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SMALL, MICRO AND MEDIUM TOURISM ENTERPRISES IN SOUTH AFRICA: PROFILING THE DECISION-MAKERS

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Introduction

- Globally, the **contribution of small, micro and medium enterprise (SMMEs) in creating employment opportunities** has been widely researched.
- SMMEs are increasingly recognised as the **engine of growth**
- Small businesses are seen as a vehicle for entrepreneurship **contributing not just to employment and social and political stability, but also to innovative and competitive power.**

Introduction

- **Although the tourism industry has some large organisations,**
 - the sector is **numerically dominated by SMMTEs**
 - yet in the literature of tourism there is a **relative dearth on the research into tourism and small business development.**
- SMMTEs, state Cooper & Buhalis (1992):
 - which **underpin the delivery of the tourism product** in most countries and
 - are particularly **important in destination development,**
 - not only **providing tourists with direct contact** with the character of the destination,
 - but also **facilitating the rapid infusion on tourist spending in the local economy.**
- Recent research, as depicted in Table 1, (The DTI, 2003, and DEAT, 2007) concerning SMMTEs in South Africa has confirmed that established **SMMTEs (owner-managed and employing less than 50 employees). overwhelmingly dominate the local tourism industry**



Table 1

SMMTE dominance of the tourism economy in South Africa

Industries	SMMTEs in Industries (%)
Hospitality	97
Travel and tourism	97
Gaming and lotteries	89
Sport, recreation and fitness	98
Conservation and tourist guiding	89



Background

- In 1994, the South African government undertook to **make tourism one of the country's leading industries** in the creation of employment and the generation of foreign income (Tassiopoulos, 2011).
- **outperformed the majority of the key sectors** analysed in terms of generating gross domestic product (GDP) across the entire global economy in particular that of *communications, financial services, education, agriculture, and mining* (WTTC, 2013)
 - considered **vital to the economic development of South Africa:**
 - fastest growing industry in the country, *directly creating (in the tourism industry) 645,500 jobs (4.6% of total employment) in 2013* (WTTC, 2014).
 - *directly employs more people than the mining, communication services, automotive manufacturing and chemicals manufacturing sectors.*



Background

- future development of the tourism industry is in line with **government objectives of transformation, economic development and the promotion of small business**, according to DEAT (2007), and is an issue of **critical concern for policy-makers**

Purpose

- deals with the **demographic characteristics** of the participants in the study through describing:
 - **geographic location,**
 - **age,**
 - **gender,**
 - **level of qualifications, and**
 - **population group** classification of the research population

Methodology

- The research design for the proposed study involved primarily **descriptive and explanatory research**.
 - target population covered all nine provinces of South Africa.
 - The decision-makers of **formally registered businesses** (informal businesses were not included) were selected by rank (most senior person: owner, managing director, chairperson, manager etcetera).
 - In total **316 questionnaires were returned which represented a total response rate of 16.08 percent, of this 168**, or 8.56 percent was deemed, conservatively, to be the useable response rate.

Methodology

- The research instrument used was a **structured questionnaire**:
 - A section of the research instrument consists of question items related to **determining the demographic profile of respondents**.
 - Most of the said **items have been derived from other instruments** that have been **previously validated** by other researchers such as Loubser (1999), Maas (1996: 249); and Orford, Herrington and Wood (2004).

Methodology: Response rate

- In total **316 questionnaires** were returned which represents a **total response rate of 16.08 percent**, of this 168, or **8.56 percent** was **conservatively deemed to be the useable response rate**.
- Telephonic enquiries confirmed that it was **not the study or the questionnaire design that was responsible** for the relatively low response rate.
 - External variables such as the respondents **not having received the mailed questionnaire**, and to a lesser degree, the **change of SMMTE ownership**, seem to suggest were the main reasons for the low response rate.

Results: Population comprehension and sample design

Sampling frame, stratified by province

Code	Province	N	%
A	Eastern Cape	105	5
B	Free State	38	2
C	Gauteng	890	45
D	KwaZulu Natal	331	17
E	Limpopo	16	1
F	Mpumalanga	37	2
G	North West	23	1
H	Northern Cape	35	2
I	Western Cape	490	25
	TOTAL	1965	100

χ^2 distribution test p-value was deemed significant (at $p < 0.01$), indicating that the percentage representation in the sample frame is not the same as in the research population with Gauteng province likely over-sampled, and, Mpumalanga province likely under-sampled.

Results: Distribution of sub-sector SMMTEs, by number of employees

Sub-sectors	Total number of employees			Total (%)
	0-49(%)	50-149(%)	150+(%)	
Conservation and tourist guiding	97	2	1	100
Gaming and lotteries	78	5	17	100
Hospitality	96	3	1	100
Sport recreation and fitness	97	2	1	100
Travel and tourism	96	2	2	100

Results: Profile of a typical SMMTE

- limited research
- **most in the hospitality sector**, the profile of typical SMMTEs can be summarised as follows:
 - are **characterised by family run businesses** and are **self-employed**;
 - have managers with **few formal qualifications** and **limited previous experiences in tourism**;
 - have managers who **enter the industry for a variety of reasons**, not only for economic reasons;
 - the “**way of life**”, or **lifestyle motives for entrepreneurial entry** into tourism reveals that the industry is seen as offering a **better lifestyle and better standard of living** while promising a pleasant work environment and high levels of human interaction
 - **sources of capital for SMMTEs are varied** and SMMTEs tend to have very **low levels of capital investment- thus possibly negatively impacting on quality**; and
 - have **no formalised management system**.

Results : Demographic characteristics of SMMTEs

respondents can be **demographically characterised** as:

- **originating from the Western Cape (28.7%) and Gauteng (26.2%);**
- **are most likely based in a urban /metropolitan area;**
- **are most likely (28.6%) 45 to 54 years of age;**
- **most likely (70.5%) of the male gender;**
- **the highest number have attained a Grade 12 (33.5%) qualification; and,**
- **the majority (85.9%) can be classified as being from the White population group.**
- **This study's profile compares favourably with that of the South African SMMTE profile provided by THETA (2009a: 19, 20, 22, 26, 31, 43, 56, 60).**



Discussion

- The SMTE respondents of this study, it is suggested can alternatively be termed as the “Baby Boomers” generation:
 - **born between 1946 and 1964**, although in the South African case, the Boomer years have been extended to 1970 due to the policy of apartheid that tried to socially engineer society.
 - In the context of the South African family SMTEs, the Boomers (especially the younger segment, 36 to 50 years old) **have the greatest impact**.
 - Boomer family SMTEs are seen to be **associated with customised service, are approaching life with a new stability and sensibility in the way they eat, spend, think and live**.
 - The older-Boomer Generation (50 to 65 years old) are “**opting for ... comfort, consistency and cost-effectiveness**”.

It is also noted that there is a clustering of respondents who are up to 35 years of age, the so-called **Generation X**. However, in the **context of the South African SMTEs, it is suggested that they represent a potentially new SMMTE stakeholder group** for the near future, and require continual research (Tassiopoulos & Haydam, 2007).



Discussion

- **majority (70.5%) of the SMMTE senior decision-makers in the study are male.**
 - The South African GEM 2008 report (Herrington, Kew & Kew, 2009) found that **South African female participation rates in general entrepreneurial activity compared to males is a cause for concern**, where the ratio in 2008 is 1 to 1.6, respectively. It was found that although this ratio is better than the GEM average, it is a cause for concern **particularly when South Africa is compared with other developing economies (e.g. Peru and Argentina)** where female participation rates are just below that of males.

Discussion

- study **only included formally registered businesses** and did not include SMMTEs operating in the informal tourism industry.
- research findings suggest that the **majority (85.9%) of SMMTE decision-makers describe themselves as being from the White population group.**
- results further indicate that **only eight percent of the respondents indicated that they were Black/African.**
 - The South African GEM 2008 report (Herrington, Kew & Kew, 2009) has found a **strong association between population group and general entrepreneurial activity.** The report indicates that SMME owners who are from the **White and Indian population groups are the most likely to start a new business. Black South Africans, on the other hand, are least likely to start a new business.** This can to a large extent be attributed to South Africa's **legacy of apartheid** which has had a **fundamental impact on general entrepreneurial activities** within a large portion of the population



Conclusion

- **SMMTEs form an integral part of many national economies and are the dominant role-players of most tourism economies.**
- The profile of the SMMTE respondents suggests an **age-based sub-culture which can be described as a generation of people who have experienced a common social, political and economic environment.**
- The SMMTE respondents of this study, suggested by the results of this research, can alternatively be characterised as the late phase **“Baby Boomers” generation.**
- The results appear to suggest that the **respondents are mostly middle-aged business people with predominately lifestyle and family motives.** The predominance, according to Carlsen and Getz (2000), of middle aged couples in the tourism industry may reflect a trend towards **semi-retirement and subsequent self-employment.**



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