

Leading tourism ventures



What are the characteristics that enable some small tourism entrepreneurs to succeed, while others fail?

— by Chris van Zyl and Babita Mathur-Helm

South Africa's tourism industry has grown remarkably since 1994. From 4% in 1995, the industry's contribution to the Gross Domestic Product (GDP) has shot up to an estimated figure of more than 10% in 2007. The country's growing popularity as a tourist destination has created profitable expansion opportunities for existing tourism enterprises and accelerated the establishment of new ventures. As may be expected, this has had a welcome impact on job creation. The government views tourism as a major avenue for increasing employment opportunities and, at the same time, improving equality in business ownership and the job market.

The tourism market offers viable gaps for small businesses. Many start-up tourism ventures with low capital investments become sustainable businesses that perform well. Yet, what are the vital entrepreneurial characteristics that drive certain people to establish and grow their small tourism businesses successfully, while others fail?

This question concerns government and training institutions alike, because it is central to developing the right skills for stimulating more small tourism enterprises with the potential to succeed. Likewise, as part of their risk assessment, financiers and venture capitalists want to determine not only *wherein* they invest

(the business idea), but *in whom* they invest (the person). Does the particular entrepreneur have what it takes to perform optimally in a competitive environment?

This uncertainty about entrepreneurs' attributes and the many inconclusive debates around the topic of entrepreneurship led to research at the University of Stellenbosch Business School (USB) into performance predictors for small tourism enterprises. The goal was to come up with a model of entrepreneurship that can distinguish between successful and unsuccessful owners of such ventures.

Owners' personal qualities power their businesses

A wide-ranging look at past research in the fields of entrepreneurship, tourism, marketing and leadership suggested that entrepreneurial behaviour could best be described through a combination of different dimensions. The USB study aimed to bring these varying perspectives together in formulating a more comprehensive and unified model of entrepreneurship, specifically in relation to the small tourism industry.

What emerged clearly from the research was the importance of human capital for the performance of a business. A study of small tourism enterprises in a country that is a popular tourist destination found that owners demonstrating leadership characteristics such as a high internal locus of control, autonomy, and achievement drive were essential for building high-performing businesses. Similar linkages between the entrepreneur's personal qualities and small business performance were also found by studies in other parts of the world.

The dimensions of entrepreneurial leadership

Some studies distinguish between *entrepreneurial* and *leadership* qualities in their definition of successful entrepreneurial behaviour. *Entrepreneurial leadership* is a concept that embodies both these dimensions of entrepreneurship.

Entrepreneurship is generally associated with a person's orientation towards *proactiveness*, *risk-taking* and *innovation*. Several empirical studies have found links between

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these qualities and enhanced business performance.

Leadership is more complex and consists of a *technical*, a *psycho-emotive* and an *ethical* dimension, each of which is a multidimensional concept in its own right. The technical dimension measures the effectiveness of leaders' influence on their followers. The psycho-emotive dimension, on the other hand, assesses the attractiveness of the leaders' influence to followers. The last dimension, the ethical side of leadership, refers to leaders' moral values and behaviour.

Strategic orientations of successful owners

To navigate successfully towards high performance, owners should ensure that their businesses are strategically well-positioned to challenge the market and the competitive environment.

Two important strategic orientations have been linked to better business performance: a *market orientation* and a *relationship-marketing orientation*. Past research suggests convincingly that these orientations should be strong agents in channelling entrepreneurial energy towards superior performance of small tourism ventures.

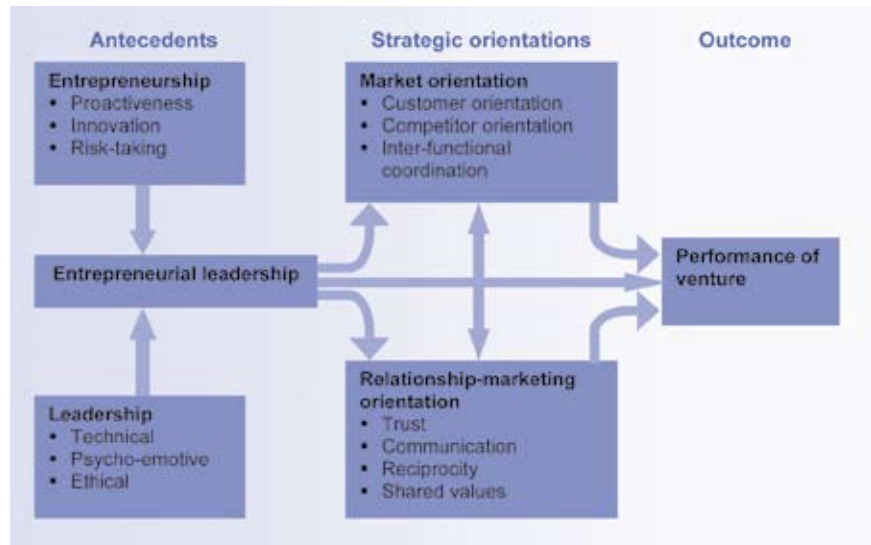
A **market orientation** means that one's business model is anchored on a thorough understanding of the market. Businesses with a market orientation have a high customer orientation as well as a high competitor orientation. But both these orientations need to be shared across all the functions of the business, therefore inter-functional coordination is regarded as another ingredient of a market orientation. Market-oriented businesses are known to be more innovative.

Relationship marketing focuses on building longer-term, sustainable relationships with selected customers. The underlying notion is that retaining customers is more cost-effective than constantly finding new ones.

A model of entrepreneurship for predicting performance

The model formed by these concepts can be presented as shown in the figure top right. The personal qualities of the small business owner are the antecedents of the eventual outcome.

Conceptual model of tourism entrepreneurship



The composite entrepreneurial-leadership dimension impacts directly on the performance of the venture, but also influences the two strategic-orientation dimensions, namely market orientation and relationship-marketing orientation. They, in turn, also impact on business performance. Thus, the model recognises the complex interplay between the entrepreneurial-leadership qualities in the business, how these qualities cause the business to orient itself appropriately towards the market, and how, in combination, these two aspects lead to better business performance.

The model suggests that high-performing owners of small tourism ventures will score high on proactive, innovative and risk-taking behaviour. These qualities should combine with sound leadership skills. Owners should have the ability to make things happen through people (technical dimension); they should create an attractive social climate for both employees and customers (psycho-emotive dimension); and they should base their business on strong moral values (ethical dimension).

Furthermore, tourism businesses should be all about the market they serve. Every aspect of the venture should operate on a proper understanding of customers and their needs, and what competitors do to lure them away. Moreover, tourism businesses should attempt to form relationships with their customers in order to retain them as far as possible. Especially when the business deals with tour operators that

represent sizeable, and regular groups of customers, established relationships are a very attractive option. But such relationships should be built on trust, good communication with customers, reciprocity in terms of value for both parties, and shared principles of doing business. It is this relationship-marketing orientation that strongly calls for an ethical dimension to be part of the make-up of leaders of small tourism ventures that would be likely to outperform their competitors.



Chris van Zyl (pictured) (chris@zylplex.co.za) and Dr Babita Mathur-Helm of the USB published this research in the *South African Journal of*

Business Management, 2007, 38(2), in an article titled *Exploring a conceptual model, based on the combined effects of entrepreneurial leadership, market orientation and relationship marketing orientation on South Africa's small tourism business performance*. The work forms part of Van Zyl's doctoral research that is being conducted under the supervision of Dr Mathur-Helm. The title of his PhD dissertation is *Key performance predictors for small and micro tourism enterprises in South Africa*.