

Exploring a Conceptual Small Tourism Enterprise Performance Model

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Abstract

The tourism industry in South Africa is a growth industry. Small tourism enterprises are mainly run by owner-managers who are the key decision-makers. Owner-managers therefore need to possess key qualities in order to establish and maintain their performing enterprises. Self-leadership; ethical orientation and entrepreneurial proclivity characteristics have been identified to be important for owner-managers of performing tourism enterprises. It is in this context that this paper considers the Van Zyl and Mathur-Helm (2007) conceptual model. This model also contains market orientation and relationship marketing orientation as strategic orientations which are used to link the enterprise to the external environment where customer satisfaction plays an important role. This paper applies a systems perspective to contextualise the contributions of the owner-manager as entrepreneur; the customers from within the transactional environment and some internal organisational variables to enterprise performance. Customer satisfaction assessment models like SERVQUAL and ECSI are considered while the number of tourists; number of employees; the profitability and the turnover of the venture are found to be reliable indicators of tourism enterprise performance.

Introduction

The South African and the world tourism industry is a growth industry (Blanke and Chiesa, 2007). It was estimated that the travel and tourism economy of South Africa contributed 8, 7 percent to the gross domestic product in 2006 (Blanke and Chiesa, 2007: 322). In a growth environment, it is essential that the various stakeholders in the tourism economy are functioning optimally. It is therefore disturbing to observe a comment that despite all the impressive growth figures, “*tourism is an under-performing sector*”. The failure to create more jobs and to develop small tourism businesses are the main reasons for this under-performance (Elliott and Boshoff, 2007: 16). Small tourism enterprises make up

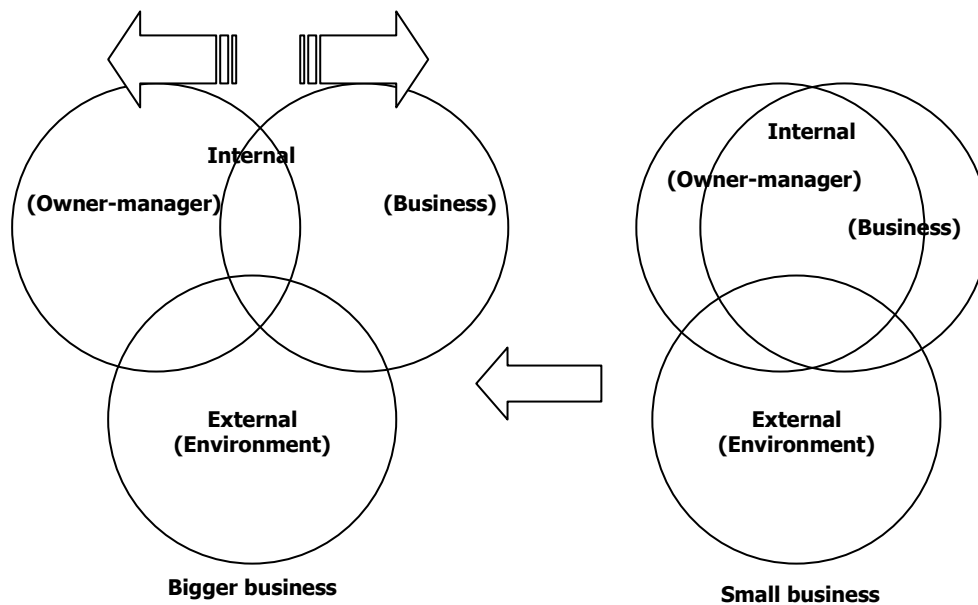
approximately 90% of the tourism economy, and (for the purposes of this paper) small enterprises are regarded as having fewer than 50 employees (South Africa, 2003). Considering that an entrepreneur or owner-manager is the main decision-maker of the small enterprise (Verhees and Meulenber, 2004: 134), it suggests that the ability of the entrepreneur to establish and develop the tourism enterprise, turn out to be very important for the enterprise to perform. A performing enterprise could, amongst others, create employment opportunities; hence answers to the following questions need to be found: Which aspects of the owner-manager contribute to business performance? What is small tourism enterprise performance? How can small tourism enterprise performance be evaluated?

The aim of this paper is to explore possible solutions to the abovementioned questions through an analysis of secondary data. A systems approach will be used to contextualise the relationships between the different constructs. A systems theory overview will firstly be given followed by the presentation of a model that could explain small tourism enterprise performance from an owner-manager, environment and enterprise point of view. An outline of the different ways of evaluating small tourism performance will then be followed by concluding remarks.

Systems theory overview

According to the General Theory of Systems a "system" is referred to as any *whole* consisting of a set of components and a set of their relations (Mulej *et al.*, 2004: 50). In this regard the owner-manager or entrepreneur could be seen as a functional human system consisting of various sub-systems such as the physiological system; the psychological system and the spiritual system. These human sub-systems are integrated and rely on each other for continuous functioning. Human decision-making is therefore also a function

of the harmonious interplay of the mentioned (or even more) sub-systems. The systems perspective does however not stop at the human interface, but extends to include the environments which surround the individual. Morrison, Rimmington and Williams (1999: 194) have described how the entrepreneur; enterprise and external environment intersect to form a broad business system. In a broad business system the role of the entrepreneur as decision-maker seems vital, especially where the enterprise is small with not too many other employees impacting on the decision-making process. The smaller the enterprise, the more prominent the role of the entrepreneur, because the intersect between these two sub-systems (entrepreneur and enterprise) is substantial as illustrated in figure 1 below.



Source: Adapted from Morrison, *et al.* (1999: 194).

Figure 1: Business system constituents

Conti (2006: 298) claims that the link between systems thinking and quality management is through relations, but more specifically through the value exchanges that take place in such relations. In small tourism enterprises the values exchanges between owner-managers and employees or external stakeholders such as customers or investors are therefore critical to ensure value that can render business performance. The capability to

enhance the value generating ability of organizations is based on relations that depend on trust, openness, willingness to share information and build knowledge together, mutual respect and empathy (Conti, 2006: 303). Managing stakeholders is a strategic issue in order to achieve excellence (Conti, 2006: 304). Small tourism entrepreneurs should therefore endeavour to orientate themselves and their organisations within the environments that they operate in such a way that the value creation process between their businesses and clients complement sustainable enterprise performance.

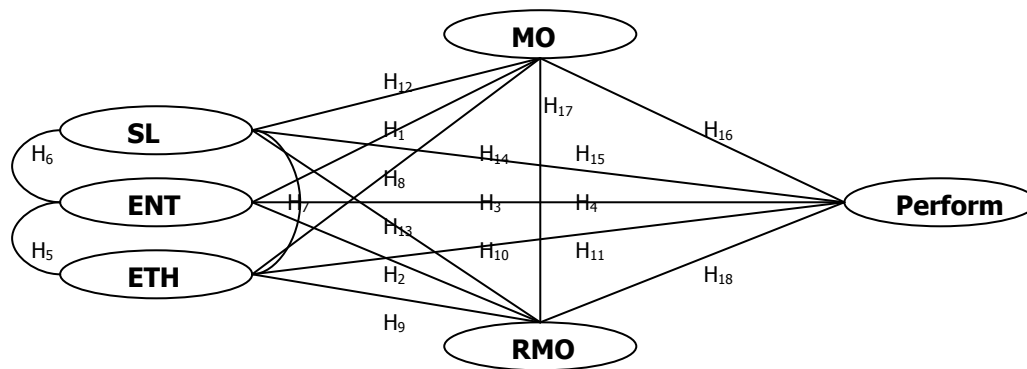
To conclude the systems overview it is appropriate to consider seven basic systems thinking principles to solve problems applying a systems perspective (Mulej *et al.*, 2004: 54):

- Interdependence/relations/openness/interconnectedness
- Complexity and complicatedness
- Attractors
- Emergence
- Synergy/system/synthesis
- Whole/holism/big picture
- Networking/interaction and interplay

Small tourism performance model

The positive relationships between business performance and self-leadership (Carmeli, Meitar and Weisberg, 2006); entrepreneurial proclivity (Matsuno, Mentzer and Özsoy, 2002); market orientation (Gray, Matear and Matheson, 2002); relationship marketing orientation (Sin, Tse, Yau, Chow and Lee, 2005) and ethical orientation and job satisfaction (Román and Munuera, 2005) inspired the development of a conceptual small tourism performance model by Van Zyl and Mathur-Helm (2007). According to the Van Zyl

and Mathur-Helm (2007) model, an owner-manager of a small enterprise can possess of a complex system of self-leadership (SL); ethical- (ETH) and entrepreneurial orientations (ENT) which, together contribute to business performance. According to the Van Zyl and Mathur-Helm (2007) model the relationship between the complex self-leadership; ethical- and entrepreneurial orientations and business performance is moderated by a blend of market- (MO) and relationship marketing orientations (RMO), of which the latter are both regarded as strategic orientations. Figure 2 below illustrates the conceptualised relationships between SL; ENT; ETH; MO; RMO and small enterprise performance.



Source: Van Zyl and Mathur-Helm (2007)

Figure 2: Conceptual model

Self-leadership

Self-leadership as a concept is based on the theories of self-influence which include self-navigation; self-control and self-management. As a broader construct, self-leadership consists of three complementary strategies encompassing behaviour-focused-; natural reward- and constructive thought strategies (Carmeli and Weisberg, 2006: 76). Behaviour-focussed strategies enable owner-managers to be self-observant and to manage and perform all essential and prioritised tasks (pleasant or unpleasant). Owner-managers that use to this approach would also then reward themselves according to how well (or not) they have performed (natural reward strategy). The constructive thought pattern strategy

refers to those thought patterns utilised by owner-managers that constructively contribute to performing those essential tasks well (Carmeli and Weisberg, 2006: 77).

Ethical orientation

Spence and Rutherford (2001: 131) classify the ethical orientation of an owner-manager of a small enterprise into four categories: profit maximization priority; subsistence priority; enlightened self-interest and social priority. These four categories describe the motivations of owner-managers to be in business and dictate how they employ their roles in their businesses. The motivation for small tourism enterprises to be in business can also be survival-; lifestyle- or growth orientations (Wood, 2002: 202). The inclusion of an ethical orientation in the conceptual model is partly based on the need to understand how owner-managers make ethical judgements within the context of a survival-; lifestyle- or growth orientated business philosophy and partly based on González and Guillén's (2002) view that the leadership construct contains an ethical dimension. When making ethical judgements, some people draw on universal ethical rules while others reject ethical absolutes (Catlin and Maupin, 2004: 290). In this context it is important to understand that there are differences how owner-managers of small enterprises would conduct themselves in making a living within the tourism industry.

Entrepreneurial proclivity

Matsuno, Mentzer and Özsomer (2002: 19) define entrepreneurial proclivity as "*the organization's predisposition to accept entrepreneurial processes, practices, and decision-making, characterized by its preference for innovativeness, risk taking and pro-activeness*". Small tourism enterprises are run by owner-managers as entrepreneurs and by implication should possess these innovative, pro-active and risk-taking characteristics in order to perform in the highly volatile and competitive market environment.

Hence, from a systems perspective and for the purposes of clarification, the owner-manager system encompasses the self-leadership-, ethical orientation- and entrepreneurial proclivity subsystems. The owner-manager system is a complex system which should positively influence small tourism business performance. The relationship between the complex owner-manager system and small tourism business performance is conceptualised to be moderated by a combination of two strategic orientations, market- and relationship marketing orientations (Van Zyl and Mathur-Helm, 2007). MO and RMO will forthwith be defined before elaborating on the small tourism enterprise performance system.

Market orientation

The adoption of a marketing concept is a foundation for successful business performance (Nwokah, 2008: 280). To be market orientated is to focus on customers; competitors and business inter-functional coordination (Narver and Slater, 1990). In the tourism business, owner-managers need to have a constant awareness of the needs of their customers and they therefore need to communicate with their customers properly. Business owners additionally need to be aware of what and when their competitors change strategies and how it may impact on their own businesses. Inter-functional coordination involves the coordination or synchronisation of the marketing, financial, human resources and operational priorities of the business.

Relationship marketing orientation

RMO has been identified by Sin *et al.*, (2002: 662) as containing six dimensions: trust; bonding; communication; shared value; empathy and reciprocity. The RMO construct or

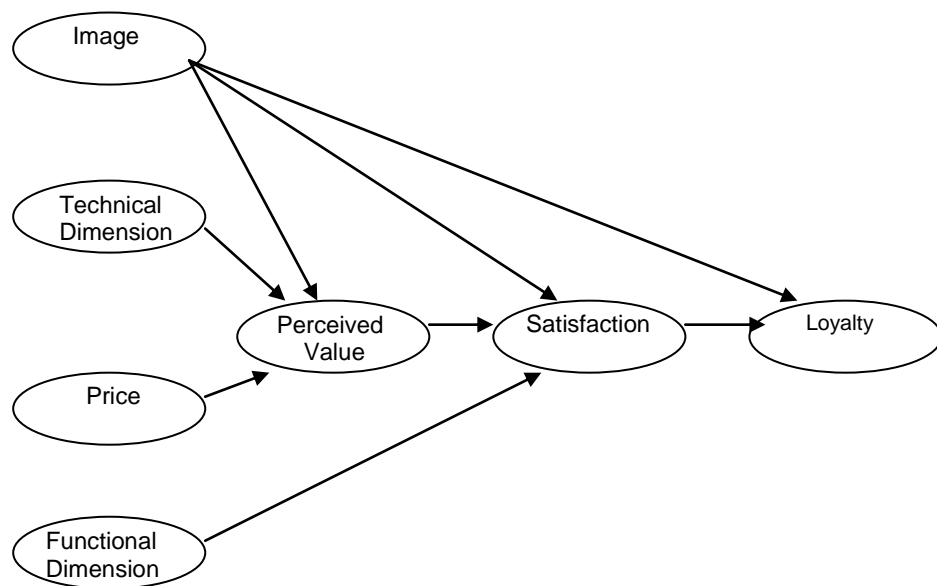
system emanated from the need to develop and maintain long-term relationships with customers or stakeholders in order to create higher levels of satisfaction. Building customer satisfaction contributes to customer loyalty which builds competitive advantage and adds to profits (Sin *et al.*, 2002: 658). In the tourism industry it is essential for (specifically small) enterprises to engage in sustainable long-term relationships in order to positively influence customer loyalty which would benefit the bottom line. From this point of view, Conti's (2006: 303) suggestions regarding the nature and extent of relational value exchanges make perfectly good sense.

Tourism enterprise performance

What is tourism enterprise performance? To answer this question, one needs to understand tourism business systems in the perspective as provided in figure 1 above. The three interacting and integrated systems (entrepreneur; enterprise and environment) suggest that broad business performance could be interpreted from the perspective of each one of these individual interacting systems. Performance measures to assess the entrepreneur have been presented above (SL; ETH; ENT; MO; RMO). These owner-manager focussed measures provide insight into some important orientations which could uniquely contribute to enterprise performance.

Customers are perceived to be part of the external business environment, and more specifically the transactional- and independent environments according to Conti (2006: 304). The enterprise system is located within the transactional environment where stakeholders, customers and the enterprise exchange value. The transactional environment is situated within the independent environment where competitors and future or potential customers lurk. Customers are attracted to the enterprise based on their perceptions of value or quality of benefits that they could enjoy (Conti, 2006: 304).

Customer perceptions therefore also determine whether an enterprise will perform or not. Various customer satisfaction measurement instruments have been developed and successfully used in the services industry. Parasuraman, Zeithaml and Berry (1988) for instance developed the SERVQUAL instrument to measure customer perceptions of service quality. The SERVQUAL instrument measures customer perceptions of reliability; responsiveness; assurance; tangibles and empathy. Of these dimensions “reliability” has consistently proven to be the most important (Atilgan, Akinci and Aksoy, 2003: 413). Customer satisfaction leads to customer loyalty which eventually precipitates in profits. In this context Chitty, Ward and Chua (2007: 575) presented a framework of customer loyalty as illustrated in figure 3.



Source: Adapted from Chitty, Ward and Chua (2007: 575).

Figure 3: Customer loyalty framework

The Chitty, Ward and Chua (2007: 575) framework is based on the European Customer Satisfaction Index (ECSI) model where image refers to customer’s beliefs about a brand. The technical dimension refers to the tangible objects that remain behind after the completion of a service. The functional dimension of the ECSI model refers to how the

process quality of the service was perceived by the customer. Price refers to the cost incurred by the customer for the services rendered. The received value refers to the benefits received relative to the costs incurred for the services. Satisfaction is that condition where customers experience a pleasurable level of consumption-related fulfilment which eventually leads to the development of loyalty. Loyalty from a behavioural point of view could be seen as a repeat-purchase orientation. Affective and cognitive dimensions of loyalty results in a positive customer change of attitude towards the service provider (Chitty, Ward and Chua, 2007). The main emphasis of the customer loyalty framework is to highlight the importance of customer service which eventually results in customer loyalty. In this context Eraqi (2006) furthermore indicated how important service quality is to achieve tourism business performance. Eraqi (2006) integrated the SERVQUAL and total quality management (TQM) perspectives to measure internal tourism customer (employee) satisfaction as well as external tourism customer (tourist) satisfaction and referred to it as TourServQual.

This paper has addressed perceptions of tourism performance from an entrepreneurial (owner-manager) as well as from the customer's (tourist) point of view. It is now also necessary to consider how enterprise system performance could be assessed. Wood (2002: 207) measured tourism enterprise (organisational) performance by using a combination of variables consisting of turnover, profit, customer numbers, customer spending and number of employees. These variables were found to contribute as much as twice the amount of variance in profit rates as economic or other external environmental variables (Wood, 2002: 208). Despite this, Wood (2002: 202) and Lerner and Harber (2000: 84) report that business survival is regarded by most small tourism enterprises as their key performance objective. Jogaratnam and Tse (2006: 460) used a weighted average performance index to measure small tourism enterprise performance. Variables

that were included to compile the performance index were: cash flow, sales level, return on sales, net profit, market share and sales growth. Financial criteria alone is not sufficient to report on the variety of owner-manager performance goals (survival, lifestyle, growth, etcetera) nor can it capture the complexity of goals that owner-managers of small tourism enterprises usually construct for managing their businesses (Wood, 2006: 443). Rahman cited in Wood (2006: 443) therefore suggests that a combined performance measurement construct which includes revenue, profits and the number of customers should be more than appropriate to assess small tourism performance.

This paper therefore concludes that small tourism enterprise performance could be reliably assessed through an assessment of the number of customers; enterprise turnover; enterprise profit and the number of employees. The number of customers would indicate the extent of success of the enterprise to attract or persuade customers of the value proposition offered by the enterprise (marketing effectiveness). The turnover would indicate the total amount of customer spending (financial management). The amount of profit would indicate how the enterprise was able to contain or minimize costs (financial management). The number of employees would be an indication of the enterprise's ability to expand beyond survival mode and to accommodate additional human resources (human resource management).

Conclusion

This paper presented a systems perspective of small tourism performance by highlighting the differences between performance from an owner-manager's point of view, from the customer's point of view (transactional environment) as well as from the enterprise or organisational point of view. From the owner-manager's point of view, this paper indicated through the Van Zyl and Mathur-Helm (2007) model that self-leadership; entrepreneurial

proclivity and ethical orientation could positively contribute to enterprise performance. The Van Zyl and Mathur-Helm (2007) model additionally indicated that MO and RMO as strategic orientations could moderate the relationship between the complex SL; ENT and ETH owner-manager system and enterprise performance.

Customer satisfaction leads to customer loyalty which influences enterprise performance positively. This paper indicated through the presentation of the SERVQUAL and ECSI models how customer satisfaction converts to customer loyalty and eventually resulting in enterprise performance.

Finally, this paper concluded that enterprise performance could be described by recording the number of customers; the number of employees; the turnover and the profitability of the enterprise.

Limitations & Future Scope

This paper presented conceptual models to assess owner-manager systems like SL; ENT and ETH together with MO and RMO as strategic orientations that owner-managers could adopt. Furthermore, conceptual models to assess customer satisfaction through SERVQUAL and ECSI were presented. Various variables that could assess tourism enterprise performance were also discussed. These models should now be applied empirically in order to contribute further to the understanding of real life scenarios in the South African tourism industry. These models should be empirically applied across the complete tourism value chain to assess possible growth opportunities which could result in job creation and transformation initiatives which is a necessity in the current South African tourism economy.

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