

Influence of demographic factors on business performance in small to medium tourism enterprises (SMTEs)

*Dr Dinesh Vallabh
Faculty of Business Sciences
Walter Sisulu University, South Africa
Email: dvallabh@wsu.ac.za
Mobile: 082 327 1571

and

Oswald Mhlanga
Walter Sisulu University,
East London, 5201, South Africa
E-mail: omhlanga@wsu.ac.za
+27 43 702 9225 (Office)

*Corresponding author

Abstract

Demographic factors such as age, gender, education, income and experience has a considerable impact on business performance. While much attention has been devoted to business skills and the problems faced by small businesses, little attention has been paid to demographic factors. The high failure rate of small businesses in South Africa makes it necessary to examine whether selected demographic factors impact business performance. The focus of this study is the Eastern Cape Province, economically the poorest province in South Africa. The study empirically tests whether gender, education and income of the business have a significant impact on the business performance of Small Medium Tourism Enterprises (SMTEs) in the South African context. Quantitative research was deemed appropriate for the study, whereby systematic random sampling was employed to select a sample of 332 respondent organisations. The findings show that the relationship between gender and income in relation to business performance was found to be significant. Only 38% of managers indicated that they had obtained either a degree or postgraduate qualification. The lack of education poses a core challenge in terms of human resources for the tourism sector, when seeking skilled employees to meet future needs of the industry. In order for managers to be more effective, it is recommended that government intervenes by promoting educational and training initiatives and be gender sensitive by encouraging more women to study at tertiary institutions.

Key words: business performance, education, gender, income, South Africa.



Source: http://liseinsouthafrica.blogspot.com/2010_08_01_archive.html

Introduction

In the past decade, the nature and character of different demographic factors which have the potential for influencing business performance has occupied the centre stage of the theory and practice of marketing strategy. Demographic factors such as age, gender, education, income and work experience has a considerable impact on business performance (Chiliya & Roberts-Lombard, 2013). The current research empirically tests whether gender, education and annual income of the business have a significant impact on the business performance of SMTEs in the South African context.

Since 2008, the South African unemployment rate increased to its highest level of 25, 4% in July, 2014 (Statistics South Africa, 2014). Small businesses are widely regarded as the driving force in economic growth and job creation in both developed and developing countries (Radipere & Dhiliwayo, 2014). South Africa is no exception. Given the important role the small business sector is playing in South Africa, combined with the inability of the formal sector to absorb the growing labour market, the sustainability and effectiveness of small businesses is a pressing concern facing the country (Kew & Herrington, 2009). Small businesses are seen as one of the most important factors to generate ways for growth and employment in South Africa (Strydom & Tustin, 2007).

Much attention has been devoted to business skills (Strydom & Tustin, 2007), the problems of small businesses (Eeden, Vivers & Venter, 2001) in the South African context, while little attention has been paid to demographic factors and its impact on business performance of small businesses (Chiliya & Roberts-Lombard, 2013). Chiliya and Roberts-Lombard (2013) express considerable doubt about the quality of management in the small business sector, suggesting that there are particular weaknesses in innovation, financial acumen, marketing, entrepreneurial flair, practical knowledge and human resource

management. As a result, many small businesses do not reach their full potential and fail to grow. The high failure rate of small businesses makes it necessary to examine whether demographic factors such as gender and education and annual income have any impact on business performance.

This study aims to examine the effect of gender, education and annual income on business performance. The study is structured in the following manner. Section 1 presents the introduction of the study. Section 2 presents the literature review which elaborates the three factors/constructs used in the study.

Literature Review

The literature will look at how demographic variables, namely, gender, education and annual income impact on business performance of small businesses.

Business performance

The terms "growth", "success" and "performance" are closely linked and often used synonymously in entrepreneurial research (Reijonen & Komppula, 2007). While the definitions of these terms are seemingly intertwined, the term business performance will be used in this study. Traditionally, business performance has been measured by financial measures, such as gross turnover or increased numbers of employees. This traditional way of looking at success and performance has been questioned, especially in the context of small businesses and women entrepreneurship (Reijonen & Komppula, 2007). A few authors, for example, Walker and Brown (2004), as well as Radipere and Dhiliwayo (2014) argue that financial measures alone are not sufficient for making decisions and therefore performance measures should include both financial and non-financial measures. They contend that the personal abilities and motivations of entrepreneurs are better indicators of success. In fact, many factors have been found to affect the business performance

of a small business. These include industry structure, competition, entrepreneurial decisions, employee relations, organisational culture, education and training. Radipere and Dhliwayo (2014) posit other non-financial measures which relate to indicators such as perceived market share, perceived sales growth, customer satisfaction, loyalty and brand equity

The aim of this paper is to discuss the interaction between the financial indicators (annual income) and gender and education as non-financial indicators and its impact on business performance.

Gender and small business performance

Demographically, gender has been found to have an impact on entrepreneurial success (Radipere & Dhliwayo, 2014). The Global Entrepreneurship Monitor (GEM), 2012 reports that a greater involvement in entrepreneurship among men than women has been evident in most economies. However, Thailand and Brazil have high women participation rates. Conversely, women participation in entrepreneurship have been found to be low in the Eastern European economies, most prominently, in Poland and Slovakia, where fewer than 30% of entrepreneurs are women. In Pakistan, only one tenth of entrepreneurs are women. However, it is notable that Asia and Western Europe have economies with both the lowest and highest levels of women's participation relative to men. Singapore and Switzerland show comparatively high levels, while France and the Republic of Korea report low women involvement, where one fourth of entrepreneurs are women (GEM, 2011). The only economies where females rates were higher than that of their male counterparts was in Ecuador and Panama in Latin America, Ghana and Nigeria in Sub-Saharan Africa and Thailand in Asia (GEM, 2012). The same GEM reported an increased female involvement between 2006 and 2011 of 43,8% which is still lower than increase in male involvement of 94,8%. However, the GEM 2013 results confirm that in most

economies the female entrepreneurs are outnumbered by males.

Of the managers in the current study, 55% were females, while 45% were males. These results provide an interesting contrast to the GEM report of 2009, which found that female manager participation in South Africa was lower than males and expressed this as a concern. Tassiopoulos (2010) found in his study that the majority (70%) were males. South Africa has shown improvements concerning gender equality where in 2012, 61% of managers were male and 39% were female. In the current study, a significant relationship was found between gender and perceived business performance, which implies that gender, has a positive impact on business performance. A more gender balance in entrepreneurship could imply a better work-life balance for a society (GEM, 2013). Economies could benefit by convincing talented females to consider starting a business and take up the challenges, which may be difficult for some. To this end, courageous and enterprising females could play an important function, as a role model or mentor.

Education and small business performance

Research indicates that a good quality education can have an impact on entrepreneurial development as it can enhance an individual's level of self-efficacy and self-confidence (GEM, 2012). The education of entrepreneurs can impact the path to business success, it aids the process of building absorptive capacity of managers such as confidence, psychology, knowledge and skills. Educated people are creative and innovative and they are always looking for something unique to fulfil a need or want (Chowdhury, Alam & Arif, 2013). One of the success factors in small business is the education level of the owner, which can assist the business to survive and manage a complex environment and maintain the profitability of the business (Radipere & Dhliwayo, 2014; Chowdhury, Alam & Arif, 2013). Vallabh and Mhlanga

(2014) underscore that education and training of SMTEs can help them overcome the management issues that often confront these small businesses. Further, they add that by integrating education and training into the business process, SMTEs can experience many advantages in operational, tactical and strategic management.

The results of the current study provided some interesting information regarding educational qualifications. Most respondents (38%) had either a degree or postgraduate qualification, followed closely by a similar percentage of managers (37%) who had a National Diploma, 22% had a matric and only 2% reported having a qualification less than Grade 10. It would seem that with government intervention and the fostering of educational and training initiatives, the output of suitably qualified graduates could positively impact the growth potential of SMTEs in the EC.

Income and small business performance

Financial management forms a crucial part of the internal environment of small businesses that yields potential obstacles to business success. The lack of adequate financing is the most serious constraint during the formation of a new business venture. Van Eden, Viviers and Venter (2003) underpin that their research indicated that insufficient funding was the most important barrier to overall growth amongst small businesses in the United Kingdom. Similarly, Lussier (1996) interviewed the owners of a 100 failed businesses in the United States of America and found that under-capitalisation, high fixed costs and poor credit management were seen as prime causes of business failure. In a South African study conducted by Strydom and Tustin (2006) found that the acquisition, allocation and management of capital as well as insufficient knowledge of bookkeeping posed a huge challenge to small businesses. Further, they emphasise that basic financial

management skills are a major problem and that businesses that adhere to basic financial and accounting practices have three times less chance of encountering cash flow problems.

Buhalis (2003) holds that sources of capital for SMTEs are varied and that SMTEs tend to have very low levels of capital investments, which impacts negatively on quality. According to Vallabh (2012) SMTE owners are faced with challenges concerning access to finance. SEDA (2011) explains that as tourism is often a seasonal activity, commercial banks are not particularly supportive of financing SMTEs. In addition, financial packages offered by commercial banks are usually unattractive. Thus, much of the funding for SMTEs is a result of own financing or through assistance of family and friends. Vallabh (2012) highlighted that government support measures have been weak and that burdensome regulations posed serious constraints on SMTEs. In the current study the majority (69%) of SMTEs had an annual income of less than R500, 000.

Problem Statement

Historically, gender is one of the major determinants of availability of opportunity and therefore a determinant of individuals' entrepreneurial activity in South Africa (GEM, 2004). In South Africa, men are 1.4 times than women to be involved in entrepreneurial activity. The GEM (2004) indicates that Education is the greatest hurdle to entrepreneurial activity. In South Africa, those who have completed secondary education are more likely to believe that they have the skills to start a business. According to Vallabh and Mhlanga (2014) the inadequate funding of resources by government is a major constraint limiting the effectiveness of the tourism and hospitality industry from playing a more meaningful role in the national economy. Therefore, the aim of the study is to discuss the interaction between the financial indicators (annual income) and gender and education as

non-financial indicators and its impact on business performance.

Research Objectives

In order to achieve the primary objective; the following secondary objectives have been formulated:

- An investigation into demographic factors such as gender, education and income and its impact on business performance.
- To identify problems concerning the afore-mentioned demographic factors.

Research Methodology

This study followed a descriptive design and a quantitative approach. The use of descriptive research was deemed appropriate for this research. Descriptive research addresses complex variables such as people's opinions about a particular topic. According to Malhotra and Birks (2006) descriptive research is pre-planned, structured and typically based on large samples.

The research methodology chosen was linked to the data collection in a sense that it encapsulates both the sourcing of secondary and primary data. Extensive secondary and primary data sources were used for this research. The secondary sources included books, journals, newspapers and information from the internet. In terms of primary sources, the following aspects are relevant. Primary data were collected from managers and owners of SMTEs based in the EC. The data collection for the current research combined an on-line survey, face-to-face survey and a telephone survey. In total, 332 respondents were chosen from the database of the 2012 Eastern Cape Parks and Tourism Agency database. The response rate was high as 310 questionnaires were usable. Since the population was segregated into mutually exclusive sub-populations, or strata, it was possible to use systematic random sampling. Hence, the current research

made use of a probability sample, where every part of the population had the potential to be represented in the sample (Leedy & Ormrod, 2013). The target population included bed and breakfasts (B&Bs), restaurants, transport services, coffee shops, travel agencies and guest houses. However, it must be noted that there was a predominance of accommodation establishments on the database, which made the majority of respondents to be owners of B&Bs and guest houses.

A questionnaire was used for data collection. The questions took the form of a five-point semantic differential scale. Initially, a pre-test and two pilot studies were conducted to establish if the questions in the questionnaire were clear and unambiguous. The pre-test was presented to eight people that were chosen for their expertise and who provided constructive criticism. The first pilot study was conducted among three SMTE owners. Recorded interviews assisted the process of revising questions for a second pilot study. A second pilot study was conducted by means of an electronic questionnaire. Both pilot studies informed the finalisation of the questionnaire. Data was analysed by using SPSS software (Version 20) to produce frequency distributions and percentages.

Results and Discussion

The demographic characteristics reported in this section describe the gender, income and level of education in the following areas: Financial Management, Marketing Management, Human Resources Management, Strategic Management, General Management, Tourism Business Studies, Project Management and Technical/Practical skills.

Gender of respondents

Respondents were asked to indicate their gender. Respondents were asked to

indicate the number of male and female managers in their organisation. Table 1

reports the results

Table 1: Number of male and female managers

	Males		Females	
	F	%	F	%
None	123	40.0	53	17.7
1	137	44.8	169	56.9
2	24	7.8	56	18.7
3	13	4.2	11	3.7
4 to 9	7	2.6	6	2.0
10 and above	2	0.6	3	1.0
Total	30	100.0	298	100.0

The results show a predominance of female managers to that of male managers. Just over half of respondents (55%) were females. Almost 57% of organisations had indicated having one female manager. The results in Table 1 also indicate that a larger proportion of organisations were without a male manager (40%) than without a female manager (17.7%).

Of the managers in the current study, 55% were females, while 45% were males. These results provide an interesting contrast to the GEM report (Kew & Herrington, 2009) which found that female manager participation in South Africa was lower than males and expressed this as a matter of concern. Similarly, the South African GEM, 2011 report (Turton & Herrington, 2012) noted that globally, men are more likely to pursue entrepreneurship than women. There are countries which deviate from this trend, such as Ecuador,

Panama, Ghana, Nigeria and Thailand, where more women than men are engaged in entrepreneurship. Tassiopoulos (2010) found in his study that the majority (70%) of managers were males. South Africa, has shown improvements concerning gender equality where in 2012, 61% of managers were male and 39% female. In the current study, a significant relationship was found between gender and perceived business performance, which implies that gender made no significant difference with respect to any of the factors that could impact CRM. Further, because of self-reported perceptions, females in this study could simply have been more optimistic than males.

Educational qualifications

The results provided some interesting information regarding the most senior managers' educational qualifications as reflected in Table 2

Table 2: Educational Qualifications

Level of education	F	%
Grade 10 or lower	7	2.4
Grade 12 or matriculation	65	22.1
National Diploma	110	37.4
Degree (3 to 4 year qualification)	82	27.9
Postgraduate	30	10.2
Total	294	100.0

The largest proportion of managers (37.4%) had obtained a National Diploma as their highest educational qualification

and 10.2% held a postgraduate qualification.

Income (Annual gross turnover)

Respondents also had to indicate the gross annual turnover of their business.

Table 3 presents the results for the previous year.

Table 3: Income (Annual gross turnover)

Amount	F	%
Less than R 100, 000	62	21.4
R 100, 000 - R 199, 999	65	22.4
R 200, 000 - R 499, 999	73	25.2
R 500, 000 - R 999, 999	53	18.3
R 1 million - R 1.999 million	16	5.5
R 2 million - R 4.999 million	14	4.8
R 5 million - R 9.999 million	4	1.4
R 10 million or more	3	1.0
Total	290	100.0

The results indicate that the majority (69.0%) of SMTEs had an annual gross turnover of less than R500, 000. The results show that 56.8% of the managers had an income equal to or above R12 000. The results also indicate that 14.97% of the managers had an income equal to or lower than R6 000.

Conclusion

Small businesses are seen as one of the most important factors to generate ways for growth and employment in South Africa. Demographic factors such as gender, education and income show a considerable impact on business performance. The findings of this study found a significant relationship between gender and income in relation to business performance. As far as education is concerned, only 38% of managers indicated that they had obtained either a degree or post-graduate qualification. The lack of education poses a core challenge in terms of human resources for the

tourism sector when seeking skilled employees to meet future needs of the industry. Education and training in the tourism and hospitality industry is thus considered essential if small businesses are to improve their business performance. It is recommended that government creates a more enabling environment that encourages individuals to see entrepreneurship as a financially viable employment option and thereby review the restrictive employment laws which are seen as an obstacle to business performance.

Limitations

The study only focused on SMTEs of the EC, thus making it a regional- specific study. Due to time and financial constraints, SMTEs from other provinces of SA, which were outside the targeted geographical area were excluded. Small businesses that were not registered with the Eastern Cape Parks and Tourism Agency (often referred to as inform sector) were not considered.

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