

# Introduction

## Chapter 1

### GENERAL ORIENTATION OF THE STUDY

---

#### 1.1 BACKGROUND TO THE STUDY

##### 1.1.1 The importance of tourism

It is generally accepted that tourism can play an important role in the regional development of developing countries through the creation of work opportunities (Bryden, 1973; De Kadt, 1976; Britton, 1989; Singh *et al.*, 1989; Burns, 1999; Ayres, 2000; Coccossis, 2001; Fayed and Fletcher, 2002; Theuns, 2002; Balaguer & Cantavella-Jorda, 2002). The majority of African governments acknowledge tourism as a source of growth (Christie & Crompton, 2001:1). They recognise the fact that, within the boundaries of an appropriate policy environment, tourism can contribute immensely to economic and social development, including poverty alleviation (Ashley *et al.*, 2000). This potential is also acknowledged by the New Partnership for Africa's Development (NEPAD), which has presented to the international community the first African development strategy which was entirely self prepared (Enoki, 2002:64). It is also accepted that, although the industry is characterised by small to medium enterprises (SME's),<sup>1</sup> there is a shortage of relevant data and concurrent research concerning the successful development of these tourism related SME's and their role in regional economic development (Morrison & Thomas, 2004; Rogerson, 2004). Furthermore, the high quality and personal requirements demanded by the new tourist are best served by SME's who are potentially flexible enough to satisfy such discerning visitors (Keller, 2004; Poon, 1993).

---

<sup>1</sup> The lack of standardisation on precise definitions of SME components implies that the terms SME's and SMME's are often used interchangeably. In this study, use is made of both terms (see Section 3.2.1 for definition).

The importance of SME's is best summed up by Erkkila (2004:23) when he says ... *it is clear that small and medium-sized enterprises are the life blood of the tourism and travel industry.*

### **1.1.2 Planning for tourism**

The World Tourism Organisation (1997:3) is of the opinion that planning of tourism at all levels is essential for achieving successful tourism development and management. Places that have allowed tourism to develop without the benefit of planning often suffer from environmental and social problems. However, tourism planning has traditionally been spatial or promotional in nature, focussing on destination planning rather than on individual business (SME) planning (Gunn, 1979, 1988, 1994; Inskeep, 1991). This can be considered as demand-side planning. It is, however, also necessary to plan for the supply-side of tourism. Verheul *et al.* (2001) advocate the necessity of planning for the supply side which they define as the generation of entrepreneurs that can seize opportunities, in other words, the development of SME's. Jithendram and Baum (2001) are of the opinion that developing and facilitating local entrepreneurship seem to be a major challenge for the tourism policy makers who wish to develop tourism.

### **1.1.3 Benefits of tourism**

Regarding the benefits of tourism to the less developed countries (LDC's) Harrison (1994: 249) presents two opposing viewpoints.

- Tourism is seen as a valuable aid to national, regional and local development, with capital investment and the transfer of skills specific to tourism leading to increased employment and general prosperity through changes in the infrastructure and through the operation of various kinds of Keynesian multipliers. According to this perspective, there is no doubt that capitalism, and capitalist-run tourism, bring development.
- On the other hand, critics of tourism, often employing a perspective derived from under-development theory, are inclined to suggest that because of the domination of international capital and the service element implicit in tourism, the industry reinforces the dependence of less

developed countries on Western capitalism. According to this view, investment is followed by “leakage” of foreign exchange, the jobs created by tourism are menial and demeaning, and the profits made from the labour of the poor in less developed countries are repatriated to the West. According to this view, capitalist-run tourism contributes to underdevelopment and not development.

Two such opposing viewpoints make it necessary to determine the role that small tourism-related businesses play in regional economic development before a specific strategy can be formed.

In a report (World Travel and Tourism Council, 1998) addressed to president Nelson Mandela and the then Deputy President, Thabo Mbeki, the World Travel and Tourism Council (WTTC) stated that travel and tourism was emerging as a leading global economic driver for the 21<sup>st</sup> Century. This report also pointed out that tourism:

- is an important contributor to employment and wealth creation in South Africa, resulting in a huge flow through effect which touches all sectors of the economy; and
- is expected to create an additional 500 000 new jobs in the travel and tourism economy between 1998 and 2010.

It is likely that this growth in work opportunities will take place via SME growth and development (Erkkila, 2004; Morrison & Thomas, 2004; OECD, 2004). However, in reality, these ambitious figures have not yet been achieved. The WTTC (2004) states in its follow-up report that while government officials and industry analysts have long been predicting that South Africa is on the verge of a tourism boom, the industry’s performance over the past several years has been disappointing and has not lived up to the optimistic and aggressive targets set in 1996.

The question is now whether, in light of the phenomenon of globalisation, small businesses can still make a contribution to regional development and, if so, what can be regarded as international best practice.

#### 1.1.4 Small businesses in the tourism industry

One of the key challenges identified by the Department of Tourism and Environmental Affairs (DEAT), (2000), is the importance of stimulating and supporting emerging tourism entrepreneurs, and of maximising opportunities for the SMME sector.

Thomas (2004:10) is of the opinion that there are factors that distinguish the study of small firms in tourism from small firms in other sectors. According to him there are areas of common interest, probably most notably relating to job creation and economic development, and the impact of management interventions, such as training or marketing, on business performance.

In an effort to contribute to the key performance areas of the South African Government, DEAT, in its business plan for the period April 2001 to March 2002, identifies as a key focus area the creation of conditions for responsible tourism growth and development with emphasis on Small to Medium and Micro Enterprises (SMME's) and Black Economic Empowerment (BEE).

However, Pretorius and Van Vuuren (2002) are of the opinion that economic incentives do not favour SMME's and that at the core focuses of Government programmes, as promulgated through Khula, the Industrial Development Corporation (IDC) and the Department Trade and Industry (DTI), include finance, growth, expansion and competitiveness (through export) that are more relevant for existing business than for start-ups. They focus on the larger and existing ventures as their target market and very few programmes are aimed at micro and small business. Furthermore, the percentage of firms that are aware of the various programme initiatives to develop SMME's in the Johannesburg Metropolitan area was found to be below 14%, while a 2001 survey in the Tshwane Metropolitan area found that only 2.6% of firms had used some form of government support incentive (Dockel, 2004:58).

If this is so, what is the role of government in developing tourism-related small businesses? Is there a case for government intervention? If so, how can this best

be achieved? What are the requirements of planning for tourism-related SMME's? If national government's support initiatives are not reaching local entrepreneurs, is there a case for more local intervention?

This study will seek to answer these and other related questions in an attempt to elucidate the research problem posed shortly.

### **1.1.5 Integrated development planning**

On the 1<sup>st</sup> April 1997, the Western Cape Tourism Act No 3 of 1997 was promulgated. It provided for ... *the establishment, appointment, funding, powers and functions of a representative and effective tourism structure in the Western Cape which will facilitate the promotion, support and development of tourism to and in the Western Cape, and to provide for matters incidental thereto.* Similarly, the Municipal Systems Act, 2000 (Act No 32 of 2000), provides the primary statutory context for the preparation of an Integrated Development Plan (IDP) by all spheres of government as the basis to its intervention strategies. This raises the question: To what degree do local government structures make use of Integrated Development Planning (IDP) to fulfil the development planning function?

The Garden Route Regional Tourism Bureau (RTB) is one of seven RTBs which make up the Western Cape Tourism Board (WCTB). During November 2001, the RTB amalgamated with that of the Little Karoo to form a new region called "Eden", which incorporates both the Garden Route and Little Karoo. This region relies heavily on tourism as main source of economic activity.

### **1.1.6 Development of tourism-related SME's**

The above economic importance, new structure and prescriptive legislation all contribute to the forced coordination of planning and marketing activities on both regional and local levels and in particular related to the Southern Cape region. This raises the question as to how can the development of tourism-related SME's

be achieved? Also, what are the critical factors which must be taken into consideration when developing a framework to facilitate this development?

## **1.2 FORMULATION OF THE RESEARCH PROBLEM**

### **1.2.1 Rationalisation**

Recognising the fact that each tourism destination is unique, the question arises as to how local government can bridge the gap between the desired government objectives and the encouragement of tourism entrepreneurs to become involved in the small business sector of the tourism industry of the Southern Cape. Furthermore, if job creation is one of the objectives of economic development of the tourism sector, what is the relationship between job creation and increasing tourist visitor numbers? Do economic incentives from central Government filter through to local SMME's and do they encourage the creation of work opportunities?

The question, therefore, arises as to how local government can encourage local entrepreneurship. Can local government formulate a specific development strategy for SMME's operating in the tourism sector of the Southern Cape with a view to job creation?

### **1.2.2 Problem statement**

The main problem can thus be stated as follows:

*Can a strategy be formulated to stimulate SMME development and concurrent job creation among SMME's operating in the tourism sector of the Southern Cape, and can such a strategy be depicted within a framework of a development model?*

## **1.3 THE AIM AND OBJECTIVES OF THE STUDY**

The aim of the study is to find a practical solution to the developmental requirements of tourism-related SMME's in order to stimulate job creation.

In order to achieve this aim, the questions posed in the preceding paragraphs (1.2) will have to be addressed. To this effect, the objectives set out in Table 1.1 have been identified.

**Table 1.1: Objectives of the study<sup>2</sup>**

<b>Objectives</b>
1. To determine the role of small businesses in the tourism industry and their contribution to regional growth and development.
2. To determine whether, in the light of globalisation, SME's have any future and, if so, to identify international best practice.
3. To establish the importance and the requirements of tourism related development planning.
4. To analyse the role of government in the South African tourism industry with a view to identifying bottlenecks in the operational planning phase.
5. To evaluate different entrepreneurship development models pertaining to South Africa.
6. To determine the relationship between job creation in tourism related SME's and increasing tourism numbers visiting the region.
7. To determine if national government's incentives to the tourism industry are contributing to job creation in local SME's.
8. To establish what special requirements are necessary to stimulate local tourism-related SME growth.
9. To determine what local government can do to stimulate job creation and entrepreneurship in the tourism sector.
10. To construct a development framework model for small businesses in the tourism industry in the Southern Cape.

## **1.4 IMPORTANCE OF THE STUDY**

A literature survey has revealed that as early as 1973 a study of the tourism potential of the Southern Cape was undertaken by Steyn (1973) who approached the study from a geographical perspective. Since then no studies concerning the region could be found. Similarly, very little information was found internationally which addressed the subject area. This is probably due to the fragmentation that is characteristic of the industry.

### **1.4.1 Contribution to the economy**

The contribution of the travel and tourism industry to South Africa is expected to increase from R 31,1 billion gross domestic product (GDP) in 2002 to R 84,8 billion by the year 2012 (from 3,0% of total GDP to 3.5%). The travel and tourism

<sup>2</sup> See Table 2.1 for chapter organization.

economy is expected to increase from R 72,5 billion of GDP in 2002 to a GDP of R194,3 billion in the year 2012 (7,1% of overall GDP to 8,1% of overall GDP) (WTTC, 2004). These figures illustrate the massive flow-through effect of travel and tourism. Based on their research, the WTTC (1998; 2004) recommends, amongst other things, that the South African Government ... *coordinate provincial, national and regional marketing and planning* of the tourism product.

Rogerson (2004b:238) reports that with the growing importance of tourism in local economic development planning in many South African localities, there is an emerging interest at local government level in supporting tourism enterprises.

#### **1.4.2 Contribution to job creation**

The expected growth in the South African travel and tourism industry over the next decade and the expected concurrent growth in job creation have necessitated local government to redesign structures and implement legislation which forces coordination of planning and marketing activities on both regional and local levels (Department of Economic Affairs, Agriculture and Tourism, 1999). This expected growth and job creation pose challenges to the country in general and in particular to role players in the Southern Cape.

The study's relevance is also highlighted by a recent report in the Sunday Times Business Times (December 12, 2004) in which the South African Minister of Finance, Trevor Manuel, expressed the opinion that ... *the idea that you're going to build factories and create jobs for a growing number of people ... is not going to happen*. He is quoted further as saying ... *macroeconomic policy and stability do not create employment. All that they do is to create an environment where you've got price stability, and in which people can take long-term decisions*.

#### **1.4.3 International importance**

The importance of the subject under discussion becomes further evident when one discovers the recent international importance attached to the role played by small businesses in the tourism industry. This interest is exemplified by a study



commissioned in 2004 by the Association for Tourism and Leisure Education (ATLAS) titled “SME’s in Tourism: An International Review” as well as the theme “The Future of Small and Medium Sized Enterprises in Tourism” chosen by the International Association of Scientific Experts in Tourism (AIEST) for their 54<sup>th</sup> Congress held during September 2004.

According to the ATLAS study (2004) in all the economies represented, SME’s are seen as the backbone of the tourism industry and drivers of social and economic transition. However, despite this weight of support for tourism SME’s and their role in the economy and society, there appears to be a dearth of research and measurement that testifies to their density, composition, or contribution. Accordingly, Morrison and Thomas (2004: 10) report strong recommendations that specific research foci from a supply-side perspective should include:

- Organisation of the tourism sector and the role of SME’s in local economic development, networks, clusters and cooperation.
- Increasing knowledge relative to potential, emerging and failed entrepreneurial activity rather than a bias towards researching successful entrepreneurs.

#### **1.4.4 Contribution to Eden District Municipality**

The importance that the Eden District Municipality (EDM) attaches to the development of the local tourism industry is reflected in Table 1.2 which is an extract from the EDM Spatial Development Framework (2003).

By contributing to the current level of knowledge concerning the all-important contribution of SME’s to the tourism sector of the local economy, the study will be of benefit to South Africa in general and specifically to the Eden District Municipality of the Garden Route and Little Karoo. Ultimately it will also benefit small businesses operating in the tourism industry in the Southern Cape.

**Table 1.2: Report 7 – Strategic IDP-related priority issues identified at Eden District level**

No	Comments and recommendations
7.1	Research regarding economic and tourism opportunities / potential.
7.2	District development structure needed to champion economic and tourism development in region.
7.3	Clear LED and tourism development strategy/plan needed for the district.

Source: Report 7, Eden District Municipality: Spatial Development Framework, 2003:233

## 1.5 RESEARCH DEMARCATION

Each tourism region possesses unique characteristics regarding the role, importance, activity and composition of SME's operating within itself and as such, will require different strategies for the development of these SME's. This study will concentrate on the region known as the Southern Cape, serviced by the Eden District Municipality (EDM).

The EDM is located along the south-eastern coast of the Western Province. It stretches roughly for 350 kilometres along the Indian Ocean, from the Bloukrans River in the east, to Witsand at the Breede River Mouth in the west (see Figure 1.1).

The coastline of this vast area varies dramatically, from white sandy beaches to rocky cliffs. This region is often described as one of the most beautiful areas in South Africa, with the Garden Route as the centre of its tourism industry.

The EDM is endowed by rich natural resources and beautiful landscapes, the most prominent of which are associated with the coastal zone, the indigenous forests on the coastal plateaux and the dry succulent Karoo environment of the Klein Karoo.

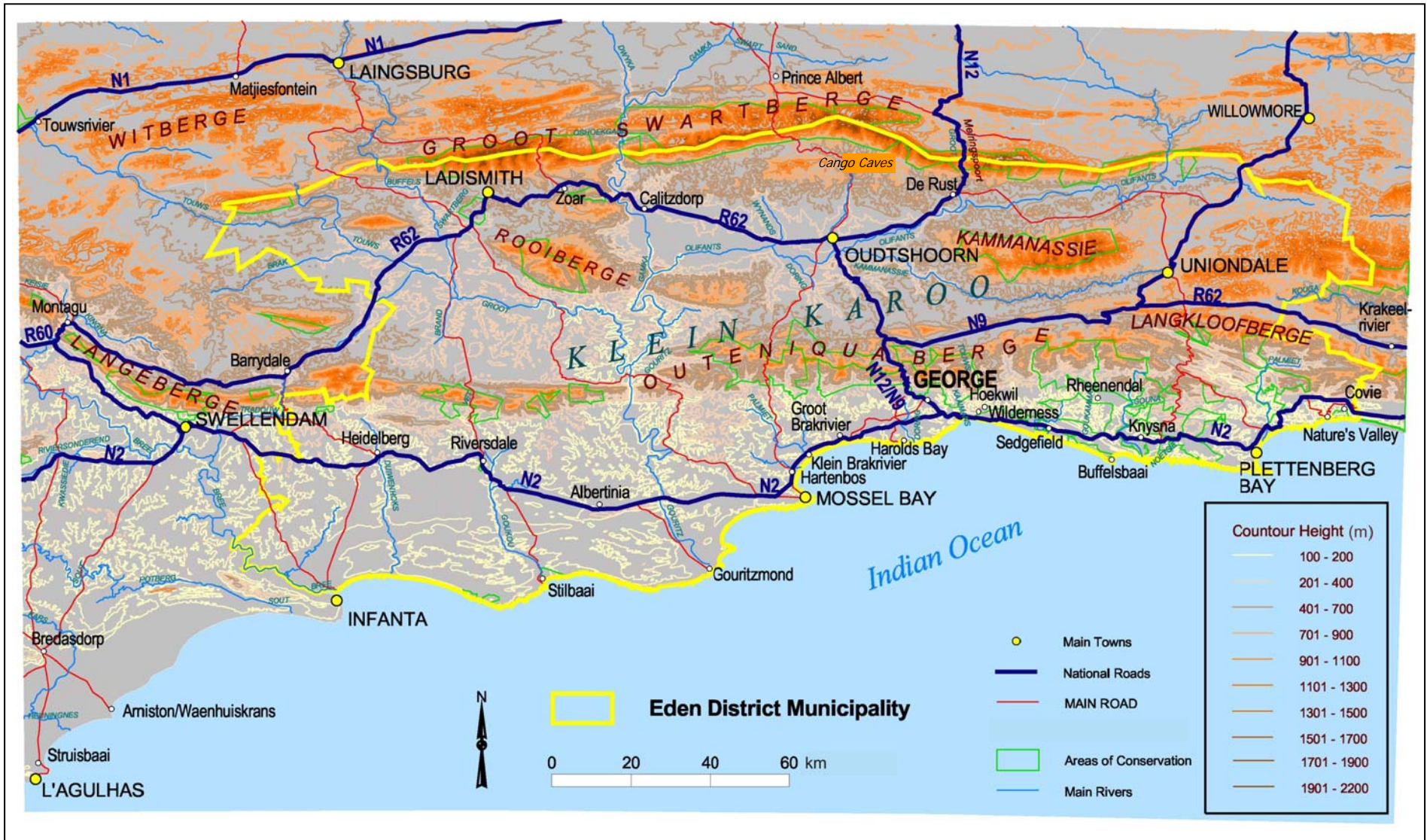


Figure 1.1: Eden District Municipality

The main access routes to the region are the national road (N2) via Swellendam in the west, and Coldstream in the Eastern Province, as well as the regional road (R62). Various mountain passes provide access from the coastal areas to the Klein Karoo region in the north, beyond the Outeniqua mountain range (Eden Spatial Development Framework, 2003).

## **1.6 SUMMARY**

This chapter has outlined the background to the proposed study and presented the reader with the main problem. The area in which the study will be conducted was demarcated and the importance of the study field was emphasised.

Chapter two will discuss the research design and methodology adopted in order to solve the stated problem, as well as the research approach and resulting chapter outline.

## Chapter 2

# RESEARCH DESIGN AND METHODOLOGY

---

## 2.1 INTRODUCTION

Although recognised as an independent discipline, Tourism Management is the product of a number of source disciplines (Keyser, 2003:28). The fact that the study of tourism requires a multi-disciplinary approach (Mowforth & Munt, 2003:2) is evident when one considers the large number of source disciplines (see Figure 2.1) identified by Keyser (2003:29). The highlighted circles reflect the disciplines that will be explored in this study.<sup>3</sup>

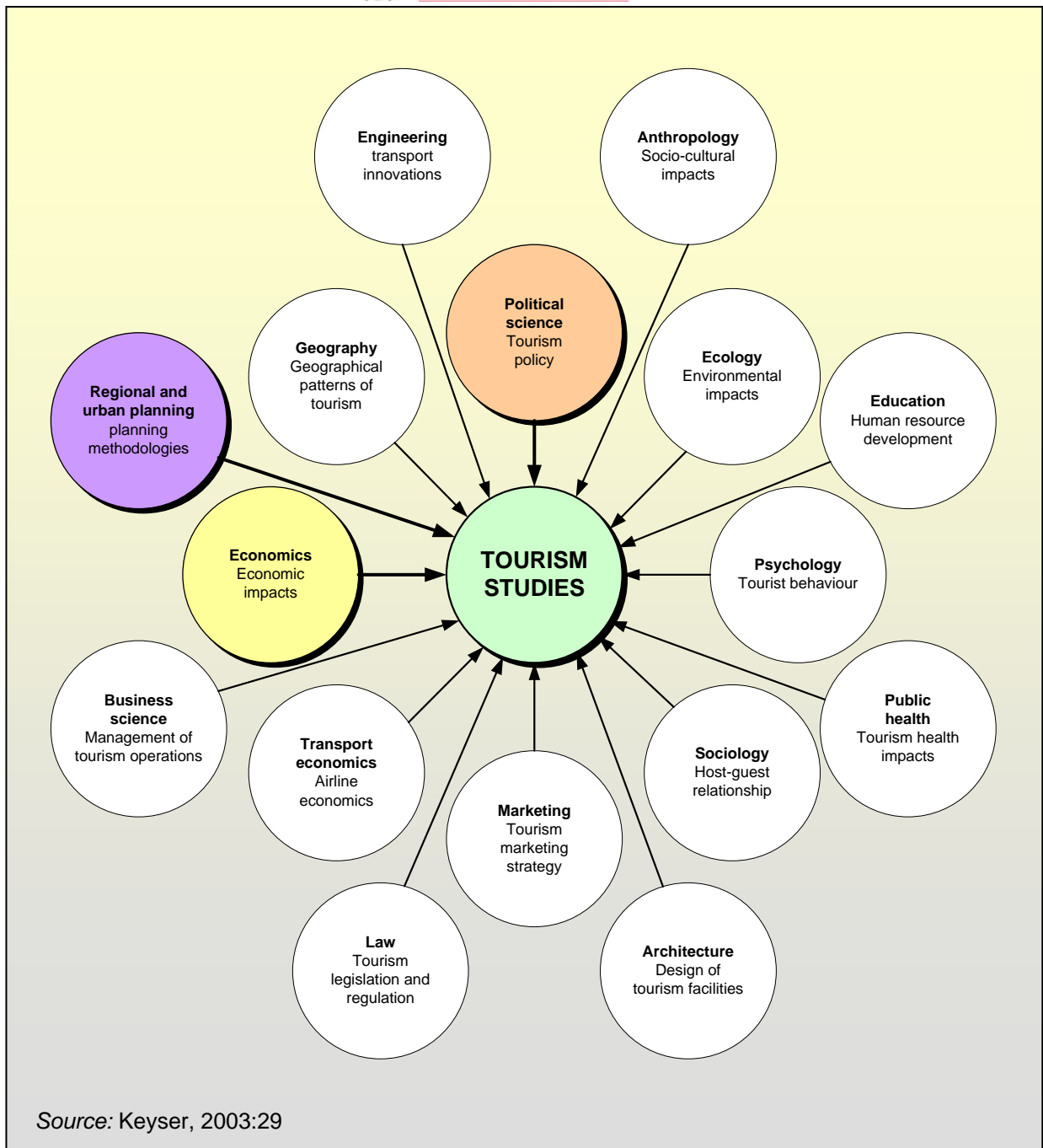
In chapter one the main problem was stated and various sub-problems identified. Chapter two details the research design and methodology.

In order to solve the main problem the balance of the study will be conducted in three stages, depicted graphically in Figure 2.2.

Section 1 will take the form of a literature study with the purpose of identifying those factors which inform a development framework for small businesses in the tourism industry. In this section, concepts such as the role that small tourism businesses play in regional growth, their viability under conditions of globalisation, key success factors, and international best practices are investigated. Furthermore, the concept of planning by government as it pertains to the tourism industry, the role of government in the industry, and selected models of entrepreneurship are examined with a view to developing a sustainable development framework for small businesses in the tourism industry of the Southern Cape.

---

<sup>3</sup> Referring to Figure 2.1, this study deals with the application of policy and planning circles in order to obtain economic (circle) benefits of tourism.



**Figure 2.1: An inter-disciplinary perspective of tourism**

Section 2 will take the form of a case study in which the Southern Cape is analysed in detail. As such it includes an empirical study designed to determine the thoughts and perceptions of local SME owners and entrepreneurs about how they feel their businesses could be stimulated to grow, and in so doing create much needed job opportunities.

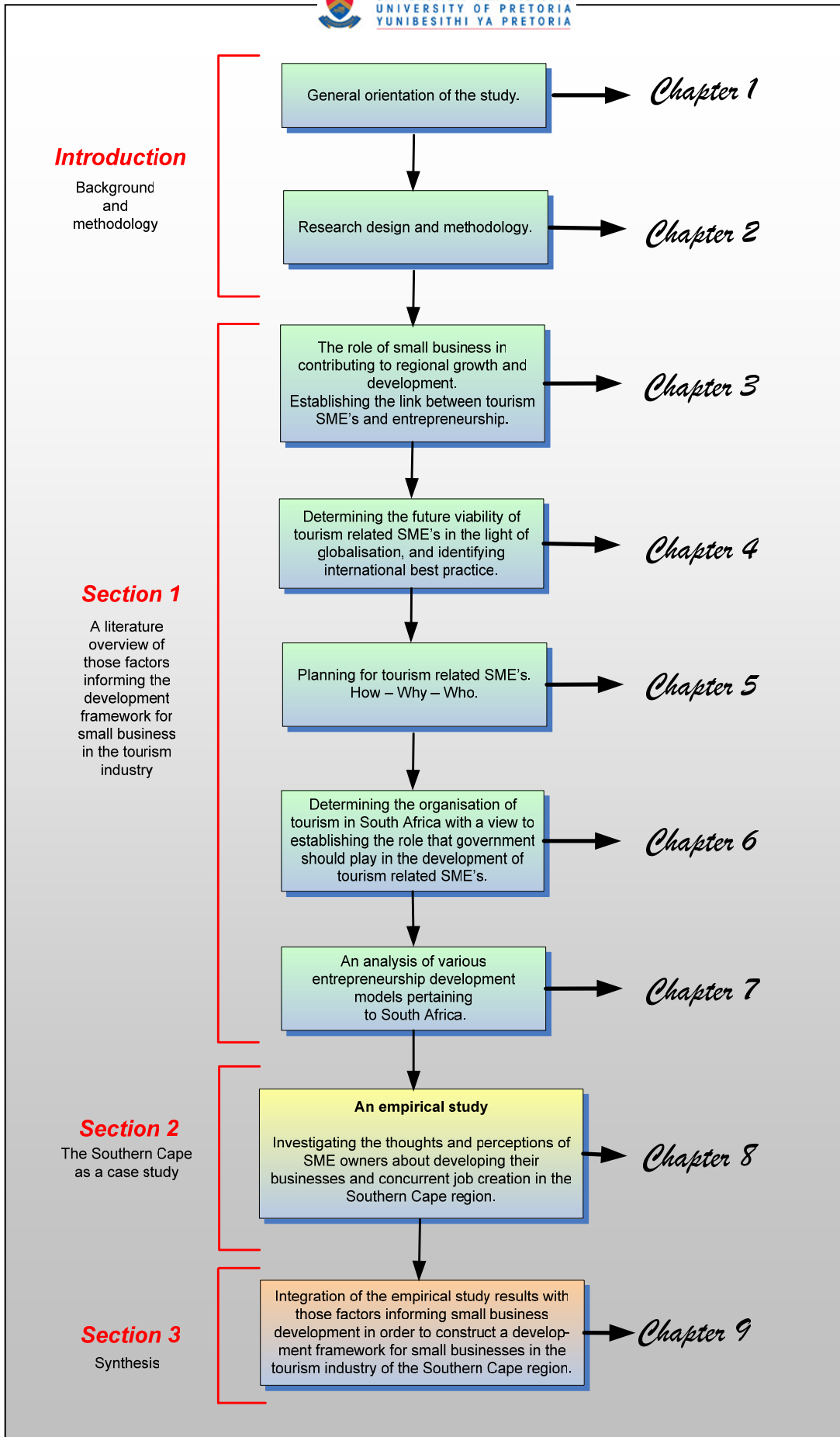


Figure 2.2: Study outline

Section 3 will integrate the findings from Sections 1 and 2 in order to arrive at a development framework for small businesses in the tourism industry of the Southern Cape.

The purpose and scope of this study will be to find a practical solution to the developmental requirements of tourism-related SMME's operating in the Southern Cape with a view to stimulating job creation.

### 2.1.1 Organisation of chapters

The study's objectives and chapter organisation are depicted in Table 2.1. Table 2.1 links the study's objectives to individual chapters, and should be read in conjunction with Figure 2.2 which links individual chapters to the different sections of the study.

**Table 2.1: Organisation of chapters**

Objectives	Related chapters
1. To determine the role of small businesses in the tourism industry and their contribution to regional growth and development.	Chapter 3
2. To determine whether, in the light of globalisation, SME's have any future and, if so, to identify international best practice.	Chapter 4
3. To establish the importance, and the requirements, of tourism related development planning.	Chapter 5
4. To analyse the role of government in the South African tourism industry with a view to identifying bottlenecks in the operational planning phase.	Chapter 6
5. To evaluate different entrepreneurship development models pertaining to South Africa.	Chapter 7
6. To determine the relationship between job creation in tourism related SME's and increasing tourism numbers visiting the region.	Chapter 8
7. To determine if national government's incentives to the tourism industry are contributing to job creation in local SME's.	Chapter 8
8. To establish what special requirements are necessary to stimulate local tourism related SME growth.	Chapter 8
9. To determine what local government can do to stimulate job creation and entrepreneurship in the tourism sector.	Chapter 8
10. To construct a development framework model for small businesses in the tourism industry in the Southern Cape.	Chapter 9



## 2.2 THE RESEARCH PURPOSE AND APPROACH

### 2.2.1 Aim

The aim of this study is to find a practical solution to the developmental requirements of tourism related SME's in the Southern Cape in order to stimulate job creation.

Babbie (1983:75) identifies the three most common purposes of research as being explorative, descriptive or explanatory in nature. In order to answer the research questions posed in the study, the study will be descriptive in nature.

Utilising the classification of Cooper and Schindler (2003:147), the degree of research question crystallization classifies the study as being a formal study. The method of data collection will be by means of interrogation, while the power of the researcher to produce effects in the variables is *ex post facto*.<sup>4</sup>

The study will be carried out once and represents a snap-shot of a point in time. As such, according to Cooper and Schindler (2003:149), the time dimension under consideration is cross-sectional. The topic scope is classified as a statistical study since the study attempts to capture a population's characteristics by making inferences from a sample's characteristics. The research takes place under actual, as opposed to staged or manipulated, environmental conditions and can, therefore be regarded as being field testing in nature.

### 2.2.2 Approach

According to Welman and Kruger (1999:2), research is a systematic enquiry that is reported in a form that allows the research methods and outcomes to be accessible to others. There are two types of research: pure and applied research. Pure research is that which has no obvious practical implications beyond contributing to a particular area of intellectual enquiry. Applied research, on the

---

<sup>4</sup> Applied retroactively. Applying to events that have already occurred as well as to subsequent events.

other hand, is problem-focused and is directed toward solving some particular intellectual question that has practical implications for a client outside the academic world.

The aim of this study (see Sections 1.3 and 2.2.1) attempts to solve a problem, and its focus is thus applied. A research problem refers to some difficulty that the researcher experiences in the context of either a theoretical or practical situation. In the case of this study, the problem experienced by the researcher is:

*Can a strategy be formulated to stimulate SMME development and concurrent job creation among SMME's operating in the tourism sector of the Southern Cape and can such a strategy be depicted within a framework of a development model.*

Addressing the above problem, the objectives of the empirical study were:

- To determine the relationship between job creation in tourism-related SME's and the increasing of tourism numbers visiting the region.
- To determine if the incentives of national government to the tourism industry are contributing to job creation in SMME's.
- To determine those factors deemed by small businesses as critical to sustainable job creation in the tourism industry.
- To determine what local government can do to stimulate job creation and entrepreneurship in the tourism sector.

When considering the approach that may be used in a research project, the researcher has three options:

- a quantitative methodology;
- a qualitative methodology; and
- a mixed method approach.

The choice centres on the nature of the research topic, the setting, the possible limitations and the underlying theoretical paradigm that informs the research project (Jennings, 2001).

### 2.2.3 Quantitative approach

This study will follow the quantitative approach.

A quantitative research approach is grounded in the positivist social science paradigm, which primarily reflects the scientific method of the natural sciences. Such a paradigm adopts a deductive approach to the research process. As such, it commences with theories or hypotheses about a particular tourism phenomenon, gathers data from the real-world setting and then analyses the data to support or reject hypotheses (Jennings, 2001:20).

The qualitative approach's main aims are described by De Vos, Strydom, Fouche, and Delport (2005:74) as being to ...*objectively measure the social world, to test hypotheses and to predict and control human behaviour*. According to De Vos et al., (2005:74), a quantitative study may therefore be defined as ...*an enquiry into a social or human problem, based on testing a theory composed of variables, measured with numbers and analysed with statistical procedures in order to determine whether the predictive generalisations of the theory hold true*.

Babbie (1983:537) provides an alternative definition. He defines quantitative analysis as the numerical representation and manipulation of observations for the purpose of describing and explaining the phenomena that those observations reflect.

The aim of this study, as set out in Section 1.3 and Section 2.2.1, will not involve the formulation of propositions, which according to Cooper and Schindler (2003:55), could also be called hypotheses. Instead this study makes use of a model or framework, which is described by Cooper and Schindler (2003:55), as ...*a representation of a system that is constructed to study some aspect of that system or the system as a whole*. Cooper and Schindler (2003:56) go on to state that models differ from theories in that models are representations of some aspect of a system, or of the system as a whole. Models are used for description and simulation while a theory's role is that of representation.

## 2.3 RESEARCH METHODOLOGY

### 2.3.1 Research design

The empirical study will be conducted by means of:

- a secondary data search to establish the number and growth rate of visitors to the Southern Cape; and
- a telephonic survey with the use of a questionnaire developed from the literature study.

#### ***2.3.1.1 Secondary data search***

According to Mouton (2001:71) secondary information sources refer to written sources (including the Internet) which discuss, comment, debate and interpret primary sources of information.

In order to achieve the first research objective – to determine the relationship between job creation in tourism-related SME's and increasing tourism numbers visiting the region – a secondary data search was conducted to determine the number of tourists visiting the Eden District on a yearly basis for the last ten years. The ten year period since 1994 was chosen as it reflected a period of intense interest in visiting South Africa and the Southern Cape area by both international and domestic tourists.

The number of visitors involved in domestic and international tourism was obtained from reports published by Statistics South Africa, Grant Thornton Kessel Feinstein, SA Tourism, Wesgrow, and the Eden Spatial Development Framework. Examples of these reports are Western Cape Trends card, Tourism Trends in the Western Cape and Garden Route, Annual Tourism Reports, and Wesgrow Fact Sheet (2005).

Although figures pertaining to international tourist numbers for South Africa as a whole were readily available, it was not as easy to obtain data applicable to the Eden district on its own. This was also the case with domestic tourism figures

since, over the period under consideration, only three national surveys of domestic tourism were undertaken, with little reference to the Eden district. Similarly, finding figures applicable to the Western Cape and Eden District proved to be difficult. Certain figures had to be mathematically estimated in order to arrive at realistic growth rates.

### **2.3.1.2 Survey research – structured telephone interview**

#### 2.3.1.2.1 Background and design

According to Cooper and Schindler (2003:319) the communication approach involves surveying people and recording their responses for analysis. The great strength of the survey as a primary data-collecting approach is its versatility. This communication approach has its shortcomings, however. Its major weakness is that the quality and quantity of information secured depend heavily on the ability and willingness of participants to co-operate.

Babbie (1983:209) concurs that survey research is probably the best method available to the social scientist interested in collecting original data for describing a population too large to observe.

Cooper and Schindler (2003:323) identify the following survey methods which can be used by researchers:

- *Personal interviews* – which is a form of direct communication in which an interviewer asks respondents questions in a face-to-face situation. According to Zikmund (2003:199), personal interviews allow feedback, increase the chance that the questionnaire will be answered and increases participation. However, anonymity is not guaranteed, different interviewer techniques may be a source of interviewer bias and the method can be more costly than mail surveys.
- *Telephone interviews* – which is method of contacting respondents by telephone to gather responses to survey questions. Zikmund (2003:207) regards the main advantages of this method as speed of implementation, lower cost relative to other methods and the increased cooperation in

completing the questionnaire. The main disadvantages are the absence of face-to-face contact and the limited duration of the interview associated with this method.

- *Mail* – is described as a self administered questionnaire sent through the mail to respondents. Zikmund (2003:213) regards geographic flexibility as this methods main advantage, and the fact that the time taken to respond is taken out of the interviewer's hands, as this method's main disadvantage.
- *Computer surveys* – a survey conducted by means of computers. According to Zikmund (2003:215), computer surveys save time, respondents feel anonymous and use can be made of visual stimuli. On the other hand, the method requires a high degree of technical skills on the part of the researcher, it is costly and the technology is not yet perfect.
- *A combination* of these methods.

Because of the vast distances involved in the study, it was decided to discard the personal interview option. Similarly, since research into the tourism industry is characterised by very low response rates (Pechlaner, Raich, Zehrer and Peters, 2002 cited in Pechlaner *et al.*, 2004; Pechlaner *et al.*, 2004; Thio *et al.*, 2004) the option of a self-administered mail survey was also discarded.

Cooper and Schindler (2003:336) report that, when compared to either personal interviews or mail surveys, the use of telephones brings a faster completion of a study. When compared to personal interviewing, it is also likely that interview bias, especially bias caused by the physical appearance, body language, and actions of the interviewer, is reduced by using telephones. Babbie (1985:223) concurs, and is of the opinion that when a research worker either delivers the questionnaire, picks it up, or both, the completion rate seems higher than for straightforward mail surveys. Additional experimentation with this method is likely to point to other techniques for improving completion rates while reducing costs.

In order to achieve a high response at the lowest cost, this study has made use of a combination of a telephone interview and a mail survey

When an interviewer puts the questions contained in a structured questionnaire to the respondent, whether in a personal interview or over the telephone, such a previously compiled questionnaire is known as an interview schedule (Welman & Kruger, 1999:165). Welman and Kruger (1999:166) differentiate between “structured”, “unstructured” and “semi-structured” interviews. In a structured interview, the interviewer puts forward a collection of questions from a previously compiled questionnaire, known as an interview schedule.

In order to overcome the disadvantage of low response rates associated with the mail survey method and maximise the advantages associated with the interview method, the research method used in this study is therefore termed a structured telephonic interview method.

Welman and Kruger (1999:172) provide the following techniques and hints for the development and construction of questionnaires and (structured) interview schedules:

- choose judiciously between open-ended and closed-ended questions;
- take the respondent's literacy level into consideration;
- be careful not to offend;
- strive for conciseness (briefness) yet be unambiguous (having one meaning only);
- maintain neutrality;
- use a justified sequence; and
- be sure the question is appreciable to all respondents.

All of the above principles and hints were followed in designing the questionnaire.

#### 2.3.1.2.2 Pilot testing

According to Cooper and Schindler (2003:286) a pilot test is conducted to detect weakness in design and implementation. It should draw subjects from the target population and simulate the procedures and protocols that have been designated for data collection. The draft questionnaire was tested in a pilot study carried out

by the researcher who interviewed two respondents from each of the identified strata (ten respondents in Table 2.3). Particular attention was paid to the following aspects:

- the time taken to complete the questionnaire was measured; and
- the level of comprehension regarding the wording of the questions.

### **2.3.2 The layout and content of the questionnaire / interview schedule**

An example of the questionnaire is attached as Annexure 2. The questions contained within the questionnaire were grouped into the following sections:

**Section A** required general information about the respondent, the type of business ownership, the size of the business, how long the respondent had been in business and how the business was originally started. Since this section required both mutually exclusive and some single choices from multiple-option questions, a combination of simple category scale and multiple choice single-response scales was used.

**Section B** addressed the issue of the number of jobs created. The responses sought were mutually exclusive, judgmental and quantifiable in nature, so use was made of a combination of simple category and fixed-sum scales for measurement purposes.

**Section C** tested the awareness of available government incentives to the tourism industry as well as the extent to which use had been made of them. Responses sought were mutually exclusive and single choice from multiple options. To achieve this, a combination of single category scales and multiple choice single-response measurement scales was used.

**Section D** represented the opinion of respondents as to what they considered to be important factors contributing to the future growth of their business and what role local government should play in encouraging this growth. Responses sought required mutually exclusive answers, the selection of one or more alternatives from multiple options, or the expression of favourable or unfavourable attitudes



towards the object of interest. As a result, measurement scales used were a combination of single category scales, multiple choice multiple-response scales and a five-point Likert scale.

The questionnaire was posted to the randomly selected sample (See Section 2.3.3.4) and was accompanied by an introductory letter explaining the purpose of the research and informing the respondent that he/she would be contacted telephonically within the following two weeks. The inclusion of the questionnaire in the correspondence, it was hoped, would allow the respondent some time before the interview to ponder his/her answers to some of the questions and to access information that might be required (see Annexures 1 and 2).

### **2.3.3 Population and sample size**

#### ***2.3.3.1 Population***

According to Welman and Kruger (1999:47) the population is the study object which may be individuals, groups, organisations, human products and events, or the conditions to which they are exposed. It encompasses the total collection of all units of analysis about which the researcher wishes to draw conclusions. The target population is the population to which the researcher ideally would like to generalise his results (Welman & Kruger, 1999:122).

The Regional Services Levy Act 1985 (No. 109 of 1985) requires that all business establishments in the area are registered with the Regional Services Council (District Municipality). This data-base will serve as the sample frame. An analysis of all businesses registered with the District Municipality will be made in order to identify those enterprises directly related to the tourism industry. Table 2.2 gives the resulting list of businesses by category and subcategory as registered with the District Municipality as in September 2004.

#### ***2.3.3.2 Limitations***

Many of the “micro” enterprises active in the tourism industry can be categorised as belonging to the so-called informal sector. As a result, they are not registered

as businesses with the District Municipality, nor are they registered for VAT with the South African Revenue Services. They also do not always operate from a fixed address. This makes it extremely difficult to contact them. This study, therefore, only includes micro enterprises which form part of the formal sector.

A further limitation of this study is that only SME's that create direct employment from tourism were included. The inclusion of enterprises that create indirect and induced employment would have made the study too big to have been economically viable (see Section 3.3.5).

### **2.3.3.3 Sampling**

Sampling is a procedure that uses a small number of units of a given population as a basis for drawing conclusions about the whole population. The sample frame is a complete list in which each unit of analysis is listed only once (Welman & Kruger, 1999:49). The idea of sampling as described by Cooper and Schindler (2003:179) is that, by selecting some of the elements in a population, conclusions may be drawn about the entire population. A population element is the subject on which the measurement has been taken.

In the case of this study, the population element is the individual business operating in the tourism industry within the Southern Cape. Cooper and Schindler (2003:179) go on to identify the reasons for sampling as lower cost, greater accuracy of results, greater speed of data collection, and availability of population elements.

The selected sample type is that of Probability sampling, which according to Cooper and Schindler (2003:183) is based on the concept of random selection and can be defined as a controlled procedure that assures that each population element is given a known non-zero chance of selection. De Vos *et al.*, (2005:196) concur with this definition, when they describe random sampling as ... *that method of drawing a portion – or a sample – of a population so that each member of the population has an equal chance of being selected.*

**Table 2.2: Identified population by category<sup>5</sup>**

<b>Category and Sub-category</b>	
<b>02 Accommodation / holiday resort</b>	02.01 Accommodation 02.02 Guesthouse 02.03 Holiday resort 02.04 Timeshare 02.05 Nature reserve
<b>10 Recreation area / drive-inn</b>	10.01 Recreation area 10.02 Drive-inn
<b>14 Restaurant / coffee shop</b>	14.01 Restaurant 14.02 Coffee shop
<b>17 Home industry / catering</b>	17.01 Home industry 17.02 Catering
<b>18 Crocodile farm</b>	18.03 Crocodile farm
<b>19 Music shop / video / entertainment</b>	19.03 Entertainment disco 19.04 Entertainment fun-carts 19.05 Casino 19.06 Boat rides
<b>22 Transport / services / riding schools</b>	22.01 Passenger services 22.02 Car hire
<b>23 Sawmill / forestry</b>	23.02 Nature conservation
<b>42 Hotel / motel</b>	42.01 Hotel 42.02 Motel 42.03 Pub 42.04 Tavern
<b>69 Caravan / maintenance / camping equipment</b>	69.01 Caravans 69.03 Camping equipment
<b>76 Boats</b>	76.01 Boat sales 76.02 Boat building
<b>83 Museums</b>	83.01 Museums
<b>85 Travel agencies</b>	85.01 Travel agencies 85.02 Tour operators
<b>90 Airports</b>	90.01 Airports 90.03 Airplane hire

<sup>5</sup> The category and subcategory numbers used in Table 2.2 represent the coding system used by the Eden District Municipality.

#### **2.3.3.4 Stratified random sampling**

De Vos *et al.*, (2005:200) state that stratified random sampling is suitable for heterogeneous populations because the inclusion of small subgroups percentage-wise can be assured.

Since the population used can be segregated into mutually exclusive subpopulations, or strata, it is possible to constrain the sample used to include elements from each of the segments by the process of stratified random sampling. Stratification is usually more efficient statistically than simple random sampling and at worst it is equal to it (Cooper & Schindler, 2003:193).

Since the population is composed of clearly recognisable, non-overlapping subpopulations, the variation within any particular stratum will probably be smaller than the variation among the respective strata (Welman & Kruger 1999:55). As such it would be unwise to ignore the differences between such clearly discernable populations, and they should be included when a random sample is drawn.

Two things are necessary to draw a stratified random sample: Firstly, the various strata should be identified according to one or more variables. Secondly, a random sample should be drawn from each separate stratum (Welman & Kruger, 1999; Finn *et al.*, 2000). In this way a representative sample can be obtained from a population with clearly distinguishable strata with a greater degree of certainty than is possible with simple random sampling.

In this study use was made of stratified sampling and, as a cost-saving and time-saving mechanism, only those strata greater than 100 units were considered as the target population. Table 2.3 depicts this target population, the stratified sample and the expected precision (accuracy) at a 90% confidence level.

Table 2.4 reflects those strata that were left out of the study because of their low numbers in the various strata.

**Table 2.3: Target population, sampling and approximate precision**

Population category	Population size	Sample size	Precision (90% confidence) <sup>6</sup>
<b>02 Accom. / Resort</b> Accommodation Guesthouse Holiday resort Timeshare Nature reserve	737	130	6.55%
<b>14 Restaurant</b> Restaurant Coffee shop	849	150	6.10%
<b>17 Home / Catering</b> Home industry Catering	149	30	13.48%
<b>22 Transport services</b> Passenger service Car hire	323	60	9.60%
<b>42 Hotel / Motel</b> Hotel Motel Pub Tavern	208	40	11.72%
<b>TOTAL</b>	<b>2266</b>	<b>410</b>	<b>3.68%</b>

### 2.3.3.5 Precision

The precision reported here is calculated under simple random sampling, and for a sample proportion. Although the population proportion is required in this calculation, a value of 0.5 is usually used when there is no knowledge of the population value. This procedure is regarded as “safe” since it gives an upper limit of the precision and the true precision will likely be smaller than those values tabulated here (Keller & Warrack, 2003).

The interpretation of these values is as follows:

Take the strata “Restaurants” as an example. Obtaining a sample proportion of, say 0.4, the precision of 6.1% means that one can state with 90% confidence that the population proportion will be between  $0.4 \pm 0.0061$  i.e., between 0.339 and 0.461.

<sup>6</sup> The precision calculation is explained in Section 2.3.3.5.

**Table 2.4: Strata left out of the study**

Population category and sub-category	Number per Sub-category	Total number Per category
<b>11 Recreation area / drive-inn</b> 11.01 Recreation area 11.02 Drive inn	14 0	<b>14</b>
<b>20 Crocodile farm</b> 18.03 Crocodile farm	2	<b>2</b>
<b>21 Music shop / video / entertainment</b> 21.03 Entertainment disco 21.04 Entertainment fun-carts 21.05 Casino 21.06 Boat rides	16 1 1 4	<b>22</b>
<b>24 Sawmill / forestry</b> 23.02 Nature conservation	3	<b>3</b>
<b>70 Caravan / maintenance / camping equipment</b> 70.01 Caravans 69.03 Camping equipment	3 4	<b>7</b>
<b>77 Boats</b> 77.01 Boat sales 77.02 Boat building	4 3	<b>7</b>
<b>84 Museums</b> 83.01 Museums	5	<b>5</b>
<b>85 Travel agencies</b> 85.01 Travel agencies 85.02 Tour operators	62 5	<b>67</b>
<b>91 Airports</b> 91.01 Airport 90.03 Airplane hire	2 1	<b>3</b>
<b>TOTALS</b>	<b>130</b>	<b>130</b>

#### 2.3.4 Sample backup

Acknowledging the traditional low response rates associated with research in the field of tourism (Pechlaner *et al.*, 2002, cited in Pechlaner *et al.*, 2004; Tluo *et al.*, 2004), it was decided to make provision for a back-up sample equal to 20% of the original sample extracted.<sup>7</sup>

#### 2.3.5 Training of interviewers

Advice was obtained from Prof André Horn of the University of Pretoria who had had experience in a similar research process. On his advice an information session with the research operators was held prior to the start of the interview process. During this session interviewers were instructed as to the main objective

<sup>7</sup> This procedure was decided on after the researcher had consulted with more experienced researchers and, in particular, on the advice of Prof A Horn of the University of Pretoria.

of the study, the objectives of the empirical research process, the questionnaire content and interpretation and the steps in the interview process.

### **2.3.6 Execution of the survey**

A questionnaire together with a covering letter was posted to the 420 respondents of the identified sample during the last week of February 2005 requesting them to study the questionnaire prior to receiving a phone-call from one of the research operators who, telephonically, completed the questionnaire together with the respondent. A team of five ladies was used as research operators who, within a period of the first two weeks of March 2005, made contact with all of the respondents in order to complete the questionnaire.

### **2.3.7 Information capture and analysis**

Once the information had been collected via the structured telephone interview it was captured by an independent editor on an electronic spreadsheet, Excel, in order to ensure that the information was:

- accurate;
- consistent with intent of the question and other information in the survey;
- uniformly entered;
- complete; and
- arranged to simplify coding and tabulation.

(Cooper & Schindler, 2003:45)

Once the data had been captured, it was processed by the Statistical Support Unit of the Department of Mathematical Science at the Nelson Mandela Metropolitan University (NMMU), using the software package Statistica.

## **2.4 RELIABILITY AND VALIDITY OF DATA**

Within the hypothetico-paradigm, reliability is a matter of whether a particular technique, applied repeatedly to the same object, would yield the same result each

time, whereas validity refers to the extent to which an empirical measure adequately reflects the real meaning of the concept under consideration (Babbie, 1990 as cited in Jennings, 2001:149). Babbie goes on to identify the following types of validity:

- face validity – which refers to the fact that the concept being measured is being done so appropriately;
- criterion-related validity – which is associated with establishing measures that will be able to predict future outcomes in relation to specific criteria;
- content validity – which refers to the use of measures that incorporate all of the meanings associated with a specific concept; and
- construct validity – which is associated with a measure encapsulating indicators that are theoretically sound.

Finn, Elliott-White and Walton (2000:28) also differentiate between internal and external validity. Internal validity refers to whether the cause, as contained in the hypothesis, produces the given effect in the research, while external validity refers to the extent to which the results of the research can be generalised (also referred to as the representativeness of the research results). In this respect Finn *et al.* (2000:28) further differentiate between population validity and ecological validity. Population validity is about whether the research can be generalised to other groups of people outside the sample researched, while ecological validity is about generalisation to other settings.

To ensure that the data acquired in the study were valid, the following steps were taken:

- the purpose of the study was clearly explained in a letter, in both English and Afrikaans<sup>8</sup>, to respondents prior to the telephonic interview;
- a copy of the questionnaire was sent together with the letter to allow respondents a time to ponder answers to the questions before being telephonically interviewed;

---

<sup>8</sup> Since the researcher is bilingual and the Southern Cape region is predominantly English or Afrikaans speaking, it was decided to conduct this study in these two languages only. None of the other official languages were used.



- discussions were held with senior researchers who had had previous experience in similar studies; and
- sampling was carried out using probability methods ensuring external population validity.

Within the holistic-inductive paradigm perfect validity entails perfect reliability but not the converse; perfect validity is theoretically impossible (Jennings, 2001:150). Leedy (1997:35) defines reliability as the consistency with which the measuring instrument performs. This was achieved in the study by:

- performing a comprehensive literature study in the field of interest;
- having the questionnaire critically reviewed by the researcher's promoter;
- pre-testing the questionnaire and paying particular attention to the level of comprehension regarding the wording of the questions. In this respect, after pre-testing, the questionnaire was redesigned to be bilingual; and
- ensuring a high standard of competence by research operators through an in-depth pre-training seminar.

## **2.5 SUMMARY**

This chapter discussed the methodology followed in the study and detailed the organisation and outline of the chapters. The research approach and methodology were elucidated together with the planning of the empirical study, covering aspects of secondary data research, the structured telephonic survey, questionnaire design and layout, population and sampling size, data analysis and limitations. Furthermore, the distribution of the questionnaire and the reliability and validity of data were addressed.

Chapter 3 represents the start of Section 1 (see Figure 2.2) the purpose of which is to identify factors that would influence the development framework for small businesses in the tourism industry. Chapter 3 will address the issue of the role played by small businesses in the tourism industry.