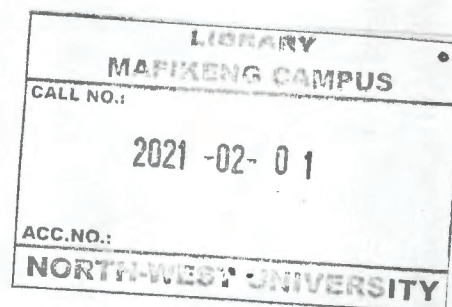


**Effectiveness of SEDA interventions on hospitality enterprises in a  
selected district**

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## **Dedication**

To my mum and dad, sisters and brothers. I thank you for all the financial, spiritual and emotional support throughout my studies.

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I am responsible for any errors of commission and omission in this dissertation.

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### **List of acronyms and abbreviations**

ADR:	Average Daily Revenue.
B&B:	Bed and Breakfast.
BABASA:	Bed and Breakfast Association of South Africa.
DTI:	Department of Trade and Industry.
DVDs:	Digital Video Discs.
GDP:	Gross Domestic Product.
HR:	Human Resource.
IDC:	Industrial Development Corporation.
LED:	Local Economic Development.
NDT:	National Department of Tourism.
NEF:	National Empowerment Fund.
NMMD:	Ngaka Modiri Molema District.
NWDC:	North-West Development Corporation.
NWP:	North-West Province.
NYDA:	National Youth Development Agency.
RevPAR:	Revenue Per Available Room.
SARS:	South African Revenue Services.
SBP:	Small Business Project.
SEDA:	Small Enterprise Development Agency.
SEFA:	Small Enterprise Finance Agency.
SMMEs:	Small, Medium and Micro Enterprises.
STAT SA:	Statistics South Africa.
STP:	SEDA Technological Programme.
STR:	Smith travel Research.
TBCSA:	Tourism Business Council of South Africa.
TGCSA:	Tourism Grading Council of South Africa.
THETA:	Tourism, Hospitality and Sports Education, Training Authority.

## **Abstract**

This study was conducted in the Ngaka Modiri Molema District (NNMD) municipality of the North-West province in South Africa. It sets out to assess the effectiveness of SEDA's interventions on the growth and performance of Bed and Breakfast (B&B) enterprises in the NNMD. The study adopted an exploratory and descriptive research design and data was collected through the use of interviews with SEDA officials and a questionnaire completed by relevant B&B owners and or managers. The findings were presented in descriptive charts, figures and tables.

The findings revealed that some of SEDA's interventions were relevant to B&B enterprises through the various support programmes provided. Success was recorded in the period of 2010 to 2014 through expansion in terms of B&B premises (new rooms) and amenities provided like swimming pool air conditioning and conference facilities. There was an increase in the number of personnel to more than 15 employees by 15%, while 90% of the enterprises were profitable. This was further supported by an increase in occupancy rate from 69% to 75%, average daily rate by 14% and revenue per room available by 23%. A number of challenges affecting SEDA's development support and growth of B&B enterprises were identified, these include limited time for each intervention and insufficient resources available for follow-up by SEDA officials. Measures to improve SEDA support for B&B enterprises were suggested.

This study provides evidence that B&B enterprises benefited from SEDA's non-financial support. It is thus suggested that further studies be undertaken to assess SEDA's non-financial support to other sector-specific small, micro and medium enterprises in NNMD. This will help improve the effectiveness of SEDA's non-financial support.

**Keywords:** Bed and breakfast, SMMEs, SEDA, business performance.

## Chapter one

### General introduction and overview

#### 1 Introduction

A country's development and growth depend on its government's policies and support for a thriving economic environment which is achieved by the creation of a sound and stable business environment where large, small, medium and micro enterprises can operate. Small, Medium and Micro Enterprises (SMME) play a critical role in a country's economic growth (Makakane, 2014). SMME development has therefore been at the core of national policy initiatives by the South African government since 1995 (Rogerson, 2013). This led to the actualization of development agencies like the Small Enterprise Development Agency (SEDA), Small Enterprise Finance Agency (SEFA), National Empowerment Fund (NEF) and National Youth Development Agency (NYDA). Despite the massive diversity of policies in operation, there is little reliable evidence about their effectiveness primarily because of the reluctance of the government to ensure that policies are carefully evaluated (Storey, 2008). The Small Business Project (SBP) (2013) notes that empirical information about South Africa's SMME sector and decisions on appropriate policies aimed at growth and development have highly been reliant on theory and or ideology which has in turn delivered poor results. Also, most of these agencies offer support using one umbrella programme rather than sector specific support (Rogerson, 2013). Furthermore, there is poor coordination and limited awareness of government incentives leading to a dwindling in the development and growth of SMMEs (Visser & Hoogendoorn, 2011).

#### 1.1 Small, Medium and Micro Enterprises (SMME)

According to Thabethe (2013), SMMEs contribute 52%-57% of the country's Gross Domestic Product (GDP). This contribution to GDP is made possible through the manufacturing of innovative products and provision of goods and service to both consumers and other enterprises. SMMEs also provide about 60% of the country's jobs which in turn reduce the income distribution gap (Mutezo, 2005). However, Sha (2006) states that 70-80% of SMMEs fail within the first five years of start-up due to a lack of management skills. This prompted the South African government to give this

sector extra attention such as funding, training initiatives, private sector involvement and entrepreneurship by the implementation of a number of support agencies (Jones, 2013).

Over the past decades, there has been an increased interest in SMMEs with a focus on accommodation and business development. Entrepreneurship in accommodation has majorly been linked to Bed and Breakfast (B&B) enterprises, guesthouses, homestays and backpackers (Rogerson, 2013). Henning (2008) is of the opinion that, B&B enterprises and guesthouses are South Africa's accommodation delight as they are most preferred by travellers for either business or recreational activities. This preference has led to the growth in this tourism sector. B&B enterprises are found almost everywhere in the country, especially around big cities, small towns and farms in rural areas and the majority boast excellent rooms of high standard (Rough Guides, 2014). According to the Tourism Grading Council of South Africa (TGCSA) (2013), B&B enterprises are defined as private accommodation usually provided in a family home where the owner and or manager lives in the house or on the property. In most cases, bathroom facilities may or may not be en-suite and breakfast may be served at an extra fee on request. This definition will be used as the basis on which B&B enterprises are classified in this study.

Small tourism firms like B&B enterprises are unique to other SMMEs because of certain constraints that assail them, like the unique environmental conditions, seasonal demand, remote and resort locations and high product sustainability (Rogerson, 2013). In light of the observation above, Rogerson (2004) highlighted that the South African government support system for tourism small businesses was weak because of limited awareness of government support programmes, disappointment by the support provided, long turnover of application time or even no response and complex procedures for assistance to be available.

## **1.2 Small Enterprise Development Agency**

The Small Enterprise Development Agency (SEDA) was established in 2005 through the amendment of the National Small Business Act, section 1 of Act 102 of 1996 and is mandated to actualize and implement national government's small business strategy. Act No.102 aims at formulating and implementing a national standard network of delivery that is uniformly applied in the republic by unifying all government funded small enterprise support agencies across all tiers of government (SEDA, 2013a). SEDA's target market are SMMEs, which include cooperatives and potential entrepreneurs with a viable and feasible business plan of which B&B enterprises are classified. SEDA provides business-related information, advice, consultancy, training and mentoring services in all areas of enterprise development. These services aim to provide solutions related to various business functions ranging from production to human resources, finance, marketing and exporting.

SEDA also provides business and technology incubation services through the SEDA Technology Programme (STP), including incentives for the implementation of management systems, product testing and certification, as well as machinery and equipment (SEDA, 2013a). The support programmes and interventions adopted by SEDA in promoting B&B enterprises include: knowledge of legal considerations, accreditation with various tourism accommodation associations and organisations like the Bed and Breakfast Association of South Africa (BABASA), technological transfer programmes, information transfer through publications and training through coordination with organisations like the Tourism, Hospitality & Sport Education Training Authority (THETA) (SEDA, 2014a).

### **1.2.1 SEDA in Ngaka Modiri Molema District**

SEDA has been in operation in Ngaka Modiri Molema District (NMMD) municipality for about 10 years. The agency in NNMD has three business advisors and one information officer. According to one of the business advisors, SEDA in NNMD has an annual target of 800 clients and have had approximately 1440 interventions and 126 training sessions since the SEDA branch opened. These include business interventions and people seeking information. The advisor further states that a minimum of 15 interventions is conducted per month by SEDA business advisors and

information sessions of more than 10 people are conducted twice a week by the information officer or by the use of recorded media on digital video discs (DVDs) and external service providers like banks, South African Revenue Services (SARS) and the North-West Development Corporation (NWDC). However, no studies have been conducted to show that SEDA's efforts in NMMD have yielded positive results in any of the different specific business sectors.

### **1.2.2 SMME challenges in Ngaka Modiri Molema district**

From a SEDA business advisor's point of view, the biggest challenges hindering the growth and development of SMMEs in Ngaka Modiri Molema are mostly market-related. These include;

- Small businesses struggle to get well-established markets due to the constant change in customer needs.
- Legislative requirements frustrate small business, for example, the labour act and the South African Revenue Authority (SARs).
- Stiff competition from the larger well-established businesses in the market, for example, well-established hotels.
- Differences in development levels in provinces like the Western Cape and Northwest provinces.
- Lack of information (market and advertising) (SEDA, 2013).

SEDA has recorded some success through interventions performed in various sectors in promoting the growth of SMMEs in this district in different sectors like manufacturing. For example, Polyanne Papers Closed Corporation has been one success story of SEDA sponsorship and training drives (SEDA, 2013b). This study sought to find out if the facilitation programmes offered by SEDA were effective and relevant in other sectors such as B&B enterprises in NNMD.

### **1.3 Background to the study**

This study was conducted in the Ngaka Modiri Molema District (NMMD) municipality, which is one of four districts of the North-West province of South Africa. It covers an area of approximately 31 039 square kilometres and shares an international border

with the Republic of Botswana. It comprises five local municipalities namely: Ditsobotla, Mahikeng, Ramotshere Moiloa, Ratlou and Tswaing. It is bordered by Botswana in the North, Bojanala in the east, Dr Kenneth Kaunda in the south and Dr Ruth Segomotsi Mompoti in the west as shown in the in Figure 1.1 below



**Figure 1.1: Ngaka Modiri Molema District Municipality Map**

Source: Map sharing, 2012

NMMD covers 26% of the North-West province area. It is mainly rural and agricultural with secondary cities like Mahikeng, Lichtenburg and Zeerust. The type of industrial and economic activities prevailing in the district adds a very small portion to the overall provincial output as measured in Gross Value Added (NMMD, 2013). Therefore it is rational to expect that the economic output is not extensive.

### 1.3.1 Demographics in NNMD

Statistics South Africa (Stats SA) (2011) points out that 24% of the total population of the North-West reside in NMMD. 35% of that population is found in the Mahikeng local municipality, thus giving it the largest population density in the district, while a mere

13% of the population is situated in Ratlou local municipality. Table 1.2 below shows the population size and distribution according to race in the district municipality.

**Table 1.1: Population size and distribution in NMMD**

Local Municipality	Race				Total Population
	Black	Coloured	Asian	White	
Mahikeng	278 282	6 691	2 328	3 770	291 527
Ratlou	105 414	750	227	802	107 339
Tswaing	114 818	1 788	382	6 948	124 218
Ditsobotla	150 515	3 236	935	13 771	168 902
Ramotshere Moiloa	142 221	1 345	1 096	5 659	150 713
<b>TOTAL</b>	<b>791 251</b>	<b>13 809</b>	<b>4 968</b>	<b>30 950</b>	<b>842 699</b>

Source: Adopted from Stats SA, 2011

From Table 1.1 above, the district is dominated by black, followed by white, coloured and Asian people in all the local municipalities, with Mahikeng having the highest population as it is the central hub of the district municipality.

### 1.3.2 Employment status in NNMD

NMMD has 29% of its people living under the poverty datum line in the North-West Province (NWP) (Stats SA, 2011), thus making it a district with the most underprivileged people in the NWP (NMMD Report, 2010). Table 1.3 below indicates the unemployment rate per local municipality in Ngaka Modiri Molema district municipality.

**Table 1.2: Employment status in Ngaka Modiri Molema District**

Local Municipalities	Employed	Unemployed	Unemployment rate (%)
Ratlou	8 728	6 862	44.0
Tswaing	20 581	8 288	28.7
Mahikeng	59 081	32 847	35.7
Ditsobotla	36 497	14 645	28.6
Ramotshere Moiloa	22 050	12 549	36.3
<b>Total</b>	<b>146 936</b>	<b>75 191</b>	<b>33.9</b>

Source: Stats SA, 2011

According to Table 1.3, the unemployment rate of NMMD stands at 33.9%, which may be interpreted as pointing to an urgent need for more job creation.

### **1.3.3 Level of education in Ngaka Modiri Molema District**

According to Stats SA, only 8.1% of the population aged 20 years and above in the NMMD have received some form of tertiary education, 20.7% have matric qualifications and 17% have not attained any form of education at all (Stats SA, 2011). This may act as an impediment to starting and running a business following Visser and Hoogendoorn (2011) who indicate that basic education is essential for an individual to acquire requisite skills to start up and maintain a new business. This could also affect SEDA's sensitisation towards development as they have to start from the basics which would mean more work and increased expenditure.

### **1.4 Overview of the B&B situation on NMMD**

There was an increase in the number of B&B enterprises in South Africa from 300 in 1993 to an estimated 900 in 1997, approximately 67% (SEDA, 2014a). Similarly, Greve (2014) also notes that the number of Bed and Breakfast enterprises in South Africa was 3 700 in 2001 and 3 329 in 2009 rather indicating a decline in the number of establishments. Online booking sites like Safari (2014) indicate that currently, the total of B&B enterprises in South Africa is 4119. However, no reliable statistics exist relating to the nature of South Africa's B&B sector. There is no compulsory registration of B&B enterprises (Rogerson, 2004) hence it is impossible to bring out the current state of B&B enterprises in South Africa let alone Ngaka Modiri Molema District municipality. Despite this, Tourism North-West (2015) has a list of accommodation enterprises available in NMMD on their website. It includes 3 hotels and 113 small accommodation establishment of which 60 offer the B&B service. Hence, there is a significant need for information on B&B enterprises and how to develop and manage them in the most professional, effective and profitable manner. According to one SEDA business advisor 35 small accommodation establishments among which B&B enterprises fall, have been registered with SEDA in NNMD. Detailed information could not be obtained as the researcher was not provided with related documents to support the conveyed information from business advisors. SEDA utilises consolidated regional reports rather than branch reports which the researcher could not be availed. A major

setback in the district is the absence of reliable data on the performance of B&B enterprises that are supported by SEDA.

### **1.5 Problem statement**

From the introduction and background, the following gaps and problems are noted:

- The lack of studies that have been conducted to indicate the success of SEDA's efforts in NMMD.
- A weak support system for small businesses with problems ranging from limited awareness of support programmes, disappointment by the support provided a long turnover of application time to no response and complex procedures for assistance.
- Little reliable evidence relating to the effectiveness of support due to the reluctance of the government to ensure that policies are carefully evaluated.
- The one umbrella programme form of support rather than sector specific support considering the unique constraints that assail B&B enterprises.
- The absence of reliable data on the performance of B&B enterprises supported by SEDA.

Therefore, there is a need for this study to establish whether or not SEDA interventions have benefited these enterprises in NMMD given the rapid increase in the number of B&B enterprises in this district.

### **1.6 Purpose of study**

The purpose of the study was to assess the effectiveness of SEDA's interventions on the growth and performance of B&B enterprises in NMMD.

### **1.7 Research question**

The following research questions were adopted for this study:

1. To what extent have SEDA's interventions impacted the growth and performance of B&B enterprises in NMMD?

2. What challenges has SEDA faced in the development of B&B enterprises in NNMD?

### **1.8 Objectives of the study**

The objectives of the study were to:

1. Assess the effectiveness and relevance of SEDA's interventions to B&B enterprises in NNMD.
2. Establish the challenges affecting SEDA in the development of Bed and Breakfast enterprises in NNMD

### **1.9 Delimitations of the study**

The study focused, on B&B enterprise growth and performance. The geographical scope was delimited to Ngaka Modiri Molema District municipality in the North-West province of South Africa and participants of the study were owners and or managers of Bed and Breakfast enterprises and SEDA advisors in Ngaka Modiri Molema District municipality. Only information from B&B enterprises supported from 2010 to 2014 was considered for this study.

### **1.10 Significance of the study**

The findings of this study and the implementation of its recommendations will result in the following benefits:

- The study will contribute to a better understanding of the challenges faced by B&B enterprises by bringing out loopholes in the various SEDA interventions.
- The study will help identify any barriers that impede effective SEDA support to B&B enterprises.
- Finally, the findings of the study may help determine the nature and extent of intervention strategies needed by SEDA to better monitor the performance of B&B enterprises and to recommend appropriate measures to improve SEDA's influence in the growth of B&B enterprises.

### **1.11 Chapter outline**

Chapter 1: provides a general overview of the study and includes the introduction and background of the study. This chapter contains the research problem, the purpose of the study, research questions and objectives of the study, the scope of the study, significance and delimitations of the study.

Chapter 2: this chapter indicates the conceptual framework for the study by providing the literature review (theoretical and legislative framework) of institution training and development programmes for small, micro and medium enterprises with a specific view of B&Bs, the challenges faced and how they can be overcome.

Chapter 3: focuses on the research methodology, how the research process flows from the methods to the instruments used for collecting data, hence the research design and approach.

Chapter 4: deals with the analysis of the findings and presentation of results of the study.

Lastly, chapter 5: Findings of the study are discussed and outlines of the conclusions and recommendations drawn.

## Chapter two

### Theoretical foundation and literature review

#### 2 Introduction

This chapter provides a theoretical framework adopted for this study and reviews Bed and Breakfast (B&B) enterprises, their challenges, growth and performance and the effectiveness of institutional support towards sustaining small, medium and micro-enterprise growth with specific reference to the Small Enterprise Development Agency (SEDA).

#### 2.1 Theoretical foundation for the study

The study is underpinned by the institutional theory as advanced by Douglass Cecil North in 1990. The theory states that institutions are humanly devised constraints that structure political, economic and social interaction. Institutions define the choice set and assess the transaction and production costs to further determine the profitability and feasibility of engaging in economic activity. This theory analytically explains ways in which government institutions like SEDA and institutional change affects the performance of economies at a given time and over time. Some government development institutions like SEDA may either lead to growth and development of SMME (B&B) or may not present any significant growth.

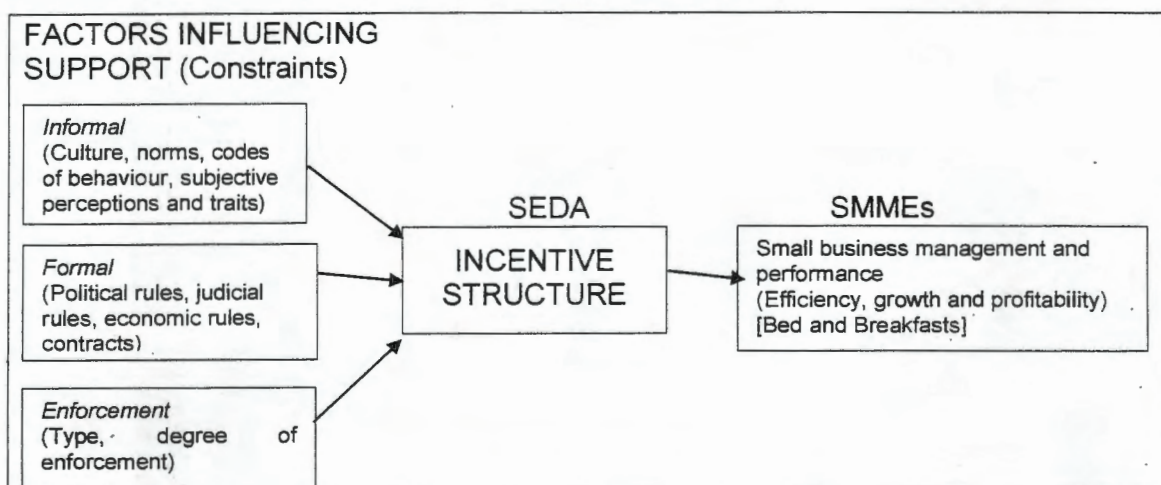


Figure 2.1: Conceptual Framework; Adapted from Co (2004)

Institutions like SEDA are influenced and enforced to overcome both formal and informal constraints that strain the growth and development of SMME. Informal and formal factors and or constraints influence and compel the formation of incentive structures like SEDA into the economy, where small, medium and micro enterprises (both old and new) take advantage of the opportunities provided within a given institutional framework to develop and grow. The Department of business innovation and skills (2013) states that as the government responds to the challenges of the economic downturn, new schemes are implemented or existing ones modified to help businesses grow. These schemes are designed to supplement private sector provision; which is why most of the programmes are delivered through intermediaries like SEDA, rather than by central government. According to Scott (2007) enterprises such as B&B secure their positions and legitimacy by conforming to the rules and norms of the institutional environment in order for them to survive. Ekeke (2013) further states that institutions guide the behaviour of enterprises by means of monitoring and enforcement through governmental legislation, business agreements and standards which ensure guidelines for new entrepreneurial organisations and lead to compliance with laws set by individuals and organisations in an entrepreneurial context. Thus, the institutional theory was deemed relevant to this study, given the support provided by SEDA for economic growth through the development of small medium and micro businesses like B&B enterprises.

## **2.2 Small, Medium and Micro Enterprises (SMMEs)**

In many countries, SMMEs play a vital role in organising commercial operations through business development. They contribute a substantial share to the total employment and GDP of a country. Turner *et al.*, (2010) asserts that SMMEs make a key contribution to the economy in terms of employment, innovation and growth. SMMEs cut across several sectors and activities, ranging from the single artisan producing agricultural implements for the local market, the village coffee shop, internet café, bed and breakfast establishment to a small, sophisticated engineering or software firm selling in overseas markets and a medium-sized automotive parts manufacturer selling to multinational automakers in the domestic and foreign markets. These firms operate in very different markets (urban, rural, local, national, regional and international); and embody different levels of skills, capital, sophistication and

growth orientation, they may be in the formal or informal economy (United Nations Industrial Development Organisation, 2004; Wamono, Kikabi & Mugisha, 2012). There is, however, no standard definition to SMMEs as it may vary depending on the different business classification schemes operational in each country. For instance European Union (2015) defines SMMEs in European markets in terms of the following criteria;

1. Medium: staff headcount should be fewer than 205 employees and with a turnover of less than €50million.
2. Small: staff headcount should be fewer than 50 employees and turnover less than €10 million.
3. Micro: with fewer than 10 employees and with a turnover of less than €2million.

In South Africa, SMMEs are defined by the National Business Act 102 of 1996 (as amended 2004) as “separate and distinct business entities, including co-operative enterprises and non-governmental organisations, managed by one owner or more, which including its branches or subsidiaries if any, is predominantly carried on in any sector or sub-sector of the economy as distinct entities”. Timm (2011) outlines that the size of a business in South Africa is chiefly defined by the number of employees where Micro= 0-4 employees, Very small= 5-9 employees, Small= 10-49 employees and Medium= 50-200 employees. Studies in five African countries (Botswana, Kenya, Malawi, Swaziland and Zimbabwe) suggest SMMEs generate twice the level of employment when compared to big corporate organisations (Nichter and Goldmark, 2009). With respect to the importance of SMMEs, the South African government recognises tourism as one of the six pillars of economic growth and as a driver of employment (De Witt, 2013). Rogerson (2013) notes that of the 50 000 estimated tourism enterprises in South Africa, 97% would at least be classified as SMMEs.

The South African Tourism industry is one of the fastest growing industries in the South African economy and made a contribution of approximately R323 billion between 2014 and 2015 and supports over 1.4 million jobs in the national economy (Hanekom, 2015). This growth is attributed to the country’s scenic beauty, climate and cultural diversity that have made it a reputable travel destination (Brand South Africa, 2012). The number of foreign visitors coming into South Africa is approximately 15.4 million annually (National Department of Tourism, 2015). The incoming visitors have

encouraged the establishment of different accommodation facilities alongside the pre-existing motels and hotels. Nutsu *et al.* (2004) note that tourism to any region is greatly influenced by the volume and value of its accommodation facilities, thus making it a critical component of the tourism structure. There is a growing demand for sufficient accommodation of acceptable standards at affordable prices for the convenience of travellers (Westhuizen & Saayman, 2007). The accommodation industry has significantly evolved over the years, ranging from Bed and Breakfast (B&B) enterprises to large luxury hotels with unique characteristics and themes all over the world. For example ice and underwater hotels built solely to attract the superlatively rich tourists, while B&B enterprises accommodate the less affluent and those who cherish less conspicuous spending habits (Hassanien *et al.*, 2010).

### **2.3 Bed and Breakfast (B&B) enterprises**

Limited academic attention has been given to B&B enterprises as most research has focused on the hotel industry because “structurally, South Africa’s tourism economy is dominated by a small group of locally owned large tourism organisations, led by Sun International, Protea and Southern Sun enterprises” (Rogerson 2004). The traditional view of the hotel industry being the dominant choice of accommodation is changing around the world in countries like the United States of America (whose B&B enterprise industry, according to the Professional Association of Innkeepers International (PAII) (2015) is currently worth \$3.4 billion), Great Britain (worth two billion pounds according to the Bed and Breakfast Association (2011)), France and South Africa. This is because a dynamic and discerning guest prefers a home away from home experience (Van der Westhuizen & Saayman, 2007). This growth has not only witnessed an increase in the number of B&B enterprises, but improvement in operations through the use of sophisticated innovations and marketing practices that have boosted awareness of this alternative service delivery (Quek, 2014).

This practice began in Europe and has been popular in American vacation areas where private homeowners operate tourist homes, while in South Africa suburban homeowners have also opened their private lodgings for travellers with the aim of generating income and meeting people in areas where hotels and motels were not feasible (like rural communities, farms and remote mountainous areas) in the 2000s

(Nuntsu *et al.*, 2004). These novel enterprises are highly demanded due to their ubiquitous availability and the personal informal atmosphere that starkly contrasts the ambience of traditional hotels (Tourism Business Council of South Africa (TBCSA), 2014; Chen 2014). The personal, home away from the home private atmosphere is the heart of B&B enterprises, and these attributes are capped by the exceptional personal services and acquaintance to new people and communities (Nuntsu *et al.*, 2004). Ateljevic & Page (2009) note that the small accommodation business sector is greatly dominated by women as it acts as an extension of their traditional domestic roles and values. Also, a lot of couples over the age of 50 usually opt to run bed B&B enterprises as a way of maintaining their financial security after retirement. (Yoffe, 2013; Tuggle, 2012).

#### **2.4 Bed and Breakfast sector in South Africa**

South Africa's B&B sector dates back to the 1970s and 1980s and has seen rapid growth since the 1990s, especially post the 1994 period when there was a boom in the tourism industry (Rogerson, 2004). This sector is seen as one of the fastest-growing small enterprise sectors in South Africa, with immense potential to contribute to economic growth and address the country's economic inequalities (Darkey & Horn, 2009). The increased number of entrants into the B&B sector is associated with the perceived idea that there are no skills required for hospitality as it is the same as running a household or hosting friends and relatives (Lee-Ross & Lashley, 2009). B&B enterprises essentially merge into guesthouses as they have an indistinguishable thin line between them and can only be differentiated by certain services and facilities that they offer (Rogerson, 2004). According to Hassanien *et al.* (2010) B&B enterprises and guest houses are usually referred to as guest accommodation.

B&B enterprises are uniquely distinguished by the facilities and the quality of service they offer. These may include restaurants and bars, conference facilities, in-house leisure and spa facilities, room and transport service, etcetera (Professional Association of Innkeepers International, 2014). Also, a star based grading system ranging from one to five stars is used as a form of categorising the enterprises, but it should be noted that this is not a global norm, as standards in one country may not necessarily be the same in another (Hassanien *et al.*, 2010). In South Africa,

accommodation grading is done by the Tourism Grading Council of South Africa (TGCSA) which was established in 2002 to ensure quality assurance and in turn maintain international competitiveness. The levels of quality are listed below as explained by Rakolojane (2013) and Travel ground (2009):

- One star: Basic and acceptable with a few frills like the quality of furniture and fittings, furnishings and service. A person should be entitled to a proper breakfast and have towels and soap in the bathroom. The B&B enterprise should offer clean and functional accommodation.
- Two stars: A bit more frills, as the establishment needs to offer good quality service, furnishings and adequate guest care. A person should expect breakfast, hand towels, bath towels and soap in the bathrooms.
- Three Stars: The quality of service, furnishings and guest care must be of particularly very good quality and you should be able to order just about anything for breakfast, have both hand and bath towels, wrapped soap or body wash as well as shampoo and conditioner in the bathrooms.
- Four Stars: This offers excellent quality. A four-star establishment must have furnishings, all 3-star amenities and service of excellent quality. You must be able to enjoy a full breakfast over an extended period and have the option of being served at your own table. Room service should be available at least 18 hours of every day. Rooms must have a work area that includes a desk and the bathroom should be better stocked than your home.
- Five Stars: All facilities and service offerings must be of outstanding quality. From the service to the furniture, everything is expected to meet the best international standards. In this setting, breakfast encompasses various tastes from your normal from cereals, warm and cold drinks, fruits to well-cooked meals. It will be served all day and may be in-room or seated in the dining room. Room service can be ordered 24 hours a day with a well-stocked bathroom and most will have health and beauty facilities on the property.

Butler and Modaff (2012) note that just like other tourism businesses, the B&B industry is affected by forces like the economy (which may include energy costs, consumer spending and access to credit), technology (in the form of social networking and web development), social issues, and political factors (such as laws or taxes). Nuntsu *et al.*

(2004) also note that this type of accommodation has a positive economic impact in areas where B&B enterprises are located in the form of entrepreneurship, production, job opportunities, foreign exchange, increased earnings and infrastructural development in these communities. For example, DeWitt (2013) reports that on average international tourists spent about US\$150 (R1, 080) per day in 2011 and domestic tourists spent US\$108 (R780) per day in South Africa. B&B enterprises are however not the reason for guests to visit an area; it is more so the surrounding attractions and culture in the case of tourists while domestic travellers relate to business, holiday purposes and visiting friends and relatives which are usually seasonal with peaks and troughs because of public holidays. In South Africa, and NNMD in particular, domestic travels have been inhibited by expensive domestic airline tickets, the rising cost of fuel and inflated tourist attraction prices (De Witt, 2013). But in some situations, people go to places to experience the hospitality at certain accommodation establishments.

## **2.5 Growth and performance of Bed and Breakfast enterprises**

Growth and performance are generally seen as interchangeable concepts as many people believe that a growing firm is a successful business that performs well (Neiman & Pretorius, 2004). There is constant pressure to improve performance and sustain growth, making increased efficiency a top priority (Kennedy, 2014). Naidoo (2009) states that growth and performance are considered part of the culture of a business enterprise and a hallmark of success. Growth and performance of B&B enterprises are indicators of how a business is performing by establishing its current state and effectiveness. It identifies areas of strength and loopholes in business management. Growth and performance measurement refers to the process of quantifying the efficiency and effectiveness of past action; it involves measuring how well organisations are managed against their targets and the value they generate for their stakeholders (Illmer, 2011). Bed and breakfast establishments are considered as a sub-sector in the accommodation industry as a small business with positive growth and performance.

### **2.5.1 Business Growth**

According to Neiman and Pretorius (2004), growth brings the promise of expansion in terms of new premises, greater profitability, and increase in personnel. Pretorius adds influence in the market, and a general increase in resources and higher status in the business community for the owners. However, certain recommendations need to be adhered to if a small business is to grow as outlined by Hatten (2011):

- Develop relationships with larger business
- Carry out negotiations
- Motivate employees
- Resolve conflicts
- Establish information networks and then disseminate information
- Make decisions under conditions of extreme ambiguity in allocating resources
- Be willing to continually learn on the job.

These attributes, if implemented, enforce the growth of B&B enterprises and can be considered as the main ingredients for B&B enterprises' success.

### **2.5.2 Business performance**

Business performance focuses on how factors such as culture, mission, workflow, goals, environment, knowledge and skills all work together to produce the excellent services designed for the consumer (Dudley, 2010). It can also be described as a system of interlocking elements deliberately designed to achieve high performance (Armstrong, 2009). Performance is managed through planning, performing and monitoring, evaluating and rewarding of different business process activities (Booz Allen, 2014).

### **2.5.3 Business performance measurement**

Business performance can be determined in various ways and these may be based on financial and non-financial information (Harvey, 2008). However, there is a disparity among enterprises which rate performance measures in financial terms and those that use other constructs. The main financial measures track return on investment (ROI), return on assets (ROA) followed by growth and profitability (Welsch *et al.*, 2013; Perera & Zulkiffli, 2011).

Non financial measures that determine business performance include market performance (market share), customer performance (customer satisfaction and retention) or overall performance, which is financial status and employee retention (Apolot, 2012). Performance can also be measured by use of the business performance measurement system (BPM), which analyses and investigates each quality that affects a firm's performance by categorising the performance into two broad areas; operational business performance (OBP) and strategic business performance (SBP) (Mann and Kehoe 1994; Bourne *et al.*, 2007).

However, despite the extensive research that has been carried out to investigate the need for performance measures in large organisations, there is a scarcity of published research relating to performance measures of SMMEs (Hudson *et al.*, 2010). Small businesses are often very reluctant to publicly reveal their actual financial status and scholars have deliberated on the need for subjective measures in evaluating business performance (Perera & Zulkiffli, 2011). According to Sudhir and Subrahmanya (2009), growth over a period of time can also be used for performance measurement in SMMEs to reflect the long-term strategy of an enterprise.

Akisimire (2010) is of the opinion that to ensure a reliable performance measure among SMMEs, there is a need to use Key Performance Indicators (KPIs). This is based on identifying what the business does in terms of levels of processes and attaching Key Performance Indicators to those processes. The recording and analysis of the KPIs should significantly contribute to the achievement of business goals. The main reason for using KPIs include informing businesses about how well they should provide services, how long they take to process customer requests, their product and service delivery performance and how much time they spend fixing mistakes.

Operational KPIs measure the short-term performance of an enterprise while strategic KPIs measure the implementation of a long-term strategy usually for a period of 3-5 years (Goepel, 2012).

Irwin (2011) states that there are four types of performance indicators:

1. Key result indicators (KRIs) which clearly show past performance and are ideal for the board as they communicate the way management has performed.
2. Performance indicators (PIs) which tell staff and management what to do.

3. Result indicators (RIs) that tell staff what they have done.
4. Key Performance Indicators (KPIs) that inform staff and management what to do in order to increase performance dramatically.

#### **2.5.4 Key performance indicators for small businesses**

Key performance indicators are business metrics used to help businesses define and measure progress towards achieving their objectives (New South Wales government, 2014). Key performance indicators help managers to analyse and interpret how well their businesses function by determining the strengths and weaknesses of the business, adapting specific problem-solving techniques and decision-making to minimise areas of weakness (Bovay, 2014). A business metric is a quantifiable measure that is used to track the status of a specific business process (Klipfolio, 2014). It is those measures which ultimately determine profitability and shareholder value such as the statement of financial performance, management accounts, statement of assets and liabilities. However, these measures are not enough to adequately assess the performance of enterprises that seek to survive in order add shareholder value since management needs additional and timely information to effectively manage their businesses (Akisimire, 2010).

Petersen (2012) states that KPIs are one of the most used in business development and management. KPIs that relate to an enterprise's objectives are used when analysing business goals to determine success (Markgraf, 2014). These measures are used by a business to track whether its goals and objectives have been accomplished. Each key performance indicator has its own set of measurement criteria which must be met to check accomplishment or failure (Smith, 2014). Key performance indicators can also vary from industry to industry and from business to business (Jamil & Mohamed, 2011). KPIs should be monitored and reported constantly, daily and a few perhaps weekly (Irwin, 2011).

##### **2.5.4.1 How to measure key performance indicators in Bed and Breakfast enterprises.**

A business performance review is performed to evaluate core activities and products or services provided (Invest Northern Ireland, 2014). This may involve customer satisfaction, quality assurance, and profitability and employee development. In the

case of B&B enterprises, improvement can be identified through expansion, employee training (people skills), and increase in market share by adding new or complementary services like food and beverages, the internet (Wi-Fi) and entertainment. Managers should understand the key performance dimensions of their business by distilling them into the critical KPIs (Marr, 2013). Key performance indicators are usually measured according to business internal processes, customer and financial, growth and development measures. The relevant KPIs are elaborated on below:

1. **Business internal processes:** Every business, has internal processes that have to work well for success. These processes are embedded in the business operations whereby variables such as employee turnover, product, and service quality and employee training are critical measures (Markgraf, 2014). Markgraf further notes that factors that influence these variables must be identified if success is to be achieved. In the case of Bed and Breakfast enterprises, this may include hygiene and cleanliness, internet reservation and promotion, convenient location and added value facilities (Fang and Chaung, 2012).
2. **Customer measures:** One of the most important functions of a successful business is satisfying customers (Markgraf, 2014). The accommodation business is customer-oriented and customer expectations must be fulfilled. This can be achieved through matching the value of money paid for by the customer and the services rendered by the B&B enterprises. If this basic is met customer loyalty and warmth of guest welcome become additional aspects which can be determined by use of customer satisfaction surveys where customers give feedback to the business. These surveys are important and should be accompanied by adequate record keeping (Fang and Chaung, 2012).
3. **Financial profitability measures:** Most businesses are required to track their income and expenditure to indicate their position. Ideally, KPIs are used to give an advance indication of how well the business is performing (Markgraf, 2014). Tracking profits may be important in determining the success or failure of a business but will not identify the cause of the failure. However, regular records of increase in the number of guests and low expenses will indicate increased profitability, cost reduction and

return on investment. This can be determined through room turnover, total sales, operating costs and total revenue from a particular room (Fang and Chaung, 2012). The most common accommodation performance, financial metrics are occupancy rate, Average Daily Rate (ADR) and Revenue per available rooms (RevPAR).

Occupancy rate is a supply-based concept defined as the percentage of available rooms that were sold during a specified period of time, to determine the relationship between existing capacity and extent to which this capacity is utilised (Smith travel Research (STR), 2015 & World Tourism Organization (WHO), 2008). It is calculated by dividing the number of rooms sold by available rooms. The occupancy rate is the percentage of available rooms that have been sold over a particular period of time and it is one of the metrics used to measure B&B business operations.

$$\text{Occupancy rate} = \frac{\text{rooms sold}}{\text{rooms available}} \quad [1]$$

Occupancy rate is an important metric used to measure enterprise performance, hence low occupancy rates could indicate a problem with marketing, pricing, and appearance of the building or units, while high occupancy rates may suggest a solid customer base (Taylor, 2015). The average occupancy rate in South Africa is 55.6%, while other accommodation into which B&B enterprises are integrated is 55.5% (statistics South Africa, 2014). When compared to Africa (63.3%), Europe (68.8%), America (64.4%) and Asia Pacific (68.6%), South Africa has a low tourist accommodation occupancy rate (Statista, 2015).

ADR is the measurement of the average rate of sold rooms. It is achieved by measuring room revenue over room sold (Smith Travel Research, 2015).

$$\text{ADR} = \frac{\text{rooms available}}{\text{total daily price}} \quad [2]$$

The average daily rate is also referred to as average room rental. Harris (2010) states that ADR is one of the most critical operating performance metrics in the

accommodation industry after occupancy rate. Most accommodation related businesses now prefer to use revenue per room available to determine how much the property adds to the business. According to Statista (2015), the global hotel industry report indicated that Africa was one of the most expensive regions in relation to guest accommodation in 2014 with an ADR of about 166 U.S dollars.

Revenue per Available Room (RevPAR) is calculated by dividing total room revenue by the total number of available rooms and can also be determined by multiplying occupancy rate and average daily revenue, RevPAR does not include revenue from other services offered at B&B enterprises (Smith Travel Research 2015, Harris 2010).

$$\text{RevPAR} = \text{occupancy rate} \times \text{ADR} \quad [3]$$

4. Development measures: This is also known as learning, market and growth measures. A successful business has to grow and increase its value to generate profit that can be reinvested for further business development. KPIs measure business development performance by tracking the growth and marketing success achieved through innovation, improved technology and staff empowerment in B&B enterprises (Fang and Chaung, 2012). This includes tracking market share (number of customers in comparison to competitors), expansion of business (an increase of room numbers and services), and sales volume (repeat sales and new customer acquisition). Markgraf, (2014) also notes that if market share is up but sales are down, there is a possibility that the market is shrinking and if everything except repeat sales is increasing, you may have a problem with your product.

## **2.6 Development initiatives for small, medium and micro enterprise in South Africa**

There are many consulting institutes, agencies, and consultants that render assistance to businesses. These are usually private, government and non-government organisations that dedicate themselves to helping small, medium and micro enterprises grow and develop through financial assistance, management skills, and market information. According to Ongori & Migori (2011) and Mwobobia, (2012) governments can support and facilitate opportunity exploitation at various levels by

making a conducive and attractive business environment for starting and improving the performance of business ventures. Nguyen, Alam & Prajogo (2008) are of the opinion that support policies for the development of SMMEs differ from country to country and region to region, hence a successful model in one region may not be appropriate in another due to the difference in political, legal, historical, economic, social, cultural and resource conditions. The assistance and interventions for small business in various countries do not differ much as most of the services offered include advisory, consulting, training, counselling and mentoring services to SMMEs in functional areas like management, marketing, quality systems and improving productivity in general, also financial assistance such as loans and grants as well as infrastructure such as the mini factories in Swaziland (Ferreira, 2007). This assistance covers many facets of business and its environment from banks and microfinance institutions to development agencies like the Small Business Administration (SBA) in the USA, the Association of Independent Consultants (AIC) in Canada, SEBRAE in Brazil, Ministry of Micro, Small and Medium Enterprises (MMSME) in India, Citizen Entrepreneurial Enterprise Development (CEDA) in Botswana and the Small Enterprise Development Agency (SEDA) in South Africa. The aim of all these bodies is basically the same worldwide, namely to assist small business owners in different ways to survive and be more successful.

In South Africa, for the past fifteen years, the South African government has invested in an overabundance of initiatives aimed at supporting and growing the SME sector. South Africa's small business policy was principally informed by the 1995 "White Paper on a national strategy on the development and promotion of small business in South Africa" (Timms, 2011: 20). The government through the Department of Trade and Industry (DTI) published the national strategy for the development and promotion of small businesses. This was geared to establish a support framework and in turn enable legislation, institutional reform, financial and non-financial influence for the development of small businesses (DTI, 2005). Following the above strategy, a number of institutions were mandated to deliver various forms of services for the growth of SMMEs. All these actions, however, had a minimal effect on the development of the sector in the following years and in 2004 the integrated small business development strategy (ISBDS) was accepted to streamline support services for the entrepreneur

and small businesses (DTI, 2003). Once again DTI was to be responsible for the establishment and coordination of the new framework for small business support as proposed by this strategy. The new established institutions that offer support to SMMEs are: Small Enterprise Development Agency (SEDA), Small Enterprise Finance Agency (SEFA), National Empowerment Fund (NEF), Industrial Development Corporation (IDC), National Youth Development Agency (NYDA), Land Bank, Mafisa; and provincial agencies like Invest North-West and Local Economic Development (LED) in the North-West province (DTI, 2014; Mbedzi, 2011). South Africa has experimented with a number of SMME support programmes from 1994 to date. The impact of these support programmes has however been modest to poor despite the Government's efforts (Atkinson, 2012). The focus of this study is to determine the effectiveness and relevance of the support provided by SEDA to the growth and performance of B&B enterprises in Ngaka Modiri Molema District Municipality.

### **2.6.1 Small enterprise Development Agency**

The Small Enterprise Development Agency provides support services like business registration, business planning, export development, access to domestic and international markets, cooperatives, access to technology and training and mentoring. SEDA aims at enhancing the competitiveness and capabilities of enterprises by coordinating services, projects and programmes to ensure equitable access to business support services through partnerships and also by strengthening the organisation (SEDA, 2014b).

With job creation as a key area of focus for the government, SEDA had to review its approach to the client base to ensure that resources are channelled to enterprises better placed to create decent and sustainable jobs. With this background, their strategic focus has therefore shifted to the upper end of the SMME sector. In this regard, SEDA will continue to reinforce programmes aimed at this level of the target market, such as technology transfer, export development and supplier development, to ensure that they derive the desired results (SEDA, 2012).

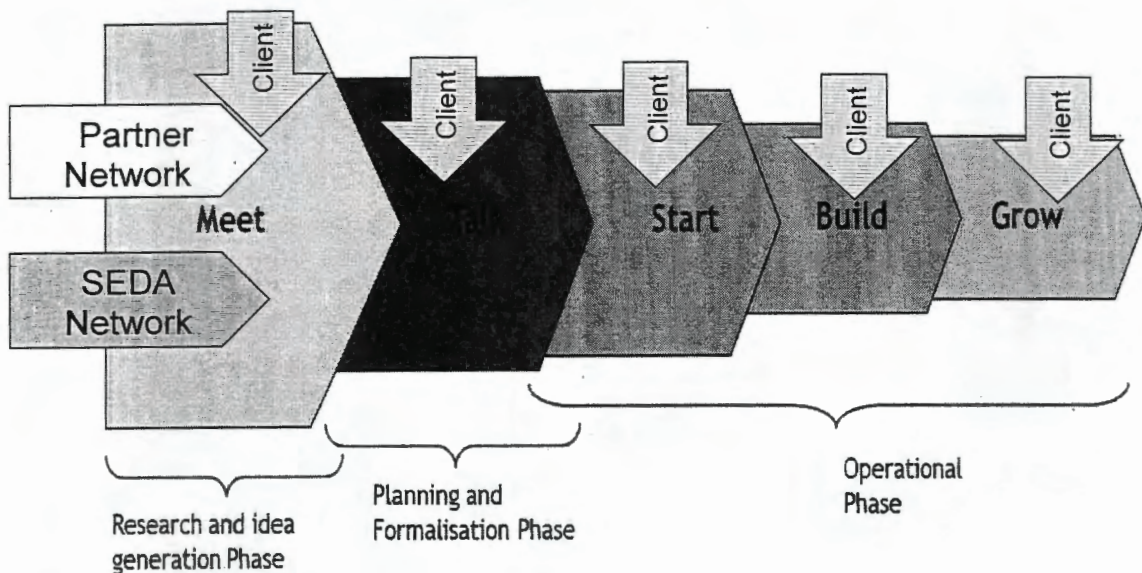
### **2.6.2 SEDA training for small, medium and micro enterprises (B&B)**

SEDA performs its interventions through consultations, coaching and training and referrals to specialist service providers where advisors identify an enterprise's needs,

assess skills required, contracts or funding and help the enterprise attain their requirements (SEDA, 2014b). SEDA advisors transfer business skills and knowledge to enterprise owners and their employees to support and motivate them to implement these acquired competencies in their business. The advisor's job is to broaden the client's perspective of their enterprise (SEDA, 2009a). Verbal and written communication training methods are used to customise approaches that suit each individual enterprise. According to SEDA (2009b), various coaching and training methods like one on one sessions, case studies, group work, lectures, role plays and discussion are used to build confidence and sustainable decision-making and problem-solving skills among enterprises. Scheepers (2008); Human Resource (HR.com) (2001) and Halloran (2014) state that there are many methods of training which include:

- Video or multimedia
- Live presentations
- Discussions
- Lectures
- Technology based learning
- One-on-one training
- Group work
- Demonstration
- Case studies
- Role plays
- Shadowing
- Simulation (management business games)
- Project work.

These training methods are adopted by SEDA advisors to ensure a good coaching, training, and mentoring relationship. SEDA utilises a 'client journey' approach to establishing a long-term relationship with clients by working hand in hand with clients and making follow-ups thereafter to know how the business is moving forward as illustrated in Figure 2.2 below.



**Figure 2.2: SEDA's delivery model**

Source: Zikode 2014

Mathebula (2013) highlights in detail the ways in which SEDA utilises its resources for the development processes of small businesses:

1. SEDA business talk, where advice is given to potential entrepreneurs that are willing and able to enterprise through practical answers and guidance.
2. SEDA business start, where instruments and techniques like access to finance are given to assist with business plan development and further referred to commercial banks and development finance institutions as SEDA does not have the capacity to directly lend money to small enterprises, business management, marketing and franchising are given to entrepreneurs for an adequate business plan to enhance success.
3. SEDA business build, which provides professional services to enable the entrepreneur to build a stronger business and improve productivity through networking and business linkages, tender advice, technical business support, export readiness assessment, guidance on participation in exhibitions and trade shows.

4. SEDA business grow, which is essential as it provides the entrepreneur with the skills and knowledge to increase market share to ensure business survival. An in-depth assessment is conducted to determine an enterprise's needs for sustainable growth and customised solutions with direct access to SEDA's network of service providers. These solutions are provided through a number of programmes formulated by SEDA to ensure specialised support in each business function as follows:

- Franchise support programme that deals with the promotion of franchising to new and current entrepreneurs by advising them about potential franchisee and franchisor opportunities.
- National procurement programme is a guidance programme for small businesses towards procurement and tender in the public and private sector.
- Export development programme enables the development of small enterprises towards global competition and market growth both locally and internationally.
- The trade point programme which forms part of the wider international initiative to enable local small medium and micro enterprises to participate.
- The tourism and cultural industries provide support for both direct and indirect tourism initiatives like B&B enterprises through networking and training (SEDA, 2014c: SEDA, 2014d & SEDA, 2014e).

### **2.6.3 Challenges faced by SEDA in business development**

Despite the support provided by SEDA, Maluleke (2013) is of the opinion that SEDA still struggles to develop small and medium enterprises. There is no doubt that this backdrop equally affects the growth of B&B enterprises. Some of the challenges faced by SEDA in training and mentoring of SMMEs as identified by Maluleke (2013) are outlined below:

- Although SEDA has a large footprint across the country, there is still inadequate awareness and access to SEDA and its services.

- A limited number of skilled trainers and mentors that are entrepreneurial.
- Lack of formal mentoring programmes, with poor coordination of mentors to mentee relationships and short periods of time for mentoring.
- Lack of expertise in specific sectors to respond to the diversity, skills and needs of small and medium enterprises due to the generic nature of SEDA support services.
- Limited financial resources to efficiently support enterprises
- Lack of aftercare programmes to ensure efficient support for enterprises.

## **2.7 Challenges hindering the performance of Bed and Breakfast enterprises**

According to Wanjohi, (2010), B&B enterprises face unique challenges that hinder their growth and profitability and in turn diminish their ability to contribute effectively to economic growth. Some of the challenges small accommodation businesses usually face include shortages of skilled human resources, especially within the community, poor development of customer-oriented management, marketing and business skills that are essential in the hospitality (Gibson 2012). Similarly, Grant Thornton (2014) reports that the guest accommodation sector in South Africa is fraught with problems that hinder their existence and performance as listed below:

- Cost of inputs is the biggest hindrance followed by cost of labour
- Insufficient domestic leisure and business demand
- Insufficient overseas leisure and business demand
- Competitor market behaviour
- Increase in competitor supply
- Shortage of skilled staff
- Security concerns
- Limited or no resources to upgrade or buy new equipment
- Cost of finance and inconsistent cash flow
- A strong Rand exchange rate
- Access to credit and
- Financial problems (insolvency).

These are coupled with more recent encounters like the wave of the West African Ebola crisis and new visa requirements in South Africa that have affected international

tourism (Grant, Thornton, 2015), political uncertainty, aftermath of labour related strikes, economic stagnation, insecurity (high crime rate), high airline costs, water and power interruptions, inadequate infrastructure due to reduced spending by government, high utility costs, rates and taxes, competition from unregistered and unlicensed establishments and change of ownership (Oxford Business Group, 2013; Grant Thornton, 2014).

Furthermore, Mthente (2012) reports that rural areas have a limited market and customer base, coupled with the lack of information relating to the industry and failure to meet tourism grading and accreditation standards. The survival of these enterprises is dependent on alleviating the constraints that affect them at various stages of growth and development (Finscope, 2012). Maluleke (2013) notes that most developing countries have linked the development of small, medium and micro enterprise (SMME) sector to economic social development, and this has forced many countries including South Africa to formulate SMME development policies as part of their growth as social development.

## **2.8 Summary**

It is evident from the literature that there has been a rapid increase in the number of B&B enterprises in South Africa. Despite the increase, this accommodation sub-sector in South Africa still faces problems of poor performance and growth in term of service delivery. SEDA was mandated to promote small business development by providing management and marketing skills, business advice, training and mentorship. However, the inherent problem encountered by SEDA in providing support to these small businesses has proven to be insurmountable. This observation tallies with a number of reports that identified that South Africa is lagging behind in the development of its SMME sector with a high SMME failure rate. SEDA should provide appropriate support structures that can develop Bed and Breakfast enterprises to promote sustainable performance and profitability of their businesses. SEDA should provide appropriate support structures that can develop Bed and Breakfasts enterprises that are self-sufficient to promote sustainable performance and profitability of their businesses.

## Chapter three

### Research design and methodology

#### 3 Introduction

This chapter discusses the research methodology used to investigate the performance of Bed and Breakfast enterprises in relation to SEDA support in Ngaka Modiri Molema District Municipality in the North-West Province. It outlines a complete description of the research approaches used with emphasis on mixed methods as the main research approach used in gathering information and delineates research design.

#### 3.1 Research approach

Research approaches are procedures with detailed methods of data collection, analysis and interpretation. The research approach adopted in this study was motivated by the research problem to be addressed. In line with this statement, Creswell (2013) asserts that the selection of a research approach should be based on the nature of the research problem. Qualitative, quantitative and mixed-method approaches are the most widely used data gathering approaches and they address the research questions using different methods (Johnson *et al.*, 2007).

##### 3.1.1 Qualitative research approach

Qualitative research is the collection and analysis of non-numerical data using methods such as participant observation or case study to interpret results in a narrative and descriptive account of a setting or practices (Parkinson and Drislane, 2011; Bryman and Bell, 2011). Therefore, participant perceptions, perspectives and experiences are explored within this approach (Harwell, 2011). This type of research approach is based on the desire to understand a social problem from the participant's perspective (Creswell, 2013). Through this approach, it was possible for the researcher to deeply engage and interact with participants through interviews and observation, hence obtaining rich data from the participants.

##### 3.1.2 Quantitative research approach

Quantitative research relies on deductive reasoning and makes use of a variety of analysis techniques that range from providing simple descriptive statistical

relationships among variables through complex statistical modelling. Quantitative research calls for research designs where the focus of the research is to describe, explain and predict phenomena (Khalid *et al.*, 2012). Creswell (2013) asserts that this approach is used to test theories by examining the relationship among variables, measured using specific instruments and analysing the data statistically. The use of this approach enabled the researcher to make the statistical aggregation of the data received from the respondents to describe and measure the performance of B&B enterprises.

### **3.1.3 Mixed method approach**

Mixed method is increasingly being used in social science as it incorporates the strengths of each approach (Lopez *et al.*, 2011). Mixed method is the integration of quantitative and qualitative research within a single project and this provides a comprehensive approach to the research problem for the purpose of gaining more breadth and in-depth understanding and rationale in research (Ouwugbuzie, Bustamate & Nelson, 2010). This study adopted a mixed method approach where both qualitative and quantitative data was collected. This helped the researcher to evaluate the views and perceptions of the respondents and at the same numerically measure the performance of the enterprises. Greener (2011) notes that mixed methods research helps to overcome the problems associated with discrete individual approaches.

## **3.2 Research design**

Research design refers to the overall plans for collecting data in order to answer the research questions. As outlined by Creswell (2013) a research design addresses the types of inquiry within qualitative, quantitative and mixed methods approaches by providing specific directions for the procedures. Exploratory and descriptive research designs were used in this study.

### **3.2.1 Exploratory research design**

Baxter and Jack (2008) are of the opinion that, exploratory research facilitates the exploration of a phenomenon within its context by using different data sources. Khalid *et al.* (2012) point out that a research design may vary from simple to complex depending on the nature of the study. It incorporates multiple facets which are

explored in order to understand the research problem under investigation. Labaree (2014) defines exploratory research as research conducted about a problem where limited or no earlier studies have been done on the subject matter. Following the lack of studies conducted on the effectiveness of SEDA in NMMD, this necessitated this research design.

### **3.2.2 Descriptive research design**

Van Wyk (2010) states that descriptive research provides an accurate and valid representation of factors that are relevant to the research questions. This research design aims at obtaining information concerning the current status of the phenomena to describe what is in place with respect to the variables or conditions in the present situation, this design can yield rich data that may lead to important recommendations in practice. (McNabb, 2008). This made it necessary for the researcher to give an accurate assessment of objective one and give a good description of the assessment.

## **3.3 Population and Sampling**

### **3.3.1 Population**

The population of this study consists of the entire group of persons that are of interest to the research and to which the researcher intends to generalise the study results (Andrew *et al.*, 2011). In line with this, the population was divided into these three categories:

1. Category one consisted of five local municipalities in Ngaka Modiri Molema district municipality.
2. Category two consisted of 25 B&B enterprises supported by SEDA in Ngaka Modiri Molema District.
3. Category three consisted of 7 SEDA officials at the Ngaka Modiri Molema District Branch.

### **3.3.2 Sampling**

Sampling is a process where a portion of the population is selected for data collection and may be defined by age, place of residence and a specific time (Bickman and Rog, 2009). Similarly, Maree (2010:79) defines sampling as the process used to select a

portion of the population for a particular study. In relation to these views, sampling is, therefore, that process of selecting a number of individuals from the population.

Geethakumary (2014) states that there are two types of sampling namely probability and non-probability sampling. The probability sampling technique is defined as a random method of selecting participants from the population in a research study who are more representative of the population (Abdey, 2014). Probability sampling involves a selection process where each element in the population has an equal, independent chance of being selected (Geethakumary, 2014). While in non-probability sampling the likelihood that a specific unit of the population will be selected is not known and cannot be determined, therefore the non-probability sampling is based on the judgement of the researcher (Wiid & Diggines, 2010).

For the purpose of this study, non-probability sampling was adopted because it allows judgements, either purposefully or intentionally, to influence which individuals or units are selected for a study and it is limited to purposive sampling (Bickman and Rog, 2009). The advantage of non-probability sampling is the ease with which it can be administered. Non-probability samples tend to be less complicated and less time consuming.

Purposive sampling means that participants are selected because of some defining characteristics that make them holders of the rich data needed for the study (Rotchford et al., 2002; Jebreen, 2012). Sampling decisions are therefore made for the purpose of obtaining the richest possible source of information to answer research questions (Maree, 2010).

For category one of the five local municipalities in NMMD, the researcher purposively selected three local municipalities (Ditsobola, Mahikeng, and Ramotshere Moiloa) from the five local municipalities in NMMD, due to the rapid growth in the number of B&B enterprises in these municipalities and their proximity to the SEDA office.

For category two, the researcher obtained a list of 25 B&B enterprises in NMMD registered with SEDA as they were the holders of the richest information to answer some of the research questions. A census was carried out on the B&B enterprises

located in the three selected local municipalities, 20 B&B enterprises were located in these local municipalities as indicated in Table 3.1 below.

**Table 3.1: B&B enterprises assisted by SEDA in three local municipalities**

Location	Mahikeng	Ditsobotla	Ramotshere Moiloa	Total
Number of B&B enterprises	7	12	1	20

Finally, for category three, from the 7 SEDA officials the researcher purposefully interviewed three SEDA business advisors as these were perceived to be the best source of information because these business advisors interact directly with B&B enterprises in regard to business support and would provide substantial information.

A total of 23 respondents was selected from three district local municipalities for this study as indicated in the table below:

**Table 3.2: Total population and sample size**

Units of interest	Total population	Sample size
Local municipalities	5	3
Bed and Breakfasts in NMMD	25	20
SEDA officials	7	3
Total	37	26

### 3.4 Research tools

Data was collected from two sources;

- Phase one from B&B enterprises
- Phase two from SEDA officials.

Phase one was data collected from B&B enterprises and this followed a concurrent mixed design as both quantitative and qualitative data was collected at the same time to provide a comprehensive analysis of the study (Creswell, 2011). Phase two was data collected from SEDA officials. Where qualitative data were collected through interviews.

The research tools used in this study to generate data for investigation were an interview guide for SEDA officials, a survey questionnaire for B&B enterprise owners

or managers and an observation checklist on account of their suitability for a mixed method research.

### 3.4.1 Data collection

Owners and managers of B&B enterprises were asked to complete a questionnaire by the researcher. The questionnaire was administered in English. (App 3). The researcher personally distributed a questionnaire to the targeted B&B enterprises and waited till they were answered while others were collected a day or two after they had been completed. This process took two weeks to complete as indicated in the table below:

**Table 3.3: Questionnaire distribution schedule**

Location	Duration
Mahikeng	09/03/2015 to 12/03/2015
Ditsobotla	16/03/2015 to 20/03/2015
Ramotshere Moiloa	13/03/2015

The researcher collected back all the questionnaires from the respondents registering 100% response rate.

### 3.4.2 Interviews

Interviews are the most widely used tools in qualitative research as they encourage the interviewee to share rich descriptions of the phenomenon while leaving the interpretation or analysis to the investigator (Dicicco-Bloom and Crabtree, 2006; Mariarty, 2011). As outlined by Gill *et al.* (2008), the purpose of an interview is to explore the views, experiences, beliefs or motivations of individuals on specific matters. Dicicco-Bloom and Crabtree (2006) state that a semi-structured interview is conducted once for an individual or group and takes between 30 minutes to several hours to be completed. Officials from SEDA were administered with semi-structured, open-ended questions (App 4). There was provision for follow-up questions. Table 3.2 below shows the dates on which interviews were conducted.

**Table 3.4: Interview schedule**

<b>Days of interviews</b>	<b>SEDA official</b>
Day one (5/05/2015)	Official advisor 1
Day two (7/05/2015)	Official advisor 2
Day three (12/05/2015)	Official advisor 3

The following procedures were adopted during the interview process;

1. The researcher secured interviews with SEDA officials at their offices and provided them with the interview guide in advance to prepare for the interview.
2. The participants were thanked for taking time out to meet with the researcher. The researcher introduced herself and gave a brief description of the research.
3. Before the interviews commenced, interviewees were informed of their rights (Anonymity, protection from harm and confidentiality) and of the researcher's expectations. Interviewees were requested to give their true opinions on the subject matter.
4. Interview guides were mailed to the respondents two days before the interview and also informed that where necessary follow-up questions would be asked.
5. The researcher maintained eye contact and engaged the respondents where necessary to facilitate and encourage participants to talk.
6. Each interview took approximately 30 minutes.

### **3.4.3 Observation**

Field observation is a technique fundamental to most qualitative research (Jansen, 2010). Qualitative field observations are detailed descriptions of events, people's actions and objects in their natural settings. A direct survey of the location, the business premises by taking of field notes offered an opportunity for the researcher to appraise and confirm the oral testimonies from the owners and managers to get first-hand information on the current state the units of study by considering certain aspects on an observation checklist which is attached as Appendix 5. Mariarty (2011) attests that field visits offer an opportunity for analysis of non-verbal communication. Field observation is used in an interactive data collection, such as participant observation

and in-depth interview as it enhances the quality of data obtained during field work (De Walt and De Walt, 2010).

### **3.5 Data analysis**

Qualitative data generated from the interviews were analysed qualitatively using a thematic analysis approach. According to Rotchford *et al.* (2002) and Jebreen (2012), a thematic data analysis, cross examines and identifies common issues that occur by looking at the main themes that summarise the views of the respondents. Data generated from the questionnaire was coded and subsequently analysed quantitatively using Statistical Package for Social Science (SPSS) version 22.1 to generate descriptive statistics such as graphs and pie charts.

### **3.6 Reliability and validity of the results**

The validity and reliability of measurement instruments influence the researcher's understanding of the phenomenon under investigation, the probability of the researcher obtaining statistical significance in any data analysis, and drawing meaningful conclusions from the data (Leedy & Ormrod, 2013).

#### **3.6.1 Reliability**

Reliability measures the extent to which the analysis of the data yields reliable results that can be repeated or reproduced at different times or by different researchers (Curtis & Curtis, 2011). Preconceived attitudes during interviews were minimised to avoid bias as the researcher conducted all the interviews using similar personal attributes with all respondents.

#### **3.6.2 Validity**

Validity measures the accuracy of the research based on its findings (Curtis & Curtis, 2011). The questionnaire included a variety of questions related to the research question. Content validity was ensured through consistency in the administration of the questionnaire. The questions were formulated in a simple language for clarity. Clear instructions were given to the respondents.

### **3.6.3 Trustworthiness**

Trustworthiness is an important aspect in qualitative research since it describes the virtue of qualitative terms beyond the boundaries of quantitative research concepts such as validity and reliability (Given and Saumure, 2008). DeVault (2015) state that evaluating the worth of a research study involves establishing its credibility, transferability, dependability and confirmability following various techniques like observation, audits and think description. The trustworthiness of the study was evaluated through persistent observation.

### **3.7 Ethical considerations**

Ethics are core principles and obligations that provide assurance that non-disclosure of confidential information is guaranteed with the aim to get social researchers from the bottom- up to make informed decisions and judgements (Greener, 2011). Three ethical issues related to the interview process were considered:

- Reducing the risk of unanticipated harm,
- Protecting the interviewee's information,
- Effectively informing the interviewees about the nature and possible outcomes of the study,
- Voluntary informed consent (respondents in the project understand and agree to participate prior and during the research).

Ethical approval for this study was obtained from the NWU Ethics Committee (NWU-00230-14-A9). In line with DiCicco-Bloom and Crabtree (2006), ethical issues with regard to the rights and protection of participants were fully considered.

### **3.8 Summary**

This chapter described the research approach, the research tools used in collecting data and the nature of the analysis. Ethical considerations were covered and the researcher was cleared to undertake this study. The following chapter presents the findings from the observations, interviews, and a self-administered questionnaire.

## **Chapter four**

### **Presentation of findings**

#### **4 Introduction**

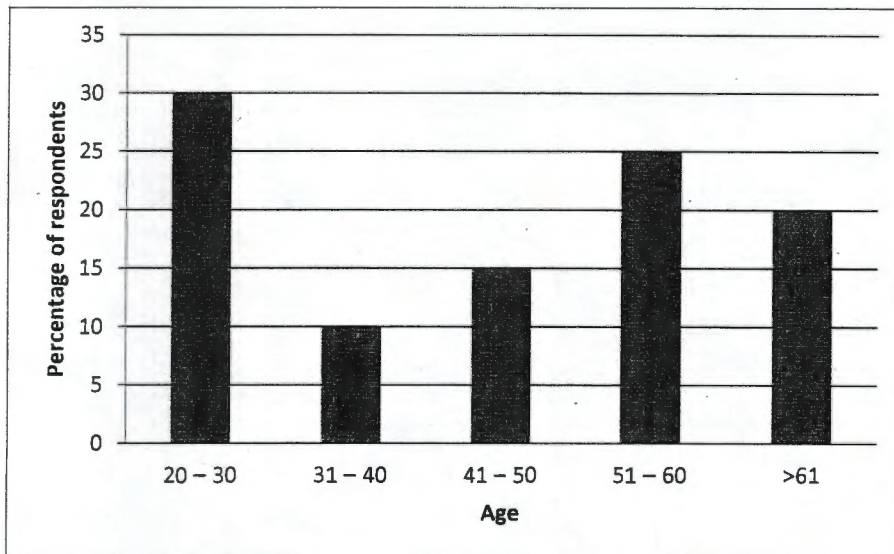
The findings of the study are presented in this chapter following the order of inquiry in the interview guide. The findings presented in this chapter are from the Small Enterprise Development Agency (SEDA) and the Bed and Breakfast (B&B) enterprises in Ngaka Modiri Molema District Municipality (NMMD). The data generated were analysed and coded followed by comprehensible analysis in relation to the impact of SEDA on the growth and performance of bed and breakfast enterprises in Ngaka Modiri Molema District municipality. The response rate from the survey questionnaires was 100% since all 20 questionnaires were returned and all the three interviews with SEDA officials were attended. Graphical expressions and simple frequency tables and percentages are used in the presentation of the numerical data while subjective statements based on the opinions and perceptions of respondents are used to present qualitative data from the field regarding the issues under investigation. In this study, B&B establishments have been classified as SMMEs. The questionnaire comprised of three sections and data generated were presented as follows:

#### **4.1 Demographics of respondents**

Demographics of B&B respondents are revealed in this section by age, gender, education level and position in the business. This data helped contextualise the findings and the formulation of appropriate recommendations.

##### **4.1.1 Age**

It was important to examine the age structure of the sampled population as shown in Figure 4.1 below to identify the respondent's age group.



**Figure 4.1: Age of respondents**

With reference to age, the largest group of bed and breakfast operators is between 20 – 30 years. This is closely followed by those in the 51-60 age group. The mean age was computed as illustrated below:

**Table 4.1: Age category**

Age	f	%	X	fX	X - 45	(X - 45) <sup>2</sup>	f(X - 45) <sup>2</sup>
21 - 30	6	30	25.5	153	-19.5	380.25	2281.5
31 - 40	2	10	35.5	71	-9.5	90.25	180.5
41 - 50	3	15	45.5	136.5	0.5	0.25	0.75
51 - 60	5	25	55.5	277.5	10.5	110.25	551.25
61 - 65	4	20	65.5	262	20.5	420.25	1681
Total	N = 20	100		∑fX = 900			∑f(X - 45) <sup>2</sup> = 4695

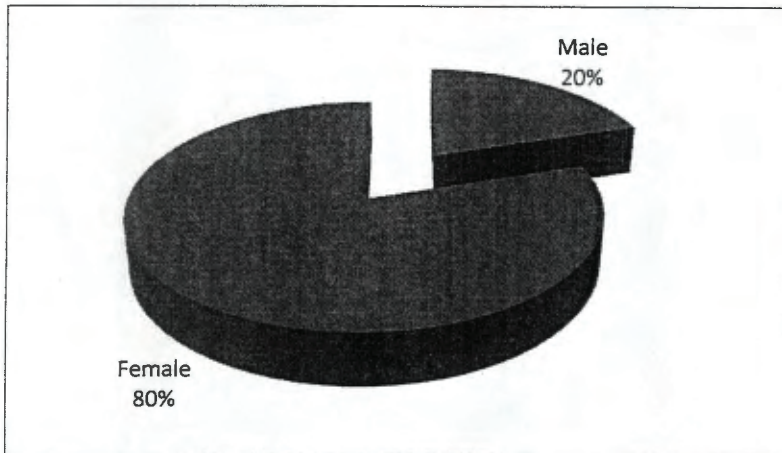
$$\text{Mean age} = \bar{X} = \frac{\sum fX}{N} = \frac{900}{20} = 45 \text{ years}$$

$$\text{Standard deviation} = S = \sqrt{\frac{\sum f(X - \bar{X})^2}{N-1}} = \sqrt{\frac{4695}{19}} = \sqrt{247.11} = 15.7 \text{ years}$$

The mean indicates the value where the age of respondents is greatly centred, which is 45 years, with a standard deviation of 15.7 years.

### 4.1.2 Gender

With regards, the question of gender, the comparison of male and female respondents was determined as presented in Figure 4.2 below

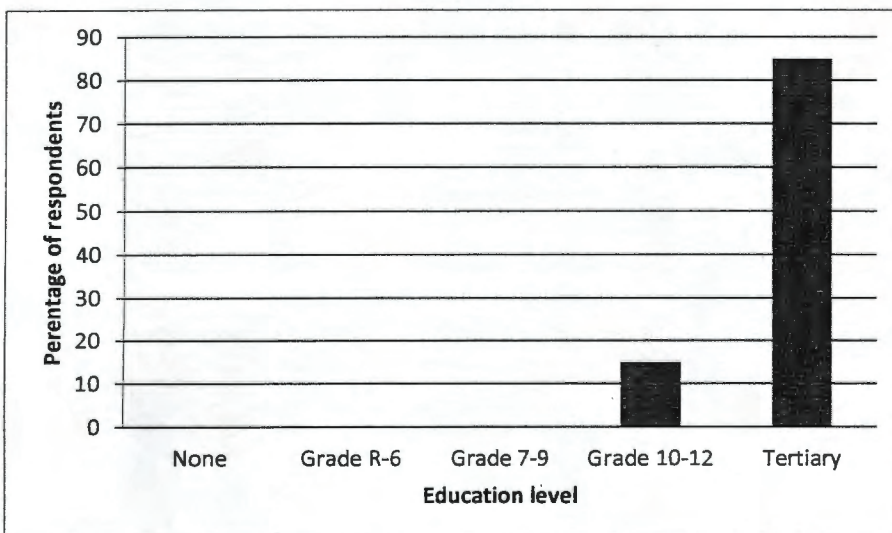


**Figure 4.2: Gender of respondents**

The female business operators represent the vast majority as compared to the male with a ratio of 4:1. This is a clear indication that females run more B&B enterprises than their male counterparts.

### 4.1.3 Education level of respondents

The respondents were requested to indicate their level of education and the response is shown in Figure 4.3 below

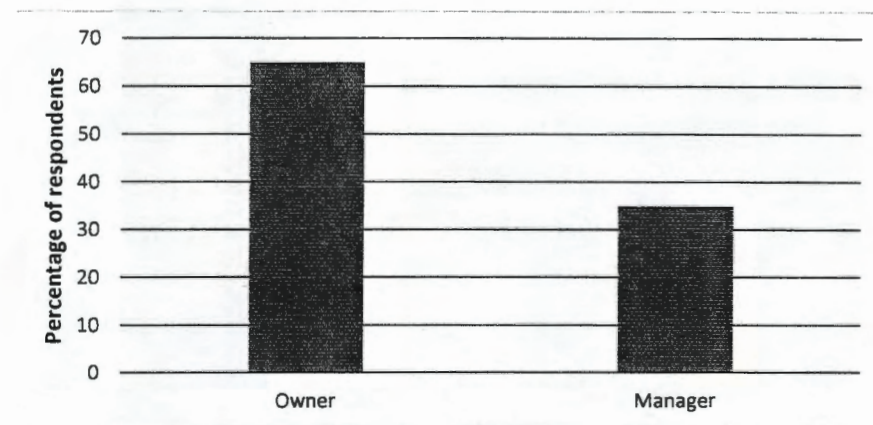


**Figure 4.3: Level of education**

The majority of the respondents (85%) attained a tertiary qualification which indicates that education is an important aspect in the B&B business development in NMMD.

#### 4.1.4 Position of respondents in the business

The question was to determine if the enterprises were operated by the owners or by hired managers.



**Figure 4.4: Position in the business**

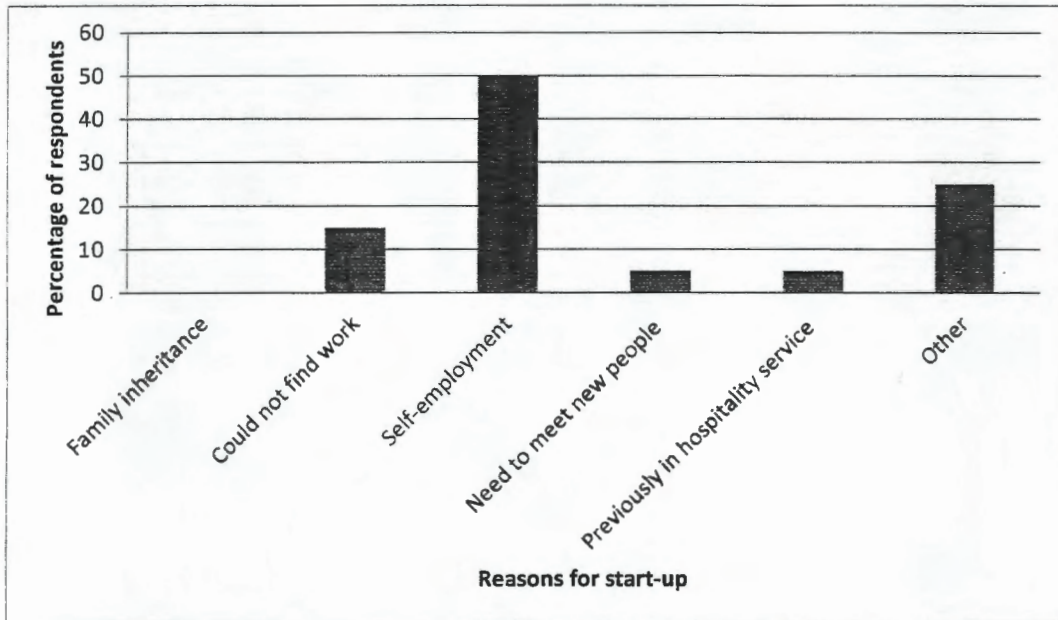
The majority (65%) of the respondents were owners while a few were managers (35%) as shown in Figure 4.4 above.

## 4.2 Growth and performance of B&B enterprises

Different enterprise traits like the reason to venture into business, year of establishment, star grading, location, the number of employees and the type of clients, whether national and or international of the Bed and Breakfast enterprises in NMMD are presented in this section.

### 4.2.1 Reasons for business venture

The respondents were asked what their reasons were for going into business. The study revealed that various factors prompted B&B operators to venture into business as indicated in Figure 4.5 below

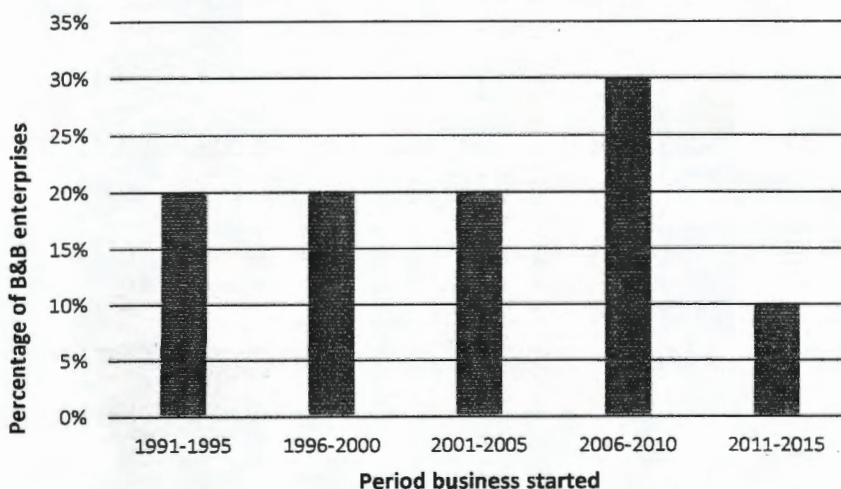


**Figure 4.5: Reasons for starting the business**

The most popular reason for venturing into the Bed and Breakfast business was self-employment (50%) followed by 15% whose reason was a failure to find work. However, the other reasons were not obtained.

#### 4.2.2 Year business was started

The respondents were asked to state the year of business establishment as shown in Figure 4.6 below to determine the time respondents have spent in the market.

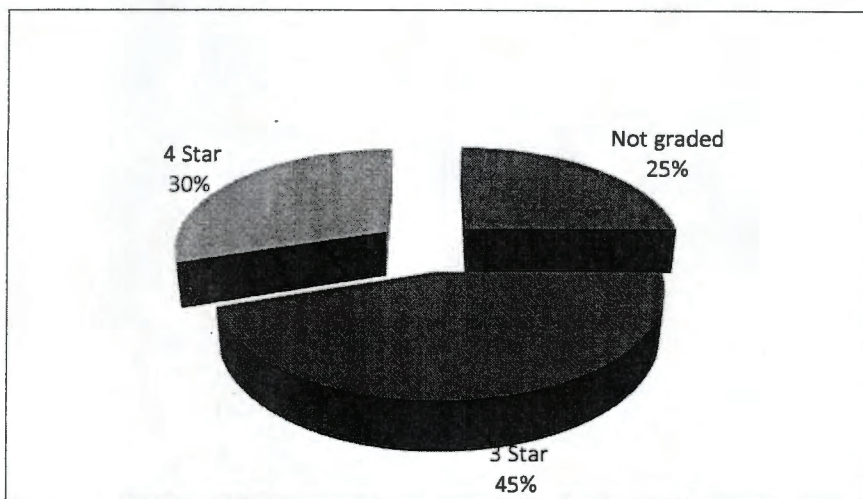


**Figure 4.6: Year of establishment**

Some enterprises have been on the market for over 20 years while the majority are new entrants with less than 10 years of experience. It is important to note that there was a surge in enterprises between 2006 and 2010, most clearly attributed to the soccer world cup help in South Africa.

#### 4.2.3 Star rating by Tourism Grading Council of South Africa (TGCSA)

The responses to star rating by TGCSA are shown in Figure 4.7 below



**Figure 4.7: Star rating of Bed & Breakfast enterprises**

The TGCSA rates Bed and Breakfast enterprises on a scale of one to five following a certain list of criteria for quality assurance. According to the respondents, the majority of the Bed and Breakfast enterprises in NMMD have a three-star grading. None had a five-star rating.

#### 4.2.4 Location according to local municipality

The respondents were distributed across the local municipalities as shown in Table 4.2 below:

**Table 4.2: Location of enterprises**

Location	Frequency	Percentage (%)
Mahikeng	7	35
Ramotshere Moiloa	1	5
Ditsobotla	12	60
Total	20	100

Most of the respondents are located in Ditsobotla compared to Mahikeng and Ramotshere Moiloa.

#### 4.2.5 Employees permanently employed

The respondents were asked to indicate the change in the number of permanent employees among enterprises as shown in Figure 4.8 below over a given period of time.

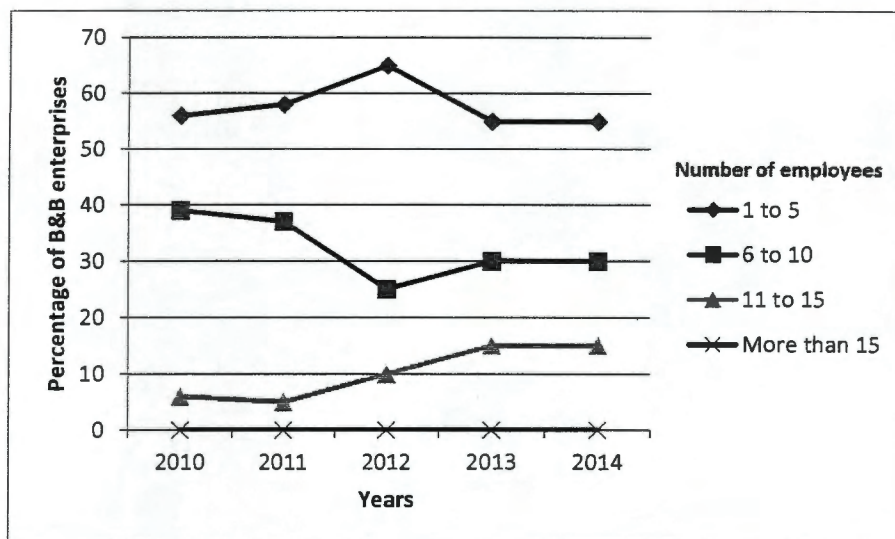


Figure 4.8: Permanent employees from 2010 to 2014

The majority of the B&B enterprises had between one to five permanent employees from 2010 to 2014.

#### 4.2.6 Employees temporarily employed

Respondents were asked whether they employed any temporary staff during the period of 2010 to 2014 due to an increase in business clients and their responses were captured on a Likert scale in Table 4.3 below. Strongly agree, agree and neutral are considered as positive answers while disagreeing and strongly disagree are negative.

**Table 4.3: Temporary employees from 2010 - 2014**

Years	Strongly agree (%)	Agree (%)	Neutral (%)	Disagree (%)	Strongly disagree (%)	Total (%)
2010	17	28	28	17	10	100
2011	16	21	26	21	16	100
2012	15	25	25	20	15	100
2013	15	25	30	15	15	100
2014	15	25	30	15	15	100

The majority of the respondents agreed that they employed extra help when they needed to cater for incidental changes in booking patterns over the years from 2010 to 2014.

#### 4.2.7 Location of clients

It was necessary to get an insight into the different locations where the clientele came from and this is shown in Table 4.4 below.

**Table 4.4: Locations where clients came from between 2010 and 2014**

Location	2010 (%)	2011 (%)	2012 (%)	2013 (%)	2014 (%)
Local (within area)	21	23	25	25	24
Northwest	23	20	20	20	24
National	47	46	46	46	43
International	6	8	6	6	6
Don't know	3	3	3	3	3
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

The findings reveal that the highest percentage of the enterprise clientele in NNMD were from other parts of the country (different provinces) but they were South African nationals.

#### 4.3 General business performance

Business income and expenditure, the number of rooms available and rented out, the rate per room and amenities available are some of the attributes used to determine the performance and growth of bed and breakfast enterprises over a given period of time and these are presented in this section.

#### 4.3.1 Approximate annual incomes of the enterprises

Respondents were asked to indicate their income bracket for the period 2010 to 2014 in terms of the stated annual income and this is shown in Table 4.5 below. However, two of the enterprises were not willing to respond to this question.

**Table 4.5: Approximate annual incomes of 2010-2014**

Annual Amount	2010 (%)	2011 (%)	2012 (%)	2013 (%)	2014 (%)
less than R500 000	44	35	28	28	28
more than R500 000 but less than R1million	44	53	50	50	50
more than R1 million but less than R2, 5 million	12	12	22	22	22
more than R2, 5 million but less than R5 million	0	0	0	0	0
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

According to Table 4.5 above most of the enterprises earned between R500 000 and R1million in each of the years specified.

#### 4.3.2 Approximate annual operating costs of enterprises

It was also important to establish the expenditure of the enterprises in order to compare income and expenditure. Table 4.6 below, excluding two enterprises that were not willing to respond to this question, shows the comparison between income and expenditure. It also allows the derivation of the margins of return.

**Table 4.6: Approximate annual operating costs for 2010-2014**

Annual Amount	2010 (%)	2011 (%)	2012 (%)	2013 (%)	2014 (%)
less than R500 000	50	53	44	39	39
more than R500 000 but less than R1million	50	47	56	56	56
more than R1 million but less than R2, 5 million	0	0	0	5	5
more than R2, 5 million but less than R5 million	0	0	0	0	0
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Table 4.6 above indicates that most of the enterprises spent between R500 000 and R1million in each of the years specified.

#### 4.3.3 Rooms available per day in the enterprise for the stipulated years

Table 4.7 below shows the aggregate number of rooms available in all the sampled enterprises according to the type of rooms provided.

**Table 4.7: Total number of rooms in 20 establishments for the years indicated**

Type of room	Number of rooms per year				
	2010	2011	2012	2013	2014
Single room	93	95	100	102	105
Double room	159	162	162	165	168
Total	252	257	262	267	273

From the findings in Table 4.7 above, the number of rooms in the sampled enterprises increased by an interval of five - six rooms each year.

#### 4.3.4 Number of rooms rented out

The respondents were asked the number of rooms rented at an average on a good working day and the accumulated number of rooms rented out and paid for at the sampled enterprises is shown in Table 4.8 below.

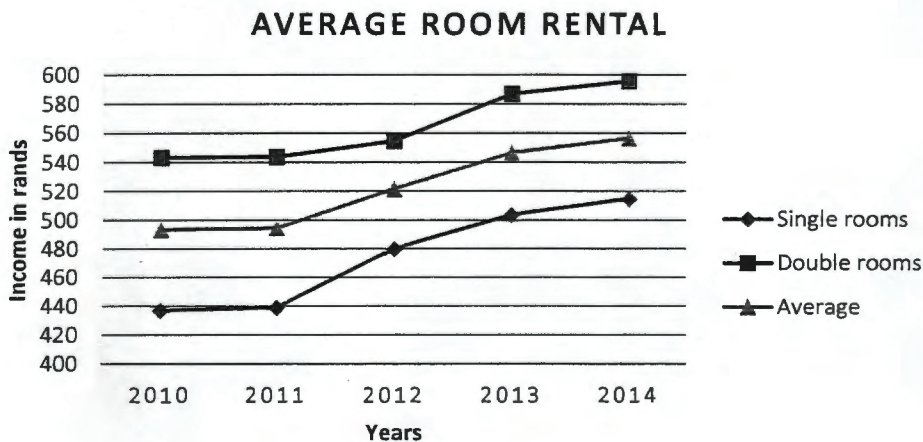
**Table 4.8: Total number of rooms rented out during 2010 – 2014**

Years	2010	2011	2012	2013	2014
Rooms rented out and paid for	175	182	194	204	206

The number of rooms rented out increased over the years by 31 from 2010 – 2014.

#### 4.3.5 Average rate paid per room

The respondents were requested to indicate the rate per room available for each year from 2010 to 2014, and an average of the data was formulated and the responses are shown in Figure 4.9 below.



**Figure 4.9: Average room rental per night**

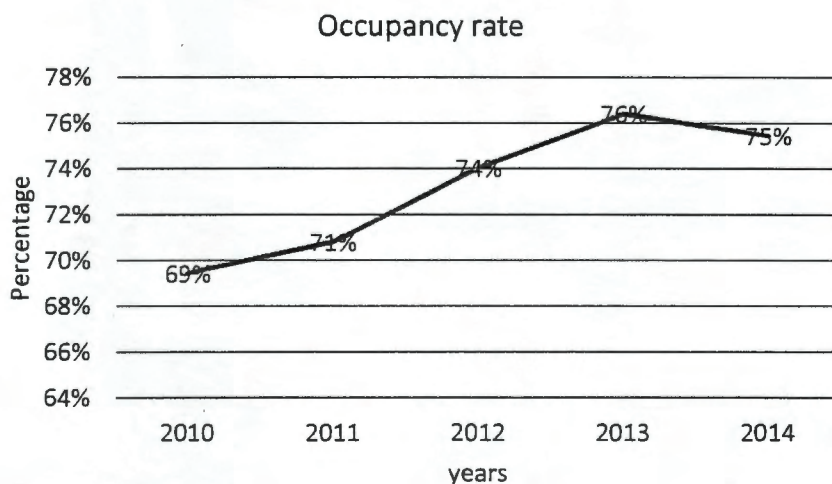
The average income earned per room each day has increased over the years and is still increasing in a positive direction. This is due to an increase in the prices charged per room.

After determining the rooms available and an approximation of those that were booked and paid for daily at a given rate, the researcher was able to measure bed and breakfast performance by establishing their occupancy rate, Average Daily Rate (ADR) and Revenue per room available (RevPAR) of the enterprises for the given years.

#### 4.3.6 Occupancy rate

The occupancy rate of B&B enterprises was calculated with Equation [1] as stated in chapter two, section 2.4.1.1 as indicated in Figure 4.10 below.

$$\text{Occupancy rate} = \frac{\text{rooms sold}}{\text{rooms available}} \quad [1]$$



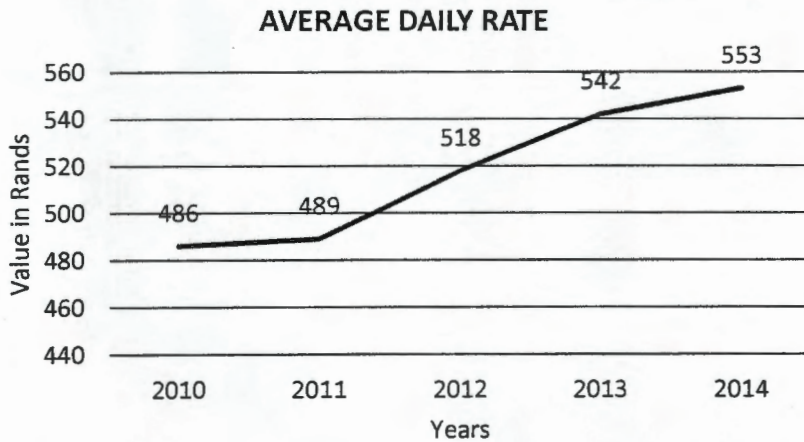
**Figure 4.10: Occupancy rate for the period of 2010 – 2014**

The occupancy rate increased over the years considered for the study, but slightly dropped in 2014.

#### 4.3.7 Average daily rate (ADR)

By use of equation [2] in chapter two, section 2.4.1.1., the average daily rate was calculated to determine B&B enterprise performance in relation to the prices they offer for their services as shown in Figure 4.11 below:

$$ADR = \frac{\text{rooms available}}{\text{total daily price}} \quad [2]$$



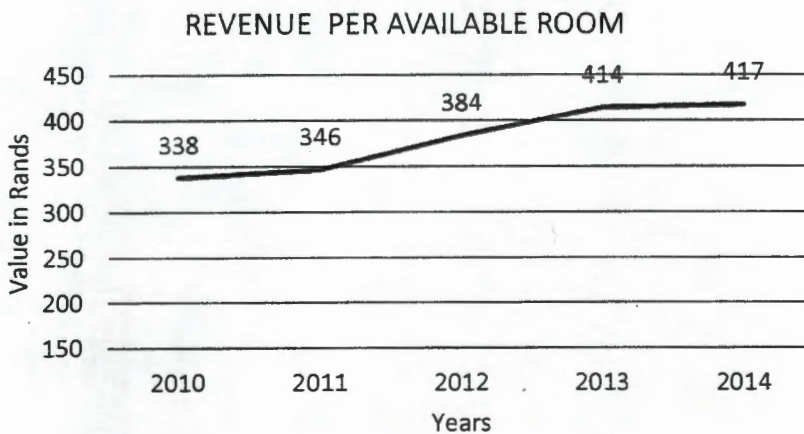
**Figure 4.11: Average daily rate (ADR) during 2010 – 2014**

The average daily rate increased from 2010 to 2014 by 14%.

#### 4.3.8 Revenue per available room (RevPAR)

B&B enterprise performance was also evaluated by calculating the revenue available from the enterprise rooms by use of Equation [3] from chapter two section 2.4.1.1. Results are illustrated in Figure 4.12 below:

$$RevPAR = \text{occupancy rate} \times ADR \quad [3]$$



**Figure 4.12: RevPAR available for the years 2010 to 2014**

Revenue per room available had a slight increase during the years considered for the study with a percentage change of 23%.

#### 4.3.9 Amenities available at Bed at Breakfast enterprises

Respondents were asked to indicate the amenities available in the rooms over the period of 2010 – 2014 at their enterprises and the responses are shown in Table 4.9 below

**Table 4.9: Amenities in rooms over the years**

Category	2010 (%)	2011 (%)	2012 (%)	2013 (%)	2014 (%)
Television sets in all rooms	85	90	95	95	95
Television sets in some rooms	5	5	5	5	5
Digital Satellite Television (DSTV) in all rooms	80	85	95	95	95
DSTV in some rooms	10	10	5	5	5
Open View High Definition (OVHD) in all rooms	0	0	0	0	0
OVHD in some rooms	0	0	0	0	0
Free wireless (Wi-Fi) / transferable internet	35	40	45	55	55
Telephone	10	10	10	10	10
Air conditioning	55	60	65	65	70
Safe to protect customer valuables	25	30	30	30	30
Mini Bar	30	30	30	25	25
Tea/ coffee making facilities	90	95	100	100	100
Fridge	60	60	70	75	75
Radio	5	5	5	5	5
Self-catering	30	30	35	35	35
Shaving and blow dryer facilities	20	20	35	40	40

The respondents indicated that a variety of amenities were available in rooms at the enterprises. There has been an increase and upgrades in the amenities offered over the years while some have remained constant. Minibars have declined and none of the enterprises offered OVHD.

#### 4.3.10 Amenities available on the premises of the enterprises

Services offered around the premises at the onset of the enterprise and continue to be offered as they were a necessary tool in determining the development and performance of the B&B enterprises in NMMD for the period considered in the study and the findings are shown in Table 4.10 below.

**Table 4.10: Amenities available on the premises of the enterprises**

Category	2010 (%)	2011 (%)	2012 (%)	2013 (%)	2014 (%)
Laundry services for guest	65	70	80	75	75
Family rooms	55	60	60	60	60
Braai (barbecue) facilities	85	90	90	90	90
Dinner service (on request)	80	85	90	90	90
Lunch service (on request)	75	80	85	85	85
Access to email and fax services	50	50	50	50	50
Television lounge	65	70	75	75	75
Swimming pool	70	70	75	75	75
Bar facilities	40	40	45	45	45
Room service	45	45	45	45	45
Pets are allowed	15	15	15	15	15
Access for handicapped clients	35	40	50	55	55
Restaurant	15	15	15	15	15
Halaal kitchen	15	15	15	15	15
Pool table	10	10	10	10	10
Gym	0	0	0	0	0
Jacuzzi	10	10	15	15	15
Games room for children	0	0	0	0	0
Secure parking	90	95	100	100	100
Automated remote control gate	75	80	85	85	85
Perimeter wall enclosed premises	80	85	90	90	90
Conferencing facilities	60	65	70	70	70
CCTV (closed-circuit television) surveillance	20	20	20	20	25
Credit / Debit card payments	75	75	80	80	80

None of the enterprises in Table 4.10 above offered a gym or games room for children. Even though some of the amenities remained constant and laundry services declined, there was a general increase in the on-site amenities at the enterprises.

#### 4.4 Assessment of SEDA's support to B&B enterprises

Only the results of the nine enterprises that received training interventions from SEDA are presented in this section as the findings of the study determined that some of the respondents had been to SEDA but not attended training. These had rather received specific requests for help with problems they had already evaluated like marketing and advertising, while others just got market information. Unless stated otherwise in this section 1= strongly disagree (SD), 2= Disagree (D), 3=Neutral (N), 4=Agree (A) and 5=strongly agree (SA).

#### 4.4.1 Training methods utilised by SEDA.

Respondents were asked which methods of training they had been exposed to during interventions to improve their business skills and growth.

**Table 4.11: Training methods used by SEDA**

Training and mentoring methods	1 (%)	2 (%)	3 (%)	4 (%)	5 (%)
Role plays (acting)	11	44	11	33	12
Case studies (you are given a problem to resolve individually or in a group)	33	11	23	33	11
Small group interaction (discuss an issue in small groups)	11	11	67	22	11
One-on-one sessions (individual training with trainer)	33	11	12	11	44
Shadowing (understudy someone in a position you aspire to be)	11	11	56	44	11
Simulation (computer programme with realistic business environment)	11	56	11	11	22
Projects (an individual or group activity that is carefully planned to achieve a particular aim)	11	33	33	11	23
Panel (lessons from a number of experts on the topic)	11	22	56	11	22
Demonstration (teach by example)	11	11	44	12	44

Table 4.11 above indicates that B&B enterprises have been exposed to different methods of training.

#### 4.4.2 Training and mentorship on various qualities for the improvement of business performance

The attributes on which SEDA trains and mentors Bed and Breakfast owners to improve their performance and growth are presented here according to the respondents' opinions.

**Table 4.12: Business development attributes**

Category	1 (%)	2 (%)	3 (%)	4 (%)	5 (%)
Assignment of responsibility or authority to junior employees	11	23	33	44	11
Clear communication lines between employee and employer	11	11	44	44	12
Front office reception operations	11	11	11	89	11
Record keeping	11	11	11	89	11
Bookkeeping	11	11	11	89	11
How to improve customer service	11	11	33	44	23
Housekeeping checklist	11	11	11	67	33
Buying and handling of requirements on the premises	11	11	11	56	44
Marketing of accommodation through:					
1. Price (value for money, you get what you pay for)	11	11	33	56	11
2. Promotion and advertising	11	11	33	67	11

3. Product (quality of services and appearance of establishment)	44	44	12
4. Position (high-end luxury or low budget accommodation)	44	23	33
Online booking	56	44	
How to manage client reserved rooms	22	78	
How to measure business through customer reviews and surveys	22	67	11
Knowledge of business expansion and development	56	33	11
Health and hygiene procedures in the kitchen	56	44	
How to use the internet for your benefit (website design and development)	56	44	
How to achieve quality of product and services	44	56	
Pricing of different rooms and facilities	44	56	
Legal topics and fulfilments	44	56	

From Table 4.12 above, the respondents reveal that they have received training on various types and qualities for the development of B&B enterprises through SEDA interventions as the majority of them agree to have received training on the different business development attributes.

#### 4.4.3 Benefits attained of training with SEDA

Respondents were asked to indicate the different ways in which their enterprises benefited from collaborating with SEDA for the growth and development of their businesses. The table below sums the benefits and perceptions of the B&B owners and managers.

**Table 4.13: Benefits of training with SEDA**

Criteria	1 (%)	2 (%)	3 (%)	4 (%)	5 (%)
Have learnt new forms of marketing and advertising my establishment from training with SEDA			56	44	
The needs assessment by SEDA helped me know where my business is lacking and what to improve			44	56	
I understand the tourism industry market trends and networks (tourism peaks and lows of the year) from knowledge attained from SEDA			56	22	22
I offer quality and excellent services from the local and international standard principles learned from SEDA			56	44	
Mentorship and coaching by SEDA advisors helped me:					
1. Improve my knowledge of the tourism industry (do's and Don'ts)			56	44	
2. Develop my self-esteem and confidence to achieve new goals			56	44	
3. Expand my market outreach			56	44	
Workshops and training provided by SEDA improved my staff performance and technical skills like;					
1. Record keeping;			56	44	



2. Handling guest complaints;			44	33	23
3. Accommodation laws and regulation fulfilment;			44	33	23
4. Safety procedures for both employees and clients			44	33	23
Received basic financial planning advice through training with SEDA			78		22
Received networking and business linkages from SEDA to;					
1. Tourism associations and professional bodies			89		11
2. Financial organisations (like banks and microfinance)			78	22	
3. Other government agencies like SEFA		11	44	33	12
Through the technology transfer program provided by SEDA;					
1. I use email to communicate with my clients			33	44	23
2. My establishment is advertised online through tourism directories			44	44	12
I gained legal business knowledge from SEDA's mentorship about;					
1. Land use laws (classifies the type of development allowed on a piece of land)			44	44	12
2. Labour law			56	44	
3. Legal aspects of signage (where you are allowed to put signposts).			67	33	
Received assistance from SEDA with regards to the grading requirements of the South African grading council		23	33	44	
SEDA facilitated me access to finance for my business		23	44	33	

Even if most of the responses were neutral in Table 4.13 above, the findings indicate that SEDA is beneficial to enterprise development as a number of the enterprises agreed to have attained knowledge and skills from their business interventions.

#### 4.4.4 Quality of the services received from SEDA

The respondents rated the proficiency of SEDA with regards the services received at their offices and during training interventions, where very low=1, low=2, moderate=3, good= 4, very good= 5

**Table 4.14: Quality of services at SEDA**

Criteria	1 (%)	2 (%)	3 (%)	4 (%)	5 (%)
Quality of training and support provided by SEDA was good			44	56	
SEDA turnaround time for application approval was fast and efficient			33	67	
SEDA appointments for training were, according to schedule			44	56	
I was informed of SEDA training and workshops in time to attend			56	44	
The SEDA advisor was well informed of the accommodation service and tourism sector.			56	44	
I can easily access SEDA services at all times			56	33	11

SEDA aimed at sustaining my business in the future	1	2	56	33	11
Staff at SEDA is friendly and communicate well with clients	1	2	56	44	11
SEDA performs follow-ups after initial training to ensure improved performance	1	2	44	56	11

The respondents indicate that the quality of service at the SEDA Ngaka Modiri Molema branch was moderate to good in relation to the criteria in Table 4.14 above.

#### 4.5 Post support incentives information

The status of the enterprises is determined here through the identification of the performance and financial position of the businesses.

##### 4.5.1 The performance of Bed and Breakfast enterprises.

The respondents were asked to indicate the level of operational and financial performance of their business shown in Table 4.15 below, where very low=1, low=2, moderate=3, good= 4, very good= 5

**Table 4.15: Status of Bed and Breakfast post SEDA support**

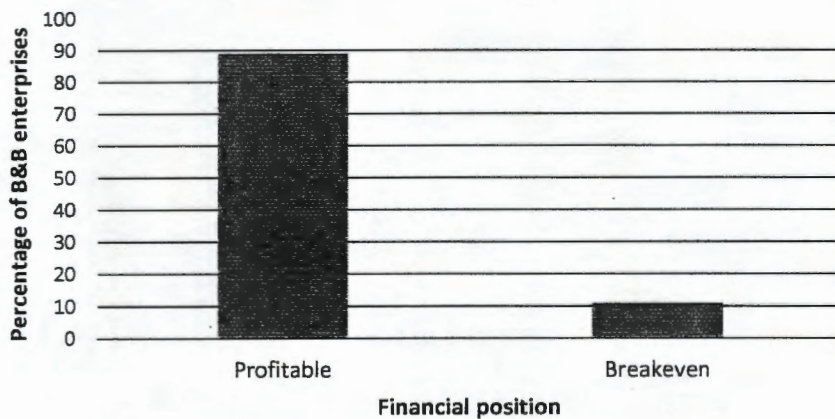
Criteria	1 (%)	2 (%)	3 (%)	4 (%)	5 (%)
Planning and business decisions are easier to do with the information available to me from SEDA	—	—	44	33	23
I keep records of my customers for future surveys and reference	—	—	56	—	44
Employee and employer relationship has improved leading to a reduction in change of employees	—	—	33	56	11
The number of my customers has grown because of the new marketing and advertising methods	—	—	56	33	11
I have loyal repeat clients with good relations	—	—	33	67	—
My customers are happy with the services they receive at my premises and this is observed by use of customer surveys	—	—	44	56	—
I have noticed a positive change in my monthly profit (profit turnover)	—	—	33	44	23
Employees work in a healthy and safe environment for example, clean with gloves	—	—	44	33	23
My business is rated better than my competitors	—	—	44	56	—
Have attained quality assurance from;					
Grading	—	—	33	33	34
Tourism association membership	—	11	44	12	33
Won awards or competitions for my business	—	11	44	12	33
I have upgraded my establishment by addition of new facilities	—	—	44	56	—
I have invested in new developments like the use of technology through:					
1. Banking (EFT equipment)	11	—	33	44	12

2. Advertising (Website and social networks)	100%	100%	33	33	34
3. Communication (Email and social networks)	100%	100%	33	33	34

Most of the enterprises are functioning efficiently and have attained new tools to improve their business operations with moderate to good responses regarding the performance of the business after support from SEDA.

#### 4.5.2 Current financial position of business

The respondents were asked to state the financial status of their businesses and the findings are shown in Figure 4.13 below.



**Figure 4.13: Financial Position of enterprises**

The data generated indicates that the majority of the Bed and Breakfast enterprises were profitable. The percentage of enterprises at the breakeven point could be explained by those businesses which participated in the study, but only started operating between 2011 and 2012. The short time they have been in operation explains their status at the break-even point.

#### 4.6 Researcher's observation

In all the B&B visited, the researchers noted that: the infrastructure was in good state of repair; the gardens were vibrant and well-tended; they maintained a high standard of cleanliness and hygiene, and many had state of the art security features.

#### 4.7 Reliability analysis

Cronbach's alpha ( $\alpha$ ) reliability coefficient, whose numerical value ranges from 0 to 1, measures the reliability (or internal consistency) of items on the Likert scale. A high value (close to 1) for Cronbach's alpha reliability coefficient indicates a good internal consistency of the items. The internal consistency of the questions regarding the quality of SEDA's services and post-support incentives were computed as shown in Table 4.16 below.

**Table 4.16: Reliability analysis**

Dimension	Cronbach's Alpha ( $\alpha$ )	N of Items
Quality of services provided by SEDA	0.961	50
Post support incentives	0.942	16

The Cronbach's alpha coefficients in Table 4.16 above are close to 1, suggesting that the items in the scale have high internal consistency.

#### 4.8 Findings from SEDA

SEDA officials were also interviewed and the data presented as follows.

##### 4.8.1 Demographics

Biographic and socioeconomic information like gender, age, level of education, business position and period of employment at SEDA were asked in this section and the data generated revealed that the three business advisors from SEDA were male, aged between 51-60 years, received tertiary education and have 9 years of experience within the organisation.

##### 4.8.2 Interventions by SEDA to B&B enterprises

In this section, SEDA's training methods, attributes for training and the level of success during interventions with Bed and Breakfast enterprises in terms of performance were asked. The officials were presented with a set of questions to which they were expected to answer either Yes or No. Where necessary, follow-up questions were raised.

1. The respondents were asked to state and identify the various forms of training used at SEDA during interventions.

**Table 4.17: Training methods**

Methods	Yes	No
Role plays (acting)		No
Case studies (you are given a problem to resolve individually or in a group)	Yes	
Small group interaction (discuss an issue in small groups)	Yes	
One-on-one sessions (individual training with trainer)	Yes	
Shadowing (understudy someone in a position you aspire to be)	Yes	
Simulation (computer programme with realistic business environment)	Yes	
Projects (an individual or group activity that is carefully planned to achieve a particular aim)	Yes	
Panel (lessons from a number of experts on the topic)	Yes	
Demonstration (teach by example)	Yes	

In addition to the above, external training from various service providers through practice and other methods are used like (hand holding and mentorship) through registered institutions.

2. SEDA officials were asked which attributes they aim to improve during an intervention training of bed and breakfast enterprises as shown in Table 4.18 below

**Table 4.18: Improved attributes among Bed and Breakfast enterprises**

Category	Yes	No
Assignment of responsibility or authority to junior employees		No
Clear communication lines between employee and employer	Yes	
Front office or reception operations	Yes	
Record keeping	Yes	
How to improve customer service	Yes	
Buying and handling of requirements on the premises	Yes	
Marketing of accommodation through:	Yes	
1. Price (value for money, you get what you pay for)	Yes	
2. Promotion and advertising	Yes	
3. Product (quality of services and appearance of establishment)	Yes	
4. Position (high-end luxury or low budget accommodation)	Yes	
Online booking	Yes	
How to manage client reserved rooms	Yes	
How to measure business through customer reviews and surveys	Yes	
Knowledge on business expansion and development	Yes	
Abide by health and hygiene regulations	Yes	
How to use the internet for your benefit (website design and development)	Yes	
How to achieve quality of product and services	Yes	
Pricing of different rooms and facilities	Yes	
Legal topics and fulfilments	Yes	

All responses were in the affirmative. As a follow-up on the aspect of record keeping, the official was asked whether he was permitted to access and verify business records. The response was that all B&B readily availed their records; however, none were willing to divulge their financial records. He was upbeat about the success of their intervention and revealed that only one B&B closed while under their watch.

## Chapter five

### Discussion, Conclusions, and Recommendations

#### 5 Introduction

This chapter discusses the findings on the effectiveness of the Small Enterprise Development Agency (SEDA)'s interventions on the growth and performance of Bed and Breakfast (B&B) enterprises in Ngaka Modiri Molema District (NNMD) in relation to each specific objective and in light of the literature reviewed. The discussion steers towards making conclusions and recommendations based on the experiences of B&B enterprises in Ngaka Modiri District (NMMD) municipality.

#### 5.1 Discussion of findings

The findings that emerged from the study are discussed below in relation to the objectives of the study. The research questions were the basis for the research design and were used as a guide for this discussion. The results that emerged from these findings are discussed below and illuminated by literature.

##### **5.1.1 Objective 1: Assess the effectiveness and relevance of SEDA interventions on Bed and Breakfast enterprises in Ngaka Modiri Molema District municipality**

Business interventions leading to growth and development are SEDA's prime goals as referred to in section 2.5.1. An intervention is deemed effective when the intended outcome is achieved, whereas meaningful business interventions lead to growth and development. In determining objective one, it was critical to establish whether there was growth and development among B&B enterprises in NMMD as this answers the first research question. In section 2.4 business growth is identified as expansion in terms of premises; greater profitability; increase in personnel; influence in the market; the general increase in resources; and higher status in the business community for the owners. In order to assess the effectiveness and relevance of SEDA interventions on B&B enterprises, the following questions pertaining to the period 2010 -2014 were addressed:

1. What infrastructural changes have occurred on the premises?
2. How have the B&B enterprises performed in terms of profitability?

3. What has been the trend in the number of employees at the B&B enterprises?
4. How have the B&B enterprises performed in the market?
5. Are there any improvements in amenities provided to clients?
6. How do the B&B enterprises rate SEDA's intervention?

From the findings of the study, the following infrastructural changes are evident in the period 2010 - 2014:

1. Table 4.7 shows the aggregate number of single and double rooms for letting increased by 13% and 6% respectively. The positive growth observed in Table 4.7 may have contributed to the 18% increment in the aggregate number of rooms rented out as depicted in Table 4.8.
2. The following changes are evident in B&B enterprises as indicated in Table 4.9: there was an increase in braai facilities, Closed Circuit Television surveillance (CCTV) and swimming pool by 5%. Conference facilities, perimeter wall fences, and automated remote controlled gates also increased by 10%, while B&B enterprises that provide access for disabled clients increased by 20%. This is an indication of growth by expansion in the form of amenities as discussed in section 2.4.

From the analysis given above, it is clear that in the period 2010 – 2014, a number of infrastructural changes were implemented in the B&B enterprises. These changes have the potential to spur the profitability and marketability of the B&B enterprises as they contribute to the ease of access for clients, their comfort while away from home and the feeling of security.

B&B owners and managers were reluctant to release their financial records to the researcher and even to SEDA officials as mentioned in section 2.5.3, this inhibited the researcher from determining profitability by use of metrics like return on investment (ROI) and return on assets (ROA) as discussed in section 2.4.1.1. The researcher, therefore, had to rely on information supplied by the respondents in Figure 4.13 where 90% of the respondents indicated that their enterprises were profitable while 10% were just able to break even. The findings also revealed that 67% of B&B enterprises practice bookkeeping and 44% endeavour to keep customer records and surveys for future reference and adjustments. Furthermore, an analysis of Figure 4.9 reveals that the average room rental steadily increased in the period between 2010 and 2014;

while Table 4.8 shows that the aggregate number of rooms rented out and paid for increased in the same period. One can, therefore, infer that these developments enabled the enterprises to meet their rising costs and make a profit.

Furthermore, business metrics such as occupancy rate, average daily rate and revenue per rooms available were applied to evaluate the performance of enterprises over the period of 2010 – 2014 as mentioned in section 2.4.1.1.

1. The occupancy rate of B&B enterprises in NMMD increased over the years considered for the period of study as shown in Figure 4.10, from 69% to 76%. This indicates that there has been a positive trend in the performance of B&B enterprises which may be attributed to both SEDA interventions and entrepreneurial skills of the B&B owners.
2. Average daily rate is shown in Figure 4.11; it reveals that the average price paid per room increased from 2010 to 2014 with a percentage change of 12%. This shows that the enterprises have grown over the years, which may relate to an increase in demand for accommodation services, enterprise upgrades due to client standards and competition from other B&B enterprises that requires uniqueness in order to stand out from the rest.
3. Revenue per room available had a steady increase over the years considered for the study with a percentage change of 19% as shown in Figure 4.13. This was mostly influenced by the change in the rates charged by the enterprises over the years.

Taking into consideration the number of employees, as tourism is considered as a pillar of development and a driver of employment as mentioned in section 2.2. The general trend observed from Figure 4.8 indicates that the number of B&B enterprises that employed more than 15 workers increased by about 10% in the period 2010 – 2014. Table 4.3 shows that in the period 2010 – 2014, about 40% of the B&B enterprises engaged temporary staff whenever the need arose. This increase in the numbers of employees in the B&B enterprises in NMMD could be interpreted as a contribution to the reduction of unemployment in the district.

In order to get an insight into how the B&B enterprises performed in the market, it was important to determine the B&B enterprises' status in the market. Figure 4.6 shows that 20% of the B&B enterprises have been in operation for over 20 years while 60% have been in operation for less than 10 years. Findings in Figure 4.7 indicate that 30% of the B&B enterprises had a 4 Star rating while 45% had a 3 Star rating and the remaining 25% were not graded by the Tourism Grading Council of South Africa. The existence of unrated B&B enterprises provides rated B&B enterprises in the district with easy opportunities for benchmarking thus enabling them to competitively perform better on the market. Furthermore, such rating by a highly reputable council signifies that the most of the B&B enterprises have good standards and are able to meet consumers' expectations. As noted in section 2.4.5.1, most B&B enterprises increase their influence in the market by adding complementary services like food and beverages, the internet (WI-FI), and entertainment. Results from Tables 4.9 and 4.10 show the amenities provided by the B&B enterprises in the period 2010–2014. It is observed that over this period, the B&B enterprises have strived to improve amenities, like, security and services available to clients which in turn have boosted their ability to attract local and international clients as indicated in Table 4.4.

The perceptions of the B&B enterprises on the effectiveness and relevance of SEDA's interventions are discussed in line with findings obtained from chapter four. Results from Table 4.11 show that the B&B enterprises had different views with regard to methods of training used by SEDA as there was no general consensus on the methods employed by the SEDA advisors. In Table 4.12 the respondents generally agreed on the business development attributes that were addressed during the mentoring by SEDA. In Table 4.13 it is evident that the B&B enterprises benefited from SEDA's intervention. The B&B enterprises highly rated the quality of service rendered by SEDA as depicted in Table 4.14. The responses obtained through the inquiry in Table 4.15 indicate that B&B enterprises benefited from the support provided by SEDA.

From the discussion above, it is evident that SEDA interventions were effective. It can be justifiably concluded that the interventions by SEDA had a marked impact on the B&B enterprises' operations.

## **5.1.2 Objective 2: Establish the challenges affecting SEDA in the development of Bed and Breakfast enterprises in Ngaka Modiri Molema District municipality**

A number of challenges were identified in relation to the development and growth of B&B enterprises which, amongst others, include performance issues and training needs as well as obstacles that hinder support by SEDA. This objective answers the third research question.

### **5.1.2.1 Challenges affecting bed and breakfast enterprise performance**

The Bed and Breakfast enterprises mentioned a number of problems that affect their growth and development:

1. High standards in terms of quality demand from the clients like air conditioning, gym and free Wi-Fi that are expensive to maintain.
2. Lack of funds for the renovation of business premises and development in terms of amenities and expansion.
3. Need for expansion in terms of space for more rooms as business has increased over the years.
4. Some enterprises mentioned load shedding as a hindrance to their business, specifically those with restaurants
5. High levels of competition make it difficult to attract and retain clients as their demands keep changing with time. This is costly and erodes profits.

### **5.1.2.2 Bed and Breakfast training, coaching and mentoring needs**

A number of enterprises mentioned that they required help from SEDA through training with regards the listed attributes for them to achieve business growth and development. These included:

1. Need for specialised staff training on business skills, ethics and customer service.
2. Costs associated with marketing and advertising of their premises, like website presence and maintenance.
3. Problems associated with effective financial management (costs versus profit).
4. Security measures at the premises to curb crimes like burglaries and create a secure environment for B&B clients. These are costly and infringe on business profits.

### **5.1.2.3 SEDA support challenges**

SEDA also experienced a number of challenges during interventions with Bed and Breakfast enterprises in NMMD which are listed below:

1. Specific sector interventions are limited by the advisor's lack of sufficient knowledge of commercial accommodation.
2. Limited time for each intervention as there are only three business advisors for the whole NMMD and have to apportion their time wisely.
3. Most B&B enterprises do not grow past the start-up stage and, this makes it difficult to work with, as the owners usually have no entrepreneurial skills.
4. Insufficient resource availability in relation to funds and time to extensively engage in the interventions and to go all over the district municipality to perform follow-ups as there is a limited number of business advisors. This shows that SEDA cannot effectively facilitate development among small enterprise in NMMD.
5. Due to the ring-fenced nature of the training that is usually performed in groups, this leaves no room for individual initiative to explore personal skills of clients.

Despite the existence of challenges faced by SEDA, the agency has fairly utilised its current capacity to achieve significant positive developments and innovations in B&B enterprises from the existing SEDA small business support programs in NMMD. This implies that the agency can achieve more if its resources were fully utilised to attain its set objectives. SEDA officials also mentioned a number of ways that they have used to overcome the issues listed above:

1. Creating more linkages with other stakeholders to ensure that all B&B development requirements are met.
2. Hiring interns and sector expatriate to fill-in where they lack knowledge and time.
3. Increase staff exposure to the different business sectors so that they maximise the support offered.

From the discussions above its evident that the research objectives were achieved.

## **5.2 Conclusions**

Following the discussion of the findings of the study, conclusions were drawn in relation to the objectives of the study as follows:

1. SEDA's interventions were effective and relevant in achieving the agency's objectives of providing solutions to the business functions of the B&B enterprises.
2. The study also highlighted a number of challenges that impede the performance of B&B enterprises in the Ngaka Modiri Molema District. It can, therefore, be concluded that objective 2 was also achieved.

### **5.3 Recommendations**

In light of the discussions and conclusions highlighted above, the following recommendations were suggested:

1. Given the fact that the small enterprise sector is rapidly changing and dynamic in nature, SEDA and her partner institutions ought to constantly review their services to ensure that they are in line with the most pressing needs of the small and medium enterprises.
2. SEDA needs to partner with research institutions like universities, municipalities and private corporate bodies to carry out periodic surveys on small business performance in various regions in the country.
3. SEDA should sensitise business operators on transparency, especially during follow-ups and audits. This will enable SEDA to determine the level of success of the supported B&B enterprises as well as plan for the weak areas that need specialised support for improvement.
4. All bed and breakfast enterprises should be encouraged to register with the TGCSA so that they can be advertised on the TGCSA website to promote their business status.
5. More should be done to promote tourism in the Ngaka Modiri Molema District to expand the market for B&B enterprises.
6. Certain knowledge and skills are effectively attained and put to productive use only through continuous exposure to support. It is therefore recommended that SEDA continues to support and follow-up on clients who have been represented in this study to ensure effective transfer of knowledge and skills for desirable growth among SMMEs in NMMD.

7. There is a need for intensive coordination of resources between SEDA and other small business development agencies and the district agencies in NMMD to ensure efficient and effective support. This facilitates the establishment of new outreach service points in the underserved areas as well as ensure sufficient staffing for all SEDAs departments. Establishment of outreach service points should be followed by efforts to encourage small businesses to access interventions by the agency and her partners.
8. SEDA still needs to do extensive marketing of their products to the public in NMMD as there is still a widespread non-awareness about the existence of its branch, products and services offered. This should apply to educational institutions, business associations, NGOS and private firms in the area.

#### **5.4 Limitations of the study**

The Bed and Breakfast enterprises were not forthcoming with information relating to their financial status and the research had to utilise information they provided. SEDA also did not provide the researcher with branch reports or follow-up documentation of their clients and had to improvise with the provided information.

#### **5.5 Summary of the study and suggestions for further research**

With insight from the findings of this study, it was evident that B&B enterprises benefited from SEDA's support indicating that non-financial support is as important as financial support to the growth of small, medium and micro enterprises in the Ngaka Modiri Molema District. It is suggested that further research should be conducted on the feasibility of sector specific support by SEDA to various industries and sub-sectors, for example, the service industry and services like restaurants and saloons in the Ngaka Modiri Molema District.

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## **Appendixes**

### **Appendix 1**

#### **NORTH-WEST UNIVERSITY**

##### **FACULTY OF COMMERCE AND BUSINESS ADMINISTRATION**

###### **AN EVALUATION OF SEDA SERVICES ON THE PERFORMANCE OF BED AND BREAKFASTS IN NGAKA MODIRI MOLEMA DISTRICT**

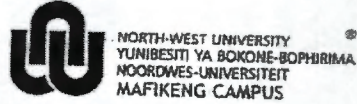
Dear respondents,

I am Kisakye Lillian a Masters of Commerce student at the Northwest University carrying out research on the topic; *Impact of Small Enterprise Development Agency on the performance of bed and breakfast enterprises in Ngaka Modiri Molema District municipality.*

I request you to spare some of your precious time to answer the following questions. The research is purely for academic purposes and the information will be treated with utmost confidentiality.

Thank you in advance.

## Appendix 2



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South Africa, 2735

Tel: 018 388-2111  
Fax: 018 392-5775  
Web: <http://www.nwu.ac.za>

Management  
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24/03/2015

### TO WHOM IT MAY CONCERN

This is to confirm that Ms Lillian Kisakye is an MCom in Management student at our university. Her study requires her to undertake research in management related aspects in both public and private sectors. Her focus is on the impact of SEDA on the performance of Guest Houses in Ngaka Modiri Molema District Municipality. Lillian is under instructions to conform to the ethical requirements prescribed for such studies and is obliged to protect the interests of all participants in the study.

We humbly request that you provide her with the necessary assistance and information to complete her research. She is available on mobile no. 0717855484 and also on e-mail [kislias@yahoo.com](mailto:kislias@yahoo.com).

Any assistance rendered to her will be highly appreciated.

Yours sincerely

Dr F R Kadama  
Senior Lecturer / Supervisor

### Appendix 3

#### Questionnaire for Bed and Breakfast enterprises

##### Section A

##### Biography data

1. What is your position in the business?

Owner	
Manager	
Co-owner	

2. Gender

Male	Female

3. Age

20-30	31-40	41-50	51-60	>61

4. Education level

None	Grade R-6	Grade 7-9	Grade 10-12	Tertiary

5. What were your reasons for starting the business?

Family inheritance	
Could not find work	
Self-employment	
Need to meet new people with different backgrounds and cultures	
Previously employed in hospitality service (career growth)	
Other	

##### Business characteristics

6. Which year was your business started?
- 

7. Is your establishment graded, if yes, what is your star rating? (Between 1-5)
- 

8. Location:

Mahikeng	
Ramotshere Moiloa	
Ditsobotla	

9. For each year indicate how many employees were permanently employed in the business?

Employees / year	2010	2011	2012	2013	2014
1-5					
6-10					
10-15					
More than 15					

10. How true is this statement for the given years? (tick where applicable)

I often engage temporary staff whenever there is an increase in clients/business

Years	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
2010					
2011					
2012					
2013					
2014					

11. Where have your clients come from between 2010-2014? (tick all applicable options)

Location	2010	2011	2012	2013	2014
Local ( within area)					
Regional (Northwest)					
National (S.A)					
International					
Don't know					

## SECTION B

### General business performance

1. What were your approximate annual incomes for these years indicated in the table?

Annual Amount	2010	2011	2012	2013	2014
less than R500 000					
more than R500 000 but less than R1million					
more than R1 million but less than R2,5 million					
more than R2,5 million but less than R5 million					

2. What were your approximate annual operating costs for the years indicated in the table?

Annual amount	2010	2011	2012	2013	2014
less than R500 000					
more than R500 000 but less than R1million					
more than R1 million but less than R2,5 million					
more than R2,5 million but less than R5 million					

3. What was the number of rooms in your facility in the years mentioned below?

Type of rooms	Number of rooms				
	2010	2011	2012	2013	2014
Single rooms (with bathroom)					
Single rooms (shared bathroom)					
Double rooms (with bathroom)					
Double rooms (shared bathroom)					
Total					

4. What was the average number of rooms rented out for the years indicated in the table below?

Number of rooms booked and paid for	Years				
	2010	2011	2012	2013	2014

5. What was your daily rate (average room rental per night) for the years indicated in the table below?

Type of room	Rate per room (price)				
	2010	2011	2012	2013	2014
Single rooms (with bathroom)					
Single rooms (shared bathroom)					
Double rooms (with bathroom)					
Double rooms (shared bathroom)					
Total					

6. What kind of facilities have you offered and continue to offer in rooms over the years? (tick all applicable)

Category	2010	2011	2012	2013	2014
Television sets in all rooms					
Television sets in some rooms					
DSTV in all rooms					
DSTV in some rooms					
OVHD in all rooms					
OVHD in some rooms					
Free wireless (Wi-Fi) / transferable internet					
Telephone					
Air conditioning					
Safe to protect customer valuables					
Mini Bar					
Tea/ coffee making facilities					
Fridge					
Radio					
Self-catering					
Shaving and blow dryer facilities					

7. For each year indicate which facilities / services were offered at your premises? (ticking where applicable)

Category	2010	2011	2012	2013	2014
Laundry services for guest					
Family rooms					
Braai (barbeque) facilities					
Dinner service (on request)					
Lunch service (on request)					
Access to email and fax services					
Television lounge					
Swimming pool					
Bar facilities					
Room service					
Pets are allowed					
Access for handicapped clients					
Restaurant					
Halal kitchen					
Pool table					
Gym					
Jacuzzi					
Games room for children					
Secure parking					
Automated remote control gate					
Perimeter wall enclosed premises					
Conferencing facilities					
CCTV (closed-circuit television) surveillance					
Credit / Debit card payments					

### SECTION C

#### Assessment of SEDA's support in SMEs

1. Which of these training methods have you been exposed to at SEDA to improve business? Please indicate your level of agreement with these statements on a 5-point scale where 1= strongly disagree (SD), 2= Disagree (D), 3=Neutral (N), 4=Agree (A) and 5=strongly agree (SA)

Training and mentoring methods	1	2	3	4	5
Role plays (acting)					
Case studies (you are given a problem to resolve individually or in a group)					
Small group interaction (discuss an issue in small groups)					
One-on-one sessions (individual training with trainer)					
Shadowing (understudy someone in a position you aspire to be)					
Simulation (computer programme with realistic business environment)					
Projects (an individual or group activity that is carefully planned to achieve a particular aim)					
Panel (lessons from a number of experts on the topic)					
Demonstration (teach by example)					

2. I confirm that SEDA provided me with training and mentorship on the following qualities for the improvement of my business performance. Please indicate your level of agreement with these statements on a 5-point scale where 1= strongly disagree (SD), 2= Disagree (D), 3=Neutral (N), 4=Agree (A) and 5=strongly agree (SA).

Category	1	2	3	4	5
Assignment of responsibility or authority to junior employees					
Clear communication lines between employee and employer					
Front office or reception operations					
Record keeping					
Bookkeeping					
How to improve customer service					
Housekeeping checklist					
Buying and handling of requirements on the premises					
Marketing of accommodation through;					
➤ Price (value for money, you get what you pay for)					
➤ Promotion and advertising					
➤ Product (quality of services and appearance of establishment)					
➤ Position (high-end luxury or low budget accommodation)					
Online booking					
How to manage client reserved rooms					
How to measure business through customer reviews and surveys					
Knowledge on business expansion and development					
Health and hygiene procedures in the kitchen					
How to use the internet for your benefit (website design and development)					
How to achieve quality of product and services					
Pricing of different rooms and facilities					
Legal topics and fulfilments					

3. The following statements refer to the quality of services provided by SEDA and how beneficial they were to your business. Please indicate your level of agreement with these statements on a 5-point scale where 1= strongly disagree (SD), 2= Disagree (D), 3=Neutral (N), 4=Agree (A) and 5=strongly agree (SA)

Criteria	1	2	3	4	5
Have learnt new forms of marketing and advertising my establishment from training with SEDA					
The needs assessment by SEDA helped me know where my business is lacking and what to improve					
I understand the tourism industry market trends and networks (tourism peaks and lows of the year) from knowledge attained from SEDA					
I offer quality and excellent services from the local and international standard principles learned from SEDA					
Mentorship and coaching by SEDA advisors helped me:					
➤ Improve my knowledge of the tourism industry (do's and Don'ts)					
➤ Develop my self-esteem and confidence to achieve new goals					
➤ Expand my market outreach					
Workshops and training provided by SEDA improved my staff performance and technical skills like;					
➤ Record keeping;					
➤ Handling guest complaints;					
➤ Accommodation laws and regulation fulfilment;					
➤ Safety procedures for both employees and clients					

Received basic financial planning advice through training with SEDA					
Received networking and business linkages from SEDA to;					
➤ Tourism associations and professional bodies					
➤ Financial organisations (like banks and microfinance)					
➤ Other government agencies like SEFA					
Through the technology transfer program provided by SEDA;					
➤ I use email to communicate with my clients					
➤ My establishment is advertised online through tourism directories					
I attained legal business knowledge from SEDA's mentorship about;					
➤ Land use laws (classifies the type of development allowed on a piece of land)					
➤ Labour law					
➤ Legal aspects of signage (where you are allowed to put signposts).					
Received assistance from SEDA with regard to the grading requirements of the South African grading council					
SEDA facilitated me access to finance for my business					

4. Rate the quality of the services you received from SEDA during the application process? (1 being very low and 5 representing the idea) Very Low = 1, Low = 2, Moderate = 3, Good = 4 and Very good = 5

Criteria	1	2	3	4	5
Quality of training and support provided by SEDA was good					
SEDA turnaround time for application approval was fast and efficient					
SEDA appointments for training were, according to schedule					
I was informed of SEDA training and workshops in time to attend					
The SEDA advisor was well informed of the accommodation service and tourism sector.					
I can easily access SEDA services at all times					
SEDA aimed at sustaining my business in the future					
Staff at SEDA is friendly and communicate well with clients					
SEDA performs follow-ups after initial training to ensure improved performance					

#### Post support incentives information

5. Rate the current status of your enterprise, according to your perception? (1 being very low and 5 representing the idea) Very Low = 1, Low = 2, Moderate = 3, Good = 4 and Very good = 5

Criteria	1	2	3	4	5
Planning and business decisions are easier to do with the information available to me from SEDA					
I keep records of my customers for future surveys and reference					
Employee and employer relationship has improved leading to a reduction in change of employees					
The number of my customers has grown because of the new marketing and advertising methods					
I have loyal repeat clients with good relations					
My customers are happy with the services they receive at my premises and this is observed by use of customer surveys					

I have noticed a positive change in my monthly profit (profit turnover)					
Employees work in a healthy and safe environment for example, clean with gloves					
My business is rated better than my competitors					
Have attained quality assurance from;					
Grading					
Tourism association membership					
Won awards or competitions for my business					
I have upgraded my establishment by addition of new facilities					
I have invested in new developments like the use of technology through					
i. Banking (EFT equipment)					
ii. Advertising (Website and social networks)					
iii. Communication (Email and social networks)					

1. What is the current status of your business?

Profitable	
Breakeven	
Making a loss	
Startup (too early to tell)	

2. What is your biggest business challenge at the moment?

---

3. What is your biggest business training/coaching/mentoring need?

---

**Thank you for your time. Have a nice day**

## Appendix 4

### Interview guide regarding business support for bed and breakfast enterprises in the Ngaka Modiri Molema District at SEDA (between 2010 and 2014)

#### SECTION A

##### Biographic and socioeconomic information

1. Position of the interviewee

2. Gender

3. Age

4. Highest qualification

5. Period of employment in a particular institution

#### SECTION B

This training and support methods are used by SEDA to ensure the success of bed and breakfasts in Ngaka Modiri Molema District municipality (NMMD). Answer yes or no

1.

Training and mentoring methods	Yes	No
Role plays (acting)		
Case studies (you are given a problem to resolve individually or in a group)		
Small group interaction (discuss an issue in small groups)		
One-on-one sessions (individual training with trainer)		
Shadowing (understudy someone in a position you aspire to be)		
Simulation (computer program with realistic business environment)		
Projects (an individual or group activity that is carefully planned to achieve a particular aim)		
Panel (lessons from a number of experts on the topic)		
Demonstration (teach by example)		

1.1 These methods have been proven useful in different countries, what challenges if any have you experienced with any of the methods identified above and why?

---

---

1.2 What measures have you put in place to overcome the challenges?

---

---

1.3 Mention any other methods of training that are used by SEDA apart from the ones above?

---



---



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2. The training offered by SEDA aims to improve the following business qualities of bed and breakfasts. Answer yes or no.

Category	Yes	No
Assignment of responsibility or authority to junior employees		
Clear communication lines between employee and employer		
Front office or reception operations		
Record keeping		
How to improve customer service		
Buying and handling of requirements on the premises		
Marketing of accommodation through;		
➤ Price (value for money, you get what you pay for)		
➤ Promotion and advertising		
➤ Product (quality of services and appearance of establishment)		
➤ Position (high-end luxury or low budget accommodation)		
Online booking		
How to manage client reserved rooms		
How to measure business through customer reviews and surveys		
Knowledge on business expansion and development		
Abide by Health and hygiene regulations		
How to use the internet to benefit their bed and breakfasts		
How to achieve quality of product and services		
Pricing of different rooms and facilities		
Legal issues and fulfilments		

2.1 State any other business qualities not mentioned above that address the training offered by SEDA?

---

2.2 Is SEDA well equipped with the necessary resources for training bed and breakfasts?

---

2.3 What challenges have you encountered in educating bed and breakfasts about these business qualities?

---

2.4 What measures have you put in place to combat these challenges?

---



---

2.5 If any of the business qualities mentioned in the table above are not offered by SEDA for training, what is the reason for that?

- 
3. During follow-ups or business audits, advisors gain access to business records of the small accommodation providers..

<b>Relevant records</b>	<b>Yes</b>	<b>No</b>
Financial books		
Housekeeping guidelines		
Customer reviews		
Administrative files		

- 3.1 If not, how do you determine the client's progress in terms of performance?
- 

4. From the guest houses or Bed and Breakfasts that SEDA has assisted in NMMD, what is the success rate in terms of growth and closure between 2010 and 2014?

<b>Years</b>	<b>Number of clients</b>	<b>Still growing</b>	<b>Closed</b>
2010			
2011			
2012			
2013			
2014			

**THANK YOU**

## Appendix 5

### Observation checklist for Bed and Breakfast (B&B) enterprises

The following criteria were observed during the field visits at the different B&B enterprises in NMMD:

1. Is the Staff at the B&B enterprise warm, welcoming and trendily?
2. Is the reception area well equipped to ensure smooth operations of the B&B enterprise?
3. Is the enterprise well-advertised or easily accessible (road sign posts and brochures)?
4. What is the number of rooms available in the different B&B enterprises?
5. How many of the rooms available are double or single?
6. Are the available rooms' en-suite or not? And if so, are the bathrooms and toilets in a good working condition?
7. Are these rooms equipped with television sets and Digital Satellite Television (DSTV)?
8. Is there transferable or wireless internet (wifi) in the rooms?
9. Do the rooms in the B&B enterprises have air conditioning or fans?
10. Are the premises well kept in a habitable condition (cleanliness)?
11. Does your B&B enterprise offer restaurant facilities or a communal eating area for breakfast?
12. Is the B&B enterprise securely enclosed behind a perimeter wall fence and if so, does it have an automated gate to enforce security?
13. Are there any unique distinguishing amenities at the other B&B enterprises like Spa, gym and excellence awards displayed?