

PRESENTATION AND DISCUSSION OF RESULTS

8.1 INTRODUCTION

The purpose of this chapter is to present and discuss the results obtained from the empirical study, the research process of which was documented in Chapter two. This will be enhanced by the results obtained from the secondary data search. The empirical study results will be subdivided according to the four subsections documented, and linked to the applicable research objective.

The research problem of the study is:

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

The objectives of the study are set out in Table 2.1. The objectives specifically pertaining to the empirical study were:

- Objective No.6 - To determine the relationship between job creation in tourism-related SME's and increasing tourism numbers visiting the region.
- Objective No.7 - To determine if national government's incentives to the tourism industry are contributing to job creation in SME's.
- Objective No.8 - To establish what special requirements are necessary to stimulate local tourism-related SME growth.
- Objective No.9 - To determine what local government can do to stimulate job creation and entrepreneurship in the tourism sector.

The questions contained in 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.

Section B addressed the issue of the number of jobs created and attempted to meet objective No.6.

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. In so doing answers to meet objective No.7 were sought.

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. This section attempted to meet objectives No.8 and 9.

8.2 RESULTS – SECONDARY SEARCH DATA

The secondary data search involved the determination of the number of tourists visiting Eden district (the Garden Route and the Little Karoo districts) over the last ten years in order to determine an average growth rate over this period.

Notwithstanding an intense search of available tourism statistics sources, a single source of information could not be found that could supply all the information sought. Consequently it became necessary to consult various different sources and to aggregate their findings in order to make valid assumptions about growth rates. The data obtained are reflected in Annexure 9.¹⁴ The sources were acknowledged and colour-coded for ease of reference. When it became necessary to apply mathematical extrapolations, this too was colour-coded and the basis of the calculations was annotated.

As far as international tourists were concerned, figures for South Africa as a whole were readily available. Not so, however, for subregions and the Eden district in

¹⁴ See Annexure 10 for the calculations to determine average growth rates over the 10 year period 1994 to 2004.

particular. It therefore became necessary to estimate figures by means of extrapolation of figures presented by various research institutions.

It was far more difficult to access information pertaining to domestic tourism since only four domestic tourism studies had been carried out since 1994 (Markinor, 1994; Grant Thornton, 1998; SA Tourism, 2001, 2003) and in the absence of accurately measured statistics, data reflected only approximations. As with international tourism data, it was also difficult to obtain a breakdown of the data into provincial and regional figures and here too, approximations or estimates were made use of.

Furthermore, international tourism figures reflected actual visitor numbers while domestic tourism figures reflected only the number of overnight stays or trips undertaken, and not the number of tourists. It was, therefore, not possible to combine international visitor totals with domestic totals to arrive at a combined tourism growth rate.

Notwithstanding the above difficulties, it can be reported with confidence that international tourist numbers to the Eden district have grown at a rate of 4.84% per year over the period 1994 to 2004, while domestic tourism to the same district over the same period is estimated to have grown at an annual rate of 4.45 percent. Table 8.1 gives a summary of the data contained in Annexure 9.

Table 8.1: Summarised tourism growth rates for Eden district, 1994 – 2004

Category	Average growth rates		
	South Africa	Western Cape	Eden
International tourists	8.32%	8.53%	4.84%
Domestic tourism ¹⁵	11.55%	12.02%	4.45%

It is worth mentioning that Eden displays, albeit only slightly, a higher growth rate in international tourists than that displayed for the domestic tourism market. This is in sharp contrast to the Western Cape and South Africa as a whole, who both

¹⁵ International figures measure the number of tourists while Domestic figures represent the number of overnight stays, which are not necessarily equal to tourist numbers.

show a larger increase in their domestic tourism market than in the international market. The above observation indicates clearly where additional marketing effort could successfully be applied.

Furthermore, it can be noted that the growth rates in both international tourist numbers and domestic tourism overnight stays are similar for South Africa (8.32% and 8.53%) and for the Western Cape (11.55% and 12.02%). Considering international tourists visiting Eden, the growth rate is approximately half that of South Africa and of the Western Cape. In the case of domestic tourist overnight stays, the growth rate experienced in Eden is approximately one third of that experienced in South Africa and in the Western Cape.

In 2004, international tourists visiting Eden is estimated to have been 432 245 in number, while the number of domestic overnight stays for the same year is estimated to have been 983 388.

8.3 RESULTS – THE EMPIRICAL SURVEY

8.3.1 Overall response

During the structured telephone interviews the additional random sample described in Section 2.3.4 was used. The main reason for the inability to make contact with the complete randomly selected sample was the fact that many telephone numbers did not exist any more, or the business had closed down. After investigation the conclusion was reached that the original population was overstated by between 20% and 25%.¹⁶

The reason for this discrepancy is explained by the fact that EDM is by law (Act No. 43 of 1996) required to maintain account records for a period of five years after payments of levies have ceased. In light of the fact that the tourism industry

³This figure was confirmed by the EDM's staff of the Financial Division – Mrs M Van Vuuren (Systems controller, Financial Division, EDM) and Mrs M van Heerden (Accounts clerk, Financial Division, EDM).

is characterised by ease of entry and exit, the above reason was accepted by the researcher as a valid explanation.

A further complication which precluded the simple arithmetic of adding together the number of accounts sent out to the identified strata each month, was the fact that accounts are sent out monthly or quarterly or half-yearly or yearly, depending on the choice of the registered business. This made it almost impossible for the EDM to quantify exactly the number of businesses (the population) active in any one month.

This, in turn, required that a recalculation with respect to the target population, sampling and resulting precision be made. Table 8.2 depicts the study's target population, sample size, and precision after the target population had been reduced by 20%. Also depicted is the actual response recorded with the resulting precision.

Table 8.2: Target population, sampling and approximate precision

Type	Population size	Sample size	Responses received	Precision (90% confidence)
02 Accom./Resort Accommodation Guest house Holiday resort Timeshare Nature reserve	589	156	97	7.6%
14 Restaurants Restaurant Coffee shop	679	180	115	7.0%
17 Home/Catering Home industry Catering	119	36	8	28.2%
22 Transport Passenger service Car hire	258	72	23	16.4%
42 Hotel/Motel Hotel Motel Pub Tavern	166	48	28	14.2%
TOTAL	1811	492	271	4.6%

The response of 271 out of 1811 represents a response rate of 14.9% which, according to Pechlaner *et al.*, (2002) and Tluo *et al.*, (2004), can be considered to be a good response rate.

8.3.2 Section A – General Information

This Section gathered general information about respondents. Questions three through twelve provided the following overview of respondents:

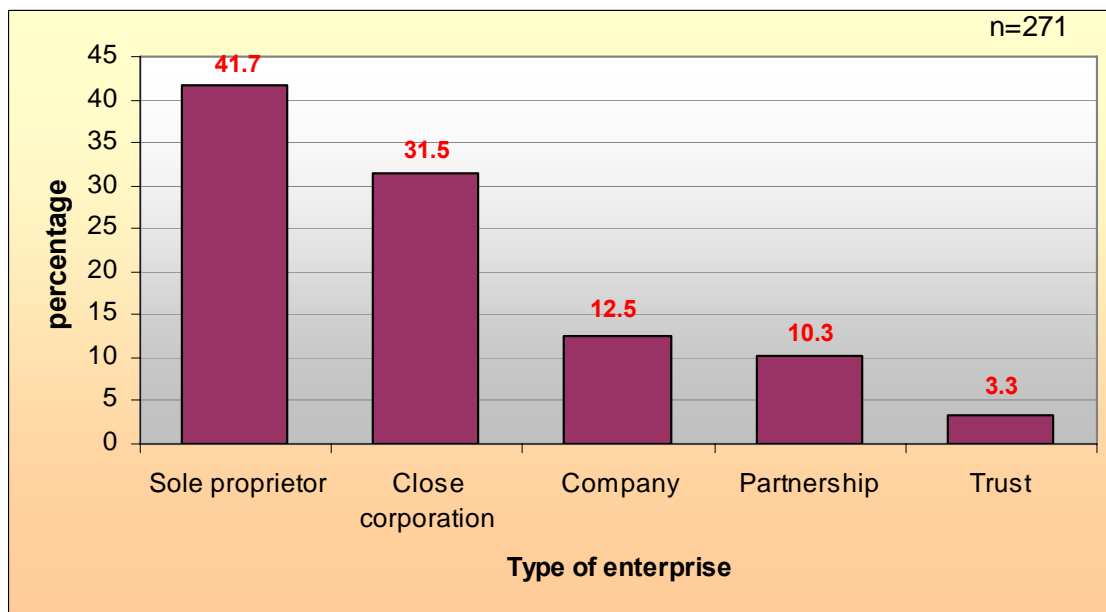


Figure 8.1: Type of enterprise

Sole proprietors and close corporations made up the majority of the respondents, accounting for 41.7% and 31.5%, respectively. This was expected since it is known that the industry comprises mainly SME’s who normally trade as sole proprietors or close corporations. The relationship between the numbers shown in Figure 8.1 also reflects why ease of entry and exit is considered as a characteristic of the industry. Formal forms of enterprise establishment, such as companies and trusts, make entry and exit to the industry more difficult than that of sole proprietors and close corporations.

The degree of involvement by owners is reflected in Figure 8.2. Of the owners, 84.1% were full-time involved in the business. Once again, since the industry is

characterised by SME's, it is not unusual to find small businesses being run by the owner. Owner involvement is typical of entrepreneurial organisations found in SME's.

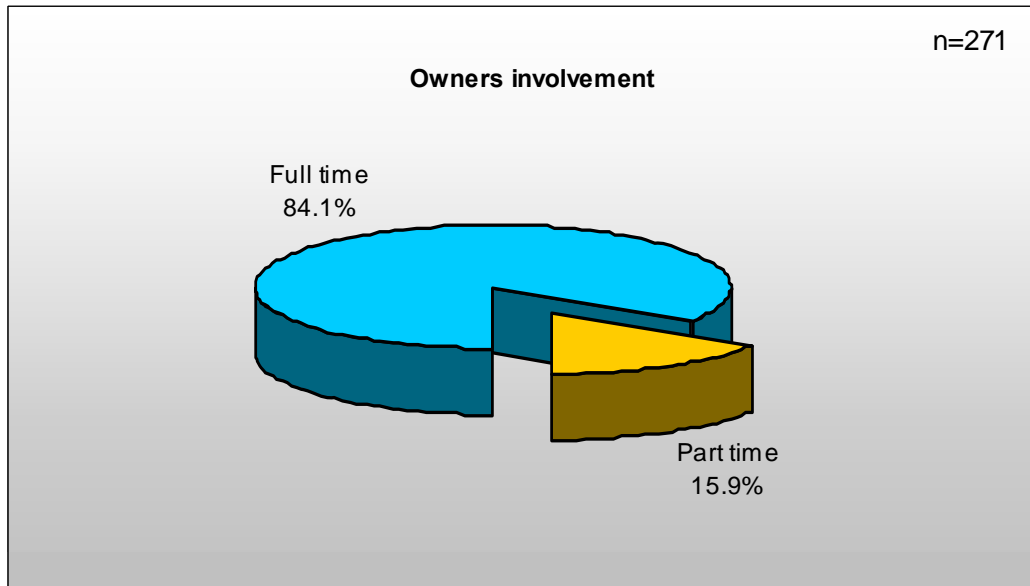


Figure 8.2: Owners involvement

The number of respondents having prior business experience is shown in Figure 8.3.

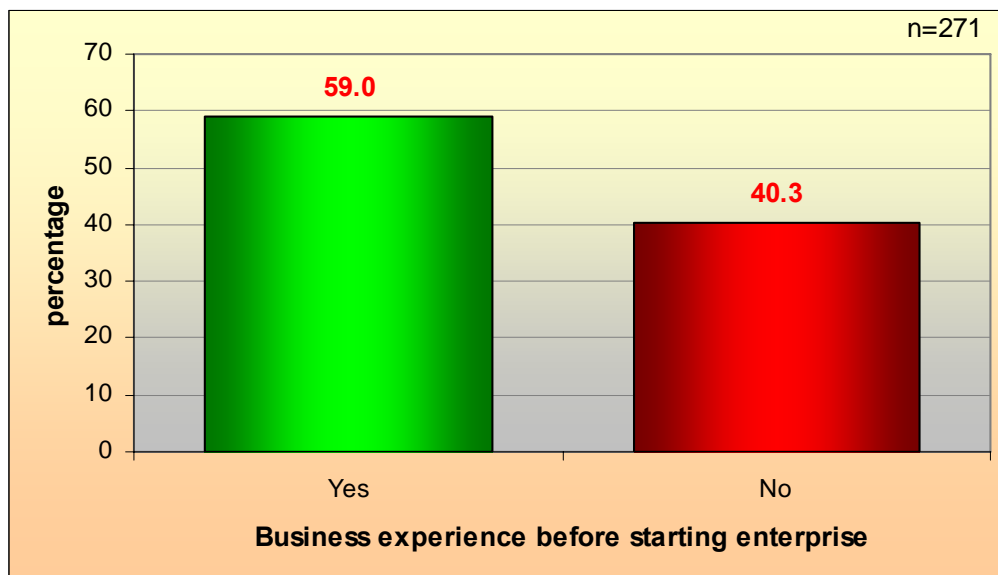


Figure 8.3: Business experience before starting enterprise

The majority of respondents had business experience of some sort before embarking on their tourism business venture. The fact that as many as 40% of

owners have entered the industry without prior business experience, is also indicative of the industry's characteristic of ease of entry.

Having almost 60% of respondents indicating that they had previous business experience could contribute to a balanced viewpoint being exhibited during the remainder of the questionnaire.

Figure 8.4 addresses the size of the business in terms of annual turnover in order to determine the number of small, medium and micro enterprises represented in the sample interviewed.

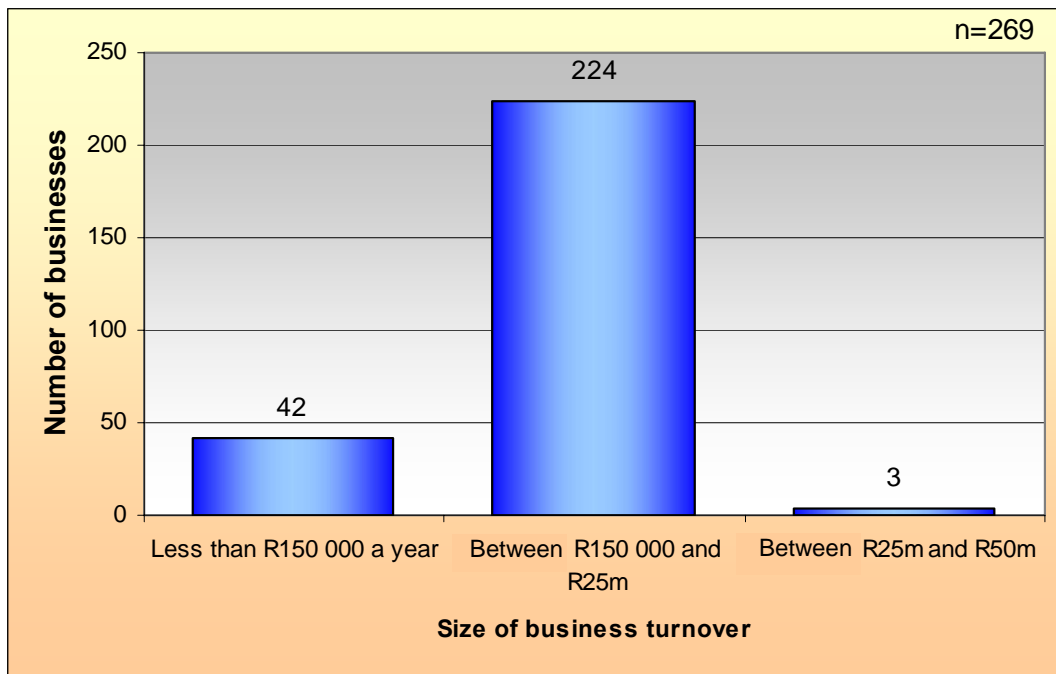


Figure 8.4: Size of business in terms of turnover

Small businesses accounted for 82.0% of respondents while 15.4% could be classified as micro and 1.1% classified as medium in size. According to the National Business Act, 1996 (Act No 102 of 1996), all of the above businesses can, in terms of turnover, be classified as SMME's. This relationship is in line with international findings (Morrison & Thomas, 2004).

Figure 8.5 reflects the classification according to the number of employees in service.

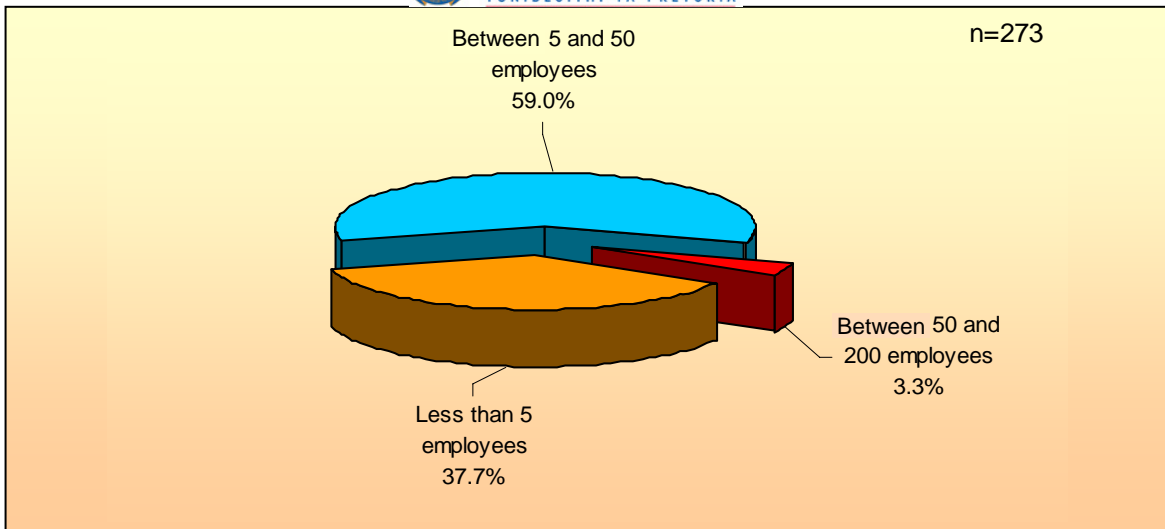


Figure 8.5: Size of business in terms of employees

In terms of employees, 37.7% of businesses could be classified as micro while 59.0% could be classified as small. According to the said National Business Act, 1996, all of the above businesses fall under the category of small, medium and micro enterprises (SMME's).

Because of the large number of enterprises classified as small, the sample might be biased towards small businesses.

An alternative classification is shown in Figure 8.6.

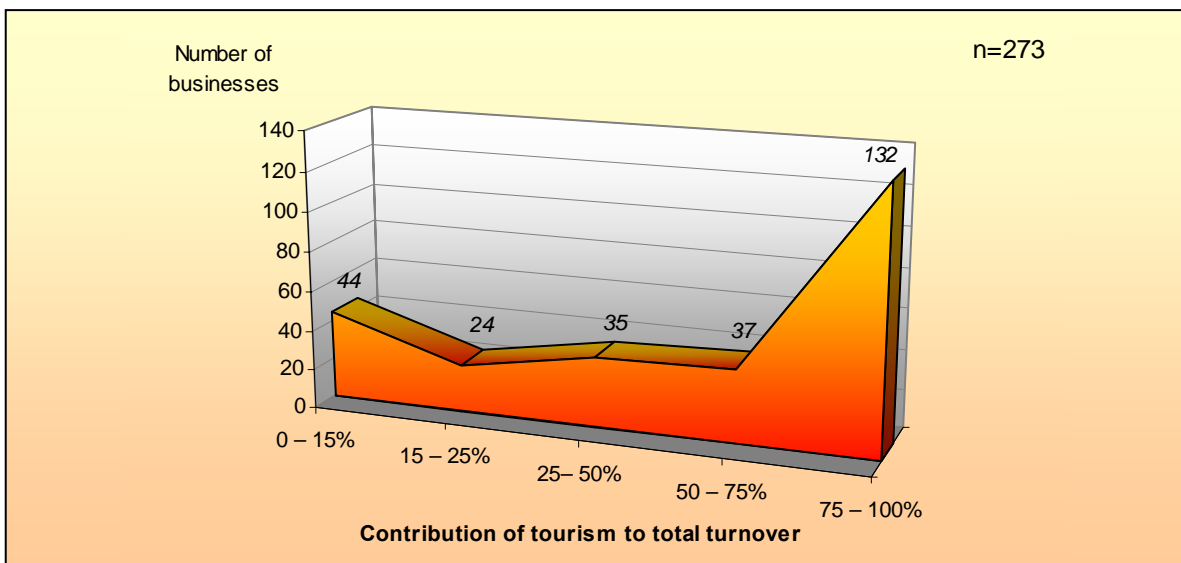


Figure 8.6: Contribution of tourism to total turnover

Businesses which earned less than 15% of their business income from tourism amounted to 16% of the total number of businesses interviewed. According to Smith's (1998:39) alternative classification method, businesses that have a tourism ratio of more than 15% can be classified as being in the tourism industry (see the discussion on the tourism ratio in Section 3.2.2).

The fact that, within the sample, a few businesses exist with a tourism ratio less than Smith's 15% can be explained by the Eden Municipality's classification system that includes shebeens and local taxi operators, who are not greatly influenced by tourism.

The length of time that businesses have been in existence is shown in Figure 8.7.

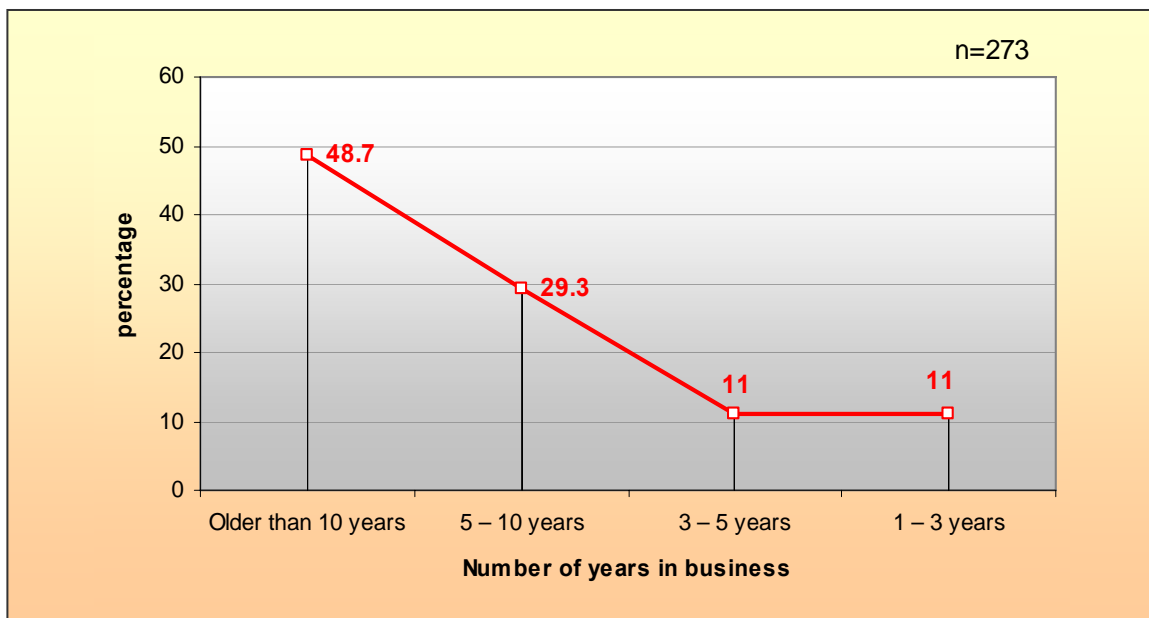


Figure 8.7: Number of years in business

Nearly half of the respondents had been in business for more than 10 years. This is regarded as a positive feature for the following reasons:

- Opinions expressed further on in the study will be based on many years' of experience.
- It reflects the long-term attractiveness of the industry.

- 82% of the enterprises are older than 3.5 years and, as such, can be regarded as established firms.¹⁷

The length of time in business by respondents does not come as a surprise, as it reflects the general situation as reported in the Global Entrepreneurship Monitor (2004). GEM reports that South Africa has a relatively high rate of start-up failures. Failure rates are obtained by determining the ratio of start-up firms to new firms, which in South Africa amounts to 2.4 to 1 compared to an average of 1.6 to 1 in developing countries (GEM, 2004).

A high failure rate among start-up firms would result in a low number of businesses being younger than 3.5 years old. This phenomenon is evident from Figure 8.7.

The independence of firms operating in the sample is reflected in Figure 8.8.

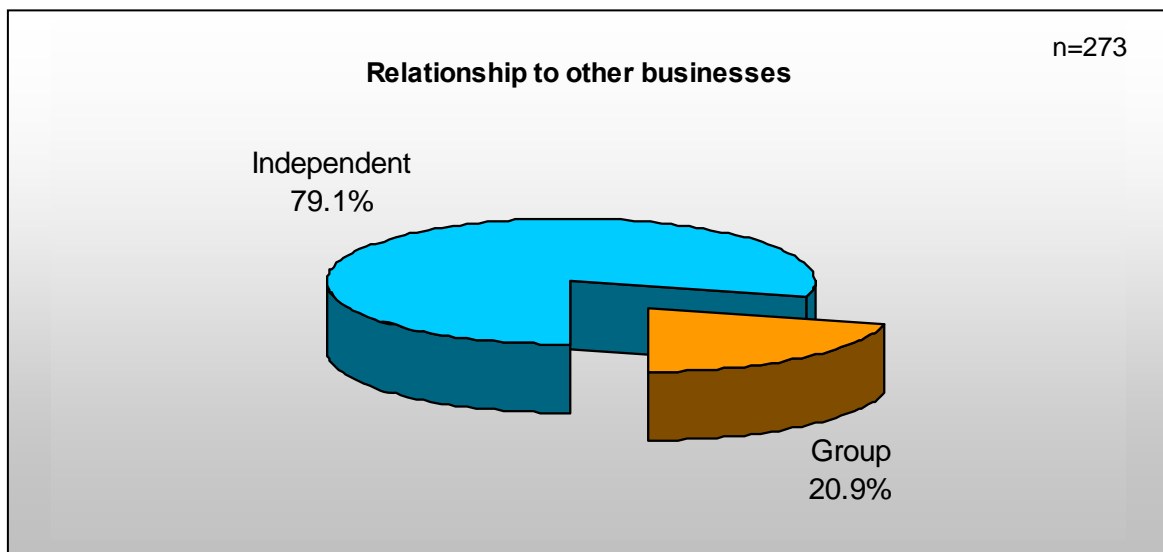


Figure 8.8: Relationship to other businesses

Only 21.0% of respondents formed part of a larger group of companies or part of a franchise. This might impact on the answers to questions relating to training and access to financing encountered further on in the study.

¹⁷ The Global Entrepreneurship Monitor (2004) distinguishes between start-ups (enterprises which have not paid wages for the last three months), new firms (those that are between three months and 3.5 years old) and established firms (those enterprises older than 3.5 years).

The classification of the businesses within the sample according to EDM criteria is shown in Figure 8.9.

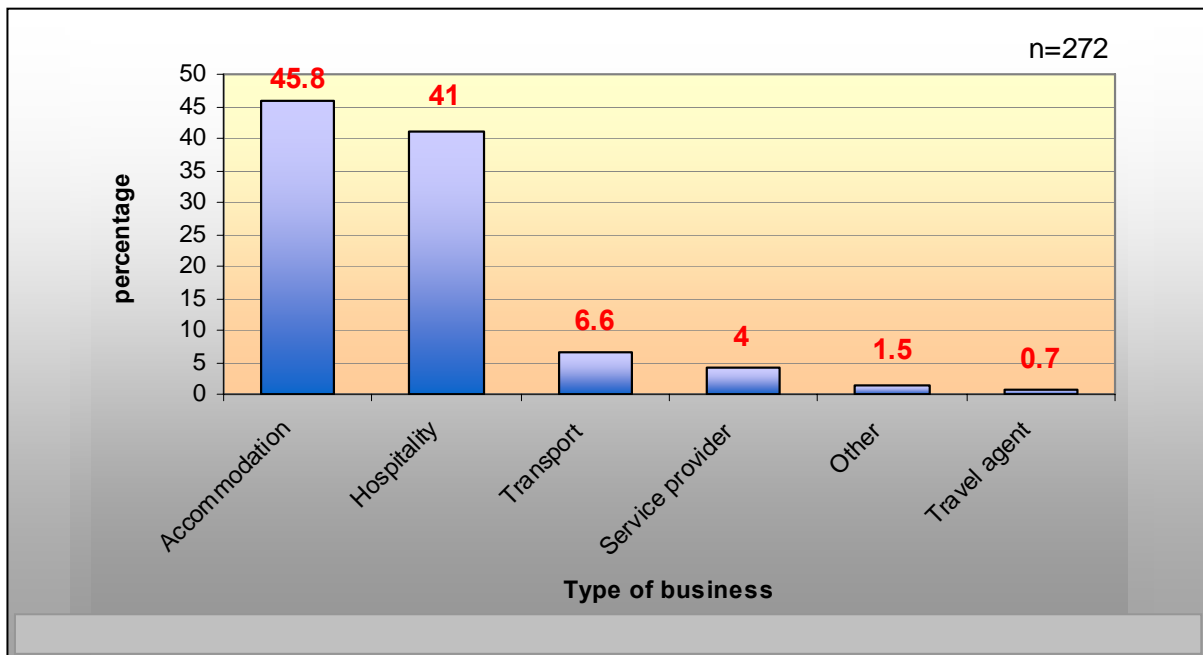


Figure 8.9: Description of business

The majority of respondents came from the accommodation and hospitality industries.

Although use has been made of stratified random sampling, the large number of accommodation and hospitality establishments might cause a bias towards these categories.

The source of finance originally used to fund the establishment of the enterprise is analysed in Figure 8.10.

The majority of respondents financed their businesses by means of own contribution. Possible explanations for this phenomenon include the following:

- The amount of finance originally required to start the business was not very big.
- Most establishments were started by well-off entrepreneurs.

- Original entrepreneurs did not know of the existence of government financial support.
- Support from government was not available prior to identification of tourism as a growth industry by the government's White Paper (1996).

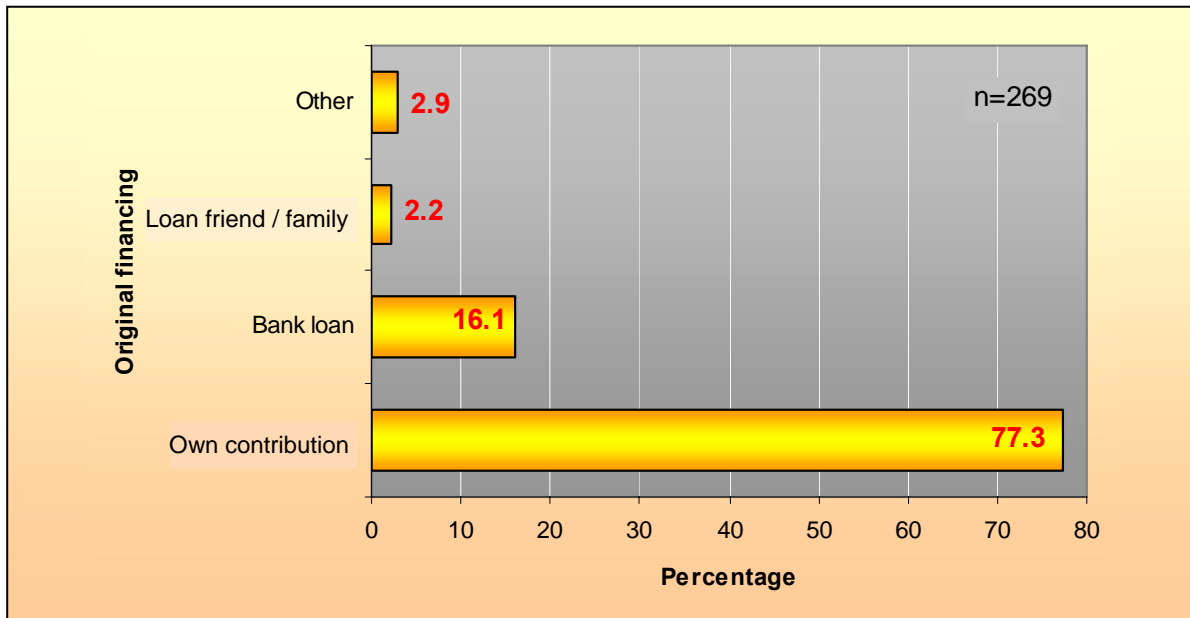


Figure 8.10: Original financing of businesses

Considering the large number of respondents who made use of own funds to start their businesses together with the form of business ownership given by respondents (see Figure 8.1) and the degree of prior business experience respondents (see Figure 8.3), one could speculate as follows: has the first mover advantage gained by entrepreneurs making use of own funds to finance their entry to the industry not cancelled the ease of entry characteristic of certain industry sectors such as guest houses and hotels? This speculation could provide an interesting avenue for future research.

8.3.3 Summary – Section A

SME's were very well represented in the sample interviewed with most enterprises either being a sole proprietorship or a close corporation and the majority of owners being full-time active in their enterprise and having had business experience prior to start-up.

The majority of businesses could be classified as small according to their turnover and the number of employees in service. Furthermore, according to the percentage of income attributed to tourism, the vast majority could be classified as being in the tourism industry.

Approximately half of the businesses interviewed had been in business for more than 10 years and the majority were independent entrepreneurs with no association with other businesses, and who started up their businesses with their own funds.

8.3.4 Section B – Job creation and tourism visitors

This section addressed the issue of the number of jobs created and attempted to meet objective No. 6.

Question 13 attempted to test the mood of respondents as to their expectations of business growth for the following year. Answers also served as a check on the job creation expectations of respondents for the year 2006.

Table 8.3: Expectations of future industry growth

Category	Count	Percentage
Yes (positive)	216	79.1
No (negative)	56	21.5
Missing	1	0.4
Total	273	100.0

By far the majority of respondents, 79.1%, felt positive about future growth in the tourism industry.

Questions 14 through to 17 were designed to measure the growth rate of job creation in the local industry. The results are summarised in Table 8.4.

The average growth rate of job creation over the period 2003 to 2006 amounts to 7.98% per year. This figure relates positively to the growth rates of international and domestic tourism calculated in Annexure 9 as 4.84% and 4.45% respectively.

This translates into a direct employment multiplier of between 1.65 and 1.79, a figure that compares very favourably with the general tourism multiplier figure of 1.82 established by the South African Foundation View Point (July 1999) and reported in Section 3.3.6.2 of this study.

Table 8.4: Summary of employment figures 2003 to 2006

Year	Description	Full time	Part time	Total	Increase year on year
2003	Guest Houses	673	113	786	
	Restaurants	1296	611	1907	
	Catering/hospitality	37	13	50	
	Transport	163	16	179	
	Hotels/motels	545	72	617	
	Sub-total	2714	825	3539	
2004	Guest Houses	752	130	882	12.21%
	Restaurants	1488	620	2108	10.54%
	Catering/hospitality	39	15	54	8.00%
	Transport	167	14	181	1.12%
	Hotels/motels	626	72	698	13.13%
	Sub-total	3072	851	3923	10.85%
2005	Guest Houses	790	150	940	6.58%
	Restaurants	1602	654	2256	7.02%
	Catering/hospitality	41	15	56	3.70%
	Transport	163	15	178	(1.66%)
	Hotels/motels	645	87	732	4.87%
	Sub-total	3241	921	4162	6.09%
2006	Guest Houses	810	159	969	3.09%
	Restaurants	1709	687	2396	6.21%
	Catering/hospitality	43	16	59	5.36%
	Transport	175	18	193	8.43%
	Hotels/motels	679	90	769	5.05%
	Sub-total	3416	970	4386	5.38%
Average	Percentage Growth	8.62%	5.86%	7.98%	

This growth rate is illustrated in Figure 8.11.

A puzzling observation in the above diagram is the growth rate of the proportion of part-time employees to full-time employees. In all four years the ratio part-time to full-time employees has been approximately 22%. This is probably due to the seasonality so characteristic of the tourism industry.

The growth rates of the different categories over the period 2003 to 2006 are illustrated in Figure 8.11(b).

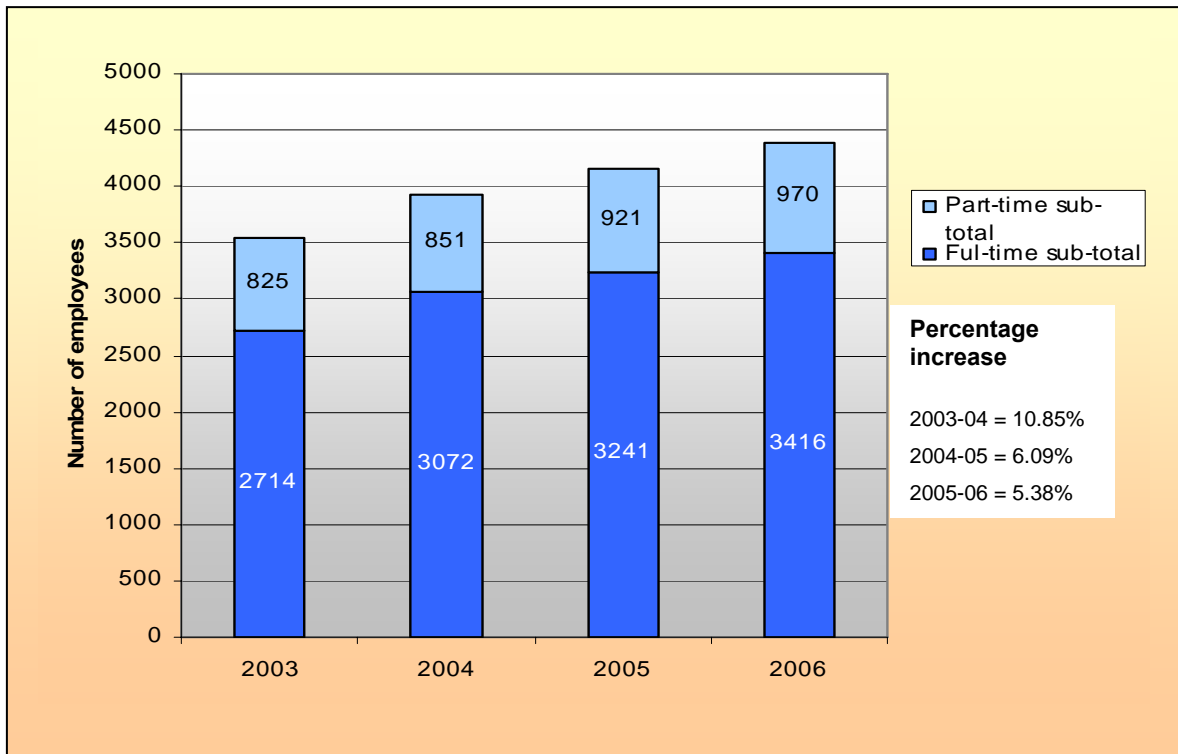


Figure 8.11(a): Total number of employees full-time and part-time

The individual average growth rates for full-time employees over the period 2003 to 2006 amounts to 6.79% for guest houses, 10.62% for restaurants, 5.4% for catering/hospitality, 2.45% for transport and 8.2% for hotels/motels.

Referring to Figure 8.11(c), the individual average growth rates for part time employees over the same period is 13.57% for guest houses, 4.15% for restaurants, 7.69% for catering/hospitality, 4.17% for transport and 8.33% for hotels/motels.

It is observed that restaurants are the only category which shows a higher growth rate in full-time employees as compared to the growth rate in part-time employees. No inferences can be made about the above mentioned figures.

The final question in this section attempted to ascertain if respondents experienced any difficulties in obtaining qualified staff.

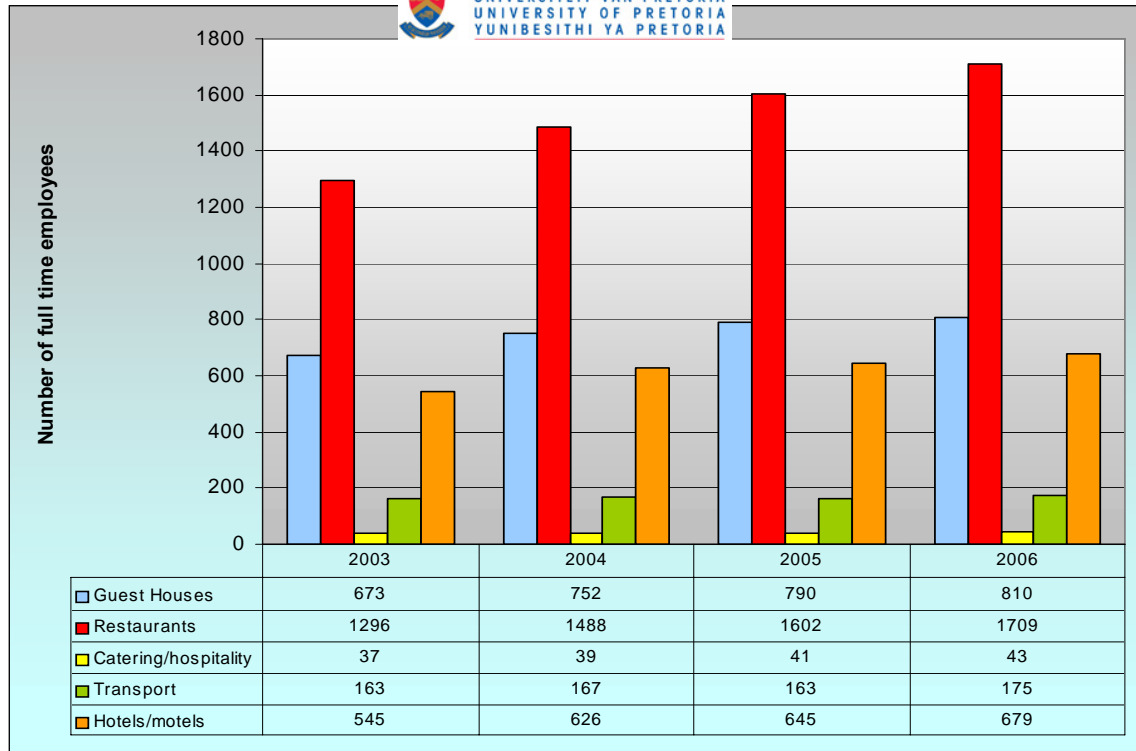


Figure 8.11(b): Number of full time employees per category

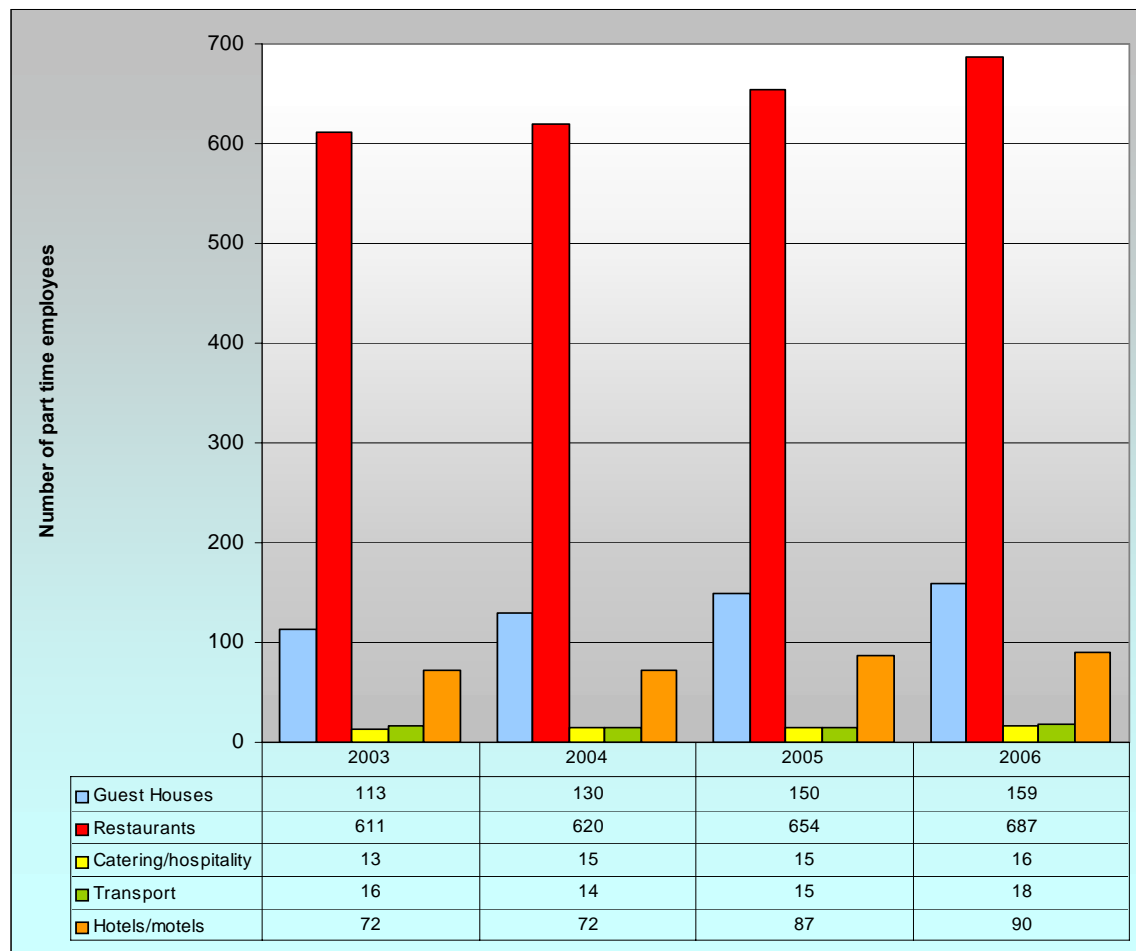


Figure 8.11(c): Number of part time employees per category

From Figure 8.12 it is evident that obtaining qualified staff poses a problem to approximately 50% of respondents while the same number experiences no problems in obtaining qualified staff. Querying this phenomenon, a relationship between the yes and no answers (question 18) and the type of business activity (question 11) was sought.

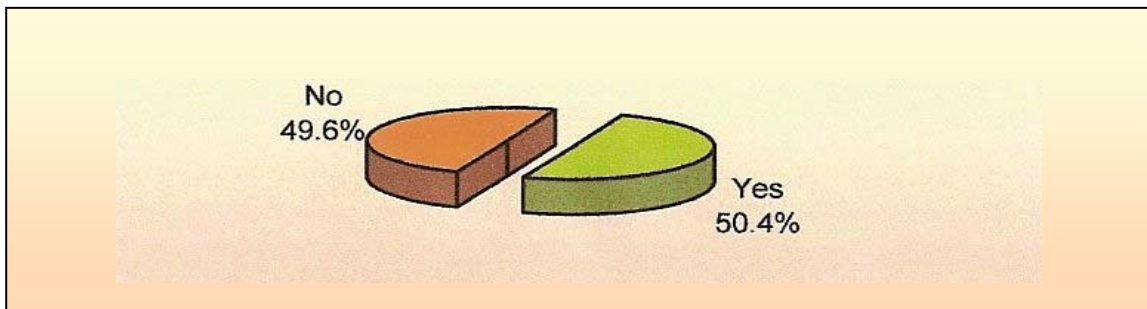


Figure 8.12: Difficulty experienced in obtaining experienced staff

Table 8.5: Correlation between firms experiencing difficulty in acquiring trained staff and the type of enterprise

	Question A11	B18 Yes	B18 No	Row Totals
Count	Accommodation	59	66	125
Row percent		47.20%	52.80%	
Count	Transport	4	14	18
Row percent		22.22%	77.78%	
Count	Hospitality	55	55	110
Row percent		50.00%	50.00%	
Count	Travel agents	1	1	2
Row percent		50.00%	50.00%	
Count	Service provider	2	9	11
Row percent		18.18%	81.82%	
Count	Other	0	3	3
Row percent		0.00%	100.00%	
Count	All groups	121	148	269

In Table 8.5 the presence of the two small groups – travel agents and other – makes the chi-squared test doubtful. It was, therefore, decided to repeat the exercise leaving out the two groups previously mentioned.

Table 8.6: Correlation between firms experiencing difficulty in acquiring trained staff and the type of enterprise – excluding travel agents and other

	Question A11	B18 Yes	B18 No	Row Totals
Count <i>Row percent</i>	Accommodation	59 47.20%	66 52.80%	125
Count <i>Row percent</i>	Transport	4 22.22%	14 77.78%	18
Count <i>Row percent</i>	Hospitality	55 50.00%	55 50.00%	110
Count <i>Row percent</i>	Service Provider	2 18.18%	9 81.82%	11
Count	All groups	120	144	264

Pearson Chi-squared = 8.3

Df = 3

P-value = 0. 04

Since the P-value is less than 0.05, it can be concluded that there is a statistically significant association between the two variables.

It would seem that certain tourism enterprises are more sophisticated than others, and require a better trained employee to supply the service or services offered. In this case it could quite conceivably be that the enterprise that requires a more highly trained employee, would have difficulty in finding suitably trained staff.

8.3.5 Summary – Section B

The vast majority of respondents exhibited an optimistic viewpoint of the future growth of the tourism industry. This was also reflected in respondents' vision of job growth, illustrated in Figure 8.11(a) and Table 8.4.

An analysis of past and future employment figures, when compared to the average growth rates of both international and domestic tourism, made it possible to predict a direct employment multiplier of 1.72 for the Southern Cape region.

The employment growth figures obtained in this study for the Southern Cape region (7.98%) compares favourably with those projected for the period 2002 to

2012 for South Africa as a whole (3.79%), Sub-Saharan Africa (5.1%) and the World at large (2.66%) by the World Travel & Tourism Council (2002).

8.3.6 Section C – Government incentives

This Section tested the awareness by businessmen of available government incentives to the tourism industry as well as the extent to which use had been made of such incentives. In so doing answers to meet objective No. 7 were sought.

Figure 8.13 shows that the awareness of government incentives is split equally between those that are aware and those that are not aware of these incentives. Once again a relationship between the yes and no answers (question 19) and the type of business activity (question 11) was sought.

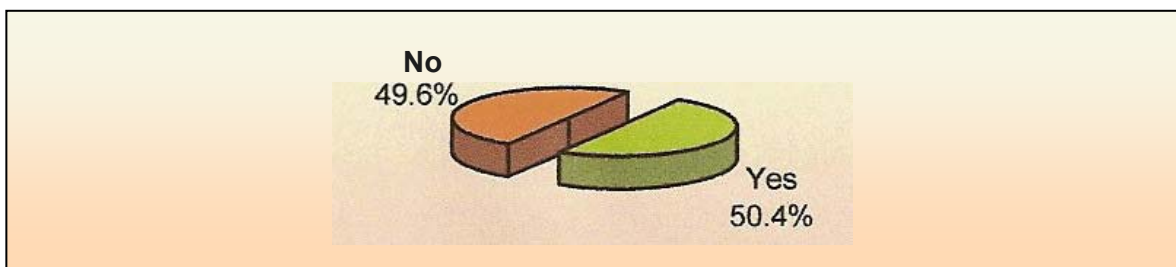


Figure 8.13: Awareness of government incentives to the industry

In Table 8.7 the presence of the two small groups – travel agents and other – make the chi-squared test doubtful. It was, therefore, decided to repeat the exercise leaving out the two fields previously mentioned.

It would seem that the majority of accommodation owners were aware of government incentives for the industry, while the majority of the transport, hospitality, and service providers were unaware of the existence of incentives to the industry.

Table 8.7: Correlation between awareness of government incentives and business description

	Question A11	B18 Yes	B18 No	Row Totals
Count <i>Row percent</i>	Accommodation	84 67.20%	41 32.80%	125
Count <i>Row percent</i>	Transport	8 44.44%	10 55.56%	18
Count <i>Row percent</i>	Hospitality	39 35.14%	72 64.86%	111
Count <i>Row percent</i>	Travel agents	0 0.00%	2 100.00%	2
Count <i>Row percent</i>	Service provider	5 45.45%	6 54.55%	11
Count <i>Row percent</i>	Other	1 25.00%	3 75.00%	4
Count	All groups	137	134	271

Table 8.8: Correlation between awareness of government incentives and business description — excluding travel agents and other

	Question A11	B18 Yes	B18 No	Row Totals
Count <i>Row percent</i>	Accommodation	84 67.20%	41 32.80%	125
Count <i>Row percent</i>	Transport	8 44.44%	10 55.56%	18
Count <i>Row percent</i>	Hospitality	39 35.14%	72 64.86%	111
Count <i>Row percent</i>	Service provider	5 45.45%	6 54.55%	11

Pearson Chi-squared = 24.7

Df = 3

P-value = 0.00

Since the P-value is less than 0.05, it can be concluded that there is a statistically significant association between the two variables.

Research results of the Global Entrepreneurship Monitor – South African Reports (2004:46), indicated that perceptions of government by small enterprises were very weak.¹⁸ Research results showed that:

- 62% of their sample gave the government's overall promotion of small enterprises a negative rating.
- 71% of enterprises rated the government's, communication of incentives as negative.
- 65% rated the government's communication of legislation as negative.

Question 20 tried to ascertain from those respondents that were aware of government incentives, who /what their source of knowledge was. The response to this question is reflected in Figure 8.14.

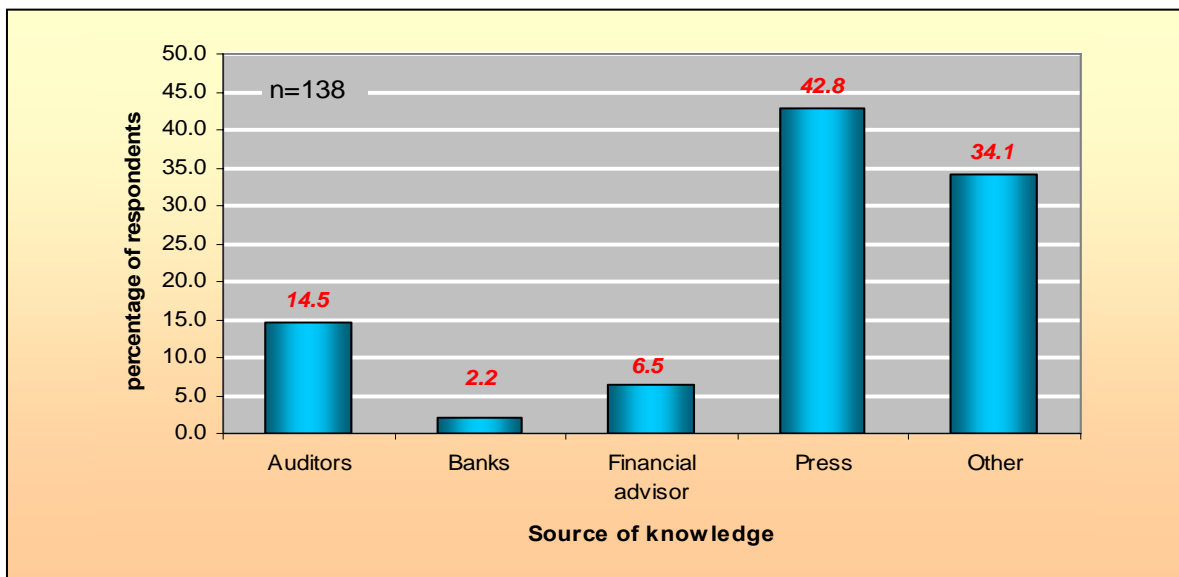


Figure 8.14: Source of knowledge

The press and other media were the source of information for 76% of respondents. It seems a little surprising that this information was not forthcoming from auditors, banks and financial advisors.

¹⁸ According to GEM (2004) this reflects a problem of communication. GEM acknowledges that, at the time of publishing, the government had already started to address the problem.

Questions 21 and 22 attempted to determine how many respondents had actually made use of government incentives and if they could recall which instrument was used.

Only 10.3 % of respondents had made use of government incentives. Of the 28 respondents that answered positively, only 18 (6.6%) were able to identify which government incentive or subsidy they had made use of. Similar findings were made by the GEM (2004:46). For example, they found that awareness and use of support from Khula, Brain and Umsobomvu was below 10%. Figure 8.15 shows the usage of government incentives.

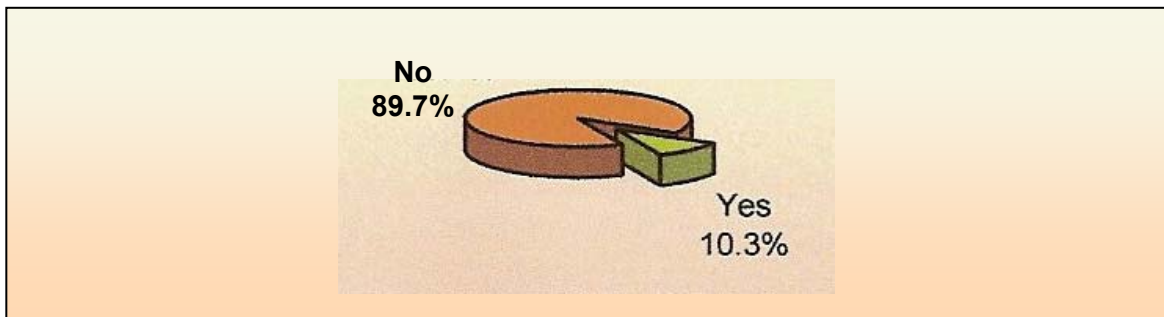


Figure 8.15: Use of government incentives

8.3.7 Summary – Section C

Approximately one half of respondents were aware of government incentives for the tourism industry, hearing thereof mainly from the press. This seems strange since one would expect that this kind of knowledge would come from auditors, banks and financial advisors, who are normally regarded as experts in the fields of finances concerning the industry. Only 10% of respondents interviewed had made use in the past, or were currently making use of these incentives.

Although it is possible to interpret this as that the industry had no need of incentives, it seems rather to reflect the fact that SME's are not aware that such incentives exist. This conclusion is supported by the GEM (2004) who report that both awareness and use of government support is extremely low in South Africa.

The future measurement of knowledge concerning government incentives to SME's among this group could provide interesting insights as to why so few tourism-related SME's are making use of these incentives.

8.3.8 Section D — Requirement for growth

This section represented the opinions 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. This section attempted to meet objectives No. 8 and 9.

Question 24 in the questionnaire attempted to find out to what degree linkages and networking strategies were being used by local SME's. Figure 8.16 reflects the number of small businesses that enjoy referral support from large tourism enterprises.

The majority of respondents felt that they seldom or never received referrals from larger tourism enterprises. The greatest percentage, 37.6%, reported that they only sometimes received referrals.

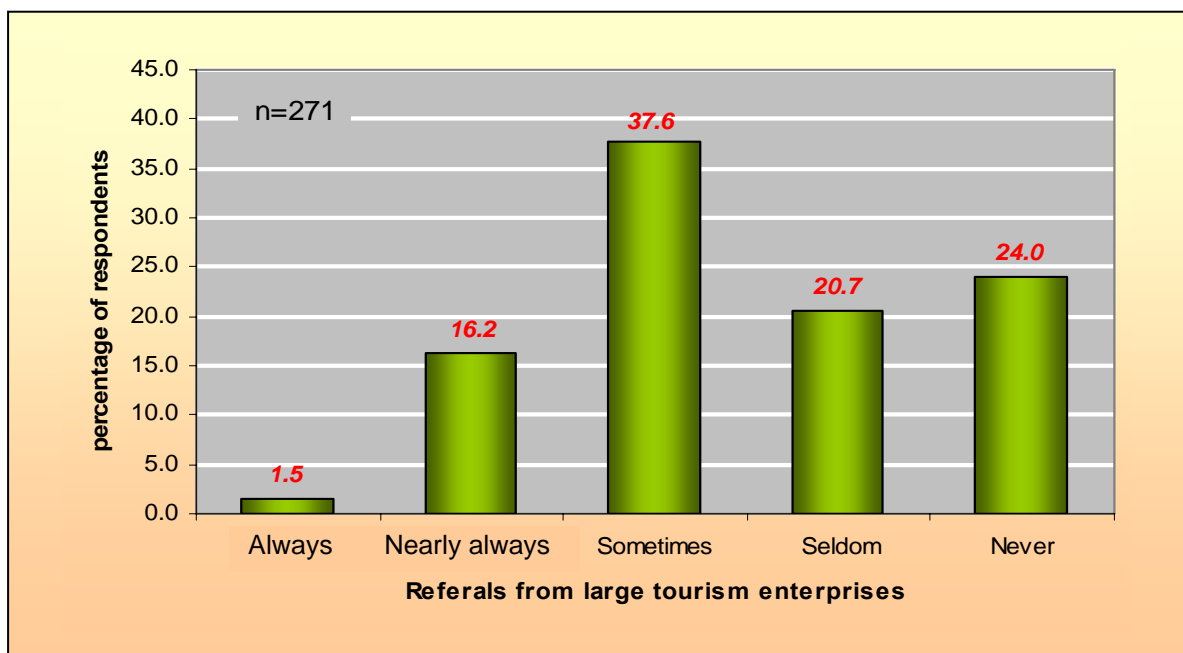


Figure 8.16: Referrals from large tourism enterprises

This phenomenon reflects the lack of “linkages”, regarded as international best practice in the industry, and should be addressed by the strategy formulated in Chapter nine.

Figure 8.17 reflects the attitude of respondents to the role that local government should play in the tourism industry.

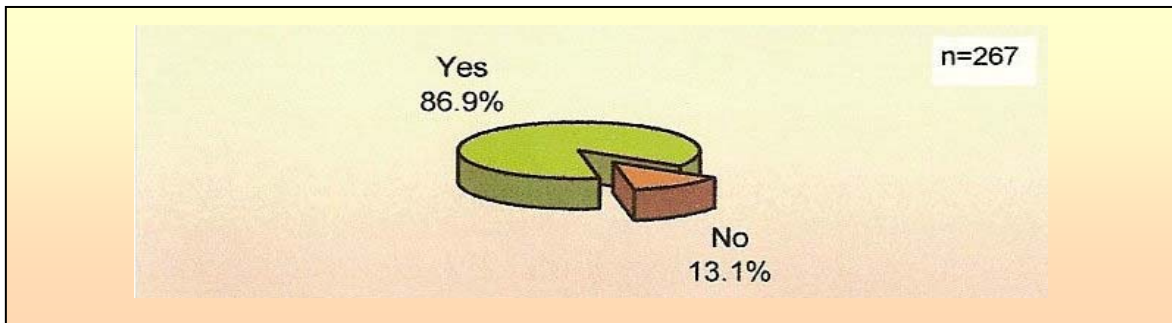


Figure 8.17: Should local government play a more active role?

The overwhelming majority (87%) of respondents were of the opinion that local government should play a more active role in the development of tourism-related small businesses.

Question 26 attempted to establish how important certain identified factors were to ensure growth of respondents’ businesses. Respondents were asked to rate each factor on a five-point scale ranging from extremely important to not important.

The factors represent areas which have been identified in the literature study as possible contributors to the successful development of SME’s in the tourism industry, and which could be implemented as intervention strategies by local government.

Figure 8.18 reflects the opinion of respondents regarding these factors.

More than 50% of respondents rated each of the above factors as being very important to extremely important. Tax breaks was rated by respondents as the most important factor contributing to SME development, while access to cheap finance was regarded as the least important of the identified factors.

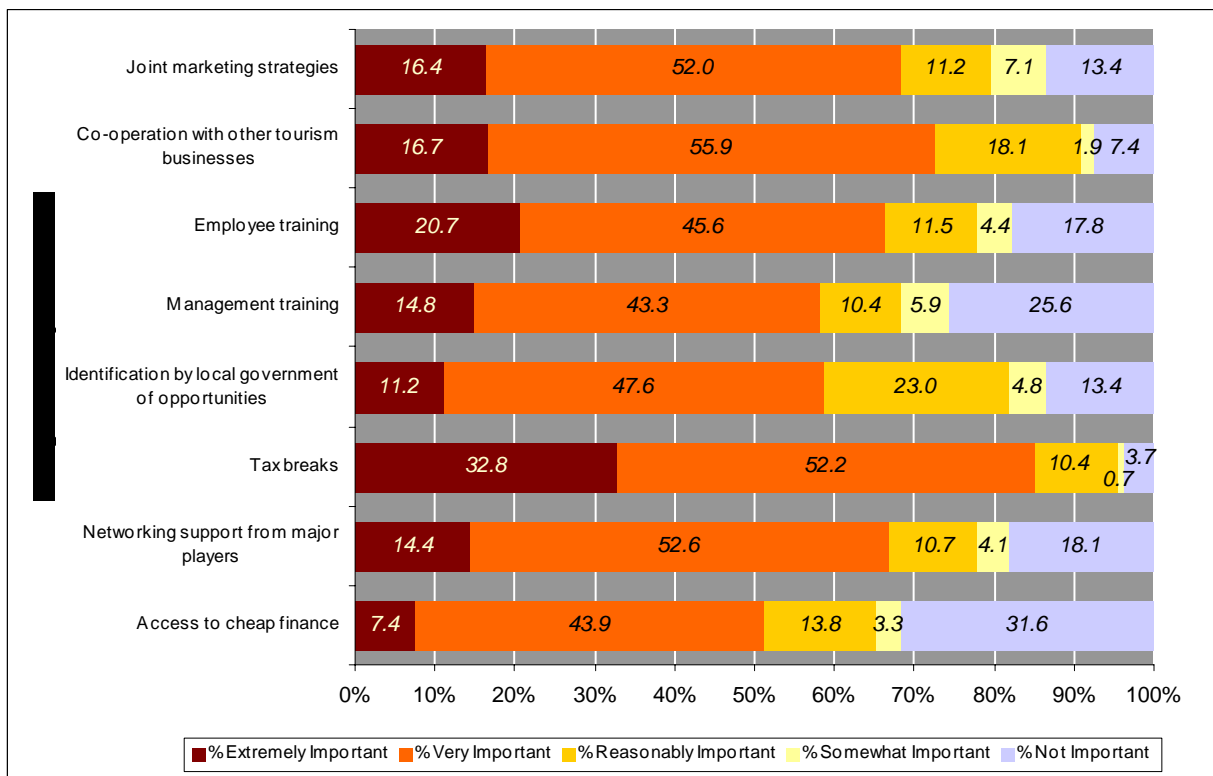


Figure 8.18: The rating of development factors

A possible explanation for the choice of tax breaks as the most important development factor, could be that it is seen by respondents as a factor which could finance the expansion of facilities and as such become an important incentive for the development of SME's.

Possible reasons for the low ranking of access to cheap finance as a development factor could be that:

- The development of SME's is seen as coupled to increasing the physical capacity of the enterprise and not being necessary for the better utilisation of existing capacity.
- Alternatively, to those entrepreneurs in need of finance for expansion, the access to finance is more important than the cost associated with it (cheap finance).

The final question in this section tried to establish from respondents whom they thought should accept responsibility for the implementation of certain identified

development factors. These development factors were identified in the literature study as either being prerequisite to successful SME development (developing tourism policy, planning for tourism as an industry, and developing a joint vision) or, as being interventions which were not contrary to free market principles but could contribute greatly to the development of tourism-related SME's.

Figure 8.19 reflects the opinions of respondents as to the allocation of responsibility for the implementation of development factors. Respondents were allowed to choose more than one alternative.

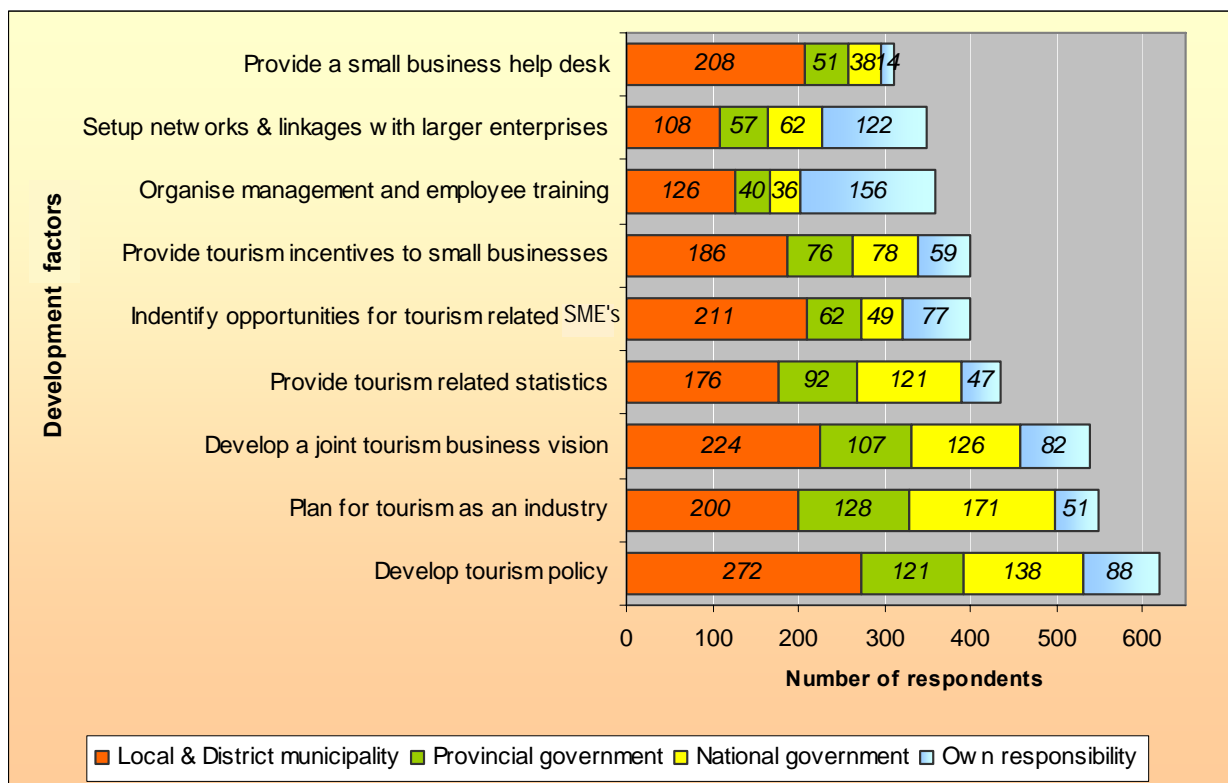


Figure 8.19: Spheres of responsibility for the implementation of development factors

With the exception of two factors (organising management and employee training, and setting up networks and linkages with larger enterprises) respondents displayed an overwhelming opinion that these factors should fall within the realms of local and district government responsibility. This reinforces several findings from the literature study. They are:

- The need for better planning and management training (see Section 3.7.5).
- The decentralisation of policy formulation, the following of international best practices and the establishment of incubators or entrepreneurship support organisations (see Section 4.5 and Table 4.2).
- Planning should take place at regional and local levels within policy guidelines set nationally and internationally (see Section 5.6).
- Government interventions must also address supply-side issues, and cognisance should be taken of local demographics (see Section 6.6).
- Apply both efficiency enhancing policies and special entrepreneurship support policies (see Section 7.5).

8.3.9 Summary – Section D

Respondents very rarely, if ever, received referrals from larger tourism enterprises. This highlights the need to educate larger role players in the industry as to their social responsibility towards helping to develop the local tourism industry.

The vast majority of respondents felt that local government should play a more active role in developing tourism-related small businesses.

Rating the importance of various factors that influence the growth of tourism-related SME's, respondents were almost equally divided as to the importance of access to cheap finance. The following factors were rated to be very important or extremely important:

- networking support from major players;
- tax breaks as an incentive;
- identification of opportunities by local government;
- management training;
- employee training;
- co-operation with other tourism businesses; and
- having joint marketing strategies.

Respondents felt that the development of tourism policy should not be confined to one sphere of government but, rather, that national, provincial, district and local governments should all be involved.

The majority of respondents felt that local government should play a leading role in providing incentives to small businesses. This is possibly in reaction to what was perceived to be a large communications gap between grass-roots entrepreneurs and national government.

It is accepted that planning for tourism as an industry is the responsibility of national government. However, it is interesting to note that respondents felt that provincial and local government should also play a part.

The provision of tourism-related statistics should be the responsibility of all spheres of government.

Respondents were of the opinion that local government should involve themselves more in identifying opportunities for tourism-related small businesses.

Local government should become more involved in developing a joint tourism business vision and in providing small businesses with a small business help desk.

8.4 TOWARDS FORMULATING A STRATEGY FOR THE DEVELOPMENT OF TOURISM-RELATED SME'S

Considering the preceding findings, a strategy for the development of tourism-related SME's should incorporate the following aspects:

- Information about the availability of incentives for SME's that operate in the tourism industry is not getting through to businesses, and only a small number of SME's make use of these incentives.
- There is a need to educate larger role players in the industry as to their social responsibility towards helping to develop the local tourism industry.

- The study area lends itself to government intervention in the form of an incentive for larger role players to encourage them to fulfil their social responsibility.
- Local government should play a more active role in developing tourism-related small businesses.
- Networking, tax breaks, identification by local government of opportunities, training, co-operation with other tourism businesses and having joint marketing strategies are all regarded as being very important factors affecting the growth of SME's and as such should be incorporated in any development strategy.
- The development and implementation of growth factors should become the responsibility of local and regional spheres of government. This responsibility should be reflected in any strategy that aims to develop tourism-related SME's.

8.5 SUMMARY

This chapter has reported on, and discussed, the findings of the empirical study. It identified certain issues which specifically apply to the Southern Cape. Acknowledging the fact that some of the factors identified by respondents as being required to form part of a local development strategy may not be feasible, an analysis thereof with informed specialists is reported on in Section 9.5 of Chapter nine.

These issues / needs / perceptions will be combined with those identified in Section A of this study in order to arrive at a model / framework for the development of tourism-related SME's. This will take place in the following chapter.