



Cape Peninsula
University of Technology

**MANAGEMENT ACCOUNTING SKILLS OF DECISION MAKERS OF SMALL,
MEDIUM AND MICRO TOURISM ENTERPRISES IN WESTERN CAPE, SOUTH
AFRICA**

by

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Master of Technology: Cost and Management Accounting

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at the Cape Peninsula University of Technology

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DECLARATION

I, **Ernest Pierre Tsague Mbumbo**, declare that the contents of this dissertation/thesis represent my own unaided work, and that the dissertation/thesis has not previously been submitted for academic examination towards any qualification. Furthermore, it represents my own opinions and not necessarily those of the Cape Peninsula University of Technology.



Signed

08 March 2016

Date

ABSTRACT

Small medium micro enterprises (SMMEs) in general and small medium and micro tourism enterprises (SMMTEs) in particular are considered as one of the viable vehicles to reduce the high unemployment rate and increase economic participation in South Africa. Due to the lack of management skills, among other factors, SMMTEs may not fully realise their potential. The question that arises is: to what extent do the decision makers of SMMTEs employ management-accounting tools to inform their business decisions? The aim of this study is to investigate and to evaluate the ways decision-makers of the SMMTEs in the Western Cape of South Africa use management-accounting skills to make their decisions. Data was collected by means of a questionnaire that comprised closed-ended questions. The findings may assist SMMEs to improve the management of their businesses as they will be able to see how employees with different management-accounting skills and experience compare to each other when it comes to running the business, and or if management-accounting skills influence business decisions.

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DEDICATION

I dedicate this study to my parents Marceline Tontsa and Simon Pierre Mbumbo, from whom I received all this spirit of hard-work, commitment, life vision and mission. Special thanks to my mother for the sacrifice made to send me to school in order for me to become a better person in life.

TABLE OF CONTENTS

Declaration	ii
Abstract	iii
Acknowledgements	iv
Dedication	v
Glossary	viii

CHAPTER ONE: ORIENTATION OF THE STUDY1

1.1	BACKGROUND TO THE STUDY.....	1
1.2	PURPOSE OF THE STUDY.....	4
1.3	STATEMENT OF RESEARCH PROBLEM.....	4
1.4	RESEARCH QUESTION AND SUB-QUESTIONS.....	5
1.5	OBJECTIVES.....	5
1.6	RESEARCH DESIGN AND METHODOLOGY.....	6
1.6.1	Sampling.....	6
1.6.2	Methods.....	7
1.7	DELINEATION OF THE RESEARCH.....	8
1.8	LIMITATIONS OF THE RESEARCH.....	8
1.9	RESEARCH ASSUMPTIONS.....	9
1.10	CONTRIBUTION OF THE RESEARCH.....	9
1.11	REMAINING PART OF THE THESIS.....	11

CHAPTER TWO: CONCEPTS AND THEORIES.....13

2.1	INTRODUCTION.....	13
2.2	KEY CONCEPTS.....	13
2.2.1	Overview of Small, Medium and Micro Enterprises (SMMEs) in South Africa..	13
2.2.2	Concept of management accounting.....	15
2.2.3	Concept of management accounting skills.....	15
2.2.4	Tourism industry.....	23
2.2.4.2	Different types of Tourism.....	23
2.2.5	Western Cape.....	28
2.3	THEORETICAL FRAMEWORK.....	30
2.3.1	Expectancy Theory.....	30
2.3.2	Applicability of Expectancy Theory to the current study.....	32
2.3.3	Skills Theory Approach.....	33
2.3.4	Applicability of Katz Three skills approach to the current study.....	34

2.4	CONCLUSION	35
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CHAPTER THREE: MANAGEMENT ACCOUNTING SKILLS OF DECISION MAKERS IN TOURISM INDUSTRY36

3.1	INTRODUCTION	36
3.2	LACK OF SKILLS AND KNOWLEDGE BY SMALL BUSINESSES' DECISION MAKERS IN SOUTH AFRICA.....	36
3.3	PERCEPTION OF MANAGEMENT ACCOUNTING BY TOURISM'S SMMES	38
3.4	LACK OF MANAGEMENT ACCOUNTING SKILLS VIEWED AS A CHALLENGE IN SOUTH AFRICAN TOURISM SMMES.....	41
3.5	GOVERNMENT SUPPORT OF SMMES THROUGH TRAINING SKILLS DEVELOPMENT.....	43
3.6	CHALLENGES OF SMMES IN SOUTH AFRICA.....	44
3.7	ISSUES CONFRONTED BY SMMTES IN SOUTH AFRICA	45
3.8	BENEFITS OF UTILISING MANAGEMENT ACCOUNTING IN BUSINESS	46

CHAPTER FOUR: RESEARCH METHODOLOGY50

4.1	INTRODUCTION	50
4.2	METHODOLOGY	50
4.2.1	Research design.....	50
4.2.2	Population.....	52
4.2.3	Sampling techniques.....	52
4.2.4	Methods of data collection	53
4.3	DATA ANALYSIS.....	57
4.4	DATA VALIDITY AND RELIABILITY	58
4.5	ETHICAL ISSUES	60
4.6	CONCLUSION	61

**CHAPTER FIVE
ANALYSIS OF DATA AND PRESENTATION OF THE FINDINGS62**

5.1	INTRODUCTION	62
5.2	DATA ANALYSIS.....	62
5.2.1	Questionnaire.....	62

5.2.2	Descriptive statistics.....	63
5.3	SAMPLE.....	63
5.4	DESCRIPTIVE RESULTS OF THE STUDY	64
5.4.1	Descriptive results on personal questions	64
5.4.2	Descriptive results: Objective One.....	70
5.4.3	Descriptive results: Objective Two.....	74
5.4.4	Descriptive results: Objective Three.....	78
5.4.5	Descriptive results: Objective four	81
5.4.6	Descriptive results: Objective five	81
5.5	CONCLUSION	83

CHAPTER SIX
DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS85

6.1	INTRODUCTION	85
6.2	DISCUSSIONS	86
6.2.1	Personal questions.....	86
6.2.2	Research question one.....	87
6.2.3	Research question two	89
6.2.4	Research question three	91
6.2.5	Research question four.....	92
6.3.6	Research question five	92
6.4	LIMITATIONS OF THE RESEARCH.....	93
6.5	RECOMMENDATIONS AND SUGGESTIONS	94
6.6	CONCLUSION	95

REFERENCES.....97

LIST OF FIGURES

Figure 2.1: Cost Behaviour (Horngreen, 2012)	1
Figure 2.2: Western Cape Map	29
Figure 2.3: Expectancy Theory (Vroom, 1964)	31
Figure 2.4: Katz Three Skills Approach (Katz, 1955)	33
Figure 5.1: Business classification	65
Figure 5.2: Types of tourism business	66
Figure 5.3: Number of permanent staff in the business	67
Figure 5.4: Number of temporary staff in the business	67

Figure 5.5: Management responsibility	68
Figure 5.6: Annual turnover of the business	69
Figure 5.7: Skills proficiency of the respondents	72
Figure 5.8: Method used for decision making purposes	73
Figure 5.9: Attendance of management training or workshop within the past 10 years	75
Figure 5.10: Possession of relevant accounting skills	76
Figure 5.11: Need of an accountant in the business	76
Figure 5.12: Need of management accounting skills	77
Figure 5.13: Indication of the type of training attended	78
Figure 5.14: Effectiveness of respondents' management accounting skills	80
Figure 5.15: Time the business has been in operation	82
Figure 5.16: Education Level	83

LIST OF TABLES

Table 1.1: Sub-questions, Research methods, objectives	7
Table 2.1: Classification of SMMEs by number of employees, total annual turnover and total gross asset value (Berry et al., 2002:13)	14
Table 2.2: Impact of Travel Tourism in South Africa from 2003 to 2013 (Rogerson, 2005:9)	28
Table 4.1: Cronbach reliability test	59

APPENDIX/APPENDICES

APPENDIX A: Cover letter and questionnaire.....	118
APPENDIX B: Summary of frequency output	122

GLOSSARY

Terms/Acronyms/Abbreviations	Definition/Explanation
SMME	Small, Medium and Micro Enterprises
SMMTE	Small, Medium and Micro Tourism Enterprises
CIMA	Chartered institute of Management Accountants
GDP	Gross Domestic Product
SEDA	Small Enterprises Development Agency
CTT	Cape Town Tourism
SPSS	Statistical Package for Social Sciences
CPUT	Cape Peninsula University of Technology
SAAA	South African Accounting Association
IAAER	International Association for Accounting Education and Research
ET	Expectancy Theory
TSA	Three Skills Approach
DTI	Department of Trade Industry
SBC	Small Business Connect
NPV	Net Present Value
IRR	Internal Rate of Return
ARR	Accounting Rate of Return
DCF	Discounted Cash Flow
PB	Payback Period
CVP	Cost-Value-Profit
PLC	Product Life Cycle
IPL	Indian Premier League
COP	Conference of the Parties
UNFCCC	United Nations Framework Convention on Climate Change
BRICS	Brazil, Russia, India, China and South Africa
MICE	Meetings, Incentives, Conferences and Exhibitions
CMA	Cape Metropolitan Area
DC	District Council
TAP	Tourism Action Plan
TEP	Tourism Enterprise Programme
REC	Research Ethics Committee
HDC	Higher Degree Committee
CEO	Chief Executive Officer

CHAPTER ONE ORIENTATION OF THE STUDY

1.1 INTRODUCTION

The first part of this chapter shapes the background and objectives of the study as well as the logic behind it. The second part provides the motivation and approaches chosen to answer the research question. This study focuses on the management-accounting skills of decision makers of Small, Medium and Micro Enterprises (SMMEs) in the tourism sector within the Western Cape, South Africa. The drive behind this study is to investigate and evaluate the ways decision makers in Small, Medium and Micro Tourism Enterprises (SMMTEs) in the Western Cape, South Africa use management-accounting skills to make their decisions. The purpose of this chapter is to announce the research issue as well as to orientate the reader thereof. It also provides the structure for the remaining parts of the thesis.

1.1 BACKGROUND TO THE STUDY

Management accounting is the science that narrates the supply of suitable financial and non-financial data to make decisions, plan, control and evaluate the performance of any aspiring successful organisation (Botes, 2009:24). It is quite difficult to trace the origin and the creator of management accounting but, according to Waweru (2010:165), academic resources such as Johnson and Kaplan (1987), Chandler (1977) and Hoskin and Macve (1988) are able to trace it through its two different perspectives, namely the economic approach and the non-economic approach. The economic approach of management accounting refers to management accounting as a support to business operations. The non-economic approach perspective defines management accounting as control through the measure of individual performances and analyses through several institutions e.g. Chartered Institute of Management Accountants (CIMA) in South Africa.

According to Johnson and Kaplan (1987), and Chandler (1977), management accounting (economic approach) made its modern appearance in the early nineteenth century with the emergence of managed and hierarchical enterprises when the owners and managers realised that they needed more workers to have efficient and effective production and meet the company's goals.

Management accounting (non-economic approach) appeared in the late nineteenth century and early twentieth century when management accounting was implemented as a disciplinary technique in schools in order to assist owners and managers in the effective

management of their respective enterprises through training and education (Hoskin & Macve, 1988).

From both approaches, it derives that management accounting was implemented for the first time between the nineteenth and twentieth centuries by owners and managers of enterprises for the purpose of succeeding in business. Nandan (2010) states that the failure in business or the underperformance of small businesses is often due to the fact that owners and managers fail to employ management accounting tools effectively. In the same line of argument, Vitez (2014:Online) finds the implementation of management accounting in business operations advantageous for the effective and efficient running of the organisation; hence management accounting is perceived as reducing expenses, improving cash flow and as a business-decision facilitator as well as a booster of financial returns.

SMMEs are considered as one of the possible vehicles to decrease the high unemployment rate in South Africa (Shaku, 2011:4). Furthermore, SMMEs impart vital entrepreneurial skills to enable those previously disadvantaged to not only create employment for themselves and others, but also to meaningfully participate in the economic growth of the country, as recognised by the South African Government (Peters et al., 2014). The tourism sectors in South Africa further present potential opportunities for SMMEs to bring about economic growth and employment creation (National Department of Tourism, 2012), especially in major cities.

The 2010 Soccer World Cup helped to boost the incoming number of visitors to 1.75 million, an increase of 16% (Western Cape Business, 2005). The City of Cape Town alone welcomes about 1.8 million visitors every year and that adds approximately R14 billion to the city's economy; in 2009, 1.5 million foreign visitors spent R20 billion in the Western Cape, according to the Cape's finance department (Western Cape Business, 2013). Tourism has always been designated by the Cape Town City Board as one of the economic sectors which will have an important role to play in Cape Town's future (City of Cape Town, 2004). Kristen and Rogerson (2002) earlier aver that the tourism industry, in the next decade, will be one of the key drivers of economic growth and the reduction of unemployment in South Africa. This is currently evident as the tourism industry contributes immensely in the form of business ventures, a labour force and the varieties of services in the Western Cape (South Africa.Info, 2013).

In South Africa, SMMEs collectively employ two-thirds of the entire workforce in the private sector and account for 73% of all the newly created jobs (Neil, 2009:3). As stated by Frey and George (2010:622), "tourism contributed over R100 billion or 8.3% to the South African

gross domestic product (GDP) and created 969,000 jobs (7.5% of total employment) in 2007 and between the period 2009-2010, tourism's influence to South Africa's gross domestic product (GDP) increased from 2.7% to 7.9%." To foster the survival of SMMEs, the government of South Africa undertook various initiatives to create a conducive environment. In particular, the government established Khula Enterprises to improve SMMEs' access to finance, and Small Enterprises Development Agency (SEDA) through the National Small Business Amendment Act, Act 29 of 2004 to develop, support and promote SMMEs (South Africa, 2004).

Notwithstanding these initiatives undertaken by the government, "the failure rate of SMMEs in South Africa is one of the highest in the world" (Fatoki & Garwe, 2010:730). In fact, up to 80% of SMMEs flop within the first five years of business operations (Giliomee, 2004:2). With such a high failure rate of SMMEs, it is not surprising that the unemployment rate in the country remains high. This suggests that the government target of creating five million jobs (225,000 additional jobs from a tourism industry (National Department of Tourism, 2012) by 2020 may be far-fetched if the failure of SMMEs continues unabated (Cosatu, 2011: Online).

The continued failure of SMMEs suggests that government interventions are either ineffective or inappropriate. In fact, Bruwer (2010:1) attributes the high failure rate of the SMMEs to a lack of accounting resources and skills. In support of Bruwer's sentiments, Shaku (2011:181) identifies some studies in other countries that single out a lack of management-accounting skills among the decision makers of the SMMEs as causing the high failure rate of small businesses. In the same line of argument, the tourism industry is suffering because of a deficiency in experience and managerial knowledge, which comprises the non-existence of management skills, inadequate education, unfamiliarity of contemporary management and promotion methods, and an absence of planning skills among owners or owner-managers of small businesses (Tassiopollos, 2010:4). Morrison and Teixeira (2004:168) identify the lack of multi-skilling in every category of staff, and also limited resources and capacity available to narrow skill gaps, as one of the problems of Small, Micro and Medium Tourism Enterprises (SMMTEs) business performances. On the other hand, Frey and George (2010:626) indicate that the deficiency in responsible management intention (RMI) is the enthusiasm of SMMTEs owners and managers to require resources into altering management practices.

From the abovementioned, it emerges that management accounting is vital for effective business decision-making, that SMMEs are important for the country's economic growth and job creation, and that tourism in the Western Cape of South Africa is known as one of the pillars of the economic growth within the Cape, in particular and the country in general.

However, it was found by several researchers that small tourism businesses are facing management challenges which often cause their failure. Despite this emerging evidence, little research has been conducted to investigate the management accounting skills of owners as decision makers of SMMTEs in the Western Cape, South Africa.

1.2 PURPOSE OF THE STUDY

The purpose of a study, according to Bryman and Bell (2011), should be to inform the actions taken by the researcher to lead the research to good understanding, and fill the gap of knowledge. The purpose of this study is to investigate and evaluate the ways decision makers in SMMTEs in the Western Cape, South Africa, use management-accounting skills to make their decisions.

Research shows that the tourism industry is suffering because of a lack of experience, a non-existence of management awareness with regard to tourism movements, and current opportunities in the industry among owners and managers of small businesses (Tassiopollos, 2010:4; Saayman & Slabbert 2001:16).

Considering the importance of SMMEs in alleviating the high unemployment rate and the substantial role played in the growth of the economy in South Africa, it is imperative that the management-accounting skills of their decision makers be investigated to find out what management-accounting skills they use to inform their decisions.

1.3 STATEMENT OF RESEARCH PROBLEM

Reider (2008:157) believes that owners and managers of small businesses find it difficult to apply management accounting in the day-to-day running of their organisations. Hence it was demonstrated by several researchers (Tassiopollos, 2010:4; Teixeira, 2004:168; Frey & George, 2010:626 and Saayman & Slabbert 2001:16) that SMMTEs in particular suffer because of a lack of management skills and managerial knowledge.

It is vital for South Africa to have more emerging and competitive SMMTEs to improve the economic growth and unemployment rate. South Africa is recognised to some extent as urbanised and a tourist destination for many people (Rogerson, 2013). SMMTEs' contribution to the economic growth and the unemployment rate may have been influenced by the danger of making uninformed and wrong business decisions. Effective and efficient decision making is important in order to stay successful in business. However, this is a reason why this research attempts to find if the decision makers of SMMTEs in the Western Cape, South Africa, use management-accounting skills to make their decisions.

1.4 RESEARCH QUESTION AND SUB-QUESTIONS

The research question which formed the core of this research study is the following:

- To what extent do the decision makers of SMMTEs in the Western Cape, South Africa employ management-accounting tools to inform their decisions?

The sub-research questions that follow the key research question of this study are as follows:

1. What management-accounting tools do the decision makers of SMMTEs in the Western Cape, South Africa employ to inform their decisions?
2. On what basis are management decisions made in the SMMTEs?
3. What is the decision makers' perception of the effectiveness of the current management-accounting tools employed to make decisions?
4. Are the decision makers of SMMTEs familiar with commonly used management-accounting tools?
5. What is the current level of experience, training and education of the decision makers of SMMTEs in the Western Cape, South Africa, with regard to management accounting?

1.5 OBJECTIVES

As a match with the sub- research questions mentioned above, the study attempts to achieve the following objectives:

1. To determine what management-accounting skills the decision makers of small tourism businesses in the Western Cape have, and which ones they lack, so that appropriate recommendations can be made for the necessary training for developing and improving their financial management skills.
2. To determine how financially literate they are.
3. To determine their thoughts about implementing management-accounting skills to facilitate their decision making.
4. To explore which training needs they have with regard to management-accounting skills.
5. To investigate the current experience, training and education of small-business owners with regard to management-accounting skills.

1.6 RESEARCH DESIGN AND METHODOLOGY

Essential aspects that relate to the data-collection process are found in the research design (Watkins, 2010:42). However, this process requires the researcher to make important decisions on how the data will be collected and analysed to ensure that the final report answers the main research question (Terre Blanche, Durrheim & Painter, 2006:35).

This study is an empirical investigation through application of a quantitative research method, whereby findings are to be communicated statistically (Leedy & Ormrod, 2001:102). The quantitative approach is also adopted because it allows the use of designed surveys to collect assessable data which can be analysed statistically to generate measured and objective outcomes (Garbarino & Holland, 2009:13).

1.6.1 Sampling

A sample refers to the size or number of people in the target population (Zikmund et al., 2012). For this study, the sample was selected purposively from potential participants who were moderately well informed about the topic and in a position to improve the purpose of the research (Rule & John, 2011:29).

The target population were SMMTEs situated in Cape Town, South Africa, in particular owners and managers in the tourism industry's transportation sector. Even if a primary rule for identifying an appropriate sample size is 'the larger the better' (Watkins, 2010:56), challenges were encountered when requesting from the Cape Town Tourism (CTT) officials a list of all SMMTEs that operate in the transportation sector situated in Cape Town. Due to respect for the official policy not to share more than 20 SMMTEs details with a non-official of the CTT, the researcher decided to continue with the research by carrying out a door-to-door search of SMMTEs operating in the transportation sector in Cape Town, including the Cape Metropole area which comprises the Waterfront, the city of Cape Town and its surroundings.

The study was centred on one specific zone, as opposed to a broader perspective (Collis & Hussey, 2003:128).

The purposive sampling method was used to select SMMTEs as the businesses mapped the key elements under investigation pertaining to transportation in the tourism industry. Furthermore, these enterprises and respondents were precisely selected on the following inclusion criteria:

- Operating as transport in the tourism industry
- Meeting the requirements of an SMME
- Located within the Cape Metropole
- Being one of the decision makers in the organisation.

1.6.2 Methods

The data-collection process was done by means of a questionnaire comprising closed-ended questions. The researcher showed the questionnaire items to the research supervisor for screening and the approval came from the University Ethics Committee; then followed the distribution to respondents. The questionnaire had been selected for data collection as it generates a greater feedback than a self-administered survey, and it ensures that the questionnaires are completed by the intended respondents only (Leedy & Ormrod, 2005). Thereafter, the data collected was analysed using Statistical Package for the Social Sciences (SPSS) for Windows 7. SPSS is a widely used program that can transform data from a Microsoft Excel spreadsheet to meet the requisite layout.

Ethical considerations are perceived by the Cape Peninsula University of Technology (CPUT) as part of research regulations, and processes were taken into account before and during the distribution of the surveys. Chapter 4 of this study elucidates more about ethical matters.

Table 1.1 (below) summarises how the objectives were derived and the methods used to answer the investigative questions.

Sub-questions	Methods	Objectives
What management accounting tools do the decision makers of SMMEs in the tourism industry in the Western Cape, South Africa, employ to inform their decisions?	Questionnaire underpinned by descriptive and inferential statistical analysis, literature review.	To determine what management accounting skills decision makers of small tourism's businesses in the Western Cape have and which ones they lack, and to recommend appropriate training required for developing and improving their financial management skills.
On what basis are the management decisions made in the tourism	Questionnaire underpinned by descriptive and inferential	To determine how financially literate they are.

SMMEs?	statistical analysis, literature review.	
What is the decision makers' perception of the effectiveness of the current management accounting tools employed to make decisions?	Questionnaire underpinned by descriptive and inferential statistical analysis, literature review.	To determine their thoughts about implementing management accounting skills to facilitate their decision making.
Are the decision makers of SMMTEs familiar with commonly used management accounting tools?	Questionnaire underpinned by descriptive and inferential statistical analysis, literature review.	To explore which training needs they have with regard to management accounting skills.
What is the current level of experience, training and education of the decision makers of SMMTEs in the Western Cape, South Africa with regard to management accounting?	Questionnaire underpinned by descriptive and inferential statistical analysis, literature review.	To investigate the current experience, training and education of small-business owners with regard to management accounting skills.

Table 1.1: Sub-questions, Research methods, Objectives

1.7 DELINEATION OF THE RESEARCH

The study concentrated on SMMEs in the tourism industry in general but specifically on the transportation sector operating within Cape Town. Data was collected from owners and managers of SMMTEs to find out if they use management-accounting skills to make decisions. This ensured that the focus was centred only on a specific and restricted methodology (Collis & Hussey, 2003:128).

1.8 LIMITATIONS OF THE RESEARCH

The major limitation in this research was the availability of owners and managers in this sector to participate in the study. Another limitation was obtaining a consent letter from the

CTT which allowed the researcher to use their database to conduct the study. Almost six months elapsed before the letter could be signed. Unfortunately the CTT could only provide the researcher with a limited number of twenty SMMTEs to conduct the study. An additional limitation was the timeframe of appointment to collect the questionnaires. This process was challenging for the researcher as respondents often forgot to complete the questionnaires and had to be rescheduled, which consequently caused them to have busy schedules at their respective workplaces. Other participants were inflexible and unreliable; consequently the researcher needed to spend extra time with these participants to obtain one single questionnaire.

1.9 RESEARCH ASSUMPTIONS

It is vital for the researcher to make assumptions in the research in order to allow the readers to have a vision of how the study was conducted (Watkins, 2010:71). Research assumptions may help readers to evaluate the whole research thesis, and are indispensable to the suggested study as a whole (Watkins, 2010:71).

The following assumptions apply to this research study:

- Owners and managers cannot make an effective decision if they do not know the importance of management accounting, because they cannot tell if the decision they make will improve their business or lead them to failure.
- Owners and managers cannot use and implement management accounting in their businesses if they do not have any interest in doing so.
- Owners and managers cannot realise success and profitability if they have no knowledge and skills to manage their businesses effectively and efficiently.

1.10 CONTRIBUTION OF THE RESEARCH

The research will contribute mostly to up-and-coming SMMTE training centres for decision makers as it shows which areas the training has to focus on. The existing training facilities are able to see what kind of skills they are missing in the training, and they know which skills the decision makers already possess.

The research may also assist SMMEs to improve the management of their businesses as they are able to see how employees with different management-accounting skills and experience compare to each other when it comes to running the business, and/or if management-accounting skills influence the decisions of existing managers. Furthermore, the research adds to the body of knowledge as it was used for future referencing by other

academics and, if the findings addressed that, they can also alleviate the failure of SMMTEs, specifically in the Western Cape, South Africa. This would eventually contribute towards the country's economic growth.

The research is expected to bring a practical solution to a problem in the SMMTEs, and the outcomes were dispersed in conference presentations and the CPUT research day through poster presentations. A paper, or papers, was submitted for consideration for publication in an accredited academic journal. Outlets for dissemination of the results so far approached are listed below:

Tsague Mbumbo, EP and Benedict, OH. (2014), Management accounting skills of decision-makers of small, medium and micro tourism enterprises in Cape Town, South Africa – a paper presentation at the 6th International Conference on Business and Finance in Windhoek, Namibia, hosted by the University of Namibia.

Tsague Mbumbo, EP and Benedict, OH. (2015), Management accounting skills of decision-makers of small, medium and micro tourism enterprises in Cape Town, South Africa – Paper in Press and under review with the Journal of Economics.

Tsague Mbumbo, EP and Benedict, OH. (2015), Level of experience, training and education of the decision-makers of Small, Micro and Medium Tourism Enterprises (SMMTEs) in Cape Town, South Africa with regard to management accounting – Paper in Press and under review with the Journal of Economics.

Tsague Mbumbo, EP and Benedict, OH. (2015), Effectiveness of management accounting skills: Perception of decision makers of Small, Micro and Medium Tourism Enterprises (SMMTEs) in Cape Town, South Africa - A paper presentation at the South African Accounting Association (SAAA) and International Association for Accounting Education and Research (IAAER) Eastern Cape regional conference, East London, South Africa.

Tsague Mbumbo, EP and Benedict, OH. (2015), Level of experience, training and education of the decision makers of Small, Micro and Medium Tourism Enterprises (SMMTEs) in Cape Town, South Africa with regard to management accounting - A paper presentation at the 7th International Conference on Business and Finance in Cape Town, South Africa, hosted by Cape Peninsula University of Technology.

Tsague Mbumbo, EP and Benedict, OH. (2014), Management accounting skills of decision-makers of small, medium and micro tourism enterprises in Cape Town, South Africa. A

poster presentation at the Cape Peninsula University of Technology (CPUT) research day. A celebration of research excellence.

Tsague Mbumbo, EP and Benedict, OH. (2015), Level of experience, training and education of the decision makers of Small, Micro and Medium Tourism Enterprises (SMMTEs) in Cape Town, South Africa with regard to management accounting. A poster presentation at the Cape Peninsula University of Technology (CPUT) research day. A celebration of research excellence.

1.11 REMAINING PART OF THE THESIS

The outstanding chapters which apply to this research study are the following:

Chapter 2 Concepts and theories: Related key concepts are defined and mostly unpacked to deliver a clarification and explanation of how they are used and understood in this study. They include an overview of SMMEs, management accounting, management-accounting skills and tourism industry. In this chapter, theories are clarified and their application to extant literature is indicated throughout the study. The theoretical framework is also provided as a basis to position the study as applied to management-accounting skills in tourism SMMEs. The theories that are explicitly used to locate this study entail expectancy theory (ET), and the three-skills approach (TSA) of an organisation.

Chapter 3 Literature review on management accounting skills of decision makers in tourism industry: This is a review of literature on management-accounting skills of decision makers in the tourism industry, in particular SMMEs. The review provides an argument of how government has taken new engagements to assist and see grow small businesses in the country and avoid dramatic failures in future. Aspects such as lack of management-accounting skills viewed as challenge in South Africa tourism SMMEs are discussed, and theories explained in Chapter 2 are used to locate the study. Aspects discussed include the perception of management accounting by tourism's SMMEs and issues confronted by small businesses' decision makers in South Africa. Adding to these, the failure of the tourism sector in South Africa is reviewed and debated by several researchers.

Chapter 4 Research methodology: In this part of the study the research methodology, population, sampling techniques and data collection methods used for the study are discussed in detail. Ethical issues and measures taken to ensure validity and reliability are also disclosed. Data analysis methods are briefly explained.

Chapter 5 Analysis of data and presentation of the findings: The data collected during the data-collection process is analysed and displayed in this chapter.

Chapter 6 Discussions, conclusions and recommendations: Here a summary of the research is given, with objectives re-examined and a report of how they were completed presented. Recommendations are made to moderate the research problem.

The next section deliberates the key concepts plus the theories used in this study.

CHAPTER TWO

CONCEPTS AND THEORIES

2.1 INTRODUCTION

The preceding chapter provided an introduction and framework to this paper, the research problem, research question and objectives as well as approaches and techniques of how the results were attained. The aim of this chapter is to define the key concepts used during the course of this study, extendedly described to enable readers to understand without difficulty the contents of this academic resource and thus escape misperception and doubt. The theoretical framework of the study is discussed, with theories that are used to trace this research explained in relation to this study. The nature of SMMTEs is also described, particularly the tourism sector.

2.2 KEY CONCEPTS

This part of the chapter focuses on the definition of key concepts attached to the research topic. Here concepts are defined, and related literature is attached.

2.2.1 Overview of Small, Medium and Micro Enterprises (SMMEs) in South Africa

As stated by Mago and Toro (2013:21), the perception of small businesses is different and can be influenced by the level of economic growth in each country. In South Africa, SMMEs represent approximately 95% of all businesses in the country, contribute nearly 30% of the Gross Domestic Product (GDP) and employ formally around 50 to 60% of the country's labour force (Malapane & Makhubele, 2013:197)

SMMEs in South Africa are defined as businesses with at least one owner, where the owners are personally part of the management team, and where the organisation utilises up to 200 employees (Rootman & Kruger, 2010:107). Similarly Berry et al. (2002) define SMMEs as any business that has less than 200 employees, less than five million rands as annual turnover, less than two million rands for the capital assets and that the owner of such business must be directly involved in the management.

SMMEs are more and more perceived as playing a significant role in the economy by increasing the GDP rate and decreasing the unemployment rate of many countries. In fact, the survival of SMMEs is essential, as illustrated by Tsabalala (2007:1), among businesses in South Africa; more than 80% of SMMEs contribute about 40% towards the Gross Domestic Product (GDP) of the country. The unemployment rate in South Africa is around about 25.2%, as mentioned in the SA Stats report of 2013 (StatsOnline: 2013). SMMEs have

the potential to reduce that rate through job creation, the reason being, according to Tassiopoulos (2010:16), is that the expansion of the SMME sector has the ability to simplify poverty, create employment and raise a decent lifestyle for a large number of South African citizens located in rural and urban areas.

The creation of the Small Enterprise Development Agency (SEDA) in December 2004 by the Department of Trade Industry (DTI) means that the South African government has seen the positive effects of SMMEs on the growth of the economy and therefore has shown his commitment towards the development of SMMEs. The government, by means of SEDA, is set to develop, support and promote small businesses in South Africa and ensure their growth and sustainability (Jassiem, Damane, Dlamini, Swartz, Bortaar, Mabuthile, Mali, Mahote, & Bruwer, 2012:6911). Government has prioritised entrepreneurship and the improvement of SMMEs as the facilitator to increase economic growth and development, as well as decrease the unemployment rate in the country; hence the implementation of SMME-related policies by the DTI to ensure and provide adequate assistance both financial and non-financial to SMMEs owners for a long-term success (DTI, 2013: Online). The DTI has launched a new national newspaper called Small Business Connect (SBC); the aim of SBC is to develop the movement of important opportunity-related information and business-enhancement resources in the SMME sector (DTI, 2013: Online). Due to critical challenges faced by SMMEs owners, the government has created the Ministry of Small Businesses; the focus of this new ministry is to make the situation more encouraging for the growth of small business owners (Greve, 2014: Online).

Table 2.1: Defining four size classes of SMMEs by numbers of employees, total annual turnover and total gross asset value (Berry et al., 2002:13).

Size Class	Micro	Very small	Small	Medium
Number of employees	< 5	< 10	< 50	< 200
Total annual turnover	< R0.50 million	< R2.50 million	< R10.00 million	< R25.00 million
Total gross asset value	< R0.10 million	< R0.70 million	< R3.00 million	< R8.00 million

2.2.2 Concept of management accounting

Management accounting is one of the key instruments for decision making at any level of the organisation (Mayanga, 2010:5). According to Collier (2009:5), the concept of management accounting involves a set of tools and methods to assist the planning, decision making and control in organisations. In other words, Collier describes that management accounting tools and techniques are particularly important to run businesses successfully. Planning for the future can include cost forecasting and budgeting, making decisions about the cost of the product, service and prices (decision making), and making sure all the plans are put into action and are achieved (control).

While Atkinson, Banker, Katlan and Young (2000) define management accounting as the procedure to identify, measure, report and analyse financial or non-financial information of the company's management report, Anthony (1976) explains management accounting as the action of taking care of useful information for administration purposes. Management accounting can be regarded as an exceptional method through techniques and procedures put in place to facilitate managers during their decision process (Ludícibus, 1993).

The aim of the current research is to investigate if the owners and managers of SMMTEs of the Western Cape use management accounting tools and techniques to make decisions. As pointed out by the previous researchers (Ludícibus, 1993; Collier, 2009:5; Mayanga, 2010:5), management accounting has for its principal role the facilitation of decision making in the business. Researchers such as Catapan, Catapan and Cruz (2012:74) confirm it by saying that management accounting is a knowledge or skill whose major role is to make available protected data so that the decision-making process can be performed with extreme safety.

2.2.3 Concept of management accounting skills

A skill can be viewed as the ability to do something well. Green, Jones and Miles (2012:187) define skills as "the abilities of individuals for which there is a demand within a formal economy". Tether, Mina, Consoli and Gagliardi (2005) share the same view as Green et al. (2012:187) but mention that such skills are obtained through education, training and/or experience.

As previously stated, researchers have defined management accounting as a tool for decision making. Having a management-accounting skill is therefore the ability to make

knowledgeable decisions; in other words it means making successful business decisions. In the context of this study, having a management accounting skill will assist owners or managers to make the right decisions and succeed in business.

The following management accounting skills have been recognised by the Chartered Institute of Management Accountants (CIMA) and various researchers and authors (Niemand, 2006; Kasekende & Opondo, 2003; Damitio & Schmidgall; 2007; CIMA, 2002) as being beneficial for the effective running of SMMEs.

2.2.3.1 Preparation of budgets

A budget is a comprehensive strategy of work scheduled for a future period, expressed in quantitative and monetary terms. Gowthorpe (2008:177) states that budgets are essentially short-term plans which help to achieve the longer-term aims of the business. A budget shows the end results that will happen if the actions planned to achieve objectives are put into practice accordingly. By drafting a budget, a decision maker could reveal possible problems that can impede the achievement of goals, and therefore can start preparing to avoid or deal with those problems. According to Abdurahman et al. (2012:7529), budgeting is an important factor for consistency and growth in any business; however, the perception was formed that SMMEs do not make adequate use of budgets in order to make effective decisions. On the other hand Drury (2008) describes that a budget is a financial plan that assists owners and managers of businesses to make various management decisions.

According to (Niemand, 2006), budgets should be divided into three:

- Operating budget
- Cash budget
- Capital budget.

2.2.3.1.1 Operating budget

This allows a study of probable trades by numbers and incomes (units and rands) from the whole variety of merchandises. The organisation's management makes use of this type of budget as the foundation for other secondary budgets i.e. manufacture, selling cost, investment acquisition such as buying a machine for production or a vehicle for transportation, stockholding and others. This budget assists in initial decision making linking to sales policies in diverse segments of the market in all sizes of business.

Reeve et al. (2009) further explain that operational budgets involve establishing specific goals, executing plans to achieve results in line with the objectives. Operating budgets can

also be used to compare tangible results with the budget to identify areas for perfection and therefore make management decisions about what should be e.g. the inspection of staff performance for better management of the business.

The sales budget offers targets for encouraging staff and therefore good decision making should take place to add more value to the business. Based on the study conducted by Abdurahman et al. (2012:7531) in the utilisation of budgets in SMMEs within the Cape Metropole, it was discovered that businesses often make long-term decisions based on their sales budgets.

2.2.3.1.2 Cash budget

The cash budget is a vital tool in managing the resources of any business (Bohannon & Edwards, 1993:1). Cash budgets should display the opening cash/bank balance and all probable cash inflows, including cash received from customers, debtors' payments, dividends received, interest received and any proceeds from a sale of plant, property and equipment or shares (Needles & Crosson, 2013:213).

Furthermore Abdurahman et al. (2012:7531) state that budget decisions are articulated in terms of cash inflows and outflows, as well as income and expenses. It must also display probable cash outflows such as cash paid to suppliers and employees, cash paid toward any asset acquisition, the repayment of loan and the interest related to the loan.

The cash budget is often used by top management or decision makers of SMMEs to determine if any surpluses or shortfalls of cash are likely to occur during operations then making decisions about the outcome (Weygandt, Kimmel & Kieso, 2009). It permits preparation for the use of surpluses or the arranging of cover for shortfalls e.g. bank overdraft, long-term loans and issue, capitalisation or redemption of shares (Weygandt, Kimmel & Kieso, 2009).

As an outcome of the cash budget, other budgets may need to be reviewed if cash shortages calculations in this budget cannot be determined. It is impractical to draft a production and sales budget if the business might, during the budget period, run out of funds. Cash is consequently also accounted for, so that any deficiency of cash can be known beforehand and action can be taken to get permission for a loan or a bank overdraft to be available (most of the times a share issue or proceeds of unnecessary assets of the company can be a solution in such a financial situation) (Needles & Crosson, 2013:215). A cash budget will disclose what moneys will be obligatory, how much is required, when it will be needed and how that fund will be used (Needles & Crosson, 2013:215).

2.2.3.1.3 Capital budget

Capital budgeting is more about the decision making on investment in the organisation, such as buying a new car (tourist transportation) or office materials to facilitate the management. More often, the portfolio managers, before taking any decisions on project investment, first forecast the return on such project whether the business will end up in loss or profit (Needles & Crosson, 2013:213).

For project evaluations, the financial manager of the organisation (decision maker) makes use of methods such as net present value (NPV), internal rate of return (IRR), accounting rate of return (ARR), discounted cash flow (DCF) and payback period (PB) to make wise decisions. According to Ghahremani et al. (2012:99), the most-used capital budgeting techniques in organisations all over the world are NPV, IRR, PB and ARR; however NPV and IRR were preferred over all other capital budgeting methods.

In an ideal world, businesses should follow all projects and opportunities that boost investor worth and interest in the organisation. But, since the quantity of investment funds available at any certain time for innovative ventures is limited, management, especially program managers, needs to use capital budgeting methods such as payback period to decide which projects will yield the most return over an applicable period of time (McConnell, 2011).

2.2.3.2 Product costing and pricing

According to Abdurahman et al. (2012:7531) product costing and pricing is a plan that describes the process of sale and the manufacturing costs of the product or finished goods before it is delivered to the market. Costing is the method of computing all the expenditures incurred in manufacturing and trading a product or service, while pricing is defining the sum of money for which the goods or service will be sold, based on the cost of producing (direct costs, indirect costs and factory overhead costs) and promoting your product stability against what the market will allow (Rajasekaran, 2010). To cost and price goods or a service properly means the variance between a profit and loss in the business, such as between accomplishment, subsistence and disappointment. Costing and pricing are abilities that are essential for the fruitful management of a business (Fischer & Krumwiede, 2012).

2.2.3.3 Understanding of cost behaviour and cost allocation

In management accounting, costs behave differently. Costs such as variable cost per unit stay the same while the fixed cost per unit changes irrespective of the change in production but the opposite applies when with total cost i.e. total variable cost changes while the total fixed stays constant (Garrison et al., 2010).

Cost allocation is principally based on the cost of manufacturing overheads. According to Ryan and Hiduke (2006), allocating manufacturing overheads is challenging for most small business owners specifically to identify, assign and incorporate them into the final cost price of the product. Direct materials and labour are the primary costs that are used during production as manufacturing overheads.

Besides direct materials and labour costs, there is another cost called indirect costs, such as administration cost and marketing cost, which most of the time is ignored by managers or owner-managers while costing a product. This leads to the under-cost of the product. Therefore the under-cost of the product may lead the business to failure and to a huge market loss (Reider, 2008).

The cost behaviour according to Horngren et al. (2010) is:

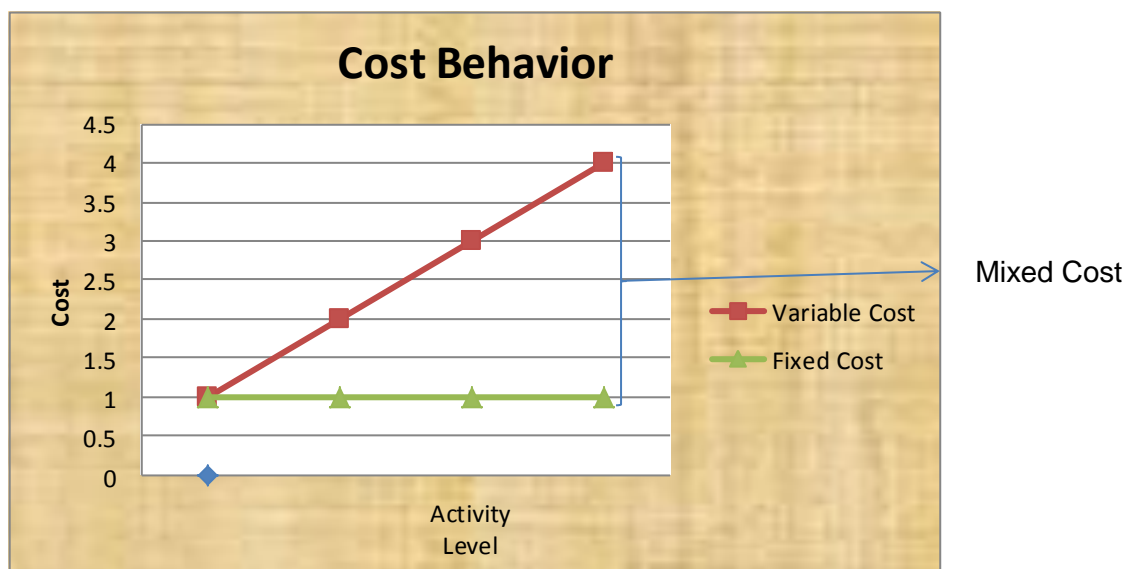


Figure 2.1: Cost Behaviour (Horngren, 2012)

Fixed Costs: are costs that stay constant with the decrease or increase of the goods or services produced (Drury, 2008). This cost is indirectly related to the production. For example rent, insurance, taxes, depreciation and others.

Variable Costs: are costs that change in the same proportion with the volume of production (Drury, 2008). For example direct materials and direct labour.

Mixed Costs: are costs that combine fixed and variable costs. The decision makers of tourism's SMMEs should be able to separate them by using a High-Low method by separating fixed costs from variable costs which assists in gathering relevant related cost information useful for decision making (Georgescu & Budugan, 2008:8).

2.2.3.4 Activity Based Costing

Activity Based Costing (ABC) is a method or system used to assign costs to products, services or customers; the allocation of costs is based on the consumption of resources of each product, service or customer (Gupta & Galloway, 2003). According to Reider (2008:159), activity based costing is a more useful management accounting system for small business owners. Furthermore Reider (2008) states that the correct implementation of the ABC system into small businesses can reduce operational costs, assist the small business to identify opportunities for improvement, and make good management decisions for the success of their organisation.

2.2.3.5 Calculation of Profits and Loss

Calculating a profit or loss in the business is a challenge for decision makers or managers, especially when they have to face it on a regular basis. Gray (1991:87) states that calculating the profit made by the organisation is one of the most challenging tasks to be performed by small business owners. In the accounting concept, the decision maker should know that the higher the expenses or total cost, the lower the profit, which can tend to be a loss in the business (Toms, 2010). Therefore the owner or owner-manager should monitor or scan all his costs and incomes to suitably perform the calculation of profit or loss. For Mott (2012) the appointment of a competent accountant for the business could be helpful.

2.2.3.6 Calculation of Cost Volume Profit Analysis (CVP Analysis)

Cost – Volume – Profit (CVP) Analysis is one of the most important tools that can be implemented by SMMEs' decision makers to understand the behaviour of selling prices, variables costs, fixed costs and volume in relation to profit (Shaku, 2011).

According to Georgescu and Budugan (2008:3), CVP is the study of the cost development models, which focus on the relation between cost, production volume and profit. To successfully run a small business, the CVP analysis is the more useful and helpful to apply. This system helps decision makers to monitor the number of units of goods or services they can sell to break even. The break-even point is when the company, after all their operations, do not make any profit or loss. In other words, total expenses and total income are equal or balanced (Tsorakidis et al., 2011).

2.2.3.7 Managing of product life cycle

The Product Life Cycle (PLC) represents the unit sales curves of any service or product from the time it was first placed in the market till it was removed (Rink & Swan, 1979:219). PLC is very helpful for SMMEs' decision makers to keep their market value and also apply the going-concern approach in the business for longer periods of time (Shaku, 2011:57). Further, Shaku (2011:57) states that understanding the product life cycle is an ideal motivational tool for a business as it helps owners or owner-managers to keep hope even when the business is not doing well. The business normally has four life stages, known as Introduction, Growth, Maturity and Decline (Östlin et al., 2009).

According to Golder and Tellis (2010) the PLC has four stages namely:

- The introduction stage, which is more about the new and unknown product; such product is sent onto the market to customers with the risk that they won't like or welcome it. Also the pricing of this new product is strategic as the business should at least break even in the first year of business.
- In the growth and maturity phase, the product is well known and doing great in the market. The business is successful, making some profit but at this stage the marketing cost should be less than the one in the introduction phase.
- The decline phase is the more critical one; the business is losing value, the profit and the sales are going down, the product is old in the market, customers tends to like new or other similar products but well improved. At this stage, to solve this problem, business should search for new markets or implement a customer-orientated approach rather than product orientated (Anderson & Zeithaml, 1984).

2.2.3.8 Standard costing and Job order costing

According to Shaku (2011), the management accounting tool that is used during the production process by owners and managers to identify the standard cost of materials, labour and overheads that they would like to achieve is standard costing. An important part of standard costing is the variance analysis, which illustrates the difference between the budgeted and the actual cost in various components such as volume of production variation, material cost variation, labour cost variation and overhead cost variation (Berger, 2011).

As the primary focus in business is to minimise cost and maximise profit, Berger (2011:1) states that standard costing facilitates decision making and that it is a helpful tool for SMMEs' decision makers to observe the difference between what was planned and what really happened so that they can make appropriate decisions to correct the situation and avoid it in the future.

Job order costing is a technique of production of goods and services used once and only when the customer has placed the order (Eric et al., 2011). Job order costing is advantageous for small business in the sense that the owners or the owner-managers or decision makers apply specific costs on the production of goods or services based on customer demand (Greenberg & Schneider, 2010). However Reider (2008:157) states that small business finds it difficult to apply standard costing and job order costing as management accounting is one of the areas of operations that typical small-business owners are scared of.

2.2.3.9 Just in Time Costing (JIT)

Just like Job Order Costing, Just in Time (JIT) Costing is a management accounting method that motivates the manufacturing of goods or services only when they are demanded by the customer. But JIT Costing is advantageous and a bit different from Job Order Costing in the way of stock storing.

As stated by Niemand (2006), JIT is more useful to small business because it decreases the inventory holding costs and avoids inventory wastage or incurring expenses on rent.

Lack of management skills in the tourism industry is cited by some authors (Tassiopoulos, 2010:2; Saayman & Slabert, 2001; Teixeira, 2004:168; and Frey & George, 2010:626) as one of the major reasons why most SMMEs do not succeed. Therefore the acquisition of these relevant skills is considered as one of the major decision-making tools in SMMEs. It is important to explain the tourism industry and what it entails.

2.2.4 Tourism industry

2.2.4.1 What is Tourism?

Tassiopoulos (2010:37) defines tourism as a service provider having the most complicated product that depends on a very dedicated supply chain, such as travel traders, travel wholesalers, transporters, hoteliers, restaurateurs, and others that offer an element of the whole product. According to Mbatha (2013), tourism is indispensable for the growth of South Africa and its residents as it represents the stable emerging business, hiring an estimate of 600 000 individuals. Tourism is the biggest industry in the world, whereas in South Africa it is ranked the fourth largest industry after mining, agriculture and trade (Saayman & Olivier, 2005: 117). In the meantime, for Frey and George (2010:622) tourism is one of the major businesses on earth and of course in Africa which possesses the prospective solutions to the socio-economic challenges faced by the continent. As a way of reducing the unemployment rate in the country, in 1998 at the Job Summit hosted in Johannesburg, the tourism industry was recognised as having the potential to decrease the high levels of unemployment in South Africa (Rogerson & Visser, 2004:4).

Tourism has played a major role in creating sustainable development over the past twenty years (Murphy & Price, 2012:174). In the tourism industry, the sustainability of small businesses depends of the size and category one operates in; e.g. medium sized businesses are more sustainable than micro and small ones (Tassiopoulos, 2010:36). Further, Saayman and Slabbert (2001:9) observe this sustainability issue as being critical for the country; hence sustainable employment is highly required in South Africa, especially in tourism.

2.2.4.2 Different types of Tourism

2.2.4.2.1 Transportation Sector

Sorupia (2005:1767) illustrates that transportation is one of the vital components of the tourism industry as the transportation and travel sector can survive without tourism, whereas tourism would not succeed without transportation.

2.2.4.2.2 Private Sector Support Services

Although the Republic has a responsibility of providing unrestricted admission to natural zones and national legacy, and in preserving and keeping them for future generations, it has to highlight activities to fulfil its job successfully. As a positive consequence, governmental

authorities have relocated their responsibilities in order to build a facilitating atmosphere within which the private sector can manoeuvre excellently, and which can encourage viable trade and industry development (Spenceley, 2003:2).

In other words, as Spenceley (2003) states, the South African government has readjusted the curriculum to accommodate the private sector's support-services with country assets; for instance operating a commercial tourism industry in the natural resources and conservation areas to promote tourism development; by doing so, the country's economy will improve. The tourism private sector in South Africa integrates an extensive variety of marketable practices, fluctuating from major worldwide enterprises, running safari lodges across Africa, to family-run bed and breakfast institutions and to communal guides running township tours in major cities such as Johannesburg and Cape Town (Spenceley, 2003:2).

2.2.4.2.3 Public Sector Support Services

According to McKercher and Ritchie (1997:1), public sector tourism represents the third tier of local government tourism. Any application for tourism networking, exhibitions, trade and review of policy is the responsibility of the state and national tourism organisations, whereas for local and global advertising activities, it is the lesser-known local management authorities that take up the duty of endorsing the regional tourism product.

2.2.4.2.4 Accommodation and Catering Sector

Pearce (1995) and Cornelissen (2005) state the following: "As tourism housing (such as hotels or guesthouses) is the most obvious factor of tourism, accommodation statistics are most broadly used to measure spatial variations in tourism."

Tourism involves individuals travelling from home and includes an international system of services, suppliers and schemes in the traveller's home base, in journey and in the endpoint to ease travel way from home (Timothy & Teve, 2009:6). At this point of travel to another country or place, accommodation is very important and therefore the staff providing the services should have certain skills and knowledge to first welcome the guest in their premises and after supply the best services possible so that the traveller can enjoy his stay.

In the field of accommodation services, educational work has focused largely on the business-management side of lodging with a focus on facilities, visitor pleasure, booking schemes and accounting (Timothy & Teve, 2009:7).

According to Naude et al. (2012:331), in order to accommodate successfully the 2010 South Africa soccer world cup, 9700 lodgings were made accessible in the hospitality industry during the period of 2008 and 2010. However, in hotels, most of the managers commenced their careers traditionally in the operational areas, only later moving into the finance function and learning their skills 'on-the-job', usually without having formal accounting qualifications (Burgess, 2011:684) and often no formal managerial qualifications.

2.2.4.2.5 Events Sector

According to Ralston et al. (2005:505), the idea of event tourism has become established over the last decades and it is seen as one of the quickest rising sections of the tourism industry. For Getz (2008:403), events have a substantial influence on tourism, and contribute importantly to the expansion and advertising strategies of most destinations.

Dwyer et al. (2005:351) observe event tourism as a major generator of economic activities and jobs. Hawkins and Goldblatt (1995:1) demonstrate that "event tourism includes the roles of creating, planning, coordinating, supervising, education, reunion and celebration and It represents a shared body of knowledge which requires unique competencies in management, coordination, promotion, interpersonal skills, and the utilization of human resources, with coordination between staff, volunteers and participants."

An event sector is very large and can be labelled as a community congress for the purpose of festivities, learning, promotions or gatherings. Events can be categorised on the basis of their size, type and context.

An event can be:

- Social / life-cycle events: Seen again as private events, Getz (2008) states that even if all kinds of premeditated proceedings have a tourism potential, even the slightest wedding ceremony or get-together should be taken into account. Therefore the illustration of this type of event in South Africa can be the wedding celebration between two people of different nationalities at a tourist venue or a well-known hotel; such event by its success can boost South African tourism, create temporary jobs and have a favourable impact on the country's economy via the money injected in the event to make it happen.

According to Chalip (2006:115), social events and sports events often go together as the guests or supporters attending the sports event would not only travel to the host country to view the competition live but also explore the country, network and spend money on

any other entertainment organised to make them have a good time, such as concerts, pre-final match ceremonies.

- Education and career events: These are events such as learning, career expositions, workshops, academic assemblies, debates, tournaments, competitions, and research conferences are mentioned by Getz (2005:30) and Tassiopoulos (2010:14). Exchange students between universities can also be taken into consideration as being in such a category of event. However Chiang et al. (2012:203) state that tourism education stays undeveloped with no mutual agreement on the method of dealing with it.
- Sports events: South Africa had the opportunity to host important sports events in the recent past, such as the 1995 IRB Rugby World Cup, 1996 African Cup of Nations, 2003 ICC Cricket World Cup, 2007 World Twenty20 Championships, 2009 Indian Premier League (IPL), 2009 British and Irish Lions Tour, 2009 Confederations Cup and 2009 ICC Champions Trophy. The achievement of holding these events has helped South Africa to construct its tourism infrastructure and has assisted in shaping its status as an intercontinental tourist terminus, as stated by Fourie (2011). As a positive consequence of all of this, South Africa gained the tender to host the 2010 FIFA Soccer World Cup and just recently, because of the civil war in Libya, the 2013 African Cup of Nations, which revived awareness relating to mega-sport events (Spronk & Fourie, 2010:3).
- Entertainment events: As described by McKercher et al. (2002), events in this category are mainly concerts, festivals, theatricals, personality nights, beauty pageants, ornament, shows and platform shows.
On the other hand, Picard and Robinson (2006) view festivals in particular as places of promotion, city development, tourism explosion and social change. To illustrate the statement of Picard and Robinson, Cape Town hosts the international jazz festival every year in March; this entertainment event took place for the first time in 2000 and the number of guests escalated from 14 000 to 30 000 to date (Saayman & Rossouw, 2010:255). During the period this event is held, Cape Town tourism – via hotels and all that comes with it – boosts their revenues, which expand the economic growth of the city.
- Political events: This category of events is more likely to be treated as political protests, objections, conventions and party-political gatherings as referred to by Matthews and Richter (1991:3) who also describe political tourism as being private, classified and individualised, and the reason why studies in this specific field are rare in terms of political importance. However, the recent events that took place in South Africa, such as the 17th Conference of the Parties (Cop 17) to the United Nations Framework

Convention on Climate Change (UNFCCC), as well as the Brazil, Russia, India, China and South Africa (BRIC) conference and the passing of former President Nelson Mandela can be regarded as political events.

- Corporate events: This category speaks more about events like MICE (meetings, incentives, conferences, and exhibitions), product launches, road shows, and buyer-seller meetings etc. Based on the research of Weber and Ladkin (2004), movements in this type of event increase the government's awareness and provide significant economic benefits in the country hosting the event.
- Religious events: This category of events can be classified as religious carnivals / fairgrounds, religious parades, Katha, pilgrimages etc. (Raj & Morpeth, 2007). Meanwhile Getz (1991) observes such events as unique tourist attractions and as destination image makers.
- Fund raising / cause related events: This category of event tourism can be any of the abovementioned events. Fundraising can be any event or cause-related event (Briedenhann, 2013). For example fundraising events can be auctions, dance parties, golf tournaments and gala dinners.

2.2.4.2.6 Recreation, Leisure & Attractions Sector

South Africa offers guests various attractive journey's end, as well as gorgeous coasts, extravagance game lodges, first-class gaming club and recourses, shopping centre and wide sports and recreational amenities (Naude et al., 2012:331)

2.2.4.2.7 Travel Wholesale & Retail Sector

Based on the research conducted by Rogerson (2005:9), the travel and tourism industries were expected to contribute 2.9% to GDP in 2003, rising to 3.6% by 2013.

The table below shows the positive impact of travel tourism nation-wide in a decade's time.

	Expected contribution to GDP	Jobs creation	Employment rate
2003	7.3%	491741	2.9%
2013	8.8%	751100	3.7%
Difference	1.5%	259359	0.8%

Table 2.2: Impact of Travel Tourism in South Africa from 2003 to 2013

Source: Rogerson (2005:9)

Rogerson (2005:9) further explains that travel tourism is not only positive nationwide but also worldwide, hence estimation worldwide in 2003 in employment produced by the travel tourism sector was at 1 118 530 jobs, 6.6% of total employment or 1 in every 15.2 jobs. The forecast after a decade shows that employment escalates to 1 650 140 jobs, 8.2% of total employment or 1 in every 12.2 jobs.

The current study focused on transportation tourism, or 'Tour & Travel'. The reason for choosing this specific type of tourism is because transportation is one of the important components of tourism; without it the tourism industry will not survive (Sorupia, 2005:1767).

2.2.5 Western Cape

Cape Town, situated in a remarkable location at the south-western tip of Africa, exemplifies three and a half centuries of urban growth and lodges socially and linguistically varied residents numbering some 2.6 million (Wilkinson, 2000:1).

Western Cape, South Africa, is apportioned into eight regions, eight tourist regions that correspond approximately with the Western Cape managerial areas: the Cape Metropolitan Area (CMA) or City of Cape Town and seven District Council areas (DCs). These are the Breede River DC, the Klein Karoo DC, the Overberg DC, the Central Karoo DC, the South Cape DC, the West Coast DC and the Winelands DC (Oosthuizen & Nieuwoudt, 2003:70; Cornelissen, 2005:165).

According to Cornelissen (2005:165), the Western Cape is the most important tourist endpoint in the country where fascinating areas like the Cape Winelands, Garden Route, Table Mountain, Cape Point, Kirstenbosch Botanical Gardens are situated and which have been advertised globally, are well established 'brand names' and important tourism icons, not only for the Western Cape, but also the rest of the country.

2.3 THEORETICAL FRAMEWORK

According to Lim, Saldanha, Malladi and Melville (2013), the effective application of theory in research is critical to the development of new knowledge. This section of the study focuses on two theories, namely: the expectancy theory and the skills theory approach. Each theory section contains two subsections, one dealing with the advancement of the theory itself and the other showing the applicability of the theory in the current study.

2.3.1 Expectancy Theory

This theory was created by Vroom in 1964 within the domain of organisational psychology. According to Vroom (1964), every human action has an interest behind it, meaning that a person's first choice towards a result (like successful performance) depends on the apparent chance that the attempt will direct to a winning performance ("expectancy") (Mitchell & Albright, 1972:2). According to Fry (1975), the expectancy theory has been able to successfully facilitate decision making. In the same approach, the Motivation-Hygiene Theory of Herzberg states that at the workplace there are certain factors that cause job satisfaction. The Motivation-Hygiene Theory focuses more specifically on the factors of satisfaction whereby employees of any organisation are more motivated to work for self-achievement than big salary, for example (Herzberg, 1986). Vroom (1964) recognised that a worker's performance is based on personal factors such as character, aptitude, understanding, involvement and talents, and therefore Vroom concludes that effort is behaviour while performance is an outcome.

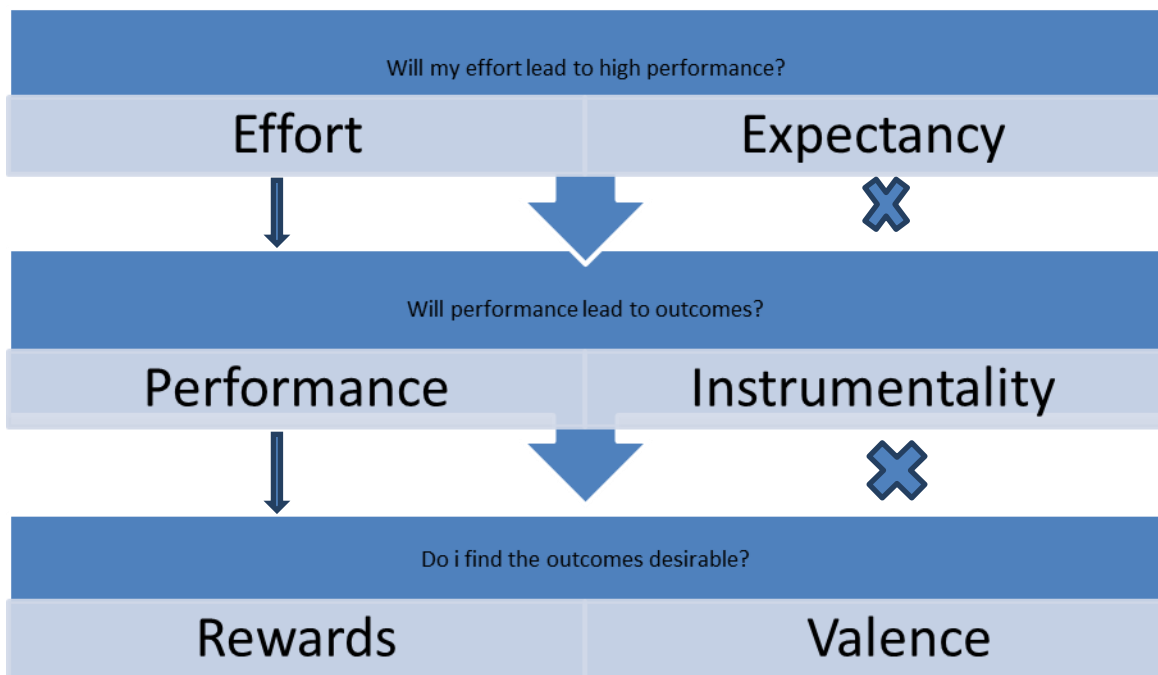


Figure 2.3: Expectancy Theory (Vroom, 1964)

In fact the theory describes that even if people have different targets or goals in any action taken in life,

- The relationship between effort and performance is solid
- Good performance always leads to a wanted prize
- The compensation will please a vital necessity
- The wish to fulfil the necessity is tough enough to make the effort meaningful.

Motivation force = Expectancy x Instrumentality x Valence

Valence: This denotes the expressive directions individuals embrace with regard to results; in other words this refers to the worth the individual personally places on rewards.

Expectancy: This is the belief that good effort will lead to good performance. People have unlike hopes and stages of self-confidence about what they can accomplish. Organisations must determine what the strengths and the needs of the employees are

Instrumentality: The opinion of people as to whether they will actually get what they are craving, even if it has been promised by a manager. Management must make sure they gain the trust of the employees by fulfilling their promises and also the employees must be aware of the outcome after a successful performance.

Vroom (1964) recommends that an employee's perceptions about Expectancy, Instrumentality and Valence correlate psychosomatically to create a motivational strength such that the worker acts in a manner that brings aspiration and escapes discomfort.

2.3.2 Applicability of Expectancy Theory to the current study

The main purpose of the application of Vroom's expectancy theory to the current study is to find out the intentions behind each decision made by owners or managers within the tourism industry.

Similar application was made in hotel employees by Chiang and Jang (2008) to observe the validity of the theory through employees' motivation. It was found that employees in the hotel of that specific area of research tend to have more intrinsic motivation (enjoy the work, in a good mood, have satisfaction and happiness) than extrinsic motivation (money, cars, houses). This leads the authors to conclude that the expectancy theory has good validity at work as each employee thinks first about performing the job well as they know that a good performance would lead to a good reward. At this point, employees focus and work hard, put more time and dedication into the job and expend energy on their work performance, and make wise decisions – all this to avoid failure.

According to Lunenburg (2011:1), the expectancy theory has essential repercussions in that it motivates the employees (decision makers) at the workplace to make the right decisions in order to succeed in business. In fact Lunenburg (2011:3) calls on owners of businesses to give employees a chance to make decisions or suggestions within the organisation as they are capable of doing well in business if they have all the support and confidence from top management; also because effort leads to performance expectancy. Lunenburg (2011) puts a huge accent on the recruitment of such employees as they must have the required skills and knowledge and must be provided with anything that can make their jobs easier such as management training or sufficient time and resources to perform the tasks submitted to them. In the same contest of giving chance to employees to run the business successfully, Lunenburg (2011:4) believes that good performance must lead to good reward; therefore leaders of organisations must not only trust employees to do well in their businesses but also let them know about the reward after their job performances.

The emphasis of this study is to assess whether decision makers of SMMEs in the tourism industry use management accounting to make their decisions, and to relate the research to Vroom's theory of expectancy. Conducting this research itself has a reward. The findings will assist SMMEs to improve the management of their businesses as they will be able to see how employees with different management accounting skills and experience compare to each other when it comes to running the business, and, or if, management accounting skills

influence the decisions of existing managers. In addition, management will know the expectancy of employees making decisions with or without management accounting skills.

2.3.3 Skills Theory Approach

This theory was developed by Katz in 1955. According to him, the manager of any organisation should have three skills: technical skills, human skills and conceptual skills to make effective decisions and meet the business's targets.

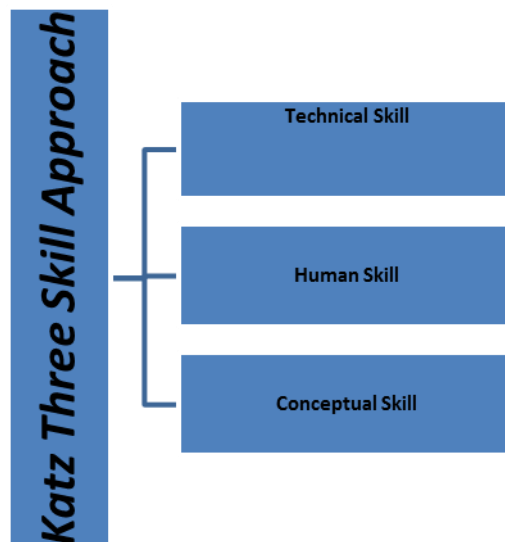


Figure 2.4: Katz Three Skill Approach (Katz, 1955)

Technical skill: Technical skill, according to Katz (1955), is knowledge and ability in a specific kind of labour or activity. It comprises aptitude to a particular extent, critical capability, and the aptitude to utilise suitable tools and methods. By way of illustration, technical skills in accounting will be skills that enable owners or managers with the ability and competence to apply management accounting tools and techniques to make effective decisions so as to meet business objectives. Any owner or manager in possession of a technical skill, a management accounting skill in the context of the study, will be in a better position to run his business efficiently and effectively (Kasekende & Opondo, 2003:11).

Human skill: Human skill, according to Katz (1955), is the knowledge and ability to work with people. This skill is different from the previous one, which requires material knowledge. Human skill, also called people skill, is more about dealing with stakeholders involved in the business; the interrelation between people to make the business successful. The focus on this skill is the help one gets from others; hence it allows open thinking when it's about making decisions.

In an industry such as tourism, which involves people with different backgrounds, cultures, traditions, skills and knowledge, human skill should be applied for the effective running and management of the business, and for the welcoming and accommodation of clientele. The people in the management of the organisation should come together as one and make operative decisions. Based on the study conducted by Tonidandel et al. (2011:649), human skill is more significant than technical skill when considering effective managerial skills as it is strongly connected to business concerns than starting edifices, but both are linked to job performance within the organisation.

According to Jeon and Choi (2012:333), customer satisfaction influences employee satisfaction and reciprocally. In the tourism industry, the customer who appreciates the quality of goods and services he or she is getting from the employee of an organisation will create a bond with this organisation and will always come back, but the quality of goods and services from employees comes with knowledge and skill. Hence again, human skill has an important place in the management of a tourism business.

Conceptual Skill: Conceptual Skill, according to Katz (1955), is the capability to deal with concepts and ideas, unlike technical skills or human skills. According to Abdoljavad et al. (2012:1) conceptual skill is one of the important and straightforward components of management skills. The actual skill requires knowledge of management as it will greatly help with decision making. For example, the owner of a SMMTE transportation sector business operating in the Western Cape will need a specific idea and concept to make a decision on buying a tour bus. Based on the previous example, having management accounting skills will help to make such decision just by knowing the payback period of the asset bought or the internal rate of return.

Conceptual skills facilitate decision making as the lack of them can jeopardize the whole organisation. That is a reason why conceptual skills are more suitable for top management or decision makers. In conclusion, Katz (1955) states that decision makers or managers should have these three skills to meet business objectives and avoid probable failure. All three skills are important; however Katz has identified conceptual skill as key.

2.3.4 Applicability of Katz Three Skills approach to the current study

The three-skills approach, also called “skills of an effective administrator”, by Katz (1955) is useful for any well run organisation. It appears that conceptual skill represents both the technical and human characteristics of the entity. A concept of skill as an ability to convert knowledge into action (Green et al., 2012:187) should allow one to differentiate among the

three skills of carrying out the technical activities (technical skill), comprehending and inspiring people (human skill), and managing and incorporating all the actions and interests of the business toward a mutual goal (conceptual skill) (Katz, 1955:36). Katz (1955) indicates that the higher a person is in the enterprise (owner), the less technical skills is needed to fill the position and more conceptual skills are required, and the opposite applies on the lower level. Nevertheless, human skills are always needed no matter the level or the position in the organisation as someone constantly needs to deal with and interact with people in the organisation. The application of this theory in the current study has the purpose of showing the effectiveness of the three-skills approach in the decision making process within SMMTEs if possessed by the management staff. From the abovementioned, it can be seen that the decision maker, to facilitate the decision making process, should possess a skill that enables him or her to translate knowledge into action (conceptual skill). The individuals making decisions in the organisation are often those in the top management (higher level) and therefore should be knowledgeable enough to make effective decisions. The possession of the three skills by an owner or manager is important to facilitate the decision-making process and run the organisation successfully.

Regardless of how the three-skills approach is prioritised and how important it is for good decision-making processes and managerial effectiveness, or the means by which they are developed, it is clear that skills are obtained through education and training, and it is important for managers to develop these skills (Tonidandel et al., 2011:651). It is therefore imperative for the decision makers of SMMTEs in the Western Cape to go for management workshop training and obtain those skills for the success of their businesses, and thereby continue to have positive effects in the country's economic growth and employment rate.

2.4 CONCLUSION

In this chapter the researcher explored different theories on the management of small businesses to try to answer the question of how decision makers in the tourism industry of the Western Cape make their decisions, and what their motivation is behind every decision made. At this point the expectancy theory of Vroom illustrates that behind any action (decision making), there is an interest (outcome) and therefore the action performer must be knowledgeable and motivated to be able to succeed in his action taking. Furthermore, the three-skills approach of Katz emphasizes that a good manager should have three skills – technical, human and conceptual – to be able to make wise decisions within the organisation.

CHAPTER THREE

MANAGEMENT ACCOUNTING SKILLS OF DECISION MAKERS IN TOURISM INDUSTRY

3.1 INTRODUCTION

Having presented the theoretical framework in the preceding chapter, this chapter is a review of existing literature on management accounting skills of decision makers in the tourism industry. Small businesses are essential in many countries as they contribute to the economic development of the country and reduce the unemployment rate. However they continue to be unexplored in the management accounting literature (Ng, Harrison & Akroyd, 2013:93).

Further, SMMEs owners in South Africa face several challenges that impede the management process and make it difficult to succeed (Shaku, 2011:13).

In this chapter, related literatures on the crucial aspects of the current research are discussed. Other relevant aspects concern the lack of skills and knowledge on the part of the decision makers of small businesses in South Africa, and the perception of management accounting by SMMEs in the tourism industry as well as the lack of management accounting skills – which is viewed as challenge in South Africa tourism SMMEs – plus government's support of SMME training skills development, the challenges of SMMEs in South Africa, issues confronted by small tourism businesses in South Africa, and the benefits of utilising management accounting in business.

3.2 LACK OF SKILLS AND KNOWLEDGE BY SMALL BUSINESSES' DECISION MAKERS IN SOUTH AFRICA

SMMEs in South Africa are a socio-economic problem solver as they contribute positively to the economic growth and reduce the unemployment rate in the country (Kesper, 2001). However this sector faces several obstacles in the achievement of its goals and in maintaining competitiveness in its respective industries (Cape Metropolitan Council, 2000). SMMEs owners and managers (decision makers) play a vital role in the survival of their businesses through their management knowledge and skills (Bygrave & Minnitti, 2000). According to Ladzani and Van Vuuren (2002), up to 50% of small businesses fail within five years of opening, which raises the question on the nature of failure of SMMEs in South Africa. Urban and Naidoo (2012:147) state that the lack of managerial skills on the part of business owners and managers is one of the reasons SMMEs in South Africa have such a high failure rate. Operational skill (one of management accounting skills) is the management skill that is most required by South African SMMEs (Perks & Smith, 2008) as it facilitates business strategy and operations and it controls decision making (Gaither & Frazier, 1999).

Watson (2004) admits that a lack of managerial skills and training is one of the crucial origins of small business failures. In the same line of discussion, Naicker (2006) remarks that a lack of experience and a lack of organisational culture could also be one of the causes of SMME failure.

Even if the success of any business passes by a good financial performance, Pett and Wolff, (2007) argue that SMMEs depends on the performance levels of their owners and managers rather than the overall performance of the business. In other words, if owners and managers do not perform well, the business's performance will be poor.

Part of the problems experienced by small business in South Africa is the incompetence of the people behind it. According to Brink et al. (2003:4), owners and managers of SMMEs in South Africa "do not have a clue how to run the business" and this is specifically because of management issues such as management training and skills.

In order to prosper in business, as was demonstrated by Pansiri and Temtime (2008:252) and Ferreira et al. (2010:107), owners and managers of SMMEs in South Africa need management training and relevant qualifications to run their businesses efficaciously as they are lacking business skills and the knowledge required to succeed.

It was proven by Kaplan (2004:217) that the inadequate skills and knowledge among owners and managers of SMMEs is one of the reasons why the tourism industry does not expand in South Africa. Many small businesses owners and managers have limited knowledge and skills of strategic planning, as well as management accounting, due to a lack of business education and training (Hodges & Kent, 2006).

Fatoki (2012:186) calls owners and managers of small businesses in South Africa to take responsibility of their own education, to attend skills training and development organised by the universities and government institutions such as SEDA within the country. Hence Chimucheka (2013:787) states that education and training help to obtain management skills which are essential for the success of small businesses.

According to Young, Schaffers and Bruwer (2012: 11322), the success of any business is also related to the educational background of the owners or managers. Similarly Hormiga et al. (2011) relate the managerial competency of any business to a level of education, business skills, knowledge and experience possessed by the owners of the respective businesses in order to achieve a good performance. Education is a channel to obtaining management skills and knowledge by business owners to enable them to have good decision-making procedures and to effectively run their organisations (Fatoki, 2014:142).

Regarding the survival of a business, Krog (2008) argues that an owner or manager with a good ability to succeed in business can survive for a long time, whereas Von Blottnitz (2009) explains that the survival of SMMEs relies on well-educated business owners.

The study conducted by Brijlal, Enow and Isaacs (2014:341) reveals that more than half of the South African SMMEs examined utilise external parties, such as accountants, to fulfil their accounting duties, and more than 60% of those SMMEs still depend on external parties to interpret and use their accounting information for decision making. It was also found by Brijlal et al. (2014) that a majority of SMMEs owners are not financially literate as they lack accounting interpretation skills and an awareness of how to use information from financial statements. Financial decision-making tools are not used sophisticatedly and formally in small businesses; sometimes they are not used at all (Quinn, 2011). The use of management accounting systems should be for the purpose of achieving a firm's objectives, and Halabi et al. (2010) warn owners of small businesses with a lack of knowledge regarding management accounting and who implement management accounting systems in their business to obtain automatic improvements. Improvements may not happen as one needs the skill and knowledge to use management accounting tools.

3.3 PERCEPTION OF MANAGEMENT ACCOUNTING BY TOURISM'S SMMEs

Management accounting, as compared to financial accounting, develops information for internal use in the entity by applying methods such as standard costing and job order costing, methods that according to Reider (2008:157) business finds very difficult to apply as they are scared of management accounting.

Further, Kasekende and Opondo (2003:11) enlighten management accounting skills as the ones that are most important in ensuring survival, sustainability and competence in a business. On the other hand, Ateljevic (2007:308) perceives SMMEs' failure as one of the direct consequences of owners or owners-managers' management incompetence.

The attainment and application of management accounting skills in decision-making processes allows for the identification, management, mitigation or even avoidance of the major risks that the SMME is faced with (Gowthorpe, 2008:34). Adequate business management and technical skills are needed to integrate activities, effectively adopt proactive decision-making and achieve organisational goals (Zvomuya, 2010). Shaku (2011:45) identifies that the lack of management accounting skills has been increasingly responsible for internal business failure as skills relating to cash flow and current asset management were often lacking within failed businesses.

A significant number of SMMEs from startup fail to grow to maturity owing to owner/management failure to take necessary steps on re-investment of profits against paying out dividends (Zvomuya, 2010:38). The inability to make sound business decisions is consequently the major reason why SMMEs fail (Zimmer & Scarborough, 1994:265).

According to Ahmad et al. (2012:77), the lack of awareness of new management-accounting techniques, the lack of top management support on training and education of employees, and a lack of expertise are the reasons why the use of traditional management-accounting techniques remains strong. The use of costing techniques – such as activity-based costing, standard costing and variance analysis – is not as popular among SMMEs as it is with large corporates (Shields & Shields, 2005). Wu et al. (2007) think that effective decision making is a very important key to the success of businesses these days, therefore critical business decisions, such as choice of supplier and goods and services pricing, must be made by using necessary management information rather than by using unstructured models and at times include owner manager preference and 'common sense'.

The use of such informal criteria in coming up with business decisions often results in poor cost measurement and poor product/service costing and information for decision making; this ultimately leads to SMME failure. Budget preparation is one of the management accounting skills that is beginning to gain popularity among the SMME community (Gowthorpe, 2008). According to Shim et al. (2011), budgeting is a planning and control system process because it communicates to all the members of the entity what is expected from them. By budget planning Shim et al. (2011) mean determining the activities to be met so that the goals and the objectives of the business can be achieved; at this point a decision will have to be made by everyone involved. Asharany et al. (2010) indicate that activity-based costing is more use than cost calculation alone in SMMEs.

According to Dodge and Robbins (1992), recording cash flows, inventory controls, cost controls and other management accounting tools is a challenge faced by small business; these challenges continue in most phases of the business life-cycle. Also, Ng et al. (2013:94) acknowledge that the management-accounting practices executed by SMMEs are unlikely to be management-accounting functions, but moderately a broad management or accounting function.

The study conduct by Shaku (2011) suggests that technically well qualified owner/managers with strong budgeting skills are most likely to achieve business success. Budgeting in the tourism sector is a skill with widespread application, as opposed to Activity-Based Costing,

Customer Profitability Analysis and Balanced Scorecard which have a poor use (Faria, Trigueiros & Ferreira, 2012).

Furthermore the payback period is the first and most often used investment evaluation method, as confirmed Fatoki et al. (2010:1275): "Payback period is often used as a first screening method" while Internal Rate of Return, Accounting Rate of Return and Net Present Value are rarely used as investment methods as they often involve complicated calculations which owner/managers of SMMEs cannot compute (Shaku, 2011).

Determining how to measure the performance of a company is always difficult (Philipps, 1999:173). Basic evaluation methods such as gross profit margins and net profit margins are not readily available as financial statements that help compute these are also not available (Kasekende & Opondo, 2003:3). Pressure has, however, been increasing on the need to keep financial statements as many providers of finance require these in making decisions on whether to grant or deny credit (Bbenkele, 2007:13). The failure to use performance-evaluation techniques often results in the business having perceived profits or losses as actual amounts cannot be ascertained until the business collapses (Niemand, 2006:12). Halabi et al. (2010) found that the inappropriate use of management accounting in business was one of the reasons why SMMEs fail.

The study conducted by CIMA (2012:6-11) reveals the following:

- Medium enterprises do use more management accounting than smaller ones.
- Business owners should partner with management accountants for a better preparation of management accounting information for decision making purposes; also to avoid spending time on financial matters and rather promote the business and make more profit.
- There is a need of the provision of management-accounting training and education for small business owners and managers because they do not know how to use management-accounting tools such as budgets, product pricing and costing, CVP and many other management-accounting tools for decision making and effective and efficient management of the organization. Hence the recommendation of forming a partnership with management accountants.

According to Lavia Lopez and Hiebl (2014:1), the practice of management accounting in SMMEs is low and different from large companies. SMMEs need special care when it is about management accounting because they have separate capitals; also because they are faced with more managerial skill challenges than large organisations (Lavia Lopez & Hiebl, 2014:3). In order to compete with large businesses, SMMEs should implement systems that

enable them to manage their resources and control their information (Mitchell & Reid, 2000). Management accounting can assist SMMEs to meet such needs as management information (Johnson & Kaplan, 1987). Research conducted by Lavia Lopez and Hiebl (2014:5) indicate that SMMEs do not only use management accounting less than and differently from large enterprises but also use it to provide information to external stakeholders such as banks or to extend their network providers. However, small businesses do not use management accounting for decision-making purposes. Halabi et al. (2010) identify lack of training among SMME owners and managers as one of the reasons why the use of management accounting is lower in small businesses than in large enterprises.

Responsible owners and managers of small businesses greatly in need of improving their management performances would use management accounting to support their day-to-day running of the organisation and to meet their objectives (Ritchie & Richardson, 2000).

The use of tools such as balanced scorecard facilitates the identification of crucial performance obstacles and improves the overall performance of the organisation (Hakola, 2010).

Loo and Davis (2003) perceive the non-use of management accounting in the business as a channel to failure, bad investment decisions (e.g. buying a bus) and bankruptcy.

3.4 LACK OF MANAGEMENT ACCOUNTING SKILLS VIEWED AS A CHALLENGE IN SOUTH AFRICAN TOURISM SMMEs

According to Pellinen (2003) management accounting in small tourism businesses is still unexplored; very little is known in the tourism industry about management as the initial focus of management accounting was traditionally on manufacturing enterprises (Pavlatos & Paggios, 2008:82). Potential small-business owners in South Africa experience many challenges when they establish their businesses. Lack of money is a constraint for SMME development but in the process of SMMEs' expansion and growth, management accounting skills are probably as important as money (Shaku, 2011).

The inability to make good business decisions has been quoted as one of the main reasons for the high failure rate of SMMEs. As elaborated by Zimmerer and Scarborough (1994), in South Africa the first obstacle to succeeding in business is not only getting funding from the bank but also managers need to have the necessary business skills to market their business ideas correctly.

In a SMME, management accounting is important concerned with cost evaluation, product or service costing, and provision of information for decision making (SHAKU, 2011).

Business entities require at least some employees who are skilled in management accounting in order to run an organisation proficiently and successfully (Gowthorpe, 2008). Management accounting skills are beneficial to making any business entity competitive and successful (Gowthorpe, 2008).

Hansohm (1992:140), however, asserts that only poor accounting, particularly financial and management skills and knowledge, is the reason for the failure of SMMEs. Lucey (2005:6) explains management-accounting skills as those skills that are required to prepare management reports and accounts that provide information for day-to-day and short-term decision making. SMMEs do estimate business cost and expenses amounts and prepare financial records; however this action does not appear to be done properly (Danes, Loy & Stafford 2008).

The acquisition of these skills and tools will be very helpful in running a tourism business successfully. According to Morrison and Teixeira (2004:168), one of the obstacles to the performance of SMMTEs is the non-existence of multi-skilling in every single group of employees, as well as restricted resources and volume accessible to narrow skill gaps.

SMME owner-managers require management-accounting information for decision making and effective management in their organisations, but lack the skills to create it; therefore they rely on outsourced support to effectively and correctly manage their assets (Kirby & King, 1997).

A study conducted by Hall and Young (1996) reveals that out 241 SMMEs surveyed, 38% failed because of an important shortage in management accounting. Similarly, Randall and Horsman (1998) discovered that a lack of management-accounting skills contributes to small-businesses failure.

A lack of resources reflects partially the lack of management-accounting skills which consequently is influenced by inappropriate training among permanent staff or owners of small businesses (Mitchell & Reid, 2000).

A lack of knowledge and skills among owners and managers of small businesses is regarded by Lavia Lopez and Hiebl (2014:19) as one of the reasons why the usage of management accounting is low within SMMEs as they do not have the necessary training to enable them to implement sophisticated management-accounting techniques in their business.

Brierley (2011) describes the focus on price calculation by owners/managers of small businesses as a challenge when using proper management-accounting tools to achieve business objectives.

3.5 GOVERNMENT SUPPORT OF SMMES THROUGH TRAINING SKILLS DEVELOPMENT

After the apartheid era, the South African Government has drafted new regulations to restructure and develop not only socio-political or socio-economic aspects in general but also the expansion of a specific sector of the economics of the country: the development of SMMEs (Visagie, 1997:660). The South African Government has identified skills and competencies as critical success factors driving SMMEs in the country (Bukula, 1995).

The South Africa Government is more concerned about the expansion of small businesses in the country, hence the acknowledgement of the economic potential and unemployment reduction within the SMME sector (Van Eeden et al., 2003). Kaplan (2004:219) points out the same statement as Van Eeden et al. (2003) but relates it to the tourism concept as, according to this author, tourism has the potential to attract foreign exchange and contribute to GDP.

The country has shown its involvement in the success of SMMEs through the creation of SEDA (Small Enterprise Development Agency) in 2004 which has as its mission the promotion, development and support of small businesses all over the country. SEDA has to ensure the growth and sustainability of small businesses countrywide and provide them with all the necessities and facilities possible (Ladzani & Netswera, 2009:228).

Although tourism in South Africa is more successful in the private sector, it is imperative for government to intervene and assist SMMEs to meet their objectives (Kirsten & Rogerson, 2002). Kaplan (2004:220) states that the government has initiated several tourism development projects and programmes all around the country in order to sustain and grow the tourism industry within national, provincial and local areas.

Regarding the skills shortage in the country, the South African Government put in place the NSDS (National Skills Development Strategy) in 1997 to train and educate the stakeholders involved in the management of small business (Kaplan, 2004).

According to Padachi (2010:5), government support is imperative as owners and managers of small businesses lack expertise in accounting, which has as a consequence the making of poor decisions.

Tourism is considered a key economic sector in South Africa; for this reason a number of policies have been put in place by the government to expand the tourism sector's contribution to the national economy (Mahony & Van Zyl, 2002:85). The government, through its Tourism Action Plan (TAP), has created the Tourism Enterprise Programme (TEP) whose goals are to reassure and enable the progress and extension of SMMEs in the tourism industry, thereby resulting in job creation and increasing economic growth (Ruhanen et al., 2010:11). The TEP assists SMMEs with management training, market networks, mentorship guidance and in finance accessibility (Rogerson 2004:89).

Even though all these institutions, projects and programmes were put in place by the South African Government to promote and assist SMMEs, owners and managers still believe they don't get enough support from the government (Chimucheka, 2013:788). This complaint from owners and managers is also due to the lack of information available by the institutions nominated by the government to assist SMMEs. Hence Maas and Herrington (2006) mention that most SMMEs in South Africa do not know the efforts the government has put in place to assist them.

3.6 CHALLENGES OF SMMEs IN SOUTH AFRICA

SMMEs are nowadays a relevant participant in the economy and are reflected to be an optimistic element for decreasing unemployment, given that the formal sector continues to get rid of jobs or close down due to the recent economic recession. However, SMMEs in South Africa face a number of challenges such as an abrasive legal environment, a lack of access to markets and procurement, a lack of access to finance and credit, low levels of managerial skills, a lack of admission to business information, and a lack of real supportive institutions providing, for example, financial and training support (Abor & Quartey, 2010:224; Olawale & Garwe, 2010:731-732).

Due to all these challenges, the failure rate of South African SMMEs is too high. In fact 80% of all SMMEs flop after five years of being in operation (Bosch et al., 2006:663). Biyase (2009) maps the above when stating that the most current estimated failure rate of SMMEs is in the region of 10,000 businesses failing each month.

Although contributing immensely towards GDP and national employment (Abor & Quartey, 2010), SMMEs in the tourism industry, especially in the Western Cape, South Africa, are

facing several challenges in the management of their businesses which might therefore stop this contribution toward the GDP and employment in the country.

In a recent study it was noted that the SMME failure rate is about 63% in the first two years of trading (Jacobs, 2012). Various reasons have been identified for SMME failure, but the findings of (Mabaso, 2008) have identified funding, access to finance, poor management skills, lack of adequate training and education to be the major factors for failure. In support of Mabaso's findings Kazooba (2006:12) also notes that lack of structure and infrastructure in decision making is a significant factor in the catastrophe of small companies.

As the field of research surrounding SMME failure continues to grow, Jassiem et al. (2012:6911) note that the achievement and progress of small businesses rely on numerous variables. Business activity has become so complex and dynamic, and at a rapid rate, that individuals without proper support systems cannot match it (Mukanya, 2008:5).

The low education qualifications of business owners and lack of previous experience in managing a business are indicated by Ingle (2014:40) as reasons why SMMEs fail in South Africa.

According to Kangasharu and Pekkala (2002) the higher the level of education of a business owner, the higher the business will grow successfully if it is run by the owner himself/herself.

Therefore the purpose of this study is to investigate the management-accounting skills possessed by decision makers in the SMME tourism industry so as to know how they use it to make decisions as well as to find out if they need any management-accounting skills training to facilitate their management. Its purpose is also to stop the failure of SMMTEs in the Western Cape, South Africa, decrease the unemployment rate in the country and increase the growth of its economy.

3.7 ISSUES CONFRONTED BY SMMTEs IN SOUTH AFRICA

Tassiopollos (2010:2) identifies numerous challenges – such as a lack of experience, a lack of managerial knowledge and skills, a lack of knowledge concerning tourism developments and current opportunities in the tourism industry – that are faced in the day-to-day running of South African SMMTEs. Saayman and Slabert (2001) interpret these challenges as the key reasons why SMMTEs are failing in business.

Tassiopollos (2010:4) observes that the tourism sector is suffering because of insufficient learning and training, unfamiliarity with current management and marketing methods, and an absence of tactical preparation among owners or owner-managers of SMMTEs. Berry et al. (2002:72) identify lack of business skills among owners and managers as a problem surrounding the tourism sector in South Africa. Rutherford (2006:87) indicates that lack of management experience, poor planning, inadequate financial record keeping, lack of industry experience and failure to seek advice are factors that cause SMMTEs to fail and they should be avoided.

The acquisition of these skills and tools will be very helpful in running the tourism business successfully. According to Morrison and Teixeira (2004:168), one of the obstacles to SMMTE's performance is the non-existence of multi-skilling in every single category of employees; another is restricted resources and capacity which could otherwise narrow the skill gaps.

Furthermore, Frey and George (2010:626) argue that there are no tourism managers to manage resources into the changing management practices; this is seen as a lack of responsible management intention (RMI) and consequently is regarded as a factor in the failure of tourism.

According to Saayman and Slabbert (2001: 16), the lack of experience, lack of managerial knowledge, and lack of knowledge concerning tourism trends and prevailing opportunities in the tourism industry are some of the reasons why small businesses in tourism are suffering. Saayman and Slabbert (2001: 16) consider these as some of the main explanations for tourism business failure.

In their report findings, Morrison and Thomas (2004:10) state that SMMTE owners' lack comparable knowledge and that they find calculations difficult due to the lack of definitional and conceptual knowledge.

Very few pertinent studies have been undertaken regarding the failure of tourism's SMMTEs in the Western Cape, but despite the limitations of quantitative data the existence of a skills gap within the tourism sector is unquestionable (Earle-Mallesson, 2007).

3.8 BENEFITS OF UTILISING MANAGEMENT ACCOUNTING IN BUSINESS

Management accounting is a vital tool for effective business management as it provides appropriate information to managers for decision making regarding the success of the

organisation (Stefanou & Athanasaki, 2012:143). Management accounting is a structure of accounting information whose primary focus is to assist managers to achieve their business objectives by making effective decisions (Bouquin, 2004:11). Managers plan the future and frequently bring it to the present (Bouquin, 2004:45), and management accounting provides information in the present about things that are going to happen in the future (Diaconu, 2006). The study conducted by Argilés and Slob (2003) reveals that the sufficient use of financial management and accounting information would lead to great performance benefits for SMMEs.

According to Zounta and Bekiaris (2009), management accounting expands the excellence of decision making. Hence Santos et al. (2014:2) state that the key utility of management accounting is to make available significant information for managers, who need high quality information for decision making. However, Brewer, Frumusanu and Manciu (2013) mention that the utility of management accounting is not only for managers in an organisation but the employees as well. Nevertheless Tillmann and Goddard (2008) raise the significance of management accounting, but appeal to owners and managers of businesses to know how to use it. Managers make use of management-accounting techniques such as product pricing and costing, calculation of profit and loss as well as customer satisfaction to obtain information for long-term decisions (Santos et al., 2014:3).

Due to the fact that businesses nowadays are facing a lot of competition and their environment is uncertain, it is important to use management accounting to facilitate the decision-making processes in an organisation (Santos et al., 2014:6). The use of management accounting produces positive results in companies and it should be used not only by management but also by all the employees involved in the good running of the organisation (Breuer, Frumuşanu & Manciu, 2013:363).

One relevant recipe for having numerous successions of successful business periods is knowledge transfer. This may be extremely challenging for small businesses, as SMME owners and managers often rely on a high level of contained knowledge. The utility of management accounting is also to collect knowledge and categorise it regularly (Giovannoni, Maraghini & Riccaboni, 2011). Management accounting assists organisations to prioritise and to optimise their resources, as one can regulate costs, evaluate performance, determine investments and fix prices as well as improve the overall quality of the business (Villarmois & Levant, 2012; Chand & Dahiya, 2010; Lavia Lopez & Hiebl, 2014). The use of management accounting participates in the standardisation of skills in the business and increases the level of professionalism within the organisation's staff (Amat et al., 1994).

The introduction of management accounting in a business affects the market target and the customer segment of the firm (Laurinkeviciute & Stasiskiene, 2011). The use of management accounting in a business increases its overall performance in the way that less time and resources are utilised to achieve the firm's objectives (Marriott & Marriott, 2000). Management accounting improves the quality of the strategic planning analysis of the business, mainly by providing vital information and tools for the effective management of the organisation (Chand & Dahiya, 2010). In the same line of discussion, Manville (2007) indicates that the usage of management-accounting practices across the business facilitates a good integration of the business plan and increases the day-to-day performance of the organisation.

By illustration, when a business owner writes down (and therefore codifies) both the financial and non-financial objectives of his business for the next few years, the next generation will easily be able to understand which business strategy the manager adopted to succeed. Small-business owners are more interested in creating future profits and growing the business successfully. Ng et al. (2013:97) suggest to SMME owners and managers to increase their use of management accounting and, as a consequence, an increasing level of revenue will flow into the business.

Given the fact that SMMEs are important for the country's economy and employment targets, and considering they represent the early foundations of future large companies, it is felt that SMMEs have a need for suitable, accurate and consistent management accounting information that is well understood by its practitioners. It is in this regard that Nandan (2010:69) states that management accounting is vital for the survival of a SMME. Management accounting is found by McChlery et al. (2010) to be a facilitator of improved long-term development; hence it assists SMMEs to be precise in their long-term financial planning. The effective use of management accounting in SMMEs can assist in identifying the cash flow of high overheads, avoid making bad investment decisions, and thus escape business failure (Lavia Lopez & Hiebl, 2014:27).

3.9 CONCLUSION

The reviewed literature indicates that the management-accounting skills of decision makers are vital to the success of small tourism businesses as the lack of management-accounting skills and business-management skills in general in the tourism industry is cited by different authors as the major reason why SMMEs fail. In fact it was proven that 80% of SMMEs fail within the first five years of operation due to a lack of knowledge and management skills. Therefore the acquisition of that knowledge and those skills is regarded as a major factor in

the success of SMMEs, in the reduction of unemployment in the country and also an increase in the GDP. However some of the management-accounting skills are considered as very important, such as the preparation of budgets, performance-evaluation techniques, and payback-period calculations because they facilitate decision making.

Management-accounting research in SMMEs still remains an abandoned and obsolete area although it represents a dynamic strength in contemporary economies (Mitchell & Reid, 2000). Management-accounting research conducted in small businesses has not been designed yet; however the fundamentals of management-accounting development can be learnt from these firms (Mitchell & Reid, 2000:386). Randall and Horsman (1998) state that management accounting has been put on hold in SMME literature, regardless of its significance to the achievement of business goals. Very little research has been done on the concept of management-accounting skills in the tourism sector in South Africa, but the concept of a lack of management skills is very much in existence in the failure of small businesses. Many researchers have come across the problem of the management of small businesses in general, stating how their failure within five years of operation is a common issue throughout the entire sector of the economy and by that rolled the country in a huge economy deficit or disaster mainly through an increase in the unemployment rate and a GDP decrease. But also numerous researchers for a better tomorrow for the country's economy recommend that that it is important to implement a management-accounting skills-training centre to enable these businesses to succeed. Thus, management should concentrate on dealing with issues and answering the questions of employees through constant workshops and help them to have a good management style.

The following chapter focuses on the design and methodology that the researcher used to address the research problem and to answer the research questions.

CHAPTER FOUR

RESEARCH METHODOLOGY

4.1 INTRODUCTION

In this part of the study, the research methods and design used in the collection and analysis of data are defined. The research process included several methods and techniques used to answer the research question in order to create systematically obtained knowledge. The research question is the following: *“To what extent do the decision makers of SMMTEs in the Western Cape, South Africa, employ management accounting tools to inform their decisions?”*

Different from the previous chapters, which were the cores for the theoretical and empirical background to this study, this chapter notifies the reader of how the research stratagem used to carry out the study under investigation was derived. The strategy and paradigm which the researcher considered appropriate for the aim of this study are discussed in the methodology section that follows.

4.2 METHODOLOGY

Research methodology refers to the way in which the research problem may be systematically solved (Kothari, 2004:8). A methodology denotes the model of research used to conduct a study within the framework of a specific paradigm (Wahyuni, 2012:72). In the same line of argument, much broader as its scope states, research methodology is not only made of research methods but also of the rationale behind the study, attached with a reason why this method or technique was judged suitable (Collis & Hussey, 2009:11). The purpose of this part of the study is to elaborate in more detail the research approach and methods used to collect data to answer the research question. It is vital to provide a deep justification of the design and strategies undertaken by the researcher so that the reader may appreciate his or her work (Trafford & Leshem, 2008:90).

4.2.1 Research design

The research design is defined as the coherent order that links the pragmatic data of a study to the research question and, eventually, to its findings (Yin, 1994:19). The purpose of a research design is to ensure that the research outcomes allow the scientist to respond to the research question as plainly as possible; nevertheless getting research outcomes requires specifying the type of outcomes needed to answer the research question and to correctly describe a particular phenomenon (Creswell, 2013). The design of research, besides being

the method used to conduct the study, finds the truth and answers the research question; it is a plan for data collection and analysis (Myers et al., 2010:14).

The actual study is an empirical research that was analysed quantitatively and it required significant interaction with participants in order to acquire data needed to meet the research objectives and answer the research problem (Watkins, 2010:7). The necessity for empirical evidence was vital to supporting the literature review discussed previous in Chapters 2 and 3. Through those chapters, it has become evident that the management-accounting skills of decision makers are critical to guaranteeing the effective and efficient management of tourism SMMEs.

This research rendered itself well with a quantitative approach, which provided highly formalised, controlled and precisely defined results, where the target remained to quantify data instead of searching and interpreting significances (Roos, 2005:4). The quantitative method following a pragmatic approach to research is suitable for a study when the researcher wants to test a hypothesis or investigate something quantitative; hence its utility and relevance to the current study and objectives, to investigate the practices of SMMEs (Balnaves & Caputi, 2001).

Compared to qualitative research, quantitative research purely concentrates on the collection of numerical data (i.e. numbers) while qualitative research focuses on the collection of qualitative data (i.e. non-numbers such as words and pictures) (Creswell, 2013). Qualitative research has been slated as deficient generalisability concerning its measurable part (Wahyuni, 2012:76). Wahyuni (2012:77) believes that quantitative research should rely profoundly on the reliability and validity of the study to allow the repeatability and generalisability of the study. The discrepancy between qualitative and quantitative research resides in the nature of the data (Punch, 2013:3); knowing that the quantitative approach relies on the question “how many?” and qualitative on “how? and why?”, Barbour (2008:11) describes it as a manner of understanding the power of the relationship between variables. While the quantitative method allows the measurement of many topics' responses through sets of questions, as each question has the answer's limitations to facilitate statistical analysis, the qualitative approach provides the comprehension of those results through people's own words or observations (Ragin, 2014).

4.2.2 Population

The population is a total number of individuals who have the particular characteristics that interest the researcher, from whom the sample is withdrawn (Creswell, 2013). The target population for this research study was decision makers in transportation tourism SMMEs operating in Cape Town Metropole, specifically managers, owners or both owners and managers.

4.2.3 Sampling techniques

According to Creswell (2013), the sample is purely a detachment of the research population. The purposive sampling technique was employed to distribute (and collect) 38 questionnaires to the decision makers of tourism's SMMEs by physically approaching any SMME of the kind in the Cape Metropole.

The choice of a purposive sampling scheme was justified on the grounds that when used properly it is more resourceful than a random-sampling method. Not everyone is keen to contribute to a study during real-world situations, and it provides consistent and robust data. Furthermore, with purposive sampling, the analysis of results is limited to the population under study (Tongco & Dolores 2008; Alexiades 1996). Besides, the technique was the most suitable because the members of the target population were near and conveniently available for research purposes (Kruger & Welman, 2004).

The current study initially targeted SMMEs that operate in the transportation sector (tour & travel included) all of which are registered at Cape Town Tourism (CTT) which is the City of Cape Town's official regional tourism organisation. It is responsible for destination marketing, and visitor and industry services, and is situated in the Cape Metropole of the Western Cape, South Africa. However, due to respect for the policy on the part of CTT officials not to share more than twenty SMMEs details with an outsider, it was then compulsory that the researcher conduct a data-collection survey on a door-to-door basis. During the questionnaires' distribution process, the researcher would find out if the company operated as a tourist transporter prior discussion about the questionnaire. This request was done to exclude those who do not fall under the focus of the study.

The study was centred on one specific aspect, as opposed to an extensive methodology (Collis & Hussey, 2003:128). Hence the study was limited only to decision makers in the transportation sector of tourism in the Cape Metropole, Western Cape, South Africa. It excluded SMMEs not in that field of tourism industry; small businesses that do not adhere to

the definition of SMMEs and those in the transportation sector of tourism industry that are not operating in the Cape Metropole of the Western Cape, South Africa. The main reason for choosing the transportation sector of tourism is because the respondents were easily accessible, were grouped not too far from each other in the Cape Metropole, and also because tourism cannot survive without a transportation sector, as stated by Sorupia (2005:1767)

4.2.4 Methods of data collection

The data was collected by means of a questionnaire comprising closed-ended questions. Questions were sent to the research supervisor for screening and approval before distribution to respondents. This was to make sure that questions were free of bias. The questionnaire had been selected for data collection as it generated a higher response rate than a self-administered questionnaire, and it ensured that the questionnaires were completed by the intended respondents only (Leedy & Ormrod, 2005).

Some questionnaires were presented to the respondents themselves at their respective offices and others were mailed. This assisted in getting the questionnaire filled in quickly, getting numerous respondents and easily collecting data for the analysis process. The researcher assisted 27 respondents to fill in the questionnaires as most of them didn't know management-accounting terminologies and also the researcher believed that applying a method of helping respondents to complete the questionnaire would produce the best results. With all this 38 questionnaires were completed and analysed.

Expressive and inferential data was then used for the perusal and interpretation of the data.

4.2.4.1 Questionnaire

A questionnaire is a research tool designed for statistical analysis of the responses acquired from research participants through a series of questions in order to gather information from them and answer the research question (Rhind, Davis & Jowett, 2014:111). Questionnaires generally involve low costs and a flexible time and place for responses, hence the respondents can respond to them anywhere and at any time (Rhind et al., 2014:112), and answers may be sent by post or email or given face to face. Concerning this study, the researcher personally circulated surveys to the research participants within an established timeframe.

The questionnaire had structured and closed-ended questions.

The application of structured questions limited the number of responses available, whereas closed-ended questions allow the respondents very little time for answering from the set of options being offered; also closed-ended questions are easy to analyse and the statistical explanation can be measured (Wisker 2001:170; Zikmund 1994:181).

According to Hanemann and Kanninen (1999:302), “the closed ended approach has a heavy demand for statistical technique”. Therefore the statistical analysis that the researcher wanted to carry out to warrant the use of close-ended questions was descriptive. However comparative analysis was applied as well between sizes of SMMEs or any other group in the questionnaire using the chi-square cross tabulation analysis.

The questionnaire which was used is included in the Appendix 1. The questionnaire was designed in an uncomplicated and straightforward way. The questionnaire commenced with personal questions and the type of knowledge owners possessed before the business was formed. This system was found to be easy and straight to the point for most decision makers in the transportation sector within the Cape Metropole, Western Cape tourism industry.

The questionnaire had an attached cover letter. Ideally the cover letter is the first document scrutinised by the respondent when the questionnaire is administered to them. It should reassure the respondent to complete the questionnaire and return it expeditiously (Di Ilmar, 1978:165). The cover letter clarified to respondents the purpose of the study and that respondents would not have to identify themselves. The letter also indicated the name of the researcher, his email and contact telephone numbers as well as the contact details and name of the research supervisor.

The questionnaire was divided into four sections. Each section with its sub-sections, some of the questions could be answered with a yes or no, with respondents marking the applicable alternatives with an X. A rating scale was used to rate certain questions, such as the proficiency in the management-accounting skills of decision makers within the transportation tourism sector in the Cape Metropole, Western Cape. The advantage of using rating scales is that the respondents were more inclined to answer all the questions on the questionnaire and they also give the opportunity for respondents to be graded fairly (Rhind, Davis & Jowett, 2014:111).

- **Section A of the questionnaire**

This section of the questionnaire dealt with personal questions which gave the view or opinion to the researcher on how the respondent is managing the business. For that purpose, the following questions were asked to respondents:

Question 1 which was a Yes or No question had the aim of determining what management-accounting skills decision makers of small tourism's businesses in the Western Cape possess and what are the ones they lack, and to recommend suitable teaching necessary for emerging and educating their financial management skills. The current question was divided into four sub-questions.

Question1.1: Have you attended any Management Training or Workshop within the past 10 years?

The reason why this question was asked was to know if the decision maker has any management skills or applies a certain type of management in his business.

Question1.2: Do you have any accounting skills?

The drive behind this question was to know if the decision maker is familiar with accounting.

Question1.3: Is there a need for an accountant in your business?

This question depends on the previous question as if the decision maker has accounting skills; he/she definitely won't need an accountant but if he doesn't have any accounting skills, does he need an accountant?

Question 1.4: Do you need management accounting skills?

The aim of asking this question was to know if the decision maker sees management-accounting skills as a key to success in business.

Question 2: Have you attended any business management training?

If the respondent answered yes to the main question, then they could indicate between several alternatives that were provided in the sub-question.

This question and sub-question were asked to determine the number of respondents that took training in the specific field.

- **Section B of the questionnaire**

This second section dealt with the respondent's proficiency of management accounting skills; the respondent's perception of the effectiveness of management-accounting skills and finally to find out on what basis the respondent makes management decisions. This section basically was made to respond the research question.

Question 3: Indicate your proficiency in the skills below by using the rating scale very poor to very good passing by adequate. The "I don't know" option was made for respondents that did not know the specific skill or do not use in their day-to-day management. This question was asked to know the ability of using management-accounting skills by the targeted

respondents and also to ascertain which training requirements they have with regard to management-accounting skills.

Question 4: How do you make management decisions? The purpose of this question was to find out if the respondent that claims to have a positive proficiency about management accounting skills is actually using them to make decisions, and also to determine how financially and management-literate the respondent is. This question was provided with alternatives such as management-accounting tools, external parties (accountant), friend, self, family members, competitors etc. from where the respondent was supposed to choose from.

Question 5: How do you perceive the effectiveness of the management accounting tools? This question was asked to find out how the respondent perceives management-accounting skills in the day-to-day running of their business; also to determine the respondent's thoughts about implementing management-accounting skills to facilitate their decision making.

- **Section C of the questionnaire**

The third section of this questionnaire dealt with the classification of the business; confirmation of the focus group on which the research was conducted, and the management responsibilities of each business targeted.

Question 6: How will you classify your business? The aim of this question was to determine the form of business that the SMME decision makers were operating in the tourism industry.

Question 7: How will you categorise your tourism business? This question was made purely to indicate the focus group and type of tourism business the research was conducted from. It was important to know what category of tourism the researcher is dealing with.

Question 8: Indicate the number of permanent staff in your business. The target in this question was to know the number of permanent staff, as in most businesses the permanent staff is part of the management, therefore they make decisions for the success of the company.

Question 9: Indicate the number of temporary staff in your business. This question was regarded as a comparison to the previous question and has as its purpose the determination of staff that run the business.

Question10: Who is responsible for managing the business? This question was asked to determine who is responsible for making effective and efficient management decisions for the success of the organisation.

Question 11: Please indicate the annual turnover of your business if applicable. The objective of this question was to determine if the company is meeting SMME classification requirements. The respondent was given several alternative answers to choose from.

- **Section D of the questionnaire.**

The application of management accounting into the business requires necessary knowledge, skills and experience. This fourth section of the questionnaire dealt with the demographical part of the current research, which consisted of the education background of the respondent and experience of managing the business.

Question 12: For how long has your business been in operation? The drive behind this question was to determine if the application of management-accounting skills or not into the business during that specific period of operation has led to success or failure.

Question 13: Indicate your academic education qualification. The intention behind this question was to determine the level of education possessed by respondents in the transportation sector of tourism; hence management skills are obtained through education. The respondents were given a number of alternatives to choose from.

4.3 DATA ANALYSIS

Data analysis is a process of checking, cleaning, converting, and forming data with the aim of finding useful information to answer the research question (De Vos, Strydom, Fouche` & Delpont, 2005:218). As soon as the data collection was done, the analysis of the data obtained from the field was the next step through the unconditional assistance of the institution's statistician. The three proposed steps of data analysis were followed (Vithal & Jansen, 2010:27-28). These are: i) verification of the data, by checking if the questionnaires collected were properly answered; ii) grouping the data and assembling it in a Microsoft Excel spreadsheet for coding purposes; and iii) developing the representation of the data; graphs were more appropriate to giving an expressive and clear presentation of the results. Descriptive statistics were applied to analyse the quantitative data in the current study. The data collected was analysed using Statistical Package for the Social Science (SPSS) for Windows 7. However, using SPSS decisions, at any stage, can heavily affect the quality of the research outcomes (Pallant, 2010:3); this is the reason why the researcher took his time to design the process in order to produce the best study possible.

4.4 DATA VALIDITY AND RELIABILITY

Data validity referred to the ability of the research to be indiscriminate across the population (Mitchell & Jolley, 2012). Data validity in academic research includes the fixed, genuine and applicable link between the data itself and the researcher's analysis of it (Denscombe, 2010:143). There are different types of validity, as mentioned by Steckler and McLeroy, (2008:9). In this research, the construct validity was viewed as more relevant than others; hence the variables used satisfactorily denote academic constructs (Steckler & McLeroy, 2008:9). According to Jackson (2009:71), a construct validity measurement tool evaluates the extent to which a tool captures effectively the theoretical concept of the study as it is supposed to. However, the validity measurement required the use of a representative sample; although the sample surveyed in the current study was convenient in nature, numerous targeted respondents were located within the Cape Metropole of Western Cape, South Africa. Accordingly, it was hoped that the views of respondents will be representative of the views of the populations from which they were drawn. However, given the limited size of the sample employed, the generalisability of the findings of the proposed study was expected to be strong (Altermatt, 2013).

The Cronbach reliability coefficient in Table 4.1 was also used as a check of construct validity whereby the main drive was to group similar items together whose purpose was to achieve the same results and so measure the fundamental construct (Tavakol & Dennick, 2011:53)

Reliability referred to the degree to which future studies will result in similar outcomes; hence closed-ended questions were administered to ensure reliability (Leedy et al., 2001:318). Several researchers (Jackson, 2009:65; Burns & Burns, 2008:410; Pietersen & Maree, 2007:215) have mentioned the importance of reliability in the study as it permits one to acknowledge if the measurement tool used is effective, stable and consistent enough to evaluate reliability and allow the repetition of results.

Jackson (2009:68-69), Burns and Burns (2008:415-417) and Pietersen and Maree (2007:215-216) have recognised diverse forms of reliability test, namely test-retest, equivalent form, split half and internal. The researcher identified internal reliability testing as more suitable for the current study and was applied using the Cronbach alpha coefficient based on inter-item correlation (Pietersen & Maree, 2007:216). In fact, Cronbach alpha was established by Lee Cronbach in 1951 to allow the measurement of the internal consistency of a test or scale; it is expressed as a number between 0 and 1 (Tavakol & Dennick, 2011:53); when the alpha coefficient is close to one, this indicates a strong and significant correlation of

high internal consistency, and an alpha coefficient correlation close to zero shows a weak correlation meaning of low internal consistency. The following are approved as generally accepted by researchers (Pietersen & Maree, 2007:216);

- 0.90- high reliability
- 0.80- moderate reliability
- 0.70- low reliability.

Table 4.1 (next page) shows results of the critical questions of the study's Cronbach alpha reliability test. These questions are critical because they had a direct correlation with the research question.

Table 4.1 Cronbach reliability test

	Initial	Extraction
Indicate your proficiency in the skills below by using the rating scale		
Q3.1 Operational Budget	1.000	.906
Q3.2 Cash Budget	1.000	.910
Q3.3 Capital Budgets	1.000	.906
Q3.4 Product Costing and Pricing	1.000	.904
Q3.5 Cost behaviour and Cost allocation	1.000	.905
Q3.6 Activity Based Costing	1.000	.909
Q3.7 Calculation of Profits and Loss	1.000	.908
Q3.8 Cost Volume Profit Analysis	1.000	.906
Q3.9 Product Life Cycle	1.000	.906
Q3.10 Standard Costing	1.000	.904
Q3.11 Job order costing	1.000	.904
Q3.12 Just in Time	1.000	.906
Q3.13 Variance analysis	1.000	.905
How do you perceive the importance following management accounting tools?		
Q4.1 Operational Budget	1.000	.907
Q4.2 Cash Budget	1.000	.912
Q4.3 Capital Budgets	1.000	.906
Q4.4 Product Costing and Pricing	1.000	.905
Q4.5 Cost behaviour and Cost allocation	1.000	.908
Q4.6 Activity Based Costing	1.000	.905
Q4.7 Calculation of Profits and Loss	1.000	.912
Q4.8 Cost Volume Profit Analysis	1.000	.905
Q4.9 Product Life Cycle	1.000	.905
Q4.10 Standard Costing	1.000	.905
Q4.11 Job order costing	1.000	.905

Q4.12 Just in Time	1.000	.904
Q4.13 Variance analysis	1.000	.905

(Source: fieldwork)

All the variables in the above table are important to the questionnaire and had a Cronbach coefficient that was close to one, which indicates high reliability (Pietersen & Maree, 2007:216). In other words, high internal consistency.

4.5 ETHICAL ISSUES

This was the part of the study where important things, such as making sure that the participants were entirely knowledgeable about the nature of research, the space of inquiry, the goals and objectives of the study, as well as the envisioned actions, were considered. (Busher & James, 2002). A crucial ethical issue relies on the privacy of the results and findings, as well as the safety of the respondents (Pietersen & Maree, 2007:41-42). The participation was voluntary and informed consent was ensured through the signing of a letter of consent issued by the institution that was attached to the questionnaire.

Further considerations such as a guarantee that no participants were to be placed in any harmful situation or at risk after their participation in this research, strictly observing all moral procedures served as a standard of trustworthiness and reliability regarding the data collected and the additional data analysis (Madsen & Davids, 2009:5). The participants' right to secrecy and confidentiality was respected at all times. Any barriers to privacy were made clear to the participants, such as notifying them of who may have admission to the data (e.g. research supervisors) (Gajjar, 2013). Participants were made conscious of their right to end the research procedure at any particular time without fear of repercussion.

As directed by the Cape Peninsula University of Technology (CPUT) policies and procedures regarding ethical issues, the researcher adhered to ethical considerations when conducting the research. An official appeal was sent to the CTT informing them about the nature and content of the study. They confirmed by issuing a consent letter which was submitted to the Faculty of Business's Research Ethics Committee (REC), together with a proposal and draft questionnaire. The consent letter is a document that informs participants about the nature of the study to be undertaken, the risk involved and the participants' right to leave the study at any time, without repercussions (Lapan & Quartaroli, 2009:6). Soon after the REC awarded an ethics clearance certificate, the researcher submitted to the higher degree committee (HDC) to register the research proposal of this study.

4.6 CONCLUSION

The aim of this chapter was to explain the research methods and procedures used to collect data in the current study. The research approach embraced in this study was explained as encompassing the design, population, sampling technique and data collection procedures deemed suitable for this study. Data validity and reliability of this study, together with ethical considerations, were clarified regarding the way in which the researcher protected against untrustworthy and nullified data. The subsequent chapter is a presentation and analysis of the results from the data collected in this study.

CHAPTER FIVE

ANALYSIS OF DATA AND PRESENTATION OF THE FINDINGS

5.1 INTRODUCTION

This portion of the study focuses on the analysis and presentation of data collected from decision makers of SMMEs in the tourism industry operating principally in the transportation sector at the Cape Metropole region of the Western Cape, South Africa. The research method informed the analysis and presentation of this research, as indicated in Chapter 4. The application of descriptive statistics was done to present the data with the objective to classify and present data in a proper manner. The presentation and analysis of the results in this study is divided into four sections following the layout of the questionnaire submitted to each respondent. Furthermore, descriptive results according to the four objectives of the study are presented in a consecutive manner, with descriptive results on general questions regarding the management-accounting skills of a small tourist transportation business. In addition, analysis is executed to help summarise the total collected data into interpretable results to allow the researcher to make the correlations between the research results and the research problems, and enable him to draw conclusions.

5.2 DATA ANALYSIS

The analysis of data is presented in this section.

5.2.1 Questionnaire

The questionnaire developed for the purpose of this study and distributed for data collection contained four sections: A, B, C and D. Section A concentrated on personal questions regarding the management approach of the respondents; this section covered categorical yes or no answers. Section B comprised three vital questions specifically drafted to answer the research question. The first question on proficiency of management-accounting skills was in the form of a six-point Likert scale, with 1 = very poor, 2 = poor, 3 = adequate, 4 = good, 5 = very good and 6 = I don't know. The second one was given alternatives to choose from and the third, which dealt with the perception of management accounting skills, was in the form of a six-point Likert scale, with 1 = not effective at all, 2 = less effective, 3 = effective, 4 = more effective, 5 = most effective and 6 = I don't know. Section C comprised questions requiring yes or no answers and for the rest, alternatives were given to choose from. Section D dealt with demographic questions which gave alternatives to choose from. The researcher had to indicate that the reader should refer to Chapter 4 for a full explanation of, and the motive behind, each of the questions.

The data from the completed and collected questionnaires was directly captured into SPSS Version 22 to transform answers into numbers.

5.2.2 Descriptive statistics

With the use of SPSS the researcher was able to directly capture the data onto the software, and convert words into numbers. Descriptive statistics are a technique that is employed to arrange and review data in an expressive manner (Pietersen & Maree, 2007:183). They are offered in different variables in the questionnaire, evaluating the use of management-accounting skills by decision makers in the tourism industry within the Cape Metropole of the Western Cape, South Africa. For every single group of variables, the frequencies and percentage output from a total of the respondents were obtained. In some circumstances answer blocks were left blank, and these were treated as 'missing' values during analyses. The data analysed from descriptive statistics was presented using frequency distribution tables, pie and bar charts.

The last section of the analysis provided descriptive statistics of personal information of respondents concerning the number of years' experience in industry and their academic backgrounds.

5.3 SAMPLE

The sample was made up of decision makers in the SMME tourism sector around the Cape Metropole in the Western Cape, South Africa. However, the researcher encountered difficulties when requesting permission by officials from Cape Town Tourism to access the Western Cape's transportation tourism database. Therefore it was unavoidable that the researcher had to conduct the research process on a door-to-door basis in the transportation sector of tourism in Cape Town. During this practice, as inclusion criteria, the researcher had to first find out if the company operated as a tourist transportation entity prior to preliminary dialogue regarding the research questionnaire, thus helping to eliminate those who did not meet the eligibility criteria (Easterby-Smith et al., 2008:218). In all 38 completed and returned questionnaires, which were analysed.

The next section is an analysis and presentation of the results. Each section presents the results of the study which are analysed separately in accordance with the layout of the questionnaire. Each question begins with the reasoning of the existence of such questions in the questionnaire, then follows the results and ends with a discussion regarding the result.

5.4 DESCRIPTIVE RESULTS OF THE STUDY

This section offers the analysis concerning the results obtained in order to address the research objectives of this study. Each objective is addressed independently under different sections. Each section of the presentation consists of an introduction, analysis and conclusion. Tables and diagrams are used, where considered appropriate, to foster analysis and presentation of processed data. The first section analysed deals with SMME classification questions about transportation SMMEs operating in the tourism industry which were identified as participants for this study. The goal was to provide an overview of the nature and the environment in which the study was conducted.

5.4.1 Descriptive results on personal questions

This section of the analysis provides the type of population on which the study was conducted. The questions asked to collect data derive from Section C of the questionnaire and are as follows:

- How will you classify your business?
- How will you categorise your tourism business?
- Indicate the number of permanent staff in your business.
- Indicate the number of temporary staff in your business.
- Who is responsible for managing the business?
- Please indicate the annual turnover of your business.

5.4.1.1 How will you classify your business?

The aim of this question is to determine the form of entity the respondent was operating in. The results are shown in Figure 5.9 as follows: Out of 38, 18 (47.4%) respondents stated that they were running a sole propriety entity; 6 (15.8%) said a partnership entity; 8 (21.1%) ran a close corporation business; and 6 (15.8%) were in a private company.

This result confirms that most of the businesses in the transportation sector of tourism prefer to operate in the sole ownership form of company, carrying the risk alone and making effective decisions for the good running and long-term durability of their businesses.

Figure 5.1: Business classification



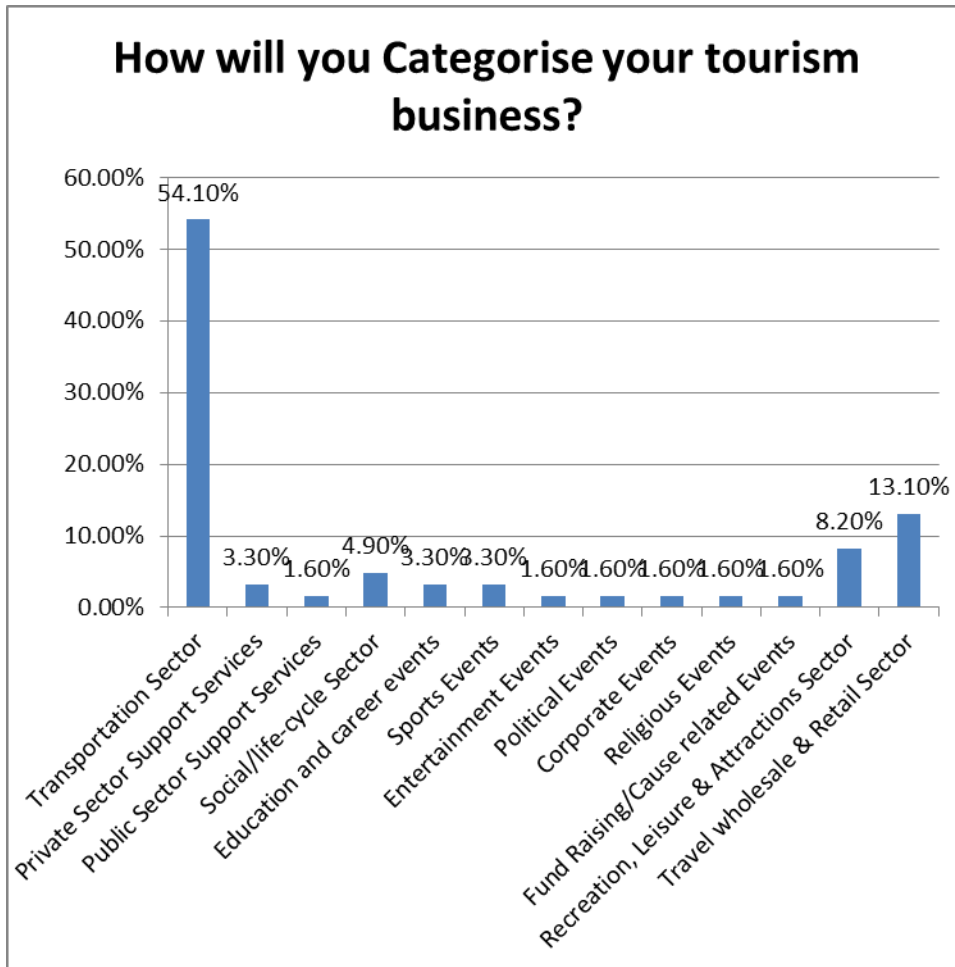
(Source: fieldwork)

5.4.1.2 How will you categorise your tourism business?

As Cape Town Tourism has several sectors of tourism, the researcher wanted to focus primarily on one specific type of tourism business and secondly it was important to know what type of tourism sector the respondent was managing. The specific type of tourism that the researcher chose to focus on was the transportation tourism sector, as shown in Figure 5.2 below.

The total of respondents is 38. The percentage on the graph is worked out of 61 because some respondents, having their core business as transportation, for example, would combine it with any other type of tourism business that could increase the cash flow of their business.

Figure 5.2: Types of tourism business



(Source: fieldwork)

5.4.1.3 Indicate the number of permanent staff in your business

The target in this question was to know the number of permanent staff, as in most businesses permanent staff is part of management; therefore they make decisions for the success of the company.

As shown in the Figure 5.3, permanent staff in the transportation sector of tourism may vary from 0 to 65. This also depends on of the form of company they fall under.

Figure 5.3: Number of permanent staff in the business



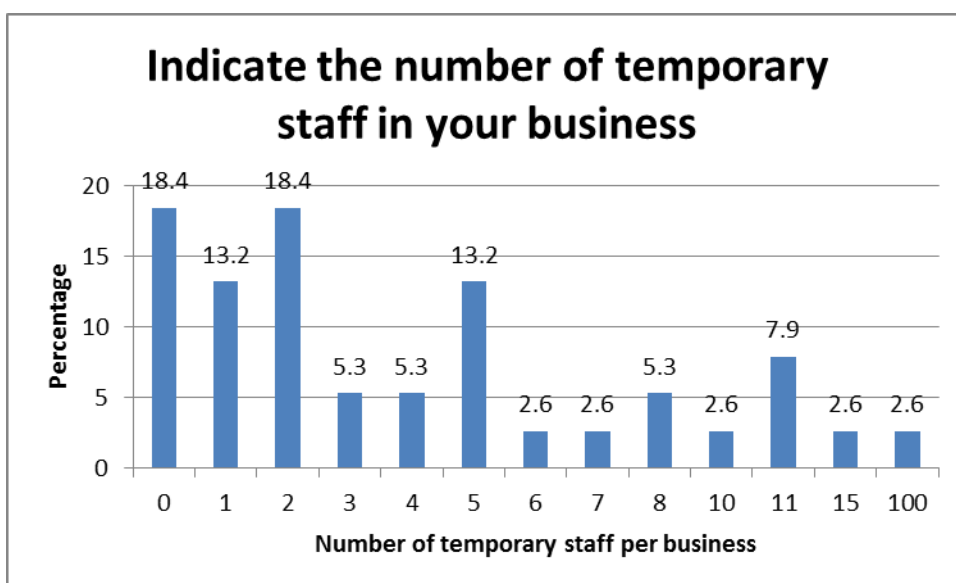
(Source: fieldwork)

5.4.1.4 Indicate the number of temporary staff in your business

This question was regarded as the comparison to the previous question. Its purpose was to determine the staff that ran the business.

As captured in Figure 5.4, the number of temporary staff in the transportation sector of tourism varies from 0 to 100. Here the researcher needs to mention that temporary staffs in this category depend on the business period; they are called 'freelancers'.

Figure 5.4: Number of temporary staff in the business



(Source: fieldwork)

5.4.1.5 Who is responsible for managing the business?

This question was asked to determine who is really on top of things and how the person operates. The results regarding this question are shown in Figure 5.5 and state that out of 38, 17 respondents (44.7%) stated that the business is managed by the owner, 2 (5.3%) are managed by the manager, and 19 (50%) are managed by both owner and the manager.

This confirms that nowadays owners of each entity want their managers to be involved in the day-to-day running of their organisations, hence the representation of 50%.

Figure 5.5: Management responsibility



(Source: fieldwork)

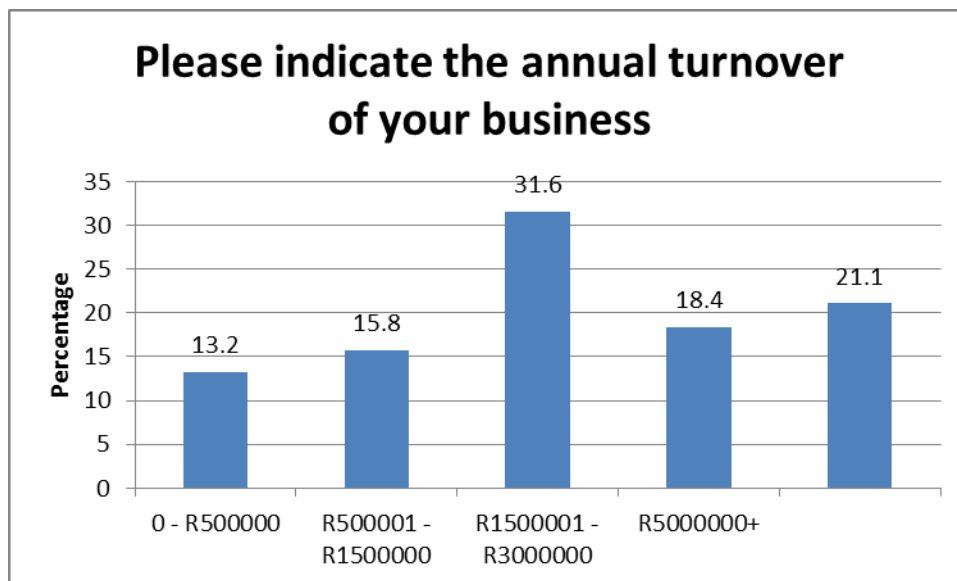
5.4.1.6 Please indicate the annual turnover of your business if applicable

The aim of this question was to determine and verify if the respondent entity was meeting SMME classification and definition requirements.

Figure 5.6 shows that out of 38 respondents, 5 (13.2%) were in the category of 0 to R500,000 (micro business); 6 (15.8%) stated between R500,001 and R1,500,000; 12 (31.6%) stated between R1,500,001 and R3,000,000 (very small business); and 7 (18.4%) said R5,000,000+ (small and medium). The remaining 8 respondents (21.1%) chose not to provide this information and the data was treated as missing.

The result of this question demonstrates that all the targeted businesses met the requirements and definition of a SMME in South Africa. It also shows that the transportation sector of tourism in the Cape Metropole consists mainly of small entities.

Figure 5.6: Annual turnover of business



(Source: fieldwork)

5.4.1.7 Conclusion

SMMEs in the transportation sector of the tourism industry are mostly small entities operating more on a sole proprietorship form of business. Hence they prefer to carry the risk alone by making effective and efficient decisions for the success of their businesses. Business owners give responsibility to their managers, most of whom are permanent staff, to get involved in the day-to-day running of the business and facilitate decision making in the organisation.

5.4.2 Descriptive results: Objective One

The following section of the descriptive results is an analysis of Section B of the questionnaire, which indicates proficiency in the management-accounting skills of the participants operating in the transportation sector of the tourism industry. Objective One of the study is met by using the following tables and graphs. The objective is to determine what management-accounting skills the decision makers of the targeted businesses possessed and which ones they lack so that appropriate training recommendations can be made to improve their management methods. The research question that addressed this objective was as follows: *What management accounting tools do the decision makers of SMMTEs in the Western Cape, South Africa employ to inform their decisions?*

5.4.2.1 Proficiency of management accounting skills

This question was asked to explore the ability to use management-accounting skills and put them in practice for decision-making purposes. In this question the respondent was asked to indicate his/her proficiency in management-accounting skills given to him/her by using the rating scale of very poor – poor – adequate – good – very good – I don't know.

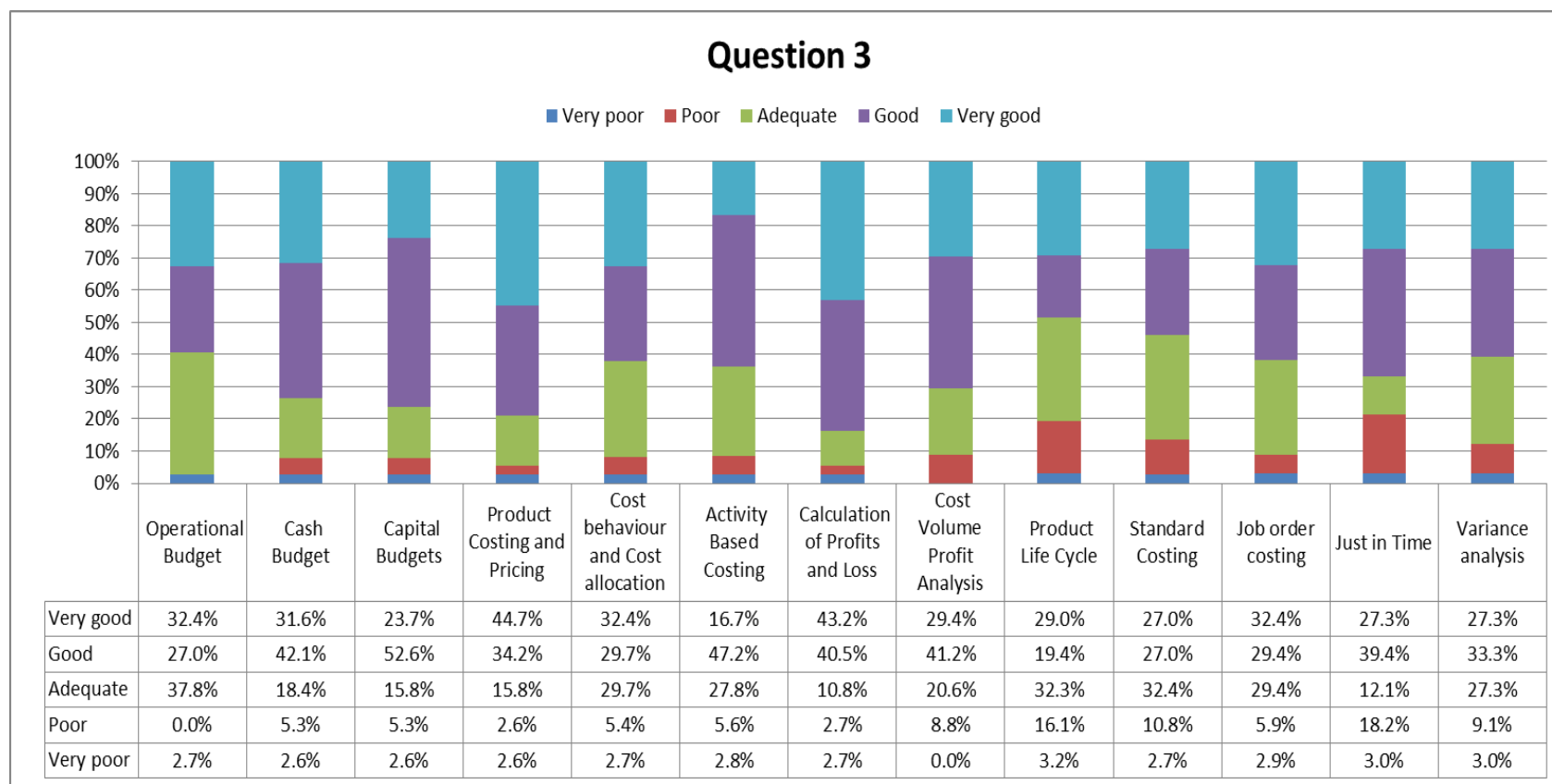
The data captured of Figure 5.6 shows the results below:

- Operations budget; out of 37 : (15) 40.5% stated poor and (22) 59.5% good
- Cash budget; out of 38 : (10) 26.3% stated poor and (28) 73.7% good
- Capital budget; out of 38 : (9) 23.7% stated poor and (29) 76.3% good
- Product costing and pricing; out of 38 : (8) 21.1% stated poor and (30) 78.9% good
- Cost behaviour & cost allocation; out of 37 : (14) 37.8% stated poor and (24) 62.2% good
- Activity Based Costing, out of 36 : (13) 36.1% stated poor and (23) 63.9% good
- Calculation of Profits and Loss; out of 37 : (6) 16.2% stated poor and (31) 83.8% good
- Cost Volume Profit Analysis; out of 34 : (10) 29.4% stated poor and (24) 70.6% good
- Product Life Cycle; out of 31 : (16) 51.6% stated poor and (15) 48.4% good
- Standard Costing; out of 37 : (17) 45.9% stated poor and (20) 54.1% good
- Job order costing; out of 34 : (13) 38.2% stated poor and (21) 61.8% good
- Just in Time; out of 33 : (11) 33.3% stated poor and (22) 66.7% good
- Variance analysis; out of 33 : (13) 39.4% stated poor and (20) 60.6% good

Based on this result, the researcher can affirm that decision makers in the transportation sector within the Cape Metropole are actually apt to use management-accounting skills. This result corroborates the statement of Kasekende and Opondo, (2003:11) who stipulate that

any owner or manager in possession of management-accounting skills will be in a better position to run his/her business efficiently and effectively. This question was in the form of a four-point Likert scale ranging from 1 = very poor to 4 = very good. The “I don’t know” was provided for the respondent who didn’t have the specific management-accounting skills and the answer provided was treated as missing data.

Figure 5.7: Skills proficiency of the respondents



(Source: fieldwork)

5.4.2.2 Whom do you consult for decision making purposes?

This question was indirectly linked to the previous one, Question 3, in the sense that if the respondent stated that he/she is able to use management-accounting skills, it simply means that the respondent possess the skill, but this is followed by the question to know who you consult for decision making. The purpose of this question is to determine how financially and managerially literate the respondent is (**Research Objective Two**) and also to find out if he/she uses management accounting skills to make decisions, hence they stated that they are good at using it.

As illustrated in Figure 5.8, the results shows that out of 38 respondents, only 5 (13.2%) respondents used management-accounting tools to make decisions; 10 (26.3%) used external parties; 10 (26.3%) consulted business partners for decision making; 9 (23.7%) made decision by themselves; 1 (2.6%) consulted a family member and, lastly, 3 (7.9%) respondents consulted people with similar businesses for decision making purposes.

The result obtained from this question symbolises that more than the majority of decision makers in the transportation sector of tourism do not actually trust their own management skills to base their decisions on it.

Figure 5.8: method used for decision making purposes



(Source: fieldwork)

5.4.2.3 Conclusion

From the abovementioned, it comes out of this section that decision makers (owners and managers) of small businesses operating in the transportation sector of the tourism industry are financially literate, hence they possess management accounting skills and have the ability to use them in their businesses; on the other hand they do not consult the management-accounting tools to make decisions but rather external parties (accountants) or business partners.

5.4.3 Descriptive results: Objective Two

This section presents the descriptive results which focus on Objective Two of the study that reads: To determine how financially literate the decision makers of SMMEs operating the transportation sector of the tourism industry are. The research question that addressed this objective was as follows: *On what basis are the management decisions made in the SMMEs?* This section provides a financial background of the respondent as well as the workshop training attended to succeed in business. The respondents were asked the following questions:

- Have you attended any management training or workshop within the past 10 years?
- Do you have any relevant accounting skills?
- Do you need an accountant in your business?
- Do you need management-accounting skills?

The questions were asked in form of Yes or No.

Regarding the question on management training or workshop attendance within the past 10 years, respondents were asked to specify what business management training he/she has attended. The respondent had to choose between accounting training, business training and management training.

5.4.3.1 Have you attend any management training or workshop within the past 10 years?

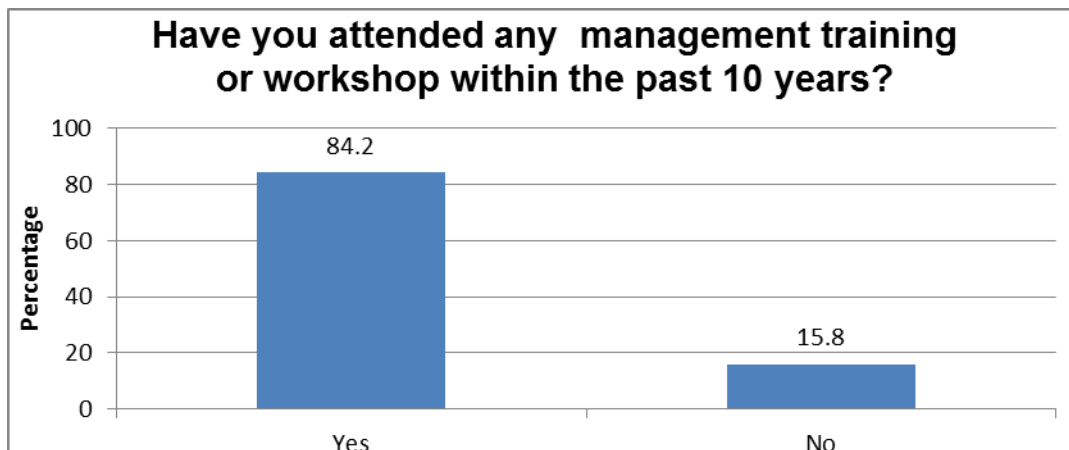
The reason why this question was asked is to know if the decision maker has any management skills or applies a certain type of management in his business. This question

was linked to Question 2 to indicate, if yes, what type of management training or workshop the respondent went to in the past 10 years.

The result for the management training or workshop attended within the past 10 years is shown in **Figure 5.9**. Out of 38 respondents, 32 (84.2%) respondents indicated positively that they went on management training or workshops within the past 10 years, while only 6 respondents stated that they never went to management training or workshops within the past 10 years, which represents 15.8%.

This may imply that most of the decision makers within the transportation sector of tourism industry in the Cape Metropole have appropriate knowledge and skills to manage successfully their organisation by attending training or workshops within the past 10 years.

Figure 5.9: Attendance of management training or workshop within the past 10 years

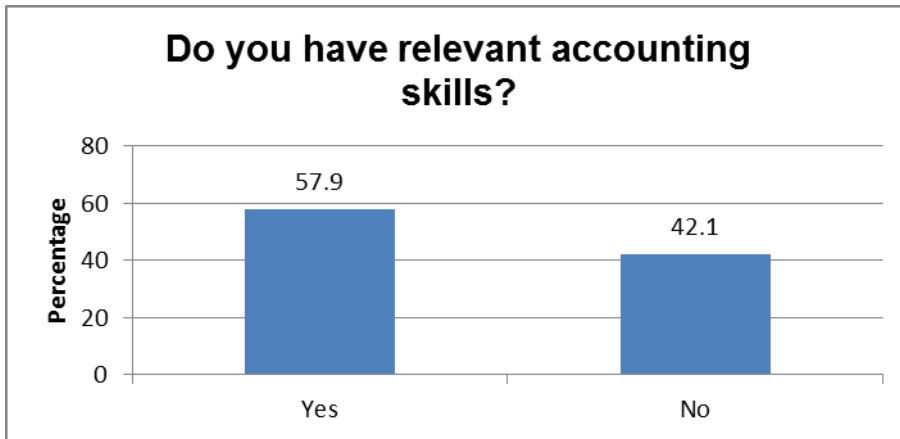


(Source: fieldwork)

5.4.3.2 Do you have any relevant accounting skills?

The purpose of asking this question was to know if the respondent was familiar with accounting concepts. Out of the 38 respondents, 22 showed that they have relevant accounting skills, which represents 57.9%; 16 confirmed that they do not have any accounting skills, and the 42.1% representation is shown in **Figure 5.10** below.

Figure 5.10: Possession of relevant accounting skills



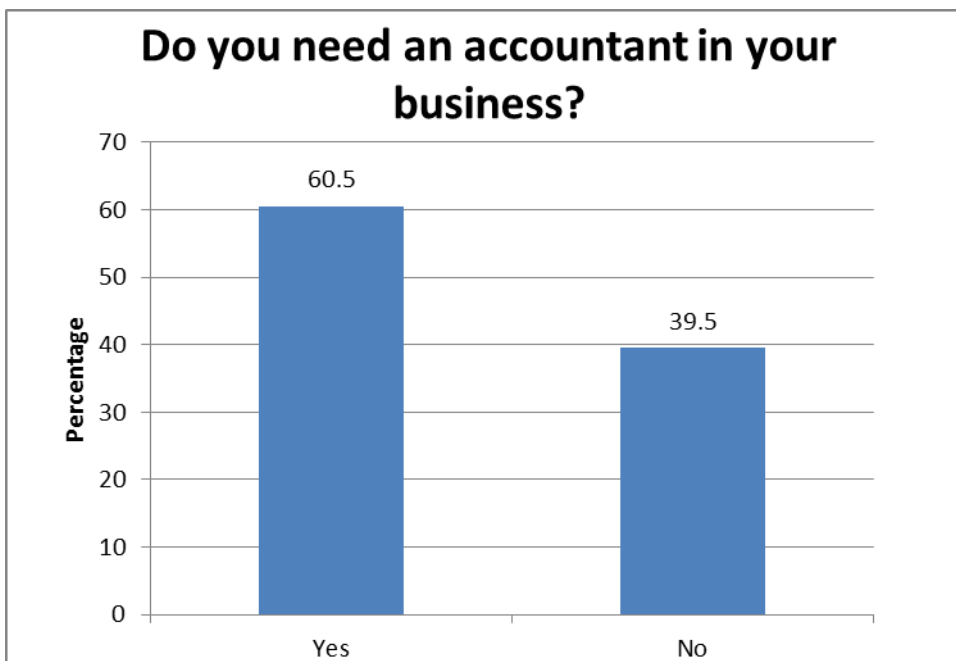
(Source: fieldwork)

5.4.3.3 Do you need an accountant in your business?

This question is a continuation of question 1.1 and 1.2 in the sense that if the respondent did not attend any management training or workshop within the past 10 years, the respondent is not in possession of any accounting skills; then the researcher would like to know if they need an accountant in their business.

Out 38 respondents, 23 affirmed that they need an accountant in their business, which represents 60.5%; 15 (39.5%) answered that they do not need an accountant, as they do have the relevant accounting skills. **Figure 5.3** elaborates what was said about question 1.3

Figure 5.11: Need of an accountant in the business



(Source: fieldwork)

5.4.3.4 Do you need management accounting skills?

This question was asked to find out if the respondents need management-accounting skills to run their business.

As illustrated in Figure 5.4 below, out of 38 respondents, 16 (42.1%) stated that they do not need management-accounting skills; and 22 (57.9%) respondents rejected the need of management accounting skills to run their business.

Figure 5.12: Need of management accounting skills



(Source: fieldwork)

5.4.3.5 Specification of business management training attended

This question was linked to question 1.1 to know which type of management training or workshop the respondent attended. The results as projected in **Figure 5.5** show that out of 32 respondents who stated that they have attended training or workshops for the past 10 years, 17 (44.7%) attended business related training; 5 (13.2%) accounting related; and 10 (26.3%) management related training.

Figure 5.13: Indication of the type of training attended



(Source: fieldwork)

5.4.3.6 Conclusion

The majority of the respondents are financially literate, most of whom attended business related training for the survival of their organisations. They do have some accounting skills but they also do need accountants so that they can concentrate on promoting their businesses, save time dealing with numbers and make more profits. Consequently, for the most part, they do not need management accounting skills.

5.4.4 Descriptive results: Objective Three

This section focuses on Objective 3 of the research study which sought to determine the thoughts of decision makers of small businesses operating in the transportation sector of the tourism industry of the Cape Metropole about implementing management-accounting skills in the business to facilitate their decision making process. The results analysed in this section emanate from section B question 4 of the questionnaire. The research question that addressed this objective was as follows:

What is the decision makers' perception of the effectiveness of the current management accounting tools employed to make decisions?

5.4.4.1 How do you perceive the importance following management accounting tools?

This question was asked to determine the respondents' thoughts about implementing management-accounting skills to facilitate their decisions making.

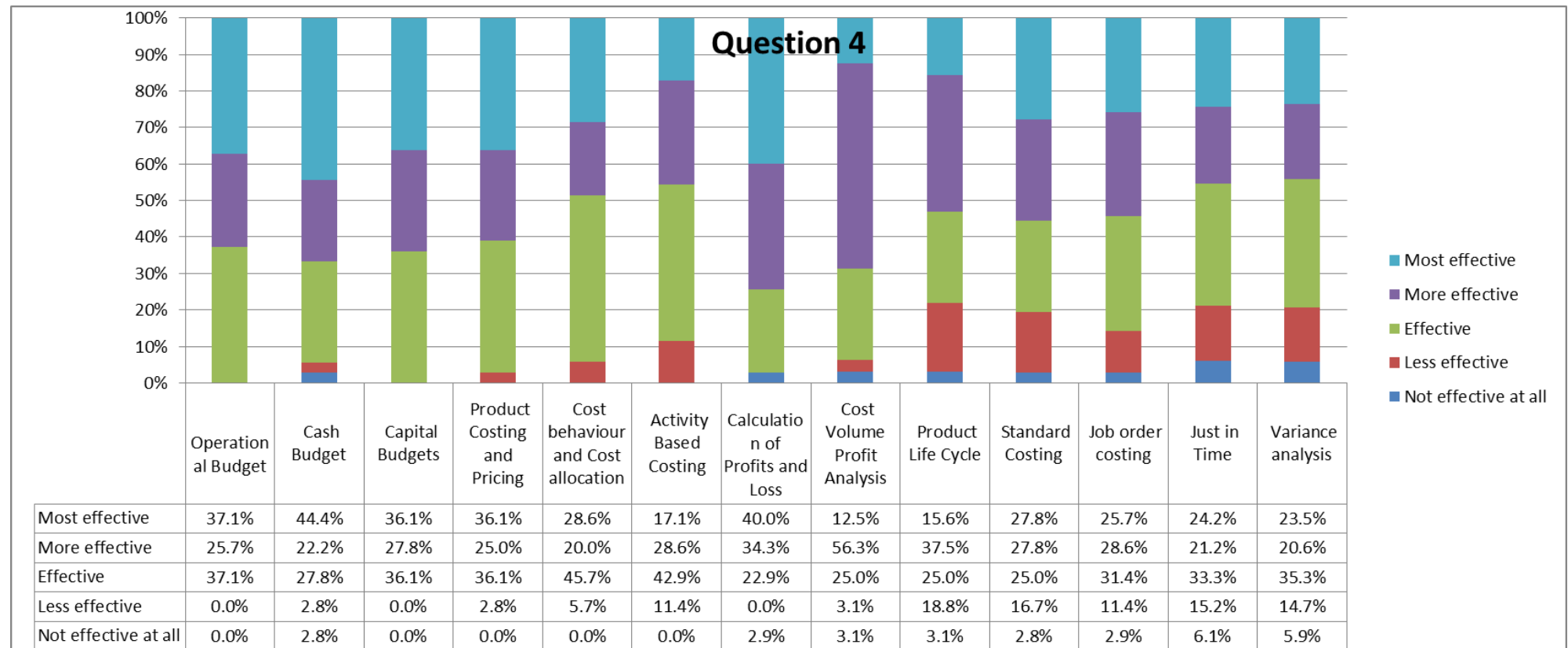
A four-point Likert scale statement, 1 = not effective to 4 = most effective, was used to address this question. The "I don't know" scale was provided for the respondent who didn't know the specific management accounting skills and the answer provided was treated as missing data.

The data captured of Figure 5.14 shows the results below:

- Operational budget; out of 35 : all the respondents (100%) stated effective
- Cash budget; out of 36 : (2) 5.6% stated not effective and (34) 94.4% effective
- Capital budget; out of 36 : all the respondents (100%) stated effective
- Product costing & pricing; out of 36 : (1) 2.8% stated not effective and (35) 97.2% effective
- Cost behaviour & Cost allocation; out of 35 : (2) 5.7% stated not effective and (33) 94.3% effective
- Activity Based Costing; out of 35 : (4) 11.4% stated not effective and (31) 88.6% effective
- Calculation of Profits & Loss; out of 35 : (1) 2.9% stated not effective and 97.1% (34) effective
- Cost Volume Profit Analysis; out of 32 : (2) 6.2% stated not effective and (30) 93.8% effective
- Product Life Cycle; out of 32 : (7) 21.9% stated not effective and (25) 78.1% effective
- Standard Costing; out of 36 : (7) 19.4% stated not effective and (29) 80.6% effective
- Job order costing; out of 35 : (5) 14.3% stated not effective and (30) 85.7% effective
- Just in Time; out of 33 : (7) 21.2% stated not effective and (26) 78.8% effective
- Variance analysis; out of 34 : (7) 20.6% stated not effective and (27) 79.4% effective

This indicates that more than 51% of decision makers in the transportation sector of tourism in Cape Town find management accounting effective for business management.

Figure 5.14: Effectiveness of respondents' management accounting skills



(Source: fieldwork)

5.4.4.2 Conclusion

The analysis from Objective 3 reveals that SMMEs owners and managers operating in the transport business of tourism in Cape Town find management accounting effective for the survival of their organisations. However referring back to the objective one of this study, the targeted decision makers are able to use management accounting skills effectively and efficiently for the success of their business, with Objective 3 they perceive it as being effective for the business. These decision makers do not implement it in their decision making process as they might not know the importance of management accounting in the business management.

5.4.5 Descriptive results: Objective four

The presentation and analysis of research results based on Objective 4 of this study is dealt with under this section:

To explore which training needs they have with regard to management accounting skills.

The research sub-question that leads to this objective was: *Are the decision makers of tourism's SMMEs familiar with standard management accounting tools?*

Referring to the previous Objectives 1, 2 & 3, it comes out clearly that decision makers are familiar with management-accounting skills hence they are able to use them and they find it effective for the business. Most of them did attend some business management training to conduct effectively their organisations and avoid failure. Also it was revealed that decision makers in small tourism businesses in the Cape Metropole do have the necessary management-accounting skills to make decisions, and rely more on external parties (accountants) and business partners to do their accounting. Therefore it is recommended that decision makers of small businesses operating in the transportation sector of the tourism industry in Cape Town attend management-accounting skills training to understand the value and importance of implementing management-accounting tools in their decision-making processes.

5.4.6 Descriptive results: Objective five

As the application of management accounting to the business requires necessary knowledge, skills and experience, this section presents the descriptive results which focus on

Objective 5 of the study that reads: To investigate the current experience and education of small-business owners with regard to management-accounting skills.

The research question that addressed this objective was as follows: *What is the current level of experience, training and education of the decision makers of SMMTEs in the Western Cape, South Africa, with regard to management accounting?*

This section provides an education background of the respondent as well as his/her period/experience of managing such an entity. The respondents were asked the following questions:

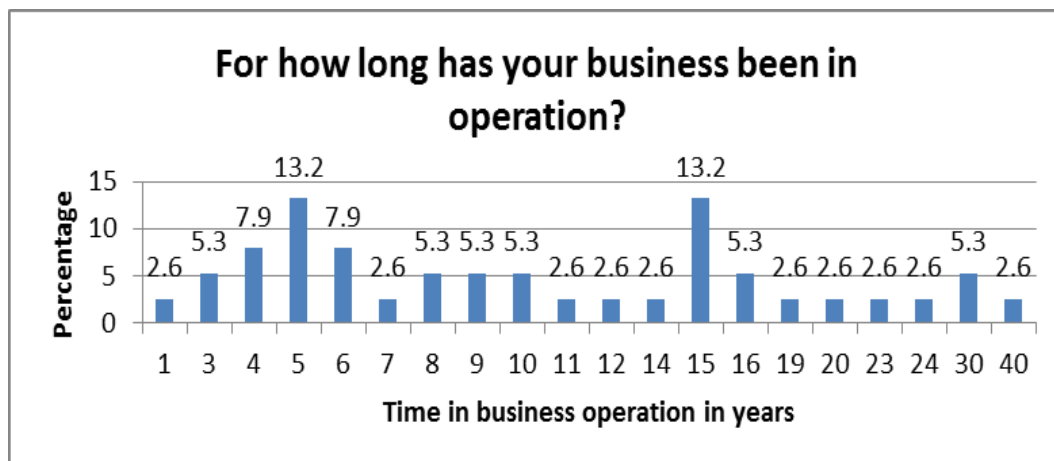
- For how long has your business been in operation?
- Indicate your academic education qualification

5.4.6.1 For how long has your business been in operation?

The chief reason for this question was to determine if the application of management-accounting skills or not into the business during that specific period of operation led to success or failure.

Figure 5.15 shows that the transportation sector of tourism can survive more than a decade, and up to 40 years.

Figure 5.15: Time the business has been in operation



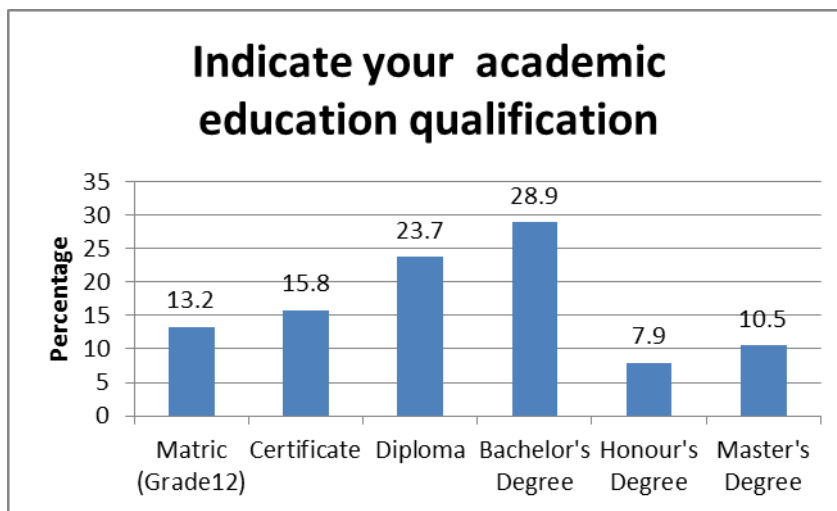
(Source: fieldwork)

5.4.6.2 Indicate your academic education qualification

The motivation behind asking this question was to determine if the decision makers of the transportation sector of tourism in the Cape Metropole attended school, and what they achieved. The respondents were given a number of alternatives to choose from.

Figure 5.16 shows that out of 38 respondents, 5 (13.2%) agreed that they hold a matric as their highest qualification; 6 (15.8%) had certificates; 9 (23.7%) diplomas; 11 (28.9%) a bachelor's degree; 3 (7.9%) an honours degree; and lastly 4 (10.5%) had a master's degree.

Figure 5.16: Education level



(Source: fieldwork)

5.4.3.2 Conclusion

The owners and managers (decision makers) of SMMEs in the transportation sector of the tourism industry within the Cape Metropole of the Western Cape, South Africa, are highly educated and most have been managing their businesses for over a decade.

5.5 CONCLUSION

This chapter presented the findings and analysed data obtained from decision makers of SMMEs operating in the transportation section within the Cape Metropole of the Western Cape, South Africa, regarding their utilisation of management-accounting skills in their businesses. The data acquired through the research questionnaire was analysed and interpreted. The major findings of this descriptive study revealed that the majority of decision makers in the transportation sector of tourism in the Cape Metropole are highly able to use management accounting skills. In addition, they found management-accounting skills to be effective for business management. However, they do not use these skills for decision-making purposes. It also comes out of this research that:

- SMMTEs in the transportation sector in the Cape Metropole prefer to go on a sole-proprietorship form of business.
- The focus of the study was on SMMTEs in the transportation sector in Cape Town, however the researcher found that to make extra profits some businesses will go to any other type of tourism sector to satisfy the customer and make extra income to sustain their business.
- Permanent staffs are the ones more involved in the decision-making process than temporary staff who are treated as freelancers during busy business periods.
- Business owners give managers the responsibility to run their organisations and trust them to make decisions accordingly.
- SMMTEs in the transportation tourism industry in the Western Cape, South Africa, are mainly small entities according to their annual turnover.
- Decision makers in the transportation business of tourism possess management-accounting skills and they are able to use them but actually do not employ them for decision-making purposes.
- Most of the decision makers are financially literate as they did attend some business-accounting skills training.
- Decision makers perceive management-accounting skills as being effective for business management.
- Decision makers in the transport business of tourism in Cape Town did attend, for the most part, business management training with the past 10 years for the survival of their organisations.
- The majority of small tourism businesses in transportation in the Cape Metropole have been in operation for more than a decade, some up to 40 years.
- The owners and managers of small businesses in the travel and tour sector are highly educated and qualified to run their organisations successfully.

The next chapter will conclude the study and provide recommendations based on the abovementioned findings

CHAPTER SIX

DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

6.1 INTRODUCTION

Management-accounting skills, from a management viewpoint, are considered vital to the successful running of an organisation and lead to effectiveness and the sustainability of a small business. It is fundamental for SMMEs to employ their knowledge and skills to make effective business decisions. But this becomes unlikely when such management knowledge and skills are lacking as this would probably lead to a loss or failure in business as, in reality, an organisation's performance is orientated by proper management. For the purpose of this study, making an effective business decision includes the proper employment of the management-accounting skills possessed by owners and managers. Management accounting facilitates forecasts and expectations in support of decision making. However, management accounting as a tool needs skills obtained through education or training in order to be used effectively and efficiently. Decision making involves selecting among many possibilities in order to accomplish a particular goal. The art of decision making requires the actor to have a set of techniques, knowledge and skills helpful and useful for making high-quality decisions for the benefit and survival of the business.

Helpful and useful knowledge and skills for effective decision making comprise management-accounting skills and the use of proper methods to implement them in the business's management. Once all these management-accounting skills are possessed by the decision maker and implemented in the management system of the organisation, increments in the eventual profitability and sustainability of these SMMEs in tourist transportation firms will be inescapable. Therefore, the purpose of this research was to investigate the extent to which SMMEs in the tourism industry employ management-accounting skills to make decisions in order to escalate their businesses' profitability and sustainability. A positivistic research paradigm was adopted in which data was purposively collected from decision makers by means of questionnaires. The outcomes were analysed through statistical means and were descriptive in nature. SPSS was used to analyse data captured. Key findings show that tourist transportation SMMEs do not employ management-accounting skills to make decisions.

6.2 DISCUSSIONS

The results which were analysed and presented in the previous chapter are discussed categorically under different sections according to the objectives of the study (Chapter 1). From the start of the study, the research questions were aligned to the research objectives.

6.2.1 Personal questions

The majority of businesses operates as sole proprietors and prefers to carry the risk alone. This study revealed that decision makers of SMMTEs rely on external parties (accountants) and business partners (for some of them) to make financial and management decisions. As confirmed by Brijlal et al. (2014:341), the majority of SMMEs in South Africa use external parties such as accountants to fulfill their accounting duties and to make financial decisions. This is the reason why CIMA (2012:10) recommended partnerships with management accountants to allow business owners to focus on promoting the business and let management accountants make effective decisions and reduce business expenses for a better profitability. The researcher finds the suggestion of CIMA (2012) appropriate to small businesses as partners will put together skills and knowledge to expand the business successfully, and avoid failure.

To make extra income, decision makers in the transportation sector of the tourism industry in Cape Town will go out of their core business to satisfy their customers and make extra profits to sustain their business.

Permanent staff members are more likely to be involved in the management of the company than temporary staff, who are treated as freelancers during the peak season. The running of the business is shared between the owner and his manager on a fifty-fifty basis. Owners give responsibility to managers to fully be involved in the management process of the organisation. Ateljevic (2007:308) perceives the failure of SMMEs as one of the direct consequences of owners or owner-managers' management incompetence. For Brink et al. (2003:4), owners and managers of SMMEs in South Africa "do not have a clue how to run the business" and this is specifically because of management issues such as management training and skills.

For Brewer et al. (2013), the use of management accounting for decision-making purposes shouldn't be only for owners and managers of the organisation but the employees as well. In order to face business competition nowadays, entities should utilise all their resources and generate their costs (Lavia Lopez & Hiebl, 2014).

The data analysis shows that all the SMMTEs of the targeted population met all the requirements of being a SMME in South Africa; but also it is shown that the majority operate as small entities. CIMA (2012:7) reveals that small businesses use less management accounting than medium ones. Similarly Lavia Lopez and Hiebl (2014:1) indicate that the practice of management accounting in small entities is low and different from large entities. Further Lavia Lopez and Hiebl (2014:5) observe that small entities do not use management accounting for decision making but to provide information to external stakeholders, such as banks, or to extend their network providers.

6.2.2 Research objective one

The outcomes from the questionnaires which were expected to achieve objective one of this study are discussed in this section. The research question was:

What management accounting tools do the decision makers of SMMEs in the tourism industry in the Western Cape, South Africa, employ to inform their decisions?

Calculation of profits and loss was the highest management-accounting skill which 83.8% of decision makers in the tourism business employ to make effective decisions. This result is in line with the statement made by Santos et al. (2014:3) who indicate that owners and managers of small businesses make use of the calculation of profit and loss to obtain information for long-term decisions. Nevertheless this result is opposite to the emphasis made by Gray (1991:87) who stated that owners of small businesses find the calculation of profit made by their organisations difficult to perform. Actually, this explains why decision makers of the targeted population focus more on generating cash into the business. The focus on price calculation by owners and managers of small businesses is viewed as a challenge to use proper management-accounting tools to meet business objectives (Brierley, 2011).

Managing a product lifecycle received a lower percentage, which is of concern with regard to how decision makers monitor the market value of their product and perform the profit and loss calculation correctly. According to Shaku (2011:57), understanding the product lifecycle makes it simple for the business owner to acknowledge the stage the business is in and make decisions accordingly. Shaku (2011:57) states that managing the lifecycle of the business motivates business owners to keep hope, even when they are not making a profit.

In general, decision makers of SMMTEs operating in the transportation sector in the Cape Metropole of the Western Cape, South Africa, are able and proficient to employ management-accounting skills in their respective businesses to make effective and efficient decisions for the success of their organisations. Regarding other management-accounting skills, the respondents indicated that they are able to use Activity Based Costing (ABC) (63.9%), standard costing (54.1%) and variance analysis (60.6%) for the effective management of their businesses; however Shields and Shields (2005) find the use of these techniques not as popular among SMMEs as it is with large companies. On other hand, Asharany et al. (2010) indicate that ABC systems are more useful than cost calculation alone in SMMEs. On the topic of budgets in SMMTEs, the research participants mentioned being able to use operation budgets (59.5%), cash budgets (73.7%), and capital budgets (76.3%) in the day-to-day running of their businesses. This result is in line with Shaku's (2011) statement who indicated that budgeting in the tourism sector is the skill that owners and managers apply the most in their management. Payback-period calculation through capital budgets is confirmed by Fatoki et al. (2010:1275) as being the most-used investment tool.

The participants were asked a second question to find out what or whom they consult for decision-making purposes. Surprisingly it emerged that they use external parties and business partners to make decisions, instead of management-accounting tools. This finding is in line with Brijlal et al. (2014:341) who reveal that more than half of the South African SMMEs examined utilise external parties such as accountants to fulfil their accounting duties; and more than 60% of those SMMEs still depend on external parties to interpret and use their accounting information for decision making. For Reider (2008:157), business finds it very difficult to apply management accounting as they are reluctant to use it. According to Ahmad et al. (2012:77), the lack of awareness of new management-accounting techniques, the lack of top management support for the training and education of employees as well as a lack of expertise are the reasons why the use of traditional management-accounting techniques remains strong. Brierley (2011) describes the focus on price calculation by owners/managers of small businesses as a challenge to use proper management-accounting tools to achieve business objectives.

6.2.3 Research objective two

Results emanating from objective two of the study are discussed in this section. The research question was:

On what basis are the management decisions made in the tourism SMMTEs?

This question was asked primarily to determine how financially literate the decision makers of SMMTEs operating in the transportation sector in Cape Town are.

For that purpose, several other questions were asked to attain the objectives:

- Have you attended any management training or workshop in the past 10 years?

Altogether 84.2% of respondents indicated that they attended management training or workshop within the last 10 years. Of the 84.2%, 44.7% attended business-related training, 26.3 % did management training and the few remaining (13.2%) attended accounting-related training. This indicated that owners and managers (decision makers) of SMMTEs within the transportation sector in the Cape Metropole seem to go more on training or workshops that would assist their businesses to grow, and to avoid failure. This view is shared by Pett and Wolff (2007) who argue that SMMTEs depends on the performance levels of their owners and managers rather than the overall performance of the business. This result is not in parallel with the statements of researchers such as Tassiopollos (2010), Saayman and Slabbert (2001), Berry et al. (2000) and many others who mention lack of business skills as the reason why SMMTEs are failing, as well as a lack of training and learning among owners and managers of SMMTEs.

- Do you have relevant accounting skills?

In this question the majority stated that they do have the relevant accounting skills.

This result implies that most decision makers in the transportation sector of tourism in the Cape Metropole are aware of what accounting is and how it should be used to effectively run their entities. This outcome is not in line with Rutherford (2006) who indicates that owners and managers of SMMTEs who lack accounting skills is a reason why they are incapable of drafting the financial reports of their businesses. Halabi et al. (2010), warn those owners and managers of SMMTEs who do not have any skill or knowledge in accounting still apply them in the management of their business to obtain automatic results, as results might not always be positive for the organisation. In the same line of discussion, Quinn (2011) indicates that owners and managers of small businesses might have the relevant accounting skills but sometimes do not use them for financial decision-making.

- Do you need an accountant in your business?

Once again the majority stated yes, they do need an accountant for the business, even though they had accounting skills. In this particular question some respondents, with the relevant accounting skills or having attended management training, also affirmed that they do need an accountant for their businesses, simply because accountants are more qualified to do such jobs and would not only save them time but also avoid huge financial mistakes.

This result meets the findings of Brijlal et al. (2014:341) who found that more than half of small businesses in South Africa make use of external parties such as accountants to deal with their accounting obligations. According to Kirby and King (1997), SMME owner-managers require accounting information for decision making but fail to have such skills; instead they rely on outsourced support such as professional accountants to correctly manage their assets and make effective financial and non-financial decisions.

- Do you need management accounting skills?

The majority of respondents stated that they do not need management-accounting skills in their businesses. This result indicates that the majority of decision makers in the transportation sector of tourism in the Cape Metropole might not know the importance of management-accounting skills when it comes to decision making, or also it might be that they can make useful and effective management decisions without consulting management-accounting tools. This result goes with the finding of Hall and Young (1996) who revealed that the majority of SMMEs in South Africa lack management-accounting skills, which has led them failure in business. This was also discovered by Randall and Horsman (1998).

Actually management skills are important for the effective running of a business, as is stated by Gowthorpe (2008:34) and Zvomuya (2010) who identify that adequate business management and technical skills are needed to integrate activities, to effectively adopt proactive decision making, and to achieve organisational goals. Argiles and Slof (2003) and Marriott and Marriott (2000) indicate that a better use of management accounting would drive businesses to success and greater performance benefits. Shaku (2011:45) indicates that the absence of management accounting is the reason for internal business failure as skills relating to cash flow and asset management are often lacking.

Finally, the researcher can conclude that decision makers in the targeted population are financially literate as many of them did attend business-management training within the past 10 years, in addition to which they possess the relevant accounting skills.

6.2.4 Research objective three

This section discusses results on Objective Three of the study, from which the following research question was asked:

What is the decision makers' perception of the effectiveness of the current management-accounting tools employed to make decisions?

'Operational budget' represents the highest management-accounting skill, with 100% of decision makers in the tourism industry perceive as effective for the good management of the SMME. The operational skill is the management skill that is most required by South African SMMEs (Perks & Smith, 2008). Hence it facilitates business strategic operations and controls decision making (Gaither & Frazier, 1999). According to Shaku (2011), technically well-qualified owners/managers with strong budgeting skills are most likely to achieve business success. Reeve et al. (2009) further explain that operational budgeting facilitates decision making as it involves establishing specific goals, executing plans and from time to time comparing the actual results with objectives.

In general, the majority of decision makers perceive management-accounting skills as effective for their business; therefore their implementation will facilitate better decision making. This research outcome is in line with Loo and Davis (2003) who perceive the non-use of management accounting in the business as a channel to failure, bad investment decisions (e.g. buying a bus) and bankruptcy. According to Kirby and King (1997), SMME owners/managers find the use of management accounting effective for their businesses but lack the skills to utilise them properly; this is the reason why they depend on external parties such as accountants to manage their organisations successfully. In order to compete with large enterprises, Mitchell and Reid (2000) suggest that SMMEs put in place systems that will assist them to manage their resources and control their information. For Johnson and Kaplan (1987) management accounting can assist SMMEs to meet such needs of management information. Management-accounting skills are useful for making any business entity competitive and successful (Gowthorpe, 2008). Management accounting is an important tool for an effective business management (Stefanou & Athanasaki, 2012:143). The use of management accounting contributes to the standardisation of skills in the business and increases the level of professionalism among the staff in the organisation (Amat et al., 1994).

From the abovementioned research results and discussions, it is clear that management accounting is a vital tool for the effective running of the business as it assists organisations to prioritise and to optimise their resources as one can regulate costs, evaluate performance and make effective and efficient business decisions.

The targeted research population finds the implementation of management accounting effective for the success of their businesses, but do not use it as they lack the skills to utilise it. The researcher agrees with the view of CIMA (2012:10) about the provision of management-accounting training and education for small business owners and managers because they do not know how to use several management-accounting tools for decision making and the effective and efficient management of the organisation.

6.2.5 Research objective four

The research question reads as follows:

Are the decision makers of tourism's SMMEs familiar with standard management accounting tools?

Referring to the previous research questions (from one to three) it emanates that decision makers of tourism SMMEs are familiar with standard management-accounting tools. This result is contradictory to the statement by Brijlal et al. (2014) which reveals that SMME owners are not financially literate as they lack accounting-interpretation skills and an awareness of how to use information from financial statements. Hansohm (1992:140) mentions poor accounting among owners and managers of small businesses as the reason they fail in business. Similarly Rutherford (2006:87) found inadequate financial record-keeping as the cause of SMMTEs' failure, and it should be avoided. Morrison and Thomas (2004:10) report that SMMTE owners and managers find calculations difficult due to a lack of definitional and conceptual knowledge.

6.3.6 Research objective five

The research question read as follows:

What is the current level of experience, training and education of the decision makers of tourism SMMEs in the Western Cape, South Africa, with regard to management accounting?

The majority of SMMTEs operating in the transportation sector in Cape Town can actually be in business from more than 5 years to up to 40 years. This is not the same as the

statement of Bosch et al. (2006:663) who said that 80% of all SMMEs fail within their first 5 years of existence. According to Ladzani and Van Vuuren (2002), up to 50% of small businesses fail within 5 years of opening. In the same way, Biyase (2009) estimates the failure rate to be 10,000 businesses failing each month in South Africa. The most recent estimation of small businesses failure in South Africa comes from Jacobs (2012) who indicates that the failure rate is 63% in the first two years of operation.

Concerning survival in business, Krog (2008) states that owners or managers with the ability to succeed in business can survive for a long periods of time, whereas Von Blottnitz (2009) explains that the survival of a SMME entity relies on well-educated business owners.

Regarding the training and education of owners and managers in the tourism industry, it was found that they are highly educated and attended several training sessions to manage their businesses well. This is not in line with Ingle (2014:40) who indicates that low education qualifications, combined with a lack of experience of managing a business, are one of the reasons why SMMEs fail in South Africa. Pansiri and Temtime (2008:252) and Ferreira et al. (2010:107) state that owners and managers of SMMEs in South Africa need management training and relevant qualifications to run their businesses efficaciously as they are lacking in the business skills and knowledge required to succeed. Hodges and Kent (2006) observe the lack of education and training as the reason why SMMTE owners and managers have limited business knowledge and skills. This result also implies that the decision makers in the transportation sector of the Cape Metropole are highly educated and share the view of Chimucheka (2013:787) who states that education and training help to obtain management skills which are essential for the success of small businesses. In fact Pansiri and Temtime (2008:252) and Ferreira et al. (2010:107) state that owners and managers of SMMEs in South Africa need management training and relevant qualifications to run their businesses efficaciously as they are lacking the business skills and knowledge required to succeed. According to Young et al. (2012: 11322) the success of any business is also related to the education background of the owners or managers. Similarly Hormiga et al. (2011) relate the managerial competency of any business to a level of education, business skills, knowledge and experience possessed by the owners of the respective business in order to achieve a good performance. Education is a channel to obtaining management skills and knowledge by business owners to enable them to have a good decision-making procedure and to effectively run their organisations (Fatoki, 2014:142).

6.4 LIMITATIONS OF THE RESEARCH

One of the major limitations in this research was availability of managers in this sector. The task which the researcher met was to obtain a consent letter from Cape Town Tourism as it

took practically five months to physically speak to the Chief Executive Officer (CEO) and handle the demand and it took the researcher six months to receive the consent letter. Another limitation was the fact that due to the various commitments of SMME decision makers the researcher was not able to reach them at the agreed schedule; other decision makers merely avoided participating for reasons best known to them. At the first meeting with them, the researcher encountered difficulty getting the questionnaire completed by certain organisations.

Another limitation faced by the researcher was the unethical behaviour on the part of some of the owners/managers doing the fieldwork whereby they declined to listen or try to understand the rationale of the study. They considered meeting with the researcher a waste of time compared with attending to their daily activities and life's obligations. Others indicated that they didn't have a clue about management accounting, and therefore it was either impossible for them to answer the questionnaire or they were unable to assist.

Some of the tourist transportation small businesses in the Cape Metropole were found to be subdivisions of the main business, for the majority were situated in Johannesburg and others in KwaZulu-Natal. Most of these branches were not able to complete the whole questionnaire due to lack of information on the part of the management of the company. Some of these managers of subdivisions claimed not to make decisions in the organisation; they also said they could not disclose company information to a stranger and therefore couldn't help. They stated that all related management- and decision-making aspects of the companies were handled by the head offices; consequently some of the questionnaires were returned incomplete.

6.5 RECOMMENDATIONS AND SUGGESTIONS

Additional researches may be piloted centered on qualitative research via interviews that allow a more profound understanding of the impact of the use of management-accounting skills in SMMTEs and insights into the training or workshops needed by decision makers in tourism regarding of how to use management-accounting tools to make effective decisions in their businesses. Although these decision makers in the tourism sector were able to use management-accounting skills and perceive them as being effective for the business management, they were unwilling to use them to make decisions in their businesses as they did not know the importance of the implementation of management accounting in the decision-making process of their business. It is therefore vital for decision makers of SMMTEs in Western Cape to go for management workshop-training and learn how to apply those skills for the success of their businesses and thereby continue have positive effects in the country's economic growth and employment rate. The good delivery of education and

business training will allow government to address non-financial limitations (Peters et al., 2014:1130).

Hence the researcher recommends that the government, through the Department of Small Business Development, put in place training facilities for decision makers in the tourism sector in South Africa to teach them the importance of management-accounting skills and how to apply them in business. Furthermore, the researcher suggests to owners of small businesses operating in the transportation sector of the tourism industry to partner with management accountants instead of conducting the business as a sole proprietor and facing the risks alone. The partnership with management accountants will benefit the organisation as it will assist in saving the expenses on accountants' consultations for decision making and allow business owners to concentrate on other relevant sides of the organisation. The management accountant's role in business sustainability is to facilitate decision making by the top management of an organisation (Mistry, Sharma & Low, 2014:128).

6.6 CONCLUSION

Management accounting skills are very important when it comes to ensuring endurance, sustainability and competence in the business. The purpose of the study was "to investigate and also evaluate the ways decision makers in the SMME tourism industry in the Western Cape, South Africa, use management-accounting skills to make their decisions". A quantitative research method was followed using questionnaires as research tools to gather data purposively from SMMTEs specifically in the transportation sector of the tourism industry around the Cape Metropole of the Western Cape, South Africa. The data was used to produce descriptive results through SPSS and Excel spreadsheet. Results reveal that the majority of decision makers in the transportation sector of tourism in the Cape Metropole are fully able to use management-accounting skills. Further, although they found management-accounting skills effective for business management, they do not consult management-accounting tools for decision-making purposes, which confirms once again the reason why 22 (57.9%) out of 38 respondents stated that they do not need management accounting-skills to run their businesses. Results point out that most of the respondents' businesses had been in operation for more than a decade – even up to 40 years. In regard to the education level, decision makers in the transportation sector of the Cape Metropole are highly educated; this result is consistent with existing literature that education and training help to obtain management skills which are essential for the success of small business. Despite the fact that the majority of the respondents on one hand are apt to use management-accounting skills and on the other hand perceive management-accounting skills as being effective for their business, it was established that the majority of decision makers in the transportation

sector of tourism do not consult management-accounting tools for decisions purposes. This clarifies the fact that decision makers in the transportation sector of the tourism industry do not know the importance and vitality of management accounting when it comes to the running of an organisation.

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APPENDIX A: Cover letter and questionnaire



Dear Respondent,

My name is Ernest Pierre Tsague Mbumbo studying towards a master's degree in Cost and Management Accounting at the Cape Peninsula University of Technology in Cape Town, South Africa. This topic was chosen to investigate the management accounting skills and tools employed by decision makers to make their decisions in the tourism's SMMEs in the Western Cape Province of South Africa.

This study is for academic purposes only. The purpose of this study is to evaluate the management accounting skills possessed by the decision makers of SMMEs in the tourism industry in the Western Province of South Africa such a way that at the end of this study, we will be able to ascertain what management skills apply to SMMEs in the tourism industry and probably recommend training that foster management skills and thereby reduce the unemployment rate in the country, increase the economic growth of South Africa. No name is required on the form and this information will remain confidential. Once the answers on paper have been digitized, they will be destroyed. The digitized responses will be stored under a password, and destroyed after 5 years.

As you have been identified as a participant in this study, kindly fill in the questionnaire and please return the completed questionnaire to Ernest Pierre Tsague Mbumbo. Completion can be done electronically and returned to the undersigned via:

Name: Ernest Pierre Tsague Mbumbo

Cell: 0710581414

ernesttsague@gmail.com/ernesttsague@yahoo.fr

Supervisor's Name: Dr. Henrie Benedict

Cell: 0723744652

benedicth@cput.ac.za

Your kind and timely response will be highly appreciated

Signature of the respondent.....

Ernest Pierre Tsague Mbumbo

Section A: Personal Questions

1. Please mark (X) the appropriate column

	Yes	No
1.1 Have you attended any management training or workshop within the past 10 years		
1.2 Do you have relevant accounting skills?		
1.3 Do you need an accountant in your business?		
1.4 Do you need management accounting skills?		

2. If you answered yes to 1.1 above indicate what business management training you have attended

Accounting related Business related Management related

Other (please specify).....

Section B: Proficiency Questions

3. Indicate your proficiency in the skills below by using the rating scale:
(Please mark (X) the appropriate column)

Skills	Very poor	Poor	Adequate	Good	Very good	I don't know this
Operational Budget						
Cash Budget						
Capital Budgets						
Product Costing and Pricing						
Cost behaviour and Cost allocation						
Activity Based Costing						
Calculation of Profits and Loss						
Cost Volume Profit Analysis						
Product Life Cycle						
Standard Costing						
Job order costing						
Just in Time						
Variance analysis						

Whom do you consult for decision making purposes? (Please tick the appropriate box)

Management accounting tools external parties

Friend Business partners self

Family members Competitors No one

People with similar business

Other (Please Specify).....

4. How do you perceive the importance following management accounting tools? (Please mark (X) the appropriate column)

Skills	Not effective at	Less Effective	Effective	More effective	Most Effective	I don't know this
Operational Budget						
Cash Budget						
Capital Budgets						
Product Costing and Pricing						
Cost Behaviour and Cost Allocation						
Activity Based Costing						
Calculation of Profits and Loss						
Cost Volume Profit Analysis						
Product Life Cycle						
Standard Costing						
Job Order Costing						
Just in Time						
Variance Analysis						

Section C: Classification Questions

5. How will you classify your business?

(Please mark (X) the appropriate column)

	Yes	No
Sole Owner		
Partnership		
Close Corporation		
Private Company		

6. How will you categorise your tourism business?

Please mark (X) the appropriate column

Type of Tourism sector	
Transportation Sector	
Private Sector Support Services	

Public Sector Support Services	
Accommodation & Catering Sector	
Events Sector:	
Social / life-cycle events	
Education and career events	
Sports events	
Entertainment events	
Political events	
Corporate events	
Religious events	
Fund raising/ cause related events	
Recreation, Leisure & Attractions Sector	
Travel Wholesale & Retail Sector	

3. Indicate the number of permanent staff in your business

4. Indicate the number of temporary staff in your business

5. Who is responsible for managing the business?
 Owner Manager Both Owner & Manager
 Family member

6. Please indicate the annual turnover of your business
 0-R50000 R50001-R150000 R150001-R300000 R500000+
 I don't know

Section D: Experience/education Questions

1. For how long has your business been in operation? Years

2. Indicate your academic education qualification

Matric (Grade12) Certificate Diploma Bachelor's Degree
 Honour's Degree Master's Degree Doctorate
 Other (Please Specify) _____

Thank you for your participation

APPENDIX B: Summary of frequency output

Section A

Have you attended any management training or workshop within the past 10 years

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	32	84.2	84.2	84.2
	No	6	15.8	15.8	100
	Total	38	100	100	

Do you have relevant accounting skills?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	22	57.9	57.9	57.9
	No	16	42.1	42.1	100
	Total	38	100	100	

Do you need an accountant in your business?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	23	60.5	60.5	60.5
	No	15	39.5	39.5	100
	Total	38	100	100	

Do you need management accounting skills?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	16	42.1	42.1	42.1
	No	22	57.9	57.9	100
	Total	38	100	100	

What business management training you have attended

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid		35	92.1	92.1	92.1
	MBA	1	2.6	2.6	94.7
	Skills Training	1	2.6	2.6	97.4
	Tourism Management	1	2.6	2.6	100
	Total	38	100	100	

Whom do you consult for decision making purposes?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Managment Accounting tools	5	13.2	13.2	13.2
	External parties	10	26.3	26.3	39.5
	Business Partners	10	26.3	26.3	65.8
	Self	9	23.7	23.7	89.5
	Family Members	1	2.6	2.6	92.1
	People with similar business	3	7.9	7.9	100
	Total	38	100	100	

Whom do you consult for decision making purposes?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid		35	92.1	92.1	92.1
	Business Partners	1	2.6	2.6	94.7
	External Parties	1	2.6	2.6	97.4
	Husband (Accountant +Business management)	1	2.6	2.6	100
	Total	38	100	100	

business Classification per respondent

		Responses		Percent of Cases
		N	Percent	
Type of Business	Sole Owner	19	47.50%	50.00%
	Partnership	6	15.00%	15.80%
	Close Corporation	8	20.00%	21.10%
	Private Company	7	17.50%	18.40%
Total		40	100.00%	105.30%

a. Dichotomy group tabulated at value 1.

Frequencies

		Responses		Percent of Cases
		N	Percent	
Type of Tourism business	Transportation Sector	33	54.10%	89.20%
	Private Sector Support Services	2	3.30%	5.40%
	Public Sector Support Services	1	1.60%	2.70%
	Social/life-cycle Sector	3	4.90%	8.10%
	Education and career events	2	3.30%	5.40%
	Sports Events	2	3.30%	5.40%
	Entertainment Events	1	1.60%	2.70%
	Political Events	1	1.60%	2.70%
	Corporate Events	1	1.60%	2.70%
	Religious Events	1	1.60%	2.70%
	Fund Raising/Cause related Events	1	1.60%	2.70%
	Recreation, Leisure & Attractions Sector	5	8.20%	13.50%
	Travel wholesale & Retail Sector	8	13.10%	21.60%
	Total	61	100.00%	164.90%

Indicate the number of permanent staff in your business

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0	3	7.9	7.9	7.9
	1	1	2.6	2.6	10.5
	2	3	7.9	7.9	18.4
	3	5	13.2	13.2	31.6
	4	5	13.2	13.2	44.7
	5	2	5.3	5.3	50.0
	6	1	2.6	2.6	52.6
	9	1	2.6	2.6	55.3
	10	1	2.6	2.6	57.9
	11	1	2.6	2.6	60.5
	12	4	10.5	10.5	71.1
	13	1	2.6	2.6	73.7
	14	1	2.6	2.6	76.3
	16	1	2.6	2.6	78.9
	17	1	2.6	2.6	81.6
	18	1	2.6	2.6	84.2
	20	1	2.6	2.6	86.8
	27	1	2.6	2.6	89.5
	30	1	2.6	2.6	92.1
	32	1	2.6	2.6	94.7
52	1	2.6	2.6	97.4	
65	1	2.6	2.6	100.0	
	Total	38	100.0	100.0	

Indicate the number of temporary staff in your business

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0	7	18.4	18.4	18.4
	1	5	13.2	13.2	31.6
	2	7	18.4	18.4	50.0
	3	2	5.3	5.3	55.3
	4	2	5.3	5.3	60.5
	5	5	13.2	13.2	73.7
	6	1	2.6	2.6	76.3
	7	1	2.6	2.6	78.9
	8	2	5.3	5.3	84.2
	10	1	2.6	2.6	86.8
	11	3	7.9	7.9	94.7
	15	1	2.6	2.6	97.4
	100	1	2.6	2.6	100.0
	Total	38	100.0	100.0	

Who is responsible for managing the business?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Owner	17	44.7	44.7	44.7
	Manager	2	5.3	5.3	50.0
	Both Owner & Manager	19	50.0	50.0	100.0
	Total	38	100.0	100.0	

Please indicate the annual turnover of your business

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0 - R500000	5	13.2	16.7	16.7
	R500001 - R1500000	6	15.8	20.0	36.7
	R1500001 - R3000000	12	31.6	40.0	76.7
	R5000000+	7	18.4	23.3	100.0
	Total	30	78.9	100.0	
Missing	I don't know	8	21.1		
Total		38	100.0		

For how long has your business been in operation?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	1	2.6	2.6	2.6
	3	2	5.3	5.3	7.9
	4	3	7.9	7.9	15.8
	5	5	13.2	13.2	28.9
	6	3	7.9	7.9	36.8
	7	1	2.6	2.6	39.5
	8	2	5.3	5.3	44.7
	9	2	5.3	5.3	50.0
	10	2	5.3	5.3	55.3
	11	1	2.6	2.6	57.9
	12	1	2.6	2.6	60.5
	14	1	2.6	2.6	63.2
	15	5	13.2	13.2	76.3
	16	2	5.3	5.3	81.6
	19	1	2.6	2.6	84.2
	20	1	2.6	2.6	86.8
	23	1	2.6	2.6	89.5
	24	1	2.6	2.6	92.1
	30	2	5.3	5.3	97.4
40	1	2.6	2.6	100.0	
Total		38	100.0	100.0	

Indicate your academic education qualification

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Matric (Grade12)	5	13.2	13.2	13.2
	Certificate	6	15.8	15.8	28.9
	Diploma	9	23.7	23.7	52.6
	Bachelor's Degree	11	28.9	28.9	81.6
	Honour's Degree	3	7.9	7.9	89.5
	Master's Degree	4	10.5	10.5	100.0
	Total	38	100.0	100.0	

