

CHAPTER 1

BACKGROUND AND DEFINITION OF THE STUDY

1.2 LITERATURE REVIEW

1.1 INTRODUCTION

We are living in the age of entrepreneurship. Entrepreneurship throughout the world is stirring a revolution that is reforming and revitalising economies, because the establishment of new businesses and the growth of existing ones are regenerating the market economy. New and successful businesses are responsible for most products and services, which are changing people's lives. Entrepreneurs generate most of these new products and services.

These entrepreneurs, as embodied in the thousands of small, medium and micro enterprises (SMME's) are also responsible for the creation of wealth since they are creating jobs. The unstable and turbulent business environment of the past decade has been characterised by a poor economy in respect of growth and job creation with a resultant ever-increasing gap between the economic growth rate and the population growth rate. It resulted in an increase of unemployment, poverty and social unrest. Experts are of the opinion that the only way to address these issues successfully is to encourage entrepreneurship in South Africa, as it is done in other economically successful countries.

As one of the top ten "big emerging markets" of the world, the Republic of South Africa should maintain its role and responsibility acknowledged as crucial to the African Renaissance. South Africa has the most advanced and productive economy in Africa, with a Gross Domestic Product (GDP) nearly three times that of Egypt, its nearest competitor on the continent (KwaZulu-Natal Tourism Authority, 2001:10).

South Africa has the strengths of a leisure and tourism destination that include scenic beauty, wildlife, cultural heritage, a developed infrastructure and a wide

range of sports and other special interest activities. The general affordability of South Africa is an added bonus for foreigners visiting the country.

1.2 LITERATURE REVIEW

The term "entrepreneur" is defined as one who organises, manages and assumes the risks of a business enterprise. This definition is currently changing to reflect a desire for continuity and long-term commitment to the activity, rather than a single act or a limited number of acts to fulfil a need. The definition of entrepreneurship holds the promise of growth, expansion and long-term financial gain. This is why a small business that is only aimed at the survival of its owner can not be seen as an entrepreneurial venture (Van Aardt, van Aardt and Bezuidenhout, 2000:4).

Dollinger (1999:4) highlights the following characteristics of entrepreneurs, namely:

- Creativity and innovation;
- Resource gathering and the founding of an economic organisation; and
- The change for gain (or increase) under risk and uncertainty.

Throughout the world, SMME's play a critical role in absorbing labour, penetrating new markets and generally expanding economies in creative and innovative ways.

The Department of Trade and Industry (DTI) (2001:13) argues that with their generally lower capital/labour ratio, SMME's have the capacity to make a particular contribution to employment creation and innovation. They also enhance competition of particular importance in the South African context where SMME development is a principal mechanism for the enhancement of black entrepreneurs.

An analysis of the South African economy is required in order to understand the conditions in which small businesses operate. Major economic indicators

gauge the economic factors that have an impact on SMME's. The depreciation of the Rand against the United State's (US's) dollar, together with rising international oil prices, contribute to inflationary pressures in the economy. Rising food prices contribute to further upward pressure being placed on headline consumer inflation. Therefore, one of the biggest challenges facing the South African economy is that of structural employment (Ntsika Enterprise Promotion Agency, 2001:15).

Dahles (2001:156) argues that entrepreneurs are instruments for transforming and improving the economy and society. Entrepreneurs can thrive only under minimal State intervention and in a free market economy (Clapham, 1985).

Tourism development that is based on local entrepreneurship is much more likely to rely on local sources of supplies and labour. It is also much less likely to produce negative socio-cultural effects associated with foreign ownership. Local tolerance to tourism activities is significantly enhanced if opportunities exist for active resident involvement in the ownership and operation of facilities. Small-scale operations can also respond more effectively to changes in the marketplace and fill gaps overlooked by larger, more bureaucratic organisations (Echtner, 1995). It may seem obvious that where tourism is thriving, it absorbs many people who would otherwise be unemployed (Harrison, 1992).

Many possibilities exist for SMME's in tourism. The challenges for tourism entrepreneurs to be established, survive and prosper are immense in today's rapidly changed, customer-focused world. It is essential to visualise a marketable tourism product or service. Therefore, an entrepreneur must understand the field of travel and tourism well enough to sense an opportunity to fulfil new or improved traveller needs.

Emerging markets like South Africa can provide the kind of tourism that tomorrow's traveller will be looking for. A growth in tourism will create jobs, wealth and export income that is vital for rapid social change and poverty alleviation. The successful development of tourism in South Africa depend upon private investment, underpinned by a Government framework that encourages the channelling of benefits to all people through their constructive

involvement, including their participation in sustainable environmental management and commerce.

1.3 BACKGROUND AND IMPORTANCE OF THE STUDY

Governments see tourism as one of the main providers of employment especially in times of recession and when other industries are declining. Tourism is a labour-intensive growth industry and is important in providing jobs partly for the highly skilled, but more for the less skilled. In the poorer regions of a country the provision of jobs by tourism can be very significant. The rate of unemployment is a central political consideration and can affect the popularity and electoral chances of a Government (Elliott, 1997:34).

Koch (1997:214) states that most sectors of the economy are either stagnating or are not growing rapidly enough to generate the sources needed to ensure an effective redistribution of wealth. Some entrepreneurs and conservationists believe that nature-based tourism is the solution to poverty and unemployment, especially in the rural backwaters of the country. However, the tourism industry should not be seen as a magical solution to rural poverty in South Africa.

Koch (1997:217) claims that The White Paper on The Development and Promotion of Tourism in South Africa (1996) follows optimistic international accounts of the potential for travel and tourism to generate growth and development. Some writers claim it is the only industry in the world that allows a net "North-South" flow of wealth from industrial countries to developing countries. However, the most common factor that prevents tourism from redistributing wealth is the leakage of profits from the host country to developed countries, as well as from the countryside to the cities. Some studies claim that leakage of up to 90 percent of revenue generated by tourism may apply in countries that lack substantial local ownership of services such as airlines, hotels and transport (Brandon, 1993:32).

Planning is a very important part of the process by which tourism is managed by a Government. It can be used to implement policy and to achieve objectives,

but it can also be used to help to formulate policy. How much a Government will utilise planning and the nature of that planning will reflect the political culture of the country. This culture helps to determine the role of Government and how much they intervene in the society (Elliott, 1997:116).

The availability of strategic knowledge must assist both host communities and the industry to act in advance of unacceptable outcomes. Therefore, more effective monitoring of environmental social and economic factors are needed to support a more informed decision process (Manning, 1999:179).

According to The World Heritage Convention Bill (1999:1), the Government is obliged to meet certain responsibilities. These include the obligation to ensure that appropriate legal protection, management plans, institutions and resources are in place. South Africa has a number of policies and laws that promote and regulate the protection of the environment while at the same time encourage responsible social and economic development. These include White Papers on the conservation of bio-diversity and cultural heritage as well as legislation to regulate environmental management. However, the Government can delegate power to Provincial and Local Government, but it cannot delegate its responsibility to the international community.

The Department of Environmental Affairs and Tourism (DEAT) (DEAT, 2002c:2) claims that the world's population has doubled to 6,1 billion in the last 40 years while the population is projected to grow to 9,3 billion over the next 50 years. Therefore, rapid urbanisation is affecting urban environmental conservation and it becomes more difficult to ensure that everyone has access to resources and services.

One quarter of our population is infected with HIV/Aids (most of them in the 15 to 45 year old age group) which is the group from which the major part of our working adults is drawn. This means that far more than 25 percent of any individual workforce could be infected, given that the incidence in the non-working population is much lower (Smallhorn, 2001:4).

Today's traveller is increasingly confronted with potential risks to personal safety and health, both from a *macro* and *micro* perspective. *Macro* forces that are global by nature affect the tourism industry and the whole society, whereas *micro* forces cascade from the level of society to that of the individual and the firm. The stability of Government will continue to be an important issue in as far as it determines the ability of the State to ensure internal peace, protection and safety. Instability of these factors results in lost travel and tourism income in addition to social problems (Olsen, Ching-Yick Tse and West, 1998:28).

Internationally, the trend is towards forms of tourism that educate the visitor about history, environment and culture. This should encourage the re-evaluation of opportunities for diversifying the industry and attracting visitors to areas in South Africa that have not been visited. However, tourists can not be attracted into areas that are not safe, secure and are without basic facilities.

1.4 DEFINITION OF THE RESEARCH PROBLEM

The Western Cape Investment and Trade Promotion Agency (WESGRO) (1998:16) states that there is increased pressure especially for black empowerment with respect to equity participation, to management involvement and overall employment in the tourism sector. In addition to affirmative action, pressure has also increased in the tourism sector for the establishment of closer big business/small business linkages and big business procurement from small enterprises.

Scheyvens (1999:246) argues that when considering whether or not a community have been economically empowered by a tourism venture, it is necessary to consider opportunities that have arisen in terms of both formal and informal sector employment and business opportunities. Eco-tourism rhetoric suggests that there is much support for community-based ecotourism ventures. However, it is difficult to find successful cases of this in practice. For example, Woodward (1997:166) discovered that even the most enlightened South African eco-tourism operators involved local communities primarily in terms of their public relations value. There was little commitment to support the rights of indigenous people to benefit from their traditional lands and wildlife. Concerns may arise over inequity in the spread of economic benefits. It is problematic to

assure that a "community" consists of a homogeneous, egalitarian group with shared goals. The power brokers in any society will have considerable influence over who shares in the benefits generated from tourism projects (Smith, 1996).

The Conservation Corporation, which runs the Londolozi Lodge in Mpumalanga, is a prime exponent to initiate ways in making their businesses contribute to the improvement of all people. A key component of what has become known as the "Londos strategy" is to create business opportunities, financial backing and skills training for black entrepreneurs around the lodge. The Corporation has also set up a rural investment fund to raise capital for, and promote major infrastructure projects in the depressed areas around their reserves (Koch, 1997:227).

1.4 DEFINITION OF THE RESEARCH PROBLEM

From the above discussion, it is clear that tourism entrepreneurs encounter problems, barriers and constraints. While the research problem is discussed in more detail in Chapter 6, it could be summarised as follows:

- How favourable is the economic climate in South Africa for entrepreneurship?
- Does opportunities exist in the South African tourism industry?
- How effective is the Government in relation to tourism planning and development?
- Does local communities benefit from tourism in South Africa?
- What are the social problems that hamper SMME's?

1.5 PURPOSE OF THE STUDY

The main purpose of the study is to investigate and determine the problems, barriers and constraints that tourism entrepreneurs are facing. More specifically, investigate and explore the following:

- The structure of the tourism industry in South Africa;
- The role that Government and other stakeholders play in tourism;
- The size of the South African tourism market;
- The employment opportunities that exist within the tourism industry;
- How tourism and entrepreneurship link; and
- The problems, barriers and constraints to entrepreneurship in tourism.

1.6 OBJECTIVES OF THE STUDY

Primary and secondary objectives have been identified for the research study.

Primary objective:

The primary objective of the research is to determine the barriers and constraints that entrepreneurs are facing in the tourism industry in South Africa.

Secondary objectives:

The secondary objectives of the study are:

- To analyse the tourism industry in providing a better understanding of how it is functioning in the South African context.
- To analyse the role and structure of the Government in tourism.
- To analyse the role of other stakeholders in the tourism industry.
- To investigate the size of the tourism industry in South Africa.

- To investigate the employment opportunities that exist in the tourism industry.
- To analyse how the tourism sector links and is conducive to SMME development.

Hypothesis:

Formulation of the preliminary hypothesis out of the research question:

- *The null hypothesis (H₀):* Tourism entrepreneurs in South Africa are faced with certain constraints.
- *The alternative hypothesis (H_a):* Tourism entrepreneurs in South Africa do not have any constraints.

A hypothesis is a suggested explanation for a group of factors or phenomena either accepted as a basis for further verification or accepted as likely to be true.

1.7 METHOD OF STUDY

The study consists of a literature study (theoretical) as well as an empirical study.

The literature study aims to determine the problems, barriers and constraints that tourism entrepreneurs face. It will provide an insight and understanding into the research problem as well as the necessary background to guide the empirical part of the study.

The empirical study consists of a self-administered questionnaire that was e-mailed and faxed to tourism entrepreneurs in the Gauteng and Mpumalanga provinces. These two provinces (from a total of nine provinces) were chosen

for the study because of the visual and recognisable nature of tourism businesses, especially in the main arteries of these regions.

Questionnaires by e-mail were chosen as the main survey method as it is convenient and time saving. It also ensures rapid response, its cost advantage over mail surveys and it is a popular modern communication vehicle.

When the questionnaires were completed, they were coded, the data captured into a statistical software package and analysed by the Department of Statistics at the University of Pretoria.

1.8 OUTLINE OF THE STUDY

The outline of the study was done in such a way that it follows in a sensible order to build up to the specific research problem and objectives.

Chapter 1:

This chapter comprises the introductory section of the study. The background and importance of the study is discussed, while the research problem is defined. The purpose and objectives of the study are clearly stated.

Chapter 2:

Chapter 2 focuses on the role that Governments play in tourism. The structure of the tourism industry in South Africa is analysed. Various role players in tourism are considered and functions and initiatives regarding tourism are investigated. Perspectives are also given on entrepreneurship and tourism.

Chapter 3:

Chapter 3 focuses on the size of the tourism market in South Africa. Tourism forecasts are analysed while employment opportunities in the tourism industry

are investigated. Entrepreneurial activity and challenges are presented. Constraints are also highlighted that face the size and growth of tourism.

The following abbreviations have been used in this study:

Chapter 4:

ADSL Asymmetric Digital Subscriber Lines

Chapter 4 defines small businesses and entrepreneurship. The role of economic development in entrepreneurship is investigated. Opportunity driven entrepreneurship and opportunities in tourism are also analysed.

BAC Business Against Crime

Basic Conditions of Employment Act

CAGR Compound Average Growth Rate

Chapter 5 investigates the problems, barriers and constraints that tourism entrepreneurs encounter. It is therefore the essence of the literature review. Through the use of theories, perspectives on the barriers, problems and constraints are categorised.

CBE Centre for Environmental Information and Support

CEO Chief Executive Officer

CSBP Centre for Small Business Promotion

In Chapter 6 the research design and methodology are discussed in more detail and the specific methods used to gather the empirical information are outlined. The chapter will also look at the reliability and validity of the study.

EE Environmental Education

Chapter 7: Environmental Impact Assessment Plan

EMP Environmental Management Plan

Chapter 7 reports all the research findings by means of descriptive research, reliability tests and factor analysis.

FEDHASA Federated Hospitality Association of South Africa

Chapter 8: Government Communications and Information Strategy

GDP Gross Domestic Product

In Chapter 8 all the conclusions and recommendations of this research study are discussed. The research objectives and hypothesis are revisited. The limitations of the study and areas for further research are presented.

GEM Global Entrepreneurship Monitor

GTA Gauteng Tourism Authority

1.9 ABBREVIATIONS

The following abbreviations have been used in this study:

ADSL	:	Asymmetric Digital Subscriber Lines
ANC	:	African National Congress
ASATA	:	Association of Southern African Travel Agents
BABASA	:	Bed and Breakfast Association of South Africa
BAC	:	Business Against Crime
BCEA	:	Basic Conditions of Employment Act
CAGR	:	Compound Average Growth Rate
CBD	:	Central Business District
CBO	:	Community Based Organisation
CCMA	:	Commission for Conciliation, Mediation and Arbitration
CEC	:	Committee for Environmental Co-ordination
CEIS	:	Centre for Environmental Information and Statistics
CEO	:	Chief Executive Officer
CSBP	:	Centre for Small Business Promotion
CSIR	:	Council for Scientific and Industrial Research
DEAT	:	Department of Environmental Affairs and Tourism
DTI	:	Department of Trade and Industry
EE	:	Environmental Education
EIP	:	Environmental Implementation Plan
EMP	:	Environmental Management Plan
ETEYA	:	Emerging Tourism Entrepreneur of the Year Award
EU	:	European Union
FEDHASA	:	Federated Hospitality Association of South Africa
GCIS	:	Government Communications and Information System
GDP	:	Gross Domestic Product
GDS	:	Global Distribution System
GEAR	:	Growth, Employment and Redistribution
GEDA	:	Gauteng Economic Development Agency
GEM	:	Global Entrepreneurship Monitor
GTA	:	Gauteng Tourism Authority

IDC	:	Industrial Development Corporation
IDP	:	Integrated Development Plan
ISA	:	Investment South Africa
ITMAS	:	International Tourism Marketing Assistance Scheme
IUCN	:	International Union for the Conservation of Nature and the Natural Environment
JICA	:	Japanese International Co-operation Agency
LA	:	Local Agenda
LBSC	:	Local Business Support Centre
LRA	:	Labour Relations Act
NBI	:	National Business Initiative
NEMA	:	Natural Environmental Management Act
NEPAD	:	New Partnership for Africa's Development
NGO	:	Non-Governmental Organisation
NQF	:	National Qualifications Framework
NTO	:	National Tourism Organisation
OBE	:	Outcomes-Based Education
OECD	:	Organisation for Economic Co-operation and Development
PMU	:	Projects Management Unit
PTO	:	Provincial Tourism Organisation
RETOSA	:	Regional Tourism Organisation of Southern Africa
RFI	:	Retail Financial Intermediaries
SA	:	South Africa
SAA	:	South African Airways
SAACI	:	Southern African Association for the Conference Industry
SADC	:	South African Development Community
SANP	:	South African National Parks
SAPS	:	South African Police Service
SAQA	:	South African Qualifications Authority
SARS	:	South African Revenue Services
SAT	:	South African Tourism
SATSA	:	Southern African Tour and Safari Association
SDI	:	Spatial Development Initiative

SETA	:	Sector Education and Training Authority
SGB	:	Standard Generating Body
SMME's	:	Small, Medium and Micro Enterprises
SSA	:	Sub-Saharan African
SWOT	:	Strengths, Weaknesses, Opportunities, and Threats
TBC	:	Tourism Business Council
TEP	:	Tourism Enterprise Programme
THETA	:	Tourism, Hospitality and Sport Education and Training Authority
TMP	:	Tourism Marketing Project
UK	:	United Kingdom
UN	:	United Nation
UNESCO	:	United Nation's Educational, Scientific and Cultural Organisation
US	:	United States
USA	:	United States of America
WESGRO	:	Western Cape Investment and Trade Promotion Agency
WHO	:	World Health Organisation
WSSD	:	World Summit on Sustainable Development
WTO	:	World Tourism Organisation
WTTC	:	World Travel and Tourism Council

1.10 REFERENCE TECHNIQUE

The Harvard reference technique was used in this study.

2.2 THE HISTORY OF TOURISM

The history of tourism is described from an international perspective.