

**AN ENTREPRENEURIAL FRAMEWORK FOR STARTING A SMALL TOURISM
BUSINESS IN CAPE TOWN**

by

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CAPE TOWN

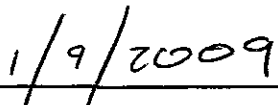
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DECLARATION

I, Justin Victor Exner, hereby declare that the contents of this research project represent my own unaided work, and that the research project has not been submitted for academic examination towards any qualification. Furthermore, it represents my own opinion and not necessarily those of the Cape Peninsula University of Technology.



Signature



Date

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FREQUENTLY USED ABBREVIATIONS AND ACRONYMS

ABBREVIATIONS AND ACRONYMS

AA	Affirmative Action
ANC	African National Congress
BBBEE	Broad Based Black Economic Empowerment
BCI	<i>Business Confidence Index</i>
BEE	Black Economic Empowerment
CPIX	Consumer Price Index
DEAT	Department of Environmental Affairs and Tourism
dti	Department of Trade and Industry
EME	Exempted Micro Enterprises
FIFA	Federation of the International Football Association
GEM	Global Entrepreneurship Monitor
HDI's	Historically Disadvantaged Individuals
PDI's	Previously Disadvantaged Individuals
PPI	Producer Price Index
SATOA	South African Tour Operators Association
SATSA	Southern African Tourism Services Association
SEDA	Small Enterprise Development Agency
SMME	Small Medium and Micro Enterprise
TGCSA	Tourism Grading Council of South Africa
TEA	Total Entrepreneurial Activity
TECSA	Tourism Empowerment Council of South Africa
USA	United States of America

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SUMMARY

An Entrepreneurial Framework for Starting a Small Tourism Business in Cape Town.

The 2010 FIFA World Cup tournament could provide valuable opportunities for the tourism entrepreneur in Cape Town. This study focuses on the factors that affect the entrepreneur who chooses to make tourism a career in Cape Town.

The aim of the study is to examine the tourism entrepreneurs' ability to be sustainable and is focused on the single tourism owner operating a service business in the Cape Town CBD such as small tour operators, tour guides and accommodation agents.

Using the quantitative research method, a questionnaire as well as individual interviews, the data collection techniques have helped to provide valuable information as to the influencing factors on entrepreneurship, operational challenges and the external environment affecting tourism business in Cape Town.

The results which could be useful to an aspirant entrepreneur indicate that the survey participants were generally positive about the FIFA event and that success for them is the ability to understand the market and plan strategically in order to operate a business effectively that will meet specific market requirements.

CHAPTER 1

INTRODUCTION AND BACKGROUND TO THE STUDY

1.1 Introduction

The 2010 FIFA World Cup tournament could provide opportunities for the tourism entrepreneur in Cape Town. The City has invested in the Green Point Stadium project, many associated infrastructural developments aligned to the event and is creating improvements in areas accessed by tourists such as transport and attractions. The tournament expects to attract an increased number of visitors to the city during the event period, and although not the sole catalyst for the tourism industry in the city, it has created an increased awareness of tourism.

The present time could be opportune for competing in the market, yet the recorded failure rate amongst start-up businesses is high in South Africa. The tourism industry is a service industry regulated by local and international bodies. Visitors expect a level of service that provides value. It is a competitive industry that is also subject to international market trends and exchange fluctuations. These factors could affect the entrepreneur who chooses to make a career in tourism in Cape Town.

Chapters 2 and 3 of the thesis provided a definition, history and examination of the influencing factors on entrepreneurship. The tourism entrepreneurs' ability to be sustainable was examined by highlighting various factors such as the inability to launch a venture, failure in operating a business and the effects of the external environment.

The empirical research based on the findings gathered through the literature study, focused on the single tourism owner operating a service business in the Cape

Town CBD such as small tour operators, tour guides and accommodation agents. The study aimed at providing further research on the topic. The resulting conclusions and recommendations of the research study could be useful as an additional tool when starting a venture in tourism. The study highlighted three generic themes associated with entrepreneurship. These are the influencing factors on entrepreneurship, operational challenges and the external environment affecting tourism business in Cape Town.

The empirical study was based on the findings of the research conducted in the literature review. This information set the foundation for the practical component of the thesis and the resultant captured data is compared to the literature study. A sample population of tourism entrepreneurs in Cape Town is surveyed to allow the researcher by means of statistical analysis, to gauge the disparity if any, between the theory and practice within the industry. These results can be seen in the presentation of the findings and the subsequent recommendations and conclusion.

This chapter provides the basic outline of the work covered in the literature review, empirical survey as well as the subsequent findings, conclusions and recommendations.

1.2 Problem statement

The failure rate amongst tourism entrepreneurs in the province is high. According to the Southern Africa Tourism Services Association (2005), 80% of all new businesses failed within the first two years of operation. The researcher was aware that the statistics presented were recorded 8 years ago and were used, as more recent recordings were not available to the researcher at the time of writing this thesis. This scenario of high failure-rates amongst tourism entrepreneurs provided three generic sub-problems based on which the research report and presented as sub-problems of the problem statement.

1.2.1 Factors that influence entrepreneurial activity

There are influencing factors that can directly affect an individual's ability and accessibility into the world of becoming a tourism entrepreneur. The rationale behind starting the business, the influence of friends and relatives, education and work experience can all affect the ability of the potential entrepreneur.

1.2.2 Operational requirements

The realities of operating a business include factors such as the ability to handle risk, decision making, experience levels and the transition that the business owner was able to make into leadership.

1.2.3 External environment

A business is not able to operate in a vacuum. External variables could have an influence on the sustainability and success of the venture. These include the tourism market in which the entrepreneur operates, BEE, access to finance, financial control and the ability to predict markets.

1.3 Key questions

The researcher posed the following questions:

- What are the influencing and motivating factors for an entrepreneur when starting a small tourism business?
- What are the factors that affected the operations of a small tourism business?
- What are the future opportunities for the local tourism entrepreneur?

1.4 Research objectives

The research attempts to identify contributing factors that could influence the high business failure rate with a specific reference to business ventures in Cape Town. Entrepreneurs that were in the process of starting small tourism businesses in Cape Town could find the research useful. There are four main objectives for the research:

- The identification of influencing factors on entrepreneurship.
- Factors that play a role in a small tourism business failing to get off the ground.
- Factors that affect the operations of a tourism business
- An examination of the larger tourism environment within which the Cape Town tourism entrepreneur operates.

1.5 Delimitation of the research

The research focused on tourism entrepreneurship in Cape Town with specific reference to single owner tourism businesses that operates in the service sector located in the CBD. As the topic was focused on addressing small tourism startup businesses in Cape Town, the study was limited to Cape Town and surrounds.

Entrepreneurial activity for South Africa as a whole was examined to allow for an overview of the industry.

The empirical study focused on single owner, tourism entrepreneurs in Cape Town, with specific reference to services offered to tourists.

1.6 Research methodology

1.6.1 Literature search

A thorough literature search and study was conducted on the relevant and applicable information pertaining to the research topic. The literature that was examined was done to allow the researcher to gain a better understanding and overall knowledge of the topic. Information was gathered from various sources that included books, journals, newspaper articles and government policy documents. The information was gathered over a period of 18 months.

1.6.2 Empirical survey

The empirical survey represents the practical information gathered and was expressed as the 2nd data stream. An empirical survey was conducted on a representative sample of the research population. A sample according to Singh (2007:88) is a targeted body of respondents randomly selected from a larger research population or universe for the purpose of the study. The sample population was a representative proportion of the total population of tourism entrepreneurs in Cape Town. The researcher conducted a survey on 31 tourism entrepreneurs in the City. It was not possible to survey the entire population, therefore a small percentage of the population was surveyed in accordance to the statistician's recommendations.

The survey was aimed at small, single owner tourism entrepreneurs in Cape Town with specific reference to the service industry. The research was conducted on 31 tourism entrepreneurs in Cape Town. The response rate was high due to the fact that the researcher contacted the entrepreneurs personally before the self-administered research was conducted. The researcher with the aid of a statistician conducted a statistical analysis of the research population. This data was later

presented in both graphic and tabular form. Conclusions and recommendations are supplementary to this research report.

1.6.3 Survey instrument

A relevant and applicable survey instrument for the research study that would provide quantitative data was sought in the form of a questionnaire. This was self-administered by the researcher. Respondents filled in a form based on a 5-point Likert Scale which, according to Singh (2007:75) aims at assessing the respondents agreement or disagreement with a statement using the 5-point Likert scale.

Responses were measured by means of frequency distribution which, as mentioned by Seale (2004:325) examines the distribution of data from a single variable showing the number of times each score or value occurs.

1.6.4 Expression and interpretation of findings

The survey was conducted on the sample population. The descriptive analyses of the findings are expressed and interpreted with explanations by means of tables and graphical representation. The data is presented to the reader in absolute numbers and percentages.

1.7 Clarification of concepts

The following clarification of concepts is used to define the heading in the title of the research.

Entrepreneurship

According to Osborne (2005:2-15), entrepreneurship focuses on ownership of responsibility and risk. Entrepreneurs are individuals who have identified an opportunity and by starting a new venture take full ownership and responsibility of risk.

Framework

This is the structural plan or the basis of a project that gives shape and support to the project. In the topic under discussion, it refers to the point of reference for the entire study, namely the structure that supports the entrepreneurial viewpoint of small business.

Tourism

Tourism involves enabling the tourist to visit various places and the providing accommodation and services that allows the tourist to experience what the preferred area has to offer. It is the movement of people away from their normal residence and usual expenditure of some sort (Holloway, 2004:1).

Small Business

A small business is defined by the National Small Business Act (2003:8) as a business with no more than 50 employees and an annual turnover which does not exceed R 6 million.

1.8 Summary

In this chapter the structural layout of the thesis was explained. The research focused on the compiling of literature which was used to allow the researcher a thorough understating of the research topic. The literature reviewed formed the basis of the research question which formulated three generic areas that the research would cover. These were the influencing factors on entrepreneurship, factors that affected operations and the external environmental issues that could affect the tourism entrepreneur in Cape Town.

The empirical survey was conducted with the aid of a statistician to allow the researcher to gauge the disparity, if any, between the theory that was covered and the empirical data extracted from the target group.

The research investigated small tourism entrepreneurs in Cape Town. As tourism is expected to increase and growth possibilities envisaged, the industry may look very tempting for potential entrepreneurs in Cape Town. The GEM (2006) report showed that the entrepreneurial activity level for South Africa was very low. This combined with the high rate of failure amongst startup businesses could be construed to show that the industry is highly competitive and that the barriers to entry in some instances make venture startup quite challenging.

The aim of the research was to provide an investigation into tourism entrepreneurship in Cape Town by highlighting the influencing factors, operational constraints and the external environment in which the tourism entrepreneur operates. The research and subsequent findings could potentially aid the entrepreneur in preparing to start a small tourism business and thereby participate in the broader tourism industry of Cape Town.

The following chapter is a literature study focused on entrepreneurship. This chapter examines the theory of entrepreneurship which includes the history and

various forms of entrepreneurship and includes appropriate comments as to the relevance of the variety of sourced material to the research topic.

CHAPTER 2

THE ENTREPRENEUR DEFINED

2.1 Introduction

The previous chapter provided the framework for the research that was conducted by adhering to the research title and setting the boundaries within which the project was conducted.

The literature review was aimed at allowing the researcher to become familiar and comfortable with the topic. When deciding to define the term "entrepreneur", a great variety of viewpoints and definitions were found to exist. In order to provide a holistic perspective, these various viewpoints are explained to allow the reader to obtain a better understanding of the term.

This chapter examines the various definitions of the term entrepreneurship, its origin and the various forms of entrepreneurship that exist.

2.2 Definition of entrepreneurship

The word *entrepreneurship* appears to mean different things to different people and is not readily definable by means of one single word. In describing the term entrepreneurship, according to Leader (2007:23) *entrepreneurship* is not as easy to define as some would believe, but rather constitutes various viewpoints. Morrison, Rimmington and Williams (1999:2-4) are in agreement with Leader, adding that there is not a single accepted definition which can encapsulate the term.

The term has also experienced negative connotations. Morrison *et al* (2002:15-19) mention that at one stage it was used as an abusive term, describing people who

profited at the expense of others as 'chancers', who were seen to operate in the black market known then as the unofficial economy.

According to Paulbergman (2007), the defying characteristic of an entrepreneur according to is the eagerness to create value, innovate and achieve growth. Growth and development relies on decision-making. In their definition, van Vuuren and Groenewald (2007: 271) agree that the entrepreneur is always proactive in decision making. The entrepreneur should be seen to be an individual who understands the risks involved and possesses a vision of success. According to Strauss (2003:5) the entrepreneur is an individual who is willing to take a risk with money in order to make money.

To determine whether or not an individual can be classified as an entrepreneur, the motivating factors for starting the business need to be examined. Paulbergman (2007:) highlights two main motivating factors for entrepreneurs, one being self-realisation and the other, the need to improve one's income. Morrison *et al* (1999:15-19) maintain that the all entrepreneurs have a strong desire to realise their potential. Entrepreneurs are able to realise potential opportunity by moving their competitive advantages such as skills, experience, capital and ability towards the opportune market. For the entrepreneur, opportunities are found, favoured and nurtured.

When considering the characteristics of the entrepreneur, *entrepreneurship* can be viewed as the creation of something new and the adding of value by using time and effort as a key element, as pointed out by Co, Groenewald, Mitchell, Nayer, van Zyl and Visser (2006:4). They maintain that the entrepreneur acknowledges that there are risks involved in the process of generating wealth. The resultant rewards that are received from taking risks are independence, monetary gains, self-actualisation and social freedom.

The entrepreneur plays a pivotal role in small business development as he/she is the driver of growth. Small business in turn, plays a vital role in developing and

stimulating economic growth. The entrepreneur is the key element in achieving business startup as he/she act as the catalyst to commence and grow economic activity.

There are also a variety of economic and non-economic variables that need to be considered as influencing factors. Van Vuuren and Groenewald (2007:272) maintain that economic and non-economic variables directly stimulate the development of entrepreneurial activity. Economic conditions such as inflation rates, interest rates, government policy and non-economic factors such as social conditions and cultural norms not only influence entrepreneurial activity, but also directly affect the possibility and the ability to become an entrepreneur.

Haydam (2004:11) argues that the entrepreneur is the major production factor in the market system. His/her main function is to bring together all the factors of production and co-ordinate them at set times and in the right quantities. Haydam maintains that without the entrepreneur, production and economic growth would not be possible.

The Global Entrepreneurship Monitor (2006 :) published findings from a survey that was conducted on forty two countries in order to evaluate and understand the different levels of entrepreneurship that existed. The report ranked every participating country's level of entrepreneurial activity. The findings concluded that the level of activity was influenced by each country's economic environment, financial market, skills availability and labour market. The report recorded each country's level of economic activity in the early entrepreneurial development stage that included those entrepreneurs that had operated between 0 and 3, 5 years.

The GEM (2006) ranked South Africa below the average of all the countries surveyed. The report focused on total early-stage entrepreneurial activity (TEA) which rated South Africa poorly in overall entrepreneurial activity. The average of all participating countries was 9.43%. South Africa was ranked 30th at 5.29%

showing that the South African levels of entrepreneurial activity were well below the median.

South Africa was not rated as a developing country because of its per capita income. The World Bank placed South Africa as an upper-middle income country, the significance of which, when compared to similar countries in this economic bracket, is that South Africa was still below the average of 7.79% GEM (2006:15).

Societal norms and cultural traditions can directly affect entrepreneurial activity. Hough (2004:87) mentions that countries all have different levels of entrepreneurship. In certain countries there is a stronger relationship between cultural and entrepreneurial orientation than in others. More specifically, economic regions are directly affected by societal and cultural norms. Countries that have stricter societal and cultural constraints are traditionally less entrepreneurial whereas countries that have fewer constraints are more likely to be entrepreneurial (Hough, 2004:87).

2.3 Background of entrepreneurship with an emphasis on business failure

There are no "cast in stone" rules that apply to starting a tourism business. A entrepreneur requires dedication and continual effort as a product or service-offering cannot remain constant and expect to be competitive in the long run. For the individual business owner, progression is a key element that is not only necessary but could also prove to be vital in the survival of the business. The individual owner according to Drucker (1994:245-247) faces constant challenges in exploiting opportunity. The challenges are not necessarily consistent which additionally requires learning and re-learning.

The environment in which that a business operates is constantly changing and evolving. This can be to the advantage to the entrepreneur. Zimmerer and Scarborough (2002:3) mention that the competitive conditions were very different

in the past in comparison to today's conditions. For example, twenty five years ago large, multi-national companies were best suited to operate in the market. Today, there is constant change. Business needs to be nimble and adaptable in order to survive and remain competitive in Cape Town.

However, small tourism businesses cannot solely rely on their on their ability to respond to and move quickly into niche markets. As potential entrepreneurs enter the market in Cape Town, they could be attracted to the tourism field. Tourism has particular potential, with the City of Cape Town reporting in 2008 a 13% growth over the period from 2004-2006. The downside is that according to the South African tourism services association, between 70-80% of new business fail. The problem is that with tourism becoming even more visible in the city and the 2010 FIFA World Cup tournament, individuals might consider tourism as an acceptable business enterprise. There are adequate opportunities and entrepreneurs need to be conscious of the elements involved in the industry and the realities of running a business. According to Petersen (2006:11), the practice of starting a new business is generally seen as a response to an identified opportunity in the market place.

Cape Town Tourism (2008) maintains that tourism in Cape Town accounts for 10% of the workforce being involved in the industry and globally speaking it is the single largest industry in terms of overall employment.

SATSA, (2005) reported that the international tourism industry found that client service and the ability to meet client expectation were factors that local and international travellers used to evaluate their tourism experiences. The ability to minimise the difference between expectation and perception is a skill, which if learnt, could benefit the entrepreneur.

Skills, experience and funding are elements that an entrepreneur should possess in order to operate the business. If these are not available, SATSA (2005) recommends that forms of support should be sought to aid the start-up venture and points to individuals that initiate small businesses but because they lack some or all of the above elements, could be susceptible to failure.

The tourism industry may appeal to the aspirant entrepreneur who has not yet made a decision as to which particular industry he/she would like to work. Statistics produced by the Western Cape Tourism Board (2001) revealed that 80 percent of all new businesses failed within the first two years of operation. The association reported that failure was due to a lack of planning and preparation in predicting market demand, inadequate management skills and the assumption that future rates would remain at a constant level.

According to the South African Reserve Bank (2008), South Africa's inflation rate stands at 13%. This has caused the increase of the PPI (13.1%) and the CPI (16.0%). The entrepreneur should factor inflation into price building. Accurately predicting the future exchange rates, interest rates and inflation levels however is difficult, and the entrepreneur could well make use of hedging for example as a buffer for inflation. Entrepreneurs could face growing competition, increasing costs and an unpredictable market.

There are forms of support for the tourism entrepreneur in Cape Town that can provide assistance and guidance. The Integrated Tourism Entrepreneurship Support Programme (ITESP) is an innovative partnership between Cape Town Routes Unlimited (CTRU), the Development Bank of South Africa (DBSA) and the Department of Economic Development and Tourism (DEDT). This partnership assists emerging entrepreneurs by giving them access to skills, capital and markets that may aid the development of tourism entrepreneurship.

Entrepreneurs can also make use of other support agencies such as financial institutions, tourism bodies and research bodies such as the Tourism Research Unit of the Cape Peninsula University of Technology.

Small operators emphasise that the 2010 FIFA World Cup tournament will probably be dominated by large tourism enterprises such as Tourvest and Match, who that holds the package rights for the 2010 FIFA World Cup tournament. This domination could be countered by supporting SMME's through selected partnerships. The department has committed an R185 million investment in its tourism entrepreneurship programme that according to South Africa Info (2006) has been designed to foster tourism SMME growth.

South Africa, according to Maas and Herrington (2006:27) is ranked well below the average of the recorded overall entrepreneurial activity level. They argue that a positive entrepreneurial culture is starting to form on a macro level while entrepreneurship on a micro level in South Africa is not showing signs of good growth. Education levels, the inability to penetrate international markets and the lack of the correct mindset and skills needed to become true entrepreneurs can be seen as areas that limited the entrepreneurial growth potential that has resulted in South Africa's low rating.

Maas and Herrington (2006:23) make the distinction between opportunity entrepreneurs and necessity entrepreneurs.

According to Osborne (2005:3) opportunity entrepreneurs launch a business by identifying a need or a gap in the market and are able to see a viable business opportunity in it. A necessity entrepreneur could be forced into self-employment as there are no better options for work. Osborne maintains that necessity entrepreneurship, usually fails to grow at the same level as opportunity-based entrepreneurship. South Africa ranked poorly in opportunity entrepreneurship and was placed in 33rd position according to Maas and Harrington (2006:19).

If an entrepreneur launches a business due to realising an opportunity, he or she could be successful by having identified an opportunity in the market for a specific product which they offer. Necessity entrepreneurship according to Mass and Herrington (2006:21) generates less opportunity for the business as it does not always identify an opportunity in the market and move its resources in that direction.

Mass and Herrington (2006:18-32) identify nine factors that have affected entrepreneurial activity amongst the participant countries. These include the ability to access finance, government policies, government programmes, education and training, transfer of research and development, the commercial legal and financial infrastructure, the openness of the domestic market, access to physical infrastructure and the extent to which cultural and social norms support the choice of starting a business as a career option.

Maas and Herrington (2006:18) highlight two areas that have affected entrepreneurial activity in South Africa. Firstly, social and cultural norms traditionally conflict with an entrepreneurial spirit, and secondly the education system that focuses on mathematics and science, grooming the student for a formalised job rather than developing an entrepreneurial spirit.

The purpose of researching the entrepreneurial activity level was to contextualise the small business performance levels that are present in South Africa. New tourism business owners could use the limiting and contributing factors of entrepreneurship as mentioned as a source of information to assist them in identifying key elements that could affect their success.

2.4 History of entrepreneurship

The literature study of the history of entrepreneurship found that there were two main schools of thought: French economists Jean-Batiste Say and Richard Cantillon and the Austrian economist, Joseph Schumpeter.

Entrepreneurship was defined in the 1700's by Richard Cantillon as an active risk-taker, one who searched for opportunity. Cantillon mentions that entrepreneurship could act as a catalyst for economic development and wealth creation. The entrepreneur was vital in economic development and brought together factors of production. Economic society was made up of three parts; the wealthy landowners, the workers and the entrepreneurs. The entrepreneur's capitalised on the opportunities of providing labour to the landowners.

The definition provide by Cantilon was later expanded by Jean-Batiste Say who defined entrepreneurship as the ability to benefit from the shift in economic resources in areas of low productivity to areas of higher productivity and create an opportunity by moving in the direction of the potential market (Maas and Harrington, 2007:7).

Entrepreneurship as an activity has inherent risk. Morrison *et al* (1999:9) mention that the risk in entrepreneurship stems from the purchasing of products or services such as labour at a certain price and selling these products and services at an uncertain price.

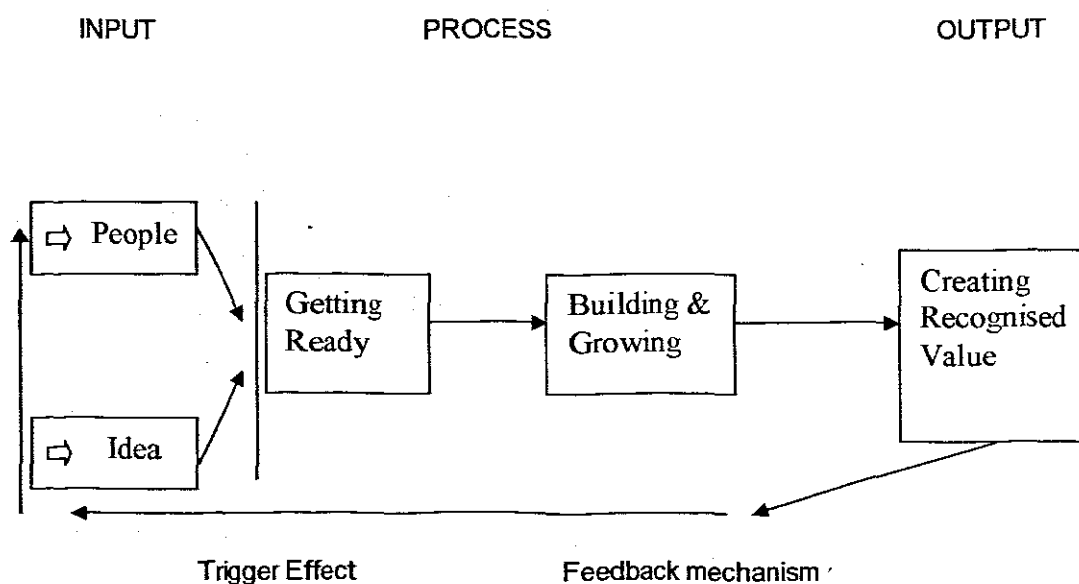
Joseph Schumpeter provided a definition that focused on technology. According to Mass and Harrington (2007:9) Schumpeter viewed the entrepreneur as an innovator who brought about change by introducing new creative processes and ideas. Opportunity was only created by using such new processes and technology.

Entrepreneurship relates to business activity. The tourism business operates in various areas in which he or she has to be able to function. Entrepreneurs, as mentioned by Bolton and Thompson (2004:27), are individuals that have distinct characteristics. They argue that the entrepreneurs are individuals who create a significant difference. They are creative and innovative people who are able to exploit the opportunities around them.

The aim of the entrepreneur is to create wealth in the face of adversity and risk by managing the business as efficiently as possible (Bolton and Thompson, 2004:27). The business venture in which the entrepreneurs operates, functions by means of systems and is subject to a process of input, creation and output.

This process is illustrated by Bolton and Thompson and is termed a process model (Figure 2.1).

Figure 2.1 Entrepreneur process model



Source: Adapted from Bolton & Thompson (2004:287)

Input stage

The input stage of the process is the beginning of entrepreneurship. The two items needed are the idea and human resources. The idea is the realisation of a potential opportunity. Human resources can take the form of the single business owner or the support from others. There are three types of people according to Bolton and Thompson (2004:287) that constitute the human factor in the input stage:

- Entrepreneurs who are creative and have a desire to grow and develop the idea;
- Leaders to lead and influence others; and
- Managers who may possess entrepreneurial traits but are not true entrepreneurs as they do not create the ideas to exploit the opportunities.

The trigger effect is the catalyst that brings the two elements of idea and people together. At this stage the entrepreneur realises the opportunity by combining these two elements.

Process stage

The process stage is the putting together of various components to create the final product or service (Pycraft *et al*, 2002:152). An accommodation supplier for example, would be able to provide the product to the customer by ensuring that the room's specifications and standards are correct.

Output stage

Businesses need to have inputs to produce outputs. In tourism businesses, the marketing collateral can take the form of products such as brochures and maps or services which may include tours, accommodation and travel assistance. The

entrepreneur must use the resources available to deliver the product or service. The task of the entrepreneur as seen by Haydam (2004:161) is to adjust the fixed and variable resources to suit the demand requirements of the market thus enabling the business to grow its profits. The output stage is the delivery of the product or service.

The output stage provides a feedback mechanism for the first stage of the process. The business operates in a cycle with the delivered products or services potentially offering new ideas or opportunities to the input stage. The entrepreneurial process as shown in figure 2.1 highlights the three main constituents in the value chain.

2.5 Forms of entrepreneurship

A self-employed business owner is not necessarily an entrepreneur. All business owners do not necessarily display the traits of an entrepreneur. There are differences between the two. Bolton and Thompson (2004:344), mention that entrepreneurs are constantly creative, progressive and become more efficient as they operate. They are unhappy with stagnation and will always try to develop, change, upgrade and improve where ever they can.

Self-employment may be seen as the owner trundling along and not growing the business, just managing to keep the business afloat while failing to take risks and challenging his/her abilities to improve the current situation.

The profile of an entrepreneur can be identified by the manner in which the entrepreneur conducts business. Petersen (1996:38) and Deakins (1996:21), comment that the common traits amongst entrepreneurs are the need for moderate risk taking, commitment, stamina, the ability to sell and the ability to realise self-employment. These traits help to define them as typical entrepreneurs. The ability to learn is also a key element to success, one that is learned from merely establishing the business.

2.5.1 The necessity entrepreneur

In defining entrepreneurship, the term can be viewed as two generic types namely the necessity entrepreneur and the opportunity entrepreneur.

Necessity entrepreneurship is motivated by necessity. The primary motivator is the need to survive and earn an income. Limited opportunities in the market place could make the necessity entrepreneur decide to venture into business as growth and stability in the formal job sectors may not be acceptable or potentially viable. Current market conditions, such as inflation, PPI and exchange rates can result in individuals pursuing self-employment. According to Maas and Herrington (2006:21) necessity-driven business is prominent in developing countries. Paulberman (2007:3) mentions that low levels of income and high levels of necessity entrepreneurship equate to poverty and resultant entrepreneurial activity. Necessity entrepreneurship differs from the previous definition of entrepreneurship as it fails to display the characteristics of growth, innovation and value creation.

2.5.2 The opportunity entrepreneur

Opportunity entrepreneurs are motivated by the potential opportunities that they have realised. Advantage is taken of opportunities in the market place and there remains a continued desire to do so. According to Morrison *et al* (1999:33) entrepreneurship can also be divided between the classic entrepreneurial profile and intrapreneurship. They make the distinction that an entrepreneur sources and acquires his/her own business.

According to Morrison *et al* (1999:33), the business is a part of the entrepreneur and is also a reflection of the entrepreneurs' efforts and personality. The entrepreneur has total control of decision making and accepts the risk associated with those decisions taken. He/she is not instructed to sell any ideas, or initiate

processes to realise the results of the ideas as he/she is in total control of the business, and as such, dictate the direction in which the business must move.

2.5.3 The intrapreneur

The intrapreneur is a form of entrepreneurship which differs from the typical definition of the term. The intrapreneur is found within an existing organisation and displays the characteristics of the entrepreneur in some respects. He/she envisions something new and makes it available and differs from the entrepreneur in that he/she neither started nor is total control of the business.

According to Morrison *et al* (1999:33) the intrapreneur aspires to improve existing organisations and faces key challenges. These include:

- The formulation of new ideas and finding ways to sell these ideas
- Finding ways to advance the ideas
- Maintaining the momentum once the vision has buy-in

Co *et al* (2006:5) highlights the formation process of a business that as it is started, can take on the form of any of the following four ventures:

- Innovators where new business ideas are created
- High growth ventures where the business is based on a new idea but has been built up from basics with a strong foundation
- Consulting practice that provides advice in fields where the owner has had prior experience

Lifestyle enterprise where existing enterprises are bought. The business owner takes risk but is not creative in the sense that the business is already a going concern.

2.6 Summary

This chapter has focused on the literature search that discussed the definition, history and various forms of entrepreneurship.

The profile of an entrepreneur is as unique as his/her specific business. The literature reviewed examined the various forms of entrepreneurship that are present in the market place. The research material highlighted a common variable in the activity of entrepreneurship in that entrepreneurship is the ability to exploit an opportunity through the moving of resources in the direction of the opportunity.

In chapter three, the influences, motivation and drawbacks of operating a small business are examined. The various elements examined in the literature study provide the necessary background for the researcher to gain a greater understanding of the research topic.

CHAPTER 3

INFLUENCES ON ENTREPRENEURSHIP

3.1 Introduction

The previous chapter highlighted various definitions of entrepreneurship. It concentrated on the different forms of entrepreneurship, its history and the various theories surrounding the term.

This chapter aims at highlighting the influences on the entrepreneur, drawbacks of entrepreneurship and the reasons for failure. These influences can have a direct impact on the tourism business. The tourism industry in Cape Town is dynamic and is in a state on constant adaptation as the market it serves changes. The recent inflation hikes experienced in South Africa of 13 per cent, as reported by The South African Reserve Bank (2008), has placed pressure on small businesses' ability to offer competitive products and services for the market. The ability to create a value offering can be based on assembling a series of services in order to produce the final product.

The tourism industry is subject to a variety of environmental forces. In the last fourteen years tourism spend, international arrivals and attraction development have increased in Cape Town. According to CTRU (2007), the City of Cape Town and the greater Western Cape area received 1.7 million foreign visitors in 2007. The entrepreneur must however, remain vigilant of the fact that there could be many contributing, influencing and resisting factors that can drive a business beyond the initial market opportunity.

3.2 Influences and motivation

In some cultures, self-employment is regarded as a position of status in the community and Zimmerer and Scarborough (2002:12) note that entrepreneurs are hailed as heroes in the United States of America as can be seen in industry moguls such as Bill Gates, Ted Turner and Donald Trump. These men are currently regarded as role models for the entrepreneurial spirit and their profiles have been raised to that of hero status.

In South Africa, the tourism industry has Sol Kerzner, who in the early 1970's became famous for his creation of Sun City and subsequent casinos, South Africa's "Donald Trump" of casinos and hotels with the introduction of Sun City and the various casino complexes that followed. His latest addition is that of The One and Only is scheduled to open its doors in Cape Town in 2009.

The attraction and sought benefits of self-employment are wealth creation, freedom and making a contribution, according to Entrepreneurship and Self Employment (2008). They continue to add that the tenet of small business is to create wealth, specifically a profit from which it can continue to grow. A lack of income generation and wealth creation can lead a business into payment arrears. The debt that may be accumulated could overtake and collapse the entity as the venture has no ability to meet its short term cash requirements. Making money, getting wealthy and creating own wealth can motivate the potential entrepreneur as mentioned by *A Word on Small Business* (2008).

Zimmerer and Scarborough (2002:12) see education as playing a significant role in fostering entrepreneurship. Universities and colleges offer courses that are focused on the subject matter. This can aid the development of small business enterprise in South Africa.

The lack of constraints as experienced by some individuals in the formal job market can motivate people to choose self-employment as a career option. van Vuuren and Groenewald (2007:265-266) argue that self-employment can provide sources of freedom that are not always possible when working for a superior. The freedom that is sought can become self-defining as it represents barrier-free potential-seeking for the individual. A person's desire to become his/her own boss can be enhanced due to constant frustration and disillusionment of the formal job market. This could be caused by internal politics, bureaucracy or an inability to realise the individual's potential.

According to van Vuuren and Groenewald (2007:265-266) entrepreneurs may feel that their input could be effectively channelled into their personal ventures as apposed to working in someone else's business. Entrepreneurs believe that they are able to make a difference. Their contribution through their work effort can effect change. They have the ability to make the business work for them as opposed to their working for the business. The individual realises an opportunity and will act upon it. Job uncertainty can be another factor that may induce a person to become an entrepreneur. This would constitute a necessity entrepreneur as examined in the previous chapter where the entrepreneur works for him- or herself as there are no realistic, alternate employment options.

Van Vuuren and Groenewald (2007:269) view cultural and social values as influencing the activity levels of entrepreneurs. Tradition and experience play influencing roles. Family-owned businesses can promote entrepreneurial development as well.

All businesses are unique in nature. The initiating factors that gave rise to the business are different. Van Vuuren and Groenewald (2007:269) posit four categories that influence entrepreneurial activity:

3.2.1 Personal management and involvement

The individual must be personally involved in the business. Entrepreneurs can not be separated from the business venture and work from the side-line. The entrepreneur takes the role as the self-manager and "hands on" manager of the business.

3.2.2 Successful role models

Successful role models can directly influence the decision to become an entrepreneur. The reverse can affect the individual as unpleasant or failed experiences can act as a negative factor that impact on entry to the tourism market.

3.2.3 Effective time management

Time management should be strong underlying practice. This can contribute to a business's efficiency. The tourism industry in Cape Town offers products that are perishable. Competitive forces create alternatives for potential customers and opportunities could be lost through procrastination and poor time management.

3.2.4 Support for the individual

The level and type of support that the entrepreneur receives both from parents and advisors plays an influential role in determining the ability of the potential entrepreneur to launch into the business world. Baron and Brush (1999:45) mention that good social skills potentially affect performance. Social skills combine adaptability, emotional intelligence and personality. These three elements determine the "way we come across" to other people.

According to Baron and Brush (1999:46), possessing the necessary social skills aids the entrepreneur's ability to raise finances, sell products and ideas, influence other people, boost self-confidence and enhance the ability to convert opportunity into reality.

Tourism business operators in Cape Town should be driven by a strong motivating force led by the entrepreneur. This can aid the business as it will remain focused on the objectives set by the entrepreneur. The desire to be successful as mentioned by Bolton and Thompson (2004:23-27), can be a strong motivating force in starting a business and the individual decisions in starting a small tourism business are usually different for every person.

Bolton and Thompson (2004:23-27) discuss three factors that can influence entrepreneurial activity namely family background, education and age and work experience.

3.2.5 Family background

The influence of family on the entrepreneur is great. If entrepreneurship was or is currently in the family, there is a chance that children having been exposed to it, may more likely be motivated to become entrepreneurs than those who have had little or no exposure to entrepreneurship.

3.2.6 Education and age

Bolton and Thompson (2004:23-27), mention that the educational levels of the entrepreneurs that they had researched, did not exceed the average. The lack of education in some cases was a contributing factor to the success of small business ventures. In the technical fields for example, it is different as learned technical expertise is important. According to Co *et al* (2006:49) in South Africa there is a high percentage of new business which were started by individuals aged between

twenty-five and thirty-five years. They highlighted that before that age of twenty-five, the lack of resources such as financing, education and experience can limit the ability to enter a market. After thirty-five, family and financial constraints can restrict the entrepreneur. Entrepreneurs that started business ventures between the ages of eighteen and twenty-two years were generally initiated from necessity as there were insufficient job opportunities in the market for people finishing school (Co *et al*, 2006:49).

3.2.7 Work experience

The average entrepreneur has worked before in the field in which they will want to, or are doing business in. Individuals can gain work experience through positive entrepreneurial role models. The opposite is also true as bad experiences may cause a person to jump between jobs or start the business too early or without having gained the proper experience.

3.3 The failure of entrepreneurship

South African entrepreneurs, according to Entrepreneurship and Self Employment (2008:1) are becoming caught up in their ventures. Self-employment can present certain negatives and undesirable drawbacks. Their contribution and effort does not necessarily reflect the reward gained. The change of responsibility and sole responsibility for the businesses, coupled with the uncertainty of income can present themselves as barriers to business entry that is not regarded as worthwhile.

The tourism industry cannot ensure a financial guarantee and fixed income. Zimmerer and Scarborough (2002:8) argue that the current cost of living weighed against an uncertain income, can require a level of mental robustness that young people may be unable to sustain. They may lack the experience needed for dealing with a crisis.

Zimmerer and Scarborough (2002:10) mention that risk and uncertainty are setbacks in starting a business. The working hours and commitment needed to sustain a business are constant and pressing. Entrepreneurs could spend significant time and energy in establishing and stabilising the business in the initial stages. Negative approaches and attitude can also bring about through cash flow constraints as a focus on survival may cause the entrepreneur to lose the identification of an opportunity and consequent value creation. Zimmerer and Scarborough (2002:10) argue that the change in quality of life and the struggle a person might have to endure until the business settles could be too great to want to begin a new enterprise. The stress of leading one's own business can be great and be a considerable contributing factor to the closure of the business.

The decision to become an entrepreneur involves various areas that the individual should consider. The United States' State Department (2008:1-3), in its assistance to aiding new business development, posted a number of key questions on the official government website that the individual should ask him/herself before venturing into business. These include:

Can I be responsible enough to run my own business?

What product or service should I offer?

Which market do I want to enter, where is it, and how do I locate it?

Can the business generate sufficient income to support myself and my dependents?

How will the business be financed?

Will the business be started full or part-time?

Do I have a moderate appetite for calculated risk?

Will the business be able to run by me alone, or will it need additional support?

Zimmerer and Scarborough (2002:26-28) and Bolton and Thompson (2004:110) argue that similar patterns of entrepreneurial failure have been observed in unsuccessful ventures.

3.3.1 Management incompetence

As the driving force behind the venture, the business owner should have control and make correct judgments. Inexperience and the inability to make the mind shift from that of employee to one of employer, even if the owner is the sole owner/worker, can result in a business that is poorly managed. The lack of management skills may present itself in the way that customers, staff and suppliers are handled with the net effect being a negative perception and potential poor business performance. Management skills in certain sectors of the tourism industry may have to be gained through experience which, in many instances cannot be taught or self-learned.

According to Pycraft, Sing & Phihlea (2003:601) resource management may also impose its own constraints on the successfulness of the business. Resource constraints affect the relationship between activities and operational requirements and the future goals may not be met if resources are not available. The tourism entrepreneur should have adequate resources at his/her disposal in order to exploit the opportunities. These can take the form of financial and human capital, social skills, networking, value creation and speed capabilities in the delivery of the service or product.

3.3.2 Experience levels

Entrepreneurs could find the new role of dealing with customers a daunting task as they may not yet have gained sufficient capability to manage all the aspects of the business. The lack of experience in operating a small tourism business in Cape Town may create situations where the process of decision-making is pressured. This could lead to judgment being made in unfavorable conditions and decisions that could harm the performance of the business.

The business owner should understand every aspect of the operation. The tourism industry in Cape Town is competitive and it is important that the owner has full knowledge of the operations of the business and the environment in which it operates. Hansen and Mowen (2003:3) comment that tourism businesses are increasing in competition. Tourism business owners need to be more conscious of having accurate information at hand that allows them to read their business performance and “red flag” potential problems. Information aids decision making which is needed for the tourism owner to remain both innovative and competitive in the marketplace.

Tourism entrepreneurs need to be able to pace themselves and know their limitations as the service industry is highly competitive and growing argue Hansen and Mowen (2003:3).

3.3.3 Financial control

Financial control focuses on three factor namely start-up capital, cash flow and financial control mechanisms. Seed or start-up capital is needed to launch a tourism business. SMMEs may not have the ability to raise financing in the same way that large companies can. The SMME would for instance, make use of loans and savings as seed capital. Larger companies use their debt and owners' equity to finance their capital requirements. The problem that may arise from operating

with insufficient capital is that the business may not have any cash reserves which may be needed to secure bookings and pay for deposits while remaining liquid. Liquidity is the ability of a business to meet short-term cash demands such as creditors. Cash flow and cash-on-hand are the lifeblood of a business and cash is required to remain liquid.

Insolvency can be created even though technically-speaking the tourism entrepreneur is generating a profit. A negative cash flow cycle can be created through inappropriate credit terms and lengthy debtor periods which could mean that a business lacks the ability to meet its short-term cash requirements. This can be caused when for example, a tour company books and pays for the products and services before it receives the actual income from its customers.

Financial controls are used by the tourism entrepreneur, enabling them to measure the performance of their business. According to Osborne (2005:9-11), poor accounting measures are seen as a lack of control. He comments that too often businesses lose money by not being prudent and carefully tracking their income and expenditure. The ability to understand the basic financial statements such as the balance sheet, income and cash flow statements allow the business owner to keep a "finger on the pulse" of the business.

According to Hansen and Mowen (2003:904), poor capital investment decisions can also be disastrous as capital affects the future performance ability of the business. Entrepreneurs need to be aware that they must have enough capital financing to be able to keep the business operating in the testing growth and development stages. The initial stages of business are usually very uncertain, and cash is required to fund future cash flow in the form of capital.

3.3.4 Strategic plan development

Planning for the business is needed during its entire lifecycle argues Osborne (2005:2) .The entrepreneur should have a set plan which takes into account as many permutations as possible. By not having a strategic plan the business has no focus. A plan highlights the present state of the business, the desired future state and the goal towards which the entrepreneur will work.

During the journey from the present state to the desired future state, there may be challenges that affect the ability of the business to reach its goals. The entrepreneur that understands where he/she is currently situated and acknowledges the dangers that are in the pathway to success could have a higher degree of success than the individual who does not have such an understanding.

According to Barclay Associates (2008), a business plan is a tool that aids the management of a business and mention that business plans are also used to acquire finance. The plan highlights all aspects of the business and it can be used to measure performance by applying the implemented yardsticks.

3.3.5 Growth levels

Businesses require cash to fuel the growth requirements of a developing enterprise. Growth that is not controlled can get out of hand and cause the business to fail as it cannot meet all its commitments to customers, staff, clients and owners.

3.3.6 Location

Tourism businesses are at risk of losing customers to poor locations because location can affect the ability of the market to access their products or services. Tourists would not necessarily have the time and means to travel far distances for

services and products as their visit is limited by their arrival and departure period. Location can also be an attracting factor as a long-haul destination may appeal to international travelers who require a holiday located in a remote area.

3.3.7 Inventory and stock control

Holding unnecessary stock not only costs money and could be wasteful if not used. Inventory levels that are not managed properly could cause a loss in sales and may tie up cash in dead stock. Dead stock in tourism are amongst others, brochures or rate sheets that can no longer be used to promote the business as the prices and relevant information are outdated.

3.3.8 Pricing

Tourism entrepreneurs should be cautious when pricing. If prices are too high, the entrepreneurs could position themselves right out of the market as the customer will look for a more reasonably-priced product. The opposite also applies to products that are priced too low. These may be viewed as being of an inferior quality by the customer and hence undesirable possibly avoided.

3.3.9 The entrepreneurial mind shift

Entrepreneurship requires a fundamental shift of thinking, from being an employee to being an employer. Not being able to think and act as a business owner may result in a business that has no leadership or direction. The subsequent efforts that follow would not necessarily create the results needed for sustainability and success.

3.3.10 Innovation

The lack of innovation as brought about through complacency, inflexibility and not thinking strategically could cause failure. Innovation should remain constant. With an expected increase in tourism arrival numbers, the service offerings should remain dynamic enough to capitalise on this market.

3.3.11 Focus

The tourism business owner should remain focused on the objectives that were implemented at the start up stage. A concentration on sheer growth and unstable overall profitability combined with insufficient ability and investment capital could result in the business not being able to build its core competencies. This could contribute to the 80% failure rate of small businesses within the first three years (SA Tourism, 2001:3).

Understanding the principles of business is vital, according to Zimmerer and Scarborough (2002:31-32). They mention that "reading the signs" before they happen will help a business to avoid failure. The business owner should remain constantly focused and have the ability to be able to evaluate the business performance at all times.

3.3.11 Staff management

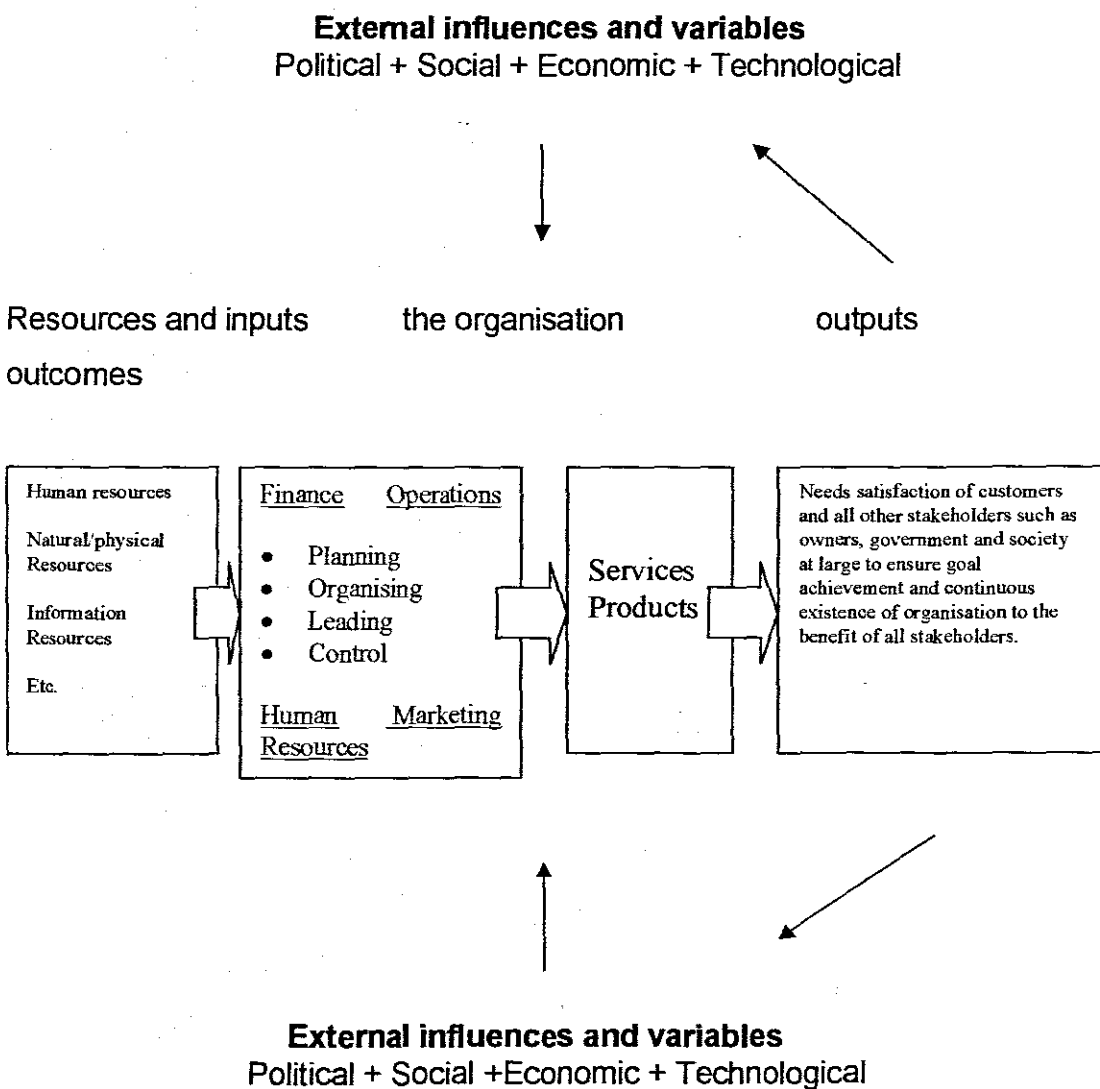
Swanepoel (2003:4) highlights the point that all organisations are created and run by people. All forms of business need to have manpower in order to operate. The role of management is to ensure operational efficiency by allocating the available resources in order to achieve the business objectives.

Human capital is a resource that is needed in the organisation to allow the creation of the product or service and the eventual outcome to be realised in the form of

profit. The process of creating value requires effective management of people in order to create the value offering.

Figure 3.1 illustrates the primary roles that human resources play in an organisation. Human resources are an asset and make the creation of value possible.

Figure 3.1 Management of the organisation: a process perspective



Source: Swanepoel (2003:11)

The tourism business is a process of various elements. The inputs in the value chain are represented by human, natural, physical and information resources. The needs of the business are combined with these elements which are processed by the business in order to offer the final product or service.

Figure 3.1 lacks a feedback mechanism. Feedback flows directly from the final stage to the input stage of the process and re-establishes the cycle. The business cycle is an ongoing operation and new inputs are gained that stem from the delivery of the product or service to the tourism customer.

3.3.12 Research

Research into the tourism industry is needed in order to remain in touch with local trends and developments. Tourism businesses that rely heavily on foreign-based income for example may need to be aware of foreign exchange fluctuations, airline ticket prices and visa requirements for visitors as these factors affect the ability of international tourists to visit South Africa. These fluctuations may limit the amount of disposable income that could be spent while visiting the destination of choice.

According to Drucker (1994:27), in order to make a business successful, the entrepreneur must see him/herself as an innovator and clearly understand what is expected of an entrepreneur. Innovation can foster a growth in capacity and create the ability to generate wealth. Businesses develop and change all the time and the tourism industry is no different as the market dictates the product offering.

There are drawbacks to being constantly creative and innovative. According to Drucker (1994:33-50) businesses face two main unforeseen variables namely unexpected success and unexpected growth.

Unexpected success can offer the best opportunity for innovation. There can be products or services that a business may not want to promote that begin to sell. These products are sometimes referred to a 'dog'. The products might bring in revenue but could detract or damage the brand's image. Unexpected results can catch management by surprise and challenge management decision-making.

Unexpected failure can happen even if every conceivable variable was accounted for. Failure can be brought about through lack of ability, incompetence, uncompetitive product-offering and not understanding or predicting the market in which the tourism business operates. Drucker (1994:50) maintains that failure can also be a creative process as it creates new understanding and with that, comes new opportunity.

Cardon and McGrath (1999:58-71), mention that entrepreneurs voluntarily expose themselves to risk and uncertainty. They see the two main causes for failure as a lack of effort and improper planning. The failure of a business can be attributed directly to the entrepreneur's level of ability. Persistence is seen as one of the greatest virtues an entrepreneur can possess. It is sorely needed in the face of adversity.

3.4 Entrepreneurship in South Africa

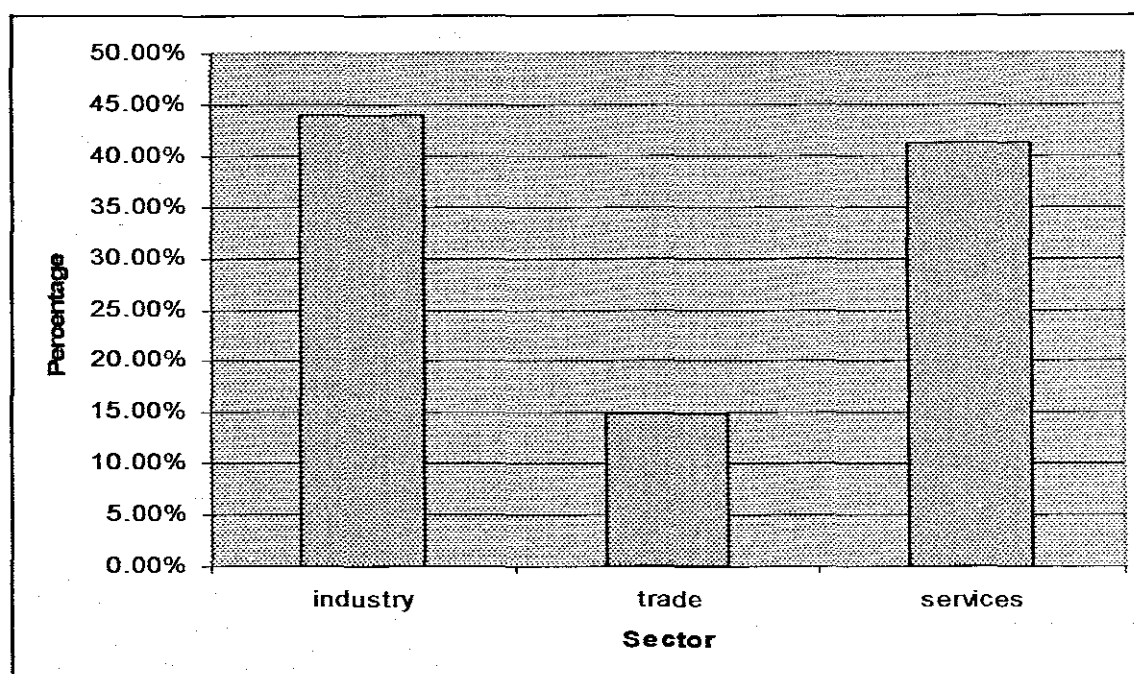
Small business in South Africa contributes to the economy and its social well being. The SMME sector of the economy provides employment and opportunity. The National Small Business Act (2003:8) defines SMMEs as businesses that employ less than two hundred staff and a small business is defined as one that employs less than fifty people.

The breakdown of SMMEs in the economy show that services and industry make up the majority of the sector. Biekpe (2007:3) argues that in South Africa, the service industry attributes 43.9 % of its total to SMMEs. The tourism industry is a

service industry and globally 90% of the tourism industry is, according to Gartner and Lime (2004:6), represented by small business. The main exceptions to this are the airline and hotel industries.

The figure 3.2 illustrates the SMME breakdown in South Africa, presented in percentage terms.

Figure 3.2 South Africa SMMEs per sector of the economy



Source: Biekpe (2007:3)

3.4.1 Entrepreneurial performance

As previously mentioned, The Global Entrepreneurship Monitor (2006) rated South Africa as poor in terms of overall entrepreneurial activity. The TEA index measured the percentage of individuals between the ages of eighteen and sixty-four years that was involved in starting a new business. These were individuals who had initiated their businesses on their own.

Table 3.3 below ranks South Africa's position in the TEA rating.

Table 3.1 TEA Rating (2006)

RANKING	COUNTRY	TEA RATE (%)
1	Peru	40.15
2	Colombia	22.48
3	Philippines	20.44
4	Samoa	20.32
5	Indonesia	19.28
6	China	16.19
7	Thailand	15.2
8	Uruguay	12.56
9	Australia	11.96
10	Brazil	11.65
11	Iceland	11.26
12	Malaysia	11.09
13	India	10.42
14	Argentina	10.18
15	Chile	9.19
16	Norway	9.14
17	United States	8.82
18	Croatia	8.58
19	Greece	7.9
20	Czech Republic	7.85
21	Ireland	7.35
22	Spain	7.27
23	Canada	7.12
34	Latvia	6.57
25	Hungary	6.04
26	Turkey	5.96
27	UK	5.77
28	Netherlands	5.42
29	Denmark	5.32
30	South Africa	5.29
31	Mexico	5.29

32	Finland	4.99
33	Russia	4.86
34	Singapore	4.85
35	Slovenia	4.63
36	France	4.39
37	Germany	4.21
38	United Arab Emirates	3.74
39	Italy	3.47
40	Sweden	3.45
41	Japan	2.9
42	Belgium	2.73
	Average all Countries	9.43

Source: GEM (2006:16)

3.4.2 Failure rate

According to SATSA (2005.), the failure rate amongst startup business within the first three years was 80%. Only 20% of small businesses were able to sustain operations longer than three years. The high level of failure could have a negative impact on the economic outlook for SMMEs. Entrepreneurs may be dissuaded to pursue self-employment as the reported failure rates may depict an ultra-competitive industry. According to Statistics South Africa (2008:page number) the current unemployment rate of 23.1%, coupled with a high failure rate of business could add pressure to the number of unemployed people.

According to Co *et al* (2006:7) an economy can be built up by encouraging entrepreneurship and providing the climate to develop SMMEs.. The biggest benefit of small business development is the provision of employment, opportunity generation and increased choice for customers. The South African government acknowledges the role of the SMME in the economy. According to van Vuuren *et al*

(2007:236), the South African government has recognised that SMMEs are needed in order to develop and support a strong economy. The tourism industry should as far as possible allow for the elimination of barriers to startup businesses and improve the accessibility to enter markets.

3.4.3 Black economic empowerment (BEE)

South Africa was previously restricted in its ability to be entrepreneurial and offer minor encouragement for entrepreneurship according to Co *et al* (2006:29-31). The apartheid laws restricted the ability of specific South African citizen's ownership of their own businesses. The unequal education system and discriminatory laws generated an economy of disparity creating major barriers to market entry for the majority of the population.

Gqubule (2006:9) states that the aims of BEE, is to transform the economic landscape of South Africa by applying a designed strategy for transformation and economic growth by reducing inequalities and increasing black participation. The tourism sector can provide opportunities for entrepreneurs as businesses that conform to the BEE requirements are able to tender for government contracts. The Tourism Empowerment Council of South Africa (TECSA) is responsible for aiding the transformation of the tourism industry.

The BEE status of a business is recorded and measured through the application of the tourism BEE scorecard that was adapted from the BEE scorecard developed by the dti. It applies to all privately-owned tourism businesses. The scorecard measures core elements and attributes a percentage weighted to each element. A business can improve its ability to secure government tenders and receive preferential procurement by achieving the maximum percentage score possible (Co *et al*, 2006:324).

Micro-enterprises were exempted from BEE requirements due to their status of turnover being less than R 5 million. The tourism industry is dominated by SMMEs small business. DEAT developed the tourism BEE charter in 2005 highlighting the need to transform the industry so as to allow designated individuals the opportunities and benefits that tourism could afford them. DEAT in conjunction with TECSA made level three BEE recognition mandatory for all EME's doing business with the public sector.

The tourism BEE charter scorecard has targeted 2009 and 2014 as the two dates against which tourism businesses are to benchmark themselves. These dates measure the contribution that each business has made to BEE during these two five-year periods. The aim is to show the benchmark percentage representation.

Understanding the makeup of the rating system and background behind it could aid the entrepreneur in that businesses supply each other as the tourism industry relies on networks. Co *et al* (2006:34) point out that competitive advantages can be gained by all entrepreneurs that work within the guidelines of BEE and make maximum use of its potential benefits by not working against them. Table 3.1 depicts the tourism BEE scorecard milestones for 2009 for South African tourism businesses.

Table 3.2 Tourism BEE scorecard

INDICATOR	2009 WEIGHTINGS		2009 MILESTONES	
	WEIGHTING	SUB-WEIGHTING	INDICATORS TO MEASURE BEE ACHIEVEMENT	2009 TARGET
	A	B		C
Ownership	15.00%	15.00%	% share of economic benefits as reflected by direct shareholding by black people Note: Direct shareholding includes ESOP's and other employee share schemes	21.00%
Strategic Representation	14.00%	3.50%	Black people as a % of Board of Directors	30.00%
		3.50%	Black women as a % of Board of Directors	15.00%
		3.50%	Black people as a % of executive management	30.00%
		3.50%	Black women as a % of executive management	15.00%
Employment Equity	14.00%	2.50%	Black people as a % of management	35.00%
		2.50%	Black women as a % of management	18.00%
		2.50%	Black people as a % of supervisors, junior & skilled employees	45.00%
		2.50%	Black women as a % of supervisors, junior & skilled employees	23.00%
		2.00%	Black people as a % of Total Staff	53.00%
		2.00%	Black women as a % of Total Staff	28.00%
Skills Development	20.00%	5.00%	% of payroll spend on skills development (including skills development levy) on all accredited training	3.00%
		5.00%	% of skills development spend on black employees	75.00%
		5.00%	Number of learnerships as a % of total employees	2.00%
		5.00%	Number of black learners as a % of total learners	80.00%
Preferential Procurement	15.00%	15.00%	Spend on BEE compliant companies as a % of total procurement spend	40.00%
Enterprise Development	14.00%	14.00%	The sum of % spend of post-tax profits on enterprise development and % employees time contributed to enterprise development over total employee time	1.00%
			Enhanced revenue and/or cost savings and/or twinning initiatives facilitated for black owned SMME's, as a % of the company measured	1.00%
Social Development and Industry Specific	8.00%	3.00%	% CSI spend of post-tax profits on education, community programmes, job creation, training, health, conservation, community tourism and marketing activities to develop local black tourist market (or % employee time over total employee time)	1.00%

		2.00%	% of new recruits with no prior work experience	10.00%
		3.00%	Status of TOMSA levy collector	Yes
Total	100.00%	100.00%		

*** Exclusion**

Businesses with less than R 5 Million/annum turnover are exempted from ownership requirements

Source: Tourism BEE Charter (2005:10)

In order to interpret the information in Table 3.1, the basic scoring is rated as follows:

65% and above	-	Good BEE status
40% - 64.9%	-	Satisfactory BEE status
Less than 40%	-	Limited contributor to BEE

For each business assessed, a weighing or score for each of the seven categories is awarded. The areas that are under scrutiny are ownership, strategic representation, employment equity, skills development, preferential procurement, enterprise development and social and industry-specific development.

According to Co *et al* (2006:327) the opportunities for complying with BEE status for SMMEs are beneficial in that they can improve the access to funding, support, markets and networking opportunities. A learnership programme allows the small business owner to meet part of the requirements of BEE, and the transfer of skills can benefit the business through in-house training. The establishment of partnerships and franchise opportunities can be created via the BEE compliancy of the business.

3.4.4 Future outlook

According to Biekpe (2007:149) inflationary pressures affect the business environment by reducing the confidence in the SMME sector. The recent increases in fuel and food prices have affected the PPI causing the production of tourism products or services to rise. Globally, the price of oil and subsequent increase in the fuel price forced an increase in airfares. This has greatly affected the airline industry in that the fuel price increase may have added 35% to the operating cost of airlines (IOL, 2008).

Petrol and diesel price increases can affect the ability of South African tourists who may want to visit Cape Town and the Western Cape and would need to travel long distances by motor vehicle. The increased travel costs may reduce the disposable income and holiday budget. Tourists that visit the city may "buy down" into a cheaper holiday option or shorten the duration of their stay in the city. There are potential opportunities for the entrepreneur as tourists may seek alternative means to experience the city by pursuing less expensive and alternative services and attractions.

3.5 The growth and development of entrepreneurship

According to Co *et al* (2006:16) the future of the South Africa's economy may depend on the ability of the entrepreneur to sustain and build the SMME sector. They maintain that South Africa projects a positive outlook because of its current political and economic climate. The continued growth and development of entrepreneurship in the South African economy may be attributed to various social, economic and political factors.

3.5.1 Education and awareness

According to the Gordon Institute of Business Science (2007) the need to educate entrepreneurs and potential entrepreneurs has increased. Higher education institutions such as universities and colleges and secondary education providers have included the study of entrepreneurship in courses on offer. This has assisted the awareness of entrepreneurship and may create stimulus for further development in the field.

3.5.2 Government support

The dti is responsible for implementing the recommendations and conditions set out by the National Small Business Act (2003). The agency's role is that of promoting the government's SMME policy and target job promotion and creation (Act 26 of 2003).

The dti has put mechanisms in place to assist business development with the aid of SEDA and Ntsika. These agencies provide support and development for entrepreneurs. The DTI has recognised that the challenges that the tourism sector faces are the need to become competitive on a global scale and the ability to increase the inclusion level and ownership percentage of black people in tourism.. TECSA is tasked with the promotion of black participation in tourism. It has put measures in place to facilitate the transformation and increased inclusion of PDIs and HDIs in the tourism industry.

3.5.3 Societal perceptions

According to *Co et al* (2006:16) society has realised that entrepreneurship is not the sole reserve of the wealthy, intellectual and talented.. The opportunities in Cape Town can allow for a range of growth areas and varied career choices within the tourism field.

3.5.4 Political and economic climate

The political environment of South Africa was able to afford transition from that of inequality under apartheid to one of democracy in a relatively smooth manner. Entrepreneurship and the ability to create a business are protected under the constitution and all individuals have the right to start and own their enterprises (Act 108 of 1996).

3.5.5 The changing roles of big business

Zimmerer and Scarborough (2002:12) argue that the traditional roles of big businesses are changing. Global competitiveness and the ability of small business to compete through virtual shop-fronts such as the internet have allowed businesses to be increasingly competitive. Zimmerer and Scarborough (2002:12), explain that big businesses will need to adapt and become entrepreneurial if they are to remain competitive. Progression, creativity and constant development aid in survival and value creation for all businesses.

3.6 Definition of tourism

A singular definition of tourism can limit its broad scope of activities in which it is involved. Tourism constitutes many producers, suppliers and services that make up the end product. Tourism involves enabling the tourist to visit various places and the provision of accommodation and services that allows the tourist to experience the destination or attraction. Tourism is seen as the movement of people away from their normal place of residence and usual expenditure of some sort according to Holloway (2004:1).

Garter and Lime (2004:6) define tourism as the perfect consumption activity. Local developments are in support of this definition as can be seen in the continual development of the Victoria and Alfred Waterfront, Green Market Square, Table

Mountain, Robben Island and De Waterkant. The Victoria and Alfred Waterfront is Africa's single largest tourist attraction with a reported 6 million visitors in 2007 according to Western Cape Tourism (2008).

Cape Town has recognised the importance of tourism as a major economic activity and documented its commitment with the City of Cape Town's Tourism Development Framework (2004). The commitment of the city acknowledges the importance of tourism and its sustained development in providing tourists with world-class attractions and services.

Tourism is divided into three main categories. Holloway (2002:5-6) mentions the three broad types are leisure (including holidays, visiting family and friends and activity-based tourism), business (conferences, meetings, business deals and trade shows) and other purposes(health, education, religious).

3.7 Tourism in Cape Town

The 2010 FIFA World Cup tournament is expected to attract 445 000 foreign arrivals to South Africa. and become a platform for exposure to and awareness of all that the Cape has to offer (SATSA, 2005).

According to Cape Town Tourism (2008) the city boasts six of the eleven most-visited tourist attractions in South Africa,. These are the Victoria and Alfred Waterfront, Robben Island, Table Mountain, Cape Point, the Kirstenbosch Botanical Gardens and the Cape Winelands. The advantage for the tourism business entrepreneur having Cape Town as an attractive premier destination is that the entrepreneurs are all located within close proximity to the CBD, enabling access to these attractions within a relatively small radius.

The city appears to be the ideal location to house a tourism business. International tourist arrivals increased by 10% in 2007 representing 2, 2 million foreign visitors, 22.3% were received by Cape Town (Cape Town Tourism, 2008). There appears to be a lack of consistent tourism statistics and this has made the evaluation of the statistics difficult (Western Cape Provincial Treasury, 2005:119-120).

The provincial economic outlook for the province as stated by the Western Cape Provincial Treasury (2005:19) focused on developing entrepreneurial growth in rural areas and previously disadvantaged individuals who could create employment for themselves by attracting visitors to the rural and township locations as well as through art and craft-making. Local tourism is a focus area that needs to be developed. The province understands that local tourism has large growth potential and coupled with that development, there is a need to support these enterprises, (Western Cape Provincial Treasury, 2005:118-120).

The province is aiming to develop two key areas for local tourism by enhancing local arts and crafts production and marketability and the viability of Cape Town being able to position itself as a world-class beach destination (DEAT, 2005).

Tourism could provide excellent employment opportunities for entrepreneurs in Cape Town. As a major attraction in South Africa, the brand '*Cape Town*' could be a significant factor in realising the successfulness of prospective tourism business ventures.

Global international travel is concentrated in the Northern Hemisphere with 79% of travel being undertaken between Europe and North America and Africa only constitutes 4% of the world's tourism (Garner and Lime, 2004:5). It would therefore be justifiable to assume that tourism has growth potential in Africa and specifically in Cape Town. The City of Cape Town (2008) reported that between 2004 and 2006 there was steady growth in international travel to Cape Town. International

visitor numbers grew 13% between 2004 and 2006 with major increases in visitor spending. The expenditure figure more than doubled in 2006 with R19.8 billion.

The advantage for the tourism owner is that if he/she decides to focus on foreign visitors, the income would largely be foreign-based. This has benefits in that currency fluctuations can sometimes be in the operator's favour and visitors have more disposable income to spend on their holiday making it a viable undertaking.

The City of Cape Town (2008) found that domestic tourism formed the majority of the visitor makeup with 5.5 million visitors to Cape Town in 2006. Weaver (1998:4) argues that this figure could be improved upon as not possessing unified information from passport control and flight numbers could mean that local travel statistics could be larger than is currently being reported.

External and internal factors influence the potential of tourism growth positively and negatively. Safety of travellers and South Africa's crime level remain a major concern for tourism (Weaver, 2002:70). The high crime levels portray a negative image which in turn affects people's desire and ability to visit Cape Town. If there is a risk of potential crime associated with a specific destination, it is a definite barrier to entry (Holloway, 2004:70).

The capacity of the environment to handle tourism should also be considered. The tourism environment for the entrepreneur can be as small as a shop or a vehicle that is used for tours. The capacity of the local area must be able to support the activity even on such as small scale. If this is not possible, it can limit the growth potential for the entrepreneur. The City of Cape Town (2008) argues that sustainable tourism and eco-consciousness ventures are the keys to a healthy and competitive local tourism industry. SATSA as a tourism authority promotes sustainable, locally-driven and environmentally-aware tourism practices to its members.

Holloway points out (2002:355) that the environment can also be damaged because of the attractiveness of a specific location as tourism can erode not only the natural vegetation but can change the character of the area. In Cape Town De Waterkant, a popular suburb adjacent to the city is known for its gay nightlife, tourist attractions and numerous guesthouses. The area is protected by the Heritage Council, tasked with ensuring that the National Preservation Act is followed. The charm which initially attracted and continues to attract so many people both local and international to the area and consequent future evolution, could over time lead to its downfall as its identity becomes lost with the ever-encroaching developments.

3.8 Industry support

The disparity created by South Africa's history has caused inequalities such as education, wealth creation, business opportunities in poorer communities. Today enterprise offers opportunities for people who previously were unable to be economically active. The problem remains that poorer communities struggle to find access to finance, lack the necessary skills and might not have the knowledge to compete in highly competitive markets such as tourism with goods and services that can create value and provide a profit for the entrepreneur.

According to the GEM report (2006), South Africa's entrepreneurial activity level is low when compared to the TEA rate of other countries that were assessed. Development and support are highlighted areas needed for SMMEs to efficiently operate. Business owners as start-up owners do not necessarily have the financial support or experience that larger firms may have at their disposal.

3.8.1 Government support

The government should intervene and provide support for all SMMEs. The Centre for Small Business Promotion falls under the DTI which operates on a national

level and is responsible for overall policy making. The Centre for Small Business Promotion developed the Ntsika Enterprise Promotion Agency. This was later replaced by Khula Enterprise Finance Limited. Khula provides support as a wholesale financier that provides credit to SMMEs.

Over-planning and over-regulation are incompatible with an entrepreneurial society as entrepreneurship is a creative process and the restrictions could hamper the ability to be creative. The mechanisms needed to be put in place should assist small business and allow fairly easy access to markets. The government should restrict development by over-planning and legislation (Drucker, 1994:237).

Educational institutions are realising the importance of entrepreneurship and small business courses. According to Gibbs (2007), South African business schools are continually challenged to meet the economic and societal needs placed upon them. Business schools have to fulfill an ever-increasing demand and schools are challenged to cover the vast scope of the subject matter and maintain their academic standards.

According to Paulberman (2007:), there are three key factors that need to be adhered to in order to support entrepreneurs namely, new market support, resources and capabilities support and nurturing towards detecting opportunity. These are:

(i) New market support

Creating access for business owners to reach new markets is important. Necessity entrepreneurship as defined earlier, is often reached through having no other career choice. The majority of necessity business in South Africa is found in rural and township surroundings. New markets allow business owners to create greater value than before. Despite the many small enterprises that operate in the typical township environment, tourism businesses are limited. This limitation may be

caused by the limited purchasing power of the community despite innovative and successful entrepreneurial initiatives.

(ii) Resources and capabilities support

Support is needed in the forms of finance, training, education and guidance.

(iii) Nurtured to detect opportunity

Opportunity should never be stifled. Tourism entrepreneurs should be taught how to read and approach opportunity. Through education and training, business owners must be motivated and trained to constantly be able to detect opportunity and act upon it.

3.9 Summary

This chapter examined the definition, history and industry makeup of South African tourism.

The literature review examined in the research was used to assist the researcher with the empirical study. The following chapter addresses the methodology used for the study. A quantitative survey will be done to enable the research to understand the position of tourism entrepreneurs in Cape Town.

The empirical data will be collected using methods that ensure validity, reliability and consistency in order to ensure that the research material is applicable and beneficial. This will give the researcher a broader understanding of the influences, motivating factors and the environment in which tourism entrepreneurs in Cape Town operate.

CHAPTER 4

THE SURVEY TOOL AND THE EMPIRICAL STUDY

4.1 Introduction

This chapter discusses the survey techniques and empirical study and serves to explain how the study will be approached. The previous chapters (chapters 2 and 3) discussed the literature study which provided the base for the theoretical understanding of the research topic. Chapter Four provides the design of the research instrument used to conduct the practical survey of tourism entrepreneurs in Cape Town.

The correct methodology must be used as it can directly affect the results of the conducted research. The use of specific, appropriate scientific methods for extrapolating information within the confines of social science ensures validity of the data gained from the study. According to de Vos (2001:25-29) the importance of the information gained from the survey weighs heavily on the approach, design, implementation, presentation and expression of the data. This data is later used in the findings, recommendations and conclusions found in the final chapter.

4.2 Quantitative research methodology

Quantitative research is the quantification of constructs and is seen as the best way to measure perceived properties of phenomena through the allocation of numbers to those perceived properties and Babbie and Mouton (2001:49) explain that this type of research also describes and analyses human behaviour through variables where control of source errors is done by means of statistical controls.

Terre Blanche and Durheim (1999:74) endorse the use of statistical procedures when analysing quantitative data and is useful when measuring and quantifying variables.

The following assumptions should be remembered when conducting quantitative research (Neuman, 1994:58, 75):

- The research must remain objective
- The researcher is neutral, detached and objective
- It is a logical, deductive system of definitions, axioms and laws
- It is logically connected to laws and based on facts
- Abstract ideas derived from laws are linked to precise measurement of the social world
- The favoured methods are experiments, surveys and statistics
- It attempts to measure precise things about people
- Its concern with abstract formulae does not always relate to the actual lives of people
- Its aim is to discover natural laws in order that people can predict and control events
- It is value-free as subjectivity and prejudice are controlled by statistical techniques

4.3 The questionnaire

The questionnaire comes in a variety of shapes, sizes, purpose and appearances. Denscombe (2007:153) refers to a number of criteria that underpin the design of effective questionnaire which should:

- be designed to collect information to be later used as analysis data
- provide a list of written questions
- be able to obtain information by asking people directly about the points concerning the study.

The researcher will make use of the questionnaire method, specifically the personal questionnaire as it will be handed to the respondent who will complete it on his or her own with the researcher available if problems are encountered. The researcher has to be aware of interviewer bias while conducting the post-survey interview with each respondent when obtaining demographic information. The personal questionnaire is felt to be the appropriate measuring tool to use for the following reasons:

- respondents are in different locations in the CBD of Cape Town
- the information is relatively straightforward, brief and uncontroversial
- the social climate is open enough for honest and full answers
- the data needs to be standardised from identical questions
- it defrays unnecessary postage costs and possible postal delays
- the gathering of data is uncomplicated
- the researcher will be able to interact with the respondent face-to-face and deal with survey queries while obtaining full answers.

4.3.1 Advantages and disadvantages of questionnaires

Denscombe (2007:170) points out a number of advantages when using the questionnaire. However one must bear in mind that there will also be disadvantages. Table 4.1 highlights the points that must be borne in mind when forming a questionnaire.

Table 4.1 Advantages and disadvantages of questionnaires

Advantages	Disadvantages
Wide Coverage	Poor response rate
Inexpensive	Incomplete/poorly completed answers
Pre-coded data	Limit and shape nature of questions
Eliminate effect of personal interaction with researcher	Cannot check truth of answers

Source: Denscombe (2007:170)

4.3.2 Questionnaire construction

De Vos (2001:157) underscores some basic principles when formulating the questions which are:

- sentences must be brief and clear
- vocabulary and question style must be understandable to the respondents
- questions and response alternatives cannot reflect the researcher's bias
- every question must only contain one thought
- every question must be relevant to the purpose of the questionnaire
- abstract questions should be avoided
- the question sequence should be aimed at non-threatening questions

Denscombe (2007:163) points out further rules that:

- questions that are asked should be vital to the research
- eliminate any duplication
- questionnaire should be piloted to gauge the response time

4.3.3 Question structure

The literature study highlighted three focus areas pertinent to this survey, namely the process of becoming an entrepreneur, running a business, and the effect of the external environment. The focus areas are represented by using fifteen statements to cover these three broad areas. Although there was a possibility of addressing a number of pertinent factors affecting entrepreneurship, the final fifteen statements were decided upon as these areas of concern appeared frequently in the literature study. The first five statements address factors that influence the start-up of a business namely:

- market opportunity
- planning
- influencing factors
- risk
- support structures

The next five statements cover factors that affect the success of a business namely:

- experience of the entrepreneur
- financial control
- leadership
- market prediction
- financing

The remaining five statements address future developments and the tourism environment in which the small business operates and include :

- 2010 FIFA World Cup Tournament
- BEE
- inflation

- location
- lifestyle of the entrepreneur

The survey tool, The Entrepreneurial Tourism Questionnaire (Appendix A) will thus consist of three themes with each theme containing five statements.

The instrument provides five options per statement and the respondent will be instructed to answer each statement by selecting one of the five options. choosing the option which he/she feels is the most appropriate response to each statement based on the degree of agreement.

This is presented in the form of a Likert Scale which is a multi-item scale allowing for scientific measurement of the target populations' response (Social Research Methods:2008). The responses are scaled to varying degrees of measurement.

The options will be, strongly agree (1), agree (2), undecided (3), disagree (4), strongly disagree (5).

4.4 Validity of the data

When drawing up the questionnaire there were a number of ethical issues that needed to be considered. With reference to this, Cohen, Manion and Morrison (2000:245-246) highlight the following:

- questionnaires are a intrusion into the respondents life
- respondents cannot be forced into completing the questionnaire
- respondents have the right to withdraw at any stage
- consent is needed
- a guarantee that the research will not harm the respondent must be given
- the potential of the research should benefit the respondent

- anonymity and confidentiality must be guaranteed
- sensitive or threatening questions should be avoided
- the questionnaire must be valid and reliable.

Denscombe (2007:282) adds to the previous list by including:

- data must be accurate and precisely recorded
- the data collected is appropriate for the investigation purposes
- explanations obtained from the analysis are correct

Fowler (2002:101) points out that validity and reliability of the questionnaire is enhanced by checking for statement ambiguity and clarity. The questionnaire was therefore scrutinised by a linguist and an educationist to check that all statements would mean the same to all respondents. Word use, user friendliness, statement flow and clarity of instruction were examined and found to be appropriate.

Fowler (2002:101) argues that conducting a pilot study further ensures reliability and validity of the measuring instrument. The single owner of a small tourism business operating in Cape Town offered to be part of the pilot study so that the instrument could be tested and fine-tuned. The respondent filled in the questionnaire and on completion, discussed how she had experienced the exercise. The questionnaire was found:

- to take roughly fifteen minutes to complete
- to contain four spelling errors
- to contain one ambiguous statement
- to contain two statements that measured a similar construct
- to be non-threatening
- to contain clear instructions

The questionnaire was refined after all the comments were examined.

4.5 Sampling design

The sample population was drawn from 31 tourism entrepreneurs in Cape Town. After consultation with a statistician the original survey of 10 entrepreneurs was found to be too few to provide a viable statistical base for analysis and the survey was then enlarged to incorporate 31 respondents. This provided a broader response rate and greatly improved the validity of the data captured by means of the questionnaire.

The nature of this study necessitated non-probability sampling and therefore purposive sampling was used. Singh (2007:108) suggests that purposive sampling is useful where a targeted sample needs to be reached very quickly. This type of sample provides the representative characteristics of the target population as mentioned by de Vos (2001:198) who adds that it is based solely on the judgment of the researcher.

4.6 Target group

The target group from which the sample was drawn had to meet specific criteria namely:

- (i) small tourism business entrepreneurs
- (ii) confined to the CBD of Cape Town
- (iii) single-owners.
- (iv) limited to the service sector of the tourism industry.

The survey sample consisted of 31 single-owner tourism entrepreneurs operating the Cape town CBD.

The ethical validity of the research must be ensured at all times. The ethical content of the empirical data gathered affects the integrity of the research and the integrity of the participants. This will be achieved by adhering to voluntary

participation, informed consent, confidentiality of information and ensuring anonymity of all the participants in the survey.

4.7 Duration of the study

The study was conducted over a period of three months. This allowed the researcher adequate lead time to engage with each of the thirty-one respondents in a face-to-face situation, gather the personal responses and to conduct short interviews with each of the respondents in order to obtain information about the business, its size, employee numbers and possible turnover.

4.8 Data collection

Perspective respondents were contacted prior to the survey being conducted in order to explain the purpose of the study, ensure that the respondent was indeed the owner of the business and to set a date for questionnaire completion. This allowed a clear understanding of the purpose of the survey prior to commencement of the actual questionnaire. One the day of the questionnaire recording each respondent recorded his/her responses in the spaces provided on the questionnaire sheet. The researcher explained each statement to the respondent to ensure clarity of understanding.

The researcher made use of a demographic matrix that was located as a table at the bottom of the questionnaire. The matrix addressed the respondent's age, gender, age at start-up, educational level, type of business and number of years in operation. As all information was treated with confidentiality, all respondents had the option of completing/not filling in their personal information.

4.9 Data interpretation

The number of responses was gathered with the use of acceptable scientific methods. The empirical data was collected and interpreted. This helped to ensure that the analysis of the respondents was scientifically representative of the research population. The questionnaire was self-administered by the researcher. The questionnaire which was of a quantitative nature was based on a 5-point scale questionnaire. The respondents recorded their responses on the questionnaire which was presented to them in the form of a Likert Scale.

The data was collected and recorded. The researcher was able to tabulate and graphically represent the findings of the statistics. The researcher generated the statistics by using Microsoft Excel. This process allowed the researcher to gain a thorough understating of the data collected which gave cadence to interpretation of the findings in Chapter Five.

4.10 The descriptive analysis

The analysis of the respective responses allows for a depiction of the sample group. The sample group, the respondents in the survey provided data by means of their responses to the 15 statements in the questionnaire. The main objective of reporting the findings of the empirical study, as set out by de Vos (1998:425) is to compare such findings with the literature study. The research provides a breakdown in percentages terms of each statement. This will be elaborated on in the final chapter.

4.11 Presentation of the survey

The results of the empirical study are presented in both tabular and graphic form. The statistical data collected was used to present the findings by the researcher on the target population. Each statement was broken down to provide a separate table

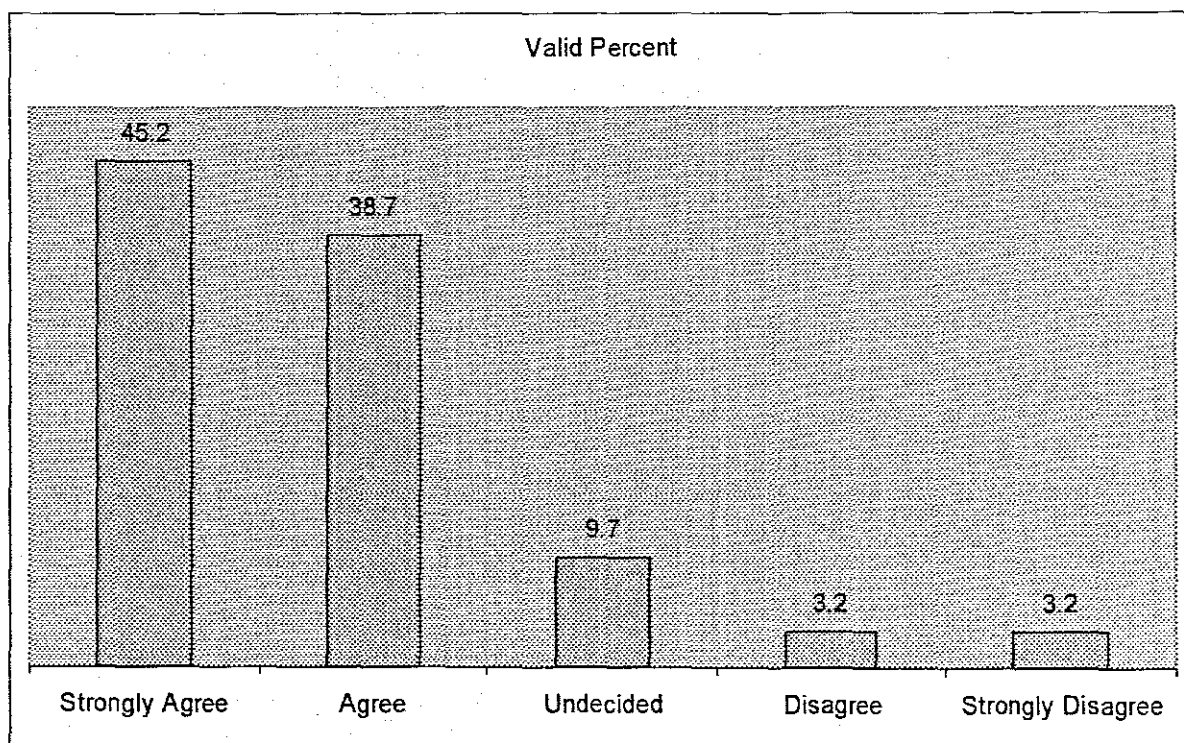
and graph depicting the specific response. De Vos (1998:32) argues that the information gathered provided the researcher with a rich source of data with which to work. The presentation should be as clear, accurate and objective as possible. He adds that there is an ethical obligation to the researcher to ensure that the investigation proceeds clearly and that no one person is deceived by its findings.

4.12 Research results

Figure 4.1 Launching a tourism business due to market opportunity

I started my business due to market opportunity

	Valid Percent	Cumulative Percent
Strongly Agree	45.2	45.2
Agree	38.7	83.9
Undecided	9.7	93.6
Disagree	3.2	96.8
Strongly Disagree	3.2	100.0
Total	100.0	

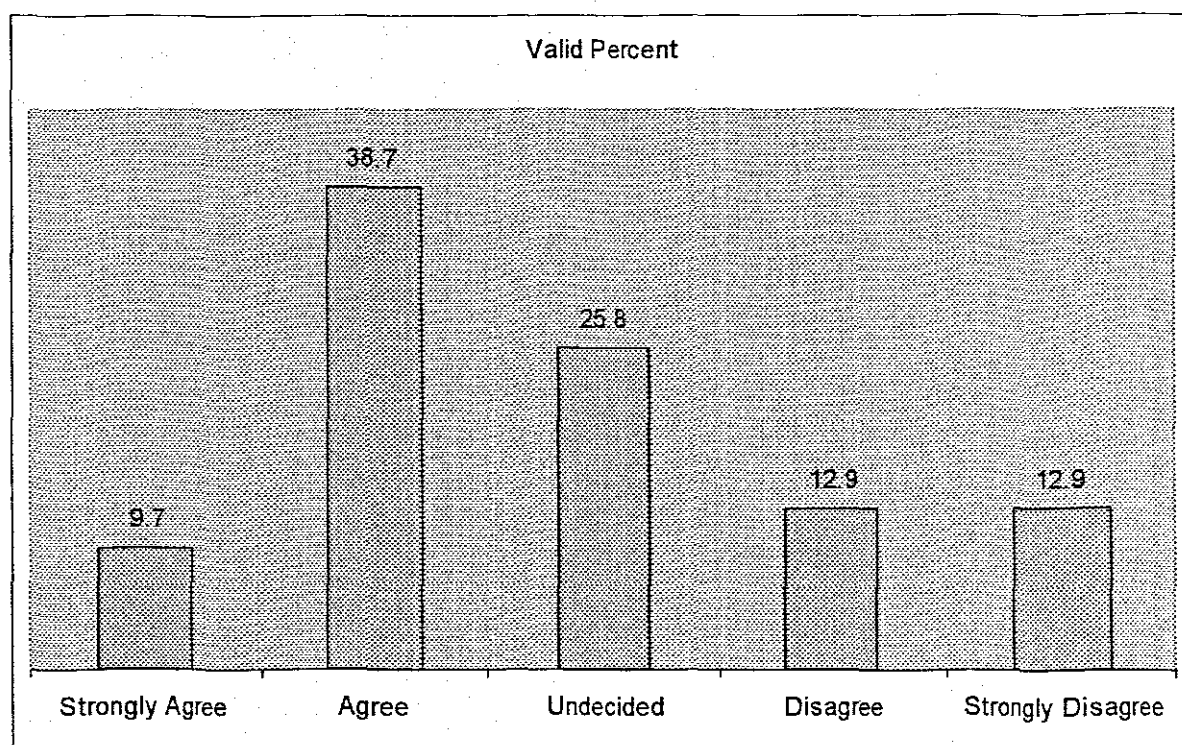


This statement dealt with the respondents' entrepreneurial ability to see and act on a business opportunity within the tourism sector were 83.9% agreeing with the statement. These respondents felt that market opportunity had led them to become tourism entrepreneurs. There were few responses that did not agree with the statement indicating that for those respondents, entry to the market was not due to market opportunity.

Figure 4.2 Business planning

I feel that my pre-launch business plan has significantly aided my venture

	Valid Percent	Cumulative Percent
Strongly Agree	9.7	9.7
Agree	38.7	48.4
Undecided	25.8	74.2
Disagree	12.9	87.1
Strongly Disagree	12.9	100.0
Total	100.0	

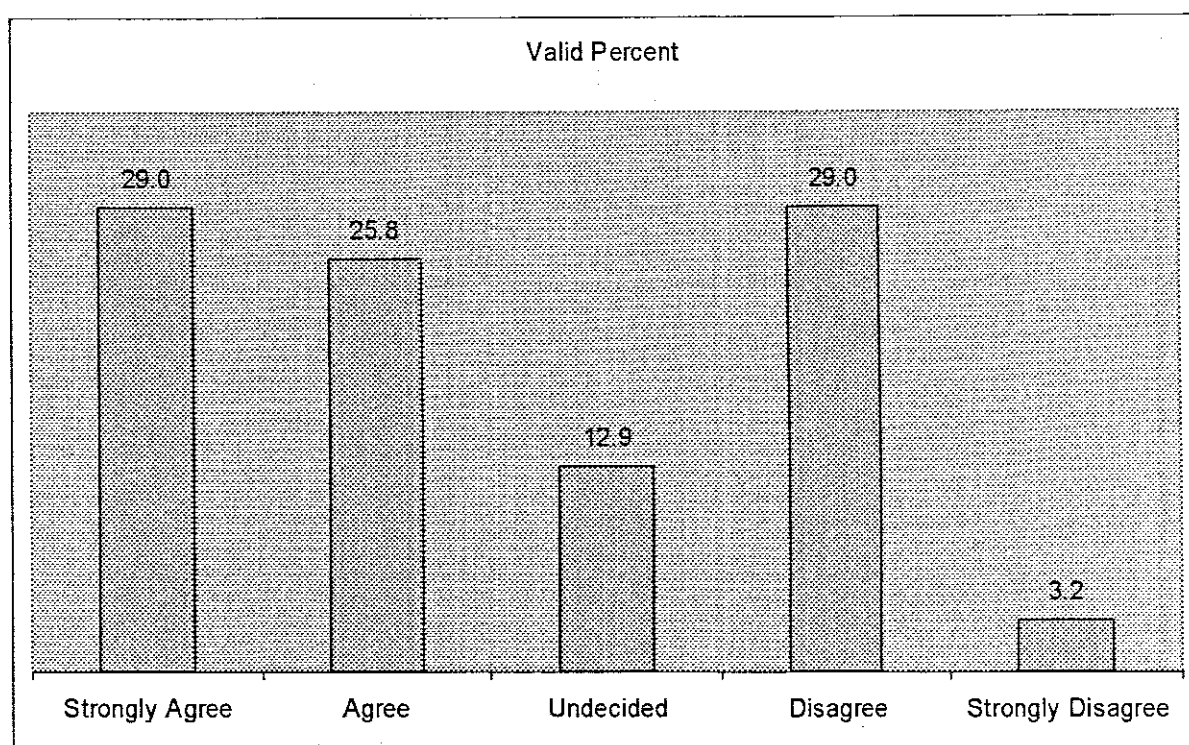


This statement dealt with entrepreneurs having given serious thought to researching the market possibilities, having a financial strategy in place and drawing up a viable logistics plan of the business before opening to the public. Of the group agreeing with the statement only 38.7% was slightly larger than the 25.8% that was undecided. A lesser 9.7% strongly agreed that business planning contributed significantly to the successfulness of their businesses.

Figure 4.3 Relative/ friends influence on start up

I was inspired to start up due to a relative/friend who is an entrepreneur

	Valid Percent	Cumulative Percent
Strongly Agree	29.0	29.0
Agree	25.8	54.8
Undecided	12.9	67.7
Disagree	29.0	96.7
Strongly Disagree	3.2	100.0
Total	100.0	

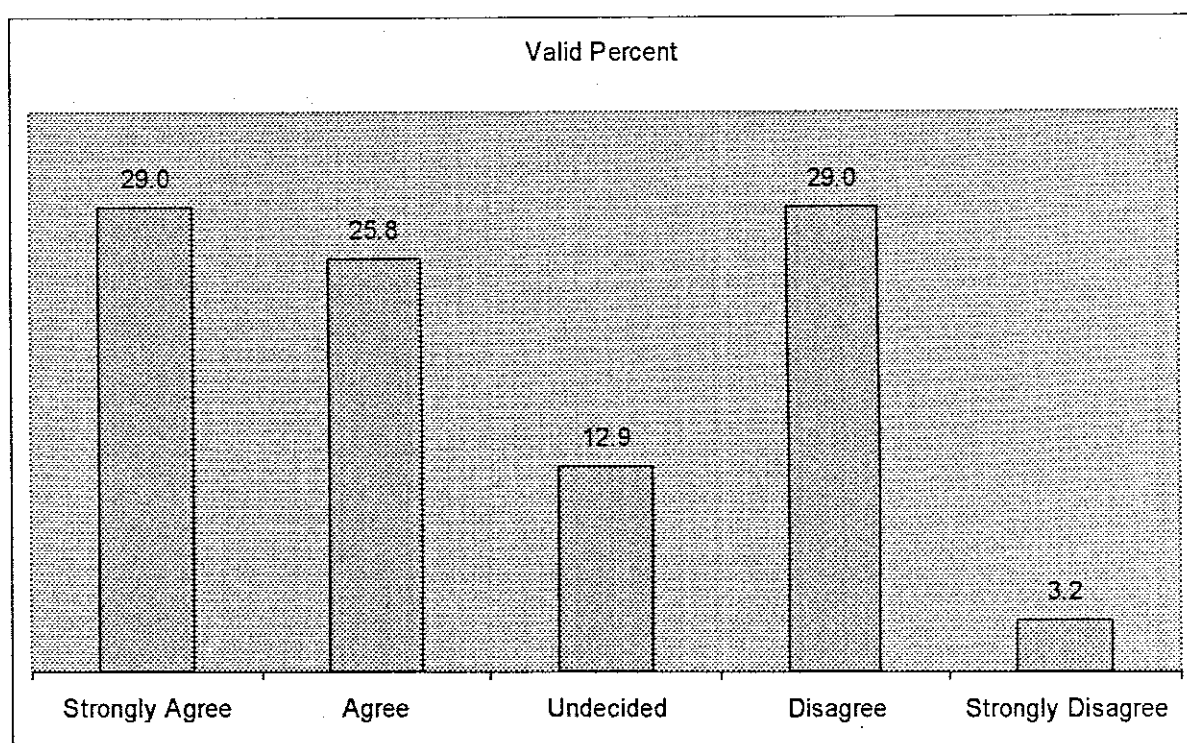


This statement dealt with the influence of a friend and/or relatives as having played a catalyst role for entrepreneurial activity for each respondent and presented a relatively balanced response with near-equal reply percentages for the strongly agree, agree and disagree options. Strongly agree and disagree responses both recorded 29.0%.

Figure 4.3 Relative/ friends influence on start up

I was inspired to start up due to a relative/friend who is an entrepreneur

	Valid Percent	Cumulative Percent
Strongly Agree	29.0	29.0
Agree	25.8	54.8
Undecided	12.9	67.7
Disagree	29.0	96.7
Strongly Disagree	3.2	100.0
Total	100.0	

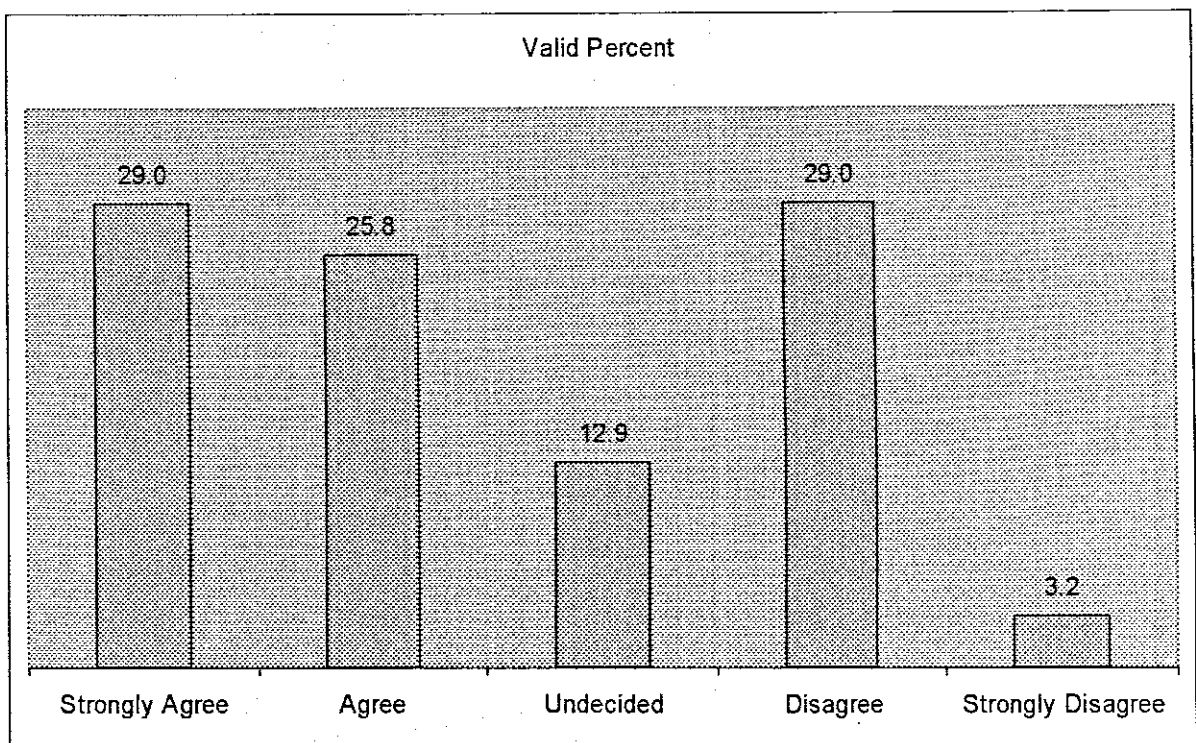


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Disagree	29.0	96.7
Strongly Disagree	3.2	100.0
Total	100.0	

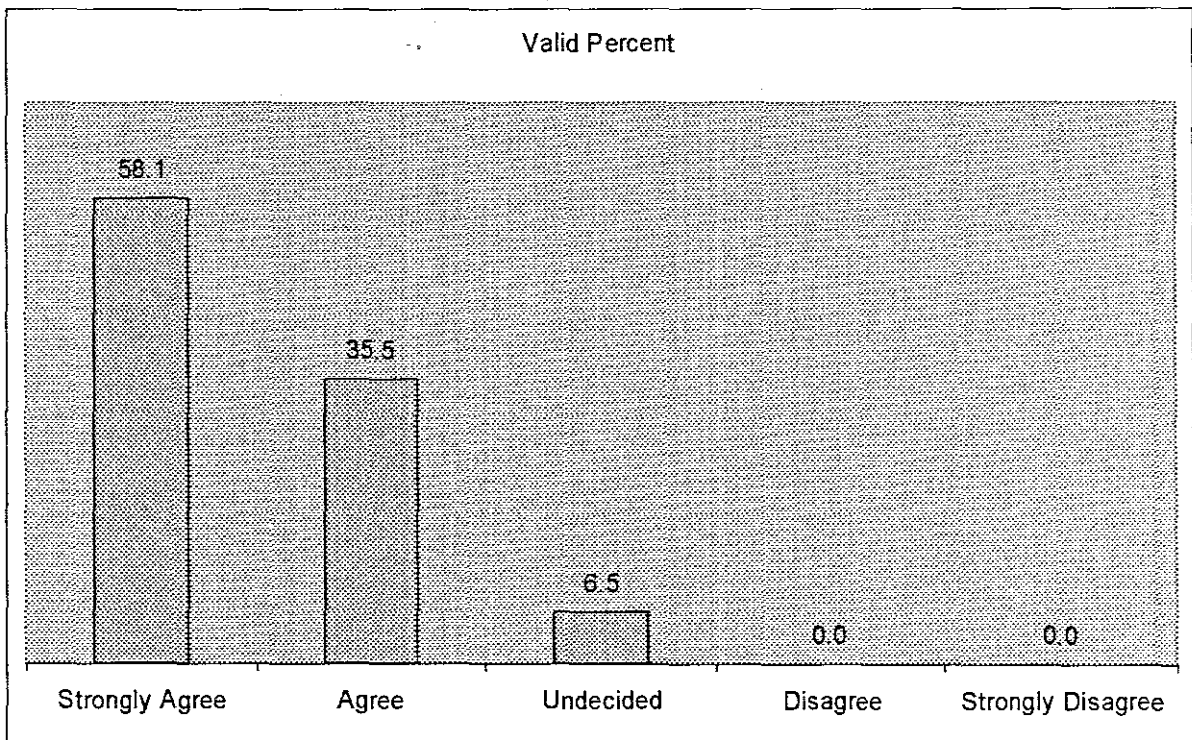


This statement dealt with the influence of a friend and/or relatives as having played a catalyst role for entrepreneurial activity for each respondent and presented a relatively balanced response with near-equal reply percentages for the strongly agree, agree and disagree options. Strongly agree and disagree responses both recorded 29.0%.

4.4 Risk

Creating my own business involves taking risks

	Valid Percent	Cumulative Percent
Strongly Agree	58.1	58.1
Agree	35.5	93.6
Undecided	6.5	100.0
Disagree	0.0	
Strongly Disagree	0.0	
Total	100.0	

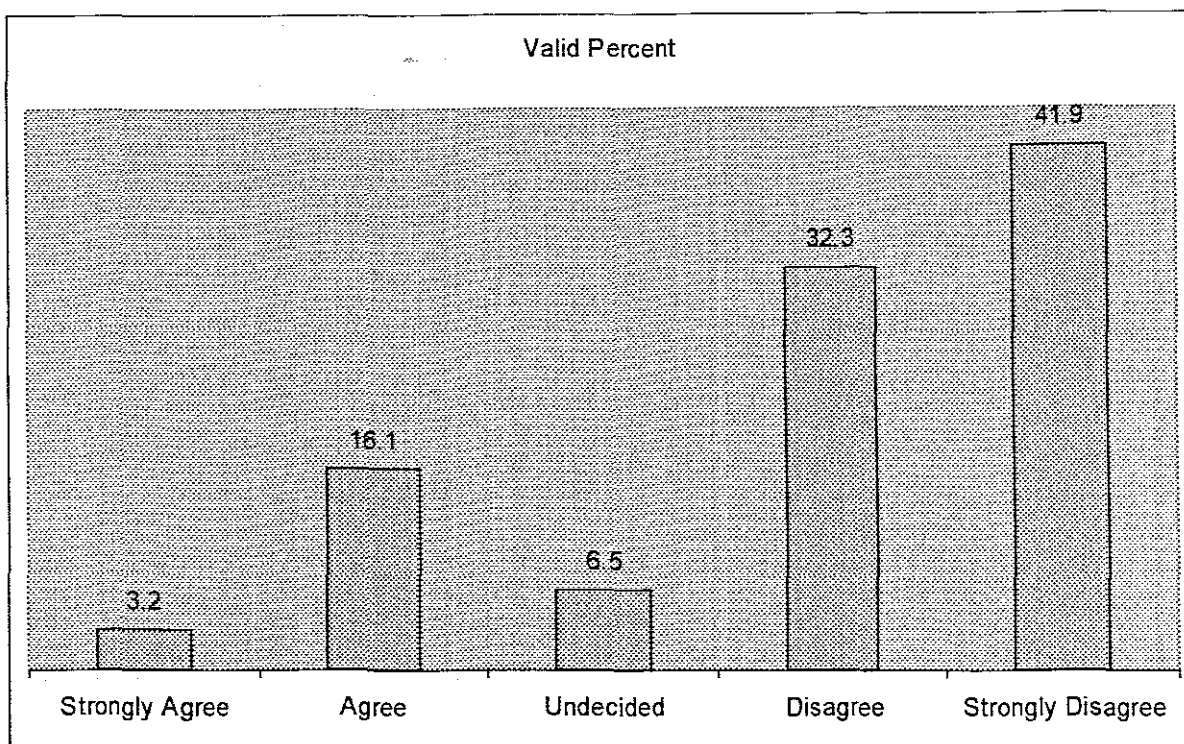


This statement dealt with the willingness to accept that risks have to be taken in order to generate wealth. Associating risk with reward was strongly agreed to by 58.1% and agreed by 35.5% of the respondents. There was 0% disagreement with the statement which meant that besides the 6.5% who felt undecided, all responses were positive. Operating a small tourism business involves inherent risk and the lack of negative responses to the statement indicated that the entrepreneurs surveyed identified risk in the operations.

4.5 Entrepreneurial support

Support structures in Cape Town aided my start-up

	Valid Percent	Cumulative Percent
Strongly Agree	3.2	3.2
Agree	16.1	19.3
Undecided	6.5	25.8
Disagree	32.3	58.0
Strongly Disagree	41.9	100.0
Total	100.0	

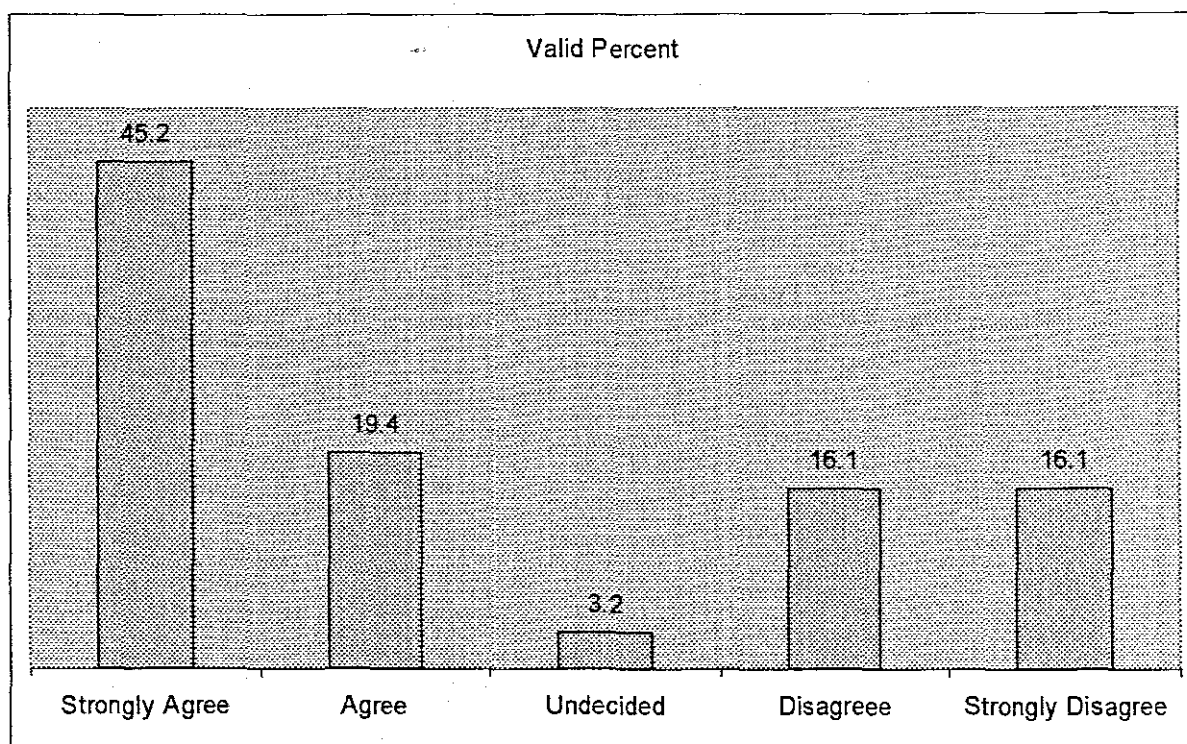


This statement dealt with the availability of financial and other support structures when starting a tourism business in Cape Town. The majority of the sample population felt that support structures in Cape Town did not aid business start-up. Only 1 response (3.2%) was in strong agreement with the statement. There were no foreign-national entrepreneurs who indicated that they had made use of support structures when starting their businesses in Cape Town. The use of the owner's own equity for financing could explain the reason for the low influence of support structures.

Figure 4.6 Experience

I had previous experience that related to my current small business

	Valid Percent	Cumulative Percent
Strongly Agree	45.2	45.2
Agree	19.4	64.6
Undecided	3.2	67.8
Disagree	16.1	83.9
Strongly Disagree	16.1	100.0
Total	100.0	

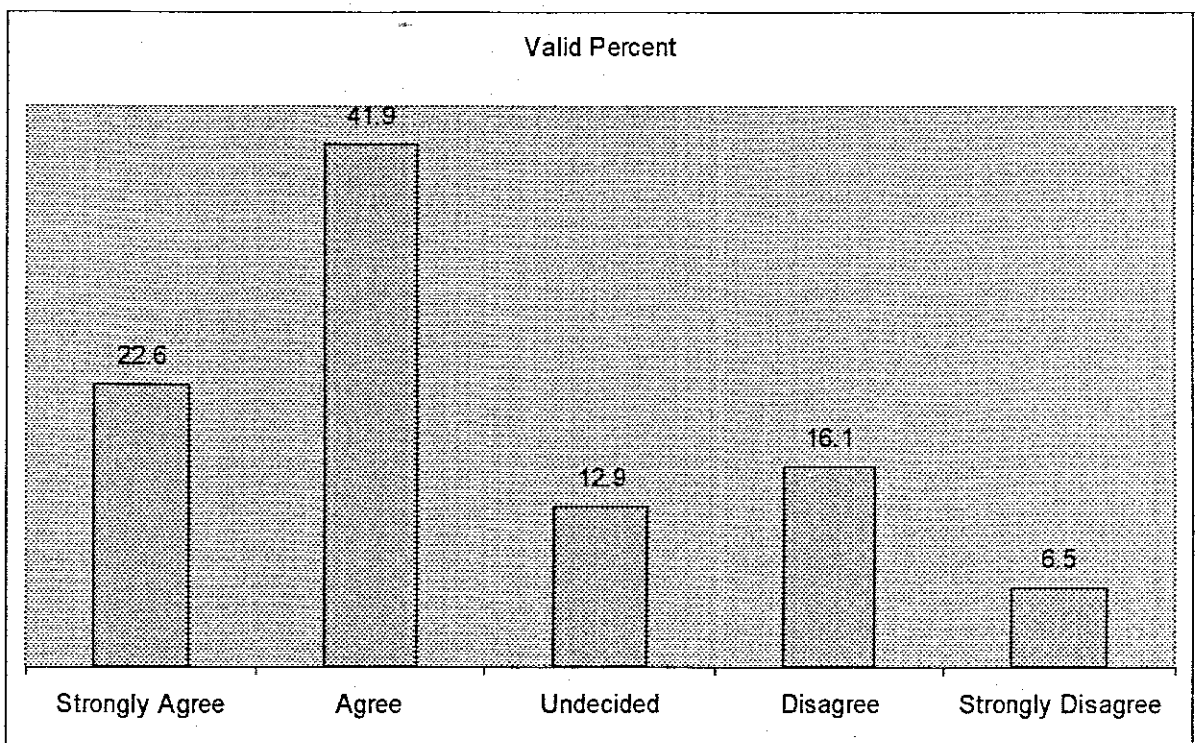


The majority of the responses (64.6%) showed that the entrepreneurs had previous work experience related to the businesses. The responses that did not agree with the statement can be assumed to be new job creation and growth in the sector.

Respondents indicated that learnt skills or specific experience lead them to their business creation as they were comfortable and competent in similar situations before the business was created.

Figure 4.7 Financial control**I feel that I have sound financial control of my business**

	Valid Percent	Cumulative Percent
Strongly Agree	22.6	22.6
Agree	41.9	64.5
Undecided	12.9	77.4
Disagree	16.1	93.6
Strongly Disagree	6.5	100.0
Total	100.0	

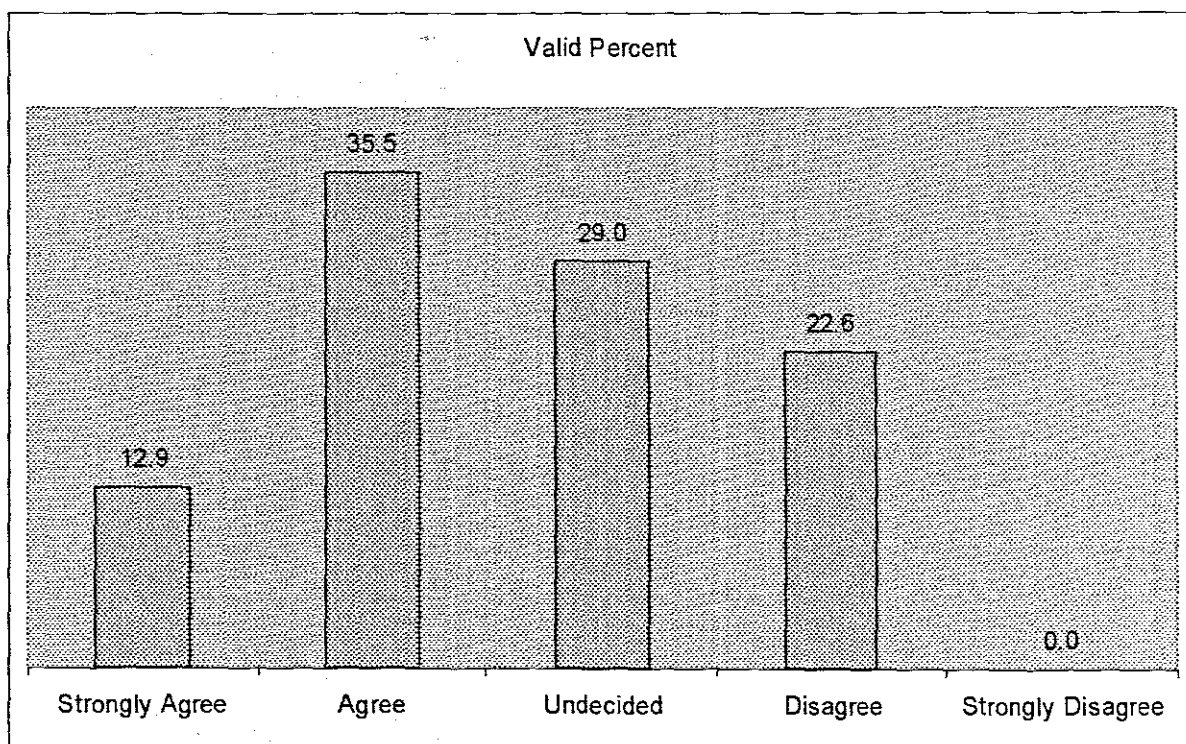


Financial control of a business as mentioned earlier in the literature study is a key element for success of a business. There were 41.9% and 22.6% who agreed with the statement of financial control in the questionnaire. The entrepreneurs were all operating existing businesses. If they had not shown any financial acumen, they may have not have been in operation due to a lack of financial control.

Figure 4.8 Leadership

I was able to step into the leadership role with ease.

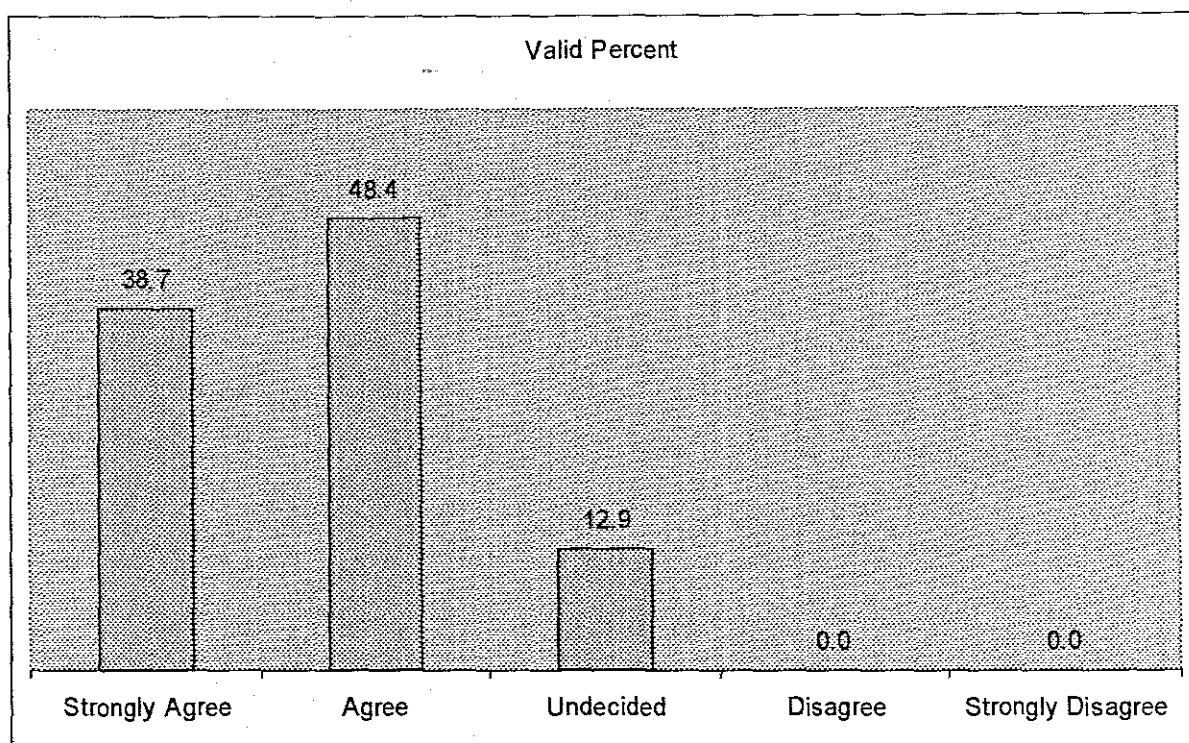
	Valid Percent	Cumulative Percent
Strongly Agree	12.9	12.9
Agree	35.5	48.4
Undecided	29.0	77.4
Disagree	22.6	100.0
Strongly Disagree	0.0	
Total	100.0	



There was a relatively balanced response amongst the respondents. 35.5% agrees with the statement, 29.0% was undecided and 22.6% disagreed with the statement. The majority of the entrepreneurs (60.0%) were still in business infancy, having been in operation for less than three years. There were no responses that represented strong disagreement with the statement. The transition to leadership represented an element of entrepreneurship, that of leader of the business.

Figure 4.9 Market predication and capitalisation**I am able to read the Cape Town tourism market and capitalise thereon**

	Valid Percent	Cumulative Percent
Strongly Agree	38.7	38.7
Agree	48.4	87.1
Undecided	12.9	100.0
Disagree	0.0	
Strongly Disagree	0.0	
Total	100.0	



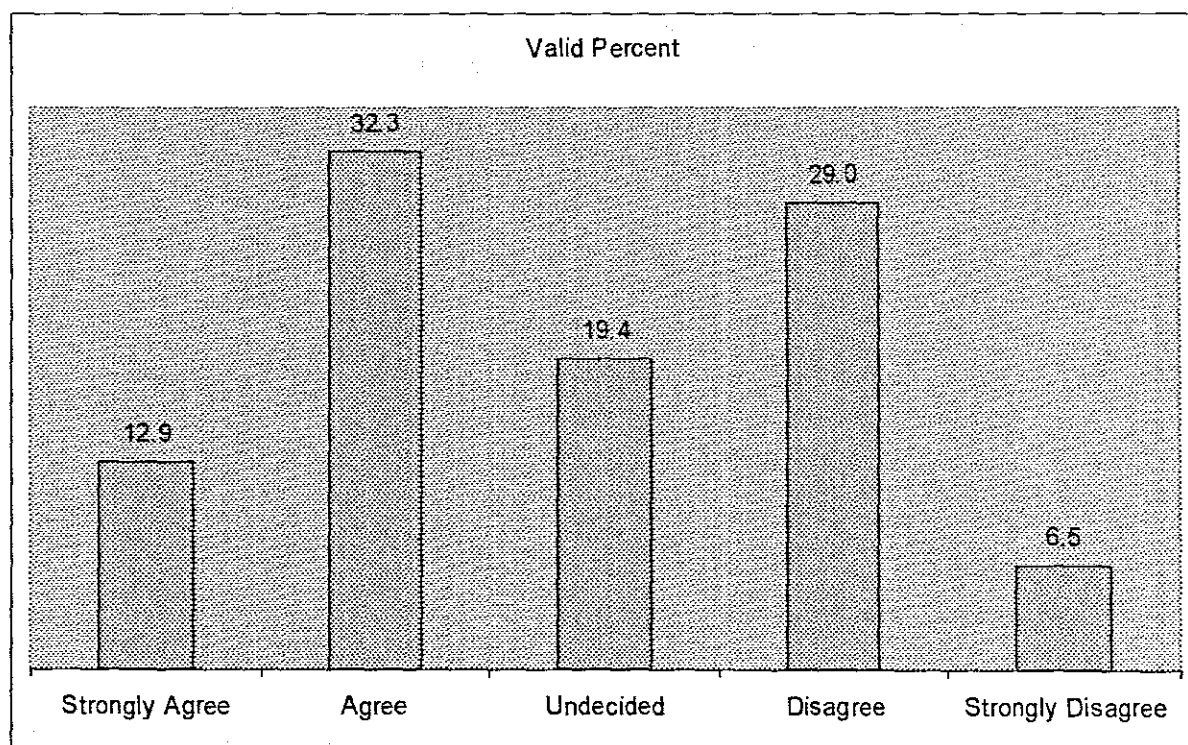
This statement dealt with the ability of the entrepreneur to accurately understand the tourism market trends and to make the most of possible opportunities by adjusting the product or service to fit the market's demands. The percentage of responses in favour of the statement tied in with the first question regarding identifying market opportunity. This statement sought to find how businesses that were in operation were predicting future developments that could favour their operations. A collective total of 87.1% was in favour of the statement, 12.9% undecided and there were no negative responses. The entrepreneurs surveyed

indicated ability to identify and market their products or services, the essence of good business.

Figure 4.10 Financing

Financing my business was relatively easy

	Valid Percent	Cumulative Percent
Strongly Agree	12.9	12.9
Agree	32.3	45.2
Undecided	19.4	64.5
Disagree	29.0	93.5
Strongly Disagree	6.5	100.0
Total	100.0	

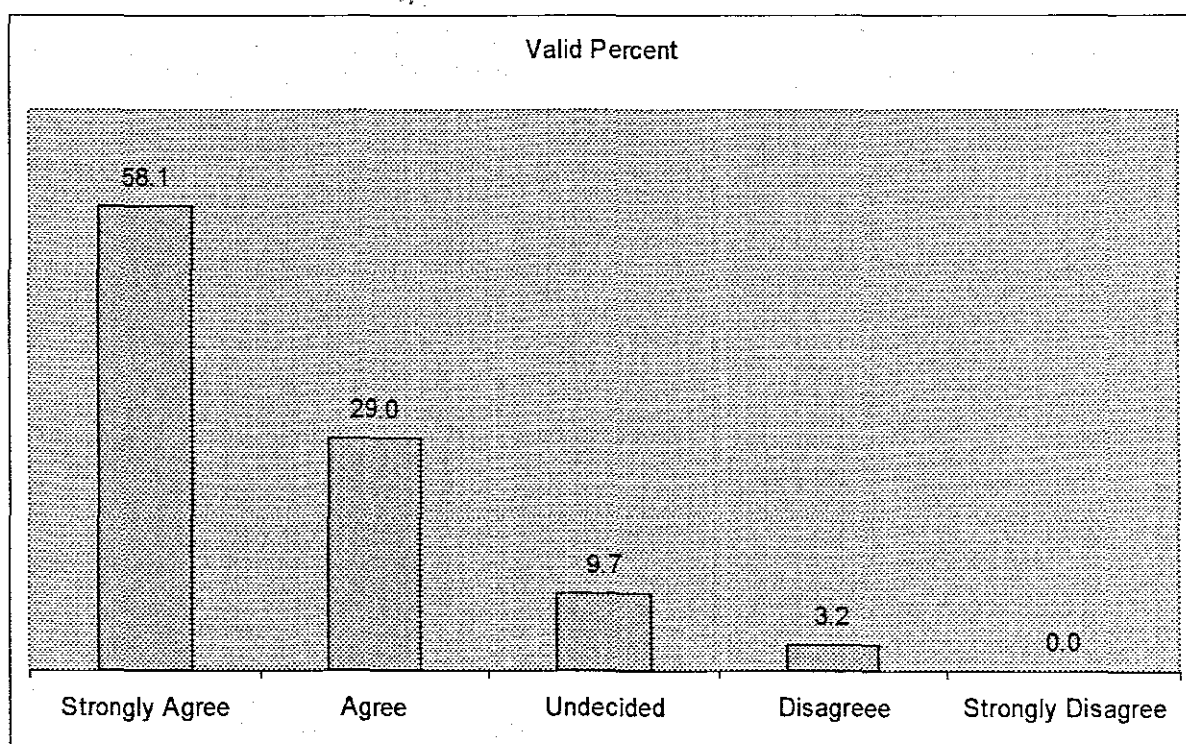


This statement poses a near-even split with 32.3% agreeing and 29.0% disagreeing. Response were varied with recordings in both the strongly agree and strongly disagree. The entrepreneurs made use of various forms of financing. The use of owner's equity and the favourable exchange for foreign-based investment reduced the need for formal financing options.

Figure 4.11 Impact of FIFA 2010 World Cup

The 2010 FIFA World Cup Tournament will impact positively on my business

	Valid Percent	Cumulative Percent
Strongly Agree	58.1	58.1
Agree	29.0	87.1
Undecided	9.7	96.8
Disagree	3.2	100.0
Strongly Disagree	0.0	
Total	100.0	

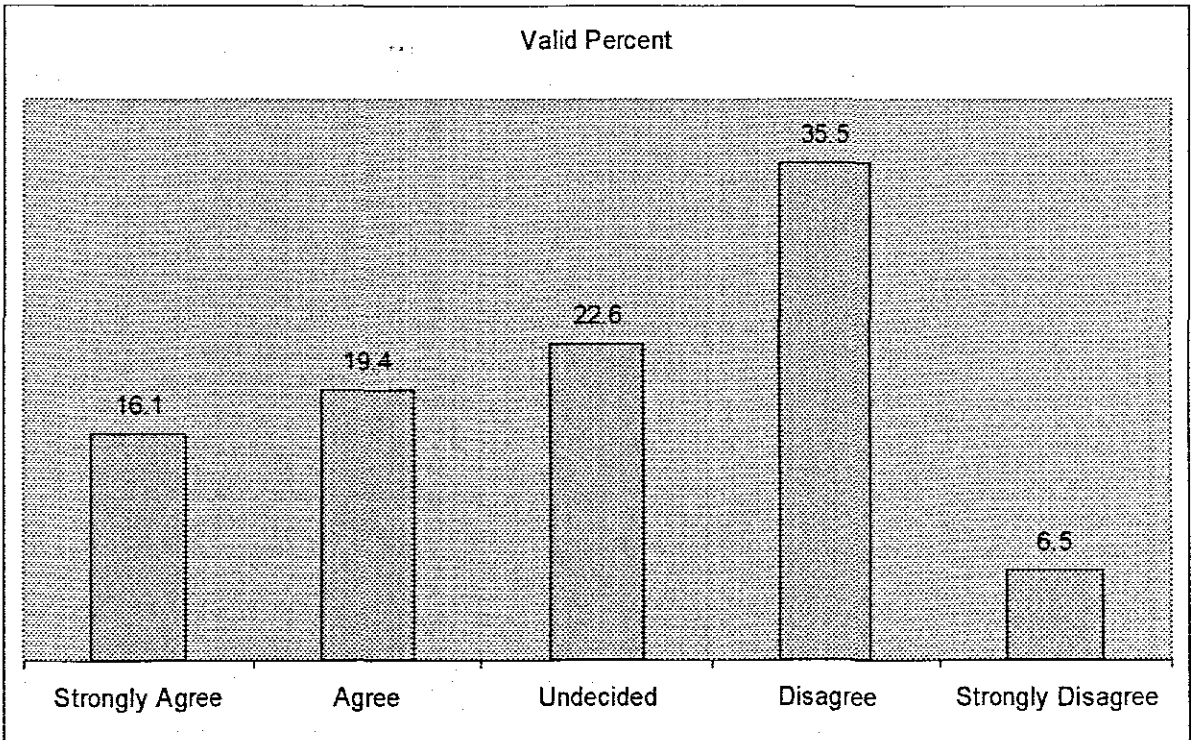


The survey highlighted the benefits that the FIFA 2010 World Cup would have for the sample group. There was a 58.1% and 29.0% agreement response to the statement. The researcher recorded only one response that felt that the event would not benefit a specific business. The findings were in accordance with the literature, that the 2010 FIFA World Cup Tournament would be beneficial to tourism.

Figure 4.12 BEE

I see tourism BEE as an opportunity to grow my business

	Valid Percent	Cumulative Percent
Strongly Agree	16.1	16.1
Agree	19.4	35.5
Undecided	22.6	58.0
Disagree	35.5	93.5
Strongly Disagree	6.5	100.0
Total	100.0	

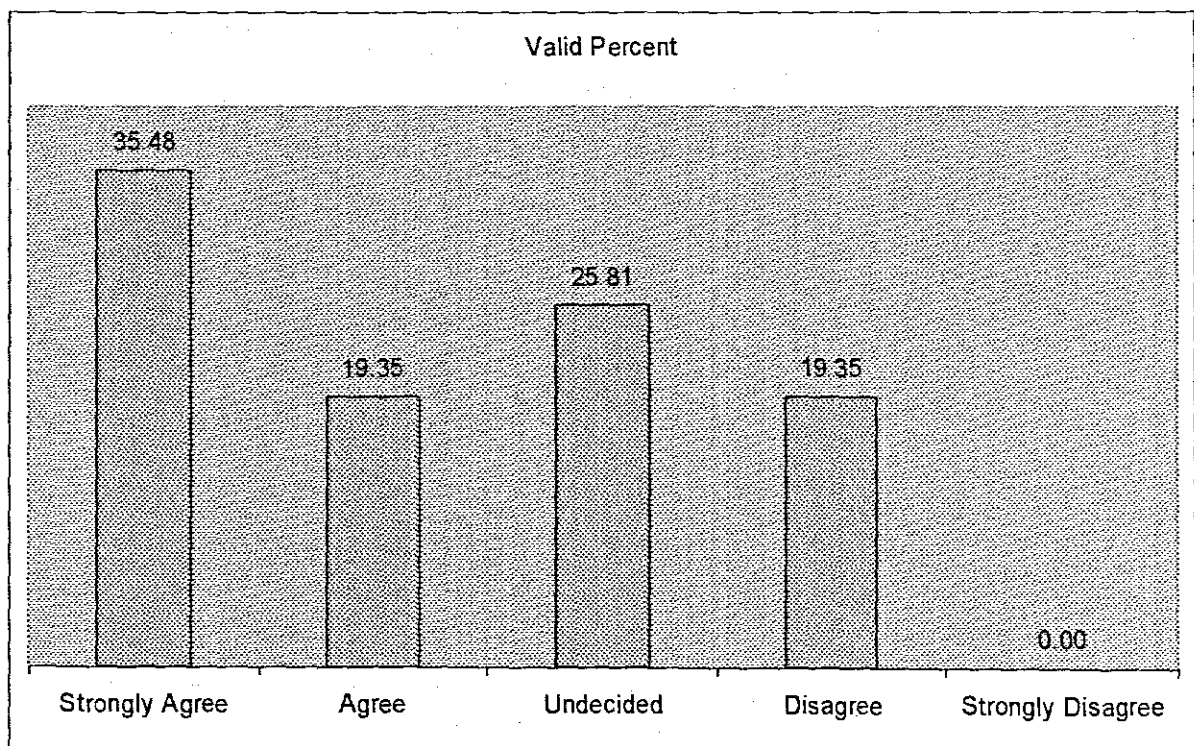


The empirical study found that 35.5% disagreed that Black economic empowerment could provide growth opportunities for their businesses. There was also a relatively high response rate in the undecided option with 22.6%. Foreign nationals (43%) indicated that BEE would not benefit them. The majority indication highlights that as small businesses, BEE status was perceived to be neither a priority nor a market opportunity.

Figure 4.13 Inflation

Inflation has impacted on my ability to offer competitive products and services

	Valid Percent	Cumulative Percent
Strongly Agree	35.4	35.4
Agree	19.3	54.8
Undecided	25.8	80.6
Disagree	19.3	100.0
Strongly Disagree	0.0	
Total	100.0	

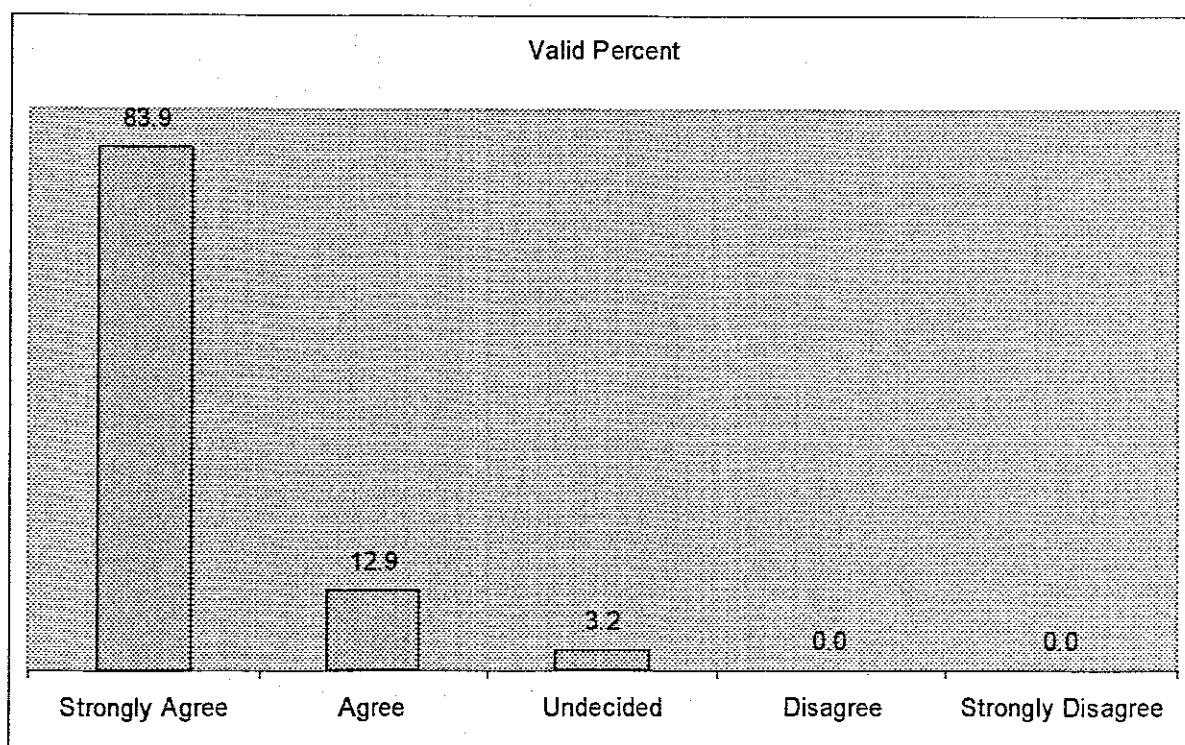


The survey highlighted the fact that the sample group was generally in agreement with the statement that inflation affected ability to offer competitive services or products. There was a 19.3% disagreement with the statement and no recordings of a strongly opposing view to the statement. Fuel price increases and accommodation were seen as the two main factors affecting their businesses.

Figure 4.14 Cape Town as a tourism destination

I choose to work in Cape Town as it is the premier South African location for tourism business

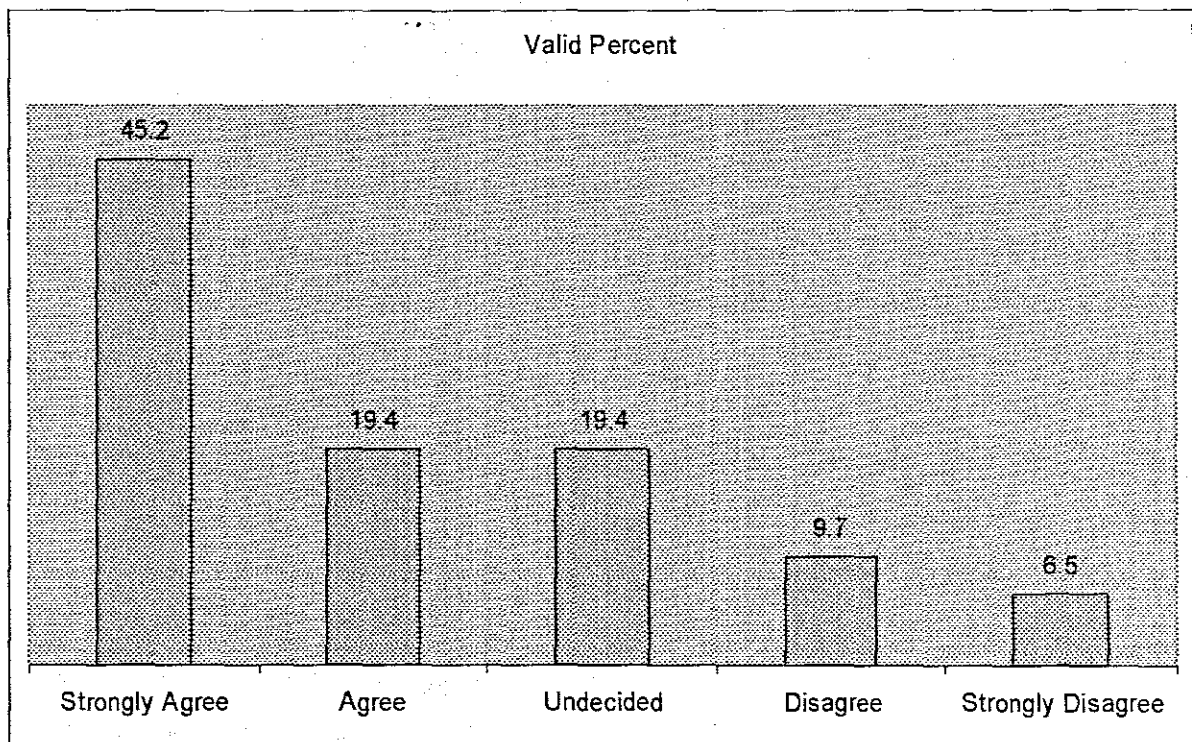
	Valid Percent	Cumulative Percent
Strongly Agree	83.9	83.9
Agree	12.9	96.8
Undecided	3.2	100.0
Disagree	0.0	
Strongly Disagree	0.0	
Total	100.0	



This statement recorded the highest single response rate of the study. A total of 83.9% of respondents were in strong agreement that Cape Town is the premier tourism destination in South Africa. There were no responses that showed a negative sentiment to this statement. The entrepreneurs felt that the city was ideally located for their tourism businesses. The proximity of attractions, attractiveness, awareness and branding were seen to be instrumental in their success.

Figure 4.15 Lifestyle influence**The Cape Town lifestyle influenced my decision to become an entrepreneur**

	Valid Percent	Cumulative Percent
Strongly Agree	45.2	45.2
Agree	19.4	64.6
Undecided	19.4	83.9
Disagree	9.7	93.6
Strongly Disagree	6.5	100.0
Total	100.0	



The Cape Town lifestyle or "way of life" did have a positive effect on the respondent's decisions to pursue entrepreneurship as a career option. 45.2% strongly agreed with the statement and a further 19.4% expressed agreement. The researcher needed to detail the statement to the respondents. The survey indicated a positive view of the city held by most respondents.

4.13 Summary

This chapter presented the findings of the empirical study, presented by means of statistical analysis and expressed in the report in both tabular and graphic form.

The importance of correctly compiling a survey instrument cannot be underestimated as an inappropriate method can directly affect the outcome of the results. This could produce skewed results which, when unscientifically constructed, may be an unfair representation of the sample population.

The goal of the research report should ensure that it be as simple as possible for the reader to understand (De Vos, 2001:33). The research report writing must be projected in a way that allows it to be rounded off ethically, ensuring that all readers can understand the findings of the research and relevant accompanying data.

The researcher is of the opinion that having personally administered the questionnaires to the sample group, further insight and knowledge was gained. The researcher was able to clear any additional questions and queries with the respondents thus contributing to the transitional process of acquiring all the respective responses while being acutely conscious of the danger of interviewer bias at all times.

Though this report is of a quantitative nature based on frequency distribution for the statistical analysis, the interaction and conversation with the sample population added to a deeper understanding of the research topic.

In the final chapter, the findings from the empirical data will be discussed in greater detail. Conclusions and recommendations were extracted from the findings based on the comparison of the empirical data with the accompanying literature study previously handled in Chapters Two and Three. The research methodology

formulates the basis from the practical research aspect of this investigation is undertaken. The aim of adhering to prescribed research methods allowed the researcher to gain accurate, valid and usable information. This information is discussed later in the final chapter in order to gauge the disparity, if any, between the theoretical concepts and the reality of being a tourism entrepreneur in Cape Town.

CHAPTER 5

FINDINGS AND RECOMMENDATIONS

5.1 Introduction

Cape Town has experienced tremendous tourism growth figures since the new political dispensation came into effect in 1994. Prior to this period the tourism market in South Africa was predominantly a “white” industry. South African domestic travel comprises the vast majority of tourism trade and many destinations have been developed for this specific market. Over the last fourteen years there have been immense changes in both the tourist profile and demands and the suppliers of tourism products and services.

The ability of Cape Town as a city to project itself as a world-class tourism destination has benefited entrepreneurs who wish to trade within the city limits. Its physical location, coupled with established transportation routes and ease of accessibility to local attractions has meant that it arguably offers the best location for the tourism entrepreneur. With the expected growth of tourism and the FIFA 2010 World Cup Tournament’s organising committee’s predicted 500 000 visitors to South Africa for the event, there has been an increase in the number of new tourism entrepreneurs in the city.

The reality of running a business, linked to correctly matching a product to a specific market might far outlive the “hype” of the tournament. Match AG, FIFA’s appointed hospitality supplier in South Africa has made it possible to register accommodation establishments on its website and promote package deals for their perspective clients. The benefit is that they expect visitors to stay before and after the event in addition to the scheduled games. Cape Town with its established attractions is seen to be in line to benefit greatly from the event. There are

however, entrepreneurs who wish to generate huge profits in a very short period by hiking their prices exponentially for the period of the event. Local listing agents and accommodation suppliers are taking advanced bookings for the World Cup with some accommodation rack rates in excess of 50.0% of the usually rate for similar high season period.

The research showed that the entrepreneurs who participated in the survey were generally positive about the event. The additional comments made by the respondents indicated that the critical factor in business success for them was the ability to understand the market and operate a business effectively to meet specific market requirements. As mentioned in chapter 3, 80.0% of new businesses fail within the first three years of operation. This high failure rate combined with South Africa's low entrepreneurial activity level project an industry that is not as positive as some might perceive it to be.

The research study looked at the factors that influence entrepreneurship, affect operational abilities and the external environment in which the Cape Town small tourism business owner must operate. The empirical study based on the findings of the literature study provided the researcher with statistical data from which conclusions and recommendations could be prepared.

The findings from this research are recorded in this chapter and presented under three headings namely:

- (i) influencing factors on entrepreneurial activity,
- (ii) operational issues and
- (iii) the external environment

5.2 Influences on entrepreneurship

5.2.1 Market identification

The high response rate amongst the survey group in identifying market opportunity as the reason to become an entrepreneur is positive. Businesses that are borne out of opportunity generally tend to grow and develop far better than those induced by necessity. Additionally, this has benefits for the industry in Cape Town in that increased competition amongst service providers ensures the progression of value offerings in the market from organic growth of tourism ventures.

It is recommended that the institutional establishments such as secondary and tertiary education institutions continue to stress the point that the potential new tourism business owner must seek an opportunity in the market if he/she wishes to be successful.

The tourism product is perishable and as new products become popular, the visitor both locally and internationally strives to constantly find better value offerings. Much opportunity is available despite the current global financial market and resultant inflation rate increases and currency devaluations. Entrepreneurs could look at value offerings for travellers that were not afforded the opportunity to travel in the past. The growing South African black middle class sector, for example, may hold massive opportunity for the creative entrepreneur.

5.2.2 Business Planning

Business planning according to Pycraft *et al* (2002:345) is the formalization of what is intended to happen and cannot guarantee what will happen in the future. Correct planning is the basis of good business functionality. It should remain clear and focused and should be used to measure performance. It is recommended that the

tourism entrepreneur in Cape Town should strive to understand his/her internal and external conditions by means of thorough planning. The planning process in itself can lead to opportunities and developmental potential with resultant market gains.

5.2.3 Motivation by friend/relative to become an entrepreneur

The empirical study revealed that a role model who was an entrepreneur such as a friend or relative could have a positive effect on a potential entrepreneur. The respondents who expressed that this was not a contributing factor for them disagreed with the statement. This could however be assumed to be new growth of businesses in the sector. The researcher is of the opinion that entrepreneurs can influence other individuals into initiating new business ventures. It would be in the interest of aspiring business owners to consult existing business owners who could impart valuable knowledge, support and encouragement through having gained their own extensive experience in self-operated businesses.

The research found that there were participants in the survey that decided to begin tourism ventures based primarily on career transformation. It appears that the industry attracts new businesses based on its appeal and viability which is evident in the increasing tourism trade statistics.

5.2.4 Risk

The ability to take calculated risks is needed in order to realise a profit. Risk-taking encompasses a known variable being applied to an unknown variable or situation. It is focused on future thinking and the possible repercussions the action taken might have.

There were no respondents that disagreed that risk was needed to create wealth. The potential entrepreneur should realise that risk is a daily part of the operation of the business. One advantage that an individual can have is being able to make

swift, accurate decisions based on assimilated information at hand. This would guide the business in the best possible direction based on a well thought-out business plan.

Business owners must understand that overtly risky ventures might reap great rewards but could ultimately drive the business dangerously close to, if not into closure. There is unfortunately, no panacea with which the business owner can handle risk and experience is possibly the greatest asset an owner could wish to have.

5.2.5 Entrepreneurial support structures

The researcher was on several occasions questioned on the exact meaning of “support structures” whilst conducting the empirical study. The fact that respondents were often not clear on the definition of institutional support agencies meant that they did not have a clear understanding of the support structures that are currently in place. The responses indicated that the majority of respondents were unaware of them or did not make use of these structures for support as could be the case for a number of foreign business owners who were unaware of support, that education levels were relatively high and that previous work experience assisted these entrepreneurs who felt that they had no direct need to consult support agencies before starting their businesses.

It is recommend that with the current awareness around tourism, especially in terms of anticipated visitor numbers for the FIFA 2010 World Cup, that such agencies proactively promote their services. These could include financial institutions such as banks, small business development agencies and tourism support services associated with established governmental bodies such as CTRU and CTT..

5.2.6 Work experience

Previous similar work experience meant that entrepreneurs would have potentially greater experience in running their own ventures than those who had no exposure to a similar type of business. Those respondents who disagreed with the statement that they had previous comparable work experience, were indicative of growth in the sector as new individuals entered the market. As tourism needs to remain dynamic and adaptable, it is not necessarily a potentially injurious situation where one finds new ventures with inexperienced owners.

The industry should promote the attractiveness of working in an energetic environment such as tourism further advancing the industry as new skills and knowledge are drawn in.

5.2.7 Financial control

Financial control and liquidity, to be most precise, are both crucial to the survival of a business in its infancy. The researcher felt, that as the question could divulge the status of a business in terms of its financial health, respondents may not have given truthful or accurate responses due to the presence of the researcher. The fundamental tenet of a tourism venture is that one must first run a business as a business. It is recommended that understanding financial statements correctly can only benefit the tourism entrepreneur in Cape Town.

5.2.8 Leadership

The responses were varied in terms of their ability to evolve into the leadership role. The reason for the mixed responses could stem from the fact that there were a number of businesses that were in their infancy, being less than 3 years in operation. Entrepreneurs that are single owners such as small tour operators or

transport services might not see by themselves as having a leadership role as they are the only employee,

Entrepreneurs should understand that even if they are the only employee, they are still leading the business.

5.2.9 Market prediction

Market prediction ties in with the acknowledgment of market opportunities. As the empirical evidence showed a high response rate of tourism entrepreneurs who began their businesses due to market opportunity, naturally being able to predict market developments and exploiting them will create value.

5.2.10 Financing

The results from the sample population provided mixed statistics. It is assumed that previous work experience and the number of foreign owners, the business owners could have made use of a combination of owners' equity and foreign currency to provide the bulk financing requirements for these operations. The few respondents who elaborated on the subject mentioned that the problem was not the acquisition of finance, but that the projected budgetary forecast did not meet actual final spend figures.

It is recommended that entrepreneurs remain prudent in calculating the business's capital requirements.

5.2.11 FIFA 2010 World Cup

The FIFA 2010 World Cup is generally seen to be a positive event that can certainly contribute to Cape Town's tourism industry. The infrastructural spend by

the City is seen to be beneficial in that it improves the services, accessibility, image and brand of the City.

These elements, including the expected increases in security, policing, transport, attraction facilities and awareness are common tourist pull factors for a destination. The researcher is confident that these developments will not only provide a successful platform for the soccer event, but greatly improve the City's ability to attract visitors and support them.

5.2.12 BEE

6.4% of the respondents had more than 10 employees; the remaining sample group was not of the opinion that BEE could offer opportunities for growth as the members of the group were all running small businesses. 29.0% mentioned that they receive their business from direct foreign currency and would not benefit from BEE.

The demographic make up showed that there was a difference of opinion on the subject. The black entrepreneurs interviewed constituting 19.4% of the sample group, were divided between strongly agreeing and agreeing with the statement. The white respondents were split across the scale. The research also highlights the inequalities in terms of representation of PDI's in tourism business ownership.

As mentioned in chapter 3 of the research report, the South African SMME sector is still mainly dominated by whites. Attention has been paid to this aspect in the recent tourism BEE charter that has changed the BEE rating requirements and EME status for small tourism businesses. It is hoped that the implementation of these acts will facilitate the transformation of the industry to encourage a fairer representation of South Africa's rich culturally diverse population.

5.2.13 Inflation

Local currency and increases in the CPIX and PPI create pressure on a business to offer a competitive product. The majority of respondents in the survey felt that inflation hampered their ability to offer a competitive product. The advantage that inbound operators and accommodation establishments have is that source income received is foreign based. They however would also be affected by inflation increases in the costs of providing the product to the customer.

The tour businesses in particular mentioned that the increase in fuel had dramatically affected their profitability margin levels as some had hedged their expenses for the future but unfortunately the oil price increase in the last year resulted in petrol prices soaring at the retail outlets. The net result is that the potential profit per tour dropped as petrol made up a significant portion of the cost of sale.

5.2.14 Cape Town as the premier tourism destination in South Africa

The single largest response from the sample group was recorded with this statement. The overwhelming majority (83.9%) of respondents strongly agreed that Cape Town is the premier tourism location in South Africa. Factors that could be seen to contribute to this fact are the close proximity of attractions, accessibility, branding and the entry and exit point for visitors combining trips to and from the Garden Route.

6.2.15 Cape Town lifestyle

The respondents were in general agreement with the statement that Cape Town's lifestyle influences them to become an entrepreneur.

5.3 Recommendations for further study

5.3.1 BEE

Business can learn that an inclusive approach allows for pooling of skills from a greater source and could contribute in transforming the industry. Resources should be allocated to educating tourism entrepreneurs and potential business owners about the impact that the tourism BEE charter will have on their businesses. Further study could be directed at the effect that BEE has on tourism entrepreneurs.

5.3.2 Support services

The respondents in the sample population expressed a low level of awareness and associated benefits of using support structures. Further study is recommended in assessing the accessibility and benefits of using support structures when launching a tourism business in Cape Town.

5.3.3 Market opportunity

Further research into how tourism entrepreneurs are best able to identify market opportunities is to be encouraged. This research could be used by students and potential entrepreneurs and could be an immense source of information when considering a start-up business. Guidelines could help the prospective entrepreneur avoid the pitfalls of rushing into a new venture without having done all the necessary strategic planning.

5.3.4 Lifestyle

The Cape Town lifestyle as a catalyst for entrepreneurial development should be further researched. Nearly two thirds of the respondents found the relaxed lifestyle

in Cape Town played a role in their decisions to become entrepreneurs. Research into the factors that attract entrepreneurs to the city could be more deeply in Cape Town.

5.4 Conclusion

For the aspirant entrepreneur who is considering to starting a tourism venture in Cape Town, the findings of this research study could be most useful in the successful startup, day to day functioning and successful existence.

The ability to read market opportunity, plan strategically, entertain an appetite for risk and draw on the availability and expertise of support structures is valuable.

In the day-to-day running of the business, the entrepreneur would benefit from having had previous relevant business experience, execute sound financial control and successfully transfer from employee to employer.

A peripheral factor that could influence the sustainability of a prospective tourism business in Cape Town is that of inflationary pressure. However, the attractiveness of Cape Town as a tourism destination, the lifestyle that the city could afford the entrepreneur coupled with the expected tourism benefits afforded by the 2010 FIFA World Cup Tournament, could outweigh the potential threats and inherent dangers of becoming a tourism entrepreneur.

By highlighting the various aspects that could influence their potential in becoming small tourism business owners, This study may be of benefit to prospective tourism entrepreneurs. By encouraging the entrepreneur to make the bold move, providing guidelines to good business practices and highlighting the possible pitfalls when undertaking such a venture, it is hoped that this study will help to promote healthy tourism entrepreneurship in Cape Town.

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APPENDIX A

ENTREPRENEURIAL TOURISM QUESTIONNAIRE

To what extent does each of the following statements apply to you?

	STATEMENT	STRONGLY AGREE	AGREE	UN-DECIDED	DISAGREE	STRONGLY DISAGREE
1	I started my business due to a market opportunity	1	2	3	4	5
2	I feel that my pre-launch business plan has significantly aided my venture	1	2	3	4	5
3	I was inspired to start up due to a relative/friend who is a entrepreneur	1	2	3	4	5
4	Creating my own wealth involves taking risks	1	2	3	4	5
5	Support structures in Cape Town aided my start-up	1	2	3	4	5
6	I had previous experience that related to my current small business	1	2	3	4	5
7	I feel that I have sound financial control of my business	1	2	3	4	5
8	I was able to step into the leadership role with ease	1	2	3	4	5
9	I am able to read the CT tourism market and capitalise thereon	1	2	3	4	5
10	Financing the business was relatively easy	1	2	3	4	5
11	The FIFA 2010 Soccer World Cup will impact positively on my business	1	2	3	4	5
12	I see tourism BEE as an opportunity to grow my business	1	2	3	4	5
13	Inflation has impacted upon my ability to offer competitive products and services	1	2	3	4	5
14	I choose to work in CT as it is the premier South African location for tourism business	1	2	3	4	5
15	The Cape Town lifestyle influenced my decision to become an entrepreneur	1	2	3	4	5

Age	
Gender	
Age at start up	
Education level	
Business type	
Year in operation	

Thank you for your co-operation in answering this questionnaire. All answers remain confidential