with an employee, for example the ability to give credit where credit is due, to be sensitive to the needs and wants of employees and to be a good listener (cf. 3.5.2).

### **4.3.2 SECTION B: IMPORTANCE OF ASPECTS OF STRATEGIC PLANNING**

Strategic planning relates to the development and management of a guesthouse because it is the first step in the management process and lays the foundation for other activities to follow (cf. 3.2). The aim of these items was to determine the importance of certain aspects of strategic planning in the trade of the guesthouse. The response to the items is reflected in Table 4.1.

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**Table 4.1: Important aspects of strategic planning**

Rank	Item Number	Item	Means	% Importance
1	B.8	Services must meet the needs of guests	3.970	99.25
2	B.9	Facilities must meet the needs of the guests	3.941	98.53
3	B.7	Analyse the internal environment, e.g. facilities, human resources, services, marketing and finances	3.647	91.18
4	B.5	Set business ethics	3.545	88.63
5	B.6	Analyse external environmental factors, e.g. the economy, politics, technology and competitors	3.485	87.13
6	B.4	Set a business philosophy	3.471	86.78
7	B.2	Formulate a vision statement	3.441	86.03
8	B.15	Control operational strategies	3.412	85.30
9	B.1	Set business objectives	3.408	85.20
10	B.10	Assess how well certain management strategies are working	3.406	85.15
11	B.3	Formulate a mission statement	3.294	82.35
12	B.12	Develop business strategies	3.206	80.15
13	B.11	Identify specific strategic issues the guesthouse is facing	3.177	79.43
14	B.13	Use information derived from your strategic plan to anticipate decision-making	3.147	78.68
14	B.14	Control managerial strategies	3.147	78.68
16	B.16	Develop a checklist as a control mechanism	3.030	75.75

All the respondents regard the different aspects of strategic planning as important to very important. The majority of owner-managers

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realise the importance of strategic planning as a pro-active process during which a decision is made concerning which business opportunities to take (cf. 3.2).

Item B.8 (services must meet the needs of guests) and B.9 (facilities must meet the needs of guests) protrudes. Both items received responses of 99% (3.970 and 3.941). The reason for this high response from the study population is that guests will not pay for services and facilities they don't need and want (cf. 3.4.1). Guests choose products that give value for money, and in providing services and facilities that meet the needs of guests, the guesthouse is enticing business.

### 4.3.3 SECTION B: IMPORTANCE OF FINANCIAL ASPECTS

Efficient planning, development, management and control of financial incentives are vital to the financial survival of a guesthouse (cf. 3.3). The aim of these items is to determine the importance of financial aspects in the development and management of a guesthouse. The response to the items is reflected in Table 4.2.

**Table 4.2: Important financial aspects**

Rank	Item number	Item	Means	% Importance
1	B.18	Determine the guesthouse's financial viability	3.625	90.63
2	B.20	Develop a cash operating cost budget	3.412	85.30
3	B.21	Develop an expected	3.382	84.55

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Rank	Item number	Item	Means	% Importance
		turnover budget		
4	B.22	Perform a break-even analysis	3.235	80.88
5	B.23	Develop a budget turnover analysis	3.177	79.43
6	B.24	Develop a cash break-even analysis	3.121	78.03
7	B.17	Decide on a type of ownership, e.g. sole proprietorship, partnership or close corporation	3.118	77.95
8	B.19	Have a business plan	3.088	77.20
9	B.25	Control finances through financial information systems	2.971	74.28

Table 4.2 indicates that the respondents regard 8 of the items to be important to very important. The reason for this positive response is that a guesthouse is a small business and the owner-manager plans and controls their finances to maximise profit (cf. 3.3.1). Item number B.25 gained the lowest rank in Table 4.2. The reason for this low rank may be that many owner-managers are not familiar with financial information systems and control their finances through manual bookkeeping. Another reason may be that the guesthouse industry is relatively new and financial information systems aren't readily available unless the owner-manager develops such a programme him/herself (cf. 3.3.5).

### 4.3.4 SECTION B: IMPORTANCE OF ASPECTS OF TOURISM MARKETING

Marketing is necessary in order to relay a specific, convincing message to potential guests to persuade them to visit the guesthouse (cf.3.4). The aim of these items was to determine the aspects of tourism marketing owner-managers regard as important. The responses to these items are reflected in Table 4.3.

**Table 4.3: Important aspects of tourism marketing**

Rank	Item number	Item	Means	% Importance
1	B.35	Facilitate accessibility of guesthouse by means of clear road signs	3.735	93.38
1	B.36	Advertise the guesthouse	3.735	93.38
3	B.34	Locate the guesthouse in the right surroundings	3.719	92.98
4	B.31	Position the guesthouse in the market place	3.559	88.98
5	B.39	Develop efficient public relations	3.441	86.03
5	B.33	Develop a price strategy	3.441	86.03
7	B.37	Do personal selling	3.412	85.30
8	B.38	Use direct marketing to create an immediate sale	3.333	83.33
9	B.32	Promote the guesthouse as product, tailored to it's product life cycle	3.206	80.15
10	B.29	Aim market research at predetermined target markets	2.970	74.25
11	B.26	Execute marketing research	2.941	73.53
11	B.27	Segment the market into target	2.941	73.53

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Rank	Item number	Item	Means	% Importance
		markets		
13	B.30	Select a target market by means of the application of a strategically planned method	2.882	72.05
14	B.28	Develop profiles of the various market segments	2.794	69.85

Owner-managers regard clear road signs that facilitate movement to the guesthouse, advertising and location of the guesthouse as 92% + important. The reason for this response may be that guests need to be aware of the guesthouse and then lured to the location in order for the owner-manager to do business (cf. 3.4.6.1).

Develop profiles of the various target segments that obtained the lowest rank by the owner-managers. The reason for this response may be that owner-managers use an undifferentiated marketing strategy and therefore ignore market segmentation differences and go after the whole market with one market offer (cf.3.4.4.1).

### **4.3.5 SECTION B: IMPORTANCE OF ASPECTS OF HUMAN RESOURCES**

The reason why these items were included in the questionnaire was to determine the importance of human resource development management (cf. 3.5.1). The response to the items are reflected in Table 4.4.

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**Table 4.4: Importance of aspects of human resources**

Rank	Item number	Item	Means	% Importance
1	B. 41	Recruit the right person for the right position	3.677	91.93
2	B.42	Train employees to be multi-skilled in task performance	3.618	90.45
3	B.40	Incorporate legal aspects of employment in the management of the guesthouse	3.353	83.83
4	B.43	Use performance appraisal techniques to evaluate the process of how the employee carries out the task	3.147	78.68

The respondents regard aspects of human resources as very important because both the owner-manager and the employees form part of the guesthouse's human resources and therefore are part of the total product. When focussing on creating a service culture and hospitable environment, teamwork between the owner-manager and the employees is momentous (cf. 3.5.1.2). The means of the four-question items vary between 80% and 91%. The respondents regard it as 91% important to recruit the right person for the right position because the productivity of the guesthouse increases when the individuals have the right abilities and knowledge to perform specific tasks (cf. 3.5.1.2).

### 4.3.6 SECTION B: IMPORTANT OPERATIONAL ASPECTS

To determine the importance of operational aspects of a guesthouse, these items were. The response to these items are reflected in Table 4.5:

**Table 4.5: Importance of operational aspects**

Rank	Item number	Item	Means	% Importance
1	B.51	Ensure high levels of hygiene	3.969	99.23
2	B.63	Show courtesy to guests	3.912	97.80
3	B.44	Welcome guests in a personal manner upon arrival at the guesthouse	3.853	96.33
4	B.48	Show guests to their rooms	3.794	94.85
5	B.49	Point out aspects concerning the use and procedures of services	3.647	91.18
6	B.50	Offer unique products that distinguish the guesthouse from competitors	3.559	88.98
7	B.54	Provide secure car parking	3.545	88.63
8	B.59	Explain procedures concerning the handling of keys	3.394	84.85
9	B.46	Check if intended method of payment is valid	3.354	83.85
9	B.68	Offer a variety of products/services, e.g. laundry, transport and walking trails	3.354	83.85
11	B.66	Offer a variety of recreational activities, e.g. swimming pool and superb gardens	3.353	83.83
12	B.58	Explain safekeeping procedures	3.324	83.10

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Rank	Item number	Item	Means	% Importance
		of valuables to guests		
12	B.56	Make reservations for guests at other tourism services on request	3.324	83.10
14	B.57	Use the telephone as a constructive tool to promote the image of the guesthouse	3.265	81.63
14	B.47	Offer assistance with luggage	3.265	81.63
16	B.62	Explain the charges to guests at departure	3.235	80.88
16	B.64	Offer departure services	3.235	80.88
18	B.55	Average a 60% 1 bed occupancy	3.118	77.95
19	B.45	Request guests to follow registration procedures	3.030	75.75
20	B.60	Ask guests whether they require a wake-up call in the mornings	2.647	66.18
20	B.50	Provide a variety of menu's	2.647	66.18
22	B.61	Explain procedures concerning the distribution of messages	2.618	65.45
23	B.52	Provide more than one meal, including a combination of breakfast, lunch or dinner	2.441	61.03
24	B.67	Host conferences	2.091	52.28
25	B.53	Have a liquor licence	1.971	49.28

Items B.51 (ensure high levels of hygiene), B.63 (show courtesy to guests) and B.44 (welcome guests in a personal manner upon arrival at the guesthouse) protrude. These questions received a response of 99% (3.969), 98% (3.912) and 96% (3.853). The reason for this high response from the study population is that cleanliness is necessary because various meals are prepared and consumed and different

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people make use of facilities and services in the guesthouse each day. Cleanliness also reflects a quality and careful service standard.

Courtesy and welcoming of guests in a personal manner upon arrival are aspects of a guesthouse that distinguish it from hotels and contribute to the hospitable “home-away-from-home” atmosphere.

Items ranked 4-19 are regarded by the respondents as important to very important. The reason for the study population regarding these items as important to very important is that the operations of the guesthouse directly influence its physical assets, employees and guests (cf. 3.6.1). Items ranked 20-24 are regarded by the respondents as important to an extent, mainly because these items concern administrative procedures or unique services and facilities to be provided, and the owner-manager regards it as needless for a guesthouse to offer it (cf. 3.6.4; 3.6.6).

Item B.53 (have a liquor licence) is significant because the respondents regard it as not important by means of 49%. The reason for this negative response may be that 44% of the guesthouses in George District have 3-4 rooms (cf. Figure 4.4) and the owner-manager therefore regards it to be cost ineffective to pay the annual liquor licence fee.

### **4.3.7 SECTION C: IMPORTANT PSYCHOLOGICAL ASPECTS OF A OWNER-MANAGER**

To establish the importance of aspects of self-efficiency, leadership, management and entrepreneurship in the psychological behaviour of

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the owner-manager, the items appear in the questionnaire. The response to these items is reflected in Table 4.6.

**Table 4.6: Importance of psychological aspects of the owner-manager**

Rank	Item number	Item	Means	% Importance
1	C.12	The ability to establish and uphold high standard of quality	3.912	97.80
2	C.9	The ability to give credit where credit is due	3.875	96.88
3	C.1	The ability to be self-efficient	3.853	96.33
3	C.5	The ability to keep promises	3.853	96.33
5	C.7	The ability to share positive information freely	3.824	95.60
6	C.8	The ability to have a consistently positive personality	3.794	94.85
7	C.18	The possession of a positive self-image	3.765	94.13
8	C.10	The ability to acknowledge own mistakes	3.735	93.38
8	C.14	The ability to act creatively	3.735	93.38
8	C.15	The ability to motivate others to greatness	3.735	93.38
11	C.13	The ability to cultivate an interest in people's needs	3.727	93.38
12	C.11	The ability to give people the opportunity to excel	3.677	91.93
13	C.22	The ability to be sensitive	3.636	90.90
14	C.16	The ability to be a role model to others	3.618	90.45
15	C.4	The ability to communicate the	3.530	88.25

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Rank	Item number	Item	Means	% Importance
		performance of the guesthouse to others		
16	C.19	The ability to maintain a balance between objectives and priorities	3.500	87.50
17	C.3	The possession of leadership qualities	3.500	87.50
18	C.23	The possession of driving power	3.441	86.03
19	C.17	The ability to practise authority	3.441	86.03
20	C.2	The ability to create a positive organisational behaviour	3.375	84.38
21	C.21	The ability to be a master in your field	3.353	83.83
22	C.20	The possession of technical skills	3.059	76.48
23	C.6	The ability to share negative information freely	2.970	74.25

Item C.12 (the ability to establish and uphold high standard of quality), C.9 (the ability to give credit where credit is due), C.1 (the ability to be self-efficient), C.5 (the ability to keep promises) and C.7 (the ability to share positive information freely) are standing out. These five questions received responses between 96% and 98% (3.824-3.912). The reason for this high response from the study population is that high quality standards promote interest in the guesthouse (cf. 3.5.2) and give the guest a satisfied feeling that he/she is receiving value for money spent at the guesthouse. The ability to give credit where credit is due is a psychological aspect of leadership and promotes group interest in the guesthouse's services and facilities (cf. 3.5.2). It stems from the literature study in Chapter 3 that self-efficiency of the owner-manager is important to create a positive

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organisational atmosphere and contributes to performance improvement of the guesthouse (cf. 3.5.2). In having the ability to keep promises and share positive information freely, the owner-manager reveals good leadership qualities and therefore can gain trust from others and encourage group interest (cf. 3.5.2).

Items ranked 6-23 were regarded by the respondents as important. These questions include a combination of self-efficiency, leadership, managerial and entrepreneurial aspects. It relates to the literature study in Chapter 3 by confirming the importance to apply a combination of these aspects (cf.3.5.2).

Item C.6 (the ability to share negative information freely) was ranked as the lowest response in Table 4.6 by means of 74% (2.97). The reason for this low ranking may be that the respondents feel that positive information must be shared instead (cf. Table 4.6: Rank 5).

### **4.3.8 SUCCESS FACTORS THAT OWNER-MANAGERS REGARD AS IMPORTANT FOR DEVELOPING AND MANAGING A GUESTHOUSE**

Given the previous information (cf. 4.3.2 -- 4.3.7), the study population regards various aspects as important to very important for the development and management of a guesthouse. The respondents regard 27 of the aspects as very important (90% +). Aspects that are ranked 1-4 are rated 98% + and aspects that are ranked 6-10 are rated 96% + important.

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These aspects can be seen as the success factors that the respondents regard as important for developing and managing a guesthouse and include the following:

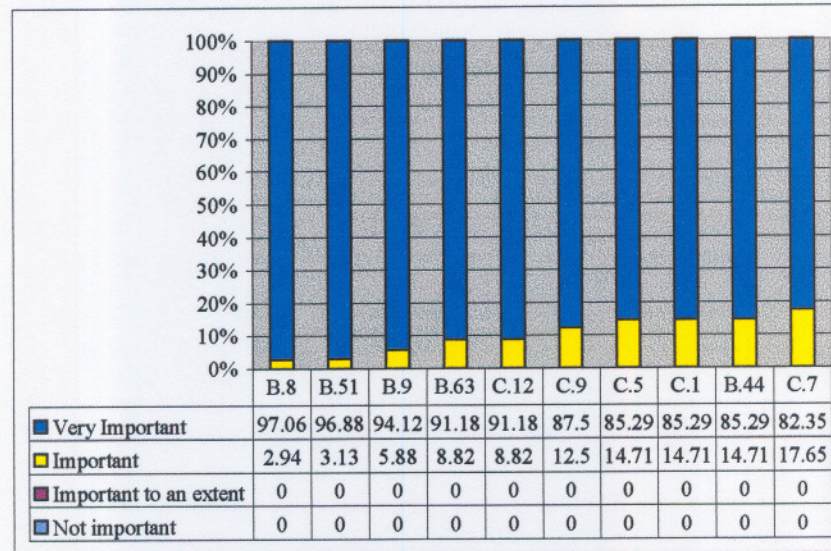
**Table 4.7: Success factors that owner-managers regard as important for developing and managing a guesthouse**

Rank	Item number	Important aspects for developing and managing a guesthouse	Means	% Importance
1	B.8	Services must meet the needs of guests	3.970	99.25
2	B.51	Ensure high levels of hygiene	3.969	99.23
3	B.9	Facilities must meet the needs of the guests	3.941	98.53
4	B.63	Show courtesy to guests	3.912	97.80
5	C.12	The ability to establish and uphold high standard of quality	3.912	97.80
6	C.9	The ability to give credit where credit is due	3.875	96.88
7	C.1	The ability to be self efficient	3.853	96.33
8	C.5	The ability to keep promises	3.853	96.33
9	B.44	Welcome guests in a personal manner upon arrival at the guesthouse	3.853	96.33
10	C.7	The ability to share positive information freely	3.824	96.00

The reason for this high response in aspects ranked 1-4 may be that owner-managers focus more on the aesthetics of the guesthouse than on the managerial and strategic processes (cf. 3.2.7). It is very important to owner-managers that the services and facilities meet the needs of guests and that the overall is clean. Courtesy is also very important to owner-managers to enhance hospitable service (cf. 3.6.5).

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Aspects rated 96% — 96.88% have relevance to the key success factors that are regarded as important, because it reflects psychological abilities of the owner-manager to provide quality service to guests and to manage employees effectively (cf.3.5.2).



**Figure 4.6: Frequency response of study population to success factors**

From the research, only one aspect was viewed by the respondents as not important (means=1.971 / 49.28%), namely to have a liquor licence (cf. Table 4.5). The reason may be that owner-managers don't want to serve liquor or that 44% of the guesthouses operate with only 3-4 rooms (cf. Figure 4.4) and regard a liquor licence as cost-ineffective.

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Figure 4.6 shows the frequency of aspects that owner-managers regard as important success factors for developing and managing their own guesthouse.

The frequency scale (4-1) given in Figure 4.6 represents the scale of importance that owner-managers have rated in the structured questionnaire (4= very important, 3=important, 2=important to an extent, and 1=not important).

It can be concluded from Figure 4.6 that most of the owner-managers regard aspects given in Table 4.7 as very important (82.35 — 97.06) for developing and managing a guesthouse. None of the study population regards aspects in Table 4.7 of no importance or important to an extent.

### 4.3.9 SECTION D: APPLICATION OF STRATEGIC PLANNING ASPECTS

The aim of these items was to determine the extent to which the owner-manager makes use of aspects of strategic planning in their own guesthouse. The response to these items is reflected in Table 4.7.

**Table 4.8: Application of strategic planning aspects**

Rank	Item number	Item	Means	% Applied
1	D.9	The services provided meet the needs of our guests	3.706	92.65
2	D.8	Whether rendered services meet the needs of guests is determined	3.647	91.18
3	D.10	The facilities provided meet the needs of our target market	3.618	90.45

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Rank	Item number	Item	Means	% Applied
4	D.5	Business ethics are applied	3.576	89.40
5	D.4	A business philosophy is applied	3.382	84.55
6	D.7	Internal environmental factors are analysed, e.g. facilities, human resources, services, marketing and finances	3.303	82.58
7	D.16	Operational strategies are controlled	3.182	79.55
8	D.15	Managerial strategies are controlled	3.118	77.95
8	D.1	Business objectives are set	3.118	77.95
10	D.17	A check list is developed as a control mechanism	3.000	75.00
11	D.2	A vision statement is formulated	2.971	74.28
11	D.6	External environmental factors are analysed, e.g. the economics, politics, technology and competitors	2.971	74.28
13	D.12	Specific strategic issues the guesthouse is facing are identified	2.941	73.53
14	D.13	Business strategies are developed	2.882	72.05
15	D.11	How well certain management strategies are working, are assessed	2.853	71.33
16	D.3	A mission statement is formulated	2.824	70.60
17	D.14	Information derived from my strategic plan to anticipate decision-making is used	2.794	69.85

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The respondents apply items ranked 1-10 to a noticeable extent. These items are synthesised from aspects of strategic planning, namely the performance of a situational analysis (cf. 3.2.3), setting business objectives (cf. 3.2.2) and strategic control (cf. 3.2.6). These processes of strategic planning are applied by owner-managers in a large extent because they are vital to the development and management process of a successful guesthouse.

Items ranked 11-17 in Table 4.7 are applied by the respondents to a moderate extent in their own guesthouse. The reason for this response may be that owner-managers don't practise formal strategic planning processes, but use a combination of formal strategic planning and the intuitive-anticipatory approach instead (cf. 3.2.1).

### 4.3.10 SECTION D: APPLICATION OF FINANCIAL ASPECTS

To determine the extent to which owner-managers apply financial aspects in their own guesthouses, these items were added. The response to these items is reflected in Table 4.8.

**Table 4.9: Application of financial aspects**

Rank	Item number	Item	Means	% Applied
1	D.18	An ownership type is decided upon, e.g. sole proprietorship, partnership or close corporation	3.265	81.63
2	D.21	An expected turnover budget is developed	2.941	73.53
3	D.22	A break-even analysis is performed	2.940	73.50
4	D.24	A cash break-even analysis is developed	2.912	72.80

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Rank	Item number	Item	Means	% Applied
5	D.26	Financial information systems are used to control finances	2.882	72.05
6	D.20	A cash operating cost budget is developed	2.849	71.23
7	D.24	A budget turnover analysis is developed	2.788	69.70
8	D.25	The various planned budgets are implemented	2.765	69.13
9	D.19	The business plan is written	2.500	62.50

Item number D.18 (an ownership type is decided upon) is standing out. This item received a response of 82% (3.265). The reason for this response from the study population is that local authorities require guesthouses to be registered as businesses with clear ownership specifications in order to operate legally (cf. 3.3.1). Another reason may be that the bank requires the business registration documents when an owner-manager wants to apply for a loan.

In Table 4.8 ranked items 2-9 are applied by the respondents to a moderate extent. The reason for this response from the study population may be that the respondents have moderate experience in financial development and management and use an authorised accountant to manage and develop their finances instead.

### 4.3.11 SECTION D: APPLICATION OF TOURISM MARKETING ASPECTS

To establish the extent to which the owner-managers make use of aspects of tourism marketing in their own guesthouses, these items appears in the questionnaire. The responses to these question items are reflected in Table 4.10.

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**Table 4.10: Application of tourism marketing aspects**

Rank	Item number	Item	Means	% Applied
1	D.37	The guesthouse is located in the right surroundings	3.648	91.20
2	D.40	The guesthouse as product is advertised	3.471	86.78
2	D.41	The guesthouse as product is personally sold to guests	3.471	86.78
4	D.43	Efficient public relations are developed	3.441	86.03
5	D.33	The guesthouse is positioned in the market place	3.455	83.38
6	D.42	Direct marketing is used to create an immediate sale	3.235	80.88
6	D.35	The guesthouse as product is promoted, tailored to it's product life cycle	3.235	80.88
8	D.27	Marketing research is executed	3.230	80.75
9	D.30	Market research is aimed at predetermined target markets	3.118	77.95
9	D.36	A pricing strategy is developed	3.118	77.95
11	D.28	The market is segmented into target markets	3.091	77.28
12	D.38	Accessibility to guesthouse is facilitated by means of clear road signs	3.000	75.00
13	D.32	A target market is selected by means of the application of a strategically planned method	2.824	70.60
14	D.29	Profiles of the various market segments are developed	2.727	68.18

Items ranked 1-12 are applied by the respondents to a noticeable to large extent. The respondents may apply these items of tourism

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marketing in order to relay a specific, convincing message to potential guests in order to convince them to visit the guesthouse (cf. 3.4).

Items D.32 (a target market is selected by means of a strategically planned method) and D.29 (profiles of the various market segments are developed) are significant because of their low rating. Both questions received negative responses of 2.824 and 2.727 and are therefore applied by the respondents in a noticeable extent. The reason for this negative response from the study population may be that owner-managers do not select their target market by applying a strategically planned method but use the intuitive-anticipatory method to select their target market. Another reason may be that owner-managers choose not to concentrate on a single or few segments, but use an undifferentiated marketing strategy instead (cf. 3.4.4.1).

### 4.3.12 SECTION D: APPLICATION OF HUMAN RESOURCE ASPECTS

The aim of these items were to determine the extent to which the owner-managers make use of aspects of human resources in their own guesthouses. The response from the study population to these items are reflected in Table 4.11, namely:

**Table 4.11: Application of human resource aspects**

Rank	Item number	Item	Means	% Applied
1	D.45	The right person for the right position is recruited	3.529	88.23
2	D.46	Employees are trained to be multi-skilled in task performance	3.235	80.88

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Rank	Item number	Item	Means	% Applied
3	D.44	Legal aspects of employment are incorporated in the management of the guesthouse	3.212	80.30
4	D.47	Performance appraisal techniques are used to evaluate the process of how the employee carries out the task	2.706	67.65

Items ranked 1-3 are applied to a noticeable to large extent by the owner-managers. The most suitable person for a vacant position is recruited and trained to be multi-skilled because of the small business scale on which the guesthouse operates so that all the tasks can be performed at a high service level and that a feeling of teamwork can be established (cf. 3.5.1.2). The owner-managers choose to incorporate legal aspects of employment in the management of their guesthouse to protect themselves and the employees from any incongruity and because law requires them to do so.

Item D.47 (performance appraisal techniques are used to evaluate the process of how the employee carries out the task) is ranked as the lowest by means of 68% (2.706). The study population applies formal performance appraisal techniques (cf. 3.5.7) to a moderate extent because 79% of the guesthouses employ 1-4 people (cf. Figure 4.5) and may use an informal way to evaluate its few human resources, for example personal interviews.

### 4.3.13 SECTION D: APPLICATION OF OPERATIONAL ASPECTS

The reason why these items were included, was to determine the extent to which the owner-manager makes use of aspects of

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operational aspects in their own guesthouses. The response to these items is reflected in Table 4.12.

**Table 4.12: Application of operational aspects**

Rank	Item number	Item	Means	% Applied
1	D.55	High levels of hygiene are ensured	3.912	97.80
2	D.67	Courtesy is shown to guests	3.909	97.73
3	D.52	Guests are shown to their rooms	3.735	93.38
4	D.48	Guests are welcomed in a personal manner upon arrival	3.706	92.65
5	D.53	Aspects concerning the use and procedures of services are pointed out	3.589	89.73
6	D.60	Reservations for guests at other tourism services are made when requested	3.529	88.23
7	D.69	Unique products that distinguish the guesthouse from competitors are offered	3.441	86.03
8	D.70	A variety of products/services are offered, e.g. laundry, transport and walking trails	3.382	84.55
9	D.51	Assistance with luggage is offered	3.353	83.83
9	D.59	Secure car parking is provided	3.353	83.83
11	D.70	A variety of recreational activities is offered, e.g. swimming pool and a superb garden	3.333	83.33
12	D.61	The telephone is used as a constructive tool to promote the image of the guesthouse	3.294	82.35
12	D.69	Departure services are offered	3.294	82.35

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Rank	Item number	Item	Means	% Applied
14	D.62	Safekeeping procedures of valuables are explained to guests	3.265	81.63
15	D.63	Procedures concerning the handling of keys are explained	3.242	81.05
16	D.66	Charges are explained to guests at departure	3.147	78.68
17	D.50	Whether the intended method of payment is valid is checked	3.088	77.20
18	D.49	Guests are requested to follow registration procedures	3.029	75.73
19	D.63	Procedures concerning the distribution of messages are explained	3.000	75.00
20	D.58	A bed occupancy of 60% + is averaged	2.706	67.65
21	D.56	More than one meal is provided which includes a combination of breakfast, lunch or dinner	2.559	63.98
22	D.54	A variety of menu's are provided	2.500	62.50
23	D.64	Guests are asked whether they require a wake-up call in the mornings	2.475	61.88
24	D.71	Conferences are hosted	1.941	48.53
25	D.57	The guesthouse has a liquor licence	1.765	44.13

In Table 4.12, item D.55 (high levels of hygiene are ensured) and D.67 (courtesy is shown to guests) are standing out and both received a response of 98% ( 3.912; 3.909). The reason for this high response from the study population is that guesthouses may be visited by a health inspector to evaluate the cleanliness and hygiene of the kitchen and rest of the house because food are prepared and various services

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are executed that require personal contact between the human resources and guests. When found that the guesthouse is unhygienic, its permit to do business may be revoked because an unhygienic guesthouse may be a health risk to its guests. In always showing courtesy to guests a positive and lasting impression may be imprinted on the guests (cf. 3.6.5).

The respondents apply operational aspects in items ranked 3-19 to a noticeable to large extent. Taken the literature study in Chapter 3 into account, these operational aspects include procedures to follow upon the arrival of the guests, operational administration, departure services and the provision of unique services and facilities. Application of these aspects is necessary to yield operational inputs to outputs (cf. 3.6.1).

Item D.71 (conferences are hosted) and D.57 (the guesthouse has a liquor licence) are significant because they received the lowest ranking in Table 4.11 by means of 49% (1.941) and 44% (1.765). The reason for this negative response from the study population may be that the premises on which the guesthouse is located is too small to accommodate conference facilities. The possession of a liquor licence may be cost ineffective because of the small scale on which the guesthouse operates. Some owner-managers may want to avoid unwanted guests who only use the liquor facilities and not the accommodation facilities as well.

### 4.3.14 SUCCESS FACTORS THAT ARE APPLIED IN DEVELOPING AND MANAGING A GUESTHOUSE

Given the previous information (cf. 4.3.9 - 4.3.13), the study population applies various aspects for the development and management of a guesthouse to a noticeable to large extent. Success factors (rated +90%) as applied by the owner-manager include the following:

**Table 4.13: Success factors that are applied in developing and managing a guesthouse**

Rank	Item number	Item	Means	% Applied
1	D.55	High levels of hygiene are ensured	3.912	97.80
2	D.67	Courtesy is shown to guests	3.909	97.73
3	D.52	Guests are shown to their rooms	3.735	93.38
4	D.48	Guests are welcomed in a personal manner upon arrival	3.706	92.65
4	D.9	The services provided meet the needs of our guests	3.706	92.65
6	D.37	The guesthouse is located in the right surroundings	3.648	91.20
7	D.8	Whether rendered services meet the needs of guests is determined	3.647	91.18
8	D.10	The facilities provided meet the needs of our target market	3.618	90.45

The respondents apply 8 of the aspects to a great extent (+90%). Out of these aspects, 2 are rated +97% namely to ensure high levels of

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hygiene and show courtesy to guests (cf. Table 4.3.12). This complies with the aspects that owner-managers regard as very important (cf. Table 4.7) and confirm the view that a clean, warm and friendly guesthouse will attract guests (cf. 3.6.6).

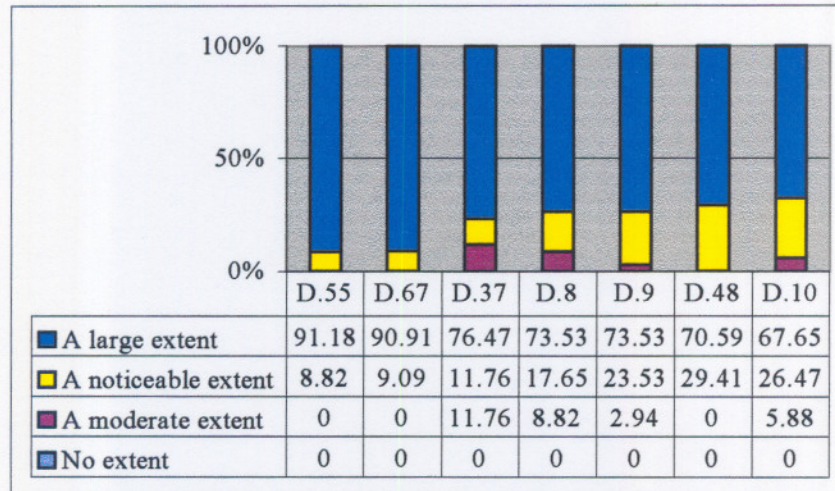
To show guests to their rooms and to welcome guests in a personal manner upon arrival, are important operational aspects to apply at the arrival of guests in order to enhance a positive first impression (cf. 3.6.3). In providing services guests need and locating the guesthouse in the right position, guest satisfaction is enhanced. Most owner-managers regularly determine whether the services and facilities provided by the guesthouse product meet the needs of their guests. When the owner-managers determine that the needs of their target market are changing, developments and adjustments in services and facilities can be made to provide for those changing needs. In doing so, the owner-manager ensures that the guests come back to revisit the guesthouse and be satisfied by the services and facilities provided. This is a characteristic of the owner-manager that reflects a personal interest in the needs of guests and the ability to react innovatively and creatively. Determining guest needs and developing services and facilities according to it, reflects effective guesthouse development and management.

The respondents apply hosting of conferences (means=1.941) and the possession of a liquor licence (means=1.765) to a small extent (cf. Table 4.12). The reason may be that the operations and premises of the guesthouses are on a small scale and it is therefore cost-ineffective to apply for a liquor licence or to build conference facilities. Another reason may be that owner-managers do not understand business dynamics --- the more quality services and facilities they offer, the

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more profit they can make if the strategy behind the business is developed and managed well.

Figure 4.7 shows the frequency of aspects that owner-managers apply as success factors for developing and managing their own guesthouses.



**Figure 4.7: Frequency of aspects applied by owner-managers as success factors**

The frequency series (4-1) given in Figure 4.6 represents the scale used in the structured questionnaire to determine the extent to which owner-managers apply aspects for developing and managing their own guesthouses (4 = a large extent, 3 = a noticeable extent, 2 = a moderate extent and 1 = no extent).

It can be concluded from Figure 4.7 that most of the owner-managers apply aspects given in Table 4.13 to a noticeable to great extent (91.18 – 67.65) for developing and managing their own guesthouse. None of

the study population applies aspects in Table 4.13 to no extent and the response to four aspects (D.37, D.8, D.9 and D.10) indicates that only a few owner-managers apply these aspects to a moderate extent (11.76 - 2.94).

### **4.4 EFFECT SIZE (W)**

The data of Section B and Section D were statistically analysed by two-way contingency tables and compared with the SAS®-programme (SAS Institute Inc., 2001). The practical significance of the relationship between importance and application of items in Section B and Section D is determined through using Cramer's  $\phi^2$ . The scale for this method is (Cohen, 1988:223):

W=0.1: Small effect.

W=0.3: Medium effect.

W=0.5: Large effect.

#### **4.4.1 ASPECTS OF STRATEGIC PLANNING: EFFECT SIZE BETWEEN IMPORTANCE AND APPLICATION**

The aim in determining the effect size of aspects of strategic planning, as reflected in Tables 4.1 and 4.7, is to establish whether there is a practical significant relation between the aspects that owner-managers regard as important and the extent to which they apply it. The effect size between the importance and application of aspects of strategic planning are reflected in the following table:

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**Table 4.14 Aspects of strategic planning: Effect size between importance and application**

Rank	Item number	Item	Cramer's $\phi^2$
1	B.1/D.1	Set business objectives	0.60
1	B.11/D.12	Identify specific strategic issues the guesthouse is facing	0.60
3	B.5/D.5	Set business ethics	0.58
4	B.6/D.6	Analyse external environmental factors	0.52
5	B.2/D.2	Formulate a vision statement	0.47
5	B.16/D.17	Develop a checklist as a control mechanism	0.47
6	B.12/D.13	Develop business strategies	0.44
8	B.14/D.15	Control managerial strategies	0.43
9	B.13/D.15	Use information derived from the strategic plan to anticipate decision making	0.42
10	B.3/D.3	Formulate a mission statement	0.39
11	B.4/D.4	Set a business philosophy	0.39
11	B.10/D.11	Assess how well certain managerial strategies are working	0.39
13	B.15/D.16	Control operational strategies	0.38
14	B.7/D.7	Analyse the internal environment	0.19
15	B.9/D.10	Facilities must meet the needs of guests	0.14
16	B.8/D.9	Services must meet the needs of guests	0.10

Responses of the study population to six items, as reflected in Table 4.14, have a large practical effect, namely B.1 compared to D.1 (set business objectives), B.11 compared to B.12 (identify certain specific issues the guesthouse is facing), B.5 compared to D.5 (set business ethics), B.6 compared to D.6 (analyse external environmental factors),

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B.2 compared to D.2 (formulate a vision statement) and B.16 compared to D.17 (develop a checklist as a control mechanism).

The reason for this response emphasising managerial and strategic aspects, may be that setting business objectives is the starting point in the strategic planning process and the end towards which organising, marketing, human resources and control are aimed ( cf. 3.2.2). Owner-managers may identify strategic issues in order to determine which aspects of developing and managing the guesthouse needs attention (cf. 3.2.4). Setting business ethics may set behavioural codes that guide the guesthouses in their relationship with other environments (cf. 3.2.2). Such an environmental relationship is the connection with the external environment, which influences the guesthouse's choice of direction and action, as well as the business structure and internal processes (cf. 3.2.3.3).

Formulating a vision statement is part of setting business objectives and is important and is applied because a vision is a roadmap of the guesthouse's future — the direction it is headed, the business position it intends to stake out, and the capabilities it plans to develop (cf. 3.2.2). An effective technique to control implementation is the checklist-method (cf. 3.2.6). This implies that each person and decision receives a checklist, based on the strategic plan, of what need to be done. The checklist-method is successful because everyone knows exactly what is required of them. Report back on a continuous basis helps to achieve sustainability and therefore owner-managers may regard it as important and apply it to the same extent.

The owner-managers may think these aspects are important and apply it to the same extent, because it can be formally planned or processed through an intuitive-anticipatory approach (cf. Table 3.1). These

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aspects are important and applied in the development and management of a guesthouse because the strategic planning process involves little money to be spent.

There was found that three items have no practical significant relation between importance and application, namely (0.1-0.19) B.7 compared to D.7 (analyse the internal environment), B.8 compared to D.9 (facilities must meet the needs of guests), B.8 compared to D.9 (services must meet the needs of guests). The reason for this response may be that guesthouses use an undifferentiated marketing strategy and equip facilities and services to suit most guests. Therefore owner-managers may recognise the importance of their services and facilities to meet the needs of guests but are constraint by practicalities such as budgeting, room space or location.

### **4.4.2 ASPECTS OF FINANCIAL MANAGEMENT: EFFECT SIZE BETWEEN IMPORTANCE AND APPLICATION**

The aim in determining the effect size of aspects of financial management, as distinguished in Tables 4.3 and 4.11 was to establish whether there is a practical significance in the aspects that owner-managers regard as important and the extent to which they apply it. The effect size is reflected in Table 4.15.

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**Table 4.15: Aspects of financial management: Effect size between importance and application**

Rank	Item number	Item	Cramer's $\phi$ '
1	B.25/D.26	Control finances through financial information systems	0.47
2	B.21/D.21	Develop an expected turnover budget	0.40
3	B.17/D.18	Decide on type of ownership, e.g sole proprietorship, partnership or close corporation	0.39
4	B.19/D.19	Write a business plan	0.34
4	B.20/D.20	Develop a cash operating budget	0.34
4	B.24/D.24	Develop a cash break-even analysis	0.34
7	B.23/D.23	Develop a budget turnover analysis	0.31
8	B.22/D.22	Perform a break-even analysis	0.23

Question number B.25 compared to D.26 (control finances through financial information systems) have a large practical significant relation between importance and application. Timeless and useful information systems, concerning the activities and financial position of the guesthouse, is required to enable the guesthouse owner-manager to successfully manage finances. The information must be useful in making management decisions on a daily or monthly basis and therefore owners-managers may regard it as important and apply it to the same extent to use financial information systems (cf. 3.3.5).

Items that are ranked 2-8 have a practical significant relation between importance and application that vary from 0.23 - 0.40, implying a small to moderate effect. The reason for this response may be that owner-managers recognise the importance of aspects of financial management but don't have practical experience in small business

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operations, can't execute these processes by themselves and therefore hire a professional accountant to help plan and control their finances.

### 4.4.3 ASPECTS OF TOURISM MARKETING: EFFECT SIZE BETWEEN IMPORTANCE AND APPLICATION

The reason why the effect size of aspects of tourism marketing were determined, as distinguished in Tables 4.3 and 4.10, was to establish whether there is a practical significance in the aspects that owner-managers regard as important and the extent to which they apply it. The effect size is reflected in Table 4.16.

**Table 4.16: Aspects of tourism marketing: Effect size between importance and application**

Rank	Item number	Item	Cramer's $\phi$ '
1	B.35/D.38	Facilitate accessibility to guesthouse by means of clear road signs	0.80
2	B.38/D.42	Use direct marketing to create an immediate sale	0.70
3	B.34/D.37	Locate the guesthouse in the right surroundings	0.51
4	B.30/D.32	Select a target market by means of the application of a strategically planned method	0.50
4	B.36/D.40	Advertise the guesthouse	0.50
6	B.29/D.30	Aim market research at predetermined target markets	0.49
7	B.33/D.36	Develop a price strategy	0.47
8	B.37/B.41	Do personal selling	0.42
9	B.26/D.27	Execute marketing research	0.41
10	B.27/D.28	Segment the market into target	0.33

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Rank	Item number	Item	Cramer's $\phi'$
		markets	
10	B.31/D.33	Position the guesthouse in the market place	0.33
10	B.32/D.35	Promote the guesthouse as a product, tailored to its product life cycle	0.33
13	B.28/D.29	Develop profiles of the various market segments	0.32
14	B.39/D.43	Develop efficient public relations	0.22

The items ranked 1-7 have a large practical significance (0.47 – 0.80). Owner-managers regard these aspects of tourism marketing as important to the same extent as applying it in order to facilitate accessibility of the guesthouse by means of clear road signs, use direct marketing to create an immediate sale, locate the guesthouse in the right surroundings, select a target market by means of the application of a strategically planned method, advertise the guesthouse, aim market research at predetermined target markets and develop a pricing strategy.

The practical significance of this response may be that owner-managers want to relay a specific, convincing message to potential guests from a pre-determined target market, in order to persuade them to visit the guesthouse and to generate a profit for themselves (cf. 3.4.4).

One aspect has a small effect size namely the development of efficient public relations (0.22). The reason for this rating may be that many owner-managers are fairly newcomers to the guesthouse industry (cf. 4.3.1) and still need to build a networking and lobbying system with other guesthouses in the district.

**4.4.4 ASPECTS OF HUMAN RESOURCES:  
EFFECT SIZE BETWEEN IMPORTANCE  
AND APPLICATION**

**Table 4.17: Aspects of human resources: Effect size  
between importance and application**

Rank	Item number	Item	Cramer's $\phi^2$
1	B.42/D.46	Train employees to be multi-skilled in task performance	0.43
2	B.40/D.44	Incorporate legal aspects of employment in the management of the guesthouse	0.37
3	B.44/D.47	Welcome the guests in a personal manner upon arrival	0.36
4	B.41/D.45	Recruit the right person for the right position	0.19

No item regarding aspects of human resources has a large effect size (+0.5) according to Cramer's  $\phi^2$ . The effect size varied from 0.19 – 0.43, implying no practical significant effect.

The reason for this response may be that owner-managers recognise the importance of aspects of human resources but employ too few people (cf. Figure 4.3) to apply the formal recruitment, training and performance appraisal methods these processes imply. Another reason may be that owner-managers approach their human resources as domestic assistants and not as employees of a small business.

Recruiting the right person for the right position gained the lowest rank and has no effect size (Cramer's  $\phi^2$  : 0.19) which implies that

owner-managers may rather train employees to be multi-skilled in task performance (Cramer's  $\phi^2$  : 0.43).

#### 4.4.5 OPERATIONAL ASPECTS: EFFECT SIZE BETWEEN IMPORTANCE AND APPLICATION

Why positive consideration was given to determining the effect size of operational aspects, as reflected in Tables 4.5 and 4.12, was to establish whether there is a practical significant effect in aspects that owner-managers regard as important and the extent to which they apply it. The effect size between the importance and application of operational aspects are given in Table 4.15.

**Table 4.17: Operational aspects: Effect size between importance and application**

Rank	Item number	Item	Cramer's $\phi^2$
1	B.56/D.60	Make reservations for guests at other tourism services when requested	0.75
2	B.58/D.62	Explain safekeeping procedures to guests	0.70
3	B.52/D.56	Provide more than one meal, including a combination of breakfast, lunch or dinner	0.66
3	B.65/D.69	Offer unique products that distinguish the guesthouse from competitors	0.66
5	B.47/D.51	Offer assistance with luggage	0.65
6	B.63/D.67	Show courtesy to guests	0.63
7	B.50/D.54	Provide a variety of menu's	0.62

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Rank	Item number	Item	Cramer's $\phi^2$
8	B.45/D.49	Request guests to follow registration procedures	0.61
9	B.67/D.71	Host conferences	0.59
10	B.59/D.63	Explain procedures concerning the handling of keys	0.58
11	B.54/D.59	Provide secure car parking	0.57
12	B.51/D.55	Ensure high levels of hygiene	0.56
13	B.48/D.52	Show guests to their rooms	0.53
13	B.49/D.53	Point out aspects concerning the use and procedures of services	0.53
13	B.66/D.70	Offer a variety of recreational activities e.g. swimming pool and superb garden	0.53
16	B.46/D.50	Check whether intended method of payment is valid	0.51
16	B.64/D.68	Offer departure services	0.51
18	B.57/D.61	Use the telephone as a constructive tool to promote the image of the guesthouse	0.49
19	B.68/D.72	Offer a variety of products/services, e.g. laundry, transport and walking trails	0.47
20	B.44/D.48	Welcome guests in a personal manner upon arrival	0.46
21	B.61/D.65	Explain procedures concerning the distribution of messages	0.44
22	B.60/D.64	Ask guests whether they require a wake-up call in the mornings	0.43
22	B.53/D.57	Have a liquor licence	0.43
24	B.55/D.58	Average a 60% + bed occupancy	0.42
25	B.62/D.66	Explain charges to guests at departure	0.38

Items in Table 4.17 that are ranked 1-20 have a large effect (Cramer's  $\phi^2$ : 0.46 - 0.75) and therefore a practical significant relation exists

between the importance and application of these aspects in the operations of a guesthouse.

The reason for this high rating may be that owner-managers apply operational aspects to the same extent as they regard it as important because of the system approach in which the guesthouse operates. It relates directly to developing, managing, and strategic planning processes for a guesthouse as well as to the pre-arrival phase of guests, arrival of guests, operational administration, departure of guests and provision of unique services and facilities (cf. 3.6).

### **4.5 KEY SUCCESS FACTORS FOR DEVELOPING AND MANAGING A GUESTHOUSE**

Certain KSFs can be concluded from the empirical research. The success factors given in 4.3.8 and 4.3.14 were analysed and compared in order to conclude the KSFs for developing and managing a guesthouse as given in Table 4.18.

In the case where the aspect of two success factors were the same (D.67 compared to B.63; D.9 compared to B.8; D.55 compared to B.51; D.10 compared to B.9; D.48 compared to D.44), the % importance and % application of the two success factors were added up and divided by two in order to determine the KSFs: %.

**Table 4.18: Key success factors that are important and applied in developing and managing a guesthouse**

<b>Rank</b>	<b>Item number</b>	<b>KSFs for developing and managing a guesthouse</b>	<b>KSFs : %</b>
1	C.12	The ability to establish and uphold a high standard of quality	97.80
2	D.67/ B.63	Show courtesy to guests	97.78
3	C.9	The ability to give credit where credit is due	96.88
4	C.1	The ability to be self-efficient	96.33
5	C.5	The ability to keep promises	96.33
6	C.7	The ability to share positive information freely	96.00
7	D.9/ B.8	Services provided meet the needs of guests	95.95
8	D.55/ B.51	High levels of hygiene is ensured	95.94
9	D.10/ B.9	Facilities provided meet needs of guests	94.49
10	D.48/ B.44	Guests are welcomed in a personal manner upon arrival	94.49
11	D.37	The guesthouse is located in the right surroundings	91.20
12	D.8	Whether rendered services and facilities meet the needs of guests is determined	91.18

The KSFs in Table 4.18 all received a very high rating (91.18- 97.80) by the study population.

KSFs are the aspects that most affect the ability of guesthouse owner-managers to prosper in the marketplace and concern what every owner-manager within the guesthouse industry must be competent at doing or concentrate on achieving in order to be competitively and

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financially successful. Therefore, although financial aspects (cf. 4.3.3 & 4.3.10) are not included in the KSFs, the other KSFs can contribute to the financial success of the guesthouse when developed and managed well. KSFs are so important that all owner-managers in the industry must pay close attention to them because are prerequisites for success within the guesthouse industry (cf.1.5.6).

KSFs that are ranked 1-6 in Table 4.18 concern qualities that characterise a successful owner-manager (cf. 3.5.2). The ability to establish and uphold a high standard of quality can ensure that guests associate services and facilities provided with a quality guesthouse product. Guests choose a product that mostly have the over-all capacity to satisfy their needs and gives the best value for money. Showing courtesy to guests by both the owner-manager and people employed is important quality to show in order to create a high-quality and long-lasting impression on guests. Satisfied guests leaving the guesthouse is an effective marketing tool, because they speak from firsthand knowledge and not hearsay concerning the guesthouse (cf. 3.6.6).

The ability of the owner-manager to give credit where credit is due can serve as inspiration and motivation to people employed by the owner-manager. The guesthouse can achieve its goals more successfully when employees are positively developed and managed through giving credit where credit is due (cf. 3.5.2). The ability to be self-efficient refers to the owner-manager's confidence about his/her capabilities to mobilise the motivation, human resources and courses of action needed to successfully accomplish a certain task. By being self-efficient, having the ability to keep promises and having the ability to share positive information freely, the owner-manager can

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enhance positive organisational behaviour of the guesthouse product (cf. 3.5.2).

KSFs ranked 7-12 in Table 4.18 concern aspects of strategic planning, tourism marketing and operational aspects. Through analysing the internal and external market as well as applying marketing research, the owner-manager can create a guesthouse product whose services and facilities meet the need of guests. In providing services and facilities that guests need, business is attracted to the guesthouse and may imply a future financial profit. For this reason, the owner-manager need to determine whether rendered services and facilities meet the needs of guests. The needs of guests are constantly changing and the owner-manager therefore needs to determine whether services and facilities provided still meet the needs of guests over a period of time.

The guesthouse might be visited by a health inspector to evaluate the cleanliness and hygiene of the kitchen and rest of the house because food is prepared and various services are executed that require personal contact between the human resources and guests. When found that the guesthouse is unhygienic, its permit to do business may be revoked because an unhygienic guesthouse may be a health risk to the society, therefore high levels of hygiene need to be ensured.

Upon arrival of guests at the guesthouse, a hospitable business relationship must be established between them and the owner-manager. In welcoming guests in a warm and friendly manner upon arrival, the owner-manager, or a well trained employee, creates a positive first impression on the guest (cf. 3.6.3).

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The location of a guesthouse places it geographically in a certain area. Within this area, location denotes accessibility and convenience, attractiveness of surroundings and proximity to other tourism sectors (cf. 2.2.1.3). Attractive natural surrounding landscape such as view on mountains, valleys, ocean and farms as well as closeness to important inter-urban traffic routes, hiking trails and access to swimming facilities contributes to a successful guesthouse location in the George district.

### 4.6 CONCLUSION

The research design was firstly discussed in this chapter and involves the questionnaire as a research measuring instrument, the advantages and disadvantages of a closed-end questionnaire, reasons why the choice fell on a structured questionnaire as research method, structure of the questionnaire, pilot study, population and statistical method.

Secondly, the responses were interpreted and possible success factors derived from aspects that owner-managers regard as very important and apply to a large extent, were determined. The responses to questions in Sections B and D were statistically compared to determine the practical significance of the relationship between the importance and application of aspects in Section B and Section D.

The aim of this chapter was to reflect the results of the empirical research in order to determine KSFs for developing and managing a guesthouse. The KSFs in this chapter were concluded from a combination of the success factors that owner-managers regard as important and success factors that owner-managers apply to develop and manage their guesthouse.

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In chapter 5, conclusions are drawn from the study and recommendations regarding development, management and further research are made.

# 5. CONCLUSIONS AND RECOMMENDATIONS

## 5.1 INTRODUCTION

In this chapter the research is concluded. The aims of this chapter are the following:

- ◆ To give the conclusions of the research
- To make recommendations concerning the previous research.

In Chapter one, the research done in this study is orientated. The problem of the study was stated, namely: What are the key success factors owner-managers can use to develop and manage a guesthouse? Given the context of the problem statement, three research objectives are established. The research methods that were used in the research are discussed in terms of a literature study and empirical research. The process of how the empirical research was carried out was described, namely by means of a structured questionnaire, determining a study population and the statistical techniques used to analyse the empirical data. The structure of the research was explained, and important concepts used throughout the study were defined.

In Chapter two development of the guesthouse industry in South Africa was indicated. This was done by contextualising hospitality within a historical perspective. The development of various types of accommodation was described throughout history and similarities between the nineteenth century pension and the modern guesthouse

## **Chapter 5 : Conclusions and Recommendations**

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were identified. It was concluded that hotels were the most popular type of traditional accommodation but as the twentieth century progressed, the needs of guests changed. Guests started preferring specialist types of accommodation above the traditional types of hotels, because most hotels didn't satisfy their need or provide value for their money spent. Guesthouses seemed to be the most popular form of specialist accommodation. Guesthouses started to mushroom in South Africa and it was assumed that by October 2002, 26 000 guesthouses had been developed that made a total economic contribution of R26 billion to the larger economy of South Africa.

In Chapter three important aspects were identified that owner-managers of guesthouses can apply in order to successfully develop and manage their guesthouses as a small business. These were aspects of strategic planning, financial aspects, tourism marketing, aspects of human resources and operational aspects. The nature of each aspect was argued, followed by a discussion of processes that result from each aspect. The five primary aspects were concluded by a synthesis. The synthesis of each aspect was used as basis for the development of the structured questionnaire.

In Chapter four the results of the empirical research were reflected in order to determine KSFs for developing and managing a guesthouse. The research design was discussed and the questionnaire as a research measuring instrument was motivated. Advantages and disadvantages of a closed-end questionnaire were given and reasons why the choice fell on a structured questionnaire as research method were motivated. The structure of the questionnaire was explained, as well as the process of the pilot study. The study population was identified and the statistical methods used to analyse the data were given. Responses to

## **Chapter 5 : Conclusions and Recommendations**

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the questionnaires were interpreted and possible success factors were derived from aspects owner-managers regard as very important and apply to a large extent. The responses to questions in Sections B and D were statistically compared in order to determine the practical significance of the relation between the importance and application of aspects in Section B and Section D. KSFs were concluded from a combination of the success factors that owner-managers regard as important and success factors that owner-managers apply to develop and manage their guesthouses. These KSFs were motivated and discussed.

From the research various conclusions can be made regarding research objectives 1-3 (cf.1.3). These conclusions are subsequently presented.

### **5.2 CONCLUSIONS**

The following conclusions regarding the research can be drawn, namely:

- ◆ Conclusions with regard to the development of the guesthouse industry in South Africa (cf. 1.3.1)
- ◆ Conclusions regarding aspects for developing and managing a guesthouse (cf.1.3.2)
- ◆ Conclusions with regard to the survey (cf. 1.3.3).

The above mentioned are concluded next.

**5.2.1 CONCLUSIONS WITH REGARD TO THE DEVELOPMENT OF THE GUESTHOUSE INDUSTRY IN SOUTH AFRICA (RESEARCH OBJECTIVE 1)**

The following are regarded as the main conclusions with respect to research objective 1 (cf. 1.3.1):

- ◆ Accommodation is an aspect of cardinal importance to the tourism industry, for tourists need overnight services and facilities during their travelling (cf. 2.1).
- ◆ Hospitality had an historical take-off in Europe and many types of accommodation such as inns, taverns, rest houses for travellers, hotels, pensions and boarding houses were established from the ancient Greek and Roman times up to the late nineteenth century (cf.2.2).
- ◆ The French pension and the British boarding house that was developed in the late nineteenth century were a very similar nature to guesthouses as they are known today (cf. 2.2).
- ◆ Hotels seemed to be a popular choice of traditional types of accommodation but its popularity started declining when the needs of guests were changing, and a new and specialist type of accommodation was developed to accommodate those needs (cf.2.2.1.1).
- ◆ Specialist accommodation provides personal service and offers special opportunities to guests through the location of the establishment, features of the establishment or activities offered to guests (cf. 2.2.1.2).

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- ◆ Guesthouses seem to be the most popular choice of specialist accommodation and due to their popularity, it developed from a mere 3 guesthouses that were established in 1979 to a profitable industry with an estimated 26 000 guesthouses established by October 2002 (cf. 2.2.1.3).
- ◆ Guesthouses can follow certain guidelines or meet certain criteria, such as law-enforced criteria or the voluntary criteria of the TGCSA, in order to successfully develop a guesthouse (cf. 2.2.1.3).
- ◆ It was assumed that the total number of developed guesthouses was 26 000 by October 2002 and this number of guesthouses made an economic contribution of R26 billion to the larger economy of South Africa (cf. 2.4)
- ◆ It was assumed that a projected 7 800 new guesthouses will be established in South Africa during the period 2002 to 2005. This number of new guesthouses will make an economic contribution of R7.8 billion in the same period (cf. 2.4).
- ◆ It was assumed that there will be an estimated 33 800 guesthouses established in South Africa by 2005 that will have made a total economic contribution of a projected R33.8 billion to the larger economy of South Africa (cf. 2.4).
- ◆ It was assumed that the establishment of guesthouses created career opportunities for an estimated 78 000 people since 1979, up to October 2002 (cf. 2.4).

**5.2.2 CONCLUSIONS REGARDING ASPECTS FOR DEVELOPING AND MANAGING A GUESTHOUSE (RESEARCH OBJECTIVE 2)**

Regarding research objective 2 (cf. 1.3.2), it was primarily found that:

- ◆ Aspects of strategic planning are the backbone support of strategic management. It is important and needs to be applied to the development and management process of a guesthouse because it is the first step in the management process and lays the foundation for all other activities to follow (cf. 3.2).
- ◆ Efficient planning, development, management and control of financial aspects are vital to the financial survival of a guesthouse (cf. 3.3).
- ◆ Aspects of tourism marketing are important and need to be applied in the development and management of a guesthouse because marketing is necessary in order to relay a specific and convincing message to guests in order to persuade them to visit the guesthouse. In doing so, aspects of tourism marketing will contribute to satisfying guest needs and wants, and will generate a profit for the owner-manager of the guesthouse (cf. 3.4).
- ◆ Aspects of human resources distinguish certain important characteristics that are required of an owner-manager in order to successfully develop and manage a guesthouse. When aspects of human resources are developed and managed well, specialised people can be placed at the owner-manager's disposal so that the aims of the guesthouse can successfully be achieved (cf. 3.5.1).

- ◆ Operational aspects are important and need to be applied in the development and management process of a guesthouse. Important operational aspects include operational hard and soft systems, the pre-arrival phase of guests, the arrival phase of guests, administrative procedures, the departure phase of guests and accessories and unique services and facilities the guesthouse can provide in order to distinguish itself from the competition (cf. 3.6).

### **5.2.3 CONCLUSIONS WITH REGARD TO THE SURVEY (RESEARCH OBJECTIVE 3)**

Regarding research objective 3 (cf. 1.3.3), it was primarily found that:

- ◆ The owner-manager of the guesthouse needs to have the ability to establish and uphold a high standard of quality in order to do business successfully (cf. 3.5.2).
- ◆ Due to the nature of the hospitality industry and specialist accommodation, it is very important that the guesthouse's human resources show courtesy to guests (cf. 3.6.5).
- ◆ The guesthouse owner-manager needs to have the ability to give credit where credit is due in order to inspire and motivate employees to achieve the aims of the guesthouse (cf.3.5.2).
- ◆ The ability of the owner-manager to be self-efficient is very important in order to create a positive organisational behaviour and to contribute to performance improvement of the guesthouse (cf. 3.5.2).

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- ◆ In having the ability to keep promises, the owner-manager reveals good leadership qualities and can therefore gain the trust of the guesthouse's employees, guests and other fellow business people (cf. 3.5.2).
- ◆ The guesthouse owner-manager needs to have the ability to share positive information freely because it encourages group interest in the guesthouse and helps to build a positive organisational behaviour (cf. 3.5.2).
- ◆ In providing services and facilities guests need, business is attracted to the guesthouse and this might imply a financial profit for the guesthouse (cf. 3.4.1).
- ◆ It is very important to ensure high levels of hygiene because a health inspector might visit the guesthouse in order to evaluate the cleanliness and hygiene of the kitchen and rest of the house. When found that the guesthouse is unhygienic, its permit to do business may be revoked because an unhygienic guesthouse may be a health risk to guests and others (cf. 3.6.5).
- ◆ Guests need to be welcomed in a personal manner upon arrival by the owner-manager or a well-trained employee. In doing so, a positive first impression is created on the guest that may enhance the business relationship that is established between the guest and the owner-manager upon arrival (cf.3.6.3).
- ◆ Attractive natural surrounding landscape such as a view on mountains, valleys, ocean and farms as well as closeness to important inter-urban traffic routes, hiking trails and access to swimming facilities contributes to a successful guesthouse location in the George District (cf. 3.4.6.1).

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- ◆ It is very important to determine whether rendered services and facilities meet the needs of guests because needs of guests are constantly changing and the owner-manager therefore needs to determine whether services and facilities provided still meet the needs of guests over a period of time (cf. 3.2.3).

Regarding the survey, it is also found that:

- ◆ Owner-managers of guesthouses in George don't regard financial aspects as critical during the development and management process of their own guesthouses. This reasoning of owner-managers is in contrast with the literature researched in Chapter 3, which indicated that development and management of financial aspects are vital for the financial survival to the guesthouse (cf. 3.3).
- ◆ Many owner-managers of guesthouses in the George District determine the price of their guesthouse product by researching the price of competitors in the area and establish their own prices at more or less the same. This is in contrast with the researched literature in Chapter 3 that indicates that price tends to be the key component of strategy and the most important component of the marketing mix. Determining price by making use of the methods that many owner-mangers currently apply, can imply that the operating cost won't be covered, the guesthouse may not break even and therefore won't make a profit (cf. 3.4.6.2).
- ◆ It seemed from the personal conversation with owner-mangers in George that few of them registered their employees with the Unemployment Insurance or the Compensation for Occupational Injuries, or handed over a Small Business Contract of

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Employment to them. This is in contrast with the literature study in Chapter 3 which indicates that legal aspects of employment must be incorporated into the management of the guesthouse in order to protect both the owner-manager and the employee (cf. 3.5.4).

### **5.3 RECOMMENDATIONS**

Recommendations regarding the development and management of a guesthouse as well as recommendations regarding further research can be made:

#### **5.3.1 RECOMMENDATIONS FOR DEVELOPING A GUESTHOUSE**

The following recommendations can be made in order to develop a guesthouse:

- Owner-managers of guesthouses need to become tourism qualified, do market research and determine their target market before they start the development process of their guesthouse. In doing so, they can educate themselves in the field of tourism and specialist accommodation, determine whether there is a need for the guesthouse to be established and determine the needs of their target market, and can therefore develop the guesthouse accordingly.
- ◆ The services and facilities of a guesthouse must be developed in order to satisfy and exceed the needs and expectations of its target market.

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- ◆ The owner-manager and the employees of the guesthouse must establish and uphold a high level of quality services and facilities to guests.
- ◆ The guesthouse must meet certain law enforced criteria (as determined by the local or provincial authorities) for owner-managers to develop their guesthouses successfully. These criteria may require the owner-manager to apply for a proper liquor license in order to sell any alcohol, to have municipal consent, to rezone the property from residential to business, and to pay business levies and tax.
- ◆ Certain voluntary criteria (as determined by organisations such as TGCSA, SABS or Qualitour) can help the owner-manager to successfully develop a guesthouse. These criteria concern the exterior of the building, the bedrooms, the bathrooms, public areas, dining facilities, food and beverage, housekeeping, and services and quality service.
- ◆ The owner-manager can apply certain guidelines that concern the development of a guesthouse. Guidelines for successfully developing a guesthouse include the following:
  - ❖ The right location and the erection of attractive and easy readable signage can improve the accessibility of the guesthouse.
  - ❖ Adequate and safe car parking need to be provided.
  - ❖ Charges of accommodation and other services need to be prominently displayed.

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- ❖ Keeping a visitors register that makes provision for the guest's name, address, date of arrival, nationality and date of departure can help owner-managers in their marketing research process. Positive inscriptions in a visitors register are also a good marketing tool to promote the guesthouse to others who read it.
- ❖ Keeping tourist literature for guests to read is a sign of quality service and helps to inform guests about the area that they visit. It can also provide information on other tourism related services and facilities in close vicinity or suggest a possible destination for guests to visit next.
- ❖ The provision of a dining area that provides for serving meals at separate tables may give guests an impression that they receive individual attention. Developing the interior in such a manner that the kitchen that adjoins the dining area, can make the serving of meals much easier to the employees.
- ❖ Quality facilities may include the provision of lounges with comfortable furniture and stylish furnishings that are physically separated from the dining area.
- ❖ A spacious and stylish bedroom with an en suite bathroom, that provides in the needs of guests, might contribute to guests having a positive connotation of the guesthouse.
- ❖ Owner-managers must have separate sleeping accommodation which is separate from that for guests.

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- ❖ An environment that makes provision for people with disabilities can be created to accommodate any of these types of guests.
- ❖ The guesthouse can contribute to environmental safeguard in protecting the landscape, wildlife, infrastructures and cultural heritages.

### 5.3.2 RECOMMENDATIONS FOR DEVELOPING AND MANAGING A GUESTHOUSE

Once established, the guesthouse needs to continue development and management in order to be sustainable and successful. The following recommendations can be made to successfully develop and manage a guesthouse:

- ◆ Many owner-managers establish their guesthouses but close it for business after only a few years because they did not overcome certain obstacles regarding the development and management process of their guesthouses (cf. 1.2). Guesthouse owner-managers must therefore apply KSFs in order to successfully develop and manage their guesthouses. These KSFs are so important that all owner-managers must pay close attention to them because they are prerequisites for success within the guesthouse industry, and include the following:
  - ❖ The owner-manager must have the ability to establish and uphold a high standard of quality.

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- ❖ Courtesy needs to be shown to guests by the guesthouse's human resources.
- ❖ The owner-manager must have the ability to give credit where credit is due.
- ❖ The owner-manager must have the ability to be self-efficient.
- ❖ The owner-manager must have the ability to keep promises.
- ❖ The owner-manager must have ability to share positive information freely.
- ❖ Services and facilities that the guesthouse provide must meet the needs of guests.
- ❖ High levels of hygiene need to be ensured.
- ❖ Guests must be welcomed in a personal manner by the owner-manager or a well-trained employee upon arrival.
- ❖ The guesthouse needs to be located in the right surroundings.
- ❖ The owner-manager must strategically determine whether the rendered services and facilities meet the needs of guests.

**5.3.3 RECOMMENDATIONS FOR MANAGING A GUESTHOUSE**

The following managerial processes can be recommended in order to successfully coordinate the activities of the guesthouse:

- ◆ The owner-manager must strategically plan all the activities of the guesthouse. In setting short and long term goals, the owner-manager can lay foundations for the strategic planning process and therefore provide direction for all managerial decisions that need to be made in the future.
- ◆ Owner-managers must determine the guesthouses viability, formulate written business plans, set certain strategic budgets and control their finances in order to manage their finances successful.
- ◆ Owner-managers must determine the right price for their guesthouse products. The formula given in 3.4.5.2 can help the owner-manager to determine a competitive price that offers value for the guest's money, and still make a profit.
- ◆ Owner-managers establish whether the needs of guests that they determined during the development phase of their guesthouses, still are the same or have changed over time. When the needs of guests change, owner-managers must develop the guesthouses again in order to meet the new needs of their guests.
- ◆ Owner-managers must recruit people that are qualified for the required job (and are multi-skilled to perform tasks in other areas as well), identify their training needs, train them according to their needs, and evaluate their performance in order to successfully achieve the goals of the guesthouse as a team. Legal aspects of

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employment must be incorporated when a person is employed in order to safeguard both the owner-manager and the employee.

- ◆ The guesthouse must provide unique services and facilities that distinguish one guesthouse product from another of similar nature. In doing so, it can influence the guest's choice of guesthouse accommodation.

### **5.3.4 RECOMMENDATIONS REGARDING FURTHER RESEARCH**

- ◆ New facts must be recorded concerning the history, development and management of South African guesthouses in order to illustrate the operations of a guesthouse. Literature sources that researched the South African guesthouse industry, or the international guesthouse industry, are very limited or non-existent and many of the literature sources available, are outdated.
- ◆ More training schools or institutions for guesthouse owner-managers should be established countrywide in order to train owner-managers in the field of tourism and small business development and management.
- ◆ Currently many guesthouses are registered at different organisations and many are not registered at all. The possibility of establishing and maintaining a central database that includes all the guesthouses of South Africa, can be researched. The guesthouses on the database can be arranged according to type (for example, family accommodation, honeymoon suites, accommodation for business people, or facilities for people with disabilities), location and price. This will ease the reservation

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process for CRSs and broaden the choice in guesthouse accommodation for the guests if they want to make a reservation for themselves.

- ◆ The process of how to develop a guesthouse's facilities and services in order to be user friendly for people with disabilities should be researched.
- ◆ Many guesthouses close for business because they over capitalise. A formula to answer the question "Where is the turning point before a guesthouse over-capitalises?" should be determined.
- ◆ A user friendly computerised budget-programme should be developed that caters specifically for the financial needs of guesthouse owner-managers.
- ◆ The possibilities of launching a national networking system that enables guesthouses with the same interests, or that lie on the same traffic/tourism route, to do lobbying among each other, should be researched.
- ◆ Cost-effective methods to develop services and facilities of a guesthouse so that it is flexible to change with the ever-changing needs of guests, must be researched.

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**ANNEXURE**

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theavander@yahoo.com

cell: 083 4918795



Potchefstroomse Universiteit  
v/r Christalika Hoër Onderwys

Dear Madam/Sir,

**RESEARCH ON THE KEY SUCCESS FACTORS THAT PLAY  
A ROLE IN THE DEVELOPMENT AND MANAGEMENT OF  
A GUESTHOUSE**

I am currently enrolled for an M.Com. degree in Tourism Management at the Potchefstroom University.

The purpose of the questionnaire is to obtain information with regard to the key success factors that play a role in the management and development of a guesthouse.

Your co-operation will be highly appreciated by the Institute for Tourism and Leisure Studies.

Your completed questionnaire is confidential and no names or personal references will be used.

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Prof. M Saayman

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Ms. T van der Westhuizen

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**QUESTIONNAIRE FOR THE OWNER-MANAGER OF A  
GUESTHOUSE**

**SECTION A: GENERAL INFORMATION**

Please indicate with an "X" the number that is applicable to yourself or the guesthouse:

**A.1: Age:**

20-30	1
31-40	2
41-50	3
51-60	4
Older than 60	5

**A.2. How long have you managed the guesthouse?**

1 year	1
2 years	2
3 years	3
4 years	4
5 years	5
Longer than 5 years	6

**A.3. How long have you owned the guesthouse?**

1 year	1
2 years	2
3 years	3

## Annexure

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<b>4 years</b>	<b>4</b>
<b>5 years</b>	<b>5</b>
<b>Longer than 5 years</b>	<b>6</b>

**A.4. How many rooms does the guesthouse have?**

<b>3-4</b>	<b>1</b>
<b>5-6</b>	<b>2</b>
<b>7-8</b>	<b>3</b>
<b>9-10</b>	<b>4</b>
<b>More than 10</b>	<b>5</b>

**A.5. How many people do you employ?**

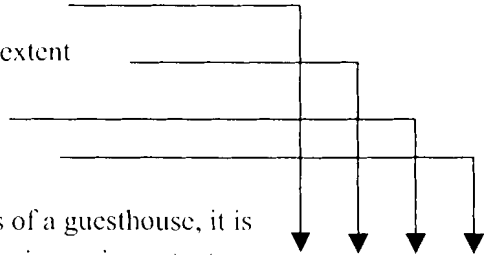
<b>1-2</b>	<b>1</b>
<b>3-4</b>	<b>2</b>
<b>5-6</b>	<b>3</b>
<b>More than 6</b>	<b>4</b>

## Annexure

### SECTION B: KEY SUCCESS FACTORS

Please indicate by marking with an "X" the number that best represents the importance of the various aspects to ensure the over-all success of a guesthouse:

- Scale:** 1: Not important  
 2: Important to an extent  
 3: Important  
 4: Very important



To ensure the overall success of a guesthouse, it is significant to regard the following as important:

B.1: Set business objectives	1	2	3	4
B.2: Formulate a vision statement	1	2	3	4
B.3: Formulate a mission statement	1	2	3	4
B.4: Set a business philosophy	1	2	3	4
B.5: Set business ethics	1	2	3	4
B.6: Analyse external environmental factors, e.g. the economy, politics, technology and competitors	1	2	3	4
B.7: Analyse the internal environment, e.g. facilities, human resources, services, marketing and finances	1	2	3	4
B.8: Services must meet the needs of guests	1	2	3	4
B.9: Facilities must meet the needs of the guests	1	2	3	4
B.10: Assess how well certain management strategies are working	1	2	3	4
B.11: Identify specific strategic issues the guesthouse is facing	1	2	3	4
B.12: Develop business strategies	1	2	3	4
B.13: Use information derived from your	1	2	3	4

## Annexure

strategic plan to anticipate decision making				
B.14: Control managerial strategies	1	2	3	4
B.15: Control operational strategies	1	2	3	4
B.16: Develop a check list as a control mechanism	1	2	3	4
B.17: Decide on a type of ownership, e.g. sole proprietorship, partnership or close corporation	1	2	3	4
B.18: Determine the guesthouse's viability	1	2	3	4
B.19: Write a business plan	1	2	3	4
B.20: Develop a cash operating cost budget	1	2	3	4
B.21: Develop an expected turnover budget	1	2	3	4
B.22: Perform a break-even analysis	1	2	3	4
B.23: Develop a budget turnover analysis	1	2	3	4
B.24: Develop a cash-break even analysis	1	2	3	4
B.25: Control finances through financial information systems	1	2	3	4
B.26: Execute marketing research	1	2	3	4
B.27: Segment the market into target markets	1	2	3	4
B.28: Develop profiles of the various market segments	1	2	3	4
B.29: Aim market research at predetermined target markets	1	2	3	4
B.30: Select a target market by means of the application of a strategically planned method	1	2	3	4
B.31: Position the guesthouse in the market place	1	2	3	4
B.32: Promote the guesthouse as product, tailored to it's product life cycle	1	2	3	4
B.33: Develop a price strategy	1	2	3	4
B.34: Locate the guesthouse in the right surroundings	1	2	3	4
B.35: Facilitate accessibility to guesthouse by	1	2	3	4

## Annexure

means of clear road signs				
B.36: Advertise the guesthouse	1	2	3	4
B.37: Do personal selling	1	2	3	4
B.38: Use direct marketing to create an immediate sale	1	2	3	4
B.39: Develop efficient public relations	1	2	3	4
B.40: Incorporate legal aspects of employment in the management of the guesthouse	1	2	3	4
B.41: Recruit the right person for the right position	1	2	3	4
B.42: Train employees to be multi-skilled in task performance	1	2	3	4
B.43: Use performance appraisal techniques to evaluate the process of how the employee carries out the task	1	2	3	4
B.44: Welcome guests in a personal manner upon arrival at the guesthouse	1	2	3	4
B.45: Request guests to follow registration procedures	1	2	3	4
B.46: Check if intended method of payment is valid	1	2	3	4
B.47: Offer assistance with luggage	1	2	3	4
B.48: Show guests to their rooms	1	2	3	4
B.49: Point out aspects concerning the use and procedures of services	1	2	3	4
B.50: Provide a variety of menu's	1	2	3	4
B.51: Ensure high levels of hygiene	1	2	3	4
B.52: Provide more than one meal, including a combination of breakfast, lunch or dinner	1	2	3	4
B.53: Have a liquor licence	1	2	3	4
B.54: Provide secure car parking	1	2	3	4
B.55: Average a 60% + bed occupancy	1	2	3	4
B.56: Make reservations for guests at other	1	2	3	4

### Annexure

tourism services when requested				
B.57: Use the telephone as a constructive tool to promote the image of the guesthouse	1	2	3	4
B.58: Explain safekeeping procedures of valuables to guests	1	2	3	4
B.59: Explain procedures concerning the handling of keys	1	2	3	4
B.60: Ask guests whether they require a wake-up call in the mornings	1	2	3	4
B.61: Explain procedures concerning the distribution of messages	1	2	3	4
B.62: Explain the charges to guests at departure	1	2	3	4
B.63: Show courtesy to guests	1	2	3	4
B.64: Offer departure services	1	2	3	4
B.65: Offer unique products that distinguish the guesthouse from competitors	1	2	3	4
B.66: Offer a variety of recreational activities, e.g. swimming pool and superb gardens	1	2	3	4
B.67: Host conferences	1	2	3	4
B.68: Offer a variety of products/ services, e.g. laundry, transport and walking trails	1	2	3	4

## Annexure

### SECTION C

Please indicate by marking with an “X” the number that best represents the importance of the characteristics of the owner-manager for the successful operation of a guesthouse.

**Scale:** 1: Not important

2: Important to an extent

3: Important

4: Very important

The following characteristics of the owner-manager are important for the successful operation of a guesthouse:

C.1: The ability to be self-efficient	1	2	3	4
C.2: The ability to create a positive organisational behaviour	1	2	3	4
C.3: The possession of leadership qualities	1	2	3	4
C.4: The ability to communicate the performance of the guesthouse to others	1	2	3	4
C.5: The ability to keep promises	1	2	3	4
C.6: The ability to share negative information freely	1	2	3	4
C.7: The ability to share positive information freely	1	2	3	4
C.8: The ability to have a consistently positive personality	1	2	3	4
C.9: The ability to give credit where credit is due	1	2	3	4
C.10: The ability to acknowledge own mistakes	1	2	3	4
C.11: The ability to give people the opportunity to excel	1	2	3	4
C.12: The ability to establish and uphold high standard of quality	1	2	3	4
C.13: The ability to cultivate an interest in people's needs	1	2	3	4
C.14: The ability to act creatively	1	2	3	4

## Annexure

C.15: The ability to motivate others to greatness	1	2	3	4
C.16: The ability to be a role model to others	1	2	3	4
C.17: The ability to practise authority	1	2	3	4
C.18: The possession of a positive self-image	1	2	3	4
C.19: The ability to maintain a balance between objectives and priorities	1	2	3	4
C.20: The possession of technical skills	1	2	3	4
C.21: The ability to be a master in your field	1	2	3	4
C.22: The ability to be sensitive	1	2	3	4
C.23: The possession of driving power	1	2	3	4

### SECTION D

Please indicate by marking with an “X” the number that best represents the extent to which you make use of the following in your own guesthouse:

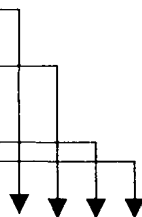
**Scale:** 1: No extent

2: A moderate extent

3: A noticeable extent

4: A large extent

In my guesthouse I make sure that the following is done:



D.1: Business objectives are set	1	2	3	4
D.2: A vision statement is formulated	1	2	3	4
D.3: A mission statement is formulated	1	2	3	4
D.4: A business philosophy is applied	1	2	3	4
D.5: Business ethics are applied	1	2	3	4
D.6: External environmental factors are analysed, e.g. the econom. politics, technology and competitors	1	2	3	4
D.7: Internal environmental factors are analysed, e.g.	1	2	3	4

## Annexure

	facilities, human resources, services, marketing and finances				
D.8:	Whether rendered services meet the needs of guests are determined	1	2	3	4
D.9:	The services provided meet the needs of our guests	1	2	3	4
D.10:	The facilities provided meet the needs of our target market	1	2	3	4
D.11:	How well certain management strategies are working are assessed	1	2	3	4
D.12:	Specific strategic issues the guesthouse is facing are identified	1	2	3	4
D.13:	Business strategies are developed	1	2	3	4
D.14:	Information derived from my strategic plan to anticipate decision making is used	1	2	3	4
D.15:	Managerial strategies are controlled	1	2	3	4
D.16:	Operational strategies are controlled	1	2	3	4
D.17:	A check list is developed as a control mechanism	1	2	3	4
D.18:	A ownership type is decided upon, e.g. sole proprietorship, partnership or close corporation	1	2	3	4
D.19:	The business plan is written	1	2	3	4
D.20:	A cash operating cost budget is developed	1	2	3	4
D.21:	An expected turnover budget is developed	1	2	3	4
D.22:	A break-even analysis is performed	1	2	3	4
D.23:	A budget turnover analysis is developed	1	2	3	4
D.24:	A cash-break even analysis is developed	1	2	3	4
D.25:	The various planned budgets are implemented	1	2	3	4
D.26:	Financial information systems are used to control finances	1	2	3	4
D.27:	Marketing research is executed	1	2	3	4
D.28:	The market is segmented into target markets	1	2	3	4

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D.29:	Profiles of the various market segments are developed	1	2	3	4
D.30:	Market research is aimed at predetermined target markets	1	2	3	4
D.32:	A target market is selected by means of the application of a strategically planned method	1	2	3	4
D.33:	The guesthouse is positioned in the market place	1	2	3	4
D.35:	The guesthouse as product is promoted, tailored to it's product life cycle	1	2	3	4
D.36:	A pricing strategy is developed	1	2	3	4
D.37:	The guesthouse is located in the right surroundings	1	2	3	4
D.38:	Accessibility to guesthouse is facilitated by means of clear road signs	1	2	3	4
D.40:	The guesthouse as product is advertised	1	2	3	4
D.41:	The guesthouse as product is personally sold to guests	1	2	3	4
D.42:	Direct marketing is used to create an immediate sale	1	2	3	4
D.43:	Efficient public relations are developed	1	2	3	4
D.44:	Legal aspects of employment is incorporated in the management of the guesthouse	1	2	3	4
D.45:	The right person for the right position is recruited	1	2	3	4
D.46:	Employees are trained to be multi-skilled in task performance	1	2	3	4
D.47:	Performance appraisal techniques are used to evaluate the process of how the employee carries out the task	1	2	3	4
D.48:	Guests are welcomed in a personal manner upon arrival at the guesthouse	1	2	3	4
D.49:	Guests are requested to follow registration	1	2	3	4

## Annexure

procedures				
D.50: Whether the intended method of payment is valid is checked	1	2	3	4
D.51: Assistance with luggage is offered	1	2	3	4
D.52: Guests are showed to their rooms	1	2	3	4
D.53: Aspects concerning the use and procedures of services are pointed out	1	2	3	4
D.54: A variety of menu's are provided	1	2	3	4
D.55: High levels of hygiene is ensured	1	2	3	4
D.56: More than one meal is provided which include a combination of breakfast, lunch or dinner	1	2	3	4
D.57: The guesthouse has a liquor licence	1	2	3	4
D.58: A bed occupancy of +60% is averaged	1	2	3	4
D.59: Secure car parking is provided	1	2	3	4
D.60: Reservations for guests at other tourism services are made when requested	1	2	3	4
D.61: The telephone is used as a constructive tool to promote the image of the guesthouse	1	2	3	4
D.62: Safekeeping procedures of valuables are explained to guests	1	2	3	4
D.63: Procedures concerning the handling of keys are explained	1	2	3	4
D.64: Guests are asked whether they require a wake-up call in the mornings	1	2	3	4
D.65: Procedures concerning the distribution of messages are explained	1	2	3	4
D.66: Charges are explained to guests at departure	1	2	3	4
D.67: Courtesy is shown to guests	1	2	3	4
D.68: Departure services are offered	1	2	3	4
D.69: Unique products that distinguish the guesthouse from competitors are offered	1	2	3	4
D.70: A variety of recreational activities is offered, e.g. swimming pool and a superb garden	1	2	3	4

### Annexure

D.71: Conferences are hosted	1	2	3	4
D.72: A variety of products/ services are offered, e.g. laundry, transport and walking trails	1	2	3	4