

**A FRAMEWORK FOR SMALL AND MEDIUM TOURISM
ENTERPRISES IN TSHWANE TOWNSHIPS, SOUTH AFRICA**

By

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DECLARATION

STUDENT NUMBER: 30891779

I declare that *A Framework for Small and Medium Tourism Enterprises in Tshwane Townships, South Africa* is my own work and that all the sources that I have used or quoted have been indicated and acknowledged by means of complete references.

.....
SIGNATURE

.....
DATE

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ABSTRACT

Despite there being general agreement that SMEs are valuable in the global and South African economy to aid in creating jobs and in growing the economy, few benefits accrue to these enterprises as they endure a number of challenges which make them unsustainable. This research aimed to investigate the sustainability of SMEs in Tshwane townships, with an aim to design a framework that could be used by other SMEs that intend to enter the tourism industry, to ensure that they are sustainable and can contribute towards the expansion of the South African economy. The primary data was collected through a questionnaire, which was used to obtain information on Tshwane township tourism SMEs, as a way of detecting whether they were sustainable or not. The results indicated that the Tshwane township tourism SMEs were very small enterprises created by owners who were passionate about the tourism product. These enterprises have not been able to grow and employ more people but have provided employment and survival income for the owner and, in some cases, two additional people. SMEs face various challenges relating to sustainability, one of the main challenges being financial stability. SMEs are therefore unable to play their intended role in the creation of employment as well as in contributing to the economy as a whole. In an attempt to assist the owners and/or managers of SMEs to fulfil their roles, an SME framework was developed in the course of the present research. This framework comprises a step-by-step guide that asks all the relevant questions aimed at getting to know the business and culminating in a range of recommendations that could assist in making these SMEs sustainable.

Key terms - tourism, sustainable tourism, special interest tourism, township tourism, entrepreneurship, small and medium enterprises, economic growth, economic development.

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LIST OF ABBREVIATIONS AND ACRONYMS

ACCA	Association of Chartered Certified Accountants
ATA	Africa Travel Association
B&B	Bed & Breakfast
BCS	business continuity support
BEE	black economic empowerment
BIS	business information and skills research
BPO	business process outsourcing
CEO	chief executive officer
DEAT	Department of Environmental Affairs and Tourism
dti	Department of Trade and Industry
EC	European Commission
EFA	exploratory factor analysis
EIP	enterprise investment programme
EU	European Union
FIFA	Federation of International Football Associations
GDP	gross domestic product
GEM	Global Entrepreneurship Monitor
KPI	key performance indicator
LOC	local organising committee
MDGs	Millennium Development Goals
NAA	National Accommodation Association
NCR	National Credit Regulator
NDP	National Development Plan
NDT	National Department of Tourism

NGO	non-governmental organisation
NGP	New Growth Path
NPC	National Planning Commission
NTSS	National Tourism Sector Strategy
OECD	Organisation for Economic Co-operation and Development
PCA	principal component analysis
PESTLE	political, environmental, social, technological, legal and economic factors
PG	post graduate
PPP	public-private partnership
PTA	provincial tourism authorities
RETOSA	Regional Tourism Association of Southern Africa
RSA	Republic of South Africa
SA	South African
SADC	Southern Africa Development Council
SAIPA	South African Institute of Public Accountants
SAT	South African Tourism
SATSA	Southern Africa Tourism Services Association
SD	standard deviation
SE	small enterprise
SIT	special interest tourism
SME	small and medium enterprise
SMME	small, medium and micro enterprise
SMTE	small and medium tourism enterprise
SOE	state-owned entity
SONA	State of the Nation Address

SPSS	Statistical Package for the Social Sciences
Stats SA	Statistics South Africa
SWOT	strengths, weaknesses, opportunities and threats
T&T	travel and tourism
TBCSA	Tourism Business Council of South Africa
TEP	Tourism Enterprise Partnership
TGCSA	Tourism Grading Council of South Africa
TGS	Tourism Growth Strategy
TIES	The International Ecotourism Society
TSP	Tourism Support Programme
UG	under graduate
UK	United Kingdom
UNIDO	United Nations Industrial Development Organisation
Unisa	University of South Africa
UNWTO	United Nations World Tourism Organisation
USA	United States of America
WTO	World Tourism Organisation
WTTC	World Travel and Tourism Council

CHAPTER 1

INTRODUCTION TO THE STUDY

1.1 INTRODUCTION

Chapter 1 commences with the introduction as well as the background to the study. This is followed by the research problem statement, primary and secondary research objectives, research design and methods and, finally, a brief summary of subsequent chapters. This is schematically represented in Figure 1.1 below:

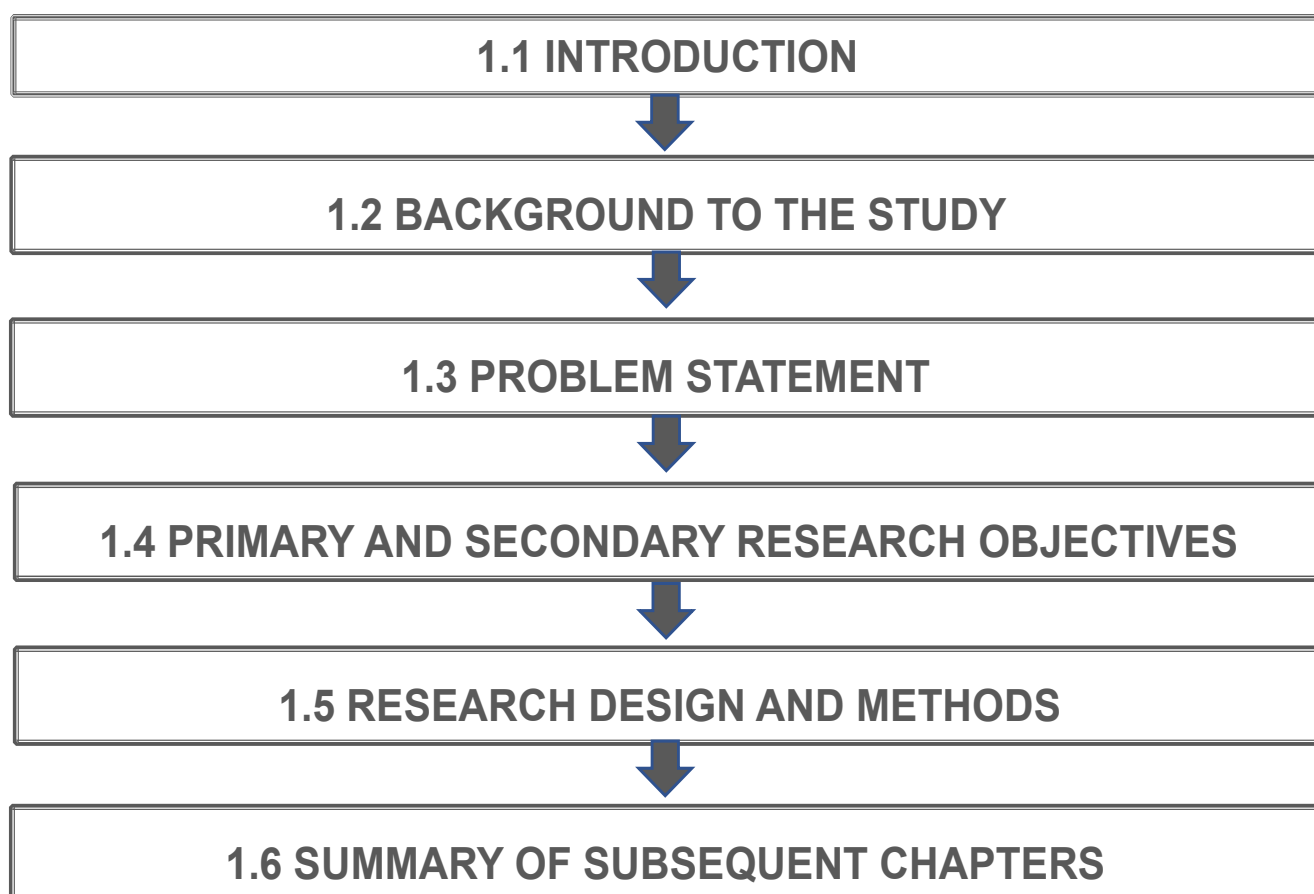


Figure 1.1: Flow diagram of Chapter 1

Source: Author's own compilation

Tourism is the fastest growing economic sector in the world, with the World Travel and Tourism Council (WTTC) estimating that from direct and indirect activities

combined, the travel and tourism (T&T) sector now accounts for a remarkable 9.5% of global gross domestic product (GDP), 5.4% of world exports and one in 11 jobs on the planet (Travel and Tourism Global Competitive Report, 2015). According to the United Nations World Tourism Organisation (UNWTO, 2015) international travel, whether for recreational, leisure or business purposes, has become one of the fastest growing economic activities worldwide, predicted to reach 1.8 billion by 2030. The report further states that in South Africa, the travel and tourism contribution to GDP was R113.4 billion, translated to 3% of GDP in 2014, and the forecast was that this was going to rise by 4.6% from 2015 to 2025.

Richardson (2010) mentions that many developing countries have managed to increase participation in the global economy through development of international tourism. The same author further states that international tourism development is increasingly viewed as an important tool in promoting economic growth, alleviating poverty and advancing food security. This point is further argued by Akama and Kieti (2007) who revealed that the overall effect of tourism is maximised through enhancing linkages with other local economic sectors, such as agriculture and small enterprises, which enhance the multiplier effect thus contributing to increased retention and creation of employment opportunities for local people. That is why tourism is often described as having a snowball effect in terms of contributing to economic growth, since the development of new tourism destinations is usually accompanied by the arrival of new businesses and non-governmental organisations (NGOs) (Honey & Gilpin, 2009).

It is for this reason that the travel and tourism industry is not only known for its contribution to the GDP, but also for its potential to contribute to employment, raising of national income and contribution to the balance of payment as mentioned by Honey and Gilpin (2009) and this is further confirmed by the Travel and Tourism Global Competitive Report (2015). Based on this report, tourism is perceived to be an important driver of growth and prosperity and ultimately plays a key role in poverty alleviation. As an engine for economic growth, tourism has been found to be resilient and associated with positive outcomes in terms of generating foreign exchange, creating employment and stimulating domestic consumption (Durberry, 2002; Modeste, 1995; Steiner, 2006).

This study focused on the topic of sustainability of small and medium enterprises (SMEs), which operate in the tourism sector within the South African (SA) township environment, particularly Tshwane townships in South Africa. In the study, the motivators, barriers and benefits of entering the tourism industry were explored as well as perceived requirements for these SMEs to achieve sustainability. The primary objective was to develop a framework for SMEs operating in township tourism environments, which could enable them to attain sustainability and survival in the long term. A framework was drafted taking into account the challenges these SMEs face in their daily operation as well as the best practices that were perceived to be essential ingredients for the SMEs to achieve sustainability.

1.2 BACKGROUND TO THE STUDY

In South Africa, tourism has also become an important sector, to such an extent that the government of South Africa has included it in its six strategic priorities aimed at improving the living conditions of the citizens of the country (SA Government online, 2012). The other priorities are health, education, rural development, creation of decent jobs and eradication of crime. According to the WTTC Report (2015), in 2014, the direct contribution of travel and tourism to South Africa's GDP was 3%, amounting to a total of R113.4 billion. In the same year (2014), the direct contribution to employment was 4.5% of total employment, which amounted to 679 500 jobs. This indicates how important tourism has become in South Africa. This is diagrammatically represented below in Figure 1.2:

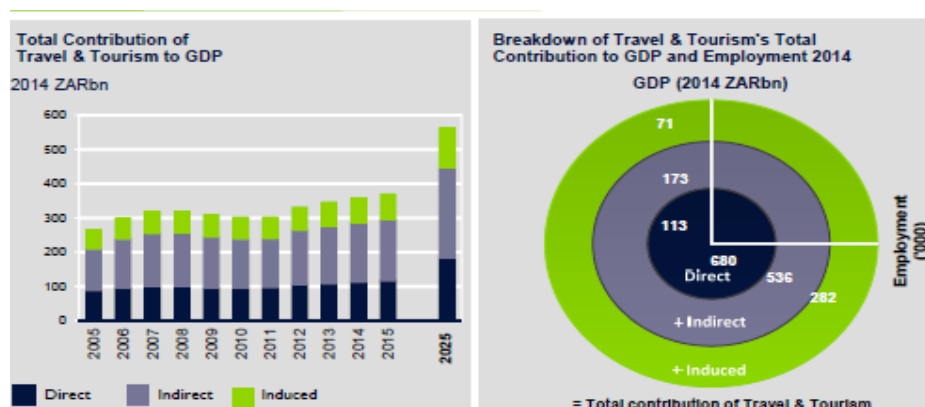


Figure 1.2: Contribution of travel and tourism to employment and GDP in South Africa

Source: WTTC Report (2015)

Furthermore, South Africa developed Millennium Development Goals (MDGs) as reported in the Millennium Developmental Goals Report (2015). These goals are outlined as a set of planning tools to lead and manage the development of the country. Tourism is highlighted as part of these developmental goals due to its perceived value to contribute to economic development of the country, job creation and its ability to alleviate unemployment (Millennium Development Goals Report, 2015).

The National Department of Tourism (NDT) Quarterly Report (2015) further echoes this through the mission of its department, which is to make tourism a key growth pillar as recognised by the SA National Development Plan (NDP). The National Planning Commission (NPC) (2011) has also acknowledged tourism as one of the central drivers of the economy and employment creation of the country, envisaging that the sector could contribute to sustainable economic growth and poverty reduction.

In addition, the NDT recognises that tourism is a labour intensive sector with a supply chain that cascades down into the national economy, hence having the potential to create jobs. Due to this realisation, the NDT has facilitated the creation of the Tourism Enterprise Partnership (TEP), which is a flagship private-public partnership (PPP) that has been facilitating job creation and enterprise development with the focus on SMEs in the tourism industry since 2000 (TEP Report, 2008). In support of this, the Media Club South Africa (2015) states that, in South Africa, the tourism industry is seen as a major contributor towards halving unemployment by 2020 due to it being labour-intensive and having fewer entry barriers.

As a result of this perceived attractiveness, the tourism industry has witnessed the entry of a number of SMEs in pursuit of opportunities that exist within this vibrant industry. When South Africa was offered an opportunity to host the 2010 FIFA World Cup in 2004, the opportunities in the industry were even more inflated, than when we hosted prior events, leading to more SMEs entering the industry, especially in the Gauteng townships (TEP Report, 2008).

In Gauteng, there are two main cities, Johannesburg and Tshwane, the latter formerly known as Pretoria. There are two stadiums in Gauteng and one in Tshwane,

which hosted parts of the 2010 World Cup, with a total of 21 matches taking place between these two cities. This then translated to a large number of tourists visiting the region around that period; hence, the increase in the number of township tourism SMEs in this region. This is further confirmed by a South African Tourism (SAT) 2010b report, where it was reported that 309 554 tourists arrived in South Africa with the primary purpose of attending the 2010 FIFA World Cup. Of the 309 554 visitors, 223 039 visited Gauteng (SAT, 2010b).

Following the establishment of a dedicated ministry looking after small businesses in 2013, the president, during his State of the Nation Address as cited in the South African Government (2016), emphasised the importance of SMEs as a driver of economic growth in South Africa. SMEs are recognised as having potential to facilitate economic growth, but the challenge is that they have not played this role to the fullest in South Africa. The South African Government (2016) stated that the full potential of SMEs has not been unlocked.

The importance placed on SMEs by the SA government as a way of creating economic growth and curbing unemployment, has given rise to this study, which investigated the sustainability of tourism SMEs in Tshwane townships because of their perceived importance in facilitating economic growth in South Africa and to create a framework for these enterprises. A Statistics South Africa (Stats SA) Report (2016) stated that in Tshwane, unemployment stood at 26% during the first quarter of 2016 compared to the 27.7% national unemployment rate. Therefore, unemployment is a serious challenge in South Africa, which could be alleviated by SMEs. Van Scheers (2010) concurs with this by stating that SMEs show positive signs and are predicted to be the biggest contributor to economic growth and employment in South Africa, but they seem to fail within the first 10 years of existence for various reasons, one of them being financial sustainability.

This thinking is further articulated in the White Paper on National Strategy for the Development and Promotion of Small Business in South Africa (South Africa, 1995). This White Paper outlines an elaborate policy and strategy framework for small businesses. The rationale of the SA government for small business promotion is articulated as set out below.

With millions of South Africans unemployed and/or underemployed, government had no option but to give attention to the fundamental task of job creation, and to generating sustainable and equitable growth. Small, medium and micro-enterprises (SMMEs) represent important means to address the challenges of job creation, economic growth and equity in our country. Throughout the world, it is believed that SMEs are playing a critical role in absorbing labour, penetrating new markets and generally expanding economies in creative and innovative ways. With the appropriate and enabling environment, SMEs in South Africa could follow these examples and make an indelible mark on the economy. The stimulation of SMEs must be seen as part of an integrated strategy to take the economy onto a higher level, one in which our economy is diversified, productivity is enhanced, investment is stimulated and entrepreneurship flourishes (South Africa, 1995).

This aptly captures the perceived role of SMEs in South Africa and was the rationale for this research. Academic research is also outlined in section 1.2 of the White Paper and further highlights the need for this study.

Abor and Quartey (2010) are of the view that SMEs in South Africa contribute between 52% and 57% of the GDP and 61% to unemployment. They further estimate that 91% of formal businesses are SMEs. In the second quarter report, Stats SA (2015) presents the following statistics regarding SMEs:

KEY INDICATORS	2015Q2
Number of SMMEs	2 251 821
Number of formal SMMEs	667 433
Number of informal SMMEs	1 497 860
SMME owners as % of total employment	14%
% operating in trade & accommodation	43%
% operating in community services	14%
% operating in construction	13%
% operating in fin. & business services	12%
% contribution to GDP	42%
% black owned formal SMMEs	34%
% operated by income group < R30k pa	7%

Figure 1.3: Key indicators relating to SMEs in South Africa for the second quarter of 2015

Source: Stats SA Report (2016)

Figure 1.3 above demonstrates that SMEs are important in most developing economies, especially in South Africa, as they create jobs, ensure there is economic development and contribute to the GDP.

Therefore, the **primary objective** of this research project was to investigate the sustainability of tourism SMEs in Tshwane townships, with an aim to design a framework that could be used by other SMEs, which intend to enter the tourism industry, in order to ensure that they are sustainable and can contribute towards the expansion of the SA economy.

This research was conducted on tourism SMEs in Tshwane townships in Gauteng, a province of South Africa.

Having introduced the topic above, this chapter presents the research problem, followed by the primary and secondary objectives, which guided this research on the sustainability of Tshwane township tourism SMEs. The methodology used is also presented. This chapter concludes with a summary of subsequent chapters in this dissertation.

1.3 PROBLEM STATEMENT

The brief outline presented in the introduction above, motivated by the White Paper on National Strategy for Development and Promotion of Small Business in South Africa (South Africa, 1995) is an indication that SMEs are important, especially in a country like South Africa, which is reliant on these businesses to achieve economic growth and combat unemployment. If South Africa is unable to support and sustain these enterprises, the goal of having these enterprises play a major role in economic development will only become a dream.

Research by Tshabalala and Rankhumise (2011) provide a SA perspective to the challenges facing SMEs in the country. Their research revealed that economic issues, such as access to finance were major barriers preventing small businesses from being sustainable and that owners have no control over these. Tshabalala and Rankhumise (2011) raise the need for viable rescue plans that could include the introduction of stimulus packages from government. This was part of the motivation for the present study.

Fortaki and Garwe (2010) also studied the obstacles to the growth of SMEs in South Africa using a principal component approach. They conclude that new SMEs are seen as a significant component of the solution to South Africa's developmental issues. The authors further argue that, until their study in 2010, most new SMEs had not grown and their failure rate was at 75% due to a variety of internal and external factors. The major internal factor identified in Fortaki and Garwe's (2010) study was the financial factor such as access to capital, and the major external factor identified was the economic factor, such as competition in the environment. These were further explored in the present study (see chapter three).

A further study by Abor and Quartey (2010) compared developmental issues between SMEs in Ghana and South Africa. These researchers identified a number of similarities between SMEs in these two countries. The extent of the developmental issues differed though; however, most cases studied cited access to finance as the greatest concern that prevents them from playing the developmental role they are supposed to play in their respective countries. Tax and many other incentives by government were identified as some of the ways that could facilitate the growth and sustainability of the enterprises investigated in the present study. Abor and Quartey (2010) confirm research by Tshabalala and Rankhumise (2011) cited earlier, where the conclusion was that financial challenges such as access to finance were a major challenge preventing SMEs from being sustainable in the long term in both Ghana and South Africa.

The above-mentioned are some of the previous studies conducted on SMEs and sustainability, and they provided the rationale for the present study. Based on the high failure rate of the SMEs in South Africa, confirmed by Van Scheers (2010) to be at 90% within the first ten years of existence, this research investigates the sustainability of tourism SMEs in Tshwane townships.

1.3.1 Purpose of the study

The three studies quoted above focused on financial sustainability of SMEs in general, whereas, this study focused on determining how tourism SMEs in Tshwane townships could be sustained.

The present study further probed into the impediments that prevent the tourism SMEs from being sustainable. Based on the questions asked to respondents, knowledge was gained regarding the best practices, training, stimulus packages, skills, etc. that could be used to enhance sustainability of Tshwane tourism SMEs, so that they could play a greater role in economic development of the country.

The study took into account the various suggestions from the SMEs and converted these into a framework, creating an effective tool that could be used to develop and nurture all SMEs who intend becoming sustainable. This framework satisfied the requirement of the overall purpose of the study.

1.3.2 Research question

The research question for the current study was phrased as follows:

What are the current challenges that Tshwane township tourism SMEs experience that impede them from being sustainable in the long term, and what practices can be implemented to enable these SMEs to obtain sustainability thus contributing to economic development in South Africa?

The next section will outline the primary and secondary research objectives.

1.4 PRIMARY AND SECONDARY RESEARCH OBJECTIVES

This section will outline both the primary and secondary research objectives.

1.4.1 Primary research objective

To address the research problem and question outlined in section 1.3 above, the primary research objective of the study was to investigate the sustainability of Tshwane township tourism SMEs through creation of a framework that will enable SMEs to contribute to the economy of the country as a whole.

1.4.2 Secondary research objectives

To address the primary research objective above, this research attempted to:

- determine the profile of tourism SMEs in Tshwane townships;

- identify the motivations for these individuals to enter the tourism industry as SMEs;
- determine the type of financial benefits that encouraged Tshwane township tourism SMEs to enter the tourism industry and to determine whether those opportunities were still in existence at the time of this study, or not;
- explore the barriers and/or successes that the Tshwane township tourism SMEs have encountered for them to be sustainable businesses, or not.
- recommend appropriate guidelines that could enhance the sustainability of tourism SMEs in Tshwane townships leading to the creation of an SME sustainability framework.

1.4.3 Possible contributions of the study

The following were perceived to be the main contributions of the study:

- to provide an effective framework to all tourism SMEs, which could be used to ensure they are sustainable and thus contribute to the economic growth of the country; and
- to provide township tourism SME owners with an outline of skills and knowledge required to manage sustainable tourism enterprises.

The findings of the present study illustrated the role that owners, government and tourism authorities could play should they want to participate in creating and maintaining sustainable SMEs. The various ways of dealing with barriers is also identified in the study, leading to the design of effective sustainability strategies for SMEs.

1.5 RESEARCH DESIGN AND METHODS

The next section summarises the research methodology followed in conducting the study. The detailed research design and methodology are discussed in Chapter 4.

1.5.1 Background to methodology

According to Cooper and Schindler (2014), the research design is a blueprint for fulfilling the objectives and answering the research question. This research aimed to

explore the sustainability of tourism SMEs in Tshwane townships. The purpose was therefore considered to be both exploratory and descriptive in nature. A study provides specific details of a situation and focuses on the 'who', 'what', 'when', 'where' and 'how' of a topic (Cooper & Schindler, 2014). The present study was about the sustainability (what) of Tshwane township (where) tourism SMEs (who).

In order to address this purpose, a survey strategy was followed and quantitative data was collected using a cross-sectional design. This was considered the most effective and inexpensive form of strategy, namely descriptive exploratory research.

1.5.2 Research setting

The study focused on gathering quantitative data from formal and informal small and medium tourism business enterprises located in Tshwane townships. Data was collected primarily from the owners of these businesses; however, in cases where the researcher could not locate these owners during the period of the research, information was sought from partners and/or managers of these businesses. The businesses chosen excluded NGOs as these are managed and funded differently from the ordinary SMEs.

1.5.3 Survey population and sampling frame

The survey population for this study was considered to be all small and medium tourism enterprises operating in Tshwane townships. To facilitate the process of sampling, a database in excess of 300 Tshwane township tourism SMEs was obtained from the City of Tshwane. This list constituted the sampling frame and unit of analysis for the study. This is contained in Appendix C of this research document.

1.5.4 Sampling

Using the sampling frame or the unit of analysis as reference for the study, a sample of 160 Tshwane Tourism SMEs was used for the study. Pallant (2011) indicates that samples in excess of 100 are considered large. A large sample contributes towards the reliability of the data. SMEs were included on the basis of accessibility, availability and willingness to participate. As such, the sampling method was considered to be convenience sampling. Walliman (2011) describes convenience sampling (also known as 'haphazard sampling' or 'accidental sampling' as a type of

nonprobability sampling where members of the target population who meet certain practical criteria, such as easy accessibility, geographical proximity, availability at a given time, or the willingness to participate are included for the purpose of the study. This sampling method was used in the present research as it was most appropriate method to use. In addition, the researcher interviewed managers/owners who were available and willing to participate at the time of the research.

1.5.5 Measuring instrument and data collection

A structured questionnaire served as data collection instrument. This instrument was chosen as it is ideal for collecting large quantities of data in a uniform manner and helps in structuring the data collected (Walliman, 2011). The questionnaire comprised seven sections containing structured and unstructured questions. The details of the structure of the questionnaire are discussed in Chapter 4, and the detailed questionnaire is presented in Appendix B of this dissertation.

Most interviews were conducted telephonically during January and February 2016. In a limited number of cases, respondents requested that interviews be conducted personally at the business premise. An appointment was set with the respondent and the questionnaire completed with the assistance of a trained fieldworker at the business premises.

1.5.6 Presentation of results and data analysis

A spreadsheet that was created during the data editing process was imported into IBM SPSS Version 22 (Statistical Package for the Social Sciences [SPSS]), a statistical software package. This software was used as a tool to analyse the data. The recording and transfer of data were made easier due to the fact that all questions and possible answers were pre-coded in the questionnaire. Therefore, responses were recorded against each of the codes corresponding to the question. The details of methods used in presentation of data are contained in Chapter 4.

Data analysis involved constructing basic frequency and descriptive statistics, and these are presented in tables and graphs where relevant. Further to this, inferential statistics were calculated and advanced multi-variate techniques employed to identify underlying trends and relationships (Pallant, 2011). Factor analysis was also

conducted to test the relationship between different variables (Pallant, 2011) and this is presented. Details of methods used in the analysis of data are reflected in 4.8.

1.5.7 Validity and reliability

The collection of the data was preceded by a pilot study in January 2016, in order to assess the validity of the survey instrument. This process involved several steps. Firstly, the questionnaire was assessed by two experts who were considered knowledgeable in the field of tourism research. These experts were faculty members of an academic department linked to tourism management from a tertiary university. The aim of this step was, as advised by De Vellis (2003), for the experts to review the set of questions and to assess for each question, the clarity, relevance and coverage of the content area being measured.

Secondly, following minor amendments based on suggestions from the experts, the questionnaire was also presented to five owners of tourism SMEs in Tshwane townships. These owners were selected from the sampling frame and were therefore considered relevant representatives given the target survey respondents. The respondents were requested to assess the survey instrument in terms of several aspects, namely clarity of instructions, whether any questions were unclear or ambiguous, layout and time taken to complete the questionnaire. Feedback received was evaluated by the researcher and where relevant, adjustments were made.

Thirdly, the survey instrument was presented to a statistician prior to undertaking the field work. The statistician was asked to assess and verify the envisaged data analysis plan, given the quantitative data to be collected.

Lastly, all questions drafted were linked to specific objectives to check which objective they addressed. The above-mentioned steps all contributed towards establishing acceptable validity of the instrument.

The significant sample size ($n=160$) realised for this study contributed towards reliability of the data, that is, to obtain data that was considered to be stable and consistent irrespective of the fact that a nonprobability sampling method was employed to select sample units.

Before the field work was done, ethical clearance was obtained, and the study was conducted according to the research policy of Unisa. The ethical clearance certificate is contained in Appendix B. The next section provides brief summaries of the chapters in this study.

1.6 SUMMARY OF SUBSEQUENT CHAPTERS

This section provides a summary of the chapters within this dissertation. These are also diagrammatically presented in Figure 1.4.

Chapter 2 defines tourism and related terms in the context of the study. It commences with an overview of the SAT industry. Thereafter a definition of 'tourism' is provided followed by a description of 'sustainable tourism' and its link to SMEs as well as township tourism. The discussion then moves to special interest tourism and the link to township tourism, which was at the core of the study. Finally, the chapter explores the link between tourism and entrepreneurship.

Chapter 3 considers small and medium enterprises. It first provides an extensive definition of an SME, then moving on to exploring various global views on the role of SMEs. The sub-Saharan African, South African and tourism industry views on SMEs are also explored together with the role SMEs play in economic development. The chapter concludes with a discussion on the theory chosen to be at the centre of the study, which was the Porter's Five Forces theory of industry analysis.

Chapter 4 outlines the route map followed in conducting the research study. The research design is also provided. The research methodology chosen for the study is discussed in detail and substantiated. The population from where the sample was chosen is deliberated as well as the sample frame and sample size. The measuring instruments used together with the sampling methods chosen and their relevance are also presented. In addition, the methods used in presenting and interpreting the results are presented. The testing of validity of data is also discussed in this chapter.

Chapter 5 presents the results collected, making use of graphs, pie charts, tables and descriptions of the data collected from the field. The analysis of the data presented is also reflected, linking these results to primary and secondary objectives

of the study. This provides answers as to whether the primary research objective has been met or not.

Chapter 6 provides a summary of conclusions and recommendations of the study. The limitations of the study are highlighted to show how the resultant recommendations can be used in context by other researchers and practitioners. The sustainability framework is also presented in this chapter. Figure 1.4 below shows the outline of the study.

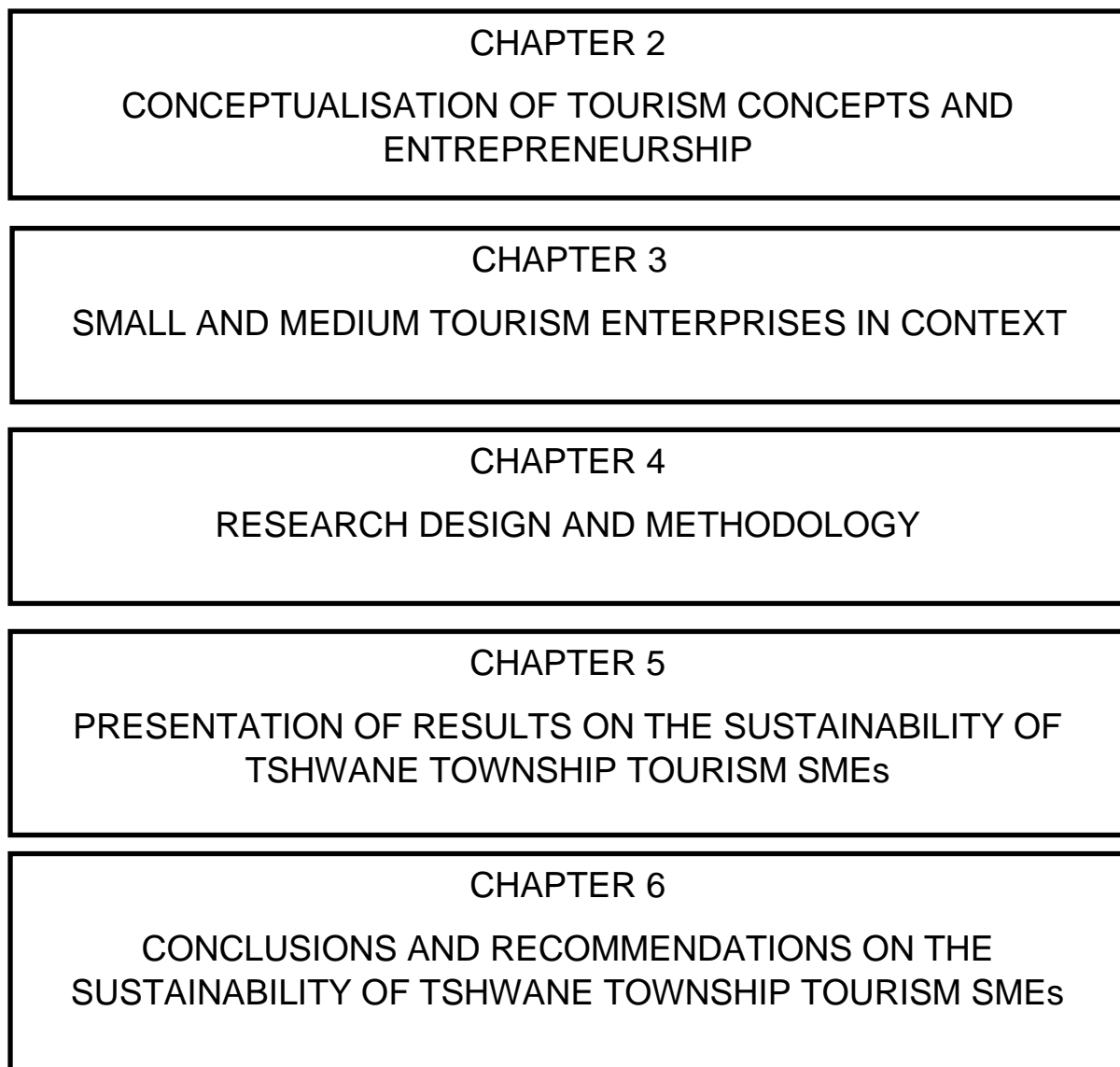


Figure 1.4: Outline of the study

Source: Author's own compilation

1.7 CONCLUSION

This chapter introduced the topic to be investigated, which was the sustainability of small and medium tourism enterprises in Tshwane townships with the aim to design a framework. The chapter also introduced the research problem together with the primary and secondary objectives of the study. These served to guide the study and to ensure that all the steps taken would culminate in answering the primary research objective.

The chapter also introduced the research methodology used in the study and the reasons why it was chosen. In closing, different chapters in the dissertation were summarised.

In Chapter 2, tourism will be defined in the context of the study. This will include providing an overview of the SAT industry and literature linked to sustainable tourism, special interest tourism and township tourism. At the end of the chapter, the link between tourism and entrepreneurship is to be explored.

CHAPTER 2

CONCEPTUALISATION OF TOURISM CONCEPTS AND ENTREPRENEURSHIP

2.1 INTRODUCTION

As an integral part of the process of investigating the sustainability of Tshwane township tourism SMEs with the aim of creating a framework, this chapter will commence with a brief synopsis of the South African (SA) tourism industry. This is followed by a brief description of tourism concepts relevant to the study, namely sustainable tourism, special interest tourism and township tourism. The chapter ends with a discussion of tourism and entrepreneurship. The chapter layout is schematically represented in Figure 2.1 below:

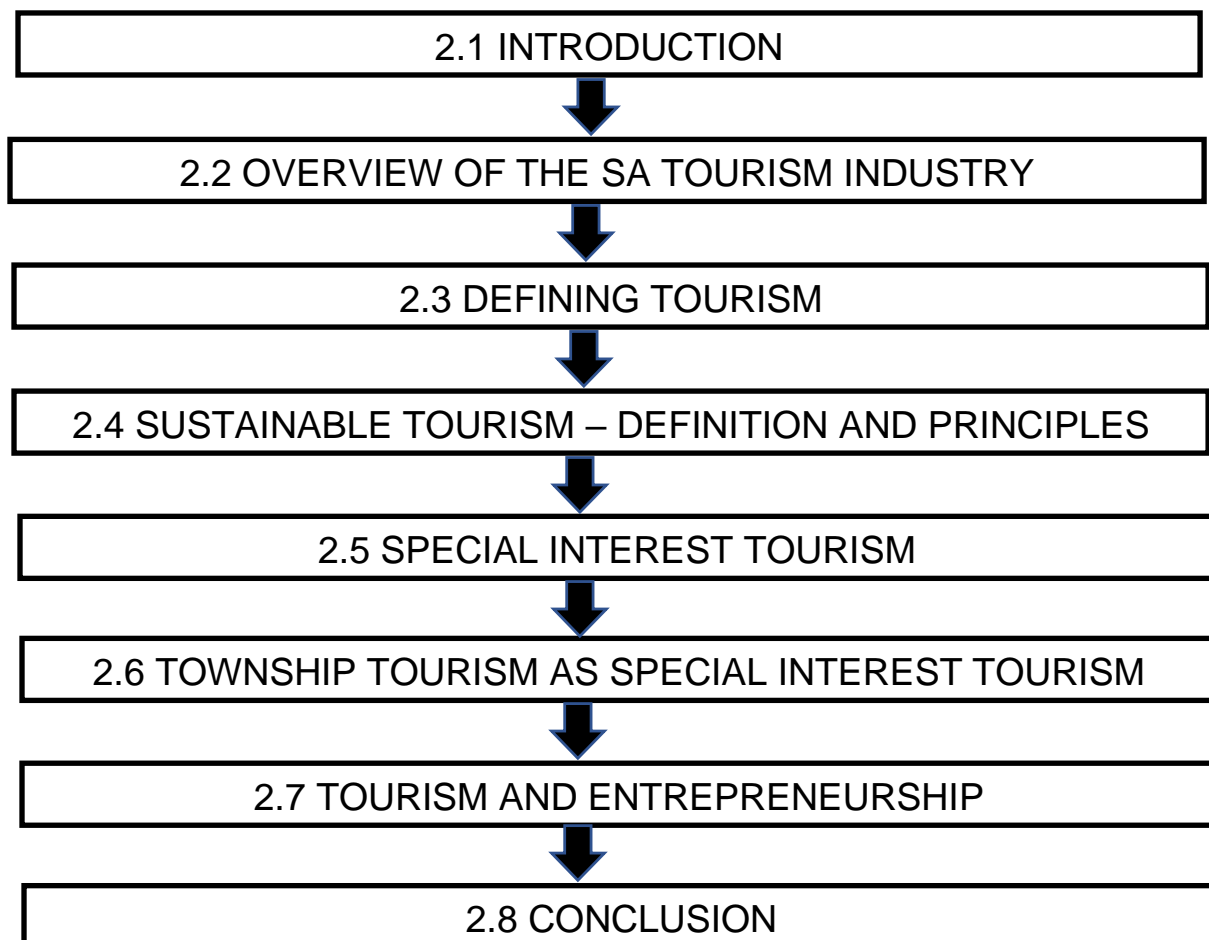


Figure 2.1: Flow diagram of Chapter 2

Source: Author's own compilation

The above-mentioned concepts were defined and explored to ensure consistent interpretation within the context of the study. These concepts had either a direct or an indirect effect in terms of solving the research problem. Hence, their exploration as part of the literature review was critical in order to illustrate differing views and approaches relating to the study. Furthermore, these concepts provided clarity to the research objectives, which regarded the sustainability of Tshwane tourism SMEs, with a view to develop a framework for SMEs. In Chapter 5, the arguments presented by various authors are compared with the results of this study.

The above-mentioned concepts were explored by way of a literature review, which is described by Mahembe (2011) as a systematic, explicit and reproducible method for identifying, evaluating and synthesising the existing body of completed and recorded work produced by researchers, scholars and practitioners. The literature review enabled the author to evaluate the relevant concepts and to relate them to the research objectives to provide clarity on the sustainability of tourism SMEs in Tshwane townships; thus, assisting in developing a framework for SMEs in Tshwane townships.

Before the identified terms relevant to the study are discussed in detail, it is important to provide an overview of the SA tourism environment. This overview provides context on the development of the tourism industry since 1993 as well as the manner in which SMEs form part of this industry.

2.2 GENERAL OVERVIEW OF THE SA TOURISM INDUSTRY

In South Africa, prior to the release of the political prisoners in 1990 South African History (2016) there was a very small tourism market due to pass laws and influx controls, and no more than one million foreign arrivals into the country (SAT, 2010a). Following that, with the proposed changes in the country and sanctions being lifted, the tourist arrivals increased slightly and decision-makers started paying more attention to the industry as well as its potential to facilitate growth and create jobs. As a result, by 1994, the year of the first democratic elections, the annual number of

foreign visitors stood at 3.7 million (Department of Environmental Affairs and Tourism [DEAT], 2004).

After 1994, due to the potential of tourism to create jobs, earn foreign currency and provide economic opportunities to historically disadvantaged communities, tourism was identified as one of the top economic sectors to reverse a sluggish economy, mobilise domestic and foreign investment and develop an SME industry (DEAT, 2004). Tourism, together with the other identified growth industries, was included in the participative process aimed at giving members of society a voice in the government policy making process. This emanated in the creation of a White Paper on the Development and Promotion of Tourism in South Africa (White Paper of 1996), (South African Government, 2004). According to the DEAT Report (2004), this White Paper established the three-tiered vision of a tourism industry in South Africa that would be government-led, private sector-driven and community-based, as illustrated in Figure 2.2. This White Paper also set the stage for responsible tourism as a key guiding principle for tourism development in the country.

The three-tiered vision for a tourism industry in South Africa can be represented diagrammatically as follows:

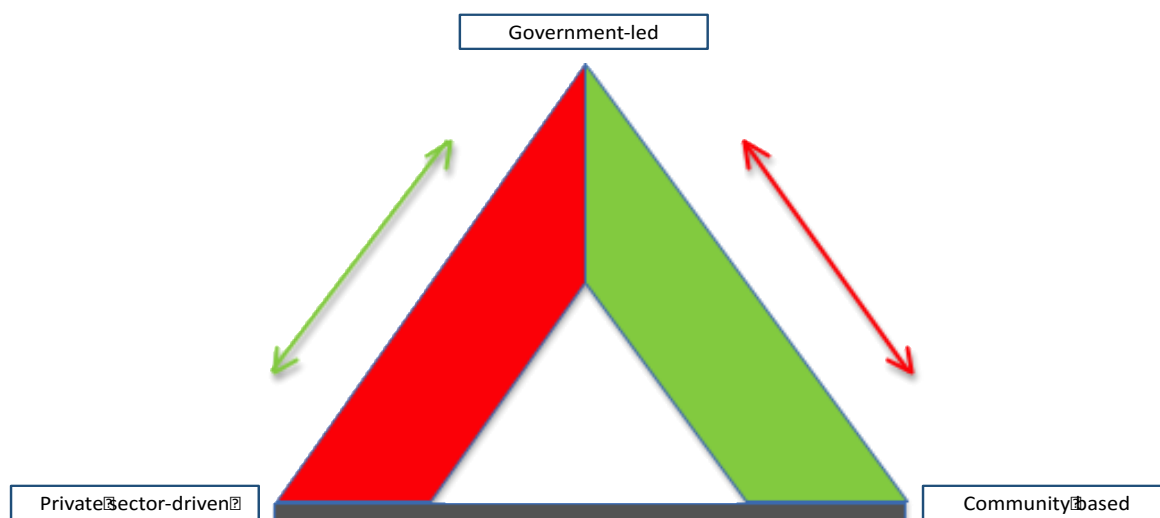


Figure 2.2: Three-tier vision for a tourism industry in South Africa

Source: DEAT (2004)

Prior to the creation of the White Paper, tourism was regulated by the Tourism Act (Act No. 72 of 1993) (DEAT, 2004). This Act provides for the promotion of tourism to

and in South Africa, as well as for the further rationalisation of the tourism industry. The Tourism White Paper quoted above provide a framework and guidelines to achieve the objectives of the Act (Spenceley, 2008). To date this Act, with its amendments over the years, still regulates the tourism industry in South Africa.

The DEAT Report (2004) highlights the following milestones in the SA Tourism environment between 1996 and 2002:

Table 2.1: Milestones in the SA tourism environment between 1996 and 2002

Year	Highlight(s)
1996	Formation of the Tourism Business Council of South Africa (TBCSA) as a representative of the SA tourism industry. The establishment by provinces of provincial tourism authorities (PTAs) and mechanisms to develop this sector
1999	Amendment of the Tourism Act to transform the SA Tourism Board
2000	Tourism Grading Council of South Africa (TGCSA) constituted to drive the grading system, which was previously under SA Tourism. Cabinet approval to unfree tourism strategy through which other government departments and spheres of government would assist tourism industry through their activities to grow tourism.
2001	Cabinet approval of the Tourism Transformation Strategy (DEAT, 2004) Enactment of the Second Tourism Amendment Act (Act 10 of 2001) to formalise tourism guiding.
2002	Ratification by South Africa of the Southern African Development Council (SADC) Tourism Development Protocol. Signing of tourism international agreements with about 20 countries. South Africa joined various tourism organisations i.e. the World Tourism Organisation (WTO), the Regional Tourism Organisation Of Southern Africa. (RETOSA), the Africa Travel Association (ATA), etc. Launch of the Tourism Growth Strategy (South African Tourism, 2010d).
2003	Cricket World Cup hosted in South Africa
2004	FIFA World Cup announcement
2009	Method of reporting changed SA hosted Confederation Cup
2010	FIFA 2010 Soccer World Cup hosted
2011	Launch of the National Tourism Sector Strategy (South African Tourism, 2010d)
2015	SA Tourism review

Source: DEAT (2004)

For the first time, tourism in South Africa was officially referred to as the 'new gold' of the SA economy in 2004. The *Business Day* newspaper that year reported that "the total foreign direct spend of tourists has overtaken gold foreign exchange earnings and has outperformed all other sectors in terms of both GDP and job creation" (SAT, 2010b). This happened after the 2002 boom in tourism, where the total number of foreign tourist arrivals grew by an unprecedented 11.1% to 6.4 million. That year, the country became the fastest growing destination in the world (SAT, 2010). In 2004, the Domestic Growth Strategy was launched.

Spenceley (2008) argues that by the early 2000's the SA tourism industry was still very small compared to the rest of the world. In 2007, the industry only represented 1.3% of the world tourism market. However, since the 1990s, the SA tourism industry grew at an annual rate of 6.2% compared to 4.3% for the world (Spenceley, 2008).

On 15 May 2004, another boost in the tourism industry occurred when the president of the Federation of International Football Associations (FIFA), Joseph 'Sepp' Blatter, announced that South Africa would host the 2010 Soccer World Cup. The announcement was made in Zurich, where South Africa was represented by a delegation that included Nelson Mandela and head of the Local Organising Committee (LOC), Danny Jordaan (SA History online 2016). This announcement changed the tourism industry landscape, as South Africa became the centre of attention globally with people waiting in anticipation to see if the country would be able to deliver on the promise of hosting an international event. This announcement was also seen as one of the ways in which the SME tourism industry could be boosted (Department of Tourism, 2011).

It is important to mention that SAT changed their method of reporting on tourist numbers before 2009. In 2009, they began excluding day visitors from their reporting and thus it appeared that there was a drop in the number of tourists (South African, 2015). This was to ensure that the reporting was in line with international standards.

The World Cup was preceded by the Confederation Cup. The success of the 2009 Confederation Cup contributed considerably to the increase in tourism. In preparation for the 2010 World Cup, government spent millions on infrastructure upgrades and on building stadiums, airports, roads, etc. These sports events created a legacy for

South Africa, causing the country to be regarded as a world-class destination (Department of Tourism, 2011).

By 2009, South Africa welcomed approximately 9.9 million visitors, with an estimated contribution of about R67 billion, or 3% of the GDP of the country (Department of Tourism, 2011). This was an indication that South Africa was indeed on an upward trajectory. To highlight the importance of tourism, in the same year, a stand-alone ministry with its own Department of Tourism was created, called the National Department of Tourism (NDT).

South Africa, just like the rest of the continent, is endowed with impressive attractions that are packaged for both local and international tourists. Nature-based tourism is regarded as an important element of South Africa's tourism products. Swartbrooke (2002) argues that the SA tourism market is characterised by wildlife and people as the main attractions. Other types of tourism attractions are beaches, wine and special interest tourism, which includes, amongst others, township tourism. Special interest tourism as well as township tourism will be discussed later on in this chapter (see 2.5 and 2.6).

The steady rise in popularity of South Africa as a tourist destination also resulted in other international events being hosted by South Africa. The FIFA World Cup soccer tournament held in South Africa during 2010 was a good example of a mega event at a global stage leading to many others.

The 2010 FIFA Soccer World Cup attracted a total of 309 554 foreign tourists to South Africa. This resulted in an amount of R3.64 billion added to the local economy. Tourism growth was boosted to 15.1% in the year 2010 (South African Tourism 2010a). This was a huge improvement on the 4.5% annual growth predicted for South Africa by the World Travel and Tourism Council (WTTC, 2015). The 2010 World Cup paved a positive path forward for the SA tourism environment. However, the country still has a long way to go in terms of becoming a top international tourist destination (Department of Tourism, 2011).

During 2011, the NDT also launched the National Tourism Sector Strategy (NTSS). This was aimed at inspiring and accelerating responsible growth of the tourism industry from 2010 to 2020. According to the Department of Tourism (2011), the

following objectives were set to guide the implementation of the NTSS. These are important to mention as they paved the way for the new tourism environment in South Africa and targets were created until 2020 for each tourism sub-sector based on these objectives:

- to grow the absolute contribution of the tourism sector to the economy;
- to provide excellent people development and decent work within the tourism sector;
- to increase the contribution of domestic tourism to the tourism economy;
- to contribute to the regional tourism economy;
- to deliver a world-class visitor experience;
- to entrench a tourism culture amongst South Africans;
- to position South Africa as a globally recognised tourism destination brand;
- to achieve transformation within the tourism sector;
- to address the issue of geographic, seasonal and rural spend;
- to promote responsible tourism within the sector; and
- to unlock tourism economic development at local government level.

Just as was highlighted by the Tourism Growth Strategy (TGS), the NTSS also emphasised the unlocking of the potential at local level through the creation and support of tourism SMEs. The various initiatives aiming at achieving the above objectives were launched from 2011 onwards.

The management structure of the SA tourism sector is as schematically represented in Figure 2.3 in the next page.



Figure 2.3: Management structure of the SA tourism sector

Source: Author's own compilation

In 2015, the newly appointed Minister of Tourism, Mr Derek Hanekom, set up an SAT Review Committee to review its vision, mission, strategy and plan, and the performance of SAT against its mandate. As part of its brief, the committee was tasked to review the institutional landscape and governance arrangements of the institution (SAT). The recommendation in this review report (to be fully published in 2017) will determine the way forward for SA Tourism (SAT Review Report, 2015).

The WTTC Report (2015) emphasises that the upward trajectory of the tourism industry in South Africa continues. This is demonstrated in figure 2.4.

2015 ANNUAL RESEARCH: KEY FACTS¹

GDP: DIRECT CONTRIBUTION

The direct contribution of Travel & Tourism to GDP was ZAR113.4bn (3.0% of total GDP) in 2014, and is forecast to rise by 3.8% in 2015, and to rise by 4.6% pa, from 2015-2025, to ZAR184.7bn (3.4% of total GDP) in 2025.

GDP: TOTAL CONTRIBUTION

The total contribution of Travel & Tourism to GDP was ZAR357.0bn (9.4% of GDP) in 2014, and is forecast to rise by 3.4% in 2015, and to rise by 4.3% pa to ZAR561.4bn (10.4% of GDP) in 2025.

EMPLOYMENT: DIRECT CONTRIBUTION

In 2014 Travel & Tourism directly supported 679,500 jobs (4.5% of total employment). This is expected to rise by 3.8% in 2015 and rise by 3.0% pa to 948,000 jobs (5.4% of total employment) in 2025.

EMPLOYMENT: TOTAL CONTRIBUTION

In 2014, the total contribution of Travel & Tourism to employment, including jobs indirectly supported by the industry, was 9.9% of total employment (1,497,500 jobs). This is expected to rise by 3.6% in 2015 to 1,551,500 jobs and rise by 2.7% pa to 2,028,000 jobs in 2025 (11.5% of total).

VISITOR EXPORTS

Visitor exports generated ZAR112.9bn (9.6% of total exports) in 2014. This is forecast to grow by 4.5% in 2015, and grow by 5.5% pa, from 2015-2025, to ZAR201.8bn in 2025 (13.2% of total).

INVESTMENT

Travel & Tourism investment in 2014 was ZAR60.5bn, or 7.8% of total investment. It should rise by 0.3% in 2015, and rise by 2.3% pa over the next ten years to ZAR76.0bn in 2025 (7.1% of total).

¹All values are in constant 2014 prices & exchange rates

2015
forecast



WORLD RANKING (OUT OF 184 COUNTRIES):

Relative importance of Travel & Tourism's total contribution to GDP

34 ABSOLUTE Size in 2014	92 RELATIVE SIZE Contribution to GDP in 2014	88 GROWTH 2015 forecast	83 LONG-TERM GROWTH Forecast 2015-2025
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Figure 2.4: 2015 SA tourism facts and figures

Source: (WTTC, 2015)

As evidenced in Figure 2.4 above, the SA tourism sector is on an upward trajectory. This is an indication that this sector continues to be amongst the most lucrative sectors for the SA government and needs constant nurturing to deliver the desired growth. The next section defines the concept of tourism.

2.3 DEFINING TOURISM

This study explored the sustainability of tourism SMEs in Tshwane townships with an aim of developing a framework to aid the SMEs in their pursuit for emancipation. It is

therefore imperative to define firstly the concept **tourism** in order to gain an understanding of how SMEs operate within the tourism environment.

Aniah, Eju, Otu and Ushie (2009) introduce tourism in an interesting manner. These authors claim tourism could be related to the Biblical story of the visit of the Queen of Sheba to King Solomon. The authors further describe tourism as a leisure activity, mainly international in character. Their argument further states that this activity propels movement of people to destinations outside their usual abode or residence on a short-term basis. In the same vein, they see tourism as comprising the visit as well as the service industries created to satisfy the needs arising from temporary movement within or across international boundaries.

In contrast, the official definition of **tourism** by the United Nations World Tourism Organization (UNWTO) (2015) says tourism is the act of travel for the purpose of recreation and/or business, and the provision of services for this act. UNWTO (2015) further defines tourism as comprising activities of persons travelling to and staying in places outside their usual environment for not more than one consecutive year, for leisure, business and other purposes not related to the exercise of an activity remunerated from within the place visited.

This definition states that, in order for the trip to be regarded as tourism, it must comply with certain criteria. The table below highlights the criteria suggested by the UNWTO (2015) for any trip to be regarded as a tourism trip.

Table 2.2: Tourism trip criteria

Criteria	Description
Displacement	There must be movement of people outside their natural environment.
Type of purpose	Travel must occur for any purpose different from wage-earning in the place visited.
Duration	The duration must be a maximum of 12 months and may include or exclude an overnight stay.

Source: UNWTO (2015)

From the table above, it is clear that, unless a trip allows for the movement of people outside their natural environment, has a purpose and takes place within a period of 12 months, it cannot be regarded as a tourism trip.

The UNWTO (2015) further states that there are different categories of tourism. The table below introduces the different types of tourism as cited by the UNWTO.

Table 2.3: Tourism types (UNWTO, 2015)

Tourism type	Description
Inbound international tourism	Visits to a country by non-residents of that country.
Outbound international tourism	Visits by the residents of a country to another country.
Internal tourism	Visits by residents within their own country.
Domestic tourism	Inbound international tourism plus internal tourism.
National tourism	Internal tourists together with outbound international tourists.

Source: UNWTO (2015)

Mathieson and Wall (2007) agree with the UNWTO definition as they describe tourism as the temporary movement of people to destinations outside their normal places of work and residence, the activities undertaken during their stay in those destinations, and facilities created to cater to their needs.

According to MacIntosh and Goeldner's (2006), **tourism** relates to the sum of the phenomena and relationships arising from the interaction of tourists, business suppliers, host governments and host communities in the process of attracting and hosting these tourists and other visitors. This definition, though in line with the UNWTO definition, includes the element of hosting by governments and communities. This is central to tourism as people who go to another destination have to be hosted by the governments and communities they visit. This aligns with the aim of the study as the Tshwane tourism SMEs were regarded as hosts to potential tourists in their communities.

Tourism is also defined as comprising the activities of persons travelling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business or other purposes (Holden, 2003). Holden continues to argue that this challenges the commonly held perception that tourism is purely concerned with recreation and having fun (Holden, 2003). This author further states that besides recognising leisure or recreation (in which he includes travel for

holidays, sports, cultural events and visiting friends and relatives) as the main type of tourism, he draws attention to the fact that people also travel for business, study or education, religious and health purposes. This study also used the questionnaire to establish on which form(s) of tourism most Tshwane township tourism SMEs focus, and whether certain forms of tourism are more effective than others in terms of attaining sustainability.

Janice (2009) echoes Holden's (2003) definition by saying that, in recent decades, the concept **tourism** has broadened as the industry reacted to global changes such as developments in travel, and to the requirements of more conscientious traveller who seeks a specific type and quality of vacation. The industry has therefore seen a slowing of mass tourism and the emergence of specialised markets, including health and wellness tourism, sports tourism, religious tourism, rural tourism, event tourism, eco-tourism, cultural heritage tourism and township tourism. The present study explored the type of tourism product that Tshwane tourism SMEs provide to their tourism clients and established whether their client's choice is perceived to enable tourism SMEs to gain sustainability.

Another dimension to the concept **tourism** is discussed by Hall and Tucker (2004). They argue that tourism has an intimate relationship with post-colonialism in that ex-colonies have increased in popularity as favoured destinations for tourists. These authors further argue that tourism reinforces and is embedded in post-colonial relationships and issues of identity, contestation and representation, which are increasingly recognised as central to the nature of tourism. This argument did not feature prominently in the exploration of the structure of tourism in Tshwane townships. However, in exploring the perceived opportunities and motivators in the Tshwane township tourism environment, if and when these issues arose, they were not explored further as they fell outside the scope of this study.

Mill and Morrison (2002) refer to **tourism** as the term used to describe an activity that occurs when people travel. This, amongst other things, involves planning the trip, travelling to the destination, the activities the traveller undertakes as part of the trip, the interactions between the visitor and the host destination and the return. Mill and Morrison (2002) further argue that the tourism system model describes the interactions of all four parts, i.e. destination, demand, travel and marketing. The

tourism system, though not explored in the study, is of significance. The present study however explored the forms of tourism that are prevalent in Tshwane townships and whether these assist tourism operators in obtaining sustainability.

Finally, Solnet, Kralj and Kandampully (2012) have a different and interesting perspective on tourism. They start by saying that, in terms of both economic productivity and employment, the service sector is the fastest growing and largest economic sector in most developing and developed countries accounting for up to three quarters of the GDP and employment in many countries. Tourism therefore lies within the broad category of service economy. Solnet et al. (2012) further argue that tourism is not an industry but a series of integrated industries usually referred to as people's industries heavily reliant on employees to serve the tourists.

Although the present study did not focus on defining the tourism sector, elements of the tourism sector and its interrelatedness to other industries were of particular relevance for the study, especially when it came to the area of SMEs sustainability.

This section dealt with the generic and broader definitions of **tourism** and how some of the issues within these definitions were dealt with to address the aim of the study. The next section will define sustainable tourism together with its principles.

2.4 SUSTAINABLE TOURISM: DEFINITION AND PRINCIPLES

The rise of green tourism and environmentalism has led to the emergence of another form of tourism, namely **sustainable tourism** (UNWTO, 2015). This was done due to pressure to combat the negative effects of tourism but also to ensure that the field is encouraged to contribute towards environmental, cultural and social enhancement. In this section, attempts to define the concept **sustainable tourism**, through highlighting its principles, are reported. The section also mentions the relevance of sustainable tourism to the study and how sustainable tourism assisted in answering the primary research objective.

Sustainable tourism initially focused on the issues that surrounded the shift from the mass tourism model to a small-scaled tourism model (UNWTO, 2015). Sustainable Tourism highlights questions on how to compensate for the economic disparities

tourism caused; hence, it promotes further fragmentation of the sector (McDonald, 2006).

According to UNWTO (2015), **sustainable tourism** can be described as a form of tourism that takes full account of its current and future economic, social and environmental effects, addressing the needs of visitors, the industry, environment and host communities. UNWTO (2015) elaborates on this by saying that making tourism sustainable means taking these effects and needs into account in the planning, development and operation of tourism. This is a continual process of improvement and one that applies equally to tourism in cities, resorts, rural or coastal areas, mountains and protected areas. This applies to all forms of business and leisure tourism. Dumbraveanu (2004) explored the history of sustainable tourism. The author states that this type of tourism appeared in the 1980s, initially as a new point of view in economic development aiming at reducing the negative effect of tourism on the natural environment. Sustainable tourism was later developed and adopted by the ecology movement for protecting and preserving the world's natural environment.

The idea of adopting sustainable development as a concept in tourism is supported by Baker (2006). After the term **sustainable tourism** had appeared in the mid- to late 1990s, the concept **sustainable tourism** rapidly gained importance in the academic and research fields. Baker (2006) highlights the fact that sustainable tourism dissociates itself as a matter of principle from mass tourism. In essence, sustainable tourism is the opposite of mass tourism as sustainable tourism is a positive approach, intending to reduce tensions and frictions created by the complexities of interactions between tourism industry, tourists, the natural environment and the local community as the host of the tourists (UNWTO, 2015).

UNWTO (1993) therefore highlights sustainable tourism as tourism that leads to the management of all resources in such a way that economic, social and aesthetic needs can be fulfilled while maintaining cultural integrity, essential ecological processes, biological diversity and life support systems. Furthermore, this organisation summarises sustainability principles under the categories of environment, economic and socio-cultural aspects of tourism development. A balance must be established between these three dimensions to guarantee long-term

sustainability. UNWTO (2015) maintains that sustainable tourism should incorporate the environmental, socio-cultural and economic dimensions as illustrated in Figure 2.5 below. These three dimensions are also commonly known as ‘the pillars of sustainable tourism (UNWTO, 2015).

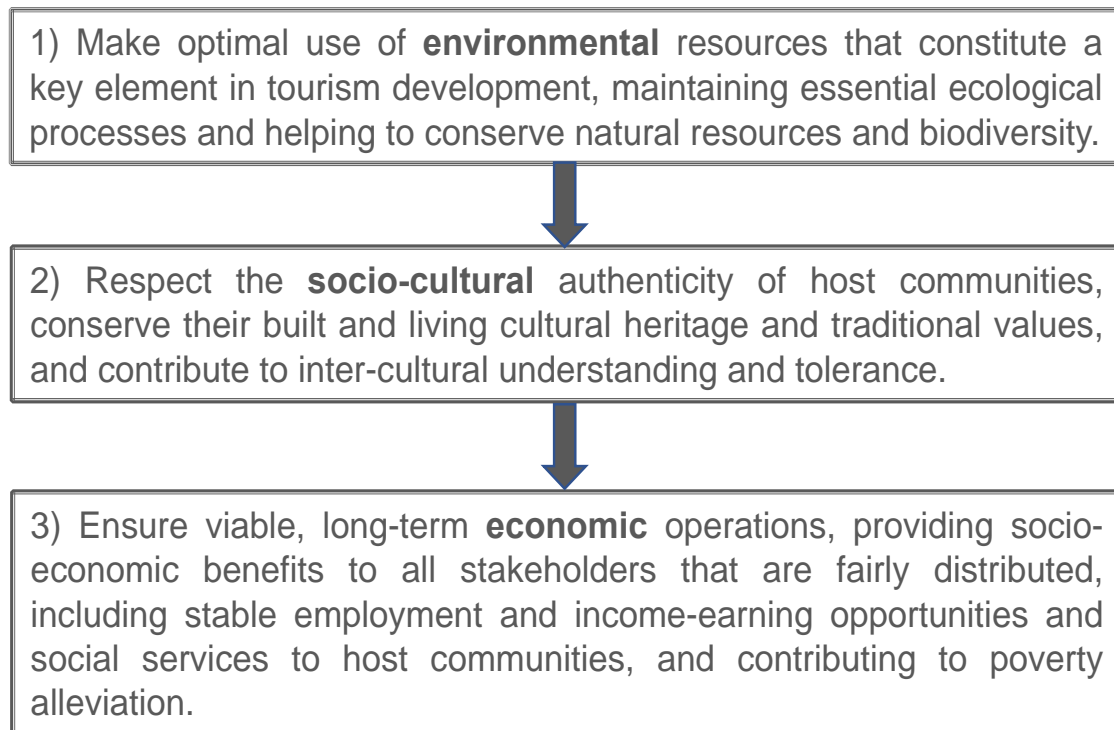


Figure 2.5: Three dimensions of sustainable tourism

Source: UNWTO (2015)

The following principles inherent in the concept of sustainability, as quoted by McDonald (2006), provide clear guidelines for the tourism industry to work towards:

- Institutions should incorporate environmental considerations into policy and practice in a logical manner.
- No depletion of the natural resources is justifiable as there should be intergenerational equity with respect to the natural capital of the planet.
- Sustainable tourism is not only about economic growth but also about consideration of community well-being as well as cultural and intrinsic values of the environment.

In order for sustainability to be a viable concept, the ecological, economic and sociocultural factors of a community need to be addressed.

The principles quoted above are universal principles of sustainability according to UNWTO (2015). The study did not explore all three of these principles; neither did it use this model. However, to establish the sustainability of Tshwane tourism SMEs, the study focused on the economic dimension (3) of the sustainability model presented in Figure 2.5 above.

Apostolopoulos and Gayle (2002) explored another angle of sustainable tourism. These authors argue that tourism has become one of the largest industries surpassing both oil and arms sales. They further argue that on the demand side, post-war affluence and increased leisure have caused this prominence, especially in developing countries. On the supply side, the mutually beneficial confluence of airlines, tour operators, travel agents and hotel chains in conjunction with receptive governments (especially in developing countries) has produced a worldwide network of vacation opportunities.

In the context of this growth, Apostolopoulos and Gayle (2002) argue that, to achieve sustainable tourism, there should be a long-term integrated multi-year approach with five basic interrelated steps, namely:

- establishing and/or strengthening the appropriate legislative and planning machinery;
- establishing a lead government agency to coordinate and execute tourism efforts;
- mounting a multiyear community-wide environmental education programme to create public awareness about valuable limited natural and other assets, critical development and management issues, and strategies and options for sustainable commercial exploitation;
- institutionalising community participation in actual tourism-related natural-resource decision-making; and
- requiring the presence of regional political organisations that could be leveraged to help offset the power of the transnational travel industry.

As can be noted above, not all the steps above could be regarded as relevant to the sustainability of Tshwane tourism township SMEs. However, there were relevant factors, such as the legislative framework, which were explored. The study wanted to

establish whether the legislative framework was a critical factor or not in the Tshwane tourism environment in enabling the creation of sustainability for the SMEs.

Unplanned, uncontrolled tourism growth could destroy the very resource on which it is built. In order to develop tourism sustainably, planning is therefore of primary importance (Fennel, 2003). Richie and Brent (2005) concur, stating that for an attractive, well-functioning and competitive destination to exist, it requires a well-planned environment where appropriate forms of tourism development are encouraged and facilitated. By careful planning, the residents of an area could benefit from tourism, avoiding the adverse effects of tourism developments.

The arguments presented by the authors as discussed above indicate that there is a need to do proper planning when implementing sustainable tourism in various contexts. This study briefly determined the level of planning applied by owners when they established the Tshwane township tourism SMEs and whether these plans enabled them to attain sustainability or not.

“From a destination management viewpoint, it is important to appreciate that sustainable tourism does not attempt simply to control development, but that it also seeks to encourage the development and promotion of appropriate forms of tourism” (Ritchie, Brent, Geoffrey & Crouch, 2003:34). The emergence of sustainable tourism should not be a deterrent for destinations but consciousness should be created in people’s minds while ensuring that businesses benefit from this. The recent views of sustainable tourism are linked to sustainable development as mentioned by Zamfir and Corbos (2010) who concur by stating that the role of urban areas in sustainable development is increasingly recognised at global level. Zamfir and Corbos (2010) further state that providing services to residents and businesses, creating jobs, stimulating research, and development within and outside the economic sector are only some of the functions of cities. However, these functions are not limited to administrative boundaries of cities, but also create benefits for the whole region in which cities are included. A success condition for a modern city is to demonstrate that it meets the environmental requirements.

The field of sustainable tourism has led to the formation of various types of tourism products, which comply with the criteria given above to differing extents. Against this background, the next section reports on special interest tourism.

2.5 SPECIAL INTEREST TOURISM

The aim of this study was to investigate the sustainability of Tshwane township tourism SMEs, with an aim of creating a framework. After providing the background on sustainable tourism, it is imperative to contextualise special interest tourism, of which several types fall under the banner of sustainable tourism.

Over the years, there has been development of different types of tourism based on the varying interests of people who travel to destinations driven by their special interests. This is termed **special-interest tourism** (SIT).

George (2014) describes **special interest tourism** as the desire to go on holiday and take part in a current interest or develop a new interest in a new or familiar location. He further states that it is sometimes a niche market similar to adventure tourism but it differs in that it involves little or no physical exertion. This interest may be once-off or may also be an ongoing interest.

Hall and Weiler (1992) agree with the above view as they believe that the tourism consumption process has increased based on advanced levels of travelling experiences, and on selective and knowledgeable sets of choices of destinations according to particular needs and interests. They firmly believe that the desire for new localities and authentic products becomes part of the motivation to visit a place. The past and present of those places form a component of the unique experiences sought by tourists.

On the other hand, Douglas, Douglas and Derret (2001) define **special interest tourism** as a form of tourism which involves consumers whose holiday choice is inspired by specific motivations, and satisfaction is determined by the experience they pursue. These authors clearly state that people who indulge in special interest tourism are driven by a desire to experience something different from the norm and they also want to be immersed in such experiences.

Having previously defined sustainable tourism and having defined special interest tourism above, it is important to distinguish between responsible special interest tourism fitting the definition of sustainable tourism as well as special interest tourism which does not necessarily yield sustainability. **Ecotourism** is an example of a type of nature-based special interest tourism. The International Ecotourism Society (TIES) defines **ecotourism** as travel to natural areas, which is responsible towards environmental conservation and sustains the well-being of the host community (TIES, 2011). Thus ecotourism by its very nature is special interest tourism that yields sustainability.

On the other hand, Hall (2009) believes that special interest tourism can be categorised as mainstream tourism that focuses on specific fields on a small scale and not in general. The special interest tourism product is high-yielding and labour-intensive and requires expert service providers and interpreters. Therefore, special interest tourism contributes to the economy and helps to raise several niche markets. It expresses an aspiration for real experiences. Hall's (2009) view brings to the fore that there are special interest tourism products, which do not necessarily bring about sustainability, but which bring about economic development. This links well to what was indicated above, as the present study focused on the economic aspects of sustainable tourism.

It is in this context of special interest tourism that definitions of **townships, slum tourism** and **township tourism** become relevant. These are therefore discussed below.

2.6 SLUM TOURISM AND TOWNSHIP TOURISM

Tourism is believed to be a major contributor to national income on a macro-economic level; thus, contributing to the GDP of a country. Tribe (2005) is of the view that the main economic effects of tourism are: expenditure and income generation, employment creation and foreign currency earnings.

Attitudes towards tourism and the developmental role of tourism are diminishing in certain circles, even though some authors, like Simpson (2001), still believe that tourism has a huge role to play in developing African communities. He believes that

tourism provides certain benefits and also reduces inequalities between rich and poor. The economic importance of tourism depends on the level of economic development within a country. As countries develop and become richer, spending on leisure pursuits - including tourism - increases. In contrast, the resources of low-income economies are typically used to satisfy basic needs (Tribe, 2005).

According to Binns and Nel (2002), the combined assets of natural beauty, local entrepreneurship and established community organisations could propel tourism development and ultimately local economic development in small towns. They support the view that tourism is a tool towards alleviating poverty and stimulating employment creation, especially in rural areas with few economic development opportunities. In support of these views and the role tourism plays in development, there has been an emergence of various forms of tourism in South Africa, especially in previously disadvantaged areas. One of those is what is termed **township tourism**.

Township tourism is discussed below. However, it is important to first create a link between township tourism and slum tourism.

2.6.1 Slum tourism

The developments leading to slum tourism are described by Weiner (2009) as a phenomenon that is catching on. The author describes Slum tourism as guided travel through the slums of India, Mexico and Africa. The author further argues that this has spiralled from the favelas of Rio de Janeiro to the townships of Johannesburg to the garbage dumps of Mexico, where tourists are forsaking, at least for a while, beaches and museums for crowded, dirty - and in many ways, surprising - slums.

Capitalist development has undergone major changes in the past years. The period known as Fordism (taking its name from Henry Ford's assembly lines manufacturing mass-produced cars) reflected the major capitalist economies during the twentieth century. The tourism industry, an integral component of the global capitalist order, has not been immune to these changes (Mowforth & Munt, 2003; Torres, 2002).

Pre-Fordist tourism (a term mentioned by Mowforth & Munt, 2003) can be defined as the first stages of the travel industry. This lasted until the 1950s. Starting during the

1950s, a new type of tourist demand led to a new stage of tourism evolution. During this period, tourism started providing mass products labelled **mass tourism** (see Torres, 2003). In the 19th century, the inventor of tourism packages, Thomas Cook created forms of mass tourism. Some authors like Conti and Perelli (2005) prefer to talk about Cookism rather than Fordism, considering the influence of Thomas Cook on the first tourism package (Conti & Perelli, 2005).

Post-Fordism a term coined by Conti and Perelli, 2005 came up with a wide range of highly differentiated tourism products such as ecotourism, cultural tourism, rural tourism, agro-tourism (or agri-tourism - agricultural tourism), and, in the mid-1990s, slum tourism emerged. Slum tourism emerged when developing countries were globalised and tourists started visiting the most disadvantaged parts of cities. These visits mainly comprised guided tours through these disadvantaged areas (Rolfes, 2009). A **slum** is defined as a run-down area of a city characterised by substandard housing, squalor and lacking in tenure security (Ma, 2010; Torres, 2002). The idea behind slum tourism was that people who were not exposed to these conditions were curious about these areas and thus would need to be exposed to these experiences.

The essence of slum tourism is that it “arranges organized tours to deprived areas” (Frenzel, 2013:49). For Durr (2012), slum tourism must be considered a new type of urban tourism and an encounter between global North and global South. The central characteristic of this new phenomenon “is the touristic valorization of poverty-stricken urban areas of the metropolises in so-called developing or emerging nations which are visited primarily by tourists from the Global North” (Frenzel, Koen & Steinbrink, 2012:1). This niche form of tourism is based upon the product of the guided ‘poverty’ or ‘slum tour’ which first became popular during the 1990s both in urban areas of Brazil as well as post-apartheid South Africa.

According to Ma (2010), **slum tourism** is a very controversial matter. The first argument presented is that these ventures are run by businesses, which are profit-making companies. They never take tourists to these areas and donate money back into these communities in order to help towards improvement of the area. Secondly, Ma (2010) maintains that slum residents could become embarrassed by these visits as they have to display what they call their ‘normal’ lives to tourists. Ramchander (2007) also argues that slum tours could open up these culturally fragile areas,

clearing the way for potentially damaging mass tourism. Ramchander (2007) believes that an increase in tourists could result in a change in behaviour of the locals including simple things like increases in prices which may distort the tourism industry completely and result in the commercialisation of culture.

Slum tourism began in Brazil approximately nineteen years ago, when a young man by the name of Marcelo Armstrong took a few tourists into Rocinha, Rio de Janeiro's largest favela, or shanty town. His company, Favela Tours, grew and most other companies started imitating his model. It is argued that today, on any given day in Rio, dozens of tourists hop into minivans or onto motorcycles, and venture into places where even Brazil's police dare not set foot. Organisers insist the tours are safe, although they routinely check security conditions as such areas can often be volatile (Rolfes, 2009; Weiner, 2008).

Critics attack not just actual visits, but also virtual poverty tourism through film (Rolfes, 2009). In particular, films depicting slum life such as *City of God* (2002) (Rio de Janeiro), *Slumdog millionaire* (2008) (Mumbai) and *District 9* (2009) (Johannesburg), have become international hits. This has led to tourism researchers establishing a positive link between media exposure and business growth in these areas, which is now documented through film (Ma, 2010).

The positive viewpoint emerges that slum tourism is educational, raises people's social awareness of poverty and, as such, is a precondition for change (Rolfes, 2009). Supporters of slum tourism point to the opening of opportunities for local entrepreneurs, empowerment and local economic development (Frenzel et al., 2012). For example, in South Africa, proponents highlight the grassroots potential for local development of township tourism. Advocates portray township tourism as a form of reconciliation through the political and personal narratives which are shared between residents, guides and tourists (Dickson, 2012).

Considerable scholarly attention focuses on pragmatic issues of whether this form of tourism exerts pro-poor influences and therefore contributes to improve the poverty situation in slum areas (Booyens, 2010; Frenzel et al., 2012). As Frenzel (2013:117) makes it clear, "slum tourism promoters, tour providers as well as tourists claim that this form of tourism contributes to development in slums by creating a variety of

potential sources of income and other non-material benefits". To explore this avenue, the benefits derived by SMEs operating in Tshwane townships were examined in this study.

Slum tourism is offered on a relatively large scale in SA cities like Johannesburg and Cape Town, Brazil's Rio de Janeiro, as well as in the Indian metropolises of Calcutta, Mumbai and Delhi, to name some important examples. In South Africa, this has been termed 'township tourism' (term coined by authors such as Ramchander, 2007b) which is further described below.

2.6.2 Township tourism

Nemcova (2007) describes a township in South Africa as town where black and coloured people were supposed to live. These areas are not towns in the strict sense of the word; instead, they form part of towns or cities on the periphery, usually a long way from the city centre and they typically have appalling living conditions. Further clarity is provided by Ross (1999) who argues the fact that these areas were created in the 19th century when, due to apartheid, black people were driven out of their own areas where they lived in close contact with white people and were forced to settle in separate controlled townships on the outskirts of the city.

Ramchander (2007b) argues that over the past decade (1997-2007) tourists have exercised a preference for travel that involves broadening the mind and learning. He continues to say that the 1990s saw the emergence of various types of popular tourism such as green, alternative, sustainable, cultural and adventure tourism with each destination marketing its own offering. In South Africa, cultural tourism, which is a component of special interest tourism, has various sub-components. Two of these are township and cultural village tourism. This gave rise to the emergence of **township tourism**, which is mainly characterised by township tours and has progressed to include other attractions such as accommodation, restaurants and various other leisure activities within townships.

Ramchander (2007b) further states that, due to the increase in the number of tourists interested in visiting the townships in South Africa, several businesses have entered the tourism industry seeking opportunities within this buoyant industry. The majority of these businesses are SMEs. This view is supported by Rogerson (2009) who

states that just as it is the case in South Africa, international studies also show that SMEs dominate the tourism industry.

In South Africa, township tourism is regarded as a special type of tourism as it offers unique experiences in these environments. This becomes evident in arguments posed by Swartbrooke (2002) who indicates that, due to their nature, township tourism promotion programmes should provide wider distribution of visitor experience, including cultural, heritage and natural characteristics of the region. This is further evidenced by Rogerson (2009) who states that township tourism is about having a special interest, and that it is an approach to tourism development and management, which ensures that local people are able to secure economic benefits from tourism in a fair and sustainable manner. This not only confirms the benefits of township tourism but it is alluding to the fact that township tourism relates to a special interest.

The present study focused on the tourism SMEs in Tshwane townships and aimed to establish the sustainability of these enterprises. This included the exploration of the financial opportunities that encouraged SMEs to enter the industry. This dissertation ends by providing recommendations on the best practices that could be adopted to enhance the sustainability of SMEs, and introduces a framework that could enable SMEs to attain and sustain financial sustainability.

Having defined township tourism, the next section focuses on literature that provides views on tourism and entrepreneurship as it is assumed that most SMEs are created through the entrepreneurial spirit of the owner.

2.7 TOURISM AND ENTREPRENEURSHIP

Tourism and the types of tourism relevant to the study were discussed in 2.3-2.6 above. This section defines entrepreneurship, tourism entrepreneurship and entrepreneurship skills, which are regarded as essential building blocks for the success of SMEs.

The concept **entrepreneurship** has been around since the 17th century (Holden, 2009), (see Author, date) and has evolved to become a significant subject of discussion. Holden (2009) refers to the following authors from between 1934 and

1990 who defined entrepreneurship in different ways. Holden (2009) quotes (Schumpeter, 1934) who believed that innovation is a special trait of entrepreneurs and that entrepreneurs engage in creative destruction. Holden (2009) further quotes (Cole, 1946) defined entrepreneurship as a bridge that connects societies and establishes institutions for utilising economic advantages and satisfaction of economic wishes. More recently, Holden (2009) quotes (Wilken, 1980) who views entrepreneurship as a catalyst, which prepares a sparkle of economic growth and development. The economic school of thought according to Lumpkin and Gregory (1996) defines entrepreneurship as founding and operating a business for the purpose of making profit, while the psychology school of thought by the same author describes it as having a certain personality or specific traits that enable a person to own and run a business successfully (Lumpkin & Gregory, 1996). Entrepreneurship is a 'new entry' attained by going to a new market or creating a market with new or existing offerings. It denotes a new business start-up or subsidiary (branch) of an existing company (Lumpkin & Gregory, 1996).

Bruyant and Julien (2001) add that entrepreneurship is a process or activity of establishing a new venture by changing business resources, such as materials and know-how. They note that such new firms should add value or solutions to certain problems.

Entrepreneurship cannot be well described or understood without understanding the term **entrepreneur**. The word **entrepreneur** is derived from the French word *entreprendre* meaning 'to undertake' and literally translated to mean 'between-taker' or 'go-between'. In this regard, Hisrich, Shepherd and Peters (2005) describe an entrepreneur as an individual who takes risk and starts something.

An entrepreneur identifies opportunities, creates a proper reaction to it, and uses it to his or her advantage. Ogundele and Abiola (2012) contribute further by describing an entrepreneur as an originator or creator of a profit-seeking or economic organisation, which is established for the purpose of providing goods and services that satisfy needs.

Additionally, Low and MacMillan (1988) contribute that an entrepreneur is a person who creates a new business or coordinates his or her resources to introduce new

offerings to the market, or someone who uses his or her skills to develop an innovation either to a new business or to an existing one. The person (entrepreneur) possesses certain personality traits or characteristics, such as risk taking, innovativeness, independence, autonomy and the ability to exercise of power. Therefore, an entrepreneur is an individual who is personally determined to make a business out of his or her unique, improved and fresh idea.

Finally, Van Scheers (2010) believes that an entrepreneur has good business ideas and can convert these ideas into reality. The author further states that for an entrepreneur to convert an idea into reality calls upon two sorts of skills, which are general management skills and people management. General management skills are required to organise the physical and financial resources needed to run the business, and people management skills are needed to obtain the necessary support from others for the business to succeed. Van Scheers (2010) concludes by stating that management skills and business knowledge are indications of how well an entrepreneur can perform important tasks and activities related to the functions of a business.

Based on the above definitions on entrepreneurship and entrepreneurs, this section attempts to describe **tourism entrepreneurship**.

Tourism includes all activities and interplay that happens within the period of the tourist's journey. It could include tour planning, reaching the destination, staying and returning (Mansourifar, 2010). Entrepreneurship and tourism literature have predominantly been informed by business research. Entrepreneurship and innovation are critical factors in tourism, and both are central to the continued success and development of the industry, both globally and regionally (Parra López, Buhalis & Fyall, 2009).

Finally, tourism entrepreneurship is often controlled by entrepreneurs who wish to extract a certain social lifestyle, and economic incentives may play a secondary role (Skokic & Morrison, 2010).

Tourism entrepreneurship is thus defined as activities related to creating and operating a legal tourist enterprise. **Legal tourism enterprises** refer to those

businesses that operate on a profitable basis and which seek to satisfy the needs of tourists (Saayman & Saayman, 1998).

A **tourism entrepreneur** is one who identifies a tourism business opportunity and builds a tourism organisation to use the available opportunities to the full and to make a profit. It is important that starters in tourism entrepreneurship know, manage and appreciate the various activities necessary in starting a tourism business to avoid the risk of business failure, which is common among new businesses (Saayman & Saayman, 1998).

It is therefore possible to identify a set of skills that can be characterised as 'entrepreneurship skills', which are distinct from - although closely related to - accepted definitions of management and leadership skills. **Entrepreneurship skills** are associated with competence in the process of opportunity identification (and/or creation), the ability to capitalise on identified opportunities, and a range of skills associated with developing and implementing business plans to enable such opportunities to be realised (Hayton, 2015).

Hayton (2015) further argues that there is evidence to suggest that there is a positive association between entrepreneurship skills and some measures of business success. The evidence regarding the effect of business performance on specific education, training or support programmes to promote entrepreneurship is limited, suggesting the need for further research and evaluation.

Hayton (2015) defines **entrepreneurship skills** as identifying customer needs, technical or market opportunities, and pursuing opportunities. The author views these entrepreneurship skills as part of a broader set of leadership and management skills needed in SMEs. Leadership skills and entrepreneurship skills combine to influence strategy formalisation and responsiveness, factors that are positively associated with performance and growth.

Gupta, MacMilan and Surie (2004) define entrepreneurial leadership as leadership that creates visionary scenarios used to assemble and mobilise a supporting cast of participants who become committed by the vision to the discovery and exploitation of strategic value creation. The owner-manager should implement all the technical attributes. The owner-manager of an SME needs to have the technical competencies

required. In this regard, Chell (2013) provides the categories of entrepreneurial skill as per table 2.6 below.

The entrepreneurship skills outlined in Figure 2.6 below demonstrate a considerable degree of consistency in focusing on opportunity identification or creation and the skills required to take advantage of these opportunities as well as to assemble and utilise the resources needed to achieve commercial success on the basis of these opportunities.

Idea identification/creation	Capitalising on ideas
<ul style="list-style-type: none"> • Idea generation / envisioning • Opportunity recognition and means-end analysis • Ability to acquire information about a potential opportunity, domain knowledge and associated skills • Recognition of social / market need 	<ul style="list-style-type: none"> • Awareness of environment and factors conducive to opportunity exploitation • Ability to garner the necessary material resources • Ability to convince others of the value of an opportunity • Networking and social embedding
Traits/behaviours	Managerial/leadership skills
<ul style="list-style-type: none"> • Self-belief, self-awareness, trust in own judgement etc. • Ability to manage risk and shoulder responsibility • Ability to endure and cope with difficulties. Energy, motivation, persistence etc. 	<ul style="list-style-type: none"> • Ability to manage others • Ability to overcome institutional and other constraints • Ability to develop an idea as a commercial opportunity • Decision-making capability

Figure 2.6: Categories of entrepreneurial skills

Source: Chell (2013)

Figure 2.6 above further confirms that the idea of an entrepreneur needs to be converted into reality and there is a certain behaviour required to ensure the idea is transformed properly. Following that, the owner needs to display several managerial skills to ensure success of the implementation of the idea.

The assessment of the skills possessed by the tourism SMEs in Tshwane townships to run and manage the business owners was explored in this research and recommendations are made on how to bridge the gaps where skills gaps have been identified. These findings were then integrated into the framework.

2.8 CONCLUSION

This chapter aimed to provide an overview of the tourism concepts relevant to the study. In doing this, a brief overview of the SA tourism industry was presented. Tourism was defined and linked to a definition of sustainable development and sustainable tourism. Thereafter, special interest tourism was also discussed and the link to township tourism was presented.

An extensive discussion on tourism and entrepreneurship was undertaken. This commenced with a discussion on entrepreneurship and the entrepreneur. The concept **tourism entrepreneurship** and how this links to SMEs was also presented. Finally, the chapter concluded with a discussion of entrepreneurship skills, which is a subset of entrepreneurship leadership, where it was argued that most owners of SMEs should possess this in their pursuit to make their businesses sustainable. These concepts were linked to the topic, which was the sustainability of Tshwane township tourism SMEs with the aim of establishing a sustainability framework that could enable the businesses to be sustainable over the long term.

The next chapter will provide a detailed understanding of SMEs and the environment in which they operate in, paying particular attention to tourism SMEs.

CHAPTER 3

SMALL AND MEDIUM TOURISM ENTERPRISES IN CONTEXT

3.1 INTRODUCTION

This chapter presents theory aimed at providing an understanding of the SMEs within the tourism industry. This will be done paying particular attention to tourism SMEs and how they could possibly attain sustainability in Tshwane townships. Furthermore, an extensive definition of SMEs, citing various versions from different countries will be provided. Thereafter, the chapter will proceed to provide global views on SMEs. The views on SMEs in sub-Saharan Africa are then provided, leading to how SMEs are viewed within the South African context as well as within the South African tourism industry.

Economic development will be defined as well as the role of SMEs in economic development. Finally, the chapter concludes with the presentation of Porter's Five Forces of Industry Analysis, which was the theory chosen as part of the study that assisted in analysing the Tshwane township tourism environment.

Figure 3.1 schematically represents the organisation of the chapter.

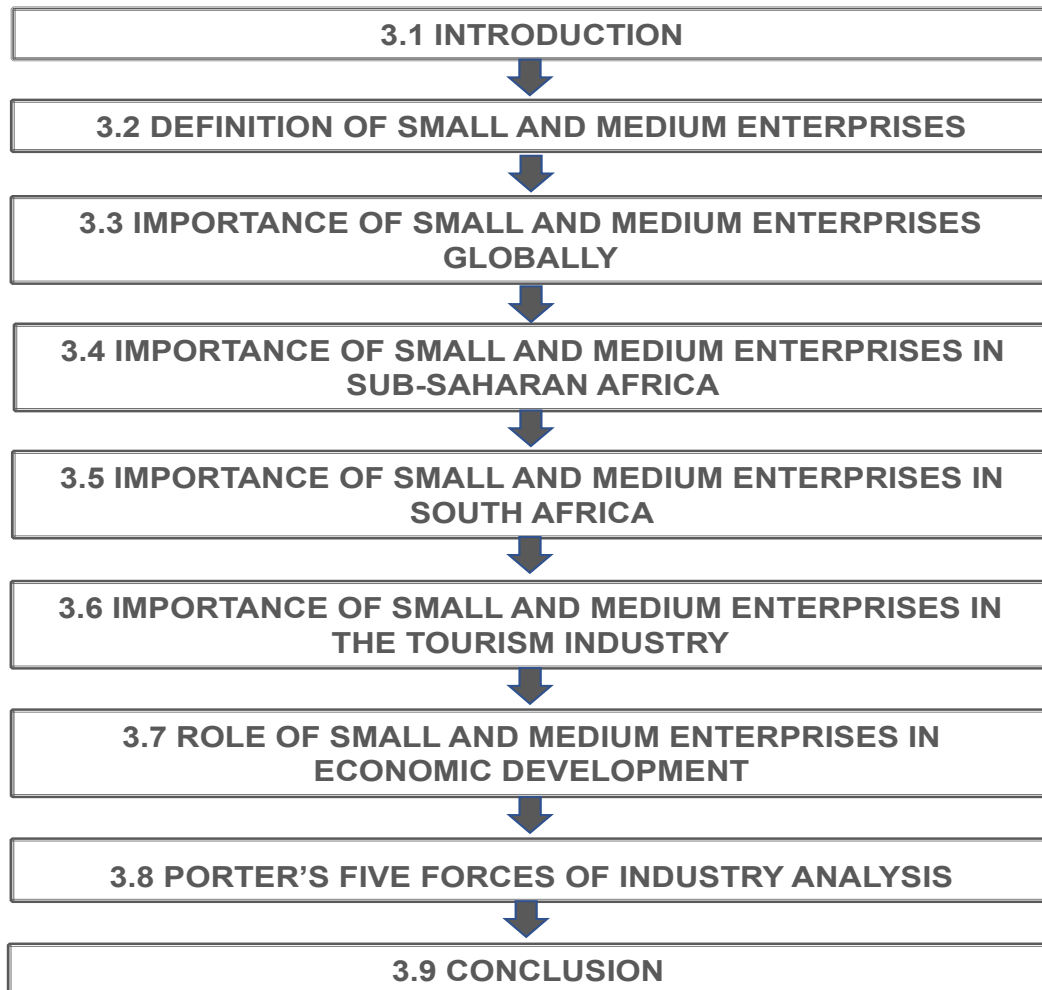


Figure 3.1: Flow diagram of Chapter 3

Source: Author's own compilation

3.2 DEFINITION OF SMALL AND MEDIUM ENTERPRISES

The definitions from various countries on SMEs are provided below. These definitions differ from country to country based on the criteria the country uses to define the SMEs. Abor-arica, Casino-Martinez and Lopez-Gracia (2004) use the SME definition of the European Union (EU) Commission, which is based on four criteria as illustrated in Table 3.1 below. These authors have combined various criteria in order to unify the large number of definitions used by different institutions of the EU (member countries).

Table 3.1: European Union Commission SME categorisation

Criterion 1	Criterion 2	Criterion 3	Criterion 4
Number of employees	Turnover	Total balance sheet	Independence

Source: Abor-arica et al. (2004)

The table above demonstrates that for any organisation to be regarded as an SME, it has to be judged on these four criteria, namely number of employees, turnover, the balance sheet and the independence of such an organisation.

Over and above these four criteria, in 1996, the European Commission (EC) published a recommendation on the definition of a small and medium enterprise (SME). The following table illustrates the recommendations by the EU on defining SMEs.

Table 3.2: European Union Commission SME and SE categories after 1996

Criteria	Small and medium enterprise	Small enterprise
Number of employees	Fewer than 250	Fewer than 50
Turnover	Less than 40 million euros per year	Less than 7 million euros per year
Independent	25% or more of its capital does not belong to any company and/or group of companies	25% or more of its capital does not belong to any company and/or group of companies

Source: Abor-arica et al. (2004)

Deducing from the table above, there are a certain number of employees a business should have to qualify, the turnover should not exceed a certain amount, and ownership should be regulated as a quarter should be held by the owners.

SMEs have also been defined differently in other countries. The following table outlines the United Kingdom (UK) definition of SMEs as cited by Deakins (1999).

Table 3.3: United Kingdom categories of SME

Criteria	Small firm	Medium firm
Number of employees	Not more than 50	Not more than 250
Turnover	Not more that 2.8 million pounds	Not more than 11.2 million pounds
Balance sheet	Not more that 1.4 million pounds	Not more than 5.6 million pounds

Source: Deakins (1999)

Judging by the numbers presented in the Table 3.3 above, the UK numbers are almost similar to those presented under the EU definition of SMEs.

Megginson, Byrd and Megginson (2003) provide a United States of America (USA) definition of SMEs, which is presented in the table below. This definition only distinguishes the different enterprises based on the number of employees.

Table 3.4: United States categories of SME

Criteria	Very small	Small	Medium	Large
Number of employees	Fewer than 20	20-99	100-499	500 or more

Source: Megginson et al. (2003)

Turning to South Africa, according to the South African (SA) White Paper on National Strategy for the Development and Promotion of Small Business in South Africa (SA, 1995:7-8) based on size and diversity, there are four categories, which define the different types of enterprises. These are outlined in Table 3.5 below.

Table 3.5: Categories of SMEs in the SA context

Type of enterprise	Description of enterprise
Survivalist enterprise	Activities performed by people who are unable to find a paid job or get into an economic sector of their choice.
Micro-enterprise	Very small business, often involving only the owner, some family member(s) and at most one or two paid employees.
Small enterprise	Constitutes the bulk of the established businesses, with employment ranging between 5 and 50. The enterprises will usually be owner-managed or directly controlled by owner-communities.
Medium enterprise	This employs between 51 and 200 employees turnover of 5 million rand P/A.

Source: South Africa (1995)

Rwigema and Venter (2004) also designed a South African definition of SMEs, which is presented in the table below.

Table 3.6: South African SME categorisation focusing on employees

Criteria	Micro	Very small	Small	Medium
Number of employees	Fewer than 5	Fewer than 20	Fewer than 50	Fewer than 200

Source: Rwigema and Venter (2004)

The categorisation focuses on the number of employees hired by the organisation and, is similar to the US categorisation quoted by Megginson et al. (2003).

All the categories highlighted above differ in the manner in which they categorise SMEs. However, there are similarities in all of them. The South African categorisation is no different from the other categorisations above as it concurs with one fact that runs across the other categories. This is the inclusion of the number of employees employed as well as the turnover as part of the criteria aimed at defining the SMEs. The study made use of the SA categorisation of SMEs as this is the most appropriate categorisation for this study. It is important to note also that the various authors of the different definitions in different countries refer to organisations as either 'enterprises or 'firms' or 'businesses'. This dissertation makes use of the term **organisation** when referring to a company, but SMEs will be referred to as **enterprises** as this is the universal term (small and medium enterprises).

Even though there are varying ways in which SMEs are defined, Katz and Green (2007) highlight some universal characteristics of a small enterprise. These are:

- they are always short of cash, which limits their strategic options;
- their approach to risk and uncertainty is not rational;
- the owner-manager's characteristics fundamentally influence the enterprise;
- they are seen as a social entity and often revolve around personal relationships;
- they require their business options to provide a quick payoff to offset the cash constraints (due to the above point, the majority of their decisions are short-term decisions);
- small enterprises generally operate in a single market offering with a limited range of products and are also over-reliant on a few customers, which makes them vulnerable to failure should key customers discontinue doing business with them;
- their decisions are judgements, involve a few people and are made quicker; and
- they are less likely than larger firms to influence developments in the market place, but can respond and adjust to changes quicker than larger firms.

Some of these characteristics were used in structuring the questions in the measuring instrument contained in Appendix B as well as in the analysis of the Tshwane tourism industry making use of Porter's Five Forces of Industry Analysis. This checklist was also used in the analysis of entrepreneurship skills for SMEs owners.

Storey (2009) argues that the importance of SMEs in the informal sector is acknowledged internationally but defining an SME is a challenging task. The author continues to argue that the definition of SMEs can be categorised into two types: an economic and a statistical definition. Under the economic definition, an enterprise can be regarded as small if it has a relatively small share of the market place, is managed by owners and is independent and not part of a large enterprise. On the other hand, the statistical definition of SME quantifies the size of the firm and its contribution to GDP, employment and exports and a cross-country economic contribution. A simplified Organisation for Economic Co-operation and Development

(OECD) definition quoted by Abor and Quartey (2010) is that SMEs are non-subsidiary, independent enterprises, which employ fewer than a given number of employees.

Below is a figure adopted from the South African Institute of Public Accountants (SAIPA) drawn from the National Credit Regulator Report (NCR) (2011), which further demonstrates the varying views on the definition of SMEs.

VARIOUS COUNTRIES						BRICS					
	EU	USA	Asia (Malaysia)	Egypt	Ghana	Brazil (Industrial)	Brazil (Commercial)	Russia	India	China	South Africa
Name											
	Small and Medium Enterprise	Small and Medium Business	Small and Medium Enterprise	Micro, Small and Medium Enterprise	Micro, Small and Medium Enterprise	Small and Medium Enterprise	Small and Medium Enterprise	Small and Medium Enterprise	Micro, Small and Medium Enterprise	Small and Medium Enterprise	Micro, Very Small, Small and Medium Enterprise
Number of employees											
Micro	<10	–	<5	1–4	1–5	1–19	1–9	–	0	–	<5
Small	<50	<100	5–50	5–14	6–29	20–99	10–49	15–100	0	<300	20–49
Medium	<250	<500	51–150	15–49	30–39	100–499	50–99	101–250	0	300–2000	50–200
Annual turnover											
Micro	<€2	0	RM250.000	0	\$10k	0	0	–	<Rs50m	–	<R200k
Small	<€10	0	RM250.000–<RM10m	0	\$100k	0	0	400m RUB max	Rs50–60m	<Y30m	R3m–R32m
Medium	<€50	0	RM10m–RM25m	0	\$1m	0	0	1bn RUB max	Rs60–99m	Y30–Y300m	R5m–R64m

Figure 3.2: Comparison by the South African Institute of Public Accountants of global definitions of SMEs

Source: NCR (2011)

Figure 3.2 summarises and confirms most of the definitions cited above as well as the definition given by Abor and Quartey (2010). The categorisation provided earlier prove that the size and distribution of firms in the developed countries are different to those in developing countries.

The next section provides a discussion on the global importance of small and medium enterprises.

3.3 IMPORTANCE OF SMALL AND MEDIUM ENTERPRISES GLOBALLY

In section 3.2 above, extensive categorisation of SMEs were provided. In this section, the focus will be to look at the importance of SMEs in the global arena.

Cull, Davis, Lamoreaux and Rosenthal (2003) claim that in developing countries, almost two thirds of workers are employed in very small, micro-enterprises with fewer than five employees and the rest of the workforce is employed by large enterprises with more than one hundred employees. By contrast, in developed countries, more than two thirds of all employees work for large enterprises. The bulk of the remainder works for the small and medium-sized enterprises. Ayyagari, Demirgüç-Kunt and Maksimovic (2011) further support this by stating that more than 95% of enterprises across the world are SMEs, and they account for approximately 60% of the private sector employment. This is an indication of the importance of SMEs in the global arena. Through this study, the author wanted to establish the number of people as well as the type of ownership prevalent in the SMEs that operate within the Tshwane township tourism environment.

SMEs play a more significant role in developed economies than their proportion of total employment might suggest (Snodgrass & Biggs, 1996). Snodgrass and Biggs (1996) further argue that SMEs do not only make up the majority of firms, but also dominate many sectors of economic activity and have been an ongoing source of new products and technological innovation. Japan, as an example, has the highest number of SMEs amongst the industrialised countries, accounting for more than 99% of the total number of enterprises in that country (Ayyagari et al., 2011).

Industrial development gave rise not only to a small number of very large enterprises but also to large number of small and intermediate size enterprises. The relative numbers of each vary across industries and countries with patterns of specialisation (Ayyagari et al., 2011). As an example, French textile firms produced more high-end goods than British and or US firms although they tended to be smaller on average (Cull et al., 2003).

In moving the debate to the era of industrialisation and providing clarity on the issue of industrialisation and the creation of SMEs, Kinghorn and Nye (1996) argue that SMEs were an important part of the economies of all major industrial economies in the early 20th century. They illustrate this by showing the number of people who worked in small and medium firms in each of the major countries in Europe during the early 20th century. Table 3.7 depicts this on the next page.

Table 3.7: Average employment by establishment in selected countries at the beginning of the 20th century

Country	All firms in the census	Firms more than 20 workers	Firms with more than 50 workers
France	26	109	185
United States	67	117	176
Britain	64	N/A	N/A
Germany	14	53	154

Source: Kinghorn and Nye (1996)

This proves that small industries were dominant and played a role in growing some of the economies that are now regarded as large economies. Attack (1987) claims that the large-scale enterprises came to dominate important sectors of the US economy during the late 19th century, whereas the number of small firms continued to expand rapidly. Campbell (1997) believes that the reason for this dominance was the fact that SMEs concentrated on specialisation and niche strategy, which serviced many small markets in a satisfactory manner.

A study by the Association of Chartered Certified Accountants (ACCA) (2010) of the top 20 markets globally, confirms that SMEs consistently make up the vast majority (85% to 99.9%) of the business population globally. They also account for just under 50% of private sector value-added, and 77% of private sector employment. If all other countries for which reasonably good data is available are added to this total, SMEs can be shown to account for 52% of private sector value-added and 67% of employment, which gives a reasonable approximation for the sector's global footprint (ACCA, 2010).

Dalberg (2011) states that SMEs are a significant contributor to both GDP and employment, and they have been found to be major contributors to innovation in economies, through collaboration with the larger corporate sector. ACCA (2010) argues that SMEs account for 52% of private sector value-added, which provides a reasonable estimate for the sector's global economic contribution. Therefore, SMEs that become embedded in the supply chain of larger businesses can be spurred on to

improve their own human and technological capital and thus improve productivity (Dalberg, 2011).

The output of SMEs compared to that of larger businesses tends to be lower per firm because SMEs tend to be more labour-intensive than larger firms and are mainly concentrated in the service sector (Wymenga, Spanikova, Derbyshire & Barker, 2011). This then causes SMEs to achieve lower levels of productivity, although they contribute significantly to employment. In a World Bank survey quoted by Ayyagari et al., (2011), 47 of 745 businesses across 99 countries revealed that they constituted firms with between 5 and 250 employees who accounted for 67% of total employment. SMEs therefore create more jobs than large enterprises. Between 2002 and 2010 on average, 85% of total employment growth globally was attributable to SMEs (De Kok et al., 2011).

Tambunan (2009) believes that SMEs play a major role in sustaining exports of countries like Asia. The author continues to argue that in India, between 1998 and 2008, SMEs accounted for 38-40% of the country's total exports. In China, SMEs contributed 60% of the country's exports for the same period. Tayebi, Razavi and Zamani (2011) support this by saying that the global financial crisis did not have a significant effect on Asian bilateral trade. Another study in the United Kingdom, quoted by Cowling, Liu and Ledger (2012), found that SME owners who tried to obtain finance for their businesses after the global financial crisis were not successful. SMEs were consequently under severe strain between 2008 and 2010.

Van Elk, Hessels and Van der Host (2009) believe that SMEs with greater internationalisation tend to report higher turnover growth compared to SMEs that do not trade internationally. Over 50% of EU SMEs, which invested abroad, reported an increased turnover between 2007 and 2008, compared to 30% of SMEs, which traded locally (Van Elk et al., 2009). Therefore, trading internationally offers growth opportunities for some SMEs. ACCA (2010) mentions that even though trading internationally is good for business and the wider economy, it also presents considerable challenges for the SMEs. This is why SMEs must consider internationalisation options carefully before embarking on them.

The discussion above clearly demonstrated the importance of SMEs in the global environment. The contribution to the economy, employment as well as the GDP of many First World countries was also highlighted in this section. These contributions emphasise the perceived importance of the SMEs. This also encouraged the focus of this study to be on the tourism SMEs in Tshwane townships. The section below reports on the importance of SMEs in sub-Saharan Africa.

3.4 IMPORTANCE OF SMALL AND MEDIUM ENTERPRISES IN SUB-SAHARAN AFRICA

Before focusing on South Africa, it is important to note that in sub-Saharan Africa, the same sentiment is shared, as SMEs are also seen as an important driver of economic development. This is confirmed by Fjose, Grünfeld and Green (2010), who state that SMEs in sub-Saharan Africa are regarded as crucial as a result of their role in the creation of employment and above all, the contribution to economic growth. These authors further argue that, in the last decade, there has been a strong shift towards high and persistent growth in many countries in the sub-Saharan Africa region. These ideas are fuelled by increased public and private investments caused by the improved business environment, which also propels SME activity. Beck and Cull (2014) support this by reporting that the financial systems in Africa have seen dramatic changes both in market structure and stability. This is partly due to China and India becoming important investors and trading partners with the sub-Saharan African countries, which has further precipitated this trend (Beck & Cull, 2014).

According to data from the World Bank (2010), many of the countries in sub-Saharan Africa report a high number of SMEs in their economies. However, there is a large difference between regions and countries with regard to the number of SMEs, and data uncertainty is high. However, the number of SMEs is highly dependent on how one defines them and whether or not one includes the informal part of the economy. Hence, it is argued that SMEs represent over 90% of private business and contribute more than 50% to employment and GDP in most African countries (United Nations Industrial Development Organisation [UNIDO], 1999).

Southern Africa represents an emerging tourist region in the international tourism economy (Saarinen, 2009). Policy development for tourism therefore is of increasing

significance. Hall (2009:52) highlights the need for more detailed and sophisticated analysis of tourism policy making in the context of Southern Africa. Among the common challenges across the region of Southern Africa is that of how to increase and expand the positive effects of tourism to local communities (Ashley & Roe, 2002). This is supportive of the view that if policy is favourable for small businesses, it could promote the creation and sustenance of small businesses and also make use of these as economic drivers. This view was tested with the Tshwane township tourism SMEs where participants were asked which type of government policy would enable them to be sustainable.

One distinctive dimension of tourism policy in the sub-Saharan region relates to policy development to uplift the role of previously disadvantaged communities in the tourism industry (Hall, 2009). South African initiatives such as black economic empowerment (BEE) illustrate this. The Tourism Act mentioned in 2.2 also supports this view, and parallel policies have been applied in Botswana and Namibia (Hall, 2009; Lapeyre, 2009).

Although the level of conceptualisation and implementation of these programmes for expanding local citizen involvement varies from country to country, the core objective of these forms of policy intervention is to address the economic dispossession and marginalisation of local citizens during colonial periods (Hall, 2009; Lapeyre, 2009). Townships, which are central to the study, were created during the apartheid period. This was also discussed in Chapter 2 and is again referred to in the discussion of results in Chapter 5.

3.5 IMPORTANCE OF SMALL AND MEDIUM ENTERPRISES IN SOUTH AFRICA

Since 1995, the SA government started to promote small businesses actively in order to promote economic growth through competitiveness, employment generation and income distribution. The emergence of SMEs was hence facilitated in South Africa, leading to the identification of the effective role they play in economic development (Barry & Sebone, 2009).

This view is further supported by Mahembe (2011) in the article on the National Credit Regulator (NCR) dealing with the accessibility of credit facilities to SMEs,

where the author states that a healthy SME sector contributes prominently to the economy through creating more employment opportunities, generating higher production volumes, increasing exports and introducing innovation and entrepreneurial skills. Abor and Quartey (2010) estimated that, at the time of their research, 91% of formal business entities in South Africa were SMEs and these SMEs contributed between 52% and 57% towards the GDP, and provided 61% of employment. These figures suggest that the importance of SMEs in economic development and employment creation is significant and therefore supports the statement above, which has led the SA government to identify SMEs as major economic builders (Mahembe, 2011).

As much as these enterprises are important in driving economic growth as argued above, the Global Entrepreneurship Monitor (GEM) report (2001-2010) noted that apart from reduced funding, SMEs in South Africa also suffer from poor management skills, which are a result of lack of inadequate training and education. This results in high rates of failure, with South Africa having one of the lowest SME survival rates in the world (GEM, 2010), a view supported by Ahiawodzi and Adade (2012). The present study therefore explored this in the context of tourism SMEs in Tshwane townships.

Hodorogel (2009) introduces another argument by expressing the view that a financial crisis adversely affects SMEs by reducing the development rate and increasing the number of bankruptcies. The author further argues that start-ups in particular are most vulnerable, because they lack the resources to survive a downturn. This further increases the failure rate, which Zimmerer, Searborough and Wilson (2008) state occurs within the first five years of establishment and is estimated at about 80%, especially in developing countries.

Nevertheless, for a small number of SMEs, i.e. those that identify the changes in the market and react promptly, this period may prove favourable (Zimmerer et al., 2008). In times of crisis, some SMEs, unlike the big companies, have the advantage of greater flexibility, being able to implement new services and launch new products more easily. Not bound by strategies devised at higher echelons and by the need to get approvals, SMEs can make decisions more easily, react more promptly and devise solutions adjusted to market circumstances. This adaptability of SMEs is an

important factor to survive both internal and external factors affecting the performance of SMEs.

3.6 IMPORTANCE OF SMALL AND MEDIUM ENTERPRISES TO THE TOURISM INDUSTRY

This section outlines government initiatives to grow tourism SMEs and highlights the size and importance of this industry. The tourism sector is also one of the six core pillars of growth identified in the New Growth Path by the South African government (MDG Report, 2013). It is believed that the industry has a role to play in advancing job creation and economic growth due to its labour-intensive nature. The National Tourism Sector Strategy (NTSS) has set out a plan to create 225 000 additional jobs in the tourism sector by 2020. At the same time, the NTSS seeks to raise the total direct and indirect contribution of the tourism sector to the national economy from R189.4 billion (in 2009) to R318.2 billion by 2015 and R499 billion by the year 2020.

This is a clear indication that national government places significant emphasis on the contribution that the tourism sector can make in the delivery of the government mandate of creation of decent work, sustainable livelihood and rural development. For this to happen, the development of the tourism sector is also seen as an economic priority because of its potential to drive domestic consumer spending and serve as a source of considerable foreign exchange earnings for South Africa (Department of Tourism, 2011).

According to the South African Government online (2012), the national government has prioritised efforts to strengthen linkages with cultural industries, such as the craft industry and the film and television industry. More broadly, the national government is planning to make South Africa one of the top 20 global tourism destinations by 2020. In order to do so, government's strategy is centred on accelerating the growth of tourism in the country through a focus on economic development making use of SMEs in the industry (Department of Tourism, 2011).

SMEs could continue to play a prominent role in the process of advancing the tourism sector in South Africa - if they are provided with the necessary support. This is acknowledged in the (Department of Tourism, 2011), which includes a strong focus

on the facilitation of support for rural tourism development and assistance for tourism SMEs to access markets and funding. A significant level of support for tourism enterprises is provided through the Enterprise Investment Programme (EIP) by the Department of Trade and Industry (dti) (2010), which was launched in 2008 to provide sector-specific financing in order to encourage growth in key areas. The Tourism Support Programme (TSP) was introduced under the EIP. Through the TSP, the EIP offers support to new and expanding projects in the tourism sector (dti, 2010).

In this respect, the primary objective of the TSP is to promote sustainable job creation outside of the traditional tourism destinations of Durban, Cape Town and Johannesburg, while at the same time encouraging a greater level of transformation within the sector. In practical terms, the TSP offers investment support in the form of grants to qualifying enterprises outside the country's three traditional tourism destinations. Specifically, the grants are provided to support investment related to the cost of plant, own property and vehicles, and on the value of leased property. The value of the grants depends on the value of the assets associated with the investment, with projects boasting assets below the value of R5 million defined as 'small', and allocated a 30% grant over a three-year period (dti, 2010).

In addition to the TSP, the Tourism Enterprise Programme (TEP, 2008, through its unique enterprise development model, aims to assist tourism enterprises to grow. The TEP was developed through a partnership between the then National Department of Environmental Affairs and Tourism (DEAT) and the Business Trust, and focuses on supporting small business development in the tourism sector. To date, the provision of support through the TEP has focused on building existing tourism enterprises rather than creating new businesses. In this respect, the TEP includes a variety of programmes designed to provide hands-on, step-by-step support to tourism SMEs in order to improve product quality and operational efficiency, and provide greater market access. Furthermore, the TEP has provided matchmaking support to tourism SMEs to assist them in the establishment of linkages with larger enterprises (TEP Report, 2008).

SMEs already play a prominent role within many of these sub-sectors in South Africa. It has been noted that, while just six companies control between 60% and 70% of the

tourism sector in the country, the majority of enterprises operating within the sector are SMEs (dti, 2011). The dti (2011) has further estimated that of the 50 000 tourism enterprises operating in the country in 2011 at least 97% were SMEs.

In comparison to the dti estimates for 2006, the tourism sector created 539 017 direct jobs and a further 699 683 indirect jobs, suggesting that the sector's total contribution to employment in South Africa was 1 238 700 in 2006. More broadly, estimates provided by Pan African as per dti (2011) suggest that, since 1994, the contribution of the tourism sector to total employment in South Africa has increased, (peaking at 11.6% in 2001 and dropping back to 8.6% in 2005) (dti, 2011).

More recent figures on the contribution of tourism to the GDP and employment in South Africa as quoted in the World Travel and Tourism Council (WTTC) Report (2015), reveal that travel and tourism generated 679 500 jobs directly in 2014 (4.5% of total employment) and this was forecast to grow by 3.8% in 2015 to 705 500 (4.6% of total employment). This includes employment by hotels, travel agents, airlines and other passenger transportation services (excluding commuter services). It also includes, for example, the activities of the restaurant and leisure industries directly supported by tourists. This is also depicted graphically below.

SOUTH AFRICA: DIRECT CONTRIBUTION OF TRAVEL & TOURISM TO EMPLOYMENT



Figure 3.3: Direct contributions of travel and tourism to employment

Source: WTCC Report (2015)

This is significant as it has brought the discussion closer to the objective of the study, which was to determine the sustainability of tourism SMEs in Tshwane townships. The perceived role of tourism SMEs within the South African economy formed the background for the study, and it is clear that SMEs are important. This study set out to determine whether this importance was felt and/or understood by the Tshwane township tourism SMEs.

The next section focuses specifically on the importance of SMEs in economic development, commencing with defining economic development, thereafter moving to the actual role SMEs play in facilitating economic development.

3.7 ROLE OF SMALL AND MEDIUM ENTERPRISES IN ECONOMIC DEVELOPMENT

The general importance of SMEs was highlighted in the previous section. This section focuses on defining the role of SMEs in economic development. However, it is firstly necessary to define economic development.

3.7.1 Defining economic development

There are varying views on what economic growth or economic development really is, and these terms are often used interchangeably, especially when reference is made to drivers of economic growth. However, Ezeala-Harrison (1996) differentiates between economic growth and economic development. According to the author -

- **economic growth** refers to the increase in an economy's real GDP and income over time; whereas
- **economic development** must be preceded and prompted by economic growth.

He further states that economic development involves economic growth, accompanied by structural transformation, which is economic growth plus positive structural changes in the economy. Thus, economic growth may be necessary, but is not sufficient, for economic development. In fact, economic development reflects the underlying qualitative structural and institutional changes that are needed to expand a nation's potential and capabilities in the utilisation of scarce economic resources. In

contrast, economic growth represents the necessary condition, while structural transformation provides the sufficiency condition for economic development (Ezeala-Harrison, 1996).

On the other hand, Jafari (2000) argues that economic growth is an increase in a country's per capita output, while economic development is economic growth leading to -

- an improvement in the economic welfare of the poorest segment of the population;
- a decrease in agriculture share of output;
- an increase in the educational level of the labour force; and
- indigenous technological change.

Jafari (2000) further argues that, with respect to the contribution of tourism to economic development, it can be seen that there is scope for tourism to assist, if not provide, a catalyst for economic development. The author further argues that a variety of theories have been put forward over the past century to explain economic development. With the exception of the English Classical theory which offered little prospect for any industry, all of the major theories provided, define the role of tourism as a means to development. This role is either in the form of providing additional stimulus to demand or as a way of overcoming the natural inertia of economies (Jafari, 2000). In light of the arguments presented above, the present study established ways of making Tshwane townships tourism SMEs sustainable so that they can play their role in promoting economic development.

The topic explored below is the perceived role SMEs play in economic development.

3.7.2 Role of SMEs in economic development

The sustainability of tourism enterprises varies for different types of enterprises.

Saayman and Saayman (1998) argue that micro- and small enterprises in the tourism industry tend to be less sustainable than medium-sized enterprises. They further state that this is important for South Africa because the country needs more sustainable jobs, especially in tourism. If the concept of increasing black

entrepreneurs in tourism is to succeed, the emphasis should be on medium-sized operations.

This is echoed by Calvin (2002) who maintains that there has been an increase in small enterprises around the globe, and these enterprises are considered by many governments as critical in the creation of employment and ultimately in the creation of wealth. This concurs with the work of Saayman and Saayman (1998).

Statistics quoted by various authors indicate that a high percentage of SMEs fail within the first two years of start-up (LeBrasseur, Zanibbi & Zinger, 2003; Littunen, Storhamar & Nenonen 1998). Burns (2001) suggests that younger firms are more likely to fail than older ones, and states that 50% of firms cease trading within the first three years. Rwigema and Venter (2004:68) state that in most countries, the rate of business failure far exceeds that of success, and in South Africa, a survey indicated that 70% to 80% fail within five years (Rwigema & Venter, 2004). The overriding reason for failure is a lack of management skills in running the ventures (Rwigema & Venter, 2004).

In their article, "Linking entrepreneurship to economic development", Thurik and Wennekers (1999) argue that economic activity moved from large firms to small firms in the 1970s and the 1980s. They further claim that small firms play an important role in the economy, serving as agents of change by their entrepreneurial activity by being the source of considerable innovative activity, stimulating industry evolution and creating an important share of the newly generated jobs. In their distinction between large and small firms, they state that the major difference is the role of ownership and management. In a small firm, there is only one person or a very small group of persons who is in control and shapes the firm and its future. They further state that the role of such a person is often described by the term 'entrepreneurship' (Thurik & Wennekers, 1999). This concept was discussed in Chapter 2.

Aris (2007) states that the potential of SMEs to promote domestic-led growth in new and existing industries and to strengthen the resilience of the economy in a competitive and challenging environment is inarguable. The author further states that economic growth in developed countries such as Japan, Korea, Taiwan and many others, was significantly generated by SME activities. The author further provides

evidence dating back to 2003, where the percentage contribution of SMEs to GDP total value added ranged from 60% in China to 57% in Germany, 55% in Japan (Aris, 2007). This indicates that the focus on SMEs for developed economies started several years back.

Mahembe (2011) estimates that SMEs employ 22% of the adult population in developing countries. This is supported by the United Nations Industrial Development Organisation (UNIDO), which estimates that SMEs represent over 90% of private business and contribute to more than 50% of employment and of the GDP in most African countries (UNIDO, 1999). He further quotes a study conducted by Abor and Quartey (2010), which estimated that 91% of formal business entities in South Africa are SMEs, and that these SMEs contribute 52-57% to GDP and approximately 61% to employment.

In South Africa, the importance of SMEs in economic development was realised as early as 1995 with the government introducing the White Paper on National Strategy for the Development and Promotion of Small Business (1995). This White Paper highlighted the fact that small, medium and micro-enterprises (SMMEs) represent an important vehicle to address the challenges of job creation, economic growth and equity in our country (South African Government online, 2012). In recent years, the government established a Ministry of Small Businesses with the sole mandate of looking after the development of Small businesses (SA Government online, 2015).

JP Morgan's report entitled "Catalyst for growth in South Africa" (2012) states that South Africa is facing an unemployment crisis. At least 25% of the population is jobless, with the number increasing to nearly 40% if one includes those who have given up their search for work. At the same time, the level of entrepreneurial activity in South Africa is low when compared to other emerging markets. According to the Global Entrepreneurship Report (2010), the level of early-stage entrepreneurial activity is directly related to the per capita income. In 2010, South Africa ranked 35th out of 54 profiled countries, ranging in income levels and regions, in terms of total entrepreneurial activity and was below the average for all participating countries (Global Entrepreneurship Report, 2010).

In 2015, President Zuma in his State of the Nation address (SONA), stated that the small business sector is a critical component in the job creation drive (SONA, 2015). Prior to that, the New Growth Path released in December 2010 by Ibrahim Patel, the then Minister of Economic Development, set job creation as a priority, with a target of creating five million additional jobs by 2020. The plan aimed to reduce unemployment from 25% to 15%, largely through the development of small businesses (South African Government online, 2015).

The literature reported above is a clear indication that SME development is critical when it comes to economic development. Since tourism is one of the five strategic goals of government in South Africa Government online (2015) it means that it has to deliver economic development through SMEs. The present study explored this indirectly through first establishing whether the tourism SMEs in Tshwane townships are sustainable or not. Using the recommendations obtained, a framework was created which could be used by SMEs to facilitate economic sustainability.

The final section of this chapter presents a discussion of the theory chosen to form part of this study namely, Porter's Five Forces of Industry Analysis. This theory served as a tool, which enabled the analysis of the Tshwane township tourism industry, thus enabling the creation of the sustainability framework.

3.8 PORTER'S FIVE FORCES FOR INDUSTRY ANALYSIS THEORY

Various theories can be used to analyse the competitiveness and the agility for companies to survive. For this study, Porter's Five Force's for Industry Analysis theory was used. This theory was chosen because of its ability to identify various factors, which enable the analysis of organisations within their operating environments, and thus determine their success and sustainability in the industry. Since it was established, many other theories have been created, but the theory is still revered by most marketers as the best tool to analyse market potential.

In this section, Porter's Five Forces theory for Industry Analysis theory is introduced. Other models similar to the theory chosen are briefly discussed and the reason for choosing Porter's theory over these theories, is provided. A discussion of the five

forces in the context of analysing the tourism industry follows. Thereafter other authors' views of Porter's theory are briefly explored.

3.8.1 Porter's Five Forces for Industry Analysis defined

This theory claims that the sustainability in any industry depends on how they measure on the criteria given by Porter. Porter's theory comprises the following measurement forces:

Table 3.8: Porter's theory and measurement forces

Measurement 1	Measurement 2	Measurement 3	Measurement 4	Measurement 5
Threat of new entrants	Threat of substitute products	Bargaining powers of buyers	Bargaining powers of suppliers	Rivalry among competing industries

Source: Porter (1980)

In the article, "Gurus of marketing", Kermally (2003) defines the relevance of this theory to be its ability to determine the intensity of industry competition and profitability, and the strongest force or forces that is governing and becoming crucial from the point of view of strategy formulation.

Based on the above, the researcher argues that this theory is relevant as it provided the basis upon which one can determine whether the tourism industry has potential to sustain Tshwane tourism township SMEs or not, and whether those who enter the industry will be able to run the business sustainably over time due to the perceived value and opportunities that exist.

According to Porter (1980), the likelihood of organisations making a profit in a given industry depends on five factors. These are introduced below and schematically presented in Figure 3.4.

- The **likelihood of new entry** - refers to the extent to which barriers of entry exist. The more difficult it is for other firms to enter a market, the more likely it is that existing firms can make relatively high profits.

- The **power of buyers** - the stronger the power of buyers in an industry, the more likely it is that they will be able to force down prices and reduce the profits of firms that provide that product.
- The **power of suppliers** - the stronger the power of suppliers in an industry, the more difficult it is for firms within that sector to make a profit because suppliers can determine the terms and conditions on which business is conducted.
- The **degree of rivalry** - measures the degree of competition between existing firms. The higher the degree of rivalry, the more difficult it is for existing firms to generate profits.
- The **substitute threat** - measures the ease with which the buyers can switch to another product that does the same thing. The ease of switching depends on the costs that would be involved and how similar the customers perceive the alternatives to be.

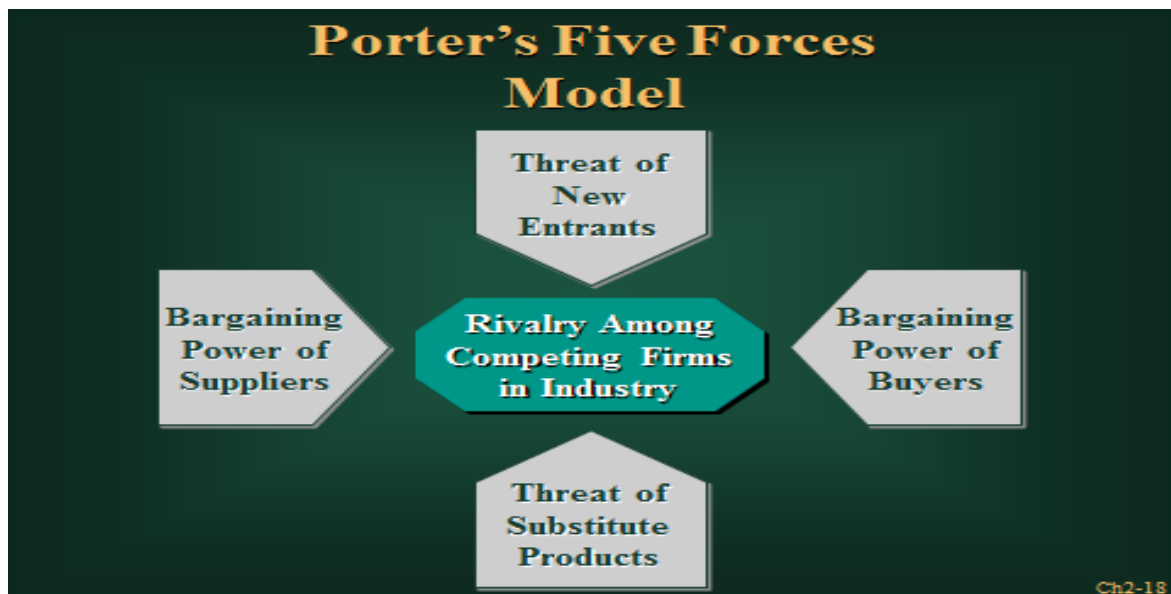


Figure 3.4: Schematic representation of Porter's Five Forces Model

Source: Porter (1980)

Further to Porter's Five Forces of Industry Analysis, Porter developed distinct questions to be asked during industry analysis. These are presented in Table 3.9.

Table 3.9: Key questions regarding Porter's industry and competitive environment

Porter's Five Forces model
Threat of new entrant
Bargaining power of suppliers
Threat of substitute product
Bargaining power of buyers
Rivalry among competing firms in industry
Key questions regarding the industry competitive environment
What are the industry's dominant economic traits?
How strong are the competitive forces?
Which forces are driving change in the industry?
What are the key factors for competitive success?
How attractive is the industry from an economic perspective?

Source: Porter (1980)

When using this theory, the questions assist in asking the right questions as a way of understanding the forces and the industry in question.

Wilson (2003) also quoted Porter's Five Forces theory, stating that these forces govern the nature and intensity of competition within an industry and are the background against which the choice of generic strategy should be made. Hence, in using Porter's theory in this study, not only is the SME industry analysed but the choice of competitive strategy suitable for survival and sustainability of township tourism SMEs is informed. The theory thus assisted in designing and developing an SME framework.

Making use of this theory requires one to determine the defensible position to be taken in this competitive environment. Wilson (2003) argues that this strategy can either be defensive or offensive to competitive forces. The researcher maintains that a **defensive** strategy is one that takes the structure of the industry as given and positions the company to match its strengths and weaknesses, whereas an **offensive** strategy is designed to do more than simply cope with each of the competitive forces. The adoption of this strategy requires that one alters the underlying cause of such factors, thereby altering the competitive environment itself.

Porter (1980) suggests three broad strategies that could be chosen to create a defensible position in the long run and to outperform competitors. These generic strategies are represented in Table 3.10 below.

Table 3.10: Porter's three broad generic strategies to create a defensible position

Generic strategy	Description	Type
Cost leadership	Having lowest cost relative to your rivals	Defensible strategy
Differentiation	The product offering becomes or is perceived to be unique	Defensible strategy
Focus or niche strategy	The company focuses on a particular buyer group, product segment or geographical market	Defensible strategy
'Stuck in the middle'	Failure to choose one position ending up applying a mix of the three above	Non-defensible strategy

Source: Porter (1980)

These strategies can be regarded as choices that are available to SMEs in their pursuit for sustainability. The next section reports on other theories that could be used in analysing the industry.

3.8.2 Other theories of industry analysis

According to the BNET Business Dictionary (2007), strategic analysis is the process of conducting research on the business environment within which an organisation operates and on the organisation itself, in order to formulate strategy. Price (2003) concurs by saying that strategic analysis pertains to analysing the strengths of business positioning, that is, understanding the external and internal factors that influence this position or orientation.

Porter's Five Forces of Industry Analysis was introduced above. There are however, several other models in existence which can also be used in strategic analysis namely, SWOT analysis, PESTLE analysis, Four Corners Analysis and Value Chain Analysis.

These are briefly discussed below, and their relevance evaluated with a motivation regarding why they were not chosen as the model that formed part of this study.

- SWOT analysis is described by Dyson (2004) as a classical strategy analysis tool based on four fields: strengths, weaknesses, opportunities and threats. This tool originated from academics of Harvard Business School in the 1960s where they defined a good strategy as one that guarantees fit between the external situations of a company and its internal qualities and characteristics. Although this model is simple and straightforward, it is also subjective. Some aspects of the business, which are considered threats, could easily be opportunities for the same business. Due to its lack of objectivity in application, it was not chosen for use in this study.
- The PESTLE analysis framework considers political, economic, social, technological, legal and environmental aspects of the industry. The company is then evaluated against these elements when performing strategy analysis (Johnson & Scholes, 1993). PESTLE analysis can be used to evaluate market growth or decline such as the position potential and direction of the business. This framework takes a long-term view in its approach. It was therefore deemed not appropriate for this study, as SMEs deal with short-term challenges as well, and need to be equipped with strategies on how to overcome these.
- Four Corners Analysis is another tool developed by Michael Porter. The analysis framework consists of four diagnostic components, namely future goals, current strategy, assumptions and capabilities. It is assumed that by understanding these four components, one gains insights into the future strategies of competitors (Porter, 1980). This tool is especially focused on competitors and tends to ignore other factors in the external environment, which have a significant effect on the success of the business. It is for this reason that Four Corners Analysis was not chosen for the study.
- Value chain analysis is a further model introduced by Porter (1980) to enable an understanding of how primary and support activities could be used to create value in a business. It is a starting point for comprehending company strengths and weaknesses, as well as internal capabilities. Value chain

analysis looks at value, which is the benefit the customer is willing to pay for when purchasing the product or service. Value chain activities are divided into primary and support activities. Primary activities are directly linked to the product or service that a company wants to sell to the customers. Support services are supplementary to primary activities as a company carries out a set of tasks. Together these make up a company's total value (Pitts & Lei, 2006).

Although this is a very valuable tool, it can be complex and is more suited for large and more complicated businesses. The present study dealt with tourism SMEs in Tshwane townships; therefore, it was imperative to choose a simple model that could easily be applied to this environment and/or industry.

In the section below, a discussion follows on how each of the five forces of industry analysis (see Porter, 1980) was used in analysing the SMEs within the tourism industry of Tshwane townships.

3.8.3 Porter's Five Forces Theory in analysing the tourism industry

During the present study, Porter's Five Forces theory provided a good background for analysing the tourism environment and the role SMEs play in this environment. In this section, the discussion focuses on how this theory was used during the present study, specifically citing its relevance in the tourism environment.

- Starting with the likelihood of **new entrants**, the researcher determined what the entry barriers in the tourism industry at that stage were, and how these posed a threat to entrepreneurs already operating in the environment. The assumption was that, the easier it is to enter the market, the more companies would be available offering similar services and the fiercer the competition would be. If the competition was fierce, the rate of survival would be low, making it difficult for smaller players like SMEs to sustain themselves in the long term. The use of this element of the theory together with the data collected revealed whether this was the case or not.
- In the present study, the second force, the **power of buyers**, referred to the tourists who receive a service from the SMEs in Tshwane townships. These tourists are in a position to negotiate a lower price from the SMEs, especially

in cases where they feel they can get a better deal from other suppliers. Because there are a number of other suppliers providing the same service, it makes it easier for them to bargain in this manner. This force aided the researcher to determine the extent of the bargaining power of the tourists and the effect this has on the SMEs trying to be sustainable.

- The third force is the **power of suppliers**. In most cases, SMEs are appointed by larger operators to do certain work on their behalf (outsourcing), making these operators the suppliers to the SMEs. The relationship between the SMEs and these suppliers also determines the profit margins for SMEs and the amount of business referred to SMEs. Therefore, the bargaining power of the suppliers influences the long-term sustainability of the SMEs.
- The **degree of rivalry** measures the degree of competition between the different players in the industry. This was partly explored in the present research as it might influence the sustainability of the SMEs under study.
- Tourists can easily switch from one supplier to another depending on the availability of alternatives in the industry. These alternatives provide strong bargaining power to the consumers, which might not necessarily be good for SMEs. The availability of substitutes, for example a tour in a township outside of Tshwane is one area which influences sustainability. It depends on how SMEs position themselves to be better than the substitutes. This was explored using Porter's theory in this research.

Chaffey (2002) supports Porter's classic model of the five main competitive forces and posits that it still provides a valid framework for reviewing threats arising in the business era. The value of Porter's model enables managers to think about the current situation of their industry in a structured, easy-to-understand way as a starting point for further analysis.

The following discussion will focus on the criticism levelled against Porter's Five Forces of industry analysis theory.

3.8.4 Porters Five Forces Theory - criticism

Even though Porter's Five Forces theory is widely accepted as an industry analysis tool, some authors have criticised it and some have made suggestions to improve this theory.

Grove (1997) uses **complementarities** as a sixth force in the Five Forces. According to Porter (1980), complementary goods offer more value to the consumer than if being offered individually. Therefore, the combined value of two complementary products is greater than the individual value of each product. Grove (1997) argues that the existence of the complementary product increases the demand for the other product. This was not explored in detail in the present study; however, where relevant, the researcher considers how the existence of other competing products affects the demand for services provided by Tshwane township tourism SMEs.

Rugman and Brewer (2001) believe that **government regulations** should be added as an explicit sixth force to Porter's basic Five Forces theory of industry analysis because it is almost impossible for an organisation to operate in an environment and not be affected by government regulations. Therefore, these regulations should be included in an industry analysis. The revised model, as quoted by Rugman and Brewer (2001), was not used in this study; however, the issue of government policy was briefly explored in the study to determine whether they promote sustainability of Tshwane township tourism SMEs.

Kermally (2003) lists the following of criticisms of Porter's Five Forces theory:

- The model emphasises the need for a company to build strategy in the context of forces shaping the profitability and ultimately sustainability of the industry, instead of the need for a company to identify its core competencies and to build strategy around them.
- The framework is static in nature since it views industry structure as stable and externally determined.
- Differences in the profitability of the industry do not necessarily determine the profitability of the organisation.

Authors like Gobble (2012) argue that this model kills experimentation within the corporations and is a static monolith not befitting current developments.

It is worth noting the criticism levelled against the theory as a way of providing a balanced view to the study. However, for the purposes of this research, Porter's Five Forces theory was used without drawing comparisons to other models as this was beyond the scope of the study. However, in cases where these issues came up in the primary research, they were considered and included where relevant.

3.9 CONCLUSION

Chapter 3 formed part of the literature review aimed at understanding SMEs. To determine the sustainability of Tshwane township SMEs, it was important to understand the South African SME environment.

The perceived role of SMEs globally, in sub-Saharan Africa as well as in South Africa, was sketched. This discussion facilitated a broader understanding of these entities as well as their operation, which assisted in appreciating how they can be run sustainably in the tourism environment.

Chapter 3 further provided clarity on the role SMEs play in economic development. This was done in an attempt to cast light on the primary research objective, which regarded the sustainability of tourism SMEs in Tshwane townships.

Throughout the chapter, clarity was provided on how the above-mentioned concepts were used within the present study to achieve primary and secondary objectives.

Porter's Five Forces for Industry Analysis theory was presented as the theory chosen for the study. Different views on the theory were also explored. The next chapter covers the research design and methodology for the study.

CHAPTER 4

RESEARCH DESIGN AND METHODOLOGY

4.1 INTRODUCTION

This chapter describes and motivates the choice of research design and methods used in the present study. Aspects relating to the inquiry strategy and broad research design are provided first. This is followed by a discussion of the specific methods used to collect and analyse the data. The latter part of the chapter reflects on measures taken to ensure the validity and reliability of the data collected.

4.1.1 Research question

The research question for the current study was phrased as follows:

What are the current challenges that Tshwane township tourism SMEs experience that impede them from being sustainable in the long term and what practices can be implemented to enable these SMEs to obtain sustainability thus contributing to economic development in South Africa?

4.1.2 Primary research objective

The primary research objective was to create a framework for small and medium tourism enterprises (SMEs) in Tshwane townships to ensure that this framework could be used to promote their sustainability and finally contribution to the economy of the country as a whole.

4.1.3 Secondary research objective

The following secondary research objectives were set to achieve the primary research objective:

- determine the profile of tourism SMEs in Tshwane townships;

- identify the motivators for these individuals to enter the tourism industry as SMEs;
- determine the type of financial benefits that encouraged Tshwane township tourism SMEs to enter the tourism industry, and whether those benefits are still in existence or not;
- explore the barriers and/or successes that the Tshwane township tourism SMEs have encountered for them to be financially sustainable businesses or not; and
- recommend appropriate and relevant best practices that could enhance the viability of tourism SMEs in Tshwane townships leading to a creation of an SME framework that could assist in making the SMEs sustainable.

The chapter follows the flow diagram depicted in Figure 4.1.

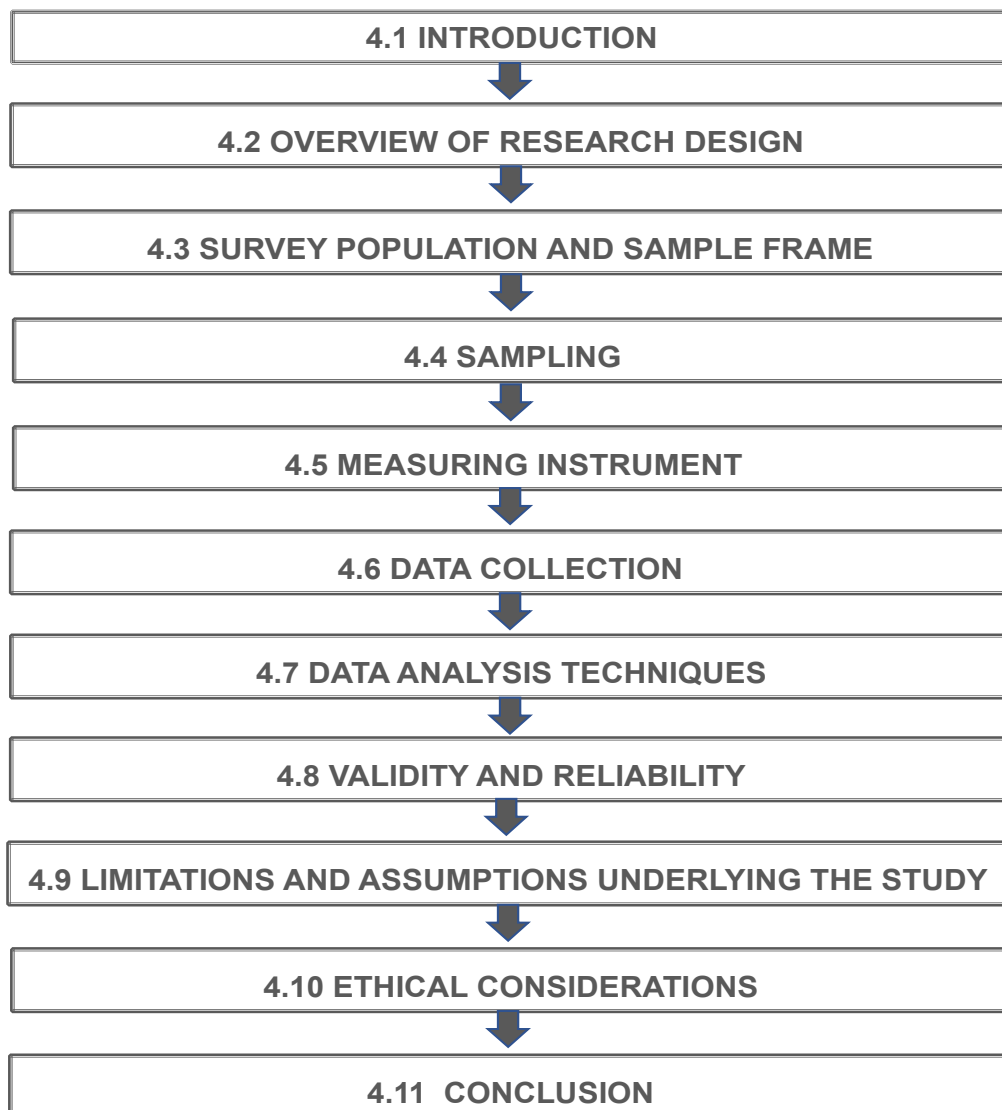


Figure 4.1: Flow diagram of Chapter 4

Source: Author's own compilation

4.2 OVERVIEW OF RESEARCH DESIGN

The section below will discuss the research design in detail.

4.2.1 Research design definition

Cooper and Schindler (2014) define a research design as a plan and structure of investigation aimed at obtaining answers to research. The authors further argue that it is a blueprint for fulfilling the objectives and answering the research question. Blumberg, Cooper and Schindler (2008) define a research design as the plan and structure of investigation concerned with obtaining answers to the research question. This plan is regarded as the overall scheme of the research, which includes the outline of what the investigator intends doing from writing the hypotheses and their operational implications to the final analysis of data. Blumberg et al. (2008) further explain the fundamentals of research design, namely the design -

- is an activity time-based map;
- is often based on research questions created;
- directs the sources of information to be selected;
- is a framework for identifying relationships amongst the variables; and
- stipulates a method for each research activity.

This dissertation reports on an empirical study that made use of a survey to collect primary data.

4.2.2 Research approach

According to Creswell (2012), there are three research approaches, namely quantitative, qualitative and a hybrid. This research study aimed at investigating the sustainability of Tshwane township tourism SMEs by creating a framework that would enable SMEs to contribute to the economy of the country as a whole.

Based on the objectives of the study, a quantitative paradigm was adopted for the study. Marais (2012) describes quantitative research as research, which approaches

phenomena from the perspective of an outsider in order to explain and predict the phenomenon under study in isolation. This approach uses numerical indicators of abstract concepts. Its methodology is normally relatively formalised, rigid, cross-referenced and explicated, but more recorded by means of statistics. This kind of paradigm aligns with the objectives of this study.

Furthermore, a quantitative approach is practical in terms of cost and time. It involves either the characteristics of an observed phenomenon or it explores possible correlations between two or more phenomena (Leedy & Ormrod, 2010). A quantitative research study provides specific details of a situation and focuses on the 'who', 'what', 'when', 'where' and 'how' of a topic (Cooper & Schindler, 2014). The present study was about the sustainability (what) (how) of Tshwane (where) tourism SMEs (who).

This paradigm was considered suitable due to the type of information required in order to achieve the primary research objectives and so solve the research problem.

De Vos, Strydom, Fouche and Delpont (2011) mention that there are two types of quantitative research design, namely experiential design and non-experiential design. The non-experiential design was chosen for the present study, as a survey is the most common data collection strategy.

Therefore, the quantitative requirements of this research were met through a survey strategy and the utilisation of a questionnaire, which served as data collection tool to explore the issue under investigation. The majority of the questions asked to the respondents were structured with responses captured in numeric and quantitative form. Selective questions allowed capturing of less structured responses, but were subsequently coded and reported quantitatively.

4.2.3 Process followed in conducting the research

In conducting this research, a process was followed as captured in Figure 4.2.

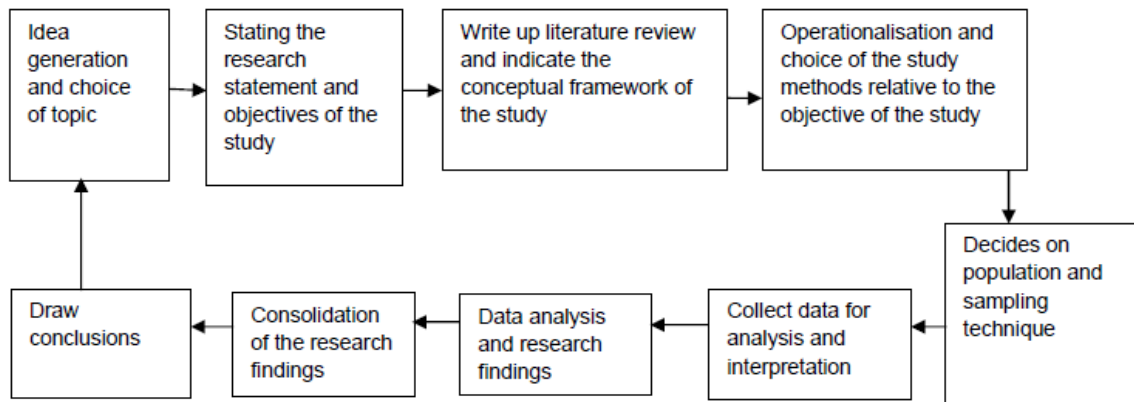


Figure 4.2: Step-by-step research process followed in this study

Source: Author's own compilation

A detailed description of these steps is provided below.

4.3 SURVEY POPULATION AND SAMPLING FRAME

The survey population and sample frame will be discussed below.

4.3.1 Survey population

Nel, Radel and Loubser (1988) define a survey population as consisting of a group of people, households, families, businesses or other entities from whom data is required. Cooper and Schindler (2014) refer to a population as the total collection of elements about which one wishes to make some inference. The survey population for this study was considered to be owners and/or managers of small and medium tourism enterprises operating in Tshwane townships in 2016.

The City of Tshwane is classified as a category A (metropolitan) municipality (City of Tshwane, 2016). It was established on 5 December 2000 after the integration of 13 municipalities and councils of the former greater Pretoria and surrounding areas. In 2011, the city was extended further to the Metsweding area. The City of Tshwane is the largest metropolitan municipality in South Africa in terms of geographical space.

The city has a population of approximately 2.9 million people and is home to large townships such as Soshanguve, Mamelodi, Ga-Rankuwa, Hammanskraal, Atteridgeville, Mapopane and Cullinan (City of Tshwane online, 2016).

The layout of these townships within Tshwane is shown in Figure 4.3 below.



Figure 4.3: Google map of the City of Tshwane municipality

Source: City of Tshwane online (2016)

4.3.2 Sampling frame

A sampling frame is defined as a listing of all elements or individual units comprising the population from which a sample may be drawn (Nel et al., 1988; Zikmund, 2003). A sampling frame must therefore be consistent with the population the researcher would like to study.

A database of SMEs administered by the City of Tshwane was identified by the researcher as the sample frame and was deemed relevant for the purpose of the present study. This database was requested from the City of Tshwane unit handling tourism and SMEs. The database contained names and addresses of small and medium tourism enterprises operating in Tshwane townships and registered with the municipality in 2016. This database is actively updated to keep in contact with the SMEs in the area. The database is also used as a form of register with details of the type of SMEs available in the area should there be business opportunities for them.

This is not a compulsory database but it is always advised when SMEs in the area are registered so that there is some form of tracing mechanism for these enterprises.

At the time of the research (2016), there were over 300 SMEs listed in this database. The researcher determined that this was the only easily accessible and up-to-date database in existence, making it the most relevant for the study. A sample of this database is contained in Appendix C and is marked confidential.

Given the availability of this sampling frame, it was argued that a sample drawn from the frame would provide information appropriate for describing the population of elements composing the sampling. The existing sampling frame was therefore adopted to constitute the study population rather than the other way around.

4.4 SAMPLING

According to Gibson and Brown (2009), sampling refers to the point of data collection or cases to be included within a research project. They further state that samples are drawn according to the interest and concern of the researcher and the logic of the research design adopted. A sample is selected from the population and the aim thereof is to achieve precision in estimates within the sample and to avoid bias in the selection. Blanche, Blanche, Durrheim and Painter (2011) contend that sampling refers to the selection of research participants from the entire population, and that it involves managing places and spaces in which data collection takes place. Zikmund, Babin, Carr and Friffin (2010) define a sample unit as a single element and/or a group of elements subject to selection in the sample. In this study, a sample unit comprised the group of elements that were selected.

In practice, it is seldom possible to study all the members of a population or those listed in a sampling frame. The availability of population elements at a single time, as well as budget and time constraints restricts the realisation of a complete census of all elements.

For the present study, 160 Tshwane tourism SMEs were selected as the sample for the study. All 300 SME owners or managers had an equal chance to be selected. The fieldworkers phoned SME managers or owners until the sample size of $n=160$ had been obtained. Collis and Hussey (2009) explain that a sample is made up of

some members of a targeted population, an extract from the targeted population, which is still representative of the targeted population.

Pallant (2011) indicates that samples in excess of 100 are considered large. A large sample contributes towards the reliability of the data. Given the sample of 160 for this study, the margin of error could be calculated as follows (Saunders, Lewis & Thornhill, 2014):

$$n = p \times q \times \left(\frac{z}{e}\right)^2$$

Where n =sample size

p =proportion belonging to the specified category

q =proportion not belonging to the specified category

z =value corresponding to the level of confidence required

e =margin of error required

Solving for the unknown parameter, namely precision (e) and given $n=160$; $p = 50\%$; $q = 50\%$ and $z=1.96$, the value for e is calculated as 7.7%. Given the social and business research context of this study and the fact that the proportional split is rarely 50%, the margin of error was assessed to be acceptable to address the research objectives.

SMEs were included on the basis of accessibility, availability and willingness to participate. As such, the sampling method was considered to be convenience, which is classified as a non-probability sampling method. Nel et al. (1988) describe the non-probability sampling methods as those methods that rely on the researcher's judgement. Collis and Hussey (2009) state that in this case, the researcher uses non-statistical calculations in order to draw a suitable sample for the research. These sampling methods complement the research design and the methodological paradigm, which were discussed in the previous sections. The non-statistical method of selecting the sample was convenience sampling.

Convenience sampling is defined by Marshall (1996) as a method where the researcher or some other 'expert' uses his or her judgement in selecting the units from the population for study based on the parameters of the population.

The availability of a comprehensive database, which is frequently updated by the City of Tshwane, made it easier to locate the respondents required for the study. The database had more than enough entries to cater for cases where other selected respondents were not willing to participate or unavailable during the time of the research.

While this is classified as a non-probability sampling method by Marshall (1996) restricting generalisations to the population, the sample size was still considered to be large enough to achieve meaningful results in terms of the phenomenon being studied within the sample, based on the fact that the margin of error was less than 10%.

Some of the salient features of the sample chosen are represented in Table 4.1 below:

Table 4.1: Salient features of chosen sample

Salient feature	Description	Percentage
Race	Black	98.1%
	White	1.9%
Gender	Females	67.5%
	Males	32.5%
Age group	25-34	4.4%
	35-49	31.3%
	50-65	55.6%
	65+	8.8%
Tourism product	Arts and craft	40.8%
	Apparel	9.6%
	Catering	7.2%
	Transport	5.6%

Salient feature	Description	Percentage
	Other	20.9
Years of operation		
	Less than 2 years	4.4%
	3-9 years	45.9%
	10-14 years	32.1%
	15 years+	17.6%
Franchised business		
	Franchised	1.2%
	Not franchised	98.8%

4.5 MEASURING INSTRUMENT

The choice of an appropriate data collection method is dependent on factors such as the accuracy of the information to be obtained, the cost involved, and the time factor (Martins, Loubser & Van Wyk, 1996). Consideration of these factors contributed towards the decision to use a semi-structured questionnaire as data collection instrument within a survey strategy. This instrument was chosen as it is ideal for collecting large quantities of data in a uniform manner, and it helped in structuring the data collected.

Questionnaires are described by Watkins (2012) as tools, which assist the researcher to collect large quantities of data, which will be analysed at a later stage, to serve as evidence of relevant findings of a research study. Collis and Hussey (2009) further state that questionnaires can be administered by hand, computer-assisted software, telephone, post or by means of outsourcing it to data collecting entities at a cost.

A cover page aimed at creating the interest of the respondent was designed. This briefly introduced the study as well as the researcher. The respondents were thanked in advance for their participation, and were assured that the responses would be treated with utmost confidentiality. They were also advised that they were allowed to pull out of the conversation halfway through the process should they wish to do so. The respondents were informed that the records were to be kept for a year, and that some of the information obtained may be published in whole and or in part. This section basically gave the respondents the assurance that this was a credible study.

Before getting to the section with the actual research questions, a screening question was included, which aimed to determine the title or position of the respondent. The study only aimed to obtain information from the owners and/or managers of the SME tourism business and not general employees, as these types of employees are considered most knowledgeable about the business and environment. The questionnaire consisted of quantitative questions arranged in a systematic manner to facilitate data gathering. A few qualitative questions were asked at the end of the questionnaire, even though they were reported quantitatively. This allowed the respondents to give their opinion relating to subjective issues.

The questionnaire was designed to obtain a profile of the Tshwane tourism SMEs included in the sample firstly. Thereafter, the questionnaire elicited the type of financial opportunities that encouraged the Tshwane township tourism SMEs to enter the tourism industry, and enquired whether those opportunities were still in existence or not. It further elicited information on impediments that existed prohibiting the success of Tshwane township tourism SMEs, in other words, establishing their sustainability. Through the questionnaire, the researcher also investigated measures which could improve the sustainability of Tshwane tourism SMEs under the current conditions.

This structure ensured that adequate data was collected leading to presenting solid and coherent arguments providing clarity to the research problem. The questionnaire consisted of seven sections and 46 questions in total (refer to Appendix B).

The table in the following page depicts the structure of the questionnaire linked to the research objective and the type of question asked in each section.

Table 4.2: Layout of survey design

Objective	Section in survey	Type of question	Source
Objective 1 Profile of Tshwane tourism SME	Sections A, B, C and D	Choose from the options provided	Blumberg et al. (2008)
Objective 2 Motivators for entering the tourism industry	Section E	Choose from the options provided, give opinion and rate given options	Gupta et al. (2004)
Objective 3 Type of financial benefits anticipated in the industry	Section E	Choose from the options provided, give opinion and rate given options	Van Scheers (2010)
Objective 4 Barriers and successes encountered in the industry	Sections E and G	Choose amongst the options, give opinion and rate given options	Zikmund (2003); Van Scheers (2010)
Objective 5 Recommendation of appropriate guidelines for sustainability	Sections B, F and G	Give opinion and rate on a Likert-type scale	Collis and Hussey (2009); Cooper and Schindler (2014)

A detailed description of the seven sections of the questionnaire is provided below.

SECTION A was designed to gather biographical data on the respondent's characteristics, namely race, gender, age, highest level of education and number of years in business (Blumberg et al., 2008).

SECTION B aimed at collecting business characteristics, namely determining the type of business entity operated, length of operation, number of employees, estimated turnover, ownership of premise and regional operation (Cooper & Schindler, 2014).

SECTION C aimed at collecting information on how the business is financed. Questions asked related to the sources of funding, path to business ownership, sustainable sources of funding, experience prior to opening a business, and level of financial sustainability (Mahembe, 2011).

SECTION D was designed to establish the tourism model chosen by each of the SMEs interviewed, methods of marketing as well the fee structure used in the business and knowledge of business profitability (Holden, 2003).

SECTION E was designed to explore the understanding of entrepreneurship by each SME interviewed. The motivators for starting the business were explored together with the barriers experienced by the SMEs. Competition as well as the methods used to counteract competition were also explored in this section (Gupta et al., 2004; Van Scheers, 2010).

SECTION F asked questions relating to the sustainability of the Tshwane tourism SME businesses (Quartey & Abor, 2010; Van Scheers, 2010).

SECTION G offered the respondents an opportunity to provide suggestions on what they think is the best way to make tourism SMEs operating in Tshwane townships more sustainable (Pallant, 2011).

Maree (2007) mentions the following essential aspects of designing and structuring a survey as set out in Table 4.3 with a description of how these were applied in the design of the questionnaire for this study. These aspects ensure that the questionnaire design would assist in answering the research question.

Table 4.3: Survey layout and design

Survey criteria	How this research met the criteria
Instructions	Concise and clear instructions should be given to the respondent to get accurate results. Each section should explain its purpose and how it should be answered. In the case of the present research, all instructions were put upfront and these were explained thoroughly to the respondent.
Appearance	The appearance of the questionnaire must be attractive enough to entice the respondent to participate in the study. The questionnaire - although it was not seen by the respondents - was structured in a coherent manner making asking of questions easy and logical.
Completion	The average time it took to complete the survey was 35 minutes.
Question sequence	Respondents need to feel at ease when answering the questions. We started with open-ended questions and ended with questions which were regarded as personal.
Type of question	The questionnaire consisted of both open-ended questions as well as close-ended questions.

Source: Maree (2007)

4.6 DATA COLLECTION

The data collection comprised two inter-linking phases, namely the pilot study and the actual collection of the complete sample data.

The questionnaires were outsourced to a data collecting company at a cost. This decision was made based on the fact that it yielded the following benefits:

- outsourcing was less costly since the research was done mainly telephonically; only in exceptional cases respondents requested that the interviews be done face to face;
- the data collecting company had extensive experience in the student research field;
- outsourcing was less time-consuming as it was controlled to happen within a specific prescribed time; and
- the fieldworkers were able to speak the different languages.

The work of the data collecting company was limited to the collecting and recording of data.

The process followed in briefing the research company for this research so they were able to perform the task effectively, is outlined below:

- an initial meeting was set to discuss the study with the owner of the research company. At this meeting, the purpose of the study as well as the preliminary work done on the study was shared with the company owner;
- a follow-up meeting was set where the researcher briefed the research company owner, the company supervisor and the two fieldworkers;
- at this meeting, the questionnaire was explained to and discussed with the fieldworkers and they were encouraged to ask as many questions as necessary from the perspective of the fieldworker as well as that of the respondent to clear all sorts of confusion that might arise; and
- issues relating to ethics were also discussed with the company supervisor as well as the fieldworkers. These were adhered to as per the ethics certificate contained in Appendix A.

These meetings also served as a site inspection for the researcher. The researcher was taken through the premises and call centre to obtain an understanding of how these interviews are conducted and recorded.

The section below will outline the first step of the data collection process, which was the pilot study.

4.6.1 Pilot study

A pilot study is conducted to detect weaknesses in the design and instrumentation and to increase the validity and reliability of the survey (Cooper & Schindler, 2014). Finn, Elliott-White and Walton (2000) maintain that a pilot study is crucial to ensure the questions are understood consistently by all respondents in order to get reliable responses to be used in the discussion. Before commencing with data collection, a pilot study was conducted, using the owners of five Tshwane township tourism SMEs in order to refine categories and clarify questions that were unclear and needed both refinement and improvement.

Adjustments were made to certain questions as well as re-ordering of questions to allow for improved flow. For example, the question on turnover and others, which

were perceived to be personal, were asked at the end of the interview after rapport had been established with the respondents. As a result of the pilot study, definitions were also simplified to make them more understandable.

The pilot study was done in the last week of January 2016, which was a week before commencement of the survey. The survey was completed in four weeks.

4.6.2 Data collection and data editing

Most interviews were conducted telephonically. In a limited number of cases, respondents, however, requested that interviews be conducted personally on the business premises during the period of the research. Appointments were set with these respondents and the questionnaire completed with the assistance of a trained fieldworker.

All calls were made from a landline linked to a fully functional recording system. All interviews were recorded on a digital recording device by plugging them into the phone lines, then downloading the interviews onto a computer and recording them on CD. This was possible as it was a small study.

A total of 160 (n=160) interviews were conducted. The interviews took on average 35 minutes. The company supervisor checked for errors and omissions on the questionnaire during the interviewing process to allow for interviewers to follow up with respondents immediately. The responses were coded and captured into a Microsoft Excel spreadsheet for cleaning and editing.

The following are a few observations identified during the process:

- some respondents dropped out after the fieldworker had read out to them the option of opting out as per the ethical requirement of Unisa;
- some respondents had other businesses linked to their tourism business;
- most respondents mentioned that they found the questionnaire to be educational as they were learning a lot about the tourism industry through answering questions;

- the question about marketing methods was helpful to respondents, as most mentioned that they realised that they were not keeping track of their campaigns which was something they needed to do;
- the respondents owning Bed and Breakfast (B&B) establishments mentioned that they were struggling to get graded;
- most businesses seemed to have been established before or during the World Cup in 2010 and they indicated that the promotion and support had dwindled thereafter; and
- the majority of the questions had to be asked in African languages.

The observations that had an effect on the data collection process were taken into account, and the process was adjusted to accommodate this without compromising the study. An example in this regard was to ask the questions in African languages to enable the respondents to express themselves freely, even though the questionnaire was designed in English.

After collecting data, it needed to be cleaned (edited) before it could be used. Cooper and Schindler (2014) describe editing as involving the examining of all completed questionnaires in order to identify and minimise errors, incompleteness and misclassification. The fieldworkers worked very closely with the call centre supervisor where they identified duplications and other minor errors which were corrected before the information was recorded.

The fieldworkers recorded the answers as they were getting the responses. In cases where they were unable to capture these responses, they went back to the recording to check the accuracy of the answers. This was part of editing the data. The responses in each section of the questionnaire were coded and captured into a Microsoft Excel spreadsheet for cleaning and editing. Editing involved checking and adjusting for errors and omissions on the questionnaire.

The responses to open-ended questions were also recorded and captured. As part of the editing process, all the responses were manually read in relation to the questions to check the relevance and suitability of the answers.

4.7 DATA ANALYSIS TECHNIQUES

After the data had been collected as per the collection procedure detailed above, the data was cleaned, analysed and interpreted. After the data had been transported to a spreadsheet where it was cleaned during the editing process, the data was imported into IBM SPSS v22 (Statistical Package for the Social Sciences), a statistical software package. This software was used as a tool to analyse the data statistically.

The recording and transfer of data were made easy as all questions and possible answers had been pre-coded in the questionnaire. Therefore, responses were recorded against each of the codes corresponding to the question. The data collected was grouped into thematic categories when analysed.

The analysis involved examination of data under each theme for recurring relationships and correlations Cooper and Schindler (2014). Data analysis involved the constructing of basic frequency and descriptive statistics and these are reported in tables, histograms, charts and graphs where relevant. Further to this, inferential statistics were calculated and advanced multi-variate techniques employed to identify underlying trends and relationships Cooper and Schindler (2014).

Further advanced data analysis techniques used in analysing the data obtained from the quantitative section of the questionnaire are outlined below:

- Descriptive technique - this refers to the calculation of summary frequency and descriptive statistics. This enabled the researcher to describe the distribution of the sample as well as data in terms of frequency, central tendency and dispersion (De Vos, Strydom, Fouche & Delport, 2011). By employing this technique, meaningful descriptions were enabled, which resulted in proper data presentation.
- Thereafter exploratory factor analysis (EFA) was employed as item reduction technique (see Author, date). EFA is often used to understand the structure of a set of variables (Zikmund, 2003). The use of this method can determine whether a relationship between variables exists or not.
- In further analysing the data, principal component analysis (PCA) was used. Cooper and Schindler (2014) describe PCA as a procedure of identifying a smaller number of uncorrelated variables, called principal components. These

are identified from a large set of data. The goal of PCA is to explain the maximum amount of variance with the fewest number of principal components (Zikmund, 2003). This was also done to explain the relationship between the various data components. EFA is a useful technique to reduce the total number of items in a questionnaire in order to represent a smaller number of factors, which provide further understanding and insight as well as data for further analysis.

- In this study, a T-test was also used as one of the data analysis techniques. This is described by Zikmund (2003) as a method that assesses whether the mean of two groups are statistically different from each other. This is relevant whenever the means of two independent groups are compared with the aim of explaining variation in the data.

As previously indicated in section 4.5 above the questionnaire also comprised open-ended questions. To analyse the data obtained through these open-ended questions, content analysis approach was used. Content analysis is described by Saunders, Lewis and Thornhill (2012) as a method for summarising any form of content by counting various aspects of the content. This enables a more objective evaluation than comparing content based on the impressions of a listener. Content analysis, though it often analyses written words, is a quantitative method. The results of content analysis are numbers and percentages. Content review was also used and linked to this process. The combination of the two proved to be an effective in handling the qualitative data and for applying scientific knowledge to this data analysis.

4.8 VALIDITY AND RELIABILITY

Kumar (2005) describes validity as measurement procedures, including the ability of an instrument to measure what it is designed to measure. Creswell (2012) contends that quantitative research validity indicates that a researcher can draw significant and useful inferences from scores on specific instruments. Therefore, a number of processes contributed towards ensuring validity of the measurement.

Firstly, a thorough review of the literature was conducted. This laid the theoretical foundation for the measurements and contributed towards identifying the most

pertinent and relevant themes, definitions and constructs to be covered during the study. Secondly, a review of the questionnaire and question pool by experts ensured that the main topics were covered in the light of the research objectives.

Thirdly, a pilot study amongst respondents allowed for checking that questions were understood, and whether in their opinion there were any major topic omissions. It also ensured that the researcher had the same understanding of the wording of individual questions as the respondents. Lastly, statistical assistance verified whether data analysis was achievable and would provide data in a format suitable for analysis.

Saunders et al. (2012) identified five forms of validity to guarantee the quality of research. These are presented in table 4.4 along with how they were achieved in this study.

Table 4.4: Five forms of validity

Forms of validity	Description
Internal validity	This is achieved when the research demonstrates a causal relationship between variables. It also refers to the ability of the questionnaire to be able to measure what it is supposed to measure. As discussed in the previous sections the design of the questionnaire ensured that the right kind of information was obtained.
Content validity	This is about justifying each question according to the objectives of the study. Table 4.2 above demonstrated this where each section of the questionnaire could be matched against the relevant objectives.
Criterion related validity	This is concerned with the competence of the measures. The test done by experts as part of the study answered to this.
Construct validity	This refers to the researcher's ability to make use of sufficient definition and measures of variables. The literature review achieved this for this study.
External validity	Is about whether the research findings can be generalised or not. The following of a proper sampling process partly catered for this.

Source: Saunders et al. (2012)

Finn et al. (2000) contend that a student researcher should be aware of the following ways of improving validity:

- approaching people employed in the leisure and tourism industry for professional advice;
- consulting previously published research;
- using more than one data collection method; and
- sound understanding of theory underlying research.

The researcher worked closely with his supervisor and co-supervisor who are experts in tourism management, and read published research articles on the topic. These aided in increasing the validity of the study.

Saunders et al. (2012) describe reliability as a situation that occurs when the researcher's data collection techniques and analytical measures produce constant measures when they are replicated by another researcher or on a different occasion. Reliability is about consistency of the results obtained from the measuring instrument in research (Finn et al., 2000). Elliot and Radcliff (2006) further state that a reliable question is simple and clearly worded and will yield the same results when asked on

a different occasion. In a detailed discussion of the questionnaire conducted in section 4.6 above, various tests were discussed, which were applied in the study as means of improving the reliability of the questions asked of respondents.

There are four threats to reliability mentioned by Saunders et al. (2014). These are:

- researcher's bias - the researcher allows his or her own subjective view to get in the way of the responses;
- researcher's error - the researcher misinterprets some of the subtle meanings of the statements of the interviewee;
- participant bias - there are external factors that may cause false responses due to the pressure they exert; and
- participant's error - the respondent is made to answer questions at the most inconvenient time, resulting in him or her responding differently.

In the case of the present research, reliability of data gathering instruments was ensured through designing different questions in different formats aimed at addressing the same issue and eliciting information that would answer the research question differently. Factor analysis explained in section 4.8 above was also used to check validity and reliability of data.

4.9 LIMITATIONS AND ASSUMPTIONS UNDERLYING THE STUDY

Some of the main limitations of the study were as follows:

- Some of the respondents did not have knowledge of the tourism industry, which is required from a person operating in it. Therefore, they used this opportunity to learn more about the industry, which was the reason why most of them took more time to answer questions.
- The study included all forms of tourism SMEs, and the description was based on the township tourism SME owners' perceptions of themselves. Information on slightly more established Tshwane township SME businesses could inform future research.

The following basic assumptions underlay the research study. It was assumed that:

- the research questions could be addressed by means of a quantitative approach; and
- a structured questionnaire served as an appropriate data collection tool.

4.10 ETHICAL CONSIDERATIONS

Prior to going into the field to conduct the research, Unisa required that the researcher applied to the ethics committee to obtain approval for the research. This was done in November 2015 through submission of an information sheet, which contained the following information:

- a brief description of the aim of the study;
- the reason for respondents being invited to participate;
- a statement outlining that respondents would participate voluntarily and no penalty would arise for non-participation;
- the potential benefit of participating in the study;
- confidentiality and how this would be maintained;
- incentives for participation (if any); and
- an explanation of how participants would be advised of results.

Ethical clearance was granted by Unisa on 9 December 2015 (refer to Appendix A).

During the study, the participants did not experience any physical and/or emotional harm as the survey only took 35 minutes of the respondent's time. The respondents had to consent telephonically before the study was conducted and this information was contained in the recording. Participants were also advised that they were free to withdraw from the survey at any time during the interview. Questions were not sensitive in nature and participants could choose not to answer a particular question, for example 16 respondents refused to answer questions relating to turnover.

It is for these reasons that the researcher believes that the ethical choice, as quoted by Mouton (2001), was exercised during this study, namely to consider the rights and welfare of the different individuals who participated in the study.

4.11 CONCLUSION

The research design serves as a guide and a point of reference to achieve the desired results and ultimately to answer the primary research objective. In this chapter, a detailed plan on how the research was conducted, was presented. This commenced with an overview of the research design. The problem statement, including the primary and secondary research objectives, was provided. The sampling process followed, and conducting the study was carefully outlined, referring to the sample frame, the survey population, sampling method and the characteristics of the sample chosen.

The study made use of the questionnaire as a data collection method. The design of the questionnaire was explained, and the method in which this was distributed. The data collection process through the questionnaire was also explained, as well as the various methods of data analysis used. Validity and reliability of data were presented, including the ways in which the researcher met these research requirements. Ethical considerations were then discussed. Finally, the limitations and assumptions underlying the study were presented.

In the next chapter, the discussion will focus on the presentation of results that have been obtained through the data collection process discussed above.

CHAPTER 5

PRESENTATION OF RESULTS ON THE SUSTAINABILITY OF TSHWANE TOWNSHIP TOURISM SMEs

5.1 INTRODUCTION

The primary research objective was to create a framework for small and medium tourism enterprises (SMEs) in Tshwane townships to ensure that this could be used to promote their sustainability and finally contribute to the economy of the country.

In order to address this aim, quantitative data was collected by means of a survey strategy. Geographically, the study focused on SMEs located within Tshwane townships. A final sample of 160 SMEs was included in the study. The results of this study culminated in the design of best practices that could be used by other SMEs, which intend to enter the tourism industry and contribute to their sustainability. This is done through the design of a framework, which can assist tourism SMEs in obtaining sustainability.

The results are presented per research objective and thereafter a brief summary is provided based on the results presented. The detailed interpretation linked to the research objectives and supported by theory presented in Chapters 2 and 3 is presented in Chapter 6.

The chapter will follow the flow diagram depicted in Figure 5.1.



Figure 5.1: Flow diagram of Chapter 5

Source: Author's own compilation

5.2 RESEARCH OBJECTIVE 1: PROFILE OF TSHWANE TOWNSHIP TOURISM SMEs

The first research objective aimed at establishing the profile of Tshwane township tourism SMEs included in the study. While the sampling method employed in this study restricted generalisation to all Tshwane township tourism SMEs, the sample size was still considered to be adequate as per the explanation provided earlier in chapter four under the sampling discussion, and the profile presented in this chapter provides some insight into the characteristics of this industry.

To main attributes were considered for profiling. One was the profile of the owner and/or business manager of the Tshwane tourism SME. The second was a profile of the tourism SME business itself. The owner and/or the manager of the business were considered to be the same person as he or she was responsible for the day-to-day operation of the business.

Table 5.1 below depicts the information, which was requested in profiling the owners and/or business managers of the tourism SMEs, as well as that of the SME business operated.

Table 5.1: Information used to profile SME business owners/managers and the businesses they operate

Profile information of business owner or manager	Profile information of business operated
Race	Type of tourism product
Gender	Type of business entity
Age	Time already in operation
Education level	Part of a franchise group or not
Years of working experience	Number of employees
	Estimated turnover
	Type of premises where business is located
	Ownership of premises
	Origin of clientele
	Type of business plan used to start business
	Focus of tourism business
	Marketing tactics employed
	Fee structure
	Establishment of profitability

5.2.1 Profile of owners and or business managers

The section below will provide a profile of the owner and business manager covering their race, gender, age, education level and years of experience.

5.2.1.1 Race of respondents

As expected, the majority of owners and managers of tourism SMEs in Tshwane townships were black (98.1%). In terms of gender, 67.5% were female, and 32.5% were male. Therefore, it seems this industry is dominated by black females who run their own businesses and who use this as a form of income for the households.

5.2.1.2 Age of respondents

Figure 5.2 below reports the percentage distribution of respondents by age. The highest proportion of respondents (55.6%) fell in the age group 50 to 65 years, with a further 31.3% in the age group 35 to 49 years. About 9% of respondents were older than 65 years, with the remaining 4.4% in the age group 25 to 34 years. The average age of respondents were 52 years (standard deviation [SD] =10.4). The youngest respondent was 27 years and the oldest, 79 years. Male respondents were on average younger than female respondents (males mean=48.7, SD=10.7; females mean=53.3, SD=10.0).

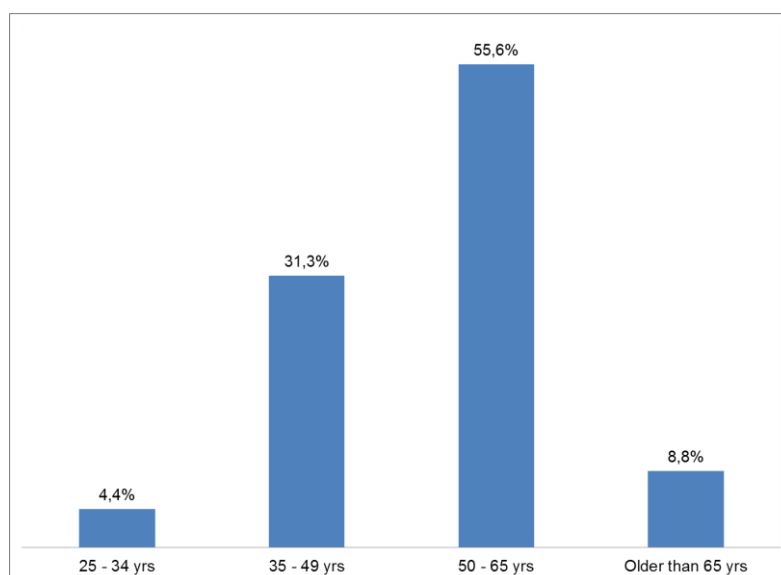


Figure 5.2: Profile of respondents by age (n=160)

This industry caters predominantly for respondents between the ages of 35 to 65, with respondents between the ages 55 and 65 forming the majority. This is part of the active working population of South Africa.

5.2.1.3 Highest academic qualification of respondents

Figure 5.3 illustrates the percentage spread of the respondents' highest academic level achieved. While the majority of respondents indicated that they had at least a matric certificate (60.2%), a large proportion (39.8%) did not have matric. Of the sample, 30.7% had a post-matric qualification. No significant differences were evident in the educational levels of males and females ($X^2 (7, n= 56) =12.29$; $p=0,091$).

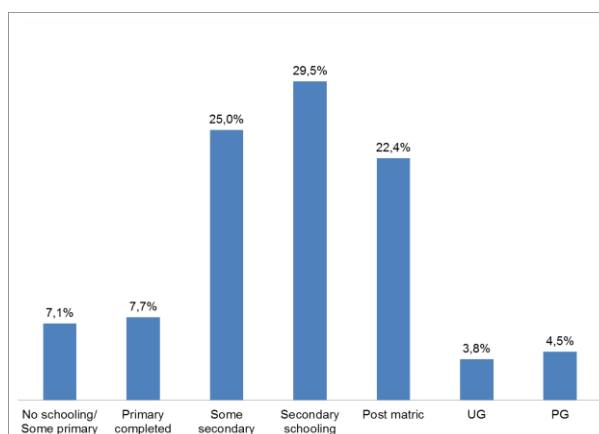


Figure 5.3: Profile of respondents by level of education (n=160)

From this, it could be deduced that the majority of respondents running these businesses either had some secondary or secondary schooling only. A significant number of respondents (22.4%) had a post-matric qualification. Only a small number of respondents had undergraduate (3.8%) or post-graduate qualifications (4.5%) respectively.

5.2.1.4 Business experience

Lastly, the average respondent reported having nine years of business experience, either as owner or in management of the SME in Tshwane townships. One can assume that the majority of the businesses were established around the time when it was announced (in 2004) that the FIFA World Cup would be hosted in South Africa in 2010.

5.2.2 Business profile of Tshwane township tourism SMEs

The section below will discuss the business profile of Tshwane township tourism SMEs.

5.2.2.1 *Type of tourism product*

In 43.0% of the cases (n=160) the business focused on one type of tourism product or service only, which was Arts and Crafts, followed by Catering (18.0%) and transport at 10.0%. The most prevalent types were as highlighted in the table below:

Table 5.2: Type of tourism business on which Tshwane township tourism SMEs focus

Type of tourism business	Percentage
Arts and crafts	43.0%
Catering	18.0%
Transport	10.0%
Dressing and dressmaking	9.0%
Construction and selling	6.0%
Bed and breakfast	5.0%
Tour operating and guiding	4.0%
Pub/Tavern	3.0%
No answer	1.0%
Other	1.0%
TOTAL	100%

In these businesses, arts and crafts were mostly offered in combination with other products and services.

5.2.2.2 *Type of business entity*

Figure 5.4 reports the type of business entity operated by the Tshwane township tourism SMEs. The largest proportion of respondents (39.0%) indicated that the business was structured as a partnership. A further 30.8% were structured as sole proprietors and 13.2% as closed corporations. With the majority operating as partnerships, one can assume that they had some form of assistance in funding as

well as operating the business. That being said, a large portion of these businesses were still run by the owners themselves in a form of sole proprietorship, which means owners had sole responsibility and accountability for their businesses.

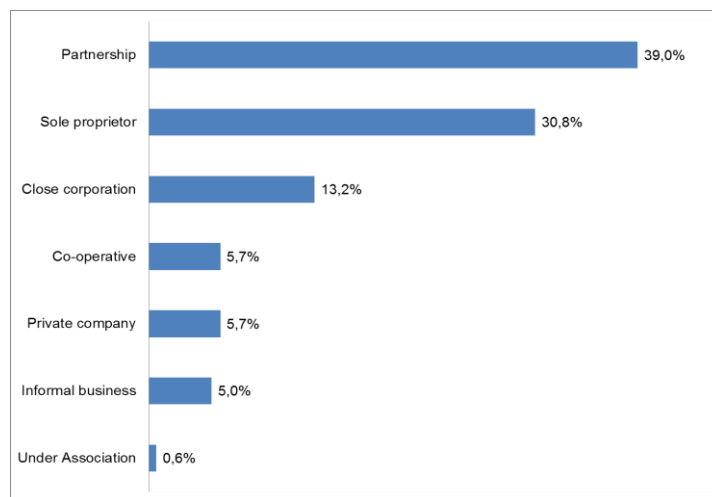


Figure 5.4: Profile of tourism business by type of entity (n=160)

5.2.2.3 Length of time in operation as an SME township tourism business

Figure 5.5 reports the proportional distribution of the number of years the business had been in operation at the time of this research.

The tourism businesses included in the sample were on average in operation for 10.3 years (SD=5.9). The business that had been in existence the longest recorded 40 years. Only 4.4% of businesses had been operating for less than two years, while 49.7% had been operating for 10 years and longer. This also confirms the data reported in section 5.2.1.4 where it was reported that the majority of participants had approximately 10 years' business experience, which could mean the businesses started around the 2010 FIFA World Cup announcement for South Africa.

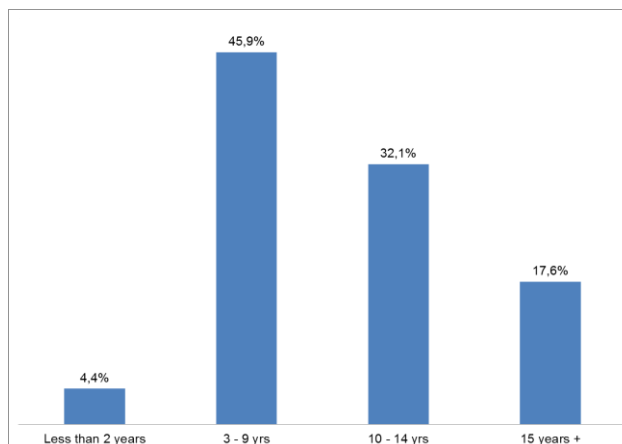


Figure 5.5: Profile of tourism businesses by years in operation

5.2.2.4 Part of a franchised group

In only two cases, the respondents indicated that the business was part of a franchise group, namely Tsogo Sun. In most cases (98.8%), the businesses were independently operated. These businesses do not get any form of support, compared to support received by businesses in the franchise environment.

5.2.2.5 Number of employees

This section discusses the number of employees employed by each of the township tourism SMEs. The results indicate that 30.2% of the businesses included in the sample only employed one full-time employee. In some instances, this individual might have been the owner him- or herself or it might have been a manager who was responsible for the day-to-day operations. The average business, however, had a staff complement (comprising the owners and members) of four employees (median value). The maximum number of staff members recorded for a single business was 120.

Some businesses (27.5%) also indicated that they employed part-time staff. Such businesses employed an average of approximately three staff members (median value). The maximum number of part-time staff members recorded for a single business was 60.

From these results, it can be deduced that these SME businesses had not created much employment, except for the owners. The majority of these businesses were 'one-person shows'.

5.2.2.6 *Estimated annual turnover*

Figure 5.6 indicates the estimated annual turnover of the businesses included in the sample (16 respondents refused to indicate turnover). The largest proportion of the tourism SMEs included in the sample earned very little, with 33.3% having an annual turnover of less than R10 000. This equates to earning less than R900 on average per month. A further 25.7% had a turnover of between R10 000 and R50 000 per annum. Of the respondents, 90.3% reported an annual turnover of R150 000 or less per annum. This could mean that the majority of these businesses were in operation to sustain the owner(s).

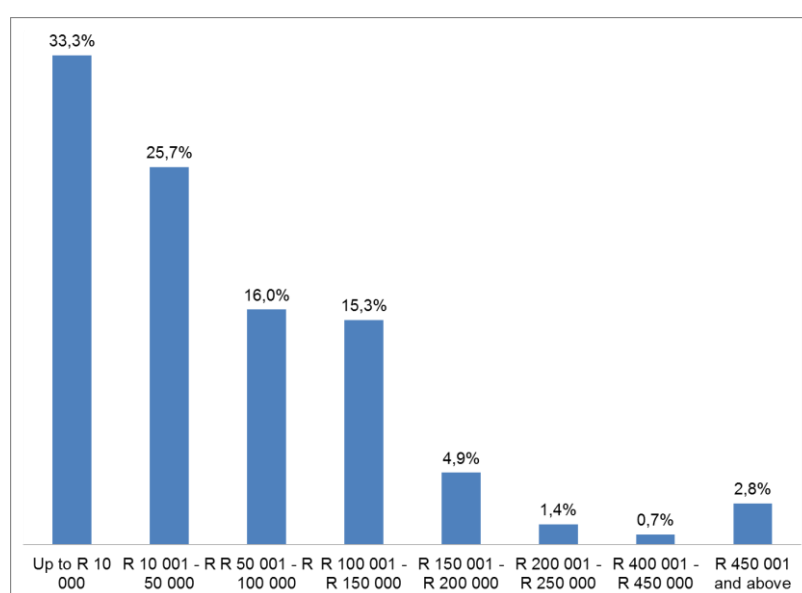


Figure 5.6: Profile by annual turnover (n=144)

Further analysis aimed to identify variables that might be correlated with turnover. While there exists some positive statistically significant correlation between number of employees in the business and annual turnover ($r=0,238$; $p=0,004$), this relationship was considered to be small. Turnover was therefore not explained much by size of business in terms of staff complement. Similarly, the number of years also only revealed a weak statistically significant correlation with turnover ($r=0,173$; $p=0,039$).

However, significant differences in annual turnover were evident across type of business entity (X^2 (16, $n=137$)=29.12; $p=0,023$). Businesses structured as

partnerships were most prevalent in reporting an annual turnover of more than R10 000 (80.8%), while in informal businesses this was least prevalent (28.6%).

Figure 5.7 below shows the proportional split per type of business and annual turnover.

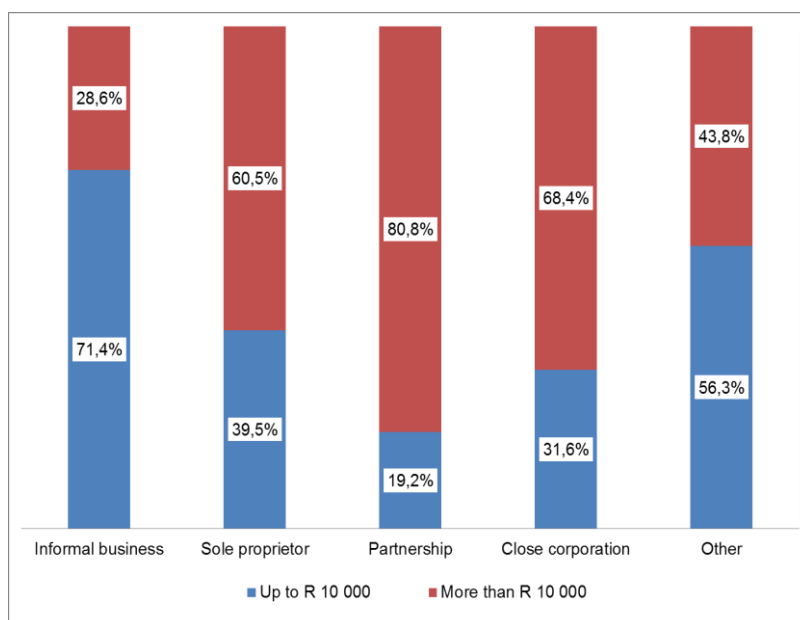


Figure 5.7: Profile by annual turnover per type of business (n=144)

This confirms the argument presented above that partnerships do provide some form of benefit for the township tourism businesses. This is evident in partnerships having a high turnover compared to smaller businesses with a low turnover.

5.2.2.7 Type of premises from which SMEs operate

Figure 5.8 reports the proportional distribution by category per type of premises.

The majority of businesses were operated from a house or part of a house (63.2%), with a further 16.1% operating from an office. The rest were operated from a stand-alone shop (9.7%), container (3.9%), backyard, street, church or an old building (all at 0.6%).

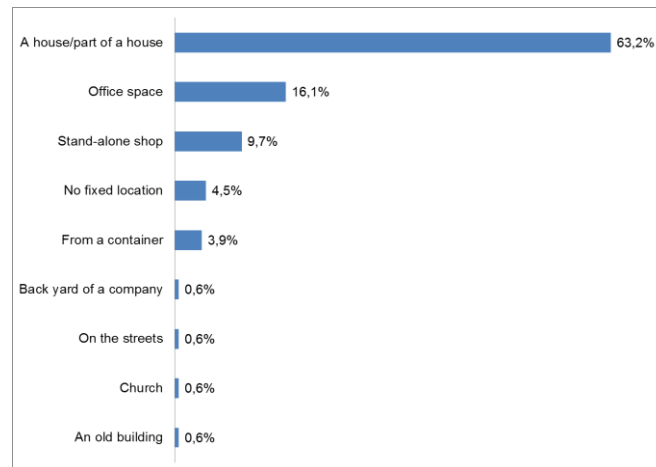


Figure 5.8: Profile of businesses by type of premises (n=160)

The majority of businesses with a turnover of less than R150 000 per annum operated their businesses from their homes. The assumption is that they possibly could not afford business premises.

5.2.2.8 Ownership of premises

Respondents were further asked whether they owned the premises from which they operated. The sample was fairly equally split between those who owned (47.4%) and those who rented (45.1%). The remaining 7.5% of respondents indicated that the space they used was neither owned nor rented.

Where houses were used, the property was mostly owned 72.6%, while other premises were mostly rented, like office space 95.8%, a stand-alone shop 92.9% or containers (100.0%).

Those respondents who were renting their premises (n=59), were further asked to indicate whether they thought the rent was reasonable. No significant relationship between opinion about rent and levels of turnover was identified ($X^2(4,0 n=59)=6.06$; $p=0,195$). Of the respondents, 55.9% felt their rent was reasonable, while 44.1% did not think it was reasonable.

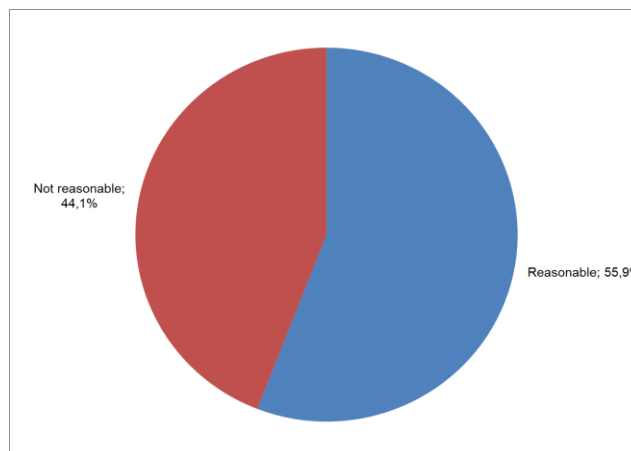


Figure 5.9: Profile of respondents' perceptions of rent affordability (n=59)

It was encouraging to see that the majority of the respondents owned the premises from which they were operating. From the information in Figure 5.8 above, it is clear that they were using their homes to live in and as business premises. This minimised the costs, but could also limit business growth.

5.2.2.9 Origin of SMEs clientele

Figure 5.10 below depicts the origin of the majority of the respondents' clientele. In 68.0% of cases, business was generated from clientele at local or regional level. That is within the metro area where they were doing business. The remaining businesses reported clientele at national (25.3%) and international (6.3%) level.

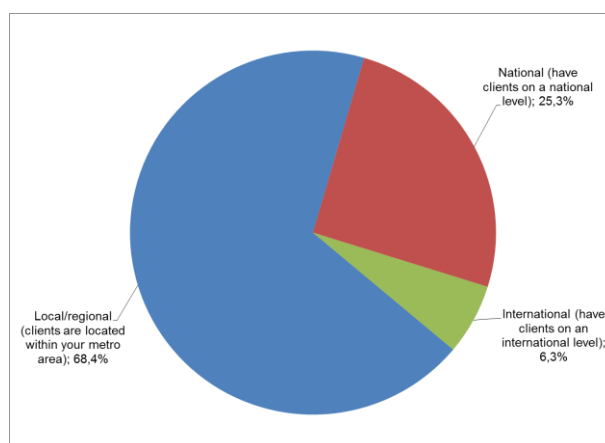


Figure 5.10: Profile of respondents' clientele (n=160)

No significant relationship between origin of clientele and level of turnover was identified ($X^2(4,0 n=138)=13.03; p=0,111$).

The majority of these businesses were heavily reliant on business coming from the local population. A few reported that they were exploring opportunities at national and international level. This could be an avenue to be explored to obtain sustainability of their tourism SMEs.

5.2.2.10 *Type of business plan*

Respondents were asked about the type of business plan they had when they started their businesses. Their responses are reflected in Figure 5.11 below. Of those respondents who could recall, 42.6% had a formal written business plan, and 21.3% an informal plan only. The remaining 36.0% had no business plan at all.

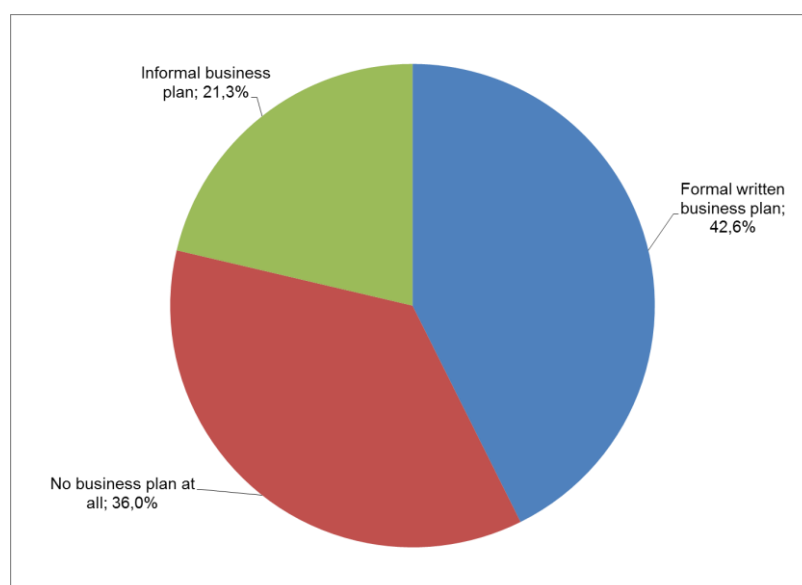


Figure 5.11: Type of business plan when they started the business

Further analysis revealed a significant relationship between the probability of having a business plan and the type of business ($X^2(8,0 n=136)=21.46; p=0,006$). Businesses structured as partnerships and closed corporations were found to be more inclined to indicate the existence of a formal written business plan (51.7% and 50.0% respectively) than those businesses operating informally (16.7%) and as sole proprietors (36.8%). This depicts the benefits of formalised business.

5.2.2.11 *Tourism business focus*

Respondents were asked on which form of tourism their business focused primarily. Their responses are reflected in the figure below. The majority (94.9%) noted that

leisure tourism was the main focus. Only a few respondents noted business tourism (8.9%).

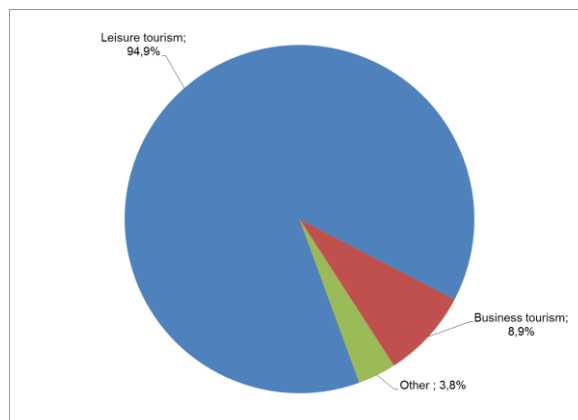


Figure 5.12: Type of tourism business focus

The focus on leisure tourism only could be a result of little knowledge of business tourism, which is one area that may need to be explored going forward as part of opportunity identification leading to business development and growth, and ultimately sustainability.

5.2.2.12 Marketing tactics employed

In getting to understand the business profile of the Tshwane tourism SMEs, they were further requested to indicate the type of marketing tactics they employed to acquire business. Table 5.3 outlines the main tactics (n=156). The respondents were asked to choose more than one option.

Table 5.3: Type of marketing tactics employed to acquire business

Marketing tactics	Percentage of sample
Word of mouth	72.4%
Referral by operators	54.5%
Direct marketing	39.1%
Advertising in printed media	17.3%
Through social media (e.g. Facebook)	10.9%
Travel shows	7.7%
Subcontracting	3.8%

It is evident that the majority of the respondents mentioned that word of mouth was the most commonly used marketing tactic followed by referral by other operators and then direct marketing and advertising.

Respondents were further requested to identify the marketing methods they perceived to be most effective. Marketing through social media was mentioned by most respondents as indicated below:

- social media (e.g. Facebook) (26.3%);
- direct marketing (16.7%);
- advertising in printed media (14.7%);
- referral by other operators (9.6%); and
- word of mouth (9.0%).

Social media and direct marketing are cheap and effective forms of marketing, and this could be the reason why they were favoured by these businesses. These tactics usually have very little effect on the overheads of businesses.

5.2.2.13 Fee structure used by Tshwane township tourism SMEs

In attempting to understand the sustainability of Tshwane tourism SMEs, the respondents were also asked to provide information on the fee structure they preferred and which they used in their businesses. Their responses are discussed below.

Nearly half of the respondents (47.7%) indicated that they employed a cost plus profit margin structure. A further 29.0% worked on commission only, while 18.1% used a cost per project structure. These three strategies were used by 94.8% of all respondents.

The fee structure could be one of the main determinants of the financial sustainability of these SMEs.

5.2.2.14 Establishment of profitability

One of the main reasons why people start a business is to make money in order for the business to be sustainable. The respondents were asked to indicate ways in which they determined whether the business was profitable or not.

The largest proportion of respondents (37.7%) acknowledged that, most of the time, they did not know. Another 31.8% said that they worked profitability out themselves, while 27.3% were informed by the financial manager or sought assistance from a financial expert. This is depicted in Figure 5.13 below.

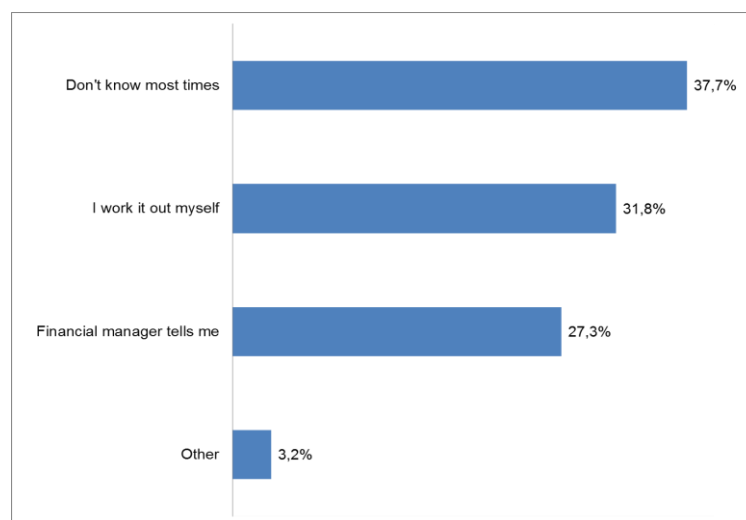


Figure 5.13: Establishing profitability of the business

The fact that the majority of these SMEs generally did not know whether they were making a profit or not, is of concern. The fact that the majority of them (31.8%) did not get an opportunity to obtain any qualifications other than high school education, and yet tried to work out themselves whether they were profitable or not - without making use of specialists - is concerning as this can be subjective.

Section 5.3 presents the results relating to research objective 2, dealing with the motivators for entering the tourism industry as an SME.

5.3 RESEARCH OBJECTIVE 2: MOTIVATORS FOR ENTERING THE TOURISM INDUSTRY AS AN SME

Two specific questions were posed to respondents to investigate the main reasons for motivating their entry into the tourism industry. The first question asked respondents to rate various reasons using a scale of 1 to 5, where 1=strongly disagree; 2=disagree; 3=in-between; 4=agree; and 5=strongly agree. Table 5.4 reports the average rating out of five, from highest average rating to lowest. High ratings are associated with respondents in general agreeing with the reason. A t-test also identified significant differences in average ratings from the mid-rating of three (95.0% confidence level). A p-value less than 0.05 indicated a significant difference from three.

Table 5.4: Motivators for entering the tourism industry as SMEs (n=133)

Action items	Mean (out of 5)	SD	t-value	p-value
Confidence in the product/service offered	4.07	1.01	12.203	0.000
Self-fulfilment	3.78	1.03	8.798	0.000
Need for a challenge	3.72	1.04	8.006	0.000
To develop my hobby	3.71	1.17	6.950	0.000
To ensure high job security	3.65	1.24	6.022	0.000
Need for independence	3.60	1.14	6.079	0.000
Desire for wealth	3.59	1.33	5.099	0.000
Need for flexible working schedule	3.57	1.17	5.634	0.000
Insufficient family income	3.10	1.41	0.801	0.425
Dissatisfaction with salaried jobs	2.82	1.33	-1.571	0.119
Redundancy (lost my job, retrenchment)	2.62	1.31	-3.319	0.001
Difficulty finding a job	2.60	1.31	-3.498	0.001
Entered the family business	2.44	1.35	-4.836	0.000

Eight of the 13 reasons listed were rated significantly higher than the mid-value of three (in-between). These reasons were therefore considered by respondents as

most significant in entering the tourism industry. The three highest average ratings were reported for:

- Confidence in the product/service offered (mean=4.07; SD=1.01)
- Self-fulfilment (mean=3.78; SD=1.03)
- Need for a challenge (mean=3.72; SD=1.04).

Three reasons were, however, not regarded by the respondents as motivators (average rating significantly below three), namely:

- Redundancy (lost my job, retrenchment) (mean=2.62; SD=1.31)
- Difficulty finding a job (mean=2.60; SD=1.31)
- Entered the family business (mean=2.44; SD=1.35).

The revelation that the SMEs had confidence in the product they sold was an indication that they had passion for what they were doing, which is a winning formula for survival. Self-fulfilment and a need for a challenge were also strong convictions, which could indicate the respondents' zeal for survival.

The participating SME owners did not enter the business because of circumstances within which they found themselves. Redundancy, unemployment and joining a family business emerged as being the least important motivators for entering business, which could mean that they had an entrepreneurial spirit, which propelled them to strive for survival as well as success in their businesses, despite many challenges experienced.

Table 5.5 shows the spread of the level of confidence across the different types of businesses represented by these SMEs. Interestingly, the mean across these businesses is quite high indicating a high sense of confidence in the product and in themselves. Another view is that the respondents had no other options but to make these businesses work for them due to unemployment rate in the area.

Table 5.5: Motivators for entering the tourism industry ranked by type of business

Type of business	Mean
Arts and Crafts	4.3
Bed and Breakfast	4.71
Catering	4.11
Events	4.6
Restaurant	4.5
Tours	4.29
Transport	4.13
Other	4.00
Total (n=160)	4.09

These motivators were further tested per type of business making use of a t-test. Bed and breakfast (with a mean of 4.71), Tours (with a mean=4.29) and Transport (with a mean of 4.13) came up as the top three types of establishments who were highly motivated to operate their own tourism SME businesses.

The respondents were further asked to provide other reasons, which might not have been included in the list given. Table 5.6 below depicts the top five reasons mentioned.

Table 5.6: Other motivators for entering the tourism industry

Other motivators	Percentage
I wanted to help others find employment	6.0%
I wanted to empower other people in the community	4.0%
I wanted to showcase my talent	4.0%
I wanted to provide for myself and my family	3.0%
It has always been my dream to have a business	3.0%

Under the unsolicited responses, helping people find employment as well as empowering the community came up on top, but in the comments, there were a number of respondents who also spoke about 'doing it for themselves', which linked to the level of confidence discussed in Table 5.5 above.

5.4 RESEARCH OBJECTIVE 3: TYPE OF FINANCIAL BENEFITS THAT ENCOURAGED TSHWANE TOWNSHIP TOURISM SMEs TO ENTER THE TOURISM INDUSTRY

Respondents were asked to state the financial benefits that they anticipated when they entered the tourism industry. Figure 5.14 below presents these results.

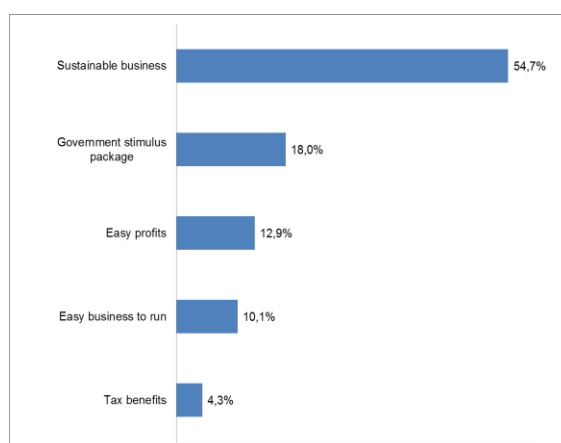


Figure 5.14: Type of financial benefits expected when the SME owners started their businesses

The majority of respondents (54.7%) anticipated that they would be able to set up a sustainable business, which would continue to contribute to their own financial sustainability. However, a number of respondents (18.9%) also expected to be able to access funds from government to act as a stimulus to get their business going. To a lesser degree, some respondents (10.1%) saw the business as something that was easy to do, within their capabilities, and that it would be easy to make money (12.9%). Referring to the latter, it is clear that the intention at the start of these businesses was not trial and error but to ensure that these businesses sustain themselves well into the future. The fact that the issue of government stimulus emerged is an indication that government was expected to play some role in achieving financial sustainability at some point.

Respondents were furthermore requested to read a number of statements and were asked to indicate to which extent they agreed or disagreed with each on a rating scale of 1 to 5. These items explored the opinions of respondents towards a number of aspects relating to financial benefits.

Table 5.7 reports the average rating out of five, from highest average rating to lowest. High ratings are associated with respondents in general agreeing with the reason. A t-test also identified significant differences in average ratings from the mid-rating of three (95.0% confidence level). A p-value less than 0.05 indicated a significant difference from three.

Respondents mostly believed that Tshwane residents were friendly towards tourists and it was safe to bring tourists over, and they also believed there was more than enough business for everyone else. Although the respondents were aware of competition, the respondents did not necessarily believe it was a significant threat that could lead to them being unable to attain sustainability.

Table 5.7: Opinions about financial benefits (n=132)

Action items	Mean (out of 5)	SD	t-value	p-value
Tshwane township communities are friendly towards tourists	4.08	1.031	11.988	0.000
Tshwane township communities are safe for tourists to visit	3.98	1.112	10.176	0.000
There are enough business opportunities in Tshwane to support tourism SMEs so they can be financially sustainable	3.86	1.113	8.837	0.000
It is the responsibility of the owner to ensure their business is financially sustainable	3.69	1.12	7.073	0.000
Government should contribute towards the financial sustainability of tourism SMEs in Tshwane townships	3.63	1.207	5.986	0.000
Partnership between government, tourism authorities and owners is a recipe for financial sustainability of tourism SMEs in Tshwane townships	3.52	1.149	5.151	0.000
It is possible to run and manage a financially sustainable tourism SME in Tshwane townships	3.44	1.072	4.710	0.000
Most tourism SMEs in Tshwane townships are financially sustainable	3.05	1.145	0.456	0.649
It is easy to obtain funding as a Tshwane township tourism SME	2.64	1.393	-2.936	0.004

Action items	Mean (out of 5)	SD	t-value	p-value
Government is doing enough to contribute towards the financial sustainability of tourism SMEs in Tshwane townships	2.55	1.073	-4.869	0.000

The main results from the table above can be summarised as follows:

- Respondents were in agreement that Tshwane townships are friendly and safe for tourists to visit (highest average ratings of 4.08 and 3.98).
- It was also acknowledged that enough opportunities exist for tourism business in townships to be financially sustainable (rating of 3.86).
- Respondents were divided in their opinion that most tourism SMEs in Tshwane townships are financially sustainable.
- Respondents disagreed that it was easy to obtain funding as a Tshwane township tourism SME, and disagreed that government was doing enough to contribute towards sustainability of tourism SMEs in Tshwane townships (average ratings significantly below 3).
- Respondents did not only strongly voice that government should play a role but also felt that government was not doing enough to contribute to their sustainability.

These results provide confirmation that the SMEs had high confidence in the potential of their businesses. Although respondents believed in this, they were also aware that their businesses required funding and proper management. Respondents were in agreement that sourcing such funding was difficult and that this was therefore a threat to attaining sustainability.

5.5 RESEARCH OBJECTIVE 4: EXPLORATION OF THE BARRIERS AND/OR SUCCESSES THAT TSHWANE TOWNSHIP TOURISM SMEs HAVE ENCOUNTERED FOR THEM TO BE SUSTAINABLE OR NOT

In addressing research objective 4, respondents were asked to elaborate on the barriers as well as successes that they have encountered in their pursuit of financial sustainability. The five areas explored with the respondents were:

- the barriers upon entry;
- obstacles in running a business;
- competition;
- perceived negative and positive economic conditions; and
- successes.

The sections below report the results pertaining to these areas.

5.5.1 Barriers of entry

Several important barriers to market entry, some identified in Chapter 3, were rated by respondents on a scale of one to five. Table 5.8 reports the percentage of respondents that regarded them as not being a barrier at all to those who indicated them as serious a barrier.

Table 5.8: Barriers of entry (n=147)

	Action items	Not a barrier at all	Minor barrier	Moderate barrier	Serious barrier	%
1.	Limited funding/capital or a lack thereof	9.6%	15.8%	22.6%	52.1%	74.7%
2.	Challenge in attracting new clients	17.1%	24.0%	26.0%	32.9%	58.9%
3.	Strong competition	21.1%	18.4%	33.3%	27.2%	60.5%
4.	Government regulations	12.3%	25.3%	40.4%	21.9%	62.3%
5.	Limited knowledge/lack of knowledge about tourism industry	32.7%	27.9%	24.5%	15.0%	39.5%
6.	Administrative and legal processes in starting a small business	25.2%	22.4%	38.8%	13.6%	52.4%
7.	Limited support/lack of support from family and friends	44.1%	26.2%	16.6%	13.1%	29.7%
8.	Limited business experience/skills or a lack of such experience/skills	34.2%	31.5%	21.9%	12.3%	34.2%

Limited funding or even a lack of funding and capital was regarded by more than half of the sample (52.1%) as a serious barrier to entry. Three in four respondents

(74.7%) in fact regarded it as a moderate to serious barrier. More than 50.0% of respondents regarded the challenge to attract new clients and strong competition as moderate to serious barriers, with 32.9% and 27.2% rating these as serious barriers.

Limited family support or a lack of such support (44.1%), limited business experience and skills or a lack of such experience and skills (34.2%) and limited or no knowledge about the tourism industry (32.7%) were rated by most respondents as not being barriers at all. The level of awareness of barriers unique to these businesses was high, which is an indication that there was an understanding of the business environment. The role of government as a barrier featured, which meant that SMEs were in need of external support to ensure sustainability.

5.5.2 Obstacles to running a business

Respondents were asked to give an account of obstacles they were facing at the time of this research. Average ratings (high to low mean) out of five were reported as well as ratings that differed significantly from the mid-value of three. High average ratings are associated with an aspect being considered an obstacle.

Table 5.9: Obstacles in running a tourism business (n=135)

Action items	Mean (out of 5)	SD	t-value	p-value
Cash flow	3.71	1.23	6.707	0.000
Lack of government support	3.65	1.30	5.785	0.000
Limited funding/capital or a lack thereof	3.62	1.23	5.710	0.000
Lack of an environment conducive of doing business created by government	3.58	1.29	5.190	0.000
Lack of mentorship	3.56	1.25	5.193	0.000
Attracting more clients	3.54	1.28	4.844	0.000
Gaining acceptance and respect from industry	3.37	1.16	3.741	0.000
Challenge in attracting new clients	3.35	1.19	3.360	0.001
Liquidity and other financial problems	3.24	1.12	2.430	0.017
Strong competition	3.17	1.23	1.608	0.110

Action items	Mean (out of 5)	SD	t-value	p-value
Government regulations	3.12	1.05	1.337	0.183
Time constraints	3.10	1.29	0.874	0.384
Administrative and legal processes in running a small business	2.97	1.08	-0.321	0.749
Shortage of skilled staff to assist in the business	2.72	1.38	-2.240	0.027
Family pressures	2.60	1.33	-3.515	0.001
Limited knowledge about tourism industry or a lack of such knowledge	2.50	1.19	-4.805	0.000
Limited business experience/skills or a lack of such experience/skills	2.47	1.20	-5.070	0.000
Limited support from family and friends or a lack of such support	2.47	1.27	-4.802	0.000

Nine of the 18 obstacles were rated significantly higher (based on mean) than the mid-value of three (in-between) ($p < 0.05$). The three obstacles respondents rated highest were:

- Cash flow (mean=3.71; SD=1.23)
- Lack of government support (mean=3.65; SD=1.30)
- Limited funding/capital or a lack thereof (mean=3.62; SD=1.23).

Judging by the responses, the respondents understood that cash flow was a challenge in their businesses and therefore an injection would be valuable to maintain some form of financial sustainability. The researcher therefore perceived that government should play a role in this regard but this was not happening at the time of this research.

Five obstacles were, however, rated significantly lower than the mid-value of three. On average, respondents therefore did not regard these as obstacles. The three lowest rated obstacles were:

- Limited support from family and friends or a lack of such support (mean=2.47; SD=1.27)
- Limited business experience/skills or a lack of such experience/skills (mean=2.47; SD=1.20)

- Limited/lack of knowledge about tourism industry (mean=2.50; SD=1.19).

The respondents believed that running these businesses was their own responsibility, therefore they did not need to rely on support from family and friends. However, when compared to other areas, limited business experience and skills and limited knowledge of the industry as a whole were not seen as important barriers in this regard. This was mentioned compared to finance and government support, which were rated high in the order of importance to attain sustainability.

5.5.3 Competition

Respondents were asked whom they considered their main competitors. This question allowed for any response, and was analysed qualitatively in terms of the main themes which emerged. Two main streams of competition were evident from the responses. The first was the recognition by respondents that they regarded a neighbour who was selling or trading the same product or service to tourists as their main competitor. For example, one respondent stated, “a neighbour selling the same goods as me is my competitor”.

Respondents were further asked what their competitors’ strong points were. The researcher again employed a qualitative content analysis approach. Here a number of themes emerged, of which the main ones were:

Table 5.10: Main reasons why competitors are perceived as stronger by SMEs than themselves

Number	Emerged theme	Percentage
1.	Competitors offer lower prices than the respondent	9%
2.	Competitors are well established/long in the business	9%
3.	Competitors have capital and seem well financed	6%
4.	Competitors advertise themselves well	6%
5.	Competitors have equipment and other resources	6%
6.	Competitors are well positioned (i.e. location)	6%
7.	Competitors win customers in terms of quality	3%
8.	Competitors have enough space	3%
9.	Competitors have transport to run their business	3%

The main strong points of the competitors therefore seemed to be the opposite of the respondents' barriers, i.e. the competitors were better funded and established, and, most importantly, their prices were lower than those offered by the respondents. Respondents believed that this gave competitors an advantage, and that the competitors were therefore more sustainable than they themselves. Therefore, according to the respondents, lower prices, sustainable businesses and sufficient capital were regarded the main areas where competitors competed with them.

Respondents were further asked which strategies they were implementing to ensure they were competitive. The main themes are summarised below.

Table 5.11: Strategies implemented by SMEs to remain competitive

Number	Theme	Percentage
1.	Providing quality and selling quality products	19%
2.	Making beautiful and unique products	8%
3.	Giving excellent service/quality of service	6%
4.	Doing my work with pride	6%
5.	Being friendly to customers ("customers must feel at home")	4%
6.	Marketing the business (it must sell itself)	4%
7.	Keep my clients happy/satisfied	4%
8.	I always communicate with my clients	4%
9.	Treating my customers well/good customer care	3%
10.	Patience	3%
11.	Try to be faster/do our work on time	3%
12.	Pricing is reasonably	3%

For many of these Tshwane township tourism SME businesses, the emphasis of their business strategy was on the quality of their products, the uniqueness of their products, their attention to customer care and pricing strategies. They kept doing research regarding their competitors' prices and products and also paid attention to customers' needs, so they could continually be competitive and meet their customers' requirements. The quality of the product once again emerged as a strength that could be used to fight competition and sustain the business in the long term.

5.5.4 Perceived negative and positive economic conditions

Respondents were asked what the main economic conditions were that affected their businesses. Content analysis was used and examples of resources are listed in Table 5.12 below.

Table 5.12: Perceived negative economic conditions that affect tourism businesses

Theme	Quotes from respondents
Finance	"Low and weak rand affects our businesses badly".
Lack of income	"You can't survive if your business is not well funded".
High prices	"When prices go up, material prices also go up too".
Strikes	"When people are not working due to strikes, we get affected".
Drought	"Drought that has hit the country also affects our businesses".
Theft	"People who steal from us make our lives difficult".
Electricity	"Load shedding is a serious problem as it affects everything".
Crime	"The crime in the area chases tourists away".
Unemployment	"High rate of unemployment is not good for our area".
Knowledge	"Wish I knew more about the tourism industry".
Marketing	"Companies with good marketing skills make more money".
Competitors	"a neighbour selling the same goods as me is my competitor".
Chinese products	"Influx of Chinese products is a huge challenge".

A key aspect that negatively affects these SMEs in the Tshwane township tourism sector is the exchange rate and weaker value of the rand. Other negative aspects are the increase of prices concomitant with the weaker rand, job losses and unemployment, the drought, strikes, theft and crime in general, and the increase in the cost of water and electricity. On top of this is the lack of funding/capital under which the SMEs suffer in general. These were topical issues at the time of this research in 2016.

The above indicated that these businesses were not only affected by the negative economic issues in their immediate environments; their businesses were also affected by economic issues in the country as a whole and in certain cases, global

economic issues. This adds to the challenges the participating tourism SME had to face.

5.5.5 Successes

Respondents were asked which successes they have had in the tourism industry as SMEs. Again, content analysis was used, and below are some of the quotes taken directly from the respondents:

- “Buying an apartment/bought a house”.
- “I invested some money”.
- “Travelling the world/travelled Africa”.
- “I bought a car”.
- “Took my kids to university/took my kids to school”.
- “I managed to make my family comfortable/managed to feed my family”.
- “My business thriving - it can support itself”.
- “The success is starting a business from nothing and ending up getting numerous awards from the NAA [National Accommodation Association], Travel Guide and Tshwane Tourism/winning a local award”.
- “Managing the company for a long time/sustained the business”.
- “My company branching out/growth in business”.
- “Saved money for the business/I can save money and not use the business profit”.
- “I managed to renovate my house/build a house”.
- “Having people wanting to hire/use me as far as Maputo/I have referrals overseas”.

Although for the majority, their major successes were buying a house or a car, investing, paying for their children’s education, others were encouraged by the success of their business. A sense of self-fulfilment was identified as a major theme throughout, and this was expressed through being able to afford life essentials.

5.6 RESEARCH OBJECTIVE 5: RECOMMENDATION ON THE BEST PRACTICES THAT COULD ENHANCE THE SUSTAINABILITY OF TSHWANE TOWNSHIP TOURISM SMEs

This section reports on the responses obtained based on a series of open-ended questions posed to respondents. As in objective 4, responses were analysed in a qualitative manner by identifying the main themes through content analysis.

The respondents provided suggestions and comments on the role that the national government, the City of Tshwane and the tourism industry could play in making Tshwane township tourism SMEs sustainable. Suggestions were also made regarding the perceived external and internal business factors preventing sustainability. Recommendations regarding training and skills required to sustain these SMEs were also made by respondents. Finally, the best industry practices proposed to make these businesses sustainable were identified.

5.6.1 Proposed role of national government, City of Tshwane and the tourism industry to encourage sustainability

Respondents were asked to make suggestions in terms of what they perceived to be the role of the national government, the City of Tshwane as well as the tourism industry as a whole in aiding these SMEs to obtain sustainability. The main responses received from SME owners/managers are provided as direct quotes in Table 5.13 below. If certain quotes apply to two spheres, for example the national government and City of Tshwane they are then repeated.

Table 5.13: Suggested role of the national government, the City of Tshwane and the tourism industry to aid SMEs in obtaining sustainability

ROLE OF NATIONAL GOVERNMENT
"Provide development training, such as financial management skills and customer care/Educate people/ Have workshops/Train SMEs on all aspects of business".
"Offer mentorship programmes."
"Help to create exposure/marketing".
"Help out with funding/provide government funding".
"They should keep track on what is happening in the sector/follow up".
"Monitor mentorship programmes to see if they are growing".
"Create websites for outside countries to see what we about/If they can help us get international clients as we are not able to go overseas".
"Communicate with SMEs about business opportunities/help them get work".
"Provide us with facilities like stalls for us to exhibit our craft like in other cities".
ROLE OF CITY OF TSHWANE
"Provide us with funding/I would ask them to give me 1.5 m/cover shortfalls".
"Offer educational courses/provide training in courses such as financial, business management/have workshops".
"They can help having places for us to work, e.g. flea markets for tourist to see our work/work space".
"We need more exposure - they can help by marketing our business/promote SMEs".
"They should carry out visitations so as to understand the business".
"They must guide us to ensure that business plans are implemented/offer mentorship".
"They must help us to get work - we are in their database".
"After helping the SMEs, they must follow up to see if they are working".
ROLE OF TOURISM INDUSTRY
"Provide development training such as financial management skills, customer care etc./educate people/ have workshops/train SMEs on all aspects of business".
"Offer mentorship programmes".
"Help to create exposure/marketing".
"Help out with funding/provide government funding".
"They should keep track on what is happening in the sector/follow up".
"Monitor mentorship programmes to see if they are growing".
"Create websites for outside countries to see what we about/If they can help us get international clients as we are not able to go overseas".
"The government should open factories for us to work in/provide us with good working space".
"Communicate with SMEs about business opportunities/help them get work".
"Provide us with facilities like stalls for us to exhibit our craft like in other cities".

As is evident in the quotations above, the responses were consistent and were centred on four themes, which are set out in Table 5.14:

Table 5.14: Suggestions of financial sustainability captured in themes

Theme	Description
Funding	SMEs want the established bodies to help them access finance so they can sustain their businesses.
Operating premises	SMEs need help with operating areas where they can attract more customers and learn from each other.
Skills development	SMEs want to be developed in a range of skills, which include business as well as general financial management skills, as these have been identified as aiding sustainability
Marketing	It has been identified that businesses that are creative in marketing themselves are able to attract more business and thus attain long-term sustainability. The SMEs desire such exposure and skills.

The four themes remained consistent throughout the interviews, and were similar to challenges experienced by other SMEs as indicated in Chapter 1 and Chapter 2.

5.6.2 Perceived internal and external business factors preventing SME sustainability

The respondents were asked to provide their views on the perceived internal and external factors preventing SME sustainability. The main quotes received were:

- “Indiscipline with regard to the owner financially/lack of financial management/stop using business funds for personal use/budgeting and saving (13.0%)”.
- “Lack of finance/sponsors/investors. Government has to come in with a resource subsidy (10.0%)”.
- “Lack of skills/have workshops to develop our skills/lack of knowledge (8.0%)”.
- “I think that maybe our marketing is no good/poor marketing (4.0%)”.
- “When people have conflict/not being able to work together/dispute amongst members (4.0%)”.
- “We do not get any mentorship (4.0%)”.
- “When we get money; it’s from hand to mouth (3.0%)”.

These reflect a mixture of internal and external factors. Several of these centre on skills relating to management. This could be ascribed to the fact that the majority of

these businesses were one-person businesses; therefore, the success mainly relied on the skills and leadership of the owner.

5.6.3 Training and skills required to attain SME sustainability

The respondents were further asked to provide the training skills they thought were required to attain financial sustainability. The main responses received were:

- financial management/bookkeeping (23.0%);
- workshops (19.0%);
- business management (17.0%);
- marketing skills (14.0%);
- short courses/learning programmes (13.0%);
- customer care/customer service (4.0%);
- showroom set-up (4.0%); and
- administrative management (3.0%).

Most of the skills highlighted above confirmed what was presented in Table 5.14 above. This means that participating Tshwane township tourism SMEs were consistent in their request for what they perceived to be requirements for them to obtain sustainability. The financial and bookkeeping skills were needed in some form of training. Universities could avail some time to the community in this regard.

5.6.4 Proposed best industry practices to encourage sustainability

At the end of the survey, the respondents were asked to provide an overview on what they proposed as the best industry practices, which needed to be applied in the tourism industry and in their businesses in order to encourage sustainability. Below is a summary of the responses that were received.

- managing money wisely/financial training/financial control/financial management (20.0%);
- being patient/having perseverance (10.0%);
- advertising themselves/marketing the business (7.0%);
- expanding knowledge/staying well informed (6.0%);

- they must work hard/must not be lazy/must be a go-getter/giving it 100% (6.0%);
- good management/administrative training (6.0%);
- having a passion for the business/love for my business (5.0%);
- being responsible/disciplined (5.0%);
- good customer care - always address guest/client grievances (4.0%);
- guest or client interaction/good communication with clients (3.0%);
- having a savings investment for the business (3.0%); and
- providing quality work/quality product (3.0%).

What is worth observing is that there was deliberate mention of the responsibility being on the owner to take charge of the running of the business through managing finances well, exercising patience and working hard. This emphasis on the owner is critical since most of these businesses depend on the vision of the owner and the amount of work and time the owner puts into the business.

5.7 CONCLUSION

This chapter presented the data captured. The presentation of data was structured according to the five objectives, which were designed and consistently used to guide the study.

The first objective assisted in creating the profile of the owners of the participating SME businesses, which operated in the Tshwane township environment. This profile was not exhaustive but an indicator based on the sample selected. The information obtained indicated that the majority of respondents were black females who ran businesses, which had been established for a period of less than 15 years and the majority were sole owners of the business.

The second objective, which was to establish the motivators for entering the tourism industry as SMEs, enabled the author to present information on what was perceived to be attractive at the time when these township tourism SMEs entered the tourism industry, and to establish whether these attracting attributes were still prevalent or not in the industry. Confidence in the product sold came out as the main motivator for these SMEs to enter the township tourism industry as SMEs.

Objective number three, which was the financial benefits that encouraged Tshwane township tourism SMEs to enter the market, enabled the author to present information on the perceived benefits that were a major encouragement for these SMEs to enter the tourism industry. Running a sustainable business came out as the most important financial motivator, followed by the hope to obtain some incentive from government in order to obtain sustainability.

The barriers and successes that Tshwane township tourism SMEs encountered in order for them to be financially sustainable were part of objective four. The main barrier consistently reported was the lack of funding and cash flow. A sense of self-fulfilment was identified as a major positive factor as well as success expressed through affordability of life essentials.

Finally, as part of objective 5, the expectations from government, the City of Tshwane, and the tourism industry were presented. This led to the capturing of the best practices perceived to ensure township tourism SME sustainability. These were categorised into four main themes, namely funding, operating premises, skills development and marketing of the business. These together with other recommendations will be discussed further in the next chapter, reflecting how the study progressed towards the creation of the framework.

In the next chapter, the analysis of the results presented in this chapter is reported, leading to conclusions and recommendations. Implications of the study are explored leading to the identification of areas of future research. The limitations of the study are also set out. Finally, the framework as the outcome of the study is presented.

CHAPTER 6

CONCLUSIONS AND RECOMMENDATIONS ON THE SUSTAINABILITY OF TSHWANE TOWNSHIP TOURISM SMEs

6.1 INTRODUCTION

Before presenting the conclusions and recommendations based on the findings of the study, the primary and secondary objectives of the study are recapped as these provided guidance throughout the study.

The primary research objective was to create a framework for small and medium tourism enterprises (SMEs) in Tshwane townships to ensure that this could be used to promote the sustainability of the SMEs and finally contribute to the economy of the country as a whole.

To address the primary research objective above, this research attempted to:

- determine the profile of tourism SMEs in Tshwane townships;
- identify the motivators for these individuals to enter the tourism industry as SMEs;
- determine the type of financial benefits that encouraged Tshwane township tourism SMEs to enter the tourism industry, and whether those opportunities were still in existence at the time of the research, or not;
- explore the barriers and/successes which the Tshwane township tourism SMEs have encountered for them to be sustainable businesses, and
- recommend appropriate and relevant best practices that could enhance the viability of tourism SMEs in Tshwane townships leading to the creation of an SME sustainability framework.

These objectives guided the study, and results were presented in Chapter 5 according to each objective. This was an empirical study that made use of a questionnaire as a quantitative data collecting tool. Information reported is based on a sample of 160 respondents selected through a systematic sampling process. These respondents were tourism SMEs that operated in Tshwane township environments in 2015-2016.

This chapter presents summaries and conclusions based on the results presented in Chapter 5. These summaries and conclusions are discussed according to each research objective. Recommendations based on the conclusions are also presented. Thereafter, the implications of the study for the management of SMEs in Tshwane townships are outlined. This is followed by a presentation of the framework for SMEs. The limitations of this research are then discussed leading to suggestions for future research.

This chapter will follow the flow diagram depicted in Figure 6.1.

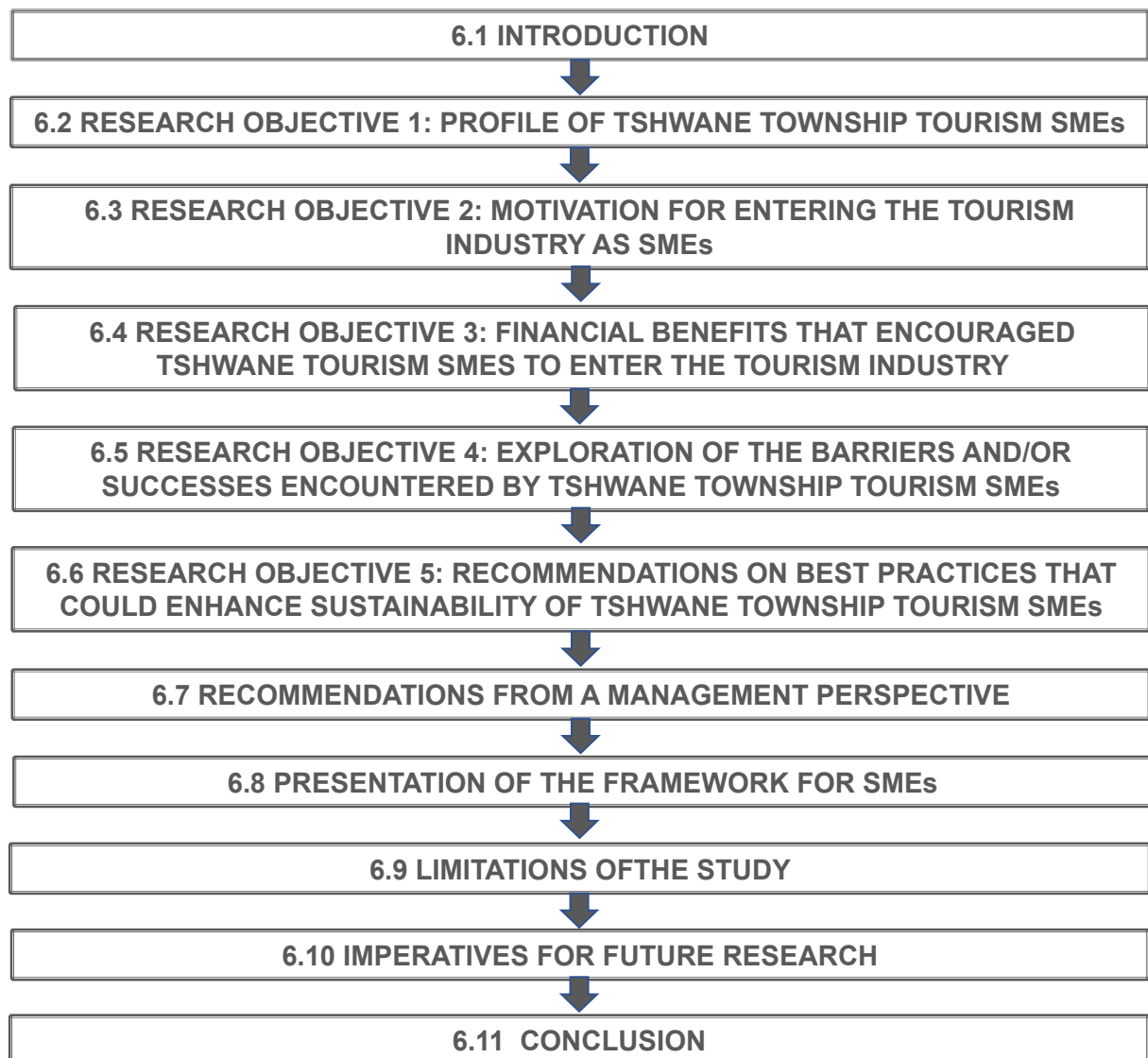


Figure 6.1: Flow diagram of Chapter 6

Source: Author's own compilation

6.2 RESEARCH OBJECTIVE 1: PROFILE OF TSHWANE TOWNSHIP TOURISM SMEs

In creating the profile of the Tshwane township tourism SMEs as represented by the sample, the profiling was subdivided into two attributes: the profile of the owner and/or business manager and the profile of the SME itself.

The owners of the Tshwane township tourism SMEs were predominantly black females, between the ages of 35 and 65, with secondary and some post-matric education. They averaged nine years business experience either as owner or in

management. The fact that involvement in Tshwane tourism could provide an income for those who were in the older age groups was noteworthy. It is often those over 49 years who suffer when the economic climate reduces jobs (Stats SA, 2016), and to find this industry sector providing opportunities for those in this age group, who can be regarded as vulnerable, is encouraging.

With regard to education, the Stats SA (2016) revealed that almost 60.0% of the population has educational levels below matric but have attended short courses after matric, indicating perhaps the desire for additional qualifications. This is a good indication for those wanting to run their own businesses as they also have a desire for additional qualifications.

Therefore, it is important to note there were participants with some secondary schooling (25.0%) who have found an opening within the tourism industry to create their own businesses. Additionally, university graduates, though small by number (3.8%), also found an opportunity to start their own businesses within this industry. Statistics South Africa (Stats SA) (2016) states there is a high percentage of unemployment within this SME group.

In summarising the profile of participating SME businesses in Tshwane townships, the largest proportion of these businesses were in partnership (39.0%) and second largest group comprised sole proprietors (30.8%) who had been in business on average for about 10.3 years, with 49.7% having been in operation for 10 years and more. The majority of them (90.3%) had a turnover of about R150 000 or less per annum. They predominantly employed one person, which in most cases was the owner of the business. The average business, however, had a staff complement (including the owners and members) of four employees reflected in a median value. Of these owners, 62.3% operated their businesses from a house, with an equal split between those who owned the house (47.4%) and those who rented (45.1%) the premises from where they operated the business. Of the respondents, 7.5% neither owned nor rented the premises from where they operated the business.

In 68.0% of the cases, the business was generated from local clientele or the local metro within which the SMEs operated. The rest came from national (25.3%) and international (6.3%) clientele. The main focus of these businesses was leisure

tourism, which accounted for 91.1%, while business tourism only accounted for 8.9%, which leaves opportunity for new markets.

The top five marketing tactics used to market the business and generate revenue were word of mouth (72.4%), referral by other operators (54.5%), direct marketing (39.1%), advertising in printed media (17.3%) and social media (e.g. Facebook) (10.9%). Nearly half of these made use of a cost plus profit margin fee structure (47.7%). A further 29.0% worked on commission only while 18.1% used costs per project. A large number of these businesses (37.7%) did not know whether they were profitable or not most of the time, which is concerning.

A definition of SME was presented in Chapter 3 focusing particularly on global definitions as well as local definitions. Rwigema and Venter (2004) designed a South African definition of SMEs focusing on employees, and state that a small enterprise should have five employees or fewer in this study, it was found that on average, making use of the median value, these businesses employed four people including the owner.

The South African *White Paper on National Strategy for the Development and Promotion of Small Business in South Africa*, South Africa (1995:7-8) describes small enterprises as constituting the bulk of business in South Africa, with employment ranging between five and fifty. It further states that these enterprises are usually owner managed or directly controlled by the owner. These theoretical descriptions fit the profile of the businesses described above; therefore, it can be concluded that the profile of the sample selected for the study fits the South Africa description of SMEs by the White Paper on National Strategy for the Development of Small Business.

The study therefore addressed research objective one, which aimed to establish the profile of the Tshwane township tourism SMEs included in the study.

A discussion on the motivators for entering the tourism industry as SMEs follows in the next section.

6.3 RESEARCH OBJECTIVE 2: MOTIVATION FOR ENTERING THE TOURISM INDUSTRY AS SMEs

The top three main reasons for SMEs to enter the tourism industry were:

- confidence in the product/service offered;
- self-fulfilment; and
- need for a challenge.

These SMEs also identified the following as the least important motivators for entering the tourism industry:

- redundancy (lost my job, retrenchment);
- difficulty finding a job; and
- entered the family business.

This signifies that most of the owners of participating SMEs (mean=4.07) believed in the product/service offered in this industry. They also believed that participating in the industry would offer them some form of fulfilment (mean=3.78), which would also challenge them (mean=3.72), and the assumption was that when one is challenged, you tend to stay longer in the situation as the level of interest remains high.

The respondents rated redundancy (mean=2.62), difficulty in finding a job (mean=2.60) and entering the family business (mean=2.44) as least important motivators for entering the tourism industry. The conclusion from this is that, owners of participating SMEs did not seem to be in the township tourism business because of circumstances; they generally appreciated what they did, to a point that even pre-existing adverse circumstances seemed to be overshadowed by their appreciation of what they did.

This finding, which portrayed the belief in the tourism product, was supported by the views expressed by Simpson (2001) in Chapter 2, who states that tourism has a large role to play in developing African communities. Simpson 2001 believes that tourism provides certain benefits and also reduces inequalities between rich and poor. This is also maintained by Binns and Nel (2002), in Chapter 2, who argue that the combined assets of natural beauty, local entrepreneurship and established

community organisations could be beneficial for tourism development and ultimately local economic development in small towns. They are of the view that tourism is a tool towards alleviating poverty and stimulating the creation of employment, especially in rural areas, where few economic development opportunities exist.

The belief in the tourism product, which emerged in this study, could be aligned with the belief in the role tourism plays in uplifting people's lives and communities, as argued by Binns and Nel (2002) above.

In this study, the motivators were also linked to entrepreneurship. In Chapter 2, Low and MacMillan (1988) stipulate that an entrepreneur is a person who creates a new business or coordinates his or her resources to introduce new offerings to the market, or someone who uses his or her skills to develop an innovation to either a new business or an existing one. The person (entrepreneur) possesses certain personality traits or characters, such as risk taking, innovativeness, independence, autonomy and exercising of power. An entrepreneur needs to have a vision and should possess certain skills (Low and McMillan, 1988). The belief in the product, which was rated higher as a motivator by all participating Tshwane township tourism entrepreneurs as illustrated above, could be equated to a vision these business owners have, therefore automatically classifying them as entrepreneurs.

Tourism entrepreneurship as discussed in Chapter 2 is said to be controlled by entrepreneurs who wish to extract a certain social lifestyle, and economic incentives play a secondary role (Skokic & Morrison, 2010). This was proved when the respondents mentioned their ability to afford certain things, namely luxury holidays, schooling for children, etc. Owners and/or managers of Tshwane township tourism SMEs interviewed in the study stated their belief in the product to be the biggest motivator and not necessarily the financial benefit anticipated to be received from the activities of the enterprise, even though those running the successful enterprises are able to derive the financial benefit. The respondents seemed to be primarily motivated by the product sold and only thereafter, by the financial benefits of the enterprise. The satisfaction for what they did superseded the financial benefit the business brings.

Based on the facts presented above, one can conclude that the study managed to identify the main motivators for Tshwane township tourism SMEs to enter the tourism industry.

The next section reports on the type of financial benefits that encouraged Tshwane township tourism SMEs to enter the tourism industry.

6.4 RESEARCH OBJECTIVE 3: FINANCIAL BENEFITS THAT ENCOURAGED TSHWANE TOWNSHIP TOURISM SMEs TO ENTER THE TOURISM INDUSTRY

In answering these questions regarding this research objective, the respondents were asked to name the perceived financial benefits that encouraged them to enter the tourism industry. In summary, most of the Tshwane township tourism SMEs (54.7%) expected to be able to set up a sustainable business, which would contribute to their individual financial sustainability. There were some (18.9%) who expected to access funds from government to ensure that they could keep going. Others (10.1%) believed that the business was an easy thing to do, and that it would therefore be easy to make money (12.9%).

Furthermore, various statements exploring different aspects of financial benefits were read to the respondents, and they were asked to rate these out of five. Below is a summary of the main results deduced from this exercise:

- Respondents agreed (mean=4.08) that Tshwane townships were friendly and safe for tourists to visit, which could be interpreted as conducive for business.
- Respondents believed (mean=3.98) that enough opportunities existed for tourism business in townships to be financially sustainable. Therefore, the amount of business in existence was sufficient for SMEs to be sustainable.
- There was an agreement (mean=3.63) that government needed to play a role in financial sustainability.
- Respondents disagreed that it was easy to obtain funding as a Tshwane township tourism SME (mean=2.64) and that government was doing enough to contribute towards the sustainability of tourism SMEs in Tshwane

townships. The general belief was that obtaining funding was a problem and that government was not doing enough to promote sustainability.

- Finally, most SMEs believed that financial sustainability was possible (mean=3.05).

In further answering this objective, information obtained revealed that these owners and/or managers of SMEs typically believed in their businesses (mean=3.44), maintaining that it was possible to run a financially sustainable business, in spite of the challenges. However, there was a perception regarding the role that was required to be played by government and other tourism structures as revealed by data presented in Chapter 5. The theory shared earlier in Chapter 3 stated by Saayman and Saayman (1998) argues that micro- and small enterprises in the tourism industry tend to be less sustainable than medium-sized enterprises. It could be argued that these SMEs have a need and desire to obtain assistance from government and other industry structures.

In Chapter 3, it was identified that the output by SMEs compared to that by larger businesses was lower per firm than for big businesses because smaller businesses tend to be more labour-intensive than larger firms and are mainly concentrated in the service sector (Wymenga et al., 2011). This results in lower levels of productivity, although they contribute significantly to employment. The participating SME businesses in this study, however, only created employment for the owners and a few people (three or more on average). Contrary to what Wymenga et al. (2011) state, these SMEs have not reached a level of utmost productivity leading to a contribution to employment and ultimately the economy.

The issue of SME sustainability was discussed in great detail in Chapter 3. In Chapter 2, Hall (2009) highlights the need for more detailed and sophisticated analysis of tourism policy making in the context of Southern Africa. Among the common challenges across the region of Southern Africa is that of how to increase and expand the positive effects of tourism to local communities (Ashley & Roe, 2002). It is clear from this argument, that the SME owners and/or managers participating in the present study understood the significant role to be played by policymakers to ensure proper and efficient sustainability, and respondents clearly

articulate the expected role that government and the tourism industry at large should play in sustaining SMEs.

In Chapter 3, Hodorogel (2009) is reported as expressing the view that a financial crisis adversely affects SMEs, by reducing the development rate and increasing the number of bankruptcies. Hodorogel argues that start-ups in particular are most vulnerable, because they lack the resources to survive the downturn. This further increases the failure rate, which Zimmerer et al. (2008) argue happens within the first five years of establishment and is estimated at about 80.0%, especially in developing countries. One can conclude that, when respondents started their businesses, these SMEs had certain financial expectations and, in certain cases, these have not been met fully due to several challenges within the industry and the economy as a whole. Some of these challenges are discussed under the barriers which will be the subject of the next section.

In summary, the objective of establishing the financial benefits that encouraged Tshwane township tourism SMEs to enter the tourism industry was achieved. Section 6.5 reports on a discussion of the barriers as well as successes that have been encountered by Tshwane township tourism SMEs.

6.5 RESEARCH OBJECTIVE 4: EXPLORATION OF THE BARRIERS AND/OR SUCCESSES ENCOUNTERED BY TSHWANE TOWNSHIP TOURISM SMEs

The main barrier to entry into the market as reported by respondents was limited funding and/or a lack of funding and capital. More than half the sample (52.1%) listed this as a serious barrier to entry. Half of the respondents (50.0%) listed attracting new clients as another of the main challenges. Other prominent barriers were:

- cash flow (mean=3.71);
- a lack of government support (mean=3.65); and

This is further confirmation that cash flow and capital as well as the role of government are essential in sustaining SMEs.

In Chapter 1, Tshabalala and Rankhumise (2011) provide a South African perspective to the challenges on SMEs in the country. Their research found that economic issues, such as access to finance, were major barriers preventing small

businesses from being sustainable, and also that owners had no control whatsoever over these. The findings of the present study concur with both cash flow and funding being rated among the top three barriers preventing the success of these SMEs.

A detailed exploration of the role SMEs play in the development of the economy was reported in Chapter 2. What was also evident was that, even though this role is perceived to be of great importance by most economies, these SME organisations tend to fail due to various reasons, financial issues being one of them. In Chapter 3, Katz and Green (2007) are reported as stating various characteristics of SMEs, with shortage of cash flow, which limits their strategic direction, one such characteristic. Cash shortage and/or a lack of funding also consistently emerged in the analysis of the data for the present study.

Competition as part of the barriers (27.2%) was perceived by respondents from two main points of view. The first was that the neighbour selling or trading the same product or service to tourists is their main competitor. The other is the effect of foreigners and their presence in the tourism industry as competitors.

Orlawale and Garwe (2010) as referred to in Chapter 1 also studied the obstacles to the growth of SMEs in South Africa using the principal component approach. Their conclusion was that new SMEs are seen as a significant component of the solution to South Africa's developmental issues. They further argue that until the time of their research in 2010, most new SMEs did not grow and their failure rate stood at 75.0% due to a variety of internal and external factors. The major internal factor identified in their study was the financial factor, such as access to capital, and the major external factor identified was the economic factor, which included competition in the environment. The fact that competition also emerged as one of the major external factors threatening survival, confirms the results of this study.

As part of the other comments, the respondents mentioned the weak rand as the key economic aspect that negatively affected their SMEs. Another negative aspect comprised the increase of prices in line with the weaker rand, job losses and unemployment, the drought of 2016 strikes, theft and crime in general and the increase in the cost of water and electricity. One can argue that the economic conditions that affect consumers in general, also affect the SMEs in their businesses.

In confirmation of the above, a study in the United Kingdom by Cowling et al. (2012) found that SME owners who tried to obtain finance for their businesses after the global financial crisis of 2007-2008 were not successful. Therefore, SMEs were under severe strain between 2008 and 2010. This is further confirmation of the importance of access to finance for SMEs, but more than that, it is confirmation that global factors like currency fluctuations have a significant effect on the survival of SMEs. This confirms the findings of the present study.

Finally, the SMEs were asked about what they would regard as successes. The majority desired a bigger house and a car, but the prospect of having a successful business was regarded as the most important type of success for these business owners. The desire for a successful business superseded other needs is an indication of entrepreneurial leadership, which was discussed in Chapter 2. Gupta et al. (2004) defines entrepreneurial leadership as leadership that creates visionary scenarios used to assemble and mobilise a supporting cast of participants who become committed by the vision of the discovery and exploitation of strategic value creation. The owner or manager of a tourism SME in Tshwane townships therefore should have a vision for tapping into the potential of the tourism industry. That is why he or she is recognised as a person who initiates, develops and manages entrepreneurial organisations, which is an important component in achieving success (Gupta et al., 2004).

6.5.1 Porter's Five Forces of Industry Analysis in relation to the results of the study

In Chapter 2, Porter's theory of Five Forces of Industry Analysis was introduced as a tool to be used in analysing the data relating to the activities of competitors of the Tshwane township tourism industry. The section below will report the conclusions drawn from the data, making use of this theory.

The first force mentioned by Porter is **the likelihood of new entrants** in the industry. This theory points to the fact that the easier it is to enter the industry, the more difficult it will be to operate in that environment. The data presented showed that, at the time of the research, the participating businesses had been in business on

average for about 10.3 years with 49.7% having been in operation for 10 years and more. This means that the likelihood of new entrants into the industry is considerable.

Entering the tourism industry does not require large financial investment and also does not require special registration to a body or high levels of education. This is a risky situation as it means that there are very few barriers; thus, the competition can be fierce leading to market saturation. If the competition is fierce, the rate of survival decreases. This seemed to be the challenge in the case of the Tshwane township tourism SMEs, judging by the data presented on education levels, presence of a business plan and prior experience in the industry (among many other characteristics obtained from owners and their businesses).

The second force is the **power of buyers**, which refers to the tourists who receive a service from the SMEs in Tshwane townships. The data presented above showed that the respondents knew about competitors whom they regarded as “the neighbour who does the same thing as them”. The majority of SMEs believed that the competitor’s strong points were the pricing methods they used, meaning there was very little differentiation apart from pricing differentiation. The conclusion here is that the tourists are in a position to negotiate a lower price from the SMEs, especially in cases where they feel they can get a better deal from other suppliers. Because there are number of other suppliers providing the same service, it makes it easier for tourists to bargain in this manner. This in turn makes it more difficult to operate in this environment.

The **bargaining power of suppliers** is the third force in this theory. This refers to the ability of the suppliers to put pressure on their customers. The value chain was not explored in detail in the present study. However, some data collected made reference to other tourism suppliers. Of the respondents, 99.0% were not part of a franchise. This meant that they had no other people directing business to them and thus had a responsibility to find it themselves. The majority of the respondents (53.0%) indicated that referral from other operators was one of the main ways used to acquire business. This could be interpreted that there was some informal arrangement where large operators outside of the township referred business to these owners. When this happened these SMEs become suppliers to the large operators therefore profit is shared and this further reduces the profit margins.

Therefore the bargaining power of the suppliers determines whether the SME's are going to be sustainable or not in the long term. In conclusion, the bargaining power of suppliers does not seem to be particularly strong in the Tshwane township tourism industry.

The **degree of rivalry** measures the degree of competition between the different players in the industry. This is the *fourth force*. As indicated above, some of the SME's believe that they have neighbours who provide the same type of product and are thus regarded as competitors. The data also revealed that the Tshwane township tourism SME's competed on pricing (9.0% on average), with the majority stating that price is used as one of the strategies to be competitive. They also regarded lower prices as the most significant strength of competitors. The cost structure was also the same with 45.0% saying that they used costs plus profit as a pricing method.

When asked to name competitors, the respondents mentioned other products and/or businesses that were not in the same industry as them and who were not selling the same goods as them. This meant that they understood that their products competed for the consumer's pocket, making the degree of competition even higher. The turnover of the SMEs was quite small (for 30.0% of the sample, on average R10 000). This could have been due to competition as well. Considering all the factors above, it can be argued that the degree of rivalry is high. It is worrying that these SMEs did not appear to have strategies to deal with this competition in order to make themselves sustainable (as was presented in Chapter 4).

Tourists can easily switch from one supplier to another, depending on the availability of alternatives in the industry. The availability of alternatives provides strong **bargaining power for the consumers**, which might not necessarily be good for the SMEs. This is the fifth force.

The discussion above showed that there is a lot of competition in the tourism industry and amongst the township tourism SMEs. This poses a threat to the businesses as the power is shifted to consumers to negotiate prices and also to choose whichever product they want. The study revealed that 91.0% of the participating SMEs focused on leisure tourism, which means there can be very little differentiation. This poses a

challenge as both the consumers' repertoire as well as the competition is increased, leading to very little profit, which affects sustainability.

Using this theory to analyse the Tshwane township tourism industry briefly against the data presented, one can determine that entering this market is fairly easy, thus often attracting new entrants. The buyers in the industry have a lot of say because formal arrangements within the tourism value chain are non-existent. The easy access of entrants also seemed to increase the degree of rivalry, and tourists are able to shift from one product and supplier to another. This is intensified further by the availability of alternatives in the tourism industry. This, in essence, shows that the tourism industry is very not easy making it quite difficult for most SMEs to be sustainable.

This above discussion is summarised in Table 6.1 below:

Table 6.1: Porter's Five Forces of Industry Analysis applied to Tshwane township SMEs

<i>Force 1</i>	<i>Force 2</i>	<i>Force 3</i>	<i>Force 4</i>	<i>Force 5</i>
Likelihood of new entrants	Power of buyers	Bargaining power of suppliers	Degree of rivalry	Bargaining power of consumers
Easy entry of new entrants = Many new entrants	Considerable powers for buyers = Many buyer options	High bargaining power of suppliers = Lower profits for SMEs	High competition = Lower prices and profits for SMEs	High consumer power = No consumer loyalty

Source: Porter (1980)

The section above reported on exploring the barriers and successes encountered by the Tshwane townships tourism SMEs. In answering this objective, the barriers of entry, general obstacles of running a business, competition, perceived negative and positive economic conditions and, finally, perceived successes in the businesses of these SMEs were summarised. Moreover, Porter's Five Forces of Industry Analysis were also presented, linking this to the data obtained through the study, tackling specifically the challenges and successes of SMEs. The summary of the outcomes of Porter's Five Forces of Industry Analysis showed that this is an industry that is easy

to enter but where it is difficult to survive. Research objective 4 was therefore achieved.

Recommendations on appropriate and relevant best practices that could be used to enhance the sustainability of tourism SMEs in Tshwane townships are discussed in 6.6.

6.6 RESEARCH OBJECTIVE 5: RECOMMENDATIONS ON BEST PRACTICES THAT COULD ENHANCE SUSTAINABILITY OF TSHWANE TOWNSHIP TOURISM SMEs

The data collected showed that it was not easy for the participating Tshwane township tourism SMEs to achieve and maintain sustainability. Through the research, these respondents were offered an opportunity to recommend appropriate measures that could be put in place by government, tourism authorities and the industry as a whole to ensure that they achieved survival. Suggestions on the internal and external factors affecting sustainability were also proposed. Training and skills required to create sustainability were also explored. Finally, the best practices meant to create sustainability for these SMEs were also recommended. Below follows a summary of these recommendations, which address objective 5 of the study. These did not only answer this objective, they served as the springboard for the creation of the framework, which is presented in figure 6.2 and further served to fulfil the primary research objective of the study.

Development training with skills transfer, such as financial management and customer service, featured as the most prominent incentives required from the national government, as reported by the Tshwane township tourism SMEs. Marketing and funding were also important requirements, even though these were not at the top of the list of incentives required from the national government.

The requirements from the City of Tshwane as well as the wider tourism industry requested by the respondents were similar. These ranged from funding to development courses, marketing platforms and mentorship programmes.

The Tshwane township tourism SMEs cited the following internal and external factors preventing sustainability: a lack of skills in managing the financial side of their

businesses, a lack of support funding, a lack of appropriate space for their businesses and a lack of marketing skills.

In terms of training and skill, the needs were identified as the need for training in skills relating to financial management, followed by training in business management and also training in marketing skills. These were the most important key areas where assistance was needed.

The top five best industry practices required to acquire and maintain sustainability were identified as follows:

- good financial control and management, with training;
- patience, perseverance and hard work;
- proper advertising and marketing of their products and services in the correct market spaces;
- continued research of their markets, customer needs and development of personal knowledge of the tourism industry; and
- good management and administration, for which they needed training.

This shows that these business owners understood the businesses they were operating and they were consistent in what they required to make them sustainable. These proposed industry practices were taken into account in formulating the management recommendations below and in the design of the financial sustainability framework.

The section above, including the information provided in Chapter 4, partly answered objective 5 of the study. The researcher's recommendations based on data presented, which reflected the researcher's point of view also assisted in achieving objective five. These are presented below.

6.7 RECOMMENDATIONS FROM A MANAGEMENT PERSPECTIVE

Based on the findings of the research, the following recommendations have been made on the sustainability of Tshwane tourism SMEs. These may be relevant to different role players in the tourism industry, namely provincial and national government, Tshwane tourism, metropolitans and municipalities. Other organisations

who may potentially identify business opportunities working with SMEs, namely financial institutions, may also find these recommendations useful.

6.7.1 Funding and financial management

In the summary of the evidence above it was pointed out that a lack funding was one of the main factors that determined the sustainability of Tshwane tourism SMEs. One can conclude that if SMEs have access to funding and are equipped with effective financial management, they would be in a better position to sustain their businesses in the long term.

Taking this into account it is recommended that Tshwane tourism consider the following:

- Doing a skills audit on all registered SMEs to determine the current skills base with specific attention paid to financial management. Following the audit, a financial management programme should be designed aimed at up-skilling the SMEs. This programme should be tailor-made to the tourism SMEs as they have specific needs, which are different from SMEs in other industries.
- Hosting several workshops per annum aimed at empowering the SMEs with financial management skills and designing a mechanism of following up on trained managers or owners of SMEs to ensure that they provide feedback and are implementing the new tactics learnt in the area of financial management.

It was also concluded that access to finance is one of the challenges faced by the Tshwane tourism SMEs. When financial institutions consider financing a business they base this on the strength of the business plan. The present study found that only 36.0% of the participating SMEs had a formal business plan; therefore, in the absence of a business plan, the majority of SMEs might struggle to access finance. The recommendations in this case are as follows:

- City of Tshwane, as part of financial management, should train the managers or owners of SMEs to compile a business plan, and should also make specialists accessible who can assist these businesses in designing business plans at a low fee.

- As part of their annual training programme, the City of Tshwane should invite different financiers interested in funding small businesses to present their products to these groups and provide assistance to these businesses where possible.

The Tourism Enterprise Partnership (TEP) has been designed as a programme aimed at financing certain SME programmes, which are considered viable. Only 1.0% of respondents mentioned this as the best form of financing. One can conclude that very little is known among the tourism industry SMEs about the type of assistance available aimed at improving sustainability for SMEs. The recommendations in this case are to do the following:

- Organise workshops aimed at teaching SMEs about the basics of the tourism industry aimed at improving their survival. At these workshops, institutions tasked with providing SMEs with assistance in the tourism industry should be introduced.
- This can go a step further where a booklet on financial management can be compiled and this could comprise a list of institutions that offer financial assistance to SMEs, and their contact details.

By following these recommendations, the concerns of the SMEs highlighted during the research could be addressed. These recommendations therefore form part of the sustainability framework aimed at making tourism SMEs active in Tshwane townships sustainable.

6.7.2 Business development and employment creation

In Chapter 3, a whole section (see 3.7) was dedicated to SMEs and their role in economic development. Various arguments by different authors were presented in this regard. Mahembe (2011) states that a healthy SME sector contributes considerably to the economy through creation of employment opportunities. Abor and Quartey (2010) estimated that SMEs contribute about 61.0% towards total employment in South Africa. In the tourism industry specifically, the World Travel and Tourism Council (WTTC) Report (2014) revealed that the travel and tourism industry in South Africa generated 679 500 jobs directly in 2014 (4.5% of total employment) and this was forecast to grow by 3.8% in 2015 to 705 500 (4.6% of total

employment). This concludes that the SMEs are very important, and their importance is seen by their ability to create employment in various industries, and tourism is no exception to this rule.

The data presented in this study showed that employment creation has not been effective as most of the participating businesses were one-person shows and on average employed four people. Significant employment has not cascaded to the wider community.

The following recommendations should be considered by Tshwane tourism to ensure that the potential of these SMEs is unleashed in as far as creation of employment is concerned:

- An audit should be conducted on the type of business support each of the registered SMEs requires. Based on this, different support categories should be created and route maps developed for each business. This will include the identification of effective short-term tactics and a long-range plan to be implemented by each business focusing on sustainability and employment creation. This will culminate in different initiatives being designed with timelines linked to an action plan.
- A detailed monitoring and evaluation process will be required to ensure results are achieved.

This suggested project has major potential for success, and could even be adopted as a key performance indicator (KPI) by the City of Tshwane to provide business continuity support (BCS) to City of Tshwane tourism SMEs and ultimately creating employment through SME development.

6.7.3 Operating premises

The data revealed that the majority of the businesses interviewed were created around the time when the 2010 FIFA Soccer World Cup was announced to be hosted in South Africa. Most of these businesses had survived in one way or the other; however, at the time of this research, basic knowledge of the tourism industry was still limited. This was demonstrated by respondents communicating that participation in the survey itself was educational and appreciated.

Most of the participating businesses operated from their homes. Though this might be good in terms of minimising operating costs, it also has its own disadvantages. Therefore, a number of initiatives can be considered to make use of facility provision as an enabler of sustainability.

It is recommended that the City of Tshwane consider the creation of a tourism SME arena, where the SMEs could display their products and/or use the arena as an opportunity to promote their businesses. This could form part of the city planning and expansion project.

Creating a tourism arena would enable the City of Tshwane to offer assistance to SMEs by providing them with an area of operation and place to promote their services. Those who can operate from there will be allowed to and others will be able to use such spaces to promote themselves. This would provide a central point for all tourism SMEs and the city could easily monitor the progress of SMEs in this manner. Having such a tourism arena would also provide a business address for most SMEs who may not be able to have one due to their inability to obtain operating premises.

Having SMEs in one place will enable the City of Tshwane to organise meetings and training sessions to these groups easily as they will be easily accessible. This type of arena is also used in other countries in the form of information centres. However, this could be extended to become more than just an information centre; it could become a display of available tourist products in the area as well. As much as these SMEs are in competition with each other, due to their low knowledge of the tourism industry as a whole, this arena could also create healthy competition amongst the SMEs. The increase in competition will ultimately improve the service levels as well as the standard of the products offered.

6.7.4 Marketing and communication support

The discussion in Chapter 2 introduced the advantage of SMEs in that they are adaptable. It was mentioned that in times of crisis, some SMEs, unlike the big companies, have the advantage of greater flexibility, being able to implement new services and launch new products more easily. Not bound by strategies devised by higher echelons and by the need to get approvals, SMEs can make decisions easily and thus become efficient as a result of prompt action and solutions adjusted to

market circumstances. The adaptability of SMEs is mentioned by Beck and Cull (2014) as an important factor to survive both internal and external factors affecting the performance of SMEs.

One of the external factors explored, which had an effect on the survival of SMEs was marketing of the Tshwane tourism SMEs. Based on the data presented in Chapter 5, it was evident that the need for a proper marketing approach for SMEs was required.

Below are sets of recommendations to Tshwane tourism on how they could assist in marketing the Tshwane township tourism SMEs:

- As part of the business analysis process, which has also been requested by the participating SMEs, the marketing needs of each business must be determined and these must be clustered based on the nature and maturity of each business in order to determine the assistance required.
- The tourism arena proposed above should enable the City of Tshwane to have access to Wi-Fi. Internet access will go a long way to assist these businesses to communicate and to market themselves in relevant areas.
- Moreover, a certain section of the website should be dedicated to the SMEs so that they can profile themselves as well as their services.
- The City of Tshwane could also create opportunities for the SMEs to promote themselves at the different tourism fairs taking place around the country. Some of the SMEs stated their desire to attend the Tourism Indaba which takes place in Durban every year in May.
- Social media has also been highlighted by the SMEs as one of the most effective ways of communicating. The development of a robust social media strategy by the City of Tshwane should be considered. This should highlight the different products that are in existence.
- An opportunity exists where the different SMEs, depending on their area of business, could be paired with other SMEs from different cities and regions so that they may learn from each other and also make business referrals where possible.

Most SMEs interviewed did not think print and/or any other traditional type of media would be effective in marketing their businesses. In addition, these mediums are costly and some are difficult to measure their effectiveness. The applied SME marketing framework should be simple and cost-effective.

6.7.5 SMEs sustainability support initiatives

The Tshwane township tourism SMEs provided a list of recommendations on what Tshwane tourism together with the City of Tshwane, including government and the entire tourism industry, should do to assist them to obtain sustainability. The data also revealed that these were mainly individual businesses, which might have been created out of passion by the owners. This means that individual business owners have a significant role to play in ensuring they are sustainable as well.

As part of the framework (see Figure 6.2) for Tshwane township tourism SMEs, the following recommendations are put forward to aid SMEs in becoming more sustainable:

- It is advisable that the SME businesses start by creating a business plan. An informal plan works but it needs to be taken to external parties to determine its viability and effectiveness. These business plans should clearly state the areas of operation, the product to be sold, the marketing to be employed for the business, the analysis of competition and how this will be counteracted as well as the funding model, including financial predictions. This business plan should also illustrate the type of experience the person has in the industry and if no experience, the plan should state how that gap will be bridged
- Once this has been done, the owners should identify sources of funding. Self-funding is not always the best answer especially if there is a need to create sustainability and growth.
- It is also constructive to find people who may be willing to partner with or have resources to fund the business. Forming partnerships especially with people who have experience in the industry could facilitate sustainability.
- Registration with relevant associations as well as industry bodies, such as Southern African Tourism Services Association (SATSA), is of primary importance. This ensures improvement of knowledge in the industry and also

assists in keeping abreast of the changes happening in the industry. Finance, accreditation and help with marketing are also attained through these industry bodies.

- SMEs should also have their own cost-effective marketing plans and not rely solely on the industry bodies to do the marketing on their behalf.
- It is also advisable that there should be an external qualified party responsible for handling the financial accounts when the business is in operation. This also ensures that there is discipline in as far as financial management is concerned.
- The over-reliance on government and government institutions for survival is not advisable. The SMEs must ensure that they create and run businesses that are sustainable and independent of constant external stimuli. This is possible if a business plan is in place, and knowledge of the industry is constantly obtained to stay abreast of developments. This responsibility rests with the owner.

This section covered a wide range of recommendations based on the data obtained through the study. These are recommendations deemed necessary to assist the Tshwane township tourism SMEs to attain sustainability. These recommendations were also taken into account when designing the sustainability framework for Tshwane township tourism SMEs.

6.8 PRESENTATION OF THE FRAMEWORK FOR TSHWANE TOWNSHIP TOURISM SMEs

It is imperative that the process followed in designing the sustainability framework be articulated before this framework is presented. Research objectives 1 to 5 of the study were first achieved. The presentation of results per objective assisted in doing this (see Chapter 5). Provision of summaries and conclusions per research objective in Chapter 6, also assisted in providing clarity on how each of the research objectives had been met.

The research question for the current study was phrased as follows:

What are the current challenges that Tshwane township tourism SMEs experience that impede them from being sustainable in the long term, and what practices can be implemented to enable these SMEs to obtain sustainability thus contributing to economic development in South Africa?

Through the information presented above, the following was achieved towards answering the research question:

- the sustainability challenges impeding Tshwane township tourism SMEs were identified;
- these were linked with theory making use of Porter's Five Forces analysis; and
- the recommendations above from a management point of view also served to articulate the practices that could be implemented to enable the SMEs to obtain sustainability.

The presentation of the framework will complete the achievement of research objective 5. Prior to that, Table 6.2 below reflects a summary of the sustainability challenges identified, their relationships to each of Porter's five forces, recommendation to management to address the sustainability challenges and thereafter the results anticipated after following this process.

Table 6.2: Summary on how sustainability challenges identified in the study could be resolved

Sustainability challenge	Porter's five forces addressed	Management recommendation	Results anticipated
Funding	Threat of new entry	Financial skills and management	Sound financial management
Business development	Supplier power	Stable business	Creation of employment
Operating premises	Competitive rivalry	Tourism arena	Healthy competition
Marketing	Buyer power	Cost-effective SME marketing framework	Increase in revenue and customers
Sustainability support	Threat of substitution	Sustainability tactics	Sustainable business

Source: Author's own compilation

The framework that was designed maps out the journey on how to assist Tshwane tourism SMEs to become sustainable. It is envisaged that this framework will be of assistance to SMEs who intend designing a route map to recovery, or to those institutions working with SMEs who intend assisting these SMEs in becoming more sustainable so they can contribute fully to the economy of the country.

The tourism SME framework comprises the following elements:

- Understanding of the SME profile, as this determines the type of business engineering that should be followed to make SMEs sustainable. This will consist of an understanding of the SME business profile as well as the profile of the owner. The types of questions one could ask in trying to obtain this understanding are included in Figure 6.3.
- The next level will be to determine the motivators that made the SMEs enter the industry and establish their own businesses. In conducting this task, the financial motivators, i.e. the internal and external motivators, should be established. The questions to aid in obtaining this information are contained in Figure 6.4.
- Following the previous step, barriers for entering and operating in the industry must be established. It is recommended that the adapted Porter's Five Forces model be used here. Through this model, one should be able to determine the barriers of new entrance, power of clients, supplier influence, and extent of competition influence and market saturation. The questions that could assist in the determination of these elements are contained in Figure 6.5.
- After establishing the barriers, the process of designing the sustainability strategy for each business will commence. These elements were discussed at length in Chapter 6 and the various aspects that could be considered when establishing these were highlighted. These elements, contained in Figure 6.6, are:
 - Funding options and financial management techniques
 - Business development and tactics for the creation of employment
 - Means of finding and utilising relevant operating premises
 - Marketing and communication support initiatives
 - Sustainability support initiatives

- Finally, there should be periodic performance review based on the long- and short-term objectives set. The framework itself will require review as the industry and the SME business become more and more sophisticated. Guidelines on doing this are contained in Figure 6.7.

The master sustainability framework is presented in Figure 6.2. This is subdivided into sub-frameworks from Figure 6.3 to Figure 6.7. Subdividing the framework in this manner made it a more user-friendly tool. In each of the figures (Figure 6.3 to Figure 6.7), guidelines for the relevant question to be asked when seeking information for each section, are provided.

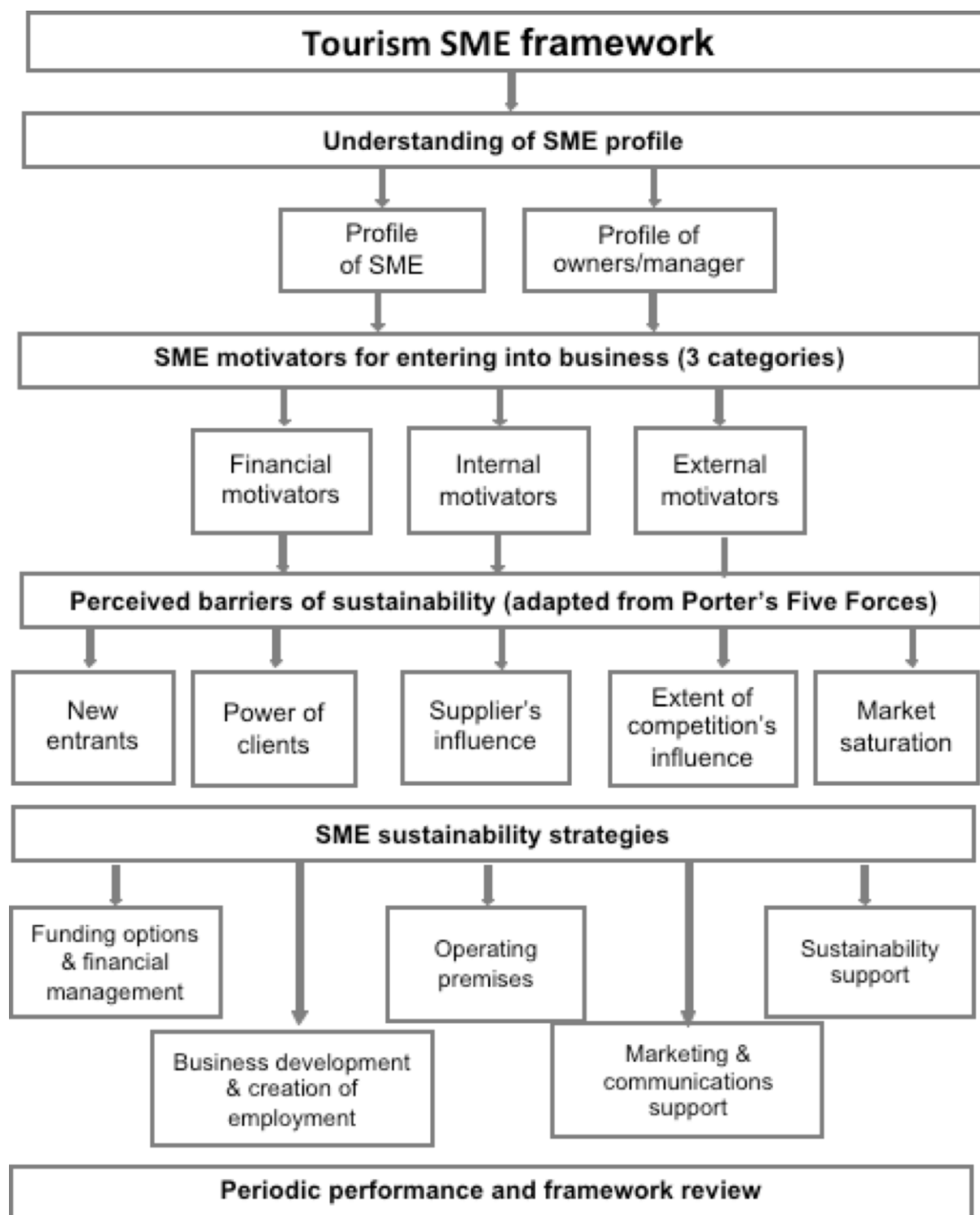
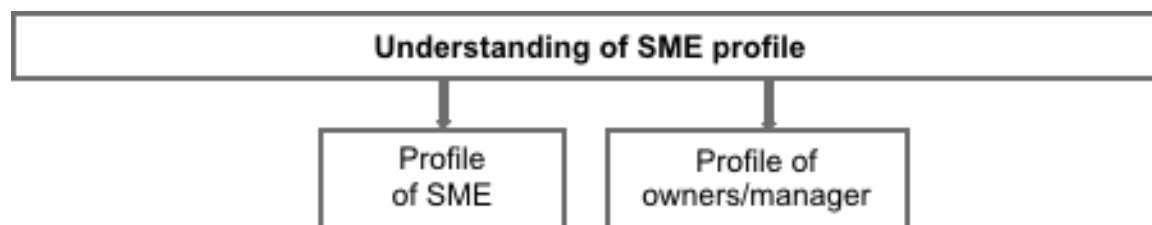


Figure 6.2: Master SMEs sustainability framework

Source: Author's own compilation

Figure 6.3 below presents sub-framework 1 aimed at determining the profile of the SME as well as that of owner and/or manager.



To understand the profiles of SME owners, the following questions should be asked.

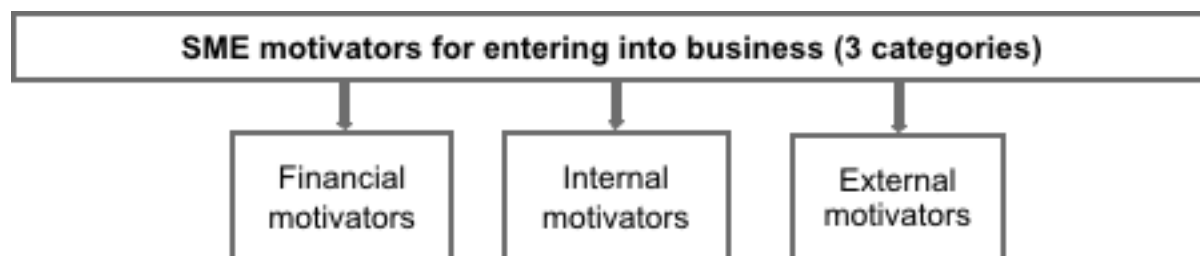
Profile of SME	Profile of owner/manager
Type of business entity	Race
Length of operation	Gender
Franchise or not	Age
Number of employees	Highest level of education
Tourism business model	Number of years in business
	Experience before opening business

Figure 6.3: Questions to be asked to create a profile of the SME and the owner/manager

Source: Author's own compilation

The next sub-framework outlines the motivators for SMEs to enter into business. This will also indicate questions asked in order to determine this.

Figure 6.4 below presents sub-framework 2 aimed at determining the SME motivators for entering into business.



SMEs could be asked to choose two or more motivators in each category that resonate best with them.

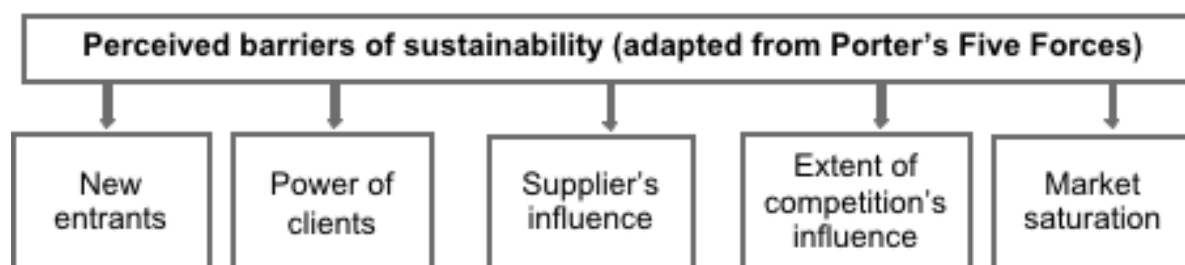
Financial motivators	Internal motivators	External motivators
Lost my job	Need for independence	Flexible working hours
Difficulty in finding a job	Need for challenge	High job security
Insufficient family income	Self-fulfilment	Entered family business
Dissatisfaction with salary	Confidence in product	Develop a hobby
Desire for wealth		

Figure 6.4: Questions to be asked to determine motivators for SMEs

Source: Author's own compilation

The next sub-framework will outline the perceived barriers of sustainability of the SME.

Figure 6.5 below presents sub-framework 3 aimed at determining the perceived barriers of sustainability of the SME.



SMEs must be asked questions pertaining to each of the following elements grouped under each of the Five Forces.

New entrants	Power of clients	Supplier's influence	Extent of competition	Market saturation
Time and cost of entry	Number of customers	Number of suppliers	Number of competitors	Substitute performance
Specialist knowledge	Size of each order	Size of suppliers	Quality difference	Cost of change
Economies of scale	Difference between competitors	Uniqueness of service	Other differences	
Cost advantages	Price sensitivity	Ability to substitute	Switching costs	
Technology	Ability to	Cost of changing	Customer loyalty	

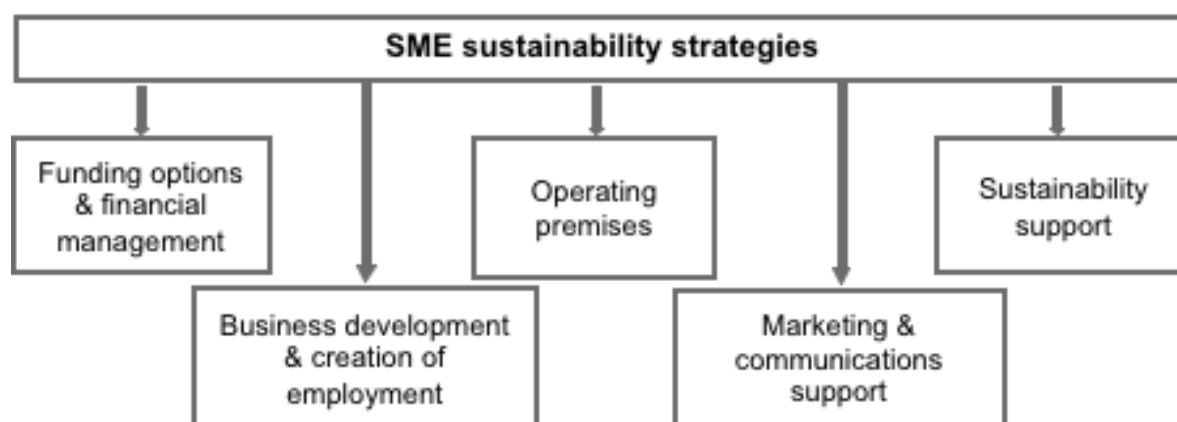
protection	substitute			
Barriers of entry	Cost of changing			

Figure 6.5: Questions to be asked pertaining to perceived barriers of sustainability (adapted from Porter, 1980)

Source: Author's own compilation

The next section will provide details on the sustainability strategies used by SMEs.

Figure 6.6 below presents sub-framework 4 aimed at outlining sustainability strategies of SMEs.



Any government agency or institution concerned with the sustainability of SMEs must consider offering SMEs the following sustainability strategies.

Funding and financial management	Business development and creation of employment	Operating premises	Marketing and communication support	Sustainability support
Skills audit	Audit on business support	Develop a tourism arena	Determine marketing needs	Develop a business plan
Host financial workshops	Development of route map for the SME	SME pairing	Create Wi-Fi hotspots in tourism arena	Sources of funding
Introduction of financiers	Monitoring and evaluation process		Create a section on the website dedicated to SMEs	Registration with associations

Create a financial management booklet			Social media plan	Obtain a qualified finance person
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Figure 6.6: Sustainability strategies for SMEs

Source: Author's own compilation

The next section will provide details of periodic performance and a framework review.

Figure 6.7 below presents sub-framework 5 aimed at how periodic performance and a framework review should be conducted.

Periodic performance and framework review
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Figure 6.7 Periodic performance and framework review questions

Source: Author's own compilation

To ensure success of the usage and implementation of the sustainability framework, it is critical that periodic reviews of the SME performance and the framework as a tool be conducted. In doing this, the following questions should be asked:

Table 6.7: Periodic performance and framework review

Performance review	Framework review
Has the performance improved?	Are the framework strategies applied properly?
Has the owner gained business skills?	Are the framework strategies still relevant?
Is the business making money?	Which adjustments need to be made?
Have additional people been employed?	Which assistance is needed to make such adjustments?
Has the business acquired more clients?	What are notable things to improve the framework for future purposes?
Is the business sustainable?	Does the framework still promote sustainability?

Source: Author's own compilation

The tourism SME framework presented above has the following advantages:

- it is designed based on empirical evidence obtained through the research;
- it is backed by existing theory;
- it is simple, practical and easy to use;
- it takes into account the elements of the individual running the business, the characteristics of the business and the environment within which the business operates; and
- this sustainability framework has a series of questions already designed, which could be used to solicit information in each of the steps.

The section below presents the limitations of the study.

6.9 LIMITATIONS OF THE STUDY

The limitations of this study were the following:

- The Tshwane tourism database was used to select the respondents. The type of tourism product within which they were involved could not be determined beforehand, consequently, there could be a slight bias towards a certain type of tourism SME as compared to others.
- The questions had to be asked in vernacular languages to make the respondents more comfortable. This yielded good results but there could be instances where the questions were not answered properly after translation. These instances have not been picked up but it is a possible limitation.
- The time allocated as well as the financial resources was a considerable limitation for this research.

6.10 RECOMMENDATIONS FOR FUTURE RESEARCH

The following recommendations are made for scholars who may want to pursue future research:

- The information collected through this research aimed at establishing the sustainability of Tshwane township tourism. An area of future research could be a study of the findings in Tshwane townships comparing these to findings in other townships to test whether there are recurring themes or not. If there

are, these could then be escalated as a set of recommendations to the provincial and national tourism authorities.

- The marketing skills required by township tourism SMEs is another area that could be researched further to determine the best way to market these organisations, thus making them sustainable and also ensuring they contribute meaningfully to the economy of the country.
- During the study, a unique term emerged, namely **subsistence tourism**. It was evident through the data presented that most people established these township tourism SMEs for the love of the product, but in essence, these businesses were assisting SMEs to survive. This could be tested by further studies.
- A future study could be focused on the accommodation or B&B sector to test the sustainability of products in the tourism sector.
- Which type of financial and risk management skills do SMEs require to operate effective businesses?
- The study could also be extended to test the effectiveness of the framework that was developed as part of this study and ways it could be used for newcomers.

6.11 CONCLUSION

There is agreement that SMEs are valuable in the global and South African economy to aid in creating jobs and in growing the economy. However, no proper benefits have been received from these enterprises as they endure a number of challenges, which make them unsustainable. The present research aimed at investigating the sustainability of SMEs in Tshwane townships, in order to design a framework that could be used by SMEs intending to enter the tourism industry.

The data for this empirical study was collected making use of a questionnaire. This questionnaire obtained information aimed at solving the research question which was:

What are the current challenges that Tshwane township tourism SMEs experience that impede them from being sustainable in the long term, and what

practices can be implemented to enable these SMEs to obtain sustainability thus contributing to economic development in South Africa?

There are different categories of information which were collected making use of this questionnaire. These categories comprised the characteristics of the respondents, characteristics of the SME business, the financing of the business, the tourism model chosen by the SMEs, understanding of entrepreneurship, issues relating to sustainability and the opportunity for respondents to provide suggestions on how to attain sustainability. All these were linked to the secondary research objectives to ensure alignment and to make a contribution towards answering the research question.

The research results revealed the following:

- The owners of the Tshwane township tourism SMEs participating in the present research were predominantly black females, between the ages of 35 and 65, with secondary and some post-matric education.
- In terms of the profile of the SME businesses in Tshwane townships, the largest proportion of these businesses were in partnership and have been in business for about 10.3 years on average with a turnover of about R150 000 or less per annum. They predominantly employed one person which in most cases was the owner of the business. Majority operated their businesses from a house, and the main focus of these businesses was leisure tourism.
- The top three main reasons for SMEs to enter the tourism industry as stated by respondents were confidence in the product/service offered, self-fulfilment and the need for a challenge.
- In terms of financial benefits expected due to entering the industry, most of the Tshwane township tourism SMEs expected to be able to set up a sustainable business, which in turn contributed to their individual financial sustainability.
- The main barrier to entry in the market was limited funding and capital or a lack of funding.
- The data collected revealed that it was not easy for Tshwane township tourism SMEs to achieve and maintain sustainability.

The research objectives set at the beginning of the study were achieved. Having done that, it was also imperative that the set of recommendations be crafted carefully to further answer the objectives for the study. This was achieved through the creation of the tourism SME framework.

The framework maps out the journey, detailing how to assist Tshwane tourism SMEs to become sustainable. It is envisaged that this framework will be used by SMEs who intend designing a route map to recovery, or else those institutions working with SMEs who intend assisting them in becoming more sustainable. This framework consists of the main framework, which is subdivided into sub-frameworks consisting of the relevant questions to be asked when one collects information on SMEs. The framework is completed with a set of recommendation on what can be done to obtain sustainability of tourism SMEs.

The study therefore answered the primary research objective, which was to create a framework for small and medium enterprises (SMEs) operating in Tshwane township tourism to ensure that this framework could be used to promote their sustainability and resultant contribution to the economy of the country as a whole.

It is believed that through following the steps in the proposed framework and through implementing the recommendations that were created as part of the framework, Tshwane township tourism SMEs can be made sustainable, leading to them playing a crucial role in employment creation, as well as satisfying their role which is contribution towards economic growth in South Africa.

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APPENDIX A

ETHICAL CLEARANCE CERTIFICATE



9 December 2015

Ref #: 2015_CEMS_SES_007

SCHOOL OF ECONOMIC SCIENCES RESEARCH ETHICS REVIEW COMMITTEE

This is to certify that the application for ethics clearance submitted by
Mr Phumelela Ezrahl Dhlomo (student #30891779, phumid@vodamail.co.za)

**Financial sustainability of tourism small medium enterprises in Tshwane Townships
received Ethics Approval**

The application for ethics clearance for the above mentioned research was reviewed by the School of Economic Sciences in December 2015 in compliance with the Unisa Policy on Research Ethics. Ethical Clearance for the project is granted.

You may proceed with the research project. The research ethics principles outlined by the Unisa Policy on Research Ethics must be adhered to throughout the project. Please be advised that the committee needs to be informed should any part of the research methodology as outlined in the Ethics application (Ref #2015_CEMS_SES_007) change in any way or in case of adverse events. This certificate is valid for the duration of the project. The SES Research Ethics Review Committee wishes you all the best with this research undertaking.

Kind regards,

**Mrs C Poole
Chairperson**

Executive Dean: CEMS



APPENDIX B

SURVEY QUESTIONNAIRE

The financial sustainability of tourism SME's located in Tshwane townships

Dear SME Owner

My name is Phumi Dhlomo. I am a Master's Degree student in Commerce at the University of South Africa (Unisa). I am currently doing academic research on the financial sustainability of tourism small, medium enterprises (SME's) in Tshwane townships.

I would appreciate it if you could take time to participate in the survey. The study has been cleared by the ethics committee at the University of South Africa.

Please note the following:

1. You have been selected in the study as a tourism SME located in one of the Tshwane Townships.
2. Your participation in this study is voluntary. You are under no obligation to complete survey. There is no penalty or loss of benefit for non-participating. You are also allowed to withdraw at any time of the survey without giving explanation.
3. All responses will be treated confidentially. Results will only be reported in aggregated format. Your name and contact details are recorded for back-checking purposes only.
4. Please answer the questions in the attached questionnaire as completely and honestly as possible. There are no right or wrong answers. This should not take more than 20 minutes of your time.
5. We do not foresee any negative consequences in completing the survey and there is no compensation for participation.
6. The blueprint obtained through the study may help in improving sustainability of Tshwane Tourism SME's and the participant is welcome to contact the researcher to request the findings of the research.
7. Records will be electronically kept safely for a period of a year after the submission of the final report.
8. Report information may be published but the personal details of each respondent will not be disclosed.
9. Final research findings may be published in whole or in part.

Please sign the form to indicate that:

10. You have read and understand the information provided above.
11. You give your consent to participate in the study on a voluntary basis.

Thank you.

Phumi Dhlomo
Student

Cell: 082 456 2898

Professor Cine Van Zyl
Supervisor: Department of Transport Economics Logistics
and Tourism, Unisa
E-mail: vzylc@unisa.ac.za

CONSENT

Name of respondent	
Position in business	
Name of business	
Physical address	
Contact details	
Signature	

INTERVIEWER INFORMATION

Inclusion criteria

- This study focuses on small and medium **tourism** business enterprises operating in both the formal and informal sectors.
- A formal business enterprise is defined as a business which operates in the form of a formal registered business entity (sole ownership, partnership, closed corporation or private company). An informal business enterprise refers to a business that operates without being registered, but may be registered with SASTA and or Tshwane Tourism.
- This study also focuses only on owner-managed business enterprises (i.e. the owner/s) are actively involved in the running of the business on a day-to-day basis). The business/company may have multiple business owners/partners/members/shareholders.
- NGO's, Section 21 or schools do not form part of the above mentioned business entities and can therefore not be included in the study.

Person to be interviewed

- The owner/ one of the partners who is actively involved in the day-to-day running of the business.
- In NO instances can the Secretary/PA or other admin staff be interviewed.

Name on interviewer:

Telephone no:

Declaration

I, the interviewer, was fully briefed by Mr. P. Dhloomo regarding the survey and sample specifications. I also read the briefing document, worked through the questionnaire and fully understand the interview process. I conducted the interview and checked if all questions were answered.

Signature of interviewer:

Date:

INTERVIEW INFORMATION

Interview history	Date of interview	Time started	Time finished	Total time in minutes
First attempt				
Second attempt				
Third attempt				

SECTION A: RESPONDENT CHARACTERISTICS

1. Race

Asian	1
Black	2
Coloured	3
Indian	4
White	5
Other (specify)	6

2. Gender

Male	1
Female	2

3. Age

4. Highest level of education completed

No schooling	1
Some primary schooling	2
Primary schooling completed	3
Some secondary schooling completed	4
Secondary schooling completed (Grade 12/Matric)	5
Post matric certification/diploma (short courses)	6
Undergraduate degree	7
Postgraduate degree	8

5. Number of years ...

Self-employed	
Experience as business owner	

SECTION B: BUSINESS CHARACTERISTICS**6. What form of business entity do you own?**

Informal business	1
Sole proprietor	2
Partnership	3
Close corporation	4
Private company	5
Other (specify)	6

7. How long has your business been in operation? (years)

8. (a) Is your business part of a franchise group?

Yes	1
No	2

(b) If Yes, please name the franchise group.

9. How many employees, including owners, does your business have?

Owners/Partners/Members	
Full-time employees	
Part-time employees	

10. What is the estimated annual turnover of your business?

Up to R 10 000	1
R 10 001 - R 50 000	2
R 50 001 - R 100 000	3
R 100 001 - R 150 000	4
R 150 001 - R 200 000	5
R 200 001 - R 250 000	6
R 250 001 - R 300 000	7
R 350 001 - R 400 000	8
R 400 001 - R 450 000	9
R 450 001 and above	10

11. What type of premises does your business operate from?

A house/part of a house	1
Office space	2
Stand-alone shop	3
From a container	4
No fixed location	5
Other (specify)	6

12. (a) Do you own or rent the premises you run your business from?

Own	1
Rent	2
Use it - do not own or rent	3

(b) If you rent, do you think the rent is reasonable?

Not at all reasonable	1
Reasonable	2
Very reasonable	3

13. Is your business operating on a regional, national or international level?

Local/regional (clients are located within your metro area)	1
National (have clients on a national level)	2
International (have clients on an international level)	3

SECTION C: FINANCING YOUR TOURISM BUSINESS

14. (a) Indicate your source(s) of start-up funding (capital)?

(b) Indicate the percentage contribution from each source?

Source of funding	(a)	(b)
Own personal savings	1	
Personal loan from the bank	2	
Business loan from the bank	3	
Spouse assistance	4	
Contributions from family/friends (not a loan)	5	
Loan from family/friends	6	
TEP (Tourism Enterprise Partnership)	7	
My pension package	8	
Profits from another business	9	
Security against a bond	10	
Stokvel	11	
Other (specify)	12	
		100%

15. Indicate your path to business ownership?

Started (founded) the business	1
Purchased the business	2
Joined a family business	3
Inherited the business from family	4
Other (specify)	5

16. Which sources of funding are assisting you in sustaining/operating your business at the moment?

Own personal savings	1
Personal loan from the bank	2
Business loan from the bank	3
Contributions from family/friends (not a loan)	4
Loan from family/friends	5
My pension package	6
Profits from the business	7
Profits from another business	8
Salary earned elsewhere	9
Security against a bond	10
Government support - Subsidy	11
Government support - Loan	12
Stokvel	13
Other (specify)	14

17. Which of the following do you think is the single best way to fund the establishment of a business such as yours? Choose only one.

Own personal savings	1
Personal loan from the bank	2
Business loan from the bank	3
Contributions from family/friends (not a loan)	4
Loan from family/friends	5
My pension package	6
Profits from the business	7
Profits from another business	8
Salary earned elsewhere	9
Security against a bond	10
Government support - Subsidy	11
Government support - Loan	12
Stokvel	13
TEP (Tourism Enterprise Partnership)	14
Tourism agency	15
Other (specify)	16

18. What did you do before you started your tourism business?

Was owner/partner of another related/similar tourism business	1
Was owner/partner of another business (not related to tourism)	2
Worked in the public sector	3
Was employed in the private sector	4
Unemployed	5
Retired	6
Other (specify)	7

19. How financially sustainable would you say your business is at the moment (i.e. its ability to continue operating in the future)?

Not at all sustainable	1
Partly sustainable	2
Reasonably sustainable	3
Very sustainable	4

SECTION D: TOURISM SME BUSINESS MODEL

20. (a) What type of tourism business do you operate?

(b) Indicate the percentage contribution from each stream towards turnover?

Type of business	(a)	(b)
Arts and craft	1	
Bed and breakfast	2	
Catering	3	
Events company	4	
Restaurant	5	
Tour operator & guiding	6	
Transport	7	
Other (specify)	8	
		100%

21. (a) What form of tourism does your business focus on?

(b) Indicate the percentage contribution from each form towards turnover?

Form of tourism	(a)	(b)
Leisure tourism	1	
Business tourism	2	
Other (specify)	3	
		100%

22. (a) What marketing methods do you use to acquire business?
 (b) Indicate the percentage contribution from each method towards turnover?

Methods	(a)	(b)
Advertising in printed media	1	
Direct marketing	2	
Referral by other operators	3	
Sub-contracting (main contractor hires additional companies)	4	
Through social media (e.g. Facebook)	5	
Travel shows	6	
Word-of-mouth	7	
Other (specify)	8	
		100%

23. Which marketing method do you regard as the most effective to acquire business? Choose only one.

Advertising in printed media	1
Direct marketing	2
Referral by other operators	3
Sub-contracting (main contractor hires additional companies)	4
Through social media (e.g. Facebook)	5
Travel shows	6
Word-of-mouth	7
Other (specify)	8

24. What is your business's most preferred fee structure? Choose only one.

Commission	1
Cost plus profit	2
Referral fee	3
Rate per hour	4
Cost of project	5
Other (specify)	6

25. How do you know whether your business is profitable or not? You can choose more than one option.

Don't know most times	1
I never know	2
Financial manager tells me	3
I seek help from finance experts	4
Other (specify)	5

SECTION E: ENTREPRENEURSHIP

26. What motivated you to start the tourism business? Please rate the statements below.

	Strongly disagree	Disagree	In-between	Agree	Strongly agree
Need for independence	1	2	3	4	5
Need for flexible working schedule	1	2	3	4	5
Need for a challenge	1	2	3	4	5
Self-fulfilment	1	2	3	4	5
To develop my hobby	1	2	3	4	5
Redundancy (lost my job, retrenchment)	1	2	3	4	5
Difficulty finding a job	1	2	3	4	5
Dissatisfaction with salaried jobs	1	2	3	4	5
Insufficient family income	1	2	3	4	5
Desire for wealth	1	2	3	4	5

	Strongly disagree	Disagree	In-between	Agree	Strongly agree
To ensure high job security	1	2	3	4	5
Entered the family business	1	2	3	4	5
Confidence in the product/service offered	1	2	3	4	5

27. Please name any other reasons not listed above which motivated you to start your own business.

--

28. Please rate the following entry barriers when you started the tourism business.

	Not at all a barrier	Minor barrier	Moderate barrier	Serious barrier
Strong competition	1	2	3	4
Administrative and legal processes in starting a small business	1	2	3	4
Limited/lack of knowledge about tourism industry	1	2	3	4
Limited/lack of business experience/skills	1	2	3	4
Challenge in attracting new clients	1	2	3	4
Limited/lack of funding/capital	1	2	3	4
Government regulations	1	2	3	4
Limited/lack of support from family and friends	1	2	3	4

29. Please name any other barriers you experienced when you started the business.

--

30. Who are your competitors?

--

31. What are your competitor's strong points?

--

32. What type of business plan did you have when you started the business? Choose one.

Formal written business plan	1
Informal business plan	2
No business plan at all	3

33. What are the three main economic conditions that contribute negatively and positively towards the business? Explain why you say so.

Negative contributors	Why do you say so?
Positive contributors	Explain why do you say so?

34. What strategies do you use to be competitive?

--

- 35. List three (3) successes you have had in the tourism industry operating as an Small Medium Enterprise?**

1.
2.
3.

- 36. What type of financial benefits did you expect when you started the business? You can choose more than one.**

Easy profits	1
Sustainable business	2
Government stimulus package	3
Easy business to run	4
Tax benefits	5
Other (specify)	6

37. What obstacles are you currently facing in running your business?

Please rate all obstacles given below.

	Strongly disagree	Disagree	In-between	Agree	Strongly agree
Strong competition	1	2	3	4	5
Administrative and legal processes in running a small business	1	2	3	4	5
Limited/lack of knowledge about tourism industry	1	2	3	4	5
Limited/lack of business experience/skills	1	2	3	4	5
Challenge in attracting new clients	1	2	3	4	5
Limited/lack of funding/capital	1	2	3	4	5
Government regulations	1	2	3	4	5
Limited/lack of support from family and friends	1	2	3	4	5
Family pressures	1	2	3	4	5
Cash flow	1	2	3	4	5
Attracting more clients	1	2	3	4	5
Lack of mentorship	1	2	3	4	5
Liquidity and other financial problems	1	2	3	4	5
Shortage of skilled staff to assist in the business	1	2	3	4	5
Time constraints	1	2	3	4	5
Gaining acceptance/respect from industry	1	2	3	4	5
Lack of Government support	1	2	3	4	5
Lack of conducive business environment created by Government	1	2	3	4	5

37. What other obstacles not listed above are you currently experiencing?

--

SECTION F: FINANCIAL SUSTAINABILITY OF TOURISM SME BUSINESSES

38. Please indicate to what extent you agree or disagree with the following statements.

	Strongly disagree	Disagree	In-between	Agree	Strongly agree
Most tourism SMEs in Tshwane townships are financially sustainable	1	2	3	4	5
It is the responsibility of the owner to ensure their business is financially sustainable	1	2	3	4	5
Government should contribute towards the financial sustainability of tourism SME's in Tshwane townships	1	2	3	4	5
Government is doing enough to contribute towards the financial sustainability of tourism SME's in Tshwane townships	1	2	3	4	5
It is possible to run and manage a financially sustainable tourism SME in Tshwane townships	1	2	3	4	5
Partnership between Government, tourism authorities and owners is a recipe for financial sustainability of tourism SME's in Tshwane townships	1	2	3	4	5
There is enough business opportunities in Tshwane to support tourism SME's so they can be financially	1	2	3	4	5

	Strongly disagree	Disagree	In-between	Agree	Strongly agree
sustainable					
Tshwane township communities are friendly towards tourists	1	2	3	4	5
Tshwane township communities are safe for tourists to visit	1	2	3	4	5
It is easy to obtain funding as a Tshwane township tourism SME	1	2	3	4	5

SECTION G: SUGGESTIONS

- 39. What should Tshwane Tourism Agency do to assist in improving the financial sustainability of tourism SME's?**

- 40. What stimulus packages/incentives should National Government provide for tourism SME's to help them achieve financial sustainability?**

- 41. What roles can the tourism industry as a whole play in making the tourism SME's financially sustainable?**

- 42. What internal and external business factors prevent tourism SME's from being financially sustainable?**

- 43. What kind of training or skills do tourism SME's need to become financially sustainable?**

- 44. What types of tourism products/packages provide financial sustainability for tourism SME's?**

- 45. What are the best practices that should be applied by all tourism SME's in order to be financially sustainable? Mention at least three (3) practices?**

THANK YOU FOR YOUR TIME

APPENDIX C

DATABASE OF TSHWANE TOWNSHIP TOURISM SMEs (confidential)

Title	Name	Surname	Business name	Sector	Cell
Mr	Aaron	Sepeng	Pिकासमा	Arts & Crafts	0713386398
Ms	Agnes	Rennie		Eersterust	0825611945
Mr	Alpheus	Kgoathe	Mmaditebogo Trans World Tours	Mabopane	0837604243
Ms	Andromica	Maimane		Arts & Crafts	0736354977
Ms	Anna	Mohlala		Arts & Crafts	0724146570
Ms	Anna	Baloyi		Arts & Crafts	0723619123
Miss	Annah	Menyoko	Fruits & Vegetable	Fruits & Vegetables	0737722555
Ms	Annah	Makgatho		Mamelodi	0826774946
Ms	Audrey	Hlaletwa		Arts & Crafts	0764221166
Ms	Audrey	Mathebe		Arts & Crafts	0783136708
Mr	Ayna	Masanga	Sibusiso Sabazali	Arts & Crafts	0726764911
Ms	Baba	Selabe	Babakang Dress Making & Ent	Arts & Crafts	0833396232
Mr	Bareng	Moeng		Arts & Crafts	0727606981
Mr	Benny	Molebadi		Arts & Crafts	0837623156
Ms	Bertha	Ngonyana		Arts & Crafts	0766181341
Mrs	Bertha	Mabaso	Three plus two catering	Catering	0731508313
Ms	Bogoshi	Mathebe	Thabe Ya Boyontla	Arts & Crafts	0783136708
Mr	Bralter	Kgoadi		Mamelodi	0828656987
Mis	Busisiwe	Mpisi	Isipho esihle catering	Catering	0835989882
Mr	Buti	Modipa	One on One Pub	Pubs & Taverns	0769824426
Ms	Catherine	Nkosi	Ntapo Trading Enterprise	Arts & Crafts	0842411549

Title	Name	Surname	Business name	Sector	Cell
Mr	Daniel	Moroke		Arts & Crafts	0824332567
Mr	Danny	Khoza	Arts and Culture	Mabopane	0737301986
Mr	David	Khukutsa	S'phethebuhle	Arts & Crafts	0725571880
Mr	David	Paile	Paramount Pub	Stand no 1, Marokolong	0828419078
Ms	Dina	Maaga		Arts & Crafts	0723600920
Ms	Dipuo	Motlana	Dipuo's Innovation Creations	Arts & Crafts	0732301496
Ms	Diraroane	Mahlangu	Mpholeti Travel Services	Soshanguve	0749660615
Ms	Doreen	Tshazi	Tshazi F.D Project	Arts & Crafts	0824028596
Miss	Elizabeth	Ngubeni	Fruits & Vegetable	Fruits & Vegetables	0729724324
Ms	Elizabeth	Molapo	Tsebi's Projects	Arts & Crafts	0837221545
Ms	Elizabeth	Mahlangu		Arts & Crafts	0824766762
Mr	Ellas	Phokwane		Arts & Crafts	0844506649
Mr	Elsie	Nzuza	Zamisasa	Arts & Crafts	0737062432
Mr	Enock	Nleya		Arts & Crafts	0737314666
Mr	Ephriam	Moloi	Transport Operator	Mabopane	0822596544
Ms	Esther	Modise	Bopang Co- Operation	Arts & Crafts	0793879241
Ms	Eucritia	Genda		Arts & Crafts	0761934829
Ms	G.M	Matlala		Transport	0725593667
Mr	George	Blos	Moema C & Projects	Catering	0727027701
Mr	George	Malete	Rabza's Place	5130 Zone 4 Ga-Rankuwa	0826823717
Mr	Gerald	Kgoadi		Mamelodi	0722476665
Mrs	Gladys	Seodisa	Res comf sip zone café	Catering	0769037466
Ms	Gladys	Khoza	GMK cc		0723990814
Ms	Gloria	Motileni		Arts & Crafts	0834968884
Ms	Grace	Silinda		Mamelodi	0824044267
Ms	Henrietta	Ngoako		Arts & Crafts	0725066197
Ms	Imelda	Kambule		Arts & Crafts	0834346827
Mr	Isaac	Makhura	Food Vendor	Catering	0733496823
Ms	Jeminah	Mawela	Shejan 3 Clothing Design	Arts & Crafts	0827648048

Title	Name	Surname	Business name	Sector	Cell
Ms	Johanna	Matshiya	Candle of Hope	Arts & Crafts	0824766762
Ms	Johanna	Ramollo		Arts & Crafts	0730733119
Ms	Johannah	Nkosi		Arts & Crafts	0731665528
Mr	Jonethan	Mabogane		Arts & Crafts	0785219267
Mr	Joseph	Tladi	Edwaleni Invention Centre		0721034309
Ms	Josephine	Selatha		Arts & Crafts	0722176757
Ms	Joyce	Mabunda	Joyce Special Decors	Arts & Crafts	0834113985
Ms	Joyce	Magodiello		Arts & Crafts	0722243341
Ms	Julia	Nondlela		Arts & Crafts	0733432105
Ms	Julia	Nondlela	Arts and Crafts	Lotus Gardens	0733432105
Ms	Julia	Rakwena		Mamelodi	0769979798
Mr	Kaizer	Mokoena		Majaneng	0782899780
Mr	Kenneth	Moeketsi	Youth Forum	Mabopane	0720767096
Mr	Kgomotso	Mothoa		Arts & Crafts	0722293300
Ms	Khanyi	Lusenga	TTGTO		0721496770
Mr	Klaas	Kutumela		Arts & Crafts	0725270975
Ms	Leah	Mthimunye		Rietfontein	0825142903
	Lebogang	Mnguni	Morale Vision Medium Design Lab		0837472120
Ms	Lebogang	Mokoena	Silodoloza Amanzi Comm. Project	Arts & Crafts	0844685310
Mr	Lele	Mashigo	June Sixteen	Arts & Crafts	0849441338
Ms	Lena	Mnguni		Arts & Crafts	0796321309
Mrs	Letta	Mphahlane		Transport	0791539010
Ms	Lillian	Moshetsi	Leather works	Winterveld	0734834447
Miss	Lizi	Selemela	Fruits & Vegetable	Fruits & Vegetables	0731934905
Ms	Lizzy	Steenkamp	Lizz Bandis CC	Arts & Crafts	0825091440
Ms	Lizzy	Ndewa		Arts & Crafts	0737951310
Miss	Lucy	Mazibuko	Res comf sip Zone Café	Catering	0825004760
Ms	M J	Malisa		Arts & Crafts	0743180528
Mr.	M.A	Hlahla	Bakgotse eating place	Shop no 3, Temba	084 606 7736
Mrs	Makwarela	Madiba	Retla Direla	Arts & Crafts	0731598118

Title	Name	Surname	Business name	Sector	Cell
			Pottery		
Ms	Malebo	Mokwape		Arts & Crafts	0737926375
Ms	MammyGirl	Segooa	Catering	Soshanguve	0829366728
Miss	Mamoshomo	Tswai	Mamoshomos Craft	Arts & Crafts	0722636760
Mr	Marcus	Mabena		Arts & Crafts	0732764729
Ms	Margareth	Chauke	Kurhula Womans Art & Crafts	Soshanguve	073 364 9973
Ms	Maria	Masemola	Tutugang	Arts & Crafts	0847394945
Ms	Maria	Matlou		Arts & Crafts	0834989449
Ms.	Maria Haffiso	Mafulong		6251 Block S Mabopane	0825990630
Mr	Maria	Matlhako	Catering	Mabopane	0762059873
Miss	Martha	Kutumela	Kutumel catering projects	Catering	0847146663
Ms	Mary	Maake		Arts & Crafts	0739715151
Ms	Mary	Kubeka	Arts and Crafts	Mamelodi	0769719153
Ms	Mathalise	Mashudu		Arts & Crafts	0714528442
Ms	Merriam	Sepepe		Arts & Crafts	0732122301
Ms	Miranda	Matlou	Miranda's Catering	Mabopane	082 292 8199
Ms	Mmapula	Ramauta	Thembulawo Coop	Arts & Crafts	0727046075
Mr		Modise		Arts & Crafts	0721128197
Ms	Moipone	Phyllis	Phyllis Tavern	9597 Unit 17 Ga Rankuwa	0732424720
Ms	Mokgadi	Masiya	Bead work		0738574565
Miss	Montaolago	Mofokeng	Imbayelthu trading enterpries	Catering	0766232887
Ms	Mpho	Phuti	Tour Guide	Mabopane	0725671915
Ms	Nomakhosi	Chauke	DUMSO	Catering	0823998655
Ms	Nomakhosi	Mahlangu		Arts & Crafts	0723024150
Mrs	Nonceba	Lefoka	Eagle Edge distributors cc	Catering	0832760556
Ms	Nonhlanhla	Siko	Nhla's Bush Cabins		0826651405
Ms	Nontokozo	Mahlalela	Medupi Design	Arts & Craft	0724008834
Ms	Nozipho	Makeke	Dithakeng Farming & Proj	Centurion	0829548276

Title	Name	Surname	Business name	Sector	Cell
Ms	Nqatyiswa	Mpelo		Olievenhout-bosch	0733042027
Mr	Obed	Morediane	Boikhutso Tours		0748149677
Mr	Oscar	Segane	Bathale Media		0721763891
Mr	Oupa	Mokoena	Whitch Craft art & Lifestyle	Arts & Crafts	0785293880
Ms	Peggy	Mkasi	Nokwanda Interiors	Arts & Crafts	0744330995
Mr	Peter	Selepe	Poultry	Poultry	0767408868
Mr	Petrus	Manthongo		Arts & Crafts	0835400123
Mr	Phineas	Makhwitina		Mamelodi	0839563580
Mr	Phineus	Makwiting	Pts Trading in Pottery & Crafts	Arts & Crafts	0839563580
Ms	Phumzile	Tsebe	P.R.S	Transport	0769781261
Ms	Precious	Zwane	Emaghaphosini	Arts & Crafts	0767604786
Ms	Priscilla	Mnisi		Arts & Crafts	0829689858
Ms	Priscilla	Radebe	Hand craft crochet	Saulville	0730178146
Mr	Pule	Goko		Arts & Crafts	0724647045
Mrs	Queen	Lebeko	Matsekele's	Catering	0835808066
Ms	Queen	Mokgadi		Arts & Crafts	0824362843
Ms	Rachel	Makhubo		Arts & Crafts	0836669309
Ms	Rebecca	Ndlovu	Bead work	Arts & Craft	0827146207
Ms	Rebecca	Shilenge	Diabalola Trading	Arts & Crafts	0835426217
Ms	Rebecca	Ledwaba	Pottery and Sewing	Mabopane	0738539174
Ms	Rhoda	Ngobeni		Arts & Crafts	0822272890
Mr	Ricard	Makgatho		Arts & Crafts	0721280461
Ms	Rose	Mhlangu	Smindlo's	Arts & Crafts	0827638902
Ms	Rose	Sethole		Soshanguve	0735152268
Mr	Rubusanu	Nhantsi		Arts & Crafts	0827742427
Mr	Samuel	Baloyi		Arts & Crafts	0723703836
Ms	Sarah	Ndala	Woman Wake up Project	Arts & Crafts	0849274367
Ms	Sarah	Ndala		Olievenhout-bosch	0731699957
Mr	Seetsa	Molomo		Arts & Crafts	0839455526
Ms	Selina	Ngwepe	Bonaleng Trade Ent.	Arts & Crafts	0789088238

Title	Name	Surname	Business name	Sector	Cell
Ms	Semakaleng	Mnisi		Arts & Crafts	0844047952
Mr	Shambonga	Booi		Arts & Crafts	0730077935
Ms	Shiela	Mnisi		Arts & Crafts	0829689858
Mr	Sprite	Baloyi	Sprite & Son	Orchards	0825314108
Mr	Tebogo	Mekwa		Arts & Crafts	0838730664
Mr	Tebogo	Mokoena		Arts & Crafts	0724347132
Mr	Thabang	Leboko		Arts & Crafts	0796343386
Ms	Thembi	Mabule	Thembi Innovations	Arts & Crafts	0719331341
Ms	Thembi	Masua		Arts & Crafts	0733909550
Ms	Thembisile	Legare	Fruits & Vegetable	Fruits & Vegetables	0838755106
Ms	Thoko	Kandemiri		Arts & Crafts	0767057518
Ms	Thoko	Matshika		Arts & Crafts	0846411234
Ms	Toko	Nhlapo	Vhanweni Primary Co-Operative Ltd	Arts & Crafts	0840502044
Mrs	Tryphina	Kekana	TJT Projects	Catering	0733545230
Ms	Unica	Mahlaela		Arts & Crafts	0729230847
Mr	Vasco	Mudzanani	World	Arts & Crafts	0835158627
Ms	Violet	Makola	Khanye Family Centre		0739205234
Mr	Willy	Kotsokoane		Arts & Crafts	0826714952
Mr	Wiseman	Phiri	Phiri Events Management & Prejects	Stinkwater	0822687881
Mr	Zacchaeus	Oladejo		Arts & Crafts	0784036333
Ms	Zukiswa	Ncijithwane		Arts & Crafts	0834310492
Ms	Zukiswa	Nlokotsana		Arts & Crafts	0834310492
Mrs		Molaodi	Chimokazithe Coop	Arts & Crafts	0743742893