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STRATEGIC BEHAVIOUR OF SMALL, MICRO AND MEDIUM TOURISM ENTERPRISES IN SOUTH AFRICA:

towards economic resilience in tourism destinations

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Introduction

- **1994:** South African government undertakes to make tourism one of the country's leading industries
- considered **vital to the economic development** of South Africa:
 - **fastest growing industry in the country**, directly creating (in the tourism industry) 645,500 jobs (4.6% of total employment) in 2013 (WTTC, 2014).
 - **directly employs more people** than the mining, communication services, automotive manufacturing and chemicals manufacturing sectors.



Introduction

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

Introduction

- Recent research, as depicted in Table 1, (The DTI, 2003, and DEAT, 2007) concerning SMMTEs in South Africa has confirmed that established **SMMTEs (owner-managed and employing less than 50 employees) overwhelmingly dominate the local tourism industry**

Table 1: SMMTE dominance of the tourism economy in South Africa

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

Background

- Little research however has been undertaken regarding owners-managers of SMMTEs aimed at:
 - **optimising the strategic behaviour** of these tourism enterprises and,
 - in so doing, enhancing the probability that these will be sustainable and successful and thus **contribute towards building resilient tourism destinations**
- Planning is essential at the destination to maintain **quality and integrity of the resource; enhance the visitor experience;** and provide a **flow of benefit to the society**
- SMMTEs and destinations that fail to serve and facilitate the transformation of tourism demand will be **marginalised and suffer losses in market share**

Purpose

This research endeavours to establish the **potential linkages or relationships** between the **characteristics or attributes of SMMTE owners** and the **manifestation of strategic behaviour**.

- **The primary aim of the study:**

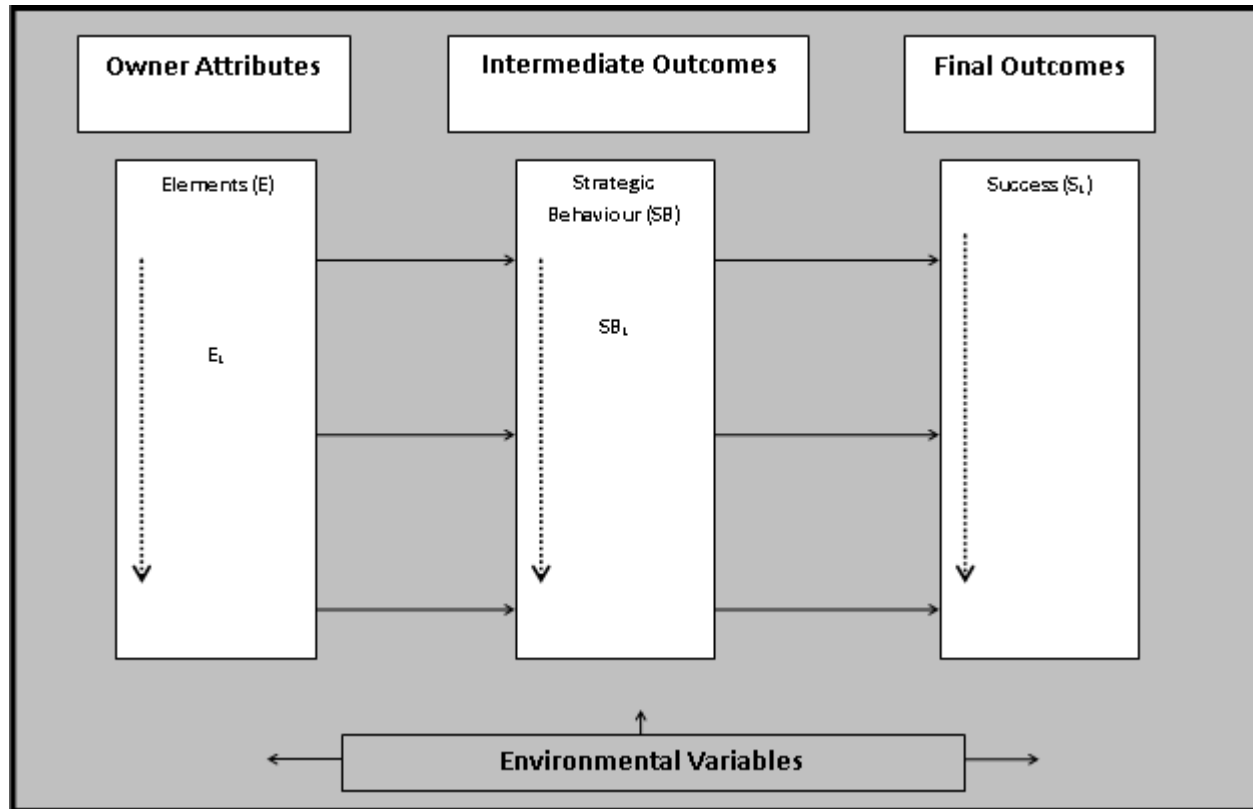
To investigate the strategic behaviour in SMMTEs with particular emphasis on determining which *variables co-produce preferred manifestations of strategic behaviour* in these enterprises because the *preferred strategic behaviour* of the SMMTE has a *higher likelihood to translate into preferred final outcomes* – depending on the attributes of the entrepreneurs.

- **The secondary aims of the study:**

In order to address the primary aim of the study, the following secondary aims were identified for the study:

- *the identification of attributes of SMMTE owners **that co-produce preferred strategic behaviour**; and*
- *the **identification of co-produced preferred strategic behaviour** in SMMTEs.*

A Priori Model (conceptual model)



Demarcation of the study

- focus of study is **primarily on the SMMTE owner attributes and the manifestation of strategic behaviour** within the SMMTE and is not **focussed on the final outcomes**, in terms of success or failure (success or failure is not established, due to contradictory findings in the literature and thus falls outside the scope of this study).
- only considers the **strategic behaviour of formally registered SMMTEs**.
- **utilises question items that measure owner attributes** that have been derived from other instruments that have been **previously validated** by other researchers.
- includes **SMMTEs that span the entrepreneurial continuum**
 - » from *independent entrepreneurship* to *intrapreneurship (or business managers)*

Conceptual framework constructs with dimensions and sub-dimensions

Dimension (Concept)	Sub-dimension elements
1. Entrepreneurial Attributes	1.1. Risk propensity
	1.2. Entrepreneurial growth perception; value system and motivation
	1.3. Locus of control
	1.4. Holistic approach
	1.5. Formal education: knowledge
	1.6. Prior-work experience
2. Strategic behaviour	2.1. Organisational level
	2.2. Individual level

Methodology

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

Results: Profile of a typical SMMTE

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

Results : Demographic characteristics of SMMTEs

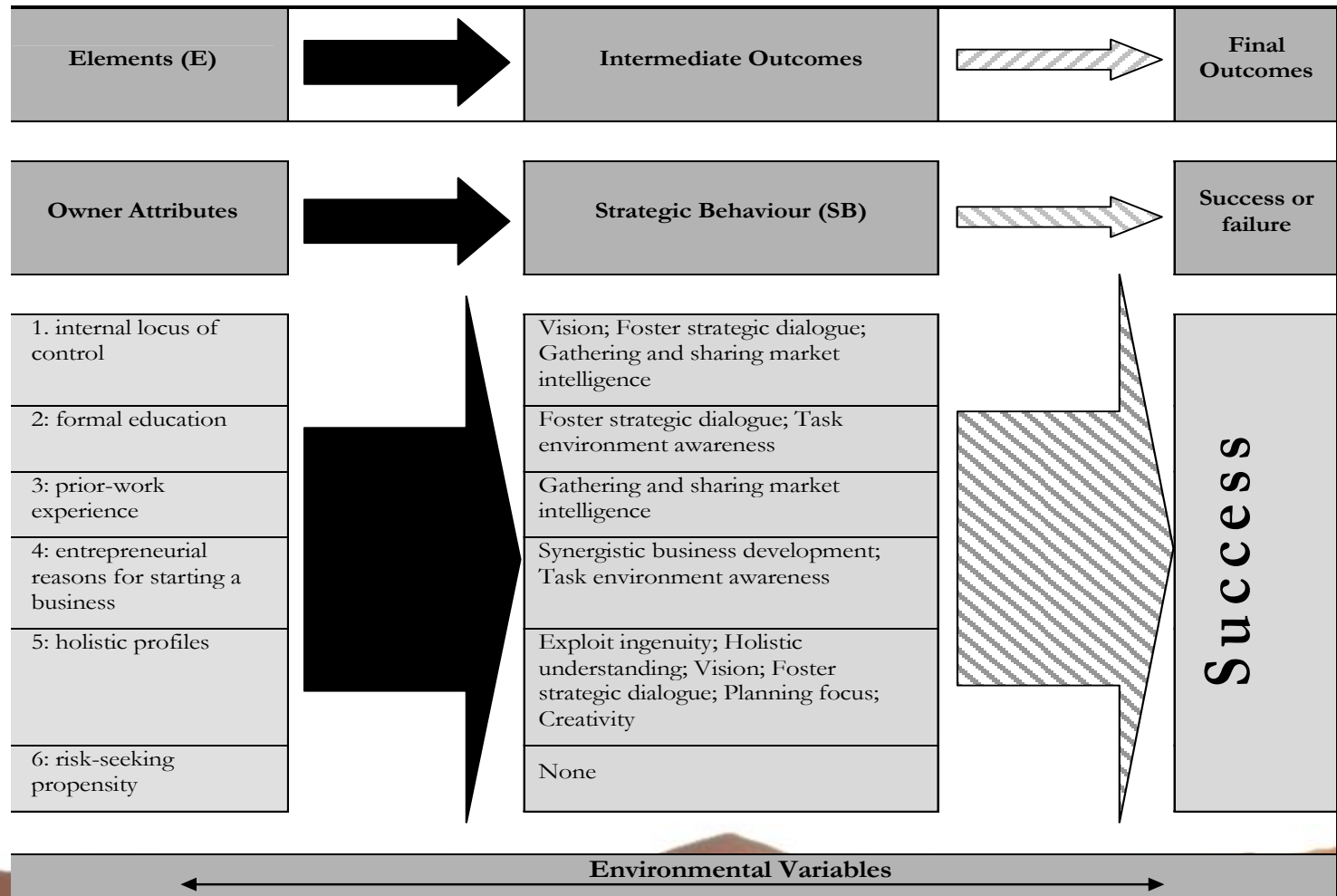
- respondents can be **demographically characterised** as:
 - **originating from the Western Cape (28.7%) and Gauteng (26.2%);**
 - **are most likely based in a urban /metropolitan area;**
 - **are most likely (28.6%) 45 to 54 years of age;**
 - **most likely (70.5%) of the male gender;**
 - **the highest number have attained a Grade 12 (33.5%) qualification; and,**
 - **the majority (85.9%) can be classified as being from the White population group.**



Composite table of the associations of the variables

Sub-Hypothesis	Spearman's Rank-Order Correlation Coefficient (Spearman's ρ) and ANOVA	Regression analysis	Statistically significant results of Spearman's ρ and regression analyses
	At $p < 0.05$ significance level	At $p < 0.05$ or 0.10 significance levels	
1. internal locus of control	holistic understanding (0.17), vision (0.18), fostering strategic dialogue (0.16), and, gathering and sharing market intelligence (0.17)	exploit ingenuity; vision ; foster strategic dialogue ; planning focus; gathering and sharing market intelligence	Vision ; Foster strategic dialogue ; Gathering and sharing market intelligence ;
2: formal education	holistic understanding (0.23), fostering strategic dialogue (0.33), planning focus (0.35), task environment awareness (0.22), and, gathering and sharing market intelligence (0.17)	exploit ingenuity; foster strategic dialogue ; planning focus ; task environment awareness	Foster strategic dialogue ; Task environment awareness
3: prior-work experience	holistic understanding (0.18), fostering strategic dialogue (0.19), planning focus (0.21) and, gathering and sharing market intelligence (0.17)	vision; gathering and sharing market intelligence	Gathering and sharing market intelligence
4: entrepreneurial reasons for starting a business	exploiting ingenuity (0.22), holistic understanding (0.24), creativity (0.21), vision (0.25), fostering strategic dialogue (0.27), planning focus (0.24), synergistic business development (0.33) and, task environment awareness (0.33)	synergistic business development ; task environment awareness	Synergistic business development ; Task environment awareness
5: holistic profiles	exploiting ingenuity (0.29), holistic understanding (0.26), creativity (0.19), vision (0.19), fostering strategic dialogue (0.32), planning focus (0.33), synergistic business development (0.21) task environment awareness (0.19), and, gathering and sharing market intelligence (0.24)	exploit ingenuity ; holistic understanding ; vision ; foster strategic dialogue ; planning focus , creativity	Exploit ingenuity ; Holistic understanding ; Vision ; Foster strategic dialogue ; Planning focus , Creativity
6: risk-seeking propensity	holistic understanding; planning focus; task environment awareness.	none	None

The populated a priori theoretical model and its statistically significant associations



A priori theoretical model and its statistically significant associations

- The **internal locus of control** owner attribute seemingly affects the strategic behaviour of SMMTE owners as to how they perceive the **vision** of their businesses, how they **foster strategic dialogue** within their ventures, and how they enact the **gathering and sharing of market intelligence** for their businesses.
- The **formal education** owner attribute seemingly fosters **strategic dialogue** with all their key stakeholders and contributing towards the improved **task environment awareness** within SMMTEs.
- The **prior-experience** owner attribute of SMMTE owners seemingly enables the strategic behaviour of SMMTE owners towards an improved **gathering and sharing market intelligence** that is used by SMMTEs.
- The **entrepreneurial reasons for starting a business** owner attribute seemingly motivates the strategic behaviour of SMMTE owners to **synergise business development** activities and contribute towards the improved **task environment awareness** of their businesses.
- The **holistic profiles** owner attribute seemingly affects the strategic behaviour of SMMTE owners through enabling them to perceive the **holistic understanding** of their businesses; engendering the **vision** formulation of their businesses; **fostering strategic dialogue**; developing a **planning focus**, and encouraging **creativity** within SMMTEs.
- The **risk-seeking (propensity) profile** owner attribute seemingly **does not have an overall affect** on the strategic behaviour of SMMTE owners in conducting the affairs of their businesses.

Discussion

- Although macro environmental factors do impact on the strategic behaviour of SMMTEs, the plethora of SMMTEs operating within tourism destinations means that they have the **potential to strategically influence the environmental, social and economic (triple bottom line) progress towards achieving sustainability within such destinations.**
- should include **market related, industry related, competitor related, supplier related, resource and capability related, and broader environmental related strategic challenges**

Conclusion

- sustainable development of destinations places SMMTEs in **the centre of sustainability debates as they have the potential to form strategic networks and spread the environmental, social and economic benefits within their destinations**
- The global financial crisis since 2008 has increased uncertainty about **timing of major disturbances**, how these **disturbances may spread**, and is of particular concern to **socioeconomic sectors that depend on the flow of people and money from distant source markets such as the global tourism industry.**

Questions?



THANK YOU