

**DRIVING INNOVATION IN SMALL ACCOMMODATION BUSINESSES:
A COMPARATIVE STUDY OF ZIMBABWE AND SOUTH AFRICA**

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DECLARATION

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ABSTRACT

The purpose of this study was to determine the extent to which certain selected factors serve as drivers of innovation in small accommodation businesses (SABs) in two developing economies in Southern Africa namely South Africa and Zimbabwe with the ultimate aim of assisting policy makers and support agencies in formulating innovation oriented strategies for the sector.

Two samples were randomly selected from SABs in Zimbabwe and South Africa- two neighbouring Southern African countries. Parametric tests which include t-tests and one-way ANOVAs as well as Bonferonni tests as post-hoc measures were used to test whether SAB propensity to engage in different dimensions of innovation differs by gender; firm size, owner-managers' years of experience and level of education respectively. Pearson Product Moment Correlations were employed to assess the relationships between market orientation, learning orientation and innovation while Chi-square tests were performed to establish the inter-relationships between independent demographic variables, namely age, gender, education and work experience. In order to investigate whether there are any significant interaction effects between the age of the respondents and their experience in the accommodation sector on each of the five innovation measures, a series of two-way ANOVA tests were performed. Lastly, regression analysis was used to determine the relative efficacy of market orientation (MO), learning orientation (LO) and country in predicting innovation in a business.

The results demonstrate that unlike firm size, gender and level of education, which have no association with innovation, there is a strong association between market orientation, learning orientation, owner/managers age and experience and innovation in the two countries. This positive association implies that SABs that are committed to, listen attentively to and learn proactively about their customers' needs and expectations are better inclined to engage in all the different dimensions of innovation (product/service, process, marketing and organisational) than their counterparts who do not engage in these activities. Among other drivers of innovation, market orientation emerged as the main predictor implying that SABs that invest more in marketing tend to be better innovators than those that invest in learning irrespective of their country of operation. The study also revealed that younger owner/managers of SABs tend to be more innovative than their older, experienced counterparts.

The study makes an important contribution to literature on the drivers of innovation in small accommodation businesses in developing economies by dispelling firm size, gender and level of education which were regarded as drivers of innovation across industries previously. Practice and policy wise, the study led to the development of a conceptual framework for investigating how best to drive innovation in local SABs in order to make them more competitive, survive and grow in the face of competition from large accommodation businesses that often happen to be multinational.

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CHAPTER 1: GENERAL ORIENTATION OF THE STUDY**1.1 INTRODUCTION**

The definition of a small business is heavily contested in mainstream literature and there is no universally accepted definition of the term. Nieman, (2006:4) defines it in general terms as an independently owned, operated and financed firm managed directly by a very small group. Other defining characteristics include lack of a formalised structure, a relatively small share of marketplace or relatively little impact on its industry that does not form part of a large enterprise (Nieman, 2006). The world over, the importance of small medium and micro enterprises (SMMEs) (small businesses) as the engines for socio-economic growth is highly valued. The value of small businesses is often attributed to their direct contribution to job creation, innovation and wealth creation (Radnic, Ivanis and Milojica, 2009; Van Aardt, Bezuidenhout and Mumba, 2011). As such, governments of developing countries such as Zimbabwe and South Africa recognise the importance of developing a strong small business sector (Mambula and Sawyer, 2004:7) in driving their economic growth and development. In South Africa, small businesses constitute 97.5% of all businesses and account for 34.8% of the Gross Domestic Product (GDP) (Nieman and Nieuwenhuizen, 2010:4; Venter and Clercq, 2011:56). Thus, this sector has the potential to grow to become South Africa's biggest employer, particularly given that unemployment rate within the formal sector is 25.6% (Stats SA, 2013).

In Zimbabwe, the collapse of the economy between the periods 2000 to 2008 resulted in the proliferation of small businesses through the informal sector, which now accounts for between 80% and 94% of employment (Dekker, 2009:1). Small businesses have proved to be pivotal to the Zimbabwean economy and are considered to be significant contributors to Gross Domestic Product. However, the coming of small businesses into mainstream economies has intensified competition in the market place especially between existing large and budding small businesses (Gunday, Ulusay, Kilil and Aipkan, 2009:5). This implies that firms need to embrace innovation as an integral part of their business strategy and survival under such competitive business environment (O' Regan, Ghobadian and Sims, 2006:252). Scarborough (2011:12), defined innovation as the ability to apply creative solutions to problems and productive opportunities to enhance or enrich people's lives. Embracing innovation enables firms to compete successfully in the marketplace. Indeed, studies have shown that innovation fosters the competitiveness of products and services (Hall and

Williams, 2008; Hall, 2009:2). In addition, innovation has been found to have a positive influence on business performance and hence survival (Gulsen and Yilmaz, 2008:69; Salim and Sulaiman, 2012:118). Within the small business perspective, Davenport (2006:3) reported that 90% of innovations come from the small business sector and hence innovation is considered a key aspect in competing successfully in the market. Acceptance of these assertions means that the survival of small businesses as far as competition from large firms is concerned is in a way linked to some level of innovativeness.

Whilst there is empirical evidence on the link between innovation, competitiveness, business performance and survival more importantly in turbulent business environments (Venter and De Clerq, 2008:63; Nieman and Nieuwenhuizen, 2009:60), the issue of what drives innovation in small businesses especially in developing and emerging economies has not received much attention. Few known studies conducted in United States of America (USA), Australia and Portugal to investigate the influence of drivers such as firm size, market orientation and learning orientation on innovation have ignored the service sector and developing economies (Wagner and Hansen 2005: 837-850; De Jong and Marsili, 2006:213-229; Augusto and Coelho 2007:94-108). This is despite the fact that the majority of small businesses are concentrated in the service sector mainly as a result of lower start-up costs compared to other sectors such as manufacturing and mining (Rogerson, 2005; Pivcevic and Petric, 2011:143). Arguably, the transferability and or projection of existing findings into different contexts remain difficult. Such void in innovation and small business literature forms the basis of this study. Thus, the main objective of this study is to examine and compare drivers of innovation in small accommodation businesses (SABs) in Zimbabwe and South Africa.

As part of the tourism industry, the accommodation sector was chosen because it is one of the fastest growing sectors in both Zimbabwe and South Africa (Sunday Mail, 2012; Nieman, Visser and Wyk, 2008:283). In addition, the accommodation sector is the basic receptive unit and one of the most important segments of the tourism partial product offer (Pivcevic and Petric, 2011:143). Furthermore, studies have shown that the accommodation sector is the most competitive and innovative segment of the tourism offer (Pikkemaat and Weiemar, 2007:68; Pikkemaat, 2008:187). Arguably, the survival of small businesses which compete from a disadvantage of inadequate resources is threatened (Hewit-Dundas, 2006:257). Similar to other small businesses, the small accommodation sector plays a key role in contributing to the sustainable economic development of nations through employment creation and

poverty reduction. In view of these arguments, it becomes befitting to study the small accommodation sector.

1.2 CONTEXT OF THE STUDY

Research shows that competition between large businesses and SMMEs cuts across all industry sectors (Gunday, Ulusay, Kilic, and Alphan, 2006:2; Ivanovic, Katic and Mikinac, 2010:54). In developing countries of Africa such as Zimbabwe and South Africa, similar competition is experienced in sectors such as tourism (Fayer and Fletcher 2002:207; Theuns 2002:69). In the accommodation or holiday resort/ tourism category, hotel brands such as Holiday Inn, Protea and Crown Plaza found in both Zimbabwe and South Africa are perceived to dominate guesthouse, timeshare and bed and breakfast businesses which are collectively referred to as small accommodation businesses (SABs). In their efforts to compete with existing large hotels, SABs face two major disadvantages: (i) liability of smallness which includes inability to achieve economies of scale and scope, unrecognised, weak brand and lack of access to the global distribution systems available to large businesses; and (ii) liability to newness that is, lack of reputation and no corporate history (Smeral, 2004:24; Witt, 2004:394). These liabilities imply that SABs compete from a disadvantage position as they have fewer resources than their large accommodation counterparts. However, it is generally accepted that small businesses are more amenable to innovation because they are more flexible in adapting to dynamic and competitive business environment than established business (Lordkipaniz, 2004:788). Arguably, this flexibility of small business can be attributed to their undefined clientel base, lack of organisational ethos and lack of a strong organisational culture all of which permit flexibility. In addition, small businesses are also conceived to engage in innovation strategies in order to survive and gain competitive advantage. For sustainability of innovative activity by small businesses, there is need to identify factors that drive innovation the most.

1.3 PROBLEM STATEMENT

It can be inferred from the discussion in Section 1.2 above that due to threats from their large business counterparts, innovative capabilities of SABs remain their main source of surviving and maintaining competitive advantage. However, the sustainability of such innovative activities depends on knowing which factors drive innovation the most in SABs. Unfortunately, there appears to be limited research that investigated drivers of innovation in SABs in developing countries as the literature search did not reveal any such study. Hence, the questions that this study seeks to answer are: (i) which drivers of innovation in the small

accommodation businesses can enhance their survival in the competitive marketplace in Zimbabwe and South Africa and (ii) can such drivers be depicted within a theoretical framework for use by owner managers and policy makers of SABs? More specifically, the purpose of this study is to identify and compare the influence of firm size, market orientation, learning orientation including demographic variables (age, gender, education and experience) on innovation in selected SABs in Zimbabwe and South Africa.

1.4 AIM AND OBJECTIVES OF THE STUDY

1.4.1 Aim of the study

The aim of the study is to contribute towards understanding how best to promote/ drive innovation in SABs in the developing African country context. Such an understanding makes these types of businesses that are often locally owned more competitive in the face of competition from large accommodation businesses that often happen to be foreign owned.

1.4.2 Study objectives

Using samples randomly drawn from selected areas in Zimbabwe and South Africa, the main objective of the study was to determine the impact of firm size, market orientation, learning orientation and managerial characteristics on innovation in selected SABs in the developing African country context.

The specific objectives guiding the study were:

- 1) To determine whether firm size influences innovation;
- 2) To establish whether firm innovation is influenced by market orientation;
- 3) To ascertain whether learning orientation influences firm innovation;
- 4) To establish whether there is a correlation among firm size, market and learning orientation.
- 5) To compare the degree of influence of size, market and learning orientation on innovation between Zimbabwe and South Africa;
- 6) To determine whether demographic variables (age, gender, experience and level of education) influence innovation in small accommodation businesses and;
- 7) To propose a conceptual model that describes the relationship amongst variables that drive innovation in developing economies.

1.5 HYPOTHESES

H1: There is a significant relationship between firm size and innovation.

H2: Firm innovation is significantly influenced by market orientation.

H3: There is a significant relationship between learning orientation and innovation.

H4: There is a significant correlation amongst firm size, market orientation and learning orientation.

H5: Firm innovation is significantly influenced by the small business owner/manager's age.

H6: There is a significant relationship between owner/manager's gender and innovation.

H7: Firm innovation is significantly influenced by owner/manager's level of experience on the job.

H8: There is a significant relationship between owner/manager's level of education and innovation

1.6 MOTIVATION OF THE STUDY

Globalisation and advanced technology continue to drive businesses of all sizes to formulate strategies essential for survival in the dynamic business environment. Neira, Lindman and Fernandez (2009:216) postulate the importance of innovation as a key strategy for firms to compete successfully in the market.

Unlike large firms, small businesses face multiple and unique challenges such as lack of resources, skilled manpower, experience in entrepreneurship, poor cash flows, smallness and marketing problems (Hewit Dundas, 2006:257; Van Scheers, 2011:5048; Urban and Naidoo, 2012:146). These challenges often militate against small business survival in the unpredictable business environment. Irrespective of these drawbacks, small business still form the majority of firms and contribute more to the economic growth and development of all nations than established businesses (Ming and Mazrayahaney, 2011:11; Salome, Damilola and Sunday, 2013:216).

While there is evidence to suggest that small businesses engage in innovation (Laforet, 2009:205; Salim and Sulaiman, 2011:118; Wong and Tong, 2012:99), it still remains unclear what drives such innovation in this sector. Studies that attempted to establish the drivers of innovation in business have identified several of these drivers such as culture, firm size, market orientation and the education level of owner/managers (Grinstein, 2008:166; Laforet, 2009:188; Booyens, 2011:67; Bula and Tiagha, 2012:101). However, these studies focused more on larger businesses in developed economies context and hence insights from them

are hard to project into small business contexts (Appiah-Adu, 1997:385; Salavou, Baltas, and Lioukas, 2004:1091). Such information gap creates an avenue for future research.

The uncertainty with regards to persistent threats of survival and growth that often shrouds small businesses necessitates an understanding of drivers of innovation in order to ensure their survival. The study will therefore address small businesses owners/managers' need to direct scarce resources towards innovation and pay attention to specific innovation drivers that are profitable and essential for surviving fierce competition. Therefore, an analysis of the factors affecting innovation in small businesses and in particular the small accommodation businesses in developing economies such as Zimbabwe and South Africa is required. SABs have been selected because the tourism enterprises face intense domestic and foreign competition (Mattsson and Orfila-Sintes, 2009) and innovation is key to the maintenance of their competitiveness in the marketplace. The study therefore, attempts to investigate and compare the impact of firm size, market orientation, learning orientation and managerial characteristics on innovation in SABs in Zimbabwe and South Africa. The study helps to project to international literature a view from an African national small business perspective which could be different from those of large firm in developed countries which dominate literature (Salavou et al. 2004; Lioukas, 2004:1091; Laforet, 2009:189). Consequently, this research adds richness to extant research by testing their findings within the context of SMMEs and in particular small accommodation businesses in developing economies context.

The opening of domestic markets to international competition, and the expansion of global giants and subsidiaries of large multinational corporations act as major catalysts in changing the competitive landscape. As such, competitiveness through innovation is vital for small business owner/managers and policy makers in the tourism sector. The tourism sector has been identified as one of the catalysts for growth in the Zimbabwean and the South African economies over the next two decades (Nel and Rogerson, 2003:15; KPMG, 2005). The rapid transformation in the tourism sector in line with the focus on destination tourism provides evidence about the relevance of small accommodation businesses and need for innovation as means of fostering competitive advantage. It is against this background that the study seeks to investigate how firm size, market orientation, learning orientation and managerial characteristics influence the innovative behaviour of small accommodation businesses in developing African economies such as Zimbabwe and South Africa.

1.7 SIGNIFICANCE OF THE STUDY

The study will enable small business owners/managers to explore what size, which market and learning related factors leverage their innovation and hence contribute to their firms' performance. Building on an understanding of the determinants of profitable innovation in small tourism industry, managers can coordinate future innovation plans by considering the drivers of innovation to arrive at a combination that adds more benefits compared to independent effects of each type of innovation. The study will also offer new insights about the validity and reliability of scales developed in a developing economies context in Africa on the influence of firm size, market, and learning orientations on innovations in the small accommodation businesses.

The study will form the basis of developing policies aimed at eradicating inhibiting factors of innovation and hence promote innovation in small accommodation businesses. Such policies are hoped to enable the attainment of competitive advantage essential for the survival and growth of the small accommodation businesses in Zimbabwe and South Africa. Consequently, the sector will assist in addressing national socio –economic challenges such as unemployment and poverty.

1.8 THEORETICAL FRAMEWORK

Several theories and models have been developed to explain the relationships between innovation and its drivers. This research is based on the economic theory of innovation (the Theory of Creative Destruction) as espoused by Schumpeter (1942). The *creative destruction theory* is an economic growth and development perspective that explains the creation of innovative ways of surviving among competing market rivals (Schumpeter, 1942). According to the theory, businesses typically are keen to embrace and engage in innovation if they perceive innovation as an incentive to survival.

For Schumpeter (1942), there is always an incentive to engage in innovation and to apply creative solutions to problems and opportunities. Within the business context, perceived incentives and keenness to innovate explain why small businesses take advantage of size, inherent features of flexibility and non-bureaucratic tendencies, customer networking and experiential learning to develop innovative products and services thereby gradually displacing and replacing old, tired and reluctant large businesses in a process of creative destruction. Arguably, a strong perception of innovative incentives is conceived to trigger aspects of size, market and learning orientations in driving innovation in small businesses

thereby obtaining leverage over dormant large businesses. The argument is that when firms perceive innovation as competitive advantage to survive in the market place, they would strive to engage in innovative activities leading to the transformation of business in its entirety. The business would become more competitive and hence achieve higher performance. This would in turn enable firms to survive, grow and contribute in addressing unemployment and other macro-economic problems that are inherent in developing countries such as Zimbabwe and South Africa.

Literature confirms that managerial characteristics (e.g. age, gender, level of education and experience) act as drivers of innovation and this has helped them in surviving the turbulent business environment (Sandivot and Verspagn, 2011:1; Camelo-Ordaz, Fernandez and Navoro, 2012:513; Bula and Tiagha, 2012:101; Salome, Damilola and Sunday, 2013:216). As such the influence of firm size, market orientation, learning orientation and managerial characteristics on innovation is discussed in the theoretical framework and conceptualised in Figure 1.1.

1.9 A CONCEPTUAL MODEL FOR FIRM INNOVATION

The ultimate goal of businesses engaging in innovation is to gain competitive advantage through customer satisfaction which guarantees survival in the marketplace (Calantone, Cavisgil and Zhao, 2002:234). Pivcevic and Petric (2011:143) argue that the competitiveness of small businesses depends on their innovation activity. Accordingly, literature confirms that such innovation is to a greater extent influenced by several drivers (Booyens, 2011:67; Cadogan, Boso and Story, 2012:1; Salome, Damilola and Sunday, 2013:216).

The conceptual model in Figure 1:1 is a culmination of extensive literature review, which revealed that firm size (Wagner and Hansen, 2005:843; Laforet, 2009:104); learning orientation (Hurley and Hult, 1998:12; Salavou, Baltas and Lioukas, 2004:1091); age (Bula and Tiagha, 2012:101); gender (Danilda and Thorslung, 2011:250; Johnson and Lingburg, 2011:1;); education (Sandivot and Verspagn, 2011:1) and experience (Balmeier and Czarnitzki, 2012:13; Soltani and Hosseini, 2012:3553) influence innovation.

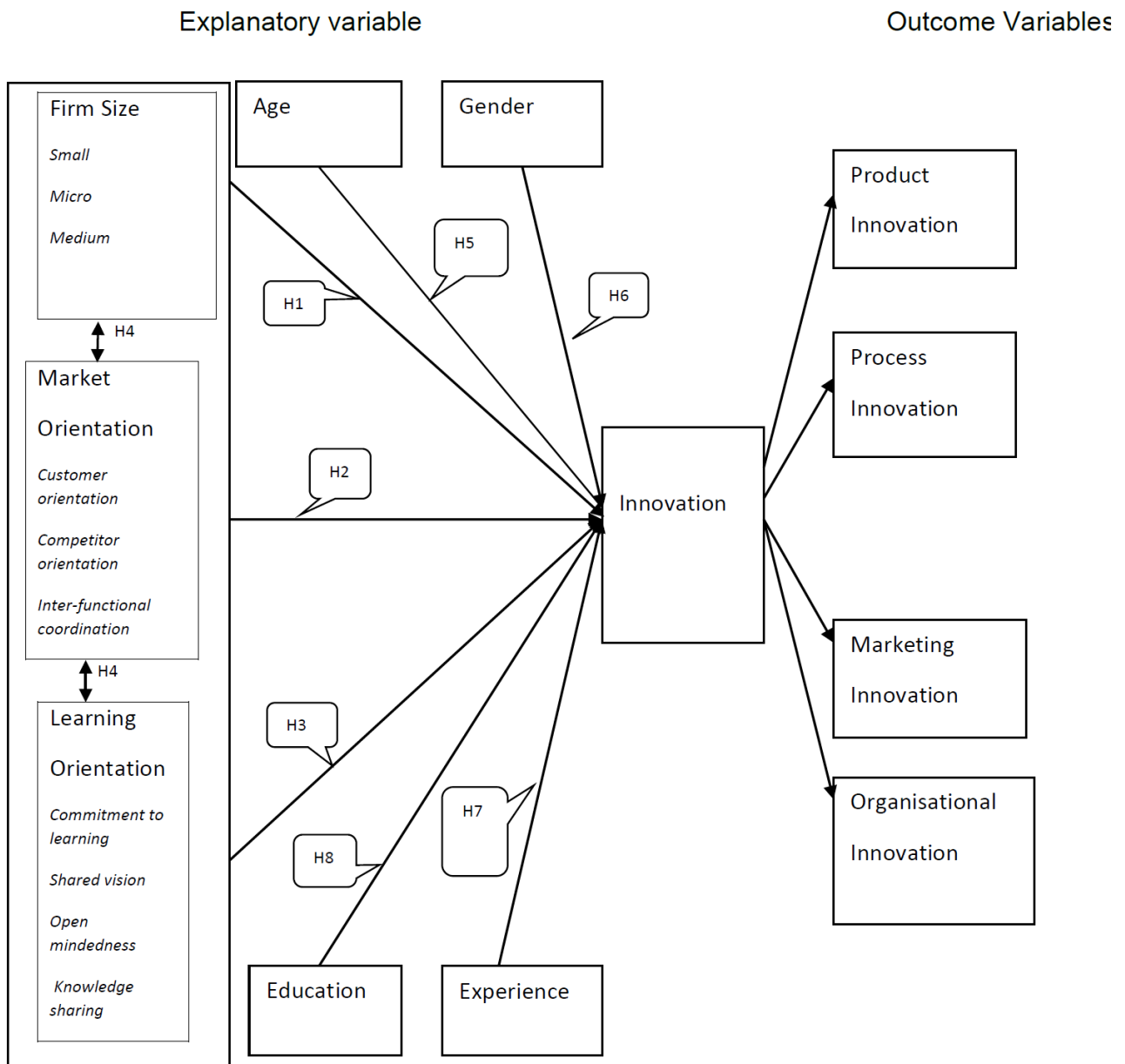


Figure 1.1: Firm size, market and learning orientation, manager’s characteristics and firm innovation.

The model helps to illustrate that regardless of their size, small businesses that are ready and committed to learn the needs and expectation of customers, share with all employees the vision of the business, the successes and failures of the business and have the correct mixture of age, gender, level of education and experience will stimulate their innovative capability. Innovation has been identified as a strategy necessary for modern firms that need to compete successfully in their market (Scarborough, 2011:14).

In view of these relationships, the thrust of most researchers now is on testing the applicability of such a model in different economies and industry contexts. This is because

most of the existing studies that investigated the relationship among these phenomena were conducted in large firms in the manufacturing sector (Salavou et al. 2004:1101; Laforet, 2009:205) in developed economies but not in developing countries such as Zimbabwe and South Africa (Augusto and Coelho, 2007:94). It is therefore, appropriate to test and compare this model in the small accommodation business sector in developing economies namely Zimbabwe and South Africa. Despite growing rapidly and contributing to employment creation, small accommodation businesses suffer from fierce competition from their large counterparts. It is argued that the results of testing this model in the context developing economies would improve the innovativeness and distinct competencies of small accommodation businesses. As such, small accommodation businesses will have sustainable competitive advantage necessary to quell threats to their survival.

1.10 METHODOLOGICAL CONSIDERATIONS

To surmise, the study followed the positivist research paradigm and adopted a quantitative research approach. The study is cross-national comparative and descriptive in nature as it investigated and compared relationships between firm size, market orientation, learning orientation and managerial characteristics and their impacts on innovation in small accommodation businesses in the developing African economy context without seeking to establish causality. Details of the research methodology are presented in Chapter 5.

1.11 ETHICAL CONSIDERATIONS

Research has shown that there is growing attention and focus on ethical considerations in professional research (Babbie and Mouton, 2005:520; Hair, Wolfinbarger, Ortinau, and Bush, 2008:13; Cooper and Schindler, 2011:32). Amongst other ethical considerations, the following were prioritised:

- Permission to carry out the study in the selected SABs was sought through their respective owners or managers.
- A detailed cover letter containing research information such as assurances of confidentiality and anonymity, contact details of the researcher and his university promoters formed part of the communication to respondents.
- The rationale of the study was also highlighted in the cover letter and where interviewer administered questionnaires were used; the research team had to explain the rationale of the study before soliciting for information.

- All respondents participated voluntarily in the study. Some respondents were unwilling to participate for fear of victimisation. In those circumstances, the respondents were allowed to opt out.
- The data collection, analysis, and interpretation were conducted with outmost integrity so as to produce quality and unbiased research output.

1.12 DEFINITION OF KEY TERMS

1.12.1 Innovation

In this study, innovation refers to the introduction of something new that adds value to customers and contributes to the knowledge store of the organisation (Scarborough, 2011:14).

1.12.2 Firm size

For the purpose of this study, firm size means differentiation of businesses according the number of employees. Literature states four different parameters used to differentiate small business namely: value of fixed assets, annual turnover, number of employees and whether the firm is registered or not (Fisher, Polt and Vonortas, 2009:32; Booyens, 2011:67).

1.12.3 Market orientation

Market orientation refers to an organization level culture comprising values and beliefs about putting the customers first in business planning (Grinstein, 2008:166; Laforet, 2009:188).

1.12.4 Learning orientation

The term describes a business culture that regards continuous acquisition of knowledge and skills as a basis for continually transforming itself essential for survival in a dynamic operating environment (Tran, 2008:287; Salim and Sulaiman, 2011:118).

1.13 DELIMITATION OF THE STUDY

The purpose of demarcating the study is to make it more focused and manageable from a research point of view. However, the omission of similar research sites does not mean that they are not important and researchable. Rather it means that the volume and extent of the study would be difficult to contain and manage in a single study.

1.13.1 Size of the organisations

The study is limited to small accommodation businesses that employ a maximum of 100 employees. Both Zimbabwe and South Africa had three categories of small businesses each namely micro, small and medium whose limit of employees in each category was country specific. A consideration of these strata will ensure the inclusion and or representation of all categories SMMEs in the study.

1.13.2 Type of organisation

The study is limited to small accommodation businesses whether registered or not but falling within the designated geographical area.

1.13.3 Geographical location of the empirical data collection

The study is limited to the small accommodation businesses in towns and cities of the two provinces of Zimbabwe (Manicaland) and South Africa (Free State) (see maps in Chapter 5). The Manicaland province of Zimbabwe was selected because it is one of the most preferred tourists and leisure destinations in Zimbabwe. In the same manner, the Free State province of South Africa is frequented by tourists. Besides, a study by Rogerson (2005) on tourism SMMEs in the Free State of South Africa revealed that small accommodation businesses dominate the small business sector in the province.

1.13.4 Units of analysis

The unit of analysis are the individual SABs. The nature of the information required such as innovation and its drivers necessitates respondents who are knowledgeable about the entire business. As such, information was solicited only from owners/managers of SABs who are presumed knowledgeable about the businesses they own or/ and manage.

1.13.5 Basis for the model

The study aimed to develop an integrated strategic model that can be used by small accommodation businesses in developing economies to stimulate innovation essential for survival in the competitive global business platform. The model incorporates the drivers of innovation as per the results of the empirical study.

1.14 LIMITATIONS

The geographical scope could not be extended beyond a single province in each country because of limitations mainly placed by financial and time resource limitations. Given the diverse rules, regulations, management styles and the conditions obtained in each province, the extrapolation of findings from the current study to other provinces may not be possible.

In addition, the underlying performance factors considered in the study may not be exhaustive to explain the drivers of innovation in SABs. In this sense, other variables such as organisational culture, capital structure and sector could also be considered.

Regardless of these difficulties, the value of the study cannot be overestimated primarily because knowledge of a province in each country will in the minimum help influence small accommodation firm innovation positively at regional level. Such insights are bound to provide directions for other provinces of each country.

1.15 CHAPTER SUMMARY

This introductory chapter explored and explicitly highlighted the problem to be investigated and addressed. The theory and conceptual model underpinning the study were explained and illustrated respectively. The objectives, hypotheses, methodology, motivation and significance of the study as well as ethical issues also formed part of this chapter. The next chapter investigates the contribution of small tourism businesses in both the Zimbabwean and South African economies.

CHAPTER 2: CONTRIBUTION OF SMALL TOURISM BUSINESSES IN ZIMBABWE AND SOUTH AFRICA

2.1 INTRODUCTION

Small businesses are now being highly valued as important source of innovation (Radnic, Ivanis and Milojsica, 2009). Unfortunately, studies on innovation in small businesses tend to neglect industry contexts resulting in limited understanding of sectors such as tourism (Hjalager, 2010:1; Pivcevic and Petric, 2011:2). This oversight and lack of understanding persists notwithstanding the fact that the tourism sector is now considered the (i) fastest growing, (ii) key driver to economic growth and (iii) concurrent job creator worldwide (DTI, 2005; Rogerson, 2005; Trindade, 2007; White paper, 2008; Ardic, Mylenko and Saltane, 2011).

According to the United Nations World Tourism Organisation (UNWTO, 2006), tourism accounts for as much as 40% of the global trade in services and 6% of goods produced or marketed. This makes it a popular global leisure and economic activity. In 2011, UNWTO (2011) reported that there were over 983 million international tourist arrivals worldwide, representing a growth of 4.6% when compared to 940 million in 2010. This level of success of tourism has not only been confined to the mature markets of Europe and North America but also to the less-developed world with the global market share of 'developing countries' increasing from 34% in 2000 to 40% in 2006 (UNWTO, 2008). The growing economic contribution of the small businesses in the tourism sectors in the developing world makes it inevitable to focus research on developing economy contexts and to consider small tourism businesses as a distinct analytical category from small businesses as a whole. Pevcevic and Petric (2011) assert that the competitiveness of tourism businesses calls for innovation activity for success (Mattsson and Orfila-Sintes, 2009). Onuorah (2009) stresses the need for the treatment of small businesses as a vehicle for ensuring economic growth and development needs to be justified.

It is also important to mention that in South Africa, the small business sector in general of which small tourism businesses are an integral part employs an estimated 61% of the employed people whilst it contributes between 52 -57% to the GDP (Ngwenya, 2012).

With the above realisations, the current study explores the influence of firm size, market orientation, learning orientation and managerial characteristics on innovation in small accommodation businesses in two typical developing country contexts of Zimbabwe and South Africa.

The chapter initially focuses on defining small business and then proceeds to classify small businesses into different categories. The challenges faced by small businesses as well as the corresponding government policies and laws governing them are identified and discussed. Lastly the role and contribution of small businesses to the economy is explored. In the next section (2.2), the various definitions of SMMEs are explored.

2.2 DEFINITIONS OF SMALL, MEDIUM AND MICRO ENTERPRISES

SMMEs (alternatively referred to as small businesses) play a significant role in providing employment, propelling innovation, promoting social stability and advancing economic welfare (Alsaaty, 2011:2). According to Reijonen and Komppula (2007:689), small businesses constitute the largest number of businesses in almost all countries and they are also the highest contributors to economic growth and development. Hence, the world is fast transcending into a small business economy. Despite the importance of small businesses in the national economy, defining a small business remains an insurmountable task. Resultantly, there is no single, universal definition for small businesses (Dzansi, 2004; Moore, Petty, Palich and Longenecker, 2010; Knittel and Nelson, 2011:949). Lack of a universal definition can be attributed to the fact that different countries employ different measures of small business subcategories. Consequently, no single definition is expected to reflect the differences between entities in different industrial sectors or countries at different levels of development (Morrison and Thomas (2004). Studies have shown that the classification of small businesses is based on four major aspects namely (i) the number of employees, (ii) asset base and structure (iii) the annual turnover and (iv) registration (Ghafoor and Iqbal, 2007; Zindiye, 2008). However, such classification mainly differs by nation and the context in which it is applied. The most commonly used definition is based on employment while other aspects are considered later to augment and help distinguish a small business. In developed countries such as Greece and United States of America (USA), the classification of small business is based on the number of employees and turnover (Kushmir, 2010:67). Similarly, in developing economies such as Botswana and Kenya, the classification is based on headcount and turnover ceiling. Mexico and the World Bank also use the number of employees to categorise small businesses. Financial institutions prefer

to use annual sales/revenue (turnover) to segment small businesses (International Finance Corporation, (World Bank, 2012). However, each of these parameters differs across industries and nations (Holt, 2008:131). Hence, lack of a common definition of small businesses and or even small accommodation businesses has triggered a continued evolution of the definition. Table 2.1 shows a few more examples of the wide spectrum of definitions from 1994-2008.

Table 2.1: Some common definitions of small businesses

| Definition | Author/s |
|--|--|
| A business that is financed by one individual or a small group and is directly managed by its owners, in a personalised manner and not through the medium of a management structure, is perceived as small in terms of physical facilities, production and service capacity, market share and number of employees. | Morrison (1996) |
| A business with no power to control prices it buys or sells and the credit it buys or receives, the business is managed by its owners who also controls it. | Cressy and Crowling (1996) |
| A small firm employs fewer than 50 employees and a medium firm has fewer than 250 employees. | European Union (2004) |
| An SME is an entity that is independently owned and operated, and is not dominant in its field of operation. | SmallBusiness Administration (2004) |
| A firm with less than 500 employees. | OECD (2005) |
| A business that is small compared to a large company in an industry, is geographically localised, is financed by a few individuals and has a small management team. | Moore, Petty, Polich and Longenecker, (2008) |

In Zimbabwe, small businesses are defined based on how they are classified. The classification is based on three perspectives held by varying sectors of the economy namely, government, Ministry of Small and Medium Enterprises and Small Enterprise Development Company (SEDCO). The different perspectives are shown and discussed on Table 2.2.

Table 2.2: Different perspectives of small business definitions

| Perspective | Classification |
|--|--|
| Government (2000) | An enterprise that employs not more than 100 people. Small enterprises employ 50 people and below while medium enterprises employ between 75 and 100 people. |
| Ministry of Small and Medium Enterprises (2002) | A registered enterprise with employment levels ranging from 1 to 100 employees and depending on the type of industry will be referred to as a small or medium scale enterprise (<i>see table 2.3</i>). |
| Small Enterprises Development Corporation (SEDCO) (2010) | An enterprise with not more than 100 employees and with a maximum annual sales of up to US\$830 000. |

The Ministry of Small and Medium Enterprises further subdivides and classifies small businesses based on the number of employees only as shown in Table 2.3.

Table 2.3: Classification of SMMEs based on the number of employees in Zimbabwe.

| Category | Definition/Explanation |
|--------------------|--|
| Micro enterprises | Have less than 5 employees. |
| Small enterprises | Have 5 but less than 20 employees. |
| Medium enterprises | Have 20 but less than 100 employees. There seems to be inconsistencies between the government's perspective and the Ministry on the number of employees that define medium enterprises. This is likely to present challenges when formulating and implementing policies. |

Source: Ministry of Small and Medium Enterprises (2000)

For the purposes of this study a small business in Zimbabwe refers to a business that is either registered or not registered with equal or less than 100 employees including the proprietor.

Different researchers use different terminologies to describe small businesses. According to Kongolo (2010:22) and Katz and Green (2011:567), small business can be referred to as

small to medium enterprises (SMEs), small medium and micro enterprises (SMMEs), small ventures and small firms. For this study, the terms small business, SMEs and SMMEs are used interchangeably to refer to the same form of business.

2.2.1 Size of SMMEs in Zimbabwe

Zimbabwe experienced a rapid growth of small businesses after the introduction of the multicurrency system in 2009 mainly as a result of massive retrenchment by large businesses during the period 2000-2008. Graduates from various universities and colleges who are finding it difficult to penetrate the job market are also contributing to the increased number of small businesses. According to Dekker (2009:1), the unemployment rate of Zimbabwe is around 94%. In view of the influx of small businesses, it becomes difficult to quantify the number of small businesses in Zimbabwe Gemini report (Daniel, 1994). The report highlighted that by 1994, there were about 10 000 small businesses in Zimbabwe controlling 65% of the total corporate sector.

Like Zimbabwe, South Africa also has different definitions of small business. However, the National Small Business Act No. 102 of 1996 classification according to the different sectors appears to be the most popular definition. For example, small tourism, transport and communication sectors and sub sectors are defined differently. The difference in definitions is mainly on the number of employees. For the purpose of this study, the definition from the National Small Business Act (Act No. 102 of 1996) is used.

According to the South African Government (2009), there are approximately two million SMMEs formally registered. A further analysis by FinMark (2010) indicates that there are just fewer than six million both registered and unregistered small businesses operating in South Africa. Arguably, this statistical variation can be attributed to the mushrooming of small businesses through the Broad Based Black Economic Empowerment (BBBEE) policy. Unlike the FinMark survey, the South African government one was only interested in registered small businesses while leaving the unregistered one. According to Mahembe (2011) more than half of small businesses in South Africa are not registered.

Table 2.4. Different definitions of small businesses in South Africa

| Definition | Author |
|---|---|
| A small business is referred to as one that is independently owned, operated and financed, has one or a few people who manage it without a formalized structure, has a relatively small share of the marketplace or relatively little impact on its industry, is independently owned and does not form part of a large enterprise | Storrey (1994) and Niemen (2006). |
| A separate and distinct business entity, including co-operative enterprises and non-governmental organizations, managed by one owner or more which, including its branches or subsidiaries, if any, is predominantly carried on in any sector or sub-sector of the economy and which can be classified as a micro-, a very small, a small or medium enterprise. | The National Small Business Act (Act No. 102 of 1996); South African Government 1996) |
| Any entity, whether or not incorporated or registered under any law, which consists mainly of persons carrying on small business concerns in any economic sector, or which has been established for the purpose of promoting the interest of or representing small business concerns, and includes any federation consisting wholly or partly of such association, and also any branch of such organization | The National Small Business Act (Act No. 102 of 1996); South African Government 1996) |

Table 2.5. Classification of SMMEs in South Africa

| Category | Definition/Explanation |
|--------------------|---|
| Micro enterprises | Have less than 5 full time employees, turnover of less than R0.15 million and total gross asset value of less than R0.10 million. |
| Small enterprises | Have less than 50 full time employees and turnover of less than R 25 million and a total gross asset value of less than R4.5 million. |
| Medium enterprises | Have less than 200 full time employees, turnover of less than R50 million and a total gross asset value of less than R18 million) (South Africa, 2004). |

Source: National Small Business Act (Act No. 102 of 1996)

2.3 COMPARISON OF ZIMBABWEAN AND SOUTH AFRICAN SMALL BUSINESS DEFINITIONS AND CLASSIFICATIONS

Unlike South Africa which relies broadly on legislative based definition of small business, Zimbabwe uses three definitions from Government, Ministry of SMMEs and SEDCO. However, an amalgamated definition of the three sources (a small business refers to a business that is operated by an individual or small group of people and is either registered or not registered with equal or less than 100 employees including the proprietor) compares favourably with the South African one. Based on definitions of small business, there appears to be four main determinants of classifying small businesses in both Zimbabwe and South Africa namely (i) number of employees, (ii) gross turnover, (iii) assets; and (iv) the status of registration. The following section discusses these determinants.

2.3.1 Employees

Although they do not normally form part of the business balance sheet, employees are considered to be the greatest asset of an organisation. In fact, Bradford (2010:26) views employees as “a treasure too valuable to waste”. The argument here is that, without people,

there will be no organisation and therefore the human asset connotes value beyond monetary figures.

Despite using employees in defining small business, each country uses different employee numbers and categories. For instances, in Zimbabwe, any business with 100 employees or less is regarded as small while in South Africa, 200 employees mark the ceiling for small businesses. On the other hand, in USA and United Kingdom (UK), any business with equal or less than 500 and 250 employees respectively is regarded as a small business while in Botswana and Mozambique the headcount ceiling is 100 for the two nations (Kushnir, 2010:67). In terms of tourism, Zimbabwe does not have a distinct and peculiar definition of small tourism business while South Africa, in addition to the general definition under the Small Business Act specifies the number of people, turnover and total assets that benefit small tourism business.

Unlike South Africa whose economy is considered to be relatively stable, Zimbabwe experienced a turbulent economy (Confederation of Zimbabwe Industries [CZI], 2011) which resulted in some big organizations head counts falling below 100. On the contrary, some small businesses merged or formed joint ventures while others were absorbed by large organizations. For example, AC Hotels had a joint venture by Marriot in Spain in 2010. This resulted in some small businesses shifting their class/category to become medium businesses while others grew beyond the medium category level to become large businesses. For South Africa, classifying small businesses using the term “full time employees” seems to be losing significance (Tade and Okwana, 2012:44). In the case of Zimbabwe, there has been increased use of contract employees especially after the 2000-2008 economic meltdown as cost of permanent employees tends to be significantly higher than that of contract employees (CZI, 2011). In view of these developments, the use of “full time” employees in the classification of small businesses is debatable.

2.3.2 Annual turnover

Business performance can be measured by various indicators such as growth in annual turnover and in a stable economy, an increase in annual turnover may signal an increase in the size of the organization and vice versa (Hill, 2008:8). Block (2013) however cautions that Hill's (2008:8) notion is only appropriate in stable economies and not in hyperinflationary ones that were experienced in Zimbabwe especially from 2002-2008. According to Block

(2013), in an inflationary economic environment, increased turnover is usually driven by the general increase in prices of commodities and services while in real terms the business will be stagnant or even declining. For example, Bronsbury Hotel in Nyanga Zimbabwe retrenched and eventually closed despite recording high turnover. It is therefore considered unwise to use annual turnover as a measure of business growth.

2.3.3 Assets

Regardless of their size, most businesses own both non-current assets and current assets (Stempson and Farquharson, 2012:539). With reference to small business definition, the assets referred to are non-current assets that are used in the production process. In view of their greatest challenge of funding, small businesses struggle to acquire non-current assets than current asset (Oreluwa, 2012:67). Consequently, the use of assets to categorise small business may not be a true reflection of the size of the business. Unlike South Africa, lack of asset value limits for Zimbabwe makes the use of assets in defining small businesses practically impossible.

2.3.4 Registration

It is generally accepted that there is dominance (in number) of the informal sector of the economy (Mbongane, 2006:76; DTI, 2008). Across the globe, the informal businesses are not registered and they do not pay taxes. For instance, in Zimbabwe, small businesses form the majority of enterprises in the informal sector (Daniel, 1994; Parliamentary Portfolio Committee on SMEs and Cooperative Development, 2010) yet most of them are not formally registered hence significantly narrows the national revenue base. A study on the informal economy revealed that in the tourism industry many art and craft as well as some home based bed and breakfast accommodation businesses are not registered in Zimbabwe (Zimbabwe Tourism Authority, 2013). Similarly, the majority of small businesses in South Africa are not registered and do not contribute to the national fiscus (DTI, 2005). Drawing from the definitions of small business from Zimbabwe and South Africa and their dominance of informal sector, formalisation of small businesses will enable governments to (i) fully migrate small businesses into the mainstream economy (ii) establish the sectors numbers and requirements as well as assess their contributions to the economy and (ii) assist this sector financially and with corporate advice.

2.4 SMALL BUSINESS CHALLENGES IN ZIMBABWE AND SOUTH AFRICA

Although small businesses contribute to the socio-economic growth of nations, they experience multiple constraints that threaten the sustained growth of the sector. Small businesses especially in developing or emerging economies are more constrained than their large counterparts in developed economies. For example, at individual firm level, small business' greatest constraint entails lack of access and availability to funding, entrepreneurial skills shortage, lack of information and market penetration (Silva, 2007; Madrid-Gujairro, Gaecia and Van Auken, 2009; Malhotra and Temponi, 2010). From a broader perspective, small businesses growth and development is sometimes crippled by unfavourably government policy/regulations as well as high tax regimes (Christianson, 2003; Archie and Santoro, 2007; Ames, 2010; Czarnitki and Hottenrott, 2011). These constraints cut across all small businesses to include tourism. Table 2.6 summarises common challenges faced by small businesses in Zimbabwe and South Africa.

Despite being hailed for their critical role in stimulating and promoting equitable, sustainable economic growth and development through job creation and propelling innovation, small businesses in Zimbabwe and South Africa experience their fair share of obstacles. Of the cited major obstacles, financing and regulatory issues form the epicentre of these challenges. Accordingly, limited access to finance and high cost of borrowing are common challenges of small businesses in developing economies such as Zimbabwe and South Africa. For example, a Small Business Survey by Finmark Trust South Africa (2010) revealed that 39% of small businesses cited money-related matters as the main obstacles when starting and running their businesses. Thus, access to financing either for start-up or as working capital remains a challenge as banks and other financial institutions are sceptical to extend credit facilities to small business. This is attributed to the fact that small businesses do not usually keep (i) financial (ii) other business records (iii) lack collateral security and (iv) have little business experience (Maseko and Manyani, 2011:171). According to Rwigema and Venter (2004:1091), many South Africans do not have money to invest in start-up businesses due to high levels of poverty and unemployment and therefore they require financial support. Similarly, against a background of a distorted economic environment, the majority of small businesses in Zimbabwe lack equity to finance their enterprises. Invariably, they resort to borrowing from financial institutions to start and expand their businesses. However, the Zimbabwean scenario is such that due to the huge and unpaid national debt, both the World Bank and the International Monetary Fund (IMF) are

not willing to extend credit lines to her, a position which also forces local banks not to extend credit to businesses (Sunday Mail, 2012).

Table 2.6: Challenges faced by small businesses.

| No. | Challenges | Explanation |
|-----|---|--|
| 1 | Unfavourable regulatory framework | The SMMEs regulatory framework is designed for large businesses and imposes additional hassles to small businesses (Christianson, 2003). It consists of complex and multiple bureaucratic constraints. For example, high taxes, lengthy process of registration and centralization of registering processes and high borrowing rates (Financial Gazette, 2011). |
| 2 | Lack of access to and high cost of finance | Most small business lack equity to finance their enterprises and invariably resort to borrowing (Brush, Carter, Gatewood; Greene and Hart, 2006). Access to financing either for start- up or as working capital remains a challenge as financial institution demand collateral while the cost of debt is high. The average cost of debt in Zimbabwe is 24% per annum (Financial Gazette, 2011). |
| 3 | Lack of awareness of support organizations. | Small businesses are unaware of support organizations that they could turn to for assistance in terms of professional advice, financial services, legal and labour disputes. For example, lack of support from mainly financial contribute to high small business failure rate in South Africa (DTI, 2008). |
| 4 | Limited access to markets | Small businesses lack marketing information and networking skills essential for growing both domestic and foreign markets (Van Scheers, 2011). In addition, lack of marketing skills is positively correlated with business failure (Rogerson, 2007). |
| 5 | Poor and limited access to infrastructure | More often small businesses are negatively affected by security of tenure as landlords charge exorbitant rentals forcing them to be nomadic thereby losing some loyal customers and supply chains. Since local authorities enforce regulations that are very strict in terms of SMMEs designated operating sites, these put pressure on small businesses to operate from sites which may not be the best locations for their businesses and hence end up occupying unauthorised areas. Unauthorized working areas attract heavy fine which most SMMEs are not able to pay thereby forcing some of business to cease operating. |
| 6 | Lack of entrepreneurial skill | Despite being regarded as the bedrock of an economy and key drivers of economic growth, small businesses suffer skills deficiencies that often endanger their sustainability (Urban and Naidoo, 2012). Critical areas with deficiencies include financial and marketing skills |

Irrespective of size, asset base and period in existence as a business, banks in Zimbabwe demand similar collateral and interests rates. Invariably, these banks tend to offer preferential lending to larger businesses while exercising hostility/ambivalence about small businesses. Hence the banking industry in Zimbabwe is criticised for conservative lending patterns (Matarirano and Olawale, 2010:1709).

While Zimbabwean financial institutions are accused of failing to support small business, small businesses are blamed by financial institutions for not having proper accounting records. In their study on the accounting system of small businesses in Bindura, Zimbabwe, Maseko and Manyani (2011:171) concluded that the majority of small businesses do not keep complete accounting records because of lack of accounting knowledge. Such lack of accounting records makes it difficult to measure the financial performance of small businesses. The absence of such information to financial institutions makes it difficult for small businesses to be considered for credit facilities. In this regard, financial institutions become sceptical to extend credit without evidence of previous financial records. Given that small business competitiveness including survival is hinged on innovation (Jamrog, 2006:1; Pevcevic and Petric, 2011:1) and that innovation is associated with funding, the main problematique is understanding and ascertaining the impact/influence of financing obstacles on small business innovation. According to Lim, Ee Shiang, Shymal and Nagaraj (2007:113); Silva (2007:59), high financing costs have a negative and significant effect on the innovation propensity. Thus, in view of the financial impediments, businesses will not unwittingly engage in innovation unless they are prepared and ready to take risks. A study on barriers to innovation among Spanish manufacturing small businesses conducted in Spain revealed that innovative businesses are more concerned with set up costs, rather than the running costs (Guijarro, Garcia and Van Auken, 2009). This implies that businesses need to have enough capital to start innovation processes. Similarly, a study on the innovation levels and characteristics of Iranian small business by Rahimi, Vazifeh Damirch and Seyyedi (2011), concluded that the most significant barrier to innovation was associated with costs. Consequently, the challenge of securing external financing can be viewed as a barrier to small businesses growth, development and survival.

2.4.1 Unfavorable regulatory framework

Another notable constraint that negatively affects small businesses is unfavourable regulatory framework. Small business in South Africa have cited poor regulatory framework as one of their major challenges (Rogerson, 2008:61; Abor and Quarterly, 2010:218). Small businesses argue that the regulatory framework is designed for large businesses without due consideration to small businesses. For example, small businesses in South African find it difficult to handle and comply with complicated labour regulation such as the retrenchment package. Under such circumstances, small businesses are forced to hire expensive consultants. Like their large business counterparts, small businesses are obliged to pay high

income taxes. According to Abor and Quarterly (2010:218), such unfavourable regulatory framework stifles development such as innovation amongst small businesses. In his study that examined specific issues concerning tourism SMMEs in South Africa, Rogerson (2005) found out that excessive or unnecessary regulations imposed by national, provincial and local authorities negatively affect the state of tourism business. For example, in Free State, road and outdoor signage restrictions and regulations formulated in 1940 are still applied 74 years later. Besides, the process of applying for permission to erect such signage is laborious as many municipalities and stakeholders need to be consulted (Tourism KwaZulu Nata, 2014). Such long processes are expensive for small accommodation businesses.

In Zimbabwe, the success of small businesses is to a large extent hindered by the complexity of the regulatory environment and the multiplicity of bureaucratic requirements. For example, the Zimbabwean Companies' Act and related corporate legislation are applicable to all registered companies regardless of size. Unlike large businesses that have resources and can easily comply with registration requirements, small businesses struggle to meet the requirements given their meagre income and often resort to tax evasion. Due to the complexity of the requirements, small businesses are sometimes forced to engage expensive consultants in order to comply with the laws as well as meet the required deadlines. In addition, small businesses also suffer from tough laws, regulations and procedures when registering businesses and this derails their establishment. For example, the cumbersome processes of registering a business, getting the necessary licences as well as the cost of compliance discourage small-scale entrepreneurs from formalising their businesses (Zindiye, 2008). This system is aggravated by the fact that it is centralized in the capital city, Harare. Similarly, small businesses are overburdened by a multiplicity of reporting demands of taxation which are too frequent and highly bureaucratic and hence require a high degree of business resources (Lai and Arifin, 2011). This tends to divert small businesses focus from innovation and growth to tax payment. Both Zimbabwe and South African economies are tax driven and have not diversified their tax revenue base and tax incentives outside large businesses to accommodate small businesses. The Export Processing Zones where tax havens apply are inconveniently located for small businesses business interests. Consequently, small businesses may be forced to pay tax remittances similar to those paid by large businesses.

Despite these challenges, small businesses are generally blamed for not understanding the regulations that govern them. In many instances small businesses fail to abide by laws and

regulations especially income tax citing that they are time consuming and expensive (Venter and De Clercq, 2007:56).

According to Guijarro (2009:465), government policy, global competition and economic uncertainty require that firms effectively value the importance of innovation as a core firm strategy that will help maintain market competitiveness. Their argument is that the laws governing how businesses operate as well as the business operating environment may become barriers to businesses propensity to innovate. For example, in Zimbabwe companies are expected to comply with National Social Security (NSSA) (work related safety, workers' compensation in the event of accidents and pensions) and Zimbabwe Revenue Authority (ZMRA) (tax remittances) rules and regulations regardless of size. For large corporations which are associated with more financial and other resources, these laws are easily complied with. On the other hand, small businesses struggle to comply given their lack of professionalism, expertise and meagre financial resources to deal with such statutory issues. Arguably, these rules and regulations inhibit small business propensity to innovation.

In view of the complications faced by small businesses, it is imperative to address these obstacles in order to stimulate innovation, which is key to the sustainable and successful growth of this sector. Small businesses require adequate support for them to thrive and play their avowed role in economic development. According to Financial Gazette (2009), support for small businesses is driven by Zimbabwean government in conjunction with other stakeholders such as financial institutions, higher education, business associations, big businesses, organised labour, and business consultants. In view of the multiple constraints that small businesses continue to endure, it can be argued that many of these actors in Zimbabwe have not played their crucial roles although their importance is acknowledged. Government's role is to create an enabling environment through policy formulation. Thus, it can be argued that if governments promote and support small businesses effectively, it will alleviate both current and future economic challenges to a large extent.

2.5 ADDRESSING CHALLENGES OF SMMEs IN ZIMBABWE AND SOUTH AFRICA

The success of small businesses worldwide is anchored on government support. For example, the USA government established a Small Business Agency (SBA) that guarantees loans provided by financial institutions such as banks to small businesses. SBA-backed loans are very attractive because they generally have low interest rates and longer repayment terms. In addition to other various government support schemes, the UK

government recently (2011) established the National Loan Guarantee Scheme (NLGS) that helps smaller businesses across the UK (with an annual group turnover of up to £50 million) to access cheaper finance (HM Treasury News, 2012). Thus, governments play a key role in promoting a culture of entrepreneurship given the importance of the small business sector in national economic development. In his study on government support to small businesses, Steve Strauss, a business columnist with USA Today, identified ways that governments help promote this sector. These include (i) formulation of policies that make capital easily available (ii) reducing the risk inherent in entrepreneurship (iii) establishing a pool of government-guaranteed loans (iv) creating a proper tax and regulatory environment and (v) establishing regulations that do not stifle business growth. Though these measures are universal, each government has its peculiar policies and regulatory framework that supports, promotes and guides small business operations. A comparative analysis of the government roles between Zimbabwe and South Africa in enhancing small business establishment, growth and survival is elaborated in the ensuing sections.

2.5.1 The roles of SMME ministry in Zimbabwe and the DTI in South Africa

The government of Zimbabwe set up the Ministry of Small, Medium Enterprises and Cooperatives responsible for entrepreneurship in 2000 through an Act of Parliament. The ministry's mandate revolves around formulating and administering developmental policies for SMMEs and crafting and formulating strategies to support, promote and address the various challenges facing the small business sector. In order to provide additional support to small businesses, the Government of Zimbabwe established a parastatal called Small Enterprises Development Corporation (SEDCO) in 1983. The main objectives of this parastatal are to provide funding, training and incubation to small businesses as well as the establishment of a business link office which will offer advice, information and such other business support services (SEDCO, 2014). However, little success has been registered as the support continues to be piecemeal and uncoordinated (Nyoni, 2002:3).

In line with the Ministry of Small and Medium Enterprises and Cooperatives, the government of Zimbabwe developed a policy document for supporting small businesses in 2002. The main objective of the SME policy is to generate sustainable employment, reduce poverty, stimulate economic growth and generate foreign currency earnings thus contributing to the economic well-being of all Zimbabweans (Government, 2002). In addition, the policy stipulates the role of various stakeholders in creating an enabling environment for small

businesses to grow and realise their full potential and to enhance the contribution of this sector to national development. At its inception in 2002, the SMEs policy lived up to its expectations. However, the unmanageable inflation levels in 2005 coupled with increased numbers of small businesses led to only partial implementation of the policy (Zimbabwe Independent, 2012).

Regarding South Africa, it is important to note that the government plays a significant role in supporting and enhancing small businesses. For example, during the 2007-2008 fiscal year, the South African government offered small businesses, research, development and innovation funding amounting to R189.0 million (US\$25.2 million) (Booyens, 2011). This support is also complemented by other interventions that include inter alia the formulation of laws, policies and measures that strengthen legitimacy and inclusiveness of small business in the mainstream economy.

Also, in South Africa, government support of small business started before independence (1994). The then South African government supported racially fragmented small businesses through the national Government Department of Trade and Industry (DTI) as well as the Small Business Development Corporation (SBDC), the Development Bank of Southern Africa (DBSA), the Industrial Development Corporation (IDC), National Productivity Institute (NPI) and a whole range of regional development corporations.

The post-independence period has witnessed continued government support and promotion of small businesses through a series of policies, laws and measures. South Africa slowly restored its international tourist market through (dramatic increase in foreign arrivals) after years of imposed sanctions and international isolation (Rogerson and Visser, 2004). In 1995, the government of South Africa developed a White paper entitled: "A National Strategy for the Development of Small Business in South Africa (May 1995)" through the DTI. This was followed by the enactment of the National Small Business Act by Parliament (1996), which provided for the institutions to implement this strategy. The Act provides guidelines for organs of state to promote and develop small business in the Republic. The government's national small business strategy seeks to address the common problems faced by SMMEs (see Table 2.6).

The government's intervention on small businesses rest on and is facilitated by DTI and associated organizations that include the Centre for Small Business Promotion (CSBP),

which implements and administers the aims of the national strategy, including job creation. According to National Geographic News, 2010, the government through its institutions (DTI and CSBP) have helped reduce unemployment particularly in the tourism sector. Tourism has been identified as one of the leading sectors that reduce high unemployment rates (Department of Trade and Industry, 2006:4). In fact, it is estimated that one job is created for every ten foreign tourists who visit South Africa (National Geographic News, 2010). While the two institutions (DTI and CSBP) have assisted in creating employment in the tourism sector (National Geographic News, 2010), the overall rate of unemployment is still high at 25.6% (Statistics SA, 2013). Arguably, the two institutions (DTI and CSBP) still fall short of successfully achieving their mandate. In fact it is a cause of concern that for almost a decade, the rate of unemployment only dropped from 29% in 2001 to the current levels of 25% in 2014 (Statistics, South Africa, 2013). Similarly, the Small Enterprise Development Agency (SEDA) has still not successfully addressed its mission of developing, supporting and promoting small enterprises throughout the country and ensuring their growth and sustainability. Studies conducted by Rogerson (2005) and DTI, (2008) revealed that South African small tourism businesses growth and development is hindered by several barriers that include among others lack of access and inadequate funding.

The Small Business Act provides for the establishment of the National Small Business Council and the Ntsika Enterprise Promotion Agency. The council's mandate is to represent and promote the interests of small business and to advise the national, provincial and local spheres of government on social and economic policy that promotes the development of small business. The council is credited for putting in place policies for small business. However, some of these policies have not benefited the small business sector but rather have presented challenges. Such policies include business registration and licensing costs which are uniform across all sizes of businesses (Zindiye, 2008: Abor and Quartely, 2010). Ntsika provides non-financial support services to the small business sector, tackling issues like management development, marketing and business development services. A survey of 104 rural tourism entrepreneurs in South Africa identified lack of marketing skill and strategies as their main constraints (Ndabeni and Rogerson, 2005:135). Another study by Rogerson (2005) in small accommodation businesses in the Free State province of South Africa also revealed that marketing challenges adversely affected their performance. In particular the study cited high costs of private marketing in certain guidebooks such as the Buffalo of Country Places guides and the Gateway magazine. Arguably, these challenges suggest that Ntsika still needs to do more to successfully execute its mandate. Khula offers

financial support mechanisms to the sector. Notwithstanding the loans advanced to small business, literature shows that lack of access and adequate funding remains the greatest challenge of small businesses not only in South Africa but also the world over (Ndabeni and Rogerson, 2005:135; Gujairo, Garcia and Van Auken, 2009). A study of 80 'backpackers' accommodation enterprises in South Africa indicated that inadequate financing contributed most to small business entrepreneur problems (Rogerson, 2007:433). Such funding gaps may perhaps be created by Khula failure to copy with the growing number of small business following the Black Economic Empowerment initiative. Nonetheless, Khula needs to review and improve its funding mandate to ensure that the majority of small business benefit.

The DTI has also launched a comprehensive online initiative known as BRAIN (Business Referral and Information Network), offering basic information and essential service links to the entire spectrum of SMMEs. The BRAIN website includes information about the government's incentives and small business support agencies, as well as links to business centres throughout the country (Entrepreneurs Toolkit, 2014). South Africa still has low internet penetration levels of 34% that constraint access mainly in the rural masses (Lanerolle, 2012). Besides, there is a very low level (7.4%) of digital literacy in South Africa that impedes access to BRAIN services (Horak and Fuchs, 2008). Arguably, small accommodation businesses are not an exception to the internet penetration and digital literacy challenges and hence the success of the BRAIN initiative could still be far from being realised.

The Tourism Enterprise Programme (TEP) falls within the policy-vehicle of the government's Tourism Action Plan (TAP). The main objectives of the programme are to encourage and facilitate the growth and expansion of small and medium enterprises in the tourism economy, resulting in job creation and revenue generating opportunities (Rogerson, 2007; Entrepreneurs Toolkit, 2014). There seems to be duplication of duties between (TEP) and DTI and CSBP) as both focus on job creation. This tends to compromise the effectiveness of their services pursued their independent strategies. While TAP endeavours to facilitate the growth and development of small tourism businesses, the programme is likely to encounter impediments. Such barriers may include the educational levels of these businesses, their innovation culture and low interest to expand their businesses. Indeed a study conducted in South Africa to investigate the willingness of small businesses to grow their business revealed that the majority were contented with their size and status (Rogerson, 2005).

Government interventions are aimed at creating an enabling and conducive environment for the birth, growth and survival of small businesses. Tables 2.7 and 2.8 compare the roles played by governments of Zimbabwe and South Africa in attempting to address the six challenges outlined in Table 2.6.

2.5.2 Improving regulatory framework

Table 2.7: Governments' roles in addressing unfavourable regulatory frameworks

| No. | Zimbabwe Government | South Africa Government |
|------|--|--|
| 1(a) | To implement the Small Business Act of 2002 by giving guidance in the management of small businesses. The Act facilitates the growth of the SME sector in Zimbabwe. | To insure that the Small Business Act of 1996 is adopted to provide guidelines to state organs on how they should support the development and growth of small businesses |
| 1(b) | To simplify and minimize procedures for business registration and licensing of new entrepreneurial ventures using the responsible authorities. | To ensure timeously businesses registration and licencing. |
| 1(c) | The Zimbabwe Investment Authority (ZIA) is mandated to promote investment through dissemination of information on tax incentive for SMEs such as the five year grace period on taxation during their start up phase. The provision of tax breaks for companies which subcontract small businesses or operate as 'business angels'. To minimise reporting and Administrative requirements of small businesses such as taxation requirements. | To ensure a better profit and cash flow management, through the implementation of a different tax regimes and incentives as well as corporate exemption tax on small businesses. |
| 1(d) | To provide a one stop shop for both domestic and foreign investors using the Zimbabwe Investment Authority (NIA) that was established in 2006. The Authority houses investment information, business registration and licensing under one roof so as to speed up investment. For foreign investors the one stop shop registration and licencing concept has paid dividends. However, for domestic mall business investors, who stay far from Harare, the procedure is still too long and cumbersome as the services are centralised. | Khula Enterprise provides investments advise to SMMEs by giving information on where, when and how to invest. <i>(refer for page 50 for an analysis of the success of Khula in achieving its mandate).</i> |
| 1(e) | To encourage local authorities and utilities to identify incentives that encourages small businesses to establish themselves and register. | To provide support to small businesses through local government through different municipalities in the following project (i) funding of local small business incubators, (ii) Support for local small business awards and competitions and (iii) Inclusion of selected small enterprises in municipal trade delegations. |
| 1(f) | The Ministry of Labour provides blanket legislation for all employees in Zimbabwe regardless of their business size (Deloitte, 2012). For example, small businesses endure paying retrenchment packages whose threshold is similar across business sizes (Financial Gazette, 2011). In view of the economic challenges being experienced in Zimbabwe, small businesses will more likely fail to pay such packages and chances of small business labour cases courts will be high. | The enforcement of the South Africa's labour legislation (Basic Conditions of Employment Act (BCEA) of 1997) in order to assist small businesses employees particularly those in the informal sector who do not have labour representation. A combination of lack of independent representation and limited resources by small businesses makes them vulnerable to lose labour cases especially when the cases involve large businesses which have adequate resources and can afford independent representation. |

Table 2.7 compares the roles played by governments of Zimbabwe and South Africa in addressing the unfavourable regulatory frameworks that negatively affect the survival of small businesses.

2.5.3 Addressing problems of limited access and high cost of finance

Financial institutions continue to exercise caution and scepticism when dealing with small businesses. These institutions often limit their dealings with small businesses due to the higher risk perception and limited access of small businesses to immovable collateral. Ultimately, such scepticism limits funding and maintains high cost of funding as a way of reducing risk. Table 2.8 shows a comparison of how governments of Zimbabwe and South Africa attempt to address this challenge.

Table 2.8: Governments’ roles in addressing limited access and high cost of finance

| No. | Zimbabwe Government | South Africa Government |
|-------|---|--|
| 2 (a) | To make available credit finance through a partnership arrangement with parastatals such as the National Social Security Authority (NSSA) and SEDCO as well as the Ministry of Youth Development in partnership with the Central African Building Society (CABS). In addition, the government through its majority shareholding in First Banking Corporation, initiates and offers loans to both budding and existing small businesses (SB). | To use Khula Enterprise Finance Limited established in 1996 to take over and expand the credit-guarantee programme which the SBDC managed on behalf of the banking sector's loans-to-small-enterprises initiative. To regulate and monitor the activities of the micro-lending sector/ financial intermediaries and to protect consumers using the Micro Finance Regulatory Council that was established in 1999. |
| 2 (b) | To encourage a culture of saving among SMEs through the formation of Cooperatives and Credit Unions. Small businesses deposit money for each other in these Cooperatives and Credit Unions as a support mechanism to ensure their financial survival in the future. | Khula Enterprise advises SMMEs on financial prudence (Sources of financing, management and investment). Deliberate effort made to form cooperative to encourage savings and join business amongst for example women and craftsmen who have strong cohesion factors. |
| 2 (c) | To promote the establishment of secondary markets. The secondary markets are aimed at increasing the attractiveness of SB to the lending community and allow the lenders to meet the credit needs of small businesses through equity involvement. This arrangement provides a hedge against liquidity problems for small businesses (Gogo, 2007). | No information available |

2.5.4 Provision of adequate support institutions

Taking it from the sceptical approach of financial institution to small businesses, few institutions are prepared to become business angels for small businesses hence the sector finds itself lacking financial support. Table 2.9 compares and summarises the role played by Zimbabwe and South Africa governments in arresting the challenge of shortage of supportive institutions.

Table 2.9: Governments' roles in addressing the shortage of supportive institutions

| No. | Zimbabwe Government | South Africa Government |
|-----|---|---|
| 3 | The government organizes small business expos where SBs network not only with sponsors and their counterparts but also with other stakeholders. | The government through the DTI provides short courses to SBs aimed at sensitizing SBs on institutions that can support and leveraging them to achieve their full potential. |

Source: Compiled by author from various studies

2.5.5 Increasing access to markets

'The survival and growth of any business regardless of size, depends to a greater extent on its ability to follow the classic marketing doctrine. The classic doctrine is premised on the need for businesses to understand and offer goods and services that satisfy the needs and expectations of customers (Augusto and Coelho, 2007:94; Grinstein, 2008:166). Many times small businesses are subjected to intense competition from their large counterparts and hence they fail to secure markets. Table 2.10 shows the assistance given to small business by governments of Zimbabwe and South Africa in order to create a platform where they secure lucrative markets.

Table 2.10: Increasing access to markets

| No. | Zimbabwe Government | South Africa Government |
|-------|--|--|
| 4 (a) | To gather information essentials for making informed business decisions using a research department under the Ministry of Small and Medium Enterprises. | Small Enterprise Development Agency (SEDA) provides leads to both domestic and international markets. SEDA has 42 branches in 8 provinces. |
| 4 (b) | To establish parastatals such as ZIMTRADE whose roles include: increasing the marketing knowledge of SBs, identifying niche markets to target, provides international trade information, facilitates the development, diversification, promotion and coordination of all export related activities leading to sustainable export growth in Zimbabwe. | Ntsika provides non-financial services that include imparting marketing knowledge to SMMEs. |
| 4 (c) | To assist small businesses to attend international exhibitions such as the Shanganani Business Expo in China and Regional Trade Fairs thereby paving way to access markets by SBs through the promotion of subcontracting, franchising, licensing, joint ventures and other forms of business linkages. | The National Small Business Chamber helps in exposing and Networking SMMEs to potential lucrative markets. |
| 4 (d) | The government through Standards Association of Zimbabwe (SAZ) encourages quality assurance measures and accreditation to ISO 9000 and other standards. SAZ supports programmes targeted at SBs by helping SMMEs to produce products to the required and expected standards which increase their competitive advantage. | Driven by the Consumer Protection Act, 2011, SBs are also required to produce high quality standard products and services. For example, Massmart signed an agreement with South Africa Bureau of Standards (SABS) to help SBs to produce quality products. |
| 4 (e) | Serve for plans to introduce them, no special tariffs exist for SMMEs | Drawing from the huge number of South African SBs as well as the level of international trade, a state trade policy was put in place in order to reduce tariff barriers and simplify the tariff. |
| 4 (f) | Zimbabwe is in the process of putting a policy which stipulates than not less that 25% of tender will be offered to SMMEs | Ntsika has tackled the procurement challenge primarily through the establishment of a national grid of Tender Advice Centres (TACs) and the co-funding of their activities. |

Source: Compiled by author from various studies

2.5.6 Availability and access to infrastructure

The proliferation of small businesses especially in developing economies where large businesses continue to downsize presents serious challenge to the unavailability of infrastructure which governments struggle to grapple with (see Table 2.11).

Table 2.11: Government's role in making infrastructure availability and accessible

| No. | Zimbabwe Government | South Africa Government |
|----------|---|---|
| 5 (a) | The government of Zimbabwe through municipalities builds factory shells for SB and charge nominal rentals. | The government of South Africa through the local government provides funding to build infrastructure for SBs. For example - From 1997-2000 Durban's Central Councils spent R45 million on infrastructures for Informal traders (DTI, 2004). In the central city, new markets were built, existing market facilities were upgraded and shelters were provided for SBs. |
| 5 (b) | The Zimbabwean government works with the Scientific Industrial Research and Development Centre (SIRDC) and the Centre for Innovation and Enterprise Development to strengthen their programmes and assist SBs in identifying, embracing new, cost effective and efficient technology essential for enhancing quality as well as attaining competitive advantage on specific products and or services (Zindiye, 2008). | The government of South Africa through MAC and higher education institutions promotes technology transfer. The government also encourages and supports Public Private Partnerships to drive infrastructure development. |

Source: Compiled by author from various studies

2.5.7 Provision of entrepreneurial skills

Table 12 shows a comparison of Zimbabwe and South Africa in terms of the roles they play in addressing the challenge of lack of entrepreneurial skills.

Table 2.12: Governments' roles in the lack of entrepreneurial skills

| No. | Zimbabwean Government | South African Government |
|-------|--|---|
| 6 (a) | <p>To establish training institutions such as vocational training colleges (e.g. Magamba and Mupfure) to equip small businesses (SMMEs) with technical skills. Such training is complemented by institutions of higher learning, technical colleges, universities of Technology and the private sector. Asservice providers, these institutions offer hands-on-training to SMMEs so that they become self reliant after receiving all the packaged training programmes. In light of the economic instability that is characterised by high unemployment rate, Zimbabwe supports these training institutions as the majority of its people are now absorbed in the informal sector (Msipah, Chavunduka, Jengeta, Mafudza and Nhemachena, 2013:85-86). However, the economic and technological revolution may pose limitations to some entrepreneurs from vocational and technical colleges. As such the government should consider a deliberate expansion of such entrepreneurship training to all learning institutions in Zimbabwe.</p> | <p>To set up institutions that provide training to both existing and budding entrepreneurs. To design and implement sectoral skills development strategies and disbursing of levies using institutions like SETAs. The government through further education and training (FET), universities and colleges (including the former technikons) provides appropriate enterprise-focused courses most of which are either part of life-skills training or free-standing optional subjects. This stems from the wide skills and education gap created by apartheid era. While the South Africa government is pursuing entrepreneurship training programmes, there is empirical evidence that lack of management skills is still rife. (Abor and Quartey, 2010:218). This could perhaps be traced back to the effects of apartheid which even upto now affect the literacy levels of South Africans.</p> |
| 6 (b) | <p>The government in conjunction with private partners endeavors to create a conducive environment for e-Commerce. The success of this objective has been hampered not only by lack of funding from government but also due to lack of power. In addition the cost of e-commerce equipment such as laptops, and subscriptions to Wi- Fi is still high for most small businesses</p> <p>The government encourages Commercial banks and business Associations to develop written guidelines to help SBs to comply with regulations and to develop formats of business plans and financial statements. Despite the provision of such guidelines, banks in Zimbabwe view small businesses as high risk and ordinarily avoid extending credit to this sector.</p> | <p>DTI through BRAIN (Business Referral and Information Network. Offers basic information and essential service links entrepreneurs. BRAIN website includes information about government incentives, SMMEs support agencies as well as links to Support Business Centres throughout the country.</p> |

Source: Compiled by author from various studies

2.5.8 Summative assessment of intervention strategies

The majority of challenges encountered by small business including small tourism businesses in Zimbabwe are similar to those in South Africa. The most common constraints among small businesses include limited access to finance, lack of entrepreneurship skills, limited access to markets, poor infrastructure and unfavourable regulatory frameworks

(Christianson, 2003; Silva, 2007; Gijairo, Garcia and Van Auken, 2009; Malhotra and Temponi, 2010; Ames, 2010; Czarnitki and Hottenrott, 2011).

In solving these challenges, both governments employ almost similar strategies. Notably, the enactment of small business Acts, setting up of units specifically responsible for small businesses and the provision of training to both new and established small businesses. Unlike South Africa, Zimbabwe has failed to simplify the registration and licencing of businesses. The lengthy and complex process costs potential entrepreneurs dearly and ultimately forces the majority of them to remain informal despite the successful performance of their businesses. While the informal sector is the starting point of would-be formal and large businesses, lack of formalisation/progression to the formal sector equates tax evasion and negatively affects the fiscus negatively.

The aim of governments' intervention in small business issues is to address their challenges and then provide a favourable business environment. Such conducive business operating conditions allow small businesses to play their role and contribute meaningfully to their economies.

2.6 SMMEs' SOCIOECONOMIC CONTRIBUTION IN ZIMBABWE AND SOUTH AFRICA

There is evidence that small businesses play pivotal roles in a country's economic growth and development hence this sector is now referred to as the engine of national economic prosperity (Moore, Petty, Palich and Longernecker, 2008; Lai and Arifin, 2011:31). Small businesses are also known to be the birthplace and seedbeds of future industrial giants as typified by Holiday Inn and Southern Sun. In USA and European Union (EU) countries, it is estimated that small businesses contribute over 60 % in employment, 40-60 % to Gross Domestic Product (GDP) and 30-60 % percent to exports (Ligthelm, 2008; Financial Gazette, 2011). The Asian Tigers such as Singapore, Taiwan, Hong Kong and South Korea also have thriving small businesses sectors contributing between 70-90% of employment and an estimated 40 percent contribution to their GDPs (Financial Gazette, 2011). In Africa, economic powerhouses such as South Africa, Egypt and Nigeria, the small businesses sector is estimated to contribute 30%; 25% and 10% to GDP respectively (Abor and Quartey, 2010; Elsaady, 2011; Gbandi and Ammissah, 2014) but contribute less than four percent to export earnings. The compromised contribution to export earnings is attributed to small businesses' low skills level (English News, 2012). While the contribution of other industries is acknowledged and appreciated, the fast paced growth of the tourism industry makes it

more important to investigate what influences their innovation than other industries in terms of economic growth and development.

Small tourism businesses are regarded as an integral part of economic development. This is attributed to their important role in employment creation, innovation, poverty alleviation, facilitating change and enhancing competition and increasing ownership and empowerment of indigenous natives in the investment of the economy (Eilat and Einav 2004:1315). Literature shows that among other sectors of the economy, small tourism businesses contribute to their economies more than other sectors (UNWTO, 2006) particularly in developing economies (UNWTO, 2008, UNWTO, 2011). As such it becomes necessary to identify the role and contribution of small tourism business and in particular small accommodation businesses from the Zimbabwean and South African perspectives.

The formation of the Government of National Unity (GNU) in Zimbabwe in February 2009 had an immediate positive effect on the tourism sector as travel warnings against Zimbabwe were lifted and the political stability and economic stability were restored (Karambakuwa, 2011). The restoration of a conducive business operating environment resulted in a massive birth and growth of small accommodation businesses. For example, the coming on board of Golden Peacock in Mutare and the expansion of Kwadzonzai lodge in Chipinge supports this notion. It is believed that the peaceful atmosphere that prevails in Zimbabwe coupled with a very low crime rate presents an ideal destination for tourists and hence opportunities for sprouting small accommodation businesses. According to Karambakuwa, (2011), the growth of small accommodation businesses is attributed to the government of Zimbabwe's Look - East Policy which has helped increase tourists from Asian countries. The hosting of the World Tourism Conference in Victoria Falls, Zimbabwe in 2013, was also an opportunity not only to expand small accommodation businesses but also to show case Zimbabwe's tourist attractions and hence generate foreign currency. Indeed the contribution to small tourism businesses and in particular small accommodation businesses in the mainstream economy of Zimbabwe is highly appreciated (Reserve bank of Zimbabwe, 2007). The role and contribution of small businesses to the socio-economic and political development is discussed under the following themes: evidenced in the following areas: Job creation, innovation, poverty alleviation, increasing ownership and indigenisation, infrastructure development, growth of other sectors, stimulating economic competition and resilience and economic participation.

2.6.1 Job creation

Rising unemployment levels continue to present the worst challenge among nations. Literature suggests that the onslaught of world economic recession in 2008 aggravated world unemployment rate (UN, 2012). Zimbabwe experienced an era of economic meltdown (2000-2008) which was characterized by retrenchments and company closures leading to unprecedented job losses. According to Dekker (2009:2), small businesses in Zimbabwe account for between 80% and 94% of workforce. This figure is expected to increase given the continued shrinkage of the formal sector as a result of lack of affordable working capital and hence massive retrenchments (CZI, 2011).

There is evidence to suggest that small businesses in South Africa continue to reduce unemployment rate (Akinwumi and Olawale (2010:2763). According to Munshi (2009), small businesses in South Africa employ 60% of the nation's labour force. Arguably, the importance of small businesses relates to their capacity to create jobs (Radnic, Ivanis and Milojica, 2009; Alsaaty, 2011:1).

A strong argument favouring small businesses contribution to job creation is that they generate more employment at smaller capital cost as compared to large enterprises (Nieman, 2006:445). In addition, small businesses create substantial job opportunities as they use relatively labour intensive technologies (Ndlovu, 2004). Furthermore, small businesses employ more people per unit of investment as compared to large businesses (Nieman, 2006:445). Thus, a given amount of money will create more jobs if it is spread over a large number of small businesses than if it focused on few large businesses.

In addition to employment creation, small businesses are considered to be vital sources of innovation and business evolution.

2.6.2 Innovation

Rapid and dynamic changes in customer taste and preferences render innovation an unavoidable strategy to businesses regardless of their size. Small businesses tend to be early adopters of new demands, changes and therefore are linked to a great extent to sources of many innovations. Literature indicates that small businesses are better innovators than their large business counterparts (Cohen and Clepper, 1996; Laforet, 2009). These authors argue that small businesses are better innovator mainly due to their flexibility

and non-bureaucratic tendencies. In addition, small businesses have undefined clientele base and hence are always devising new and or improved ways of offering better products or services that satisfy the diverse clientele base (Ateljevic, 2000). Furthermore, small businesses tend to have evolving organisational ethos and vibrant organisational culture all which increases their proclivity to innovation (Booyens, 2011:67).

Thus, through innovation, small businesses are an instrument for utilizing the talents, energy and entrepreneurship of individuals who cannot reach their full potential in large organizations (Rogerson, 2005). For example, innovative small accommodation businesses could lead to improvements in areas such as access to information for guests in their room, booking systems and the development of unique and effective cost reduction measures. Nevertheless, innovation is sometimes curtailed by lack of close cooperation in the industry and the lack of information sharing.

Innovation is regarded as a key business strategy to enter new markets, increase the existing markets share and to create competitive advantage (McAdam, McConvery and Armstrong (2004:206); Ramadani and Gerguri (2011). As such, changes in markets and the competitive strategies of large organisations put increasing pressure on small businesses to focus on innovation. Invariably, small business innovation offers the best and a variety of new products and service to their customers. Arguably, innovation enables small businesses to compete on the global market place, grow and gain sustainable competitive advantage (Longenecker, Moore, Petty and Palich, 2006:131) essential for building a knowledge-based economy (Petrou and Daskalopoulou, 2009:711). Small businesses innovation consequently aids economic growth and development by presenting quality products that compete on both the local and export marketing and hence sustain jobs, aid poverty reduction and earn foreign currency.

2.6.3 Poverty alleviation and wealth creaction

In view of the fact that small businesses potentially employ more people than large businesses, this sector contributes enormously to the upliftment of the standard of living and hence helps in reducing poverty. Compared to large firms which produce few numbers of high wage income earners, small businesses produce a large number of relatively low-income earners. An increase in the number of small businesses tends to generate and spread income to more diverse people. For example, the rapid growth in the tourism sector

in Zimbabwe helps address the challenge of unemployment (Reserve Bank, 2009). Such rapid expansion of the industry results in more people (owners and employees) of such business ventures earning a living thereby alleviating poverty. In fact research has revealed that entrepreneurial ventures provide an enhanced quality of life to employees, customers, and the community (Marcketti, Niehm and Fuloria, 2006:311). Traditionally, the Zimbabwean rural people are regarded as poorer than their counterparts in urban areas. The deliberate spreading of businesses to rural areas for example Zimbabwe's Growth Points by the Zimbabwean government have resulted in the establishment of among other small businesses types small accommodation businesses. These rural businesses are believed to positively transform the standard of living of small business owners and employees. Furthermore, the presence of small businesses in rural areas helps reduce the challenge of urban migration. Zimbabwe's comatose economy as typified by unprecedented levels of unemployment then pegged around 90% (Zimstats, 2009) continues to present an unhealthy economy. Despite all these challenges, dominance of small businesses in numbers makes this business sector account for the livelihood of 80% of the country's population (RBZ, 2006 and 2007). A study by Rogerson (2005) on small tourism business in the Free State province of South Africa revealed that small accommodation form the majority in both numbers and employment levels. This confirms that small accommodation businesses help to reduce poverty.

2.6.4 Increasing ownership, empowerment and indigenization

The deliberate support and promotion of small businesses in Zimbabwe and South Africa through Indigenous Empowerment Act (2010) and the Broad Based Black Economic Empowerment (BBBEE) (2003) respectively offer opportunities for the previous disadvantaged citizens of these nations to own businesses and participate in the mainstream of the national economy. These developments resulted in the proliferation of small businesses across all sectors of the economy including tourism and small accommodation businesses in particular (Rogerson, 2005). The objectives of these policies are to redress historical disadvantage among the formerly disadvantaged people the majority of whom are blacks. According to Telisman-Kosutu and Ivandiz (2004), the correction of such imbalances is better dealt with by small tourism businesses that require more modest capital which permit local participation. Like many sectors of the economy, the small accommodation sector had few local players. The active participation of the local people resulted in the increase black owned small accommodation businesses.

2.6.5 Infrastructure development

Infrastructure development is strongly associated with tourism. For example, the construction and or refurbishment of stadiums, roads, airports and many other places in South Africa before the 2010 world cup were meant to promote tourism. It is estimated that a total of R33 billion (US\$4.7bn) was channelled through tourism before, during and after the 2010 soccer world extravaganza (Schussler, 2010). Small businesses also contributed to the success of infrastructure development by way of aiding large businesses in terms of the distribution and supply functions such as contracting and product sales. Arguably, such high and financially supported projects do not only increase tourist's arrivals but also improve downstream activities such as employment creation, foreign currency earning, and wealth creation all culminating onto enhanced economic development.

2.6.6 Income generation and distribution

Under the umbrella of tourism, small accommodation businesses bring in large amounts of income in payment for goods and service available, (Steiner, 2006:61), thereby contributing to economic growth and poverty alleviation (Westland, 2008:27; Croes and Venegas, 2008:94).

In South Africa, tourists spend money which is instrumental in the sustainable development of the nation. The income generated benefits a wide spectrum of people that include individuals, business and the economy at large. A survey on tourism in South Africa conducted by Finmark Trust's Finscope, (2010) revealed that 67% of small business owners entirely depend on their business as their only source of income. Accordingly, an evaluation of the total income for the accommodation industry in South Africa showed an increase of 13.4% in June 2012 compared to same period in 2011 (Statistics South Africa, 2012). This seems to imply that the accommodation industry is growing and hence South Africa continues to earn foreign currency from both domestic and international tourists.

2.6.7 Growth of other sectors of the economy

Tourism also promotes growth of both goods and service industries. For example, small businesses such as craftsmen and weavers are promoted by tourism as tourists buy their crafts. Tourism also creates opportunities for employment in the service sector associated with tourism (UNWTO, 2012). These service industries include transportation services such

as airlines, cruise ships and taxicabs, hospitality services such as accommodation including hotels and resorts and entertainment venues, such as amusement parks, casinos, shopping malls, music avenues and theatres.

2.6.8 Stimulating competition

Competition is a dynamic process by which market participants engage each other through a series of moves and countermove. Literature suggests that in terms of competition, large businesses have advantages such as economies of scale, experience, brand name recognition, and market power (Witt, 2004:391). On the other hand, small businesses take advantage of their increasing flexibility, speed, innovation and risk-seeking behaviours to trigger and withstand the ever-changing business environment. According to (Longenecker, Moore, Petty, and Palich, 2006:131), this competition eliminates monopolies and oligopolistic structures of the economy and paves way for higher competition and free trade, prerequisite for innovation which is essential for delivering value to customers.

In highly competitive environments, small businesses partner and compliment the works of large businesses by providing products and services that large business cannot offer (Manual and Launder, 2012). This eliminates competition between small and large business as small businesses may focus on serving a peculiar niche market. Thus, small businesses flourish by rendering services to a small or restricted market which larger businesses do not find attractive. This is likely to foster co-existence rather than competition. Accordingly, small businesses may sometimes be suppliers of products and services to large businesses and this strengthens their relationship (Big and young brother concept) (Leuw, 2013). In addition, small businesses also work as sub-contractors to large businesses. In many respects, large businesses always want to domineer over small businesses. This is despite large business tendency to become docile and dormant thereby paving way for new entrance and other small businesses to displace them through gradually innovation.

2.6.9 Resilience and economic participation

From a developed economies perspective, small enterprises withstand economic pressures and contribute more to economic performance than large business. This is more pronounced in situations where high levels of education, low inflation rates and high levels of financial intermediary are evident. For example, small businesses anchored economies of developed

nations during the severest global economic recession that reached at peak in 2008 (World Bank, 2009: IMF, 2009). Large businesses succumbed to the crisis and in the process paved way to small business to thrive and fill the corporate void by engaging in innovation and hence gaining competitive advantages, For example, a study by Kitching, Smallbone and Xheneti (2009) on whether UK small enterprises were victims of the credit crunch revealed that small businesses were not universally victims of the 'credit crunch'. Unlike large business, small business owners were able, through innovation and related activities, to demonstrate some degree of resilience and to avoid the worst impact of restrictive credit market conditions. Through innovation, small businesses are thus the backbone of every economy and hence their survival is vital. It therefore becomes important to understand the factors that drive innovation in small business as they are key ingredients for survival amongst competing large businesses.

2.7 CHAPTER SUMMARY

The chapter emphasized that there is no universal definition for small business as this differs from one industry to the other and across nations. While small businesses are recognised for their important roles in the national economy growth and development mainly through employment creation, innovation, poverty alleviation and improving the standards of living of people, the sector experience challenges that hinder the establishment, growth and development of this sector. Amongst the most common challenges include limited access to finance and unfavourable regulatory framework.

The chapter also discussed the crucial role of governments in supporting and promoting small business as a strategy to stimulate sustainable economic growth and development. Major and common roles played by governments of Zimbabwe and South African government include the provision of funding through various vehicles, training (knowledge and skill enhancement) through different institutions at different levels as well as providing easy access to markets by availing the right platforms and networks. Though, the two countries seem to apply similar strategies of supporting and promoting small businesses, differences lay in the administration of small businesses where in Zimbabwe the Ministry is responsible while in South Africa the Department of Trade and Industry oversee the activities of this sector. Another notable difference is the establishment of institutions such as BRAINS and FRAIN by South Africa which are not available in Zimbabwe. The next chapter discusses innovation as well as its related theories.

CHAPTER 3: INNOVATION IN THE SMALL BUSINESS CONTEXT**3.1 INTRODUCTION**

As Laforet (2007:753) and Mohsam and Van Brakel (2011:462) allude to, the contemporary business environment is characterised by unpredictability and constant change. Added to the current state of ever improving information communication technology (ICT), competition among business has intensified. According to Ramadani and Gerguri (2011:1121), in the current competitive business environment, small businesses are worse off in their competition with large businesses. Accordingly, the survival of small businesses is threatened. O' Regan, Ghobadian and Sims, (2006:251) suggest that small businesses need to embrace innovation as an integral part of their survival strategy. Supporting this call, De Jong and Marsili (2006:213) argue that small businesses need to continually enter new markets with new ideas, products and processes so as to gain competitive advantage, gain entry into new markets and hopefully succeed in leading the marketplace. Consistent with these imperatives, Elsaady (2011:1) concluded that innovation is an inevitable strategy for the survival of small businesses.

The objective of this chapter is to understand the concept of innovation as well as the importance of innovation from a small business perspective, particularly in the tourism industry in the developing economy context. The chapter begins with defining innovation followed by discussion on the theories that underpin innovation and small businesses. The types and causes of innovation are then identified followed by a brief discussion on innovation in small tourism businesses. This is followed by the identification and examination of the importance of innovation on the growth and survival of small businesses. Lastly, possible barriers to innovation are identified and discussed.

3.2 DEFINING INNOVATION

Since the introduction of the notion of innovation within the economic theory of development by Joseph Schumpeter at the beginning of the 20th Century, the definition of innovation has evolved as evidenced by different definitions in mainstream literature (Thompson, 1967; DTI, 2004; OECD, 2005; Wolf, 2006; O' Regan and Ghobadian, 2006; Webster, 2008; Momo and Redolí, 2009; Gunday, Ulusoy, Kilic and Alpan, 2010; Scarborough, 2011). These numerous definitions of innovation present a challenge for fully understanding the concept. As such, definitions with similar meanings and formulated at particular periods were put

under one innovation era in order to arrive at a proper understanding. Table 3.1 traces the evolution of the definition of innovation under different innovation eras.

Table 3.1: Definitional evolution of the concept of innovation

| Innovation era | Paradigm definitional descriptors | Reference |
|--|--|--|
| Creating new offering 1960 – 1970 | Creating a new combination of existing materials, forces. Exploitation of new markets and new ways to organize business. | Schumpeter (1961) |
| Adoption of offering 1970s - 2000 | Adopting an idea, practice, or material artifact as new by the user Accepting new ideas, processes, products and or services. | Zaltaman, Dancan and Holbeks 1973; Damanpour and Evan 1984; Roger (1995); Oyelaran-Oyeyinka (1996) |
| Adding new value to customers Post-2000 | Introducing something new that adds value to customers and contributes to the knowledge store of the organisation. Applying creative solutions to problems and opportunities to enhance or enrich people's lives. Transforming ideas into outputs, which increase customer value. Developing new products or processes which address customer needs more competitively and profitably than existing solutions | Scarborough (2011) Sullivan Innovation (2008) O' Regan and Ghobadian (2006) |

Source: Based on different definitions of innovation

The definition of innovation during the period 1960 to 2000 (creating new offering) focused on the creation of a new products, services and processes. This innovation era, emphasized the generation of ideas, the creation of something new resulting in the strengthening of the competitive advantage of a business. Furthermore, common to these definitions under the creation of new offering era is the fact that the product, process, marketing method or organizational method must be new (or significantly improved) to the firm. Accordingly Schumpeter (1961) emphasized newness of the offer. Arguably, fierce competition in the marketplace, globalization and technological changes in recent years demands the creation of new offerings for survival from every business (Tajedima and Trueman, 2008:280).

Building on the earlier definitions of innovation under the “creation of new offering era”, Zaltaman, Dancan and Holbeks (1973:42) and Oyelaran-Oyeyinka (1996) added the

“adoption/acceptance” dimension of innovation. These authors argued that for innovation to take place, the new concept should first be accepted and then be used by clients. To these authors if the new concept is not accepted and used by clients then it remains only creativity until clients are able to comfortably use the new innovation output (product, service, method).

The post 2000 period marked a shift in the definition of innovation. Researchers brought in a new aspect of creating and “adding new value to customers” (Sullivan, 2008; Scarborough, 2011). The basis for this conceptualisation is that naturally, customers who experience the added-value would continue to use the product, service and process and would enjoy an improved experience. As such, the satisfaction that is brought to customers would increase sales through increased demand for the product generated by increased loyalty, and would lead to the success, survival and growth of the business. Arguably, small businesses whose survival is plagued and threatened by competition would find comfort in embracing innovation that culminates in adding value to customers.

From a small business perspective, innovation refers to new products or processes which address customer needs more competitively and profitably than existing solutions (O’ Regan and Ghobadian, 2006). Accordingly, small businesses view innovation as a constant and continuous process of looking beyond the traditional strategies of willingness to take risks. Small businesses are capable of creating powerful, effective competitive advantage over big businesses by out creating and out innovating them.

Since the inception of the Schumpeterian definition of innovation (creation of new offerings), the definition had morphed through the adoption/acceptance era to the present “development of new customer experience”. The meaning of innovation is best understood not by the various definitions from different scholars but by grouping the definitions into innovation eras. From the three innovation eras, innovation can be referred to as *the creation of new offerings which if adopted add value to customers leading to a meaningful experience*. Irrespective of the innovation eras, innovation tends to be oriented towards creating competitive advantage essential for the survival and success of the business. In addition, the usefulness of the definition or innovation era is only when the benefits it brings exceed the cost of the resources required to implement it (Neira, Lindman and Fernandez, 2009:216). The question that arises then is: in a competitive business environment, can innovation assist small businesses to gain competitive advantage over large businesses?

The study uses the theory of creative destruction (TCD) to explain how innovative businesses can survive in competitive environments.

3.3 THEORIES OF INNOVATION

3.3.1 Theory of creative destruction

Research into 'creative destruction' was an off-shoot of the economic theory of innovation pioneered by Schumpeter (1934). According to Schumpeter, there is always interaction between innovation and the economic system and unless disturbed by the waves of innovative activity, the economic system maintains equilibrium whilst disturbances of the economic system result in the destabilisation of the economic structure. Schumpeter (1934) argued that the changes in the economic system are to a large extent a function of the preceding state of affairs. For example, if the state of the economy fails to support business endeavours, it gives rise to creativity and innovation. For Schumpeter (1934), the introduction of innovation tends to cause destruction of old economic structures and replace them by new ones in a process called "creative destruction".

The present study uses the theory of creative destruction (TCD) to support the issue of how competition amongst large accommodation businesses results in innovative behaviour essential for survival. The creative destruction theory is an economic growth and development discourse that explains the creation of new innovative ways of surviving among competing market rivals.

One perspective of TCD is that businesses are typically keen to embrace and engage in innovation if they perceive innovation as an incentive to survival. For example, a study by Keskin (2006) on market orientation, learning orientation and innovation capabilities in SMMEs indicated that small businesses have a high proclivity to innovation. This is attributed to the need to use innovation as a source of competitive advantage essential for survival in the competitive marketplace. Thus, TCD asserts that competition amongst market participants leads to a desire to seek new ways to do business and create other types of advantages that would increase profit margins. The theory further posits that in a competitive business arena, small firms are capable of intentionally engaging in periodic innovation through a process of replacing old, tired and dormant firms thereby strategically positioning themselves in the dynamic business operating environment. This process of new innovation replacing old innovation is referred to as "creative destruction". Accordingly, the fierce

competition in the tourism sector (Mattson and Orfila-Sintes, 2009) which pits small accommodation businesses against their large counterparts requires innovative responses from SABs in order to survive.

The above perspective on TCD implies that unlike new big businesses, incumbent large firms have no incentives to innovate given their control of the existing market (Leuw, 2013). However, it is reasonable to assume that lack of innovation will make incumbent large firms vulnerable to displacement by small businesses keen to survive the competitive business environment. In addition, it can be argued that, there comes a time when non innovative and dormant businesses will be overshadowed and replaced by new business through a process of innovation. Such displacement and replacement illustrates that in an economic system that allows dynamic competition, the power of large firms may not last forever and may be surpassed by the next innovation.

Another interesting perspective on TCD states that, in a highly competitive business environment, incumbent firms increase innovation in order to survive (Aghion, Bechtold, Cassar and Haerz, 2014). As far as incumbent firms are concerned, the survival aspect becomes their incentive to increase their innovative lead over their new entrant rivals. If small firms' innovation is successful, the entrants will replace the incumbents in a process called "creative destruction". If not, the small firms fail to survive. Therefore, small businesses that successfully innovate will survive and take over the industry while those that fail will exist gradually.

As far as this study is concerned, TCD suggests that what is considered new innovation will become old innovation with time and therefore, there is need to identify those determinants of innovation that continuously stimulate innovative behaviour in small accommodation business. In addition, in the context of this study, the high unemployment rates that characterize both Zimbabwe and South Africa can be seen as an unavoidable result of technological progress brought about through Schumpeter's process of creative destruction. Thus, creative destruction involves trade-offs, between old and new businesses but the benefits are often greater than the costs. For example, the creation of small businesses address the challenges of unemployment (Munshi, 2009; Akinwumi and Olawale, 2010:2763; Barnard, Kritzingler and Kruger, 2012:111).

3.3.2 The theory of disruptive innovation

The creative destruction theory can invariably be referred to as the theory of disruptive innovation (TDI). The TDI explains how large, successful incumbent organizations in all types of industries are toppled by much smaller start-ups (Christensen and Raynor, 2003). According to TDI, new entrants initially focus on small uncompetitive markets and gradually develop the desire to grow and compete effectively for the larger, more lucrative mainstream markets. Eventually, the new entrants take over the incumbents customers. For example, the introduction of cell phones took time before they displaced landlines (Schmidt and Druehl, 2008:347). In the same manner, small businesses and in particular small accommodation are capable of displacing and replacing old, reluctant large firms on the marketplace. The innovation led shift from landlines to mobile phones can best be illustrated by using the S- Curve, a concept which supports the theories of TCD and TDI.

3.3.3 The s-curve framework

With regards to innovation management, the s-curve depicts the introduction, growth and maturation of innovations as well as the technological cycles that most industries experience (Christensen, 1992). The s-curve is depicted in Figure 3.1. The s-curve theory posits that in the early stages of innovation, large amounts of money, effort and other resources are expended on the technology to overcome major obstacles. With time, knowledge of the innovation increases resulting in improved and better output. Once accepted by consumers, the innovation output results in an exponential growth. At this phase, relatively small increments of effort and resources result in large performance gains. Finally, as the technology starts to approach its physical limit, further pushing the performance becomes increasingly difficult.

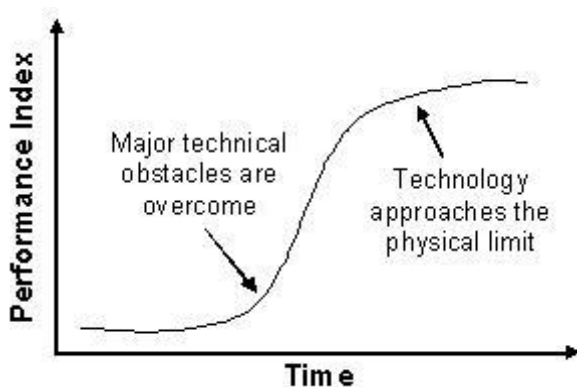


Figure 3.1: The innovation output cycle

When technology has reached its physical limit and no longer yields impressive and expected returns, the firm adopts a new technology (new innovation) in order to solve the problem of old innovation that no longer gives better returns. This innovation creates a new S-curve, shifted to the right of the original one, with a higher performance limit (see fig 3.2).

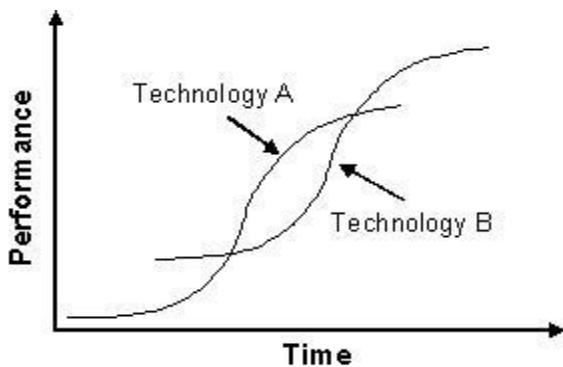


Figure 3.2: Replacement of old with new innovation/technology

As depicted in Figure 3.2, technology **A** may be a product (plasma television) of the incumbent firm while technology **B** represents a product (LCD set) from a small business. With no incentive to innovate, the incumbent firm's technology **A** will be superseded by small business' technology **B**, which then takes over the market and may negatively affect the survival of technology **A** and its firm.

The s-curve is a robust yet flexible framework to analyse the introduction, growth and maturation of innovations and to understand the technological cycles (Dervitsiotis, 2010:159). As shown in Figure 3.1, technology **A** could be a recursive sequence of stages leading to higher performance levels under a set of stable conditions. Thus, under this period of stability, management relies primarily on improvements in productivity and quality to achieve growth. In periods of rapid change, depicted by technology **B** on the right of technology **A**, the focus must shift to new innovations offering completely as this provides greater value to customers and other stakeholders and hence achieves competitive advantage. Thus, each time the customer preferences shifts, there could be a need for new innovation to match the changes. Successful innovations in response to drivers of innovation may lead to the eventual transformation of an organisation, in terms of both its competitive position and its capabilities for further renewal. Examples of the most successful firms in this

regard include Apple Computers, Google, Nokia, BMW and others which continually develop. Though complimented by the theory of disruptive innovation and supported by the s-curve framework, the current study relies more on TCD. The applicability of TCD is enhanced by an understanding of the concept of innovation.

3.4 PERSPECTIVE ON INNOVATION

Given their limited resources and their operation in highly competitive business arenas, the survival of small businesses requires them to value and nature innovation. While valuing and nurturing innovation enhances the chances of survival of small businesses, understanding innovation beyond the definition to include its process enable businesses to improve their innovation capabilities. Except for Dervitsiotsi (2010) whose innovation process has four stages, other authors Hansen and Birkinshaw (2007); Roper, (2008) suggest that the innovation process comprises three basic stages. Table 3.2 summarises the innovation process.

Despite the variations in the stages of the innovation process by different authors, all authors converge on the notion that the innovation process is a value chain with successive stages that begins with an idea that is converted into a product or service (innovation output) after which the output is made available to the market to generate cash that drives the business performance. Thus, it can be argued that the success or failure of innovation is a function of the innovation process. This is consistent with the position of Dervitsiotsi (2010:159) who proposes that the innovation process is the engine of innovation. He argues that the conversion of an idea into cash in the market is only possible through a fully developed innovation process.

The innovation process culminates into innovation output, which can take various forms (products, services). It is vital to differentiate these various forms of innovation output in terms of their levels and dimensions. Such differentiation assists in identifying and measuring the impact of the drivers of innovation on each dimension and level. In the hospitality industry where competition is rife and consequently threatens survival (Pikkemaat and Peters, 2008), small accommodation businesses have no option but to master the innovation process, and then offer products and services that are superior to their competitors. In order to ensure sustainability of competitive advantage, small accommodation businesses need to also identify and make use of drivers of innovation.

Table 3.2: Different stages of the innovation process

| Author | Stage 1 | Stage 2 | Stage 3 | Stage 4 |
|------------------------------|--|---|---|--|
| Hansen and Birkinshaw (2007) | Idea generation | Conversion | Diffusion | |
| Explanation | Abstract/creative thinking | Change an idea into a product or service (output) | Spreading the output to other people | |
| Roper (2008) | Knowledge sourcing | Knowledge transformation | Knowledge exploitation | |
| Explanation | Firms engagement with particular knowledge sources | Translating knowledge sourced into innovation outputs | Innovation outputs in new markets drive and enhances firm's performance | |
| Dervitsiotsi (2010) | Idea generation | Project selection | Ideas converted into innovation outputs | Commercialization of innovation outputs |
| Explanation | Capturing and documentation of ideas | Evaluation and screening of promising ideas | Development of selected ideas into innovation outputs | Taking the innovation output to the market for cash generation |

Source: compilation based on innovation processes models

3.5 DIMENSIONS OF INNOVATION

It is established in literature that there are different dimensions of innovation (Organisation for Economic Cooperation and Development [OECD], 2005; Elsaady, 2011). However, the type of innovation differs from industry to industry and from business to business. The variation is attributed to the discourse around outcomes of creative ideas among industries and businesses. Moreover, the methods, procedures and resources required for innovations differ depending on industries and business. Furthermore, the different types of innovation are as a result of different challenges, objectives and strategies each business pursues in order to address a particular problem. Regardless of the definition used on innovation, scholars identified a large spectrum of different dimension of innovations. Table 3.3 shows the discourse of innovation dimensions as identified by different authors.

Table 3.3: Innovation dimensions

| Innovation dimensions/classes | Author/s |
|---|---|
| Additive innovation (exploitation of already existing resources such as product lines extensions) and Complementary Innovation (offers something new that changes the structure of the business) | Drucker (1993) |
| Technological innovations (resulting from the use of technology); Technical innovations (related to the primary function of the organization) and Administrative innovations (that take place in the social system of the organization). | Damanpour and Evan (1984) |
| New product development; Process innovation; Continuous improvement; Culture/employees empowerment and Innovation Strategy. | Confederation of British Industries/Department of Trade and Industries (1996) |
| Product; Process and Business systems. | Boer's and During's, (2001) |
| Product (new product development or improvement); Process (improved processing or manufacturing) and Business systems (new and /or improved business and marketing practices). | Hogvaard & Hansen (2003) |
| Product innovations (significant change in goods or services' capabilities); Process innovations (significant changes in production or delivery methods); Marketing innovations (implementation of new marketing methods and Organizational innovations (implementation of new organizational methods). | OECD Oslo Manual (2005) |

Source: Author's Compilation

Previous work into the adoption of innovation has revealed numerous dimensions of innovation. While the list is long, the most prominent innovation dimensions are product, process, marketing and organisation as promulgated by OECD (2005). The OECD Manual which is the primary international basis of guidelines for defining and assessing innovation activities as well as for compilation and use of related data is viewed as the fundamental reference source to describe, identify and classify innovations at firm level. Arguably, the OECD's four innovation categories are commonly used in innovation research. Several research studies used the four innovation categories of OECD which constitute the main body of innovation categories (Hall, 2009:2); Community Innovation Survey, 2007). The OECD Manual categories of innovations dimensions are discussed below.

3.5.1 Product innovations

According to OECD (2005), product innovation refers to the introduction of a good or service that is new or significantly improved regarding its characteristics or intended uses. Such improvements include technical specifications, components and materials, incorporated software, user friendliness or other functional characteristics. Meanwhile, Sullivan (2008) refers to product innovation as involving/dealing with the production of physical products that customers are willing and able to buy and are acceptable to customers for example, changing from a landline telephone to mobile phone.

Product innovation can be distinguished as either *horizontal innovation* or *vertical innovation* (Gancia and Zilibotti, 2005:112). Horizontal innovation entails manufacturing a new product, which does not displace existing products but rather expand a variety of products produced which is consistent with Romer's (1990) model of growth. On the other hand, vertical innovation involves the introduction of a new product that results in the existing product becoming outdated or displaced. This innovation phenomenon depicts the process of creative destruction of Schumpeter and the growth model of Aghion and Howitt (1992). Similar to the creative destruction theory, the Aghion and Howitt (1992) growth model emphasis obsolescence of old technologies induced by the accumulation of knowledge and the resulting replacement process. Thus, product innovations can utilize new knowledge or technologies, or can be based on new uses or combinations of existing knowledge or technologies. For example, the introduction of the internet is a result of an ensemble of differentiated technological efforts and projects that were continually improved.

Product innovation provides continuous updating and complete renewal of products for the retention of a strong market presence thereby providing a means for generating revenues. Furthermore, product innovations have a market focus and are primarily customer driven and hence change what the organization offers to the outside world (Bessant, Lamming, Note and Phillips, 2005:1366). Thus, product innovations allow product differentiation giving consumers an array of products to choose from. For example, booking accommodation physically, using phone or via e-mail. As such, businesses are able to serve a wide range of consumer's needs. A study on firm performance by Tang (2012:419) revealed that continuous product innovation increases the capacity of a firm to serve wide ranging consumer needs thereby upholding their loyalty. Similarly, a report on winning strategies for innovation and high technology product management conducted by Kim and Huang

(2011:1147) indicated that innovation enhances an organization' capacity to cope with competition by keeping abreast with the prevailing market circumstances.

While several studies on innovation have used the term product, often the term also refers to services. Invariably, the terms product and service innovations tend to be used interchangeably. However, product innovation usually dominates and encompasses service innovation. It is possible however to treat the two as distinct forms of innovation. Examples of products include a car, doors and a book. According to Sullivan (2008), service innovation involves making changes to products that cannot be touched or seen (intangible products). Examples of service innovation include the introduction of free Wi-Fi in guest rooms and payment of accommodation bills via internet. The unique characteristics of services such as intangibility, customer contact (inseparability), inhomogeneity and perishable production offer significant scope for innovation. Key attributes that help distinguish a product and service relate to the degree of tangibility and the degree of interaction with the end customer. For example, product innovation involves innovating tangible products and thus most customers have no involvement only to get in contact with the product when it is on offer in the market. On the other hand, services involve intangible products such as booking for accommodation where unlike products; customers have a high degree of contact and interaction with the service.

Research on innovation and specifically new product development focused more on large firms (Millward and Lewis, 2005:379; Tidd, Bessant and Pavitt, 2005; Moultrie, Clarkson and Probert, 2006:184). For small businesses, research on innovation remains fragmented and limited (Orfila-Sintes and Mattsson, 2009:380; Hjalager 2010:1; Pivcevic and Petric, 2011:1). The purpose of this study is to add richness to small business research particularly in the small accommodation businesses in developing economies. This is because developing new innovative products is believed to be a key to the success. (European Union, 2008), a scenario which small businesses in developing countries like South Africa and Zimbabwe so much need. Although the focus of this study is on product and service innovation, it is equally important to understand process innovation.

3.5.2 Process innovations

Process innovation can be viewed as the introduction of a new or significantly improved method or methods for the production or delivery of a product or service for the customer

whilst it creates added value for the organization. The term process may also refer to the interrelated set of activities designed to transform inputs into a specified output for the customer. Sullivan (2008) for example refers to process innovation as an activity that involves making beneficial changes to the process that produces products and services. According to OECD (2005), process innovation refers to the implementation of a new or significantly improved production or delivery method. This includes significant changes in techniques, equipment and/or software. For example, redesigning small accommodation business website and booking application to make it more informative and user friendly; respectively. Following Schumpeter's (1934) seminal work, process innovation is now commonly referred to as changes in the way in which goods and services are produced. The objective of process innovations may be to decrease unit costs of production or delivery, to increase quality, or to produce or deliver new or significantly improved products. For small businesses, achieving such objectives would be a milestone that possibly gives them the impetus to compete favourably with their rivals.

Like product innovation, research on design processes in small business is limited (Moultrie, Clarkson and Probert, 2007:184). Results of the few studies on innovation in small businesses found that design processes were informal, highly search-oriented, dynamic and iterative, with cyclical loops of learning experiments (Guimarães, Penny and Stanley, 1996:849; Millward and Lewis, 2005:379, Lindman, Scozzi Otero-Neira, 2008:51). These studies further revealed that small businesses' lack of knowledge and resources leads to (i) rare use of external expertise, (ii) preference of own informal design methods rather than formal ones and (iii) the improvisation and creativity in the use of existing knowledge and resources in the design processes. Research into the evaluation and design performance in SMEs concluded that customers and users provided feedback during the design processes which facilitates improvements of products and services (Moultrie Clarkson and Probert (2006:184).

Process innovation embraces quality function deployment and business process reengineering (Fritsch and Meschede, 2001). This type of innovation provides the means for safeguarding and improving quality and also for saving costs. In addition, process innovation allows business to gain competitive advantage by gaining efficiencies and adding value to customers a number of process innovation approaches such as just in time, supply chain management and total quality management. For example, small accommodation businesses may benefit from such innovation through faster and more agile booking

processes as well as more responsive shuttle services. In summary, process innovations have an internal focus and are mainly techniques of producing and marketing goods or services.

3.5.3 Marketing innovations

According to the OECD (2005), market innovation is concerned with improving the mix of target markets and how chosen markets are best served. A marketing innovation is the implementation of a new marketing method involving significant changes in product design or packaging, product placement, product promotion or pricing. The introduction and developments of the internet and specifically the use e-commerce (internet, e-mails and websites) to expand marketing channels serves as an example of marketing innovation. The purpose of marketing innovation is to identify better (new) potential markets and better (new) ways to serve target markets. In addition, marketing innovations are aimed at better addressing customer needs, opening up new markets, or newly positioning a firm's product on the market, with the objective of increasing the firm's sales. In many instances, small businesses face constraints in accessing markets (Silva, 2007) and hence the adoption of marketing innovation exposes small businesses to lucrative and sustainable markets.

3.5.4 Organizational innovations

For OECD (2005), an organizational innovation is defined as the implementation of a new organizational method in the firm's business practices, workplace organization or external relations. Organisational innovation refers to changes in the architecture of production and accounts for innovations in management structure, corporate governance, financial systems or changes in the way workers are paid. Organizational innovations can be intended to increase a firm's performance by reducing administrative costs or transaction costs, improving workplace satisfaction (and thus labour productivity), gaining access to non-tradable assets (such as non-codified external knowledge) or reducing costs of supplies. Hansen, Korhomen, Rametseinert and Shook (2006:1) refer to organisational innovation as the concept that describes the propensity to adopt or create, develop and implement innovations. Building on the work of Hadjimanolis (2000:235); Hansen et al. (2006:1) concluded that organisational innovation is affected by characteristics of organisational members, characteristics of the organisation and the environment of the organisation. The limited research and subsequent lack of knowledge about product and process in small

businesses justifies the explorative study on the influence of firm size, market and learning orientation on innovation dimensions.

The four different categories of innovation covered are vital for the attainment of competitive advantage. Arguably, a business oriented towards organization innovation engages in process innovation that produces innovative products and services, which are marketed using marketing innovation strategies gains competitive advantage.

3.6 LEVELS OF INNOVATION

Although there are precise differences between different dimensions of innovations, none of these innovations distinguish themselves on the basis of size and scope (level, intensity or degree of innovation). As such the levels of innovation of all dimensions of innovations are categorized in two major groupings namely incremental and radical innovation. Table 3.4 below distinguished between radical and incremental innovation. The intensity of innovation relates to how ambitious the business is, how much time, resource, cost and risk it embraces and how great is the impact being sought in the market as well as bottom line being pursued.

In view of the pros and cons of the different levels of innovation, it remains unclear what category of innovation should small businesses pursue? Incremental innovations are associated with low investment and low risk and are aimed at achieving short term results. On the other hand radical innovations are associated with high investments and high risk and are aimed at yielding medium to long term results. Arguably, small businesses are usually associated with gradual or incremental innovation. This is attributed to the fact that the cost of incremental innovation failure can easily be absorbed by small businesses unlike that of radical innovations which has a potential to demoralize and threaten their survival. Moreover, radical innovations can jeopardize the firm's success, because it will divert critical resources, including management attention from the more immediate and urgent tasks. Unlike incremental innovation, radical innovations usually come about as a result of a lengthy process of learning, networking, information gathering, and knowledge creation (Rothwell, 1986; Henderson and Clarks, 1990). Nevertheless, small businesses find it difficult to perform tasks due to high costs involved and hence they resort to the cheaper incremental innovation (Norman and Verganti, 2012:6). The argued that in spite of the level of innovation pursued, what matters is the level of impact of the innovation to the business as measured in terms of efficiency or revenue. Ordinarily, radical innovation can be viewed as a step change in some measure of growth such as revenue or efficiency while incremental

innovation is viewed as a market defender strategy (revenue and efficiency) meant to sustainably keep the business ahead of its competitors at least in the short term (Norman and Verganti, 2012).

Table 3.4: Radical and Incremental Innovation

| Aspect | Levels of Innovation | |
|----------------------|--|---|
| | Radical Innovation | Incremental Innovation |
| Other names | Breakthrough, pioneering, disruptive and novel | Gradual, small and step by step. |
| Definitions 1 | It refers to a complete shift from the old to new with heavy impact and is usually associated with huge resource input (Norman and Verganti, 2012). | It refers to the gradual introduction of change and involves repetition of the same things while achieving better results (Norman and Verganti, 2012). |
| 2 | Innovation is viewed as revolutionary, changing the rules of the market, challenging the behaviours of customers, maybe redefining the market altogether "game-changing". (Fisk 2010) | Innovation is viewed as improvement, keeping pace with change and expectation, adapting designs and applications to evolving needs (Fisk 2010). |
| 3 | It involves the application of fundamental changes in the activities of an organization and a large departure from existing practices. | It exploits existing technology, focuses on cost or feature improvements in existing processes, products or services, emphasises low uncertainty and improves competitiveness within current markets or industries. |
| 4 | It explores new technology, focuses on products, processes or services with unprecedented performance feature. Higher order or breakthrough innovations (Janke 2004) | It entails lower or first order innovations, they repair" the old, keep large companies competitive in a short term (Janke 2004). |
| Example 1 | The introduction of Google, digital cameras Computer (1 st generation) 1946, Cellphone (1992) and DVD, signal radical innovation as these completely transformed the respective industries. | The introduction of android smart phones to replace the non android cellular phones) |
| 2 | The introduction of the flat –screen television revolutionised the TV industry and quickly out competes and replaced the older type. | Include LCD TV sets that gradually replaced Plasma TV/s. |
| 3 | The introduction of mobile phones to replace landlines telephones both in Zimbabwe and South Africa resulted in a fast and complete change of the mode of communication. | Increasing radio speaker power or television screen size |
| 4 | In the car market, this is the SUV or the hybrid engine, creating a new genre, a new category. | A new version of the same car emerging frequently, with slightly enhanced features. |
| Scope | Wide (Very ambitious) | Narrow (Less ambitious) |
| Impact 1 | Results in changes in the fundamentals of the business, creating a new industry and new avenue for extensive wealth creation. | Results in significant improvements (defender strategy) meant to sustainably attain competitive edge in the short term. |
| 2 | Results in businesses dominating world markets and promoting the international competitiveness of their home economies. | Results in changes on an already existing innovation without making major changes in investment. |
| 3 | It drives market growth, firms' success, and the economic growth of nations. It transforms businesses and rewrites the rules of engagement. | Small changes in growth which may be compounded to yield radical innovation |
| Benefits | The business achieves maximum efficiency and effectiveness resulting in increased sales and profits. | Spreading the risk associates with innovation. It avoid business being overtaken by newcomers in the industry. |
| Resource requirement | High investment resources (substantial amount of time and money) | Low investment resources (little amount of time and money) |
| Risk | High | Low |
| Advantage 1 | Quick fix or seizure to a problem and opportunity respectively | Capable of achieving small degrees of growth. |
| Disadvantage 1 | High uncertainty and hence high cost of failure. | Slowness to reach growth targets before competitors leading to a loss in competitive advantage. |

Source: Author's Compilation

The volatile, uncertain, complex and ambiguous (VUCA) environment that modern businesses operate in signals that nothing is certain anymore. Under such conditions, business may be forced to embrace both incremental and radical innovations as a survival strategy. Unlike in the past where combining radical and incremental innovation within the same organisation was difficult to consider, Sullivan (2008) reiterated that most modern businesses now adopt a dual approach to the level (size and scope) of their innovation activities. In concurrence, a study by Martí'nez-Ros and Orfila-Sintes (2009:632) on hotel managers of small businesses in the Balearic Islands- a leading tourist destination also concluded that radical and incremental innovations appear to be interrelated. Thus, VUCA environment in which modern businesses operate in signal that nothing is certain anymore. Incremental innovations keep the business in the market, little noticed and guarded against quickly imitated. Breakthroughs are what makes the business famous, shaping the markets by inspiring customers, attracting investors, and delivering leaps in value creation.

3.7 CAUSES OF INNOVATION

While the definition, types and categories of innovation are highly acknowledged and valued, businesses need to understand the common causes of innovation. Such an understanding enables businesses to cope with the changing times. Literature shows that innovation is caused by several factors among them (i) changing customer taste, preferences and expectations (ii) new management ideas or business theories (iii) new production techniques (iv) new machines (v) changes in the external or mega environments of the business and (vi) the transition of businesses from small to increasingly larger organisations. Porter (1985) identified five distinct common causes of innovation as follows:

3.7.1 New technologies

Technological change can create new possibilities for the design of a product, the way it is produced, delivered, products and marketed. It is the most common precursor of strategic innovation and can also make a new product feasible. For example, the introduction of mobile phones and computers has given birth to internet banking and such other applications as Skype, Whatsapp, YouTube and Twitter.

Emerging technology has the potential to trigger significant innovation across the organization and can be the basis for innovative products, processes, and services that can revolutionise the fortunes of an organization. The major sources of emerging technology can

include universities/colleges mostly in developed countries, high-technology start-ups, and competing organizations (Suvallin, 2008). As such organizations expend more resources scanning the environment for potential technological opportunities.

3.7.2 New or shifting customer needs

Changes or shifts in products or services are necessary when customers develop new needs or when their priorities change significantly. For example, the need for people to communicate anytime and at every location led to the innovation of cell phones in 1992.

3.7.3 The emergence of a new industry segment

New demands for new products arise when a new distinct segment of an industry emerges or a new way of regrouping existing segments is revealed. The possibilities include not only new customers, but also new ways of producing existing products or new ways of reaching customers. For example, Zimbabwe has become the home for Japanese second hand cars. Second hand cars in Japan are refurbished and sold to Zimbabwe where there is a huge appetite for them. The new market for second hand cars arose as a result of the local vehicles manufacturers' failure to supply affordable vehicles to local market. Similarly, in South Africa, the run up to the soccer World Cup in 2010 demanded the services of scarce skills such as engineers from across the world.

3.7.4 Shifting input costs or availability

Significant changes in input costs such as laboratory research, raw materials, energy, transportation, communications, media or machinery could result in new supply conditions or even in the use of new types of input. For example, the introduction of electricity load shedding in Zimbabwe in 2007 result in most electricity users resorting to the use of generators and solar energy. In addition, some non- governmental organizations such as Farm Action Aid are financing the installation of hydro power plants throughout the country.

3.7.5 Changes in government regulations

Adjustments in government regulations in areas such as product standards, environmental controls and restriction on entry and trade barriers stimulate innovation (OCED, 1996). For example, the need by the entire world to go green and be environmentally conscious led the

forestry industry to devise a system of monitoring and certifying forestry operations (Forest Stewardship Council, 1993). As a result of such a requirement, the world forest body developed a certifying system, the Forest Stewardship Certificate (FSC), a document that allows only certified forestry companies to trade forest timber products. This certificate confirms that the source of the traded timber is well managed by adhering to all forest management practices. The Forestry body carries out annual forestry audits to check compliance to forestry management practices (Forest Stewardship Council, 1993).

3.8 IMPORTANCE OF INNOVATION TO GROWTH, SURVIVAL AND SUCCESS

Scholars attest to innovation having a positive impact on business performance (Rubera and Kirca, 2012:136; Salim and Sulaiman, 2012:118). In the tourism industry, innovation has been found to be critical in developing policies. This is attributed to innovation's key role of fostering competitiveness of products, businesses and destinations (Hall and Williams, 2008; Hall, 2009:2). Accordingly, the Norwegian Ministry of Trade (2010) contend that innovation is the key to success in many arenas, from individual businesses to a nation's general economic growth. The Ministry further posits that in an economic environment dominated by small and medium-sized businesses, innovation is viewed as an essential element in economic growth and development. In support of this view, research concluded that there is a relationship between business performance and the overall innovativeness of a business (Akgun, Keskin, Byrne and Aaren, 2007; Gulsen and Yilmaz, 2008; Dabla-Norris, Kersting and Verdier, 2012). Furthermore, these studies posit that there is a correlation between innovation and business performance. Scholars who support this assertion argue that businesses innovate to suit the changing environment and to resist the adverse impacts of such changes. Such innovation renders competitive advantage essential for businesses to succeed and survive the ensuing complexities and uncertainties of the business operating environment. Several studies (Davila et al. 2006; Community Innovation Survey, 2007; Renko, Carsrud and Brannback, 2009; Boston Consulting Group, 2010; McKinsey, 2010) have shown the importance/benefits of innovation on growth, survival and success of businesses. According to Davial et al. (2006), innovation creates and replaces products and services to match the ever changing customer taste. Such innovation creations increase the product and service range for customer (Community Innovation Survey, 2007). For example, in the accommodation business, the guests now have a number of options to settle their bills. They can pay cash, pay through the internet or use a bank card at the point of sale. The provision of these different innovation services is meant to improve the process, quality of service, reduce unit costs while making it convenient for the customers to transact (Davila

et al., 2006); Community Innovation Survey, 2007). These authors promulgated that innovative product and services create new markets as well as provided an opportunity to increase and protect market share. For example, in the accommodation sector, the provision of different bill payment options attracts a segment of the market that does not want to travel with cash but use point of sale cards or the internet. In concurrence, Renko, Carsrud and Brannback, (2009) and Boston Consulting Group and McKinsey (2010) propounded that innovative products and services gives business competitive advantage which leverages them to dominate markets and then raise their profit profiles. According to Boston Consulting Group and McKinsey (2010), high profit profiles attract funding from banks and investors. In Zimbabwe where the business are still reeling under the effects of hyperinflation experienced during 2006-2009, small accommodation business are likely to attract funding if they provide unique innovative services.

3.8.1 Customer growth

To remain competitive and relevant, businesses irrespective their nature and size need to be market oriented. Market orientation refers to a firms' understanding of present and potential customer needs, responding to changing competitor activities in order to exploit opportunities and circumvent threats while providing superior customer value (Hunt and Morgan, 1995; Kohli and Jaworski, 1990; Narver and Slater, 1990). Consistent with this definition, a study by Augusto and Coelho (2007:94) reveals that market orientation and specifically customer and competitor orientation are positively related to innovation. According to Barbra (2012), innovation facilitates businesses to fully understand and appreciate their customers (market orientation). She posits that by understanding the needs and expectations of customers, business can engage in innovation that creates new products and services that satisfy their customer. For example, accommodation businesses need to clearly understand their customer profile so as to tailor appropriate services for paying bills. Depending on the results of such customer profiling, accommodation business then provide guests a number of options to settle their bills such as cash payment, payment through the internet and or bank cards at the point of sale. Barbra (2012) further reiterated that innovation contributes to the creation of new and retention of customers. Supporting Barbra's assertion, Charan and Lafley (2008) contend that innovation allows business to have a broad range of product or service which attracts new customers. For example, in the accommodation sector, the provision of different bill payment options aid the attraction of customer who ordinarily do not want to travel with cash but use point of sale cards or the

internet to do money transactions. Providing customers with the innovate products and services they require enhances their standards of living (Sood and Tellis, 2009:442; Lages, Silva and Styles, 2009:47). Correspondingly, innovation assists businesses like small accommodation to gain competitive advantages which makes them withstand the competitive pressure that is associated with the sector.

3.8.2 Financial performance

A study by Berwig (2009) revealed that businesses that embark on product/service innovations enable the business to increase its revenue and improve its balance sheet. They attributed the increase of the balance sheet to increased demand brought about by the need to use effective and efficient innovative products/service. Supporting the assertion that innovation results in financial rewards (Mobbs, 2010:1; McKinsey, 2010) reiterated that businesses engage in innovation activities to raise the profit margins. Another study by Boehm (2012) on Japanese truck manufacturer Mitsubishi Fuso during times of uncertainty revealed that through innovation businesses can reinvigorate its activities and achieve essential cost savings and profitability. In view of the two studies (Berwing, 2009) (increasing revenue) and Boehm (2012 (cost saving), it can be suggested that innovation enhances business profitability. Indeed, innovative firms have been identified to be twice as profitable as other firms (Gilmore, 2009). Consistent with this study, Gray (2006:345) and Lages et al. (2009:47) support the notion that innovation increases profitability. They argue that in an unstable corporate environment, businesses innovate to suit the changing environment as well as to resist the adverse impacts of these changes. Such innovative strategies ensure that the external forces do not hamper the profitability of the business and hence enables the business to become and remain competitive and survive in the marketplace.

The adoption of innovative behaviour by businesses is viewed as a form of investment. Westland (2008) argues that the rates of return on successful innovations averages over 50%, compared with an average for traditional businesses in the range of 15%. This rate of return differential is key to all businesses but specifically more fundamental to small businesses with fewer resources notwithstanding their being expected to compete with large businesses.

3.8.3 Internal business systems performance

Regardless of their size, most businesses tend to be more comfortable “at home” with familiar and traditional business processes and would ordinarily not search for improved or new ways of enhancing their internal business systems. Hamel (2007) identified innovation as one of the key core competences that business can adopt as a way of reviewing corporate strategies, organisational financial capabilities, marketing strategies as well as business processes and systems. He further posited that reviewing these internal business systems entails improving the quality of goods and services. For example, small accommodation businesses can review the checking out procedure, range of food offered, quality of their service and the extent to which their finances allow them to either expand or maintain the size of their market and business. The incumbent’s “business as usual approach” results in the gradual displacement and replacement of old businesses by new and highly creative innovative businesses through a process of Creative Destruction (Schumpeter, 1934;1942). As such, innovation enhances the businesses capabilities to create new forms of competitive advantage by renewing competences to achieve congruence with changing business markets. Indeed the results of a study Guijarro, (2009:465) that examined barriers to business innovation of small businesses in Spain revealed that small businesses that do not embrace innovation within their core business strategy run the risk of becoming uncompetitive because of obsolete internal business processes and systems.

3.8.4 Organisational learning and growth

Organisational learning refers to the process by which new knowledge and information are applied with the goal of improving routines and performance (Huber, 1991). There is sufficient empirical evidence that suggests that there is a positive relationship between learning orientation and innovation (Angle, 1989; Hurley, Hult and Knight, 2004; Panayides and So, 2005; Arogon-Correra, Garcia-Morales and Cordon-Pozo, 2007; Sulaim and Sulaiman, 2011). According to these studies, innovation only occurs only when there is sufficient information and knowledge about the status core/product/service. They further reiterated that a change from the existing product/service signal a learning process as new knowledge is acquired. Sinkula, (1994) study on innovation and learning in the tourism industry concurred with these studies and concluded that resources such as knowledge and skills are manifestations of innovation. Arguably, innovation facilitates organisational learning among businesses which in turn engenders them to cope with the external opportunities and threats thereby improving their existing and future performance (Child, Faulkner and Tallman, 2005:169). In fact it is proposed that the degree to competitiveness

and business growth rests with the nature and strength of the relationship between innovation and the learning ability of managers (Mavondo, Chimhanzi and Stewart, 2005:1235). Indeed Weiermair, 2006; OECD, 2008; Sundbo, Orfila-Sintes and Sorensen 2007) suggest that there is a positive relationship between innovation and the competitiveness in SMEs which enhances their growth and survival. Specifically, the use of innovation in the tourism sector tends to increase the competitiveness and growth. For example, the flexibility of small accommodation on the times of checking in and out of rooms and the addition of products such conference facilities which were previous not common in small accommodation business has led to their growth. Arguably, a study conducted by Petrou and Daskalopoulou (2009:711) on the link between innovation and growth prospects of small low tech firms supports the view that innovation activity of small businesses affects their growth.

Innovation affects difference aspects of growth which include among others market expansion and brand reputation According to Laforet (2009) and Boyyens (2011) innovation assists firms in creating new products and services which are then used to explore and enter new markets. The introduction of new products in new markets is likely to create demand which could translate to building a formidable brand. Literature shows that businesses that are able to sustain their innovation capability eventually build a reputable brand and perform better than those that cannot sustain innovation (Kotler, 2008:241). He further posits that reputable brands are associated with increased level of business activity which in turn is a linked to customer loyalty. Innovation is viewed as an important focus area for small enterprises with regard to maximising their shareholder value (Longenecker, Moore, Petty and Palich (2006). The argument is that new products and services give better returns on investments than existing ones.

3.9 BARRIERS TO INNOVATION

Whilst businesses' endeavour to engage in innovation activities and attain competitive advantage, sometimes such initiative fail to succeed as a result of barriers that inhibit the innovation processes. Literature identified several barriers that stifle innovation in businesses (Mohen and Roller, 2005; Silva, 2007; Bratianu, 2009; Guijarro, 2009). The majority of these studies singled out the cost of innovation as one of the most important and common barrier to innovation (Mohen and Roller, 2005; Silva, 2007; Guijarro, 2009). According to Lim., Ee Shing, Shyamala and Nagaa (2007) and Silva, (2007), high innovation costs have a negative and significant effect on the innovation propensity. Given their meagre

financial and other resources, small business are likely to be affected by high innovation costs.

As a result of such financial impediments, businesses will not unwittingly engage in innovation unless they are prepared and ready to take risks. A study of the barriers of innovation among small tourism businesses in Canada reveals that set up costs rather than the running costs are of greater concern for those that intend to engage in innovation activities (CSLS, 2005). A study on barriers to innovation on Iranian small business by Rahimi, Vazifeh Damirch and Seyyedi, (2011) concluded that the most significant barrier was associated with costs. Indeed in the context of developing countries such as Zimbabwe, most small businesses find the costs of initiating innovation as prohibiting. For example, it took a long time for many small accommodation businesses to offer free WI Fi services to guests.

Meanwhile, Xavier and Comtesse et al.'s (2002) study on success factors of innovation of in Switzerland revealed that, company culture and leadership and not financial issues are the major barriers to innovation. They argued that despite the availability of financial resources, the absence of a culture or belief to explore new ideas or ways of doing things as well as lack of commitment to innovation by leadership negatively affect the competitiveness of businesses and hence their survival. According to Shanteau and Rohrbaugh (2000), weak leadership/management support is another innovation barrier because innovation can disrupt established routines and schedules.

Another impediment to innovation is the lack of skilled resources to pursue innovation. The responsibility to generate new ideas rests with all employees within a business. However, employees usually lack the necessary training to engage in innovative behaviour. Lack of qualified personnel restrains the propensity of the firm for innovating and also for developing the innovation process. As such, new ideas fail in their infancy and consequently are not easily accepted. In developing economies such as Zimbabwe and South Africa, owner managers of small businesses are mostly victims of retrenchment from large business and or unemployed graduates from universities and other colleges (Zimstats, 2009; Confederation of Zimbabwe Industries Report, 2011). It is argued that managers of these small businesses become better innovators given the vast experience from large business. In addition, graduates are believed to be the sources of innovation given their academic background and risk taking behaviour.

Unstable economic environment require that businesses incorporate innovation as a core firm strategy that will help maintain market competitiveness (Guijarro, 2009). He argued that firms in more turbulent external environments have higher potential for innovation. This is because turbulent environments trigger firms to incorporate innovation into their business strategy in order to remain competitive and ultimately survive. The Zimbabwean economy presents a myriad of business challenges which could to some extent prompt innovative behaviour among businesses.

Legislation and regulation also significantly affect the propensity to innovate. The laws governing how businesses operate in a specific environment may become barriers to businesses propensity to innovation when they stifle the innovation process. For example in Zimbabwe companies are expected to comply with National Social Security (NSSA) with regard to safety, workers compensation and pensions and with Zimbabwe Revenue Authority (ZMRA) in relation to tax remittances rules and regulations. Another example involves Zimbabwean bank lending rates that are pegged at 10% per month for both small and large businesses. At such rates, small businesses are not able to service the debt and may be forced to fold as the lender recovers their funds by selling small business assets. These rules and regulations inhibit small business propensity to innovation.

According to Eurostat (2009), larger companies are more likely than small businesses to control the resources such as human and financials necessary for innovation and may therefore be more innovative than their small business counterparts.

3.10 INNOVATION IN SMALL TOURISM BUSINESSES

Most empirical studies on innovation focused on large firms in the manufacturing sector. This is despite the fact that worldwide, the industry structure is dominated by SMMEs (Reijonen and Komppula, 2007:689). Furthermore, empirical evidence in existing innovation studies draws mainly from developed countries such as Australia, Portugal and United States of America (USA) (Wagner and Hansen, 2005:837; Augusto and Coelho, 2007:94). Despite globalisation and the growing relevance of developing countries to engage in innovation, fewer studies have utilised data from firms at different stages of development in developing countries. This raises questions on the transferability of conclusions across firm, industry and national settings (Salavou, Baltas and Lioukas, 2004:1091).

Innovation literature in SMMES remains fragmented and is usually concreted on single case studies or qualitative interviews with managers. According to De Jong and Marsili (2006:213), few studies on SMME innovation gave little attention to other sectors and industries other than the manufacturing sector. For example, Laforet, (2009:188) carried out a study on the effects of firm size, market and strategic orientations on innovation of non-high tech manufacturing SMMES in (UK). The results showed that all the variables had positive relationships with innovation. Similarly, studies on SMMES in the manufacturing sector in Greece and Italy respectively by Salavou et al. (2004) and Neira, Lindaman and Fernandez (2009) also showed positive links between market orientation and innovation. Few studies have focused on innovation in other sectors of the economy such as the service industry. However, attempts to study innovation in the services sector concentrated on the banking industry (Han, Kim and Srivastava, 1998), insurance industry (Maydeu-Olivares and Lado, 2003) and hospitality Sandvik and Sandvik, 2003; Agarwal, Erramilli, and Dev, 2003).

Considering the important role of small businesses and in particular small tourism businesses especially in developing economies such as Zimbabwe and South Africa, lack of vibrant research on innovation is a cause for concern. Despite the tourism sector's fast growth and direct contribution to nations' social and economic emancipation (Trindade, 2007), research on innovation in tourism and in particular small tourism businesses is still scarce (Orfila-Sintes and Mattsson, 2009:380; Hjalager 2010:1; Pivcevic and Petric, (2011:1).

In particular, research on the influence of firm size, market orientation and learning orientation on innovation in small tourism business in developing economies is limited. Lack of considerable empirical studies on innovation in tourism is attributed to the fact that (i) tourism is a young research area (ii) research on innovation in services is relatively young and (iii) tourism is still an emerging area that has not gained the much needed attention in academia. However, there seems to be a new dispensation in terms of studies on innovation in tourism. This is because: (i) traditional tourist countries now view innovation as a solution to problems of decreased productivity and growth (Pechlaner, 2004:399) (ii) intense demand for higher quality and added value in tourism (Pikkemaat and Waiermair, 2007:68) and (iii) innovation is widely recognized as a source of competitiveness advantage (Hall and Williams, 2008; Hall, 2009:2). These conditions paved the way to the growing current studies on innovation in tourism including the works of Volo (2005), Orfila, Sintes and Mattsson, (2007), Pikkemaat and Waiermair (2007), Hjalager (2010), just to mention a few.

Some of the researchers have found that in the tourism industry, small tourism businesses have a high proclivity to innovation (Ateljevic and Doorne, 2000:378). For example, introduction of entertainment such as TVs and access to information (free Wi-Fi) in rooms have revolutionised the small accommodation sector. However, literature is devoid of information about what drives innovation in small tourism businesses. Few studies that have attempted to investigate this phenomenon omitted small accommodation business in developing countries. This study joins small tourism businesses research by testing and comparing the influence of drivers such as firm size, market orientation and learning orientation on small accommodation business innovation in Zimbabwe and South Africa.

Studies have shown that different countries exhibit different degrees of innovation (Sundbo et al. 2007). The degree of innovativeness is measured by the rate of adoption of innovation by a country. For example, in the tourism and hospitality industry, Croatia is known to be moderately innovative in the large hotels category (Pivcevic and Petric, 2011). Considering that these studies were conducted in develop economies, it remains unclear how different developing countries within the same continent and region fare in terms of innovativeness. Hence this study compares the degree of innovativeness between two neighbouring Southern African countries (Zimbabwe and South Africa) using the tourism sector.

Tourism can be viewed as partial or integral (Pevcevic and Petric, 2011). Partial tourism refers to the product of a single tourism firm such as wildlife, accommodation, tours, restaurant and museums while integral tourism refers to tourism products for a given area such as a destination. This research examines and compares innovation of a partial tourism product, the Small Business Accommodation sector, for Zimbabwe and South Africa. In addition, studies have shown that hotels are the most innovative segment of the tourism offer (Sundbo et al. 2007:88; Pikkemaat, 2008:187). This is evidenced by the rate at which new services are introduced. Accordingly, the competitiveness of tourism enterprises to a great extent depends upon their innovation activity (Pivcevic and Petric, 2011:1). Arguably, innovation in the hotel industry is considered to provide positive effect on hotel image, profitability and customer satisfaction (Boston Consulting Group and Mckinsey, 2010).

3.11 CHAPTER SUMMARY

This chapter examined the meaning of innovation, the theories underpinning the study, different types and causes of innovation in small tourism businesses, the importance of

innovation in small tourism businesses, and barriers to innovation in small tourism businesses. It was established that the definition of innovation continues to evolve with time and that different researchers and authors define innovation differently. The meaning of innovation is best understood when different definitions are grouped into innovation eras. Summarily innovation is about creation new offerings that, if adopted, add value to customers.

It was also stated that the theory of creative destruction underpins the study. The idea behind the theory is that in a competitive environment, new, small innovative businesses are capable of displacing and replacing large, old and tired businesses or innovation products and services in a process of creative destruction. Innovation can be classified under different dimensions. This study is primarily concerned with four commonly used dimensions namely product; process; marketing and organizational innovations. However, what matters is not only the dimension of innovation but also the degree of innovation (level) as it impacts on the business. The literature identified two major levels of innovation namely radical and incremental. Though these are two distinct levels, more often, businesses may be forced to use both depending on the situation at hand. The idea of utilizing a combined portfolio is to spread the risk associated with innovation. However, unlike large businesses, the literature revealed that small businesses prefer incremental innovation because of their limited resources, which resonate with incremental innovation.

Although innovation is considered an unavoidable strategy for growth and survival, it remains unclear exactly what causes or motivates small accommodation businesses to innovate and whether it is pervasive to the entire small accommodation business spectrum. However, it was established that generally, businesses engage in innovative behaviour fundamentally to attain competitive advantage essential for business survival and growth especially in the fast paced, competitive, technologically driven and globalised marketplace. Despite the enthusiasm to innovate, businesses often encounter barriers that prohibit the innovation process. Amongst the commonly identified barriers to innovation include the cost of innovation, lack of human capital skills, information and funding and government regulations or policy. Having examined innovation, Chapter 4 discusses the influence of three independent variables namely; firm size; market orientation and learning orientation on innovation in small businesses.

CHAPTER 4: DRIVERS OF INNOVATION IN BUSINESS

4.1 INTRODUCTION

In the previous chapter, the concept of innovation was explored in detail. In this chapter, drivers of innovation are investigated.

Despite numerous empirical evidence that suggests that innovation is influenced by several drivers including **entrepreneurial orientation** (Tajeddini, 2009; Cadogan, Boso and Story, 2012); **firm size** (Sundbo, Orfila-Sintes and Sørensen, 2007; Tajeddini, 2009; Booyens, 2011); **market orientation** (Augusto and Coelho, 2007; Laforet, 2009); learning orientation (Salim and Sulaiman (2011); **cultural factors** (Gunday, Ulusoy, Kemal Kilic, Alpakan, 2011); and **manager's characteristics** (Sandivot and Verspagen, 2011; Soltani and Hosseini, 2012; Salome, Damilola and Sunday, 2013) interestingly, not a single of these studies have investigated these specific drivers of innovation in small accommodation businesses let alone in the developing country context. It is also noteworthy that even where there were studies on the link between firm size and innovation, small businesses were treated as homogenous entities despite their distinct categories without differentiating between micro, small and medium enterprises (Laforet, 2009; Shagqin; McCann and Oxley, 2009; Herera and Sanchez-Gonzalez, 2012). The problem created by the foregone is twofold. Firstly, it is reasonable to assume that what holds for micro business will not necessarily hold for small and for that matter medium business. Secondly, as pointed out by Sundbo et al. (2007:88), tourism firms operate in a competitive sector where innovating is often a precondition for survival. As such, there is need to identify specific drivers of innovation in these businesses in order to reinforce and ensure sustainability of innovative activities essential for their survival.

Drucker (1985) made a number of observations that makes it imperative to investigate and understand the relationship between innovation and the factors mentioned above in the small accommodation business context. For Drucker (1985), the essence of embarking on innovation is to create and keep customers; market dynamism compels businesses to continuously explore (learn) new and better strategies to achieve competitive advantage; and in order to survive threats and harness possible opportunities, businesses need to continuously learn and acquire new knowledge and skills. Taking from these, small accommodation business whose survival is threatened by competition needs to adopt a

market orientation strategy. Also, given the proliferation of small businesses and the economic empowerment drives characterising both Zimbabwe and South Africa, as well as the promotion of gender equality in businesses, it is interesting to examine the relationship between managerial characteristics and innovation within the small accommodation businesses in the two countries.

There is empirical evidence that suggests that firm size, market orientation, learning orientation and manager characteristics influence innovation. Table 4.1 shows key variables affecting innovation, their definition and literature base.

Table 4.1: Key independent variables, definition, and innovation literature base

| Variable | Definition | Innovation Literature Base |
|--------------------------|--|--|
| Firm Size | It is the differentiation of businesses according to parameters such as number of employees, asset base, turnover and or registration status. | Kamien and Schwart (1975); Damanpour (1987); Cohen and klepper (1996); Salavou (2004); Wanger and Hansen (2005); Wolf and Pett (2006); Laforet (2009); Fisher (2009); Eurostat (2009); Bankley and Moses (2009); Booyens (2011). |
| Market Orientation | An understanding that present and potential customer needs are fundamental to providing superior customer value. An organization level culture comprising values and beliefs about putting the customers first in business planning. | Narver and Slater (1990); Despande, Farley and Webster (1993); Pelham and Wilson (1996); Hurley and Hult (1998); Han, Kim and Srivastava (1998); Lukas and Ferrel (2000); Salavou (2004); Verhees and Meulenber (2004); Mavondo, Chimhanzi and Stewart (2005); Kirc, Jayacharan and Bearden (2005); Augusto and Coelho (2007); Grinstein (2008); Laforet (2009). |
| Learning Orientation | A business culture that regards continuous acquisition of knowledge and skills as a basis for continuously transforming itself essential for survival in a dynamic operating environment. | Strata (1989); Hurley and Hult (1998); Salavou (2004); Flint, Larsson, Gamnelgand and Mentzer (2005); Panayides and So (2005); Arogon-Correra, Garcia-Morales and Cordon-Pozo (2007); Tran (2008); Salim and Sulaiman (2011). |
| Managers Characteristics | These include the small owners/ manager's age, gender, educational qualifications and experience. | Pikkemaat and Peters (2006); Patterson, Kerrin and Gatto-Roissard (2009); Danilda and Thorslung (2011); Balmeier and Czarnitzki (2012); Soltani and Hosseini (2012). |

Source: Author's compilation from different sources

4.2 FIRM SIZE AND INNOVATION

Although the interplay between firm size and innovation has been widely examined, literature suggests that there are no conclusive findings on whether small or large firms are more innovative than the other. This stalemate has its roots in Schumpeter's Mark 1 (1934) and Mark 11 (1942) theories. Mark 1 theory supports the view that small businesses were the main source of innovation given that they are operated by wild spirited entrepreneurs while Mark 11 views large businesses as the major source of innovation due to their size and hence more and better resources. To date, the question still stands: *does firm size really matter for innovation?*

Based on Schumpeter (1942) Mark II theory, large firms appear to have advantages over their small counterparts when undertaking innovation. This assertion is supported by Cohen and Klepper (1996:232) who argued that brand name recognition, market power, experience and economies of scale promote large firms to be more innovative than small businesses. Accordingly, Acs and Audretsch, (1987:567) and Ettl and Rubenstein, (1987:59) also argue that unlike small firms, large firms are more innovative because they have more access and control of financial and technical resources and also enjoy both economies of scale and scope. A study that investigated the relationship between firm size and innovation by Eurostat (2009:40), revealed that compared to small firms, larger firms are more likely to control the resources necessary for innovation, including human and financial capital. On the other hand, small businesses proclivity to innovate is constrained by their small size and limited resources. In view of their ability to keep accounting records, having collateral security, financial expertise as well as the propensity to comply with government statutory such as tax, large firms have better chances to access external financing from financial institutions such as banks (Maseko and Manyani, 2011:171). As a result of such funding and other resources, large firms are capable of handling a number of innovative projects at the same time. Accordingly, embarking on a number of projects concurrently helps the business to spread the risk in case of project/s failure. Furthermore, large firms are better able to incur and absorb the huge (sunk) costs associated with innovation. Such high expenditures may be recouped only with large sales volumes where the unit cost becomes smaller as the total cost is spread over a large number of sales items (Damanpour and Evan, 1984; Eurostat, 2009). In many instances, larger firms have more sources of innovation than small firms. This is attributed to their large number of employees and stakeholders of varied knowledge, skills and experience. Arguably, these factors are believed to incentivise large firms to engage in innovative behaviour more than small firms.

Since the notion that large firms are more innovative than their small counterparts was put forward, several empirical studies reviewed gave few definitive concurrence conclusions (Gray and Mabey, 2005:467; Ahuja, Lampert and Tandon, 2008:1) instead support Schumpeter's Mark I theory. In many respects, small businesses now seem to be more innovative than large businesses due to their flexibility and non-bureaucratic tendencies (Laforet, 2009:188). Thus, contrary to the assertion by early researchers that large firms are more innovative than small firms, studies by Cohen and Klepper (1996) argue that although large firms have sufficient resources for investing in innovation, their entrenched bureaucracy creates an unfavourable environment that discourages flexibility and innovation compared to small firms.

A study by Ateljevic and Doorne (2000:378) revealed that small tourism businesses are highly innovative. Supporting this assertion, Hallenga-Brink and Brezet (2005) concluded that the small accommodation business sector is the most innovative segment of the tourism offer. The sectors areas of innovation have been identified as improved and individualised products and services and information and communication technology (Pivcevic and Petric, 2011). For example, unlike large hotels which offer ready-made food to guests, some small tourism businesses have adopted the practice of preparing food according to guest preference, a cost saving initiative which does not waste and recycle food. Though not necessarily ahead of large accommodation businesses, small accommodation businesses have not been left out in adopting new technology such as according internet booking and the management of websites.

A study conducted by Fishers, Polt and Vonortas (2009) on European Framework Programme for Research and Development revealed that small businesses were more innovative on product and process than large firms. Booyens (2011) supports this assertion and argued that small businesses are usually at the forefront in developing new ideas and innovation. Accordingly, small businesses in South Africa have been found to lead in terms of innovation. Results of the National Innovation Survey 2002-2004 conducted in South Africa concurred and revealed innovation rates of 51.1 % and 48.9 % for small and large firms respectively (Booyens, 2011:67). Specifically, small enterprises had the highest innovation rate of 39.3%, followed by micro-sized enterprises (9.6%) and medium-sized enterprises (2.2%). SMMEs were more innovative with regard to product innovations (40.9%) than process innovations (34.8%). This can be attributed to the fact that most small

businesses do not have complex processes which require innovation. In terms of products, most small businesses trade with many different customers who demand different types of products and hence are forced to be more highly innovative with respect to products.

Similar to South Africa, small businesses in America are credited for 67% of inventions and 95% of radical innovation since World War 2. Notably, the mobile phone industry resembles other industries where small businesses were instrumental in developing it. Arguably, such innovations outputs are attributed to the absence of a formalized structure and increased flexibility which tend to promote small businesses innovation (Salavou, Baltas, and Lioukas, 2004:1091; Wagner and Hansen, 2005:837).

Studies by Salavou, Baltas, and Lioukas (2004:1091) and Wagner and Hansen, (2005:837) on innovation in SMMEs found that firm size does impact on innovation with smaller firms tending to be more innovative than medium sized firms. Acs and Audretsch (1987:567) found that firm size/ innovation relationship differs from industry to industry. For example, the computer industry innovation is dominated by small firms whilst in the manufacturing industry, innovation is led by large businesses. Gallego, Rubalcaba and Hipp (2012:213) came to the conclusion that different firm sizes of different industries follow different innovation strategies. Studies by Laforet, (2009) in the non-high –tech manufacturing SMMEs, revealed that firm size has effect only on process innovation. Furthermore, Vaona and Pianta (2008:283); Gallego, Rubalcaba and Hipp (2012:213) found positive links between firm size and product and process innovations.

The above findings point to the necessity to conduct size, industry, and context specific investigation into drivers of innovation. Yet it appears that current research does not address these issues. For example, while it is evident that there has been several studies on the relationship between firm size and innovation (Cohen and Klepper, 1996; Wagner and Hansen, 2005; Fishers, 2009; Booyens, 2011), there appears to be limited research investigating the extent to which small firm size spectrum (micro, small and medium) influences innovation in small accommodation businesses in developing countries. Similarly, despite the multiple studies that have attempted to establish the link between firm size and innovation, few have related firm size to specific innovation dimensions such as product, process, marketing and organisational considerations. In fact, results of the current literature review shows that the majority of studies are biased towards firm size versus product and process innovation only, leaving out other dimensions such as marketing and organisational

innovation. Thus, it will be interesting to find out what innovation strategies (if any) do small accommodation businesses in Zimbabwe and South Africa pursue as well as the influence of firm size on product, process, marketing and organisational innovations with small accommodation businesses in Zimbabwe and South Africa.

4.3 MARKET ORIENTATION (MO)

The innovation construct was unravelled in Chapter 3. Coupled with the discussion in the previous section, it was stated that innovation has a market orientation dimension. The genesis of market orientation can be traced to Drucker's (1954) who argued that the main purpose of a business is to create satisfied customers. In today's global economy where competition rules, there is the need to direct every business strategy or action at creating, keeping and satisfying customers. According to Narver and Slater (1990:20); Kohli and Jaworski (1990:1); Kok and Biemans, (2009:175) one strategy that can assist business in identifying and satisfying customers' needs ahead of competing rivals is Market Orientation.

To understand the link between market orientation and innovation, it is essential to operationalize the market orientation construct. This makes it essential to comprehend the market orientation dimension. However, there is no consensus on the definition of this theoretical construct. For example, Narver and Slater (1990)'s definition of market orientation emphasizes employees' provision of superior value to customers, Hillebrand, Kok and Biemans (2003:139) corroborate with the Narver and Slater (1990) definition on the aspect of focusing on customers but highlight the need of businesses to pay attention to (i) customer's needs (ii) preferences and (iii) business rivals. Dibrell, Craig and Hansen (2011:467) regards market orientation as a strategy that focuses on customer needs fulfilment and monitoring of competitors actions. From these perspective, market orientation appears to aim at **gaining a full understanding** of the needs and expectations of customers while keeping a close look at competitors. Such **understanding** may include but is not limited to listening carefully to customers, and tracking and monitoring market dynamics including challenging strategies and actions of competitors. Schindehutte, Morris and Kocak (2008:4) appear to share the **gaining a full understanding** sentiment by suggesting that the objective of market orientation is to create durable relationships with customers and members of the value chain.

It can therefore be concluded that market orientation will enable small accommodation business to understand the nature of competition face and how to react to it. It is also then

fair to suggest that an understanding of customers and business rivals will provide small accommodation businesses the opportunities of generating new ideas and developing new products and services. Such innovation outputs are envisaged to foster greater efficiency and enhance competitive advantage.

4.3.1 Market orientation components

Different scholars view market orientation to consist of different components. Kohli and Jawarski (1990:1) view the market orientation to consist of three components namely: (i) gathering intelligence information; (ii) dissemination of intelligence information; and (iii) the response of the business based on the intelligence information. Similarly, Narver and Slater (1990:21), identify three behavioural components for marketing orientation namely **customer** market orientation, **competitor** market orientation and **inter-functional** orientation.

In the later conceptualisation, **customer orientation** can be operationalized as the extent to which a business listens to its customers; treats customers as partners in business; encourages customer comments and complaints; is quick to detect changes in repeat customer preferences; is committed to its customers, monitors customer satisfaction; offers after sales service; trains of employees in customer service; and is concerned with customer satisfaction (Narver and Slater, 1990: Rueket, 1992:228). On the other hand, **competitor orientation** is seen to involve ensuring that the business identifies its competitors both current and potential; analysing competitors' strengths and weakness as well as responds swiftly to competitor's strategies and actions that threaten the business (Day and Wensley, 1988: Kotler, 2000). Finally, **inter-functional coordination** refers to coordination among the firm's various functions to ensure customer value (Narver and Slater, 1990).

Narver and Slater (1990) conceptualisation has generally been accepted as incorporating most of the essential elements of marketing orientation (Gray, Matear, Boshoff and Matheson, 1998:884). Several scales have been used to measure customer orientation. Amongst these scale are those developed by Narver and Slater (1990); Pelhans and Wilson (1996); Lukas and Ferrel (2000); Calantone et al. (2002); Yau et al. (2007). The Cronbach alpha reliability coefficient of these scales averaged 0.762 and hence is considered suitable and acceptable for use in measuring the market orientation construct. This approach was used to measure market orientation in the current study.

4.3.1.1 Customer Orientation

As can be inferred from Section 3.4.1, the concept of customer orientation was pioneered by Kohli and Jaworski (1990) and Narver and Slater (1990) in their investigation on market orientation. According to these pioneers, customer orientation refers to an organisation's deliberate provision of products/services that meet and satisfy the needs and expectations of customer. Kotler (2004), McEachern and Warnaby (2005) and Nakata and Zhu (2006) definitions of customer orientation added a new aspect which is **providing appropriate responses to customer needs**. Careful analysis of these definitions shows emphasis on **understanding and satisfy the needs of customers**. The key issue here is that an understanding and satisfaction of both current and potential needs of customers is essential for providing customers with sustainable value hence giving a business competitive advantage.

Given the just discussed scenario, one can expect businesses regardless of size, to be customer oriented in order to provide goods and services that meet customer's needs and expectations. Realising that globalisation and advances in technology have revolutionised the marketplace to the extent that customers have now become better organized, well informed and more demanding, Beverland and Lindgreen, (2007:430) opine that customers now expect business to understand them and proactively and satisfactorily serve them with both their latent and future needs. In developing economies where small business suffer from limited resources compared to their large business rivals, customer orientation should be an obvious strategy. According to Mignon and He (2005:92), commitment to customer orientation must become a basic value, belief and organisational culture. All of this is based on the belief that satisfied customers become loyal and continue to support the business (Suliyanto and Rahab, 2012:134).

The natural question that arises from the just ended conclusion is how do businesses become customer oriented? Certainly, business will need to understand the needs and expectations of customers and then tailor make products and services that are commensurate with such requirements. Close interaction with customers, conducting customer needs analysis as well as closely monitoring the actions and strategies of competitors will also provide rich information for businesses to offer the right products/services to the right customer at the right price and place. For instance, to develop an effective new product or service, it is imperative to be aware of the market trends and

adapt one's offerings accordingly. Thus, a customer-oriented firm that closely monitors customers' needs may improve creativity by producing novel and meaningful ideas that enhance organizational innovativeness.

4.3.1.2 Competitor orientation

According to Narver and Slater, (1990:22) and Deshpande (1993:23), competitor orientation refers to an organisational culture that emphasizes the full understanding of short term strengths and weaknesses and long term capabilities, abilities and strategies for both current and potential competitors. A competitive-oriented firm closely monitors its own progress against its rivals continuously leading to new ideas that facilitates innovations to stay ahead of competitors. This implies a companywide competitor-oriented culture. A competitor-oriented culture enhance R&D activities because the firm is ardently aware of the industry trends through the collection of intelligence from competitors and the market, which can result in the generation of novel and meaningful innovations in response to competitors' actions. Competitor orientation helps the businesses to identify substitutes, new entry competitors and their strategies and new technologies. Such competitor knowledge will help businesses to plan and formulate strategies for out-competing their rivals. However, business needs to monitor the degree to which it pays attention to competitors. Too much focus on competitors has been identified to stifle the development of breakthrough products leading to the development of "me too" products (Day and Wensely, 1988:1).

4.3.2 Importance of market orientation to small accommodation business

Researchers have indicated positive links between market orientation, innovation and market share, sales and quality of customer services (Augusto and Coelho, 2008; Gopal, 2008). For instance, Arogon-Correa, et al. (2007:349) and Laforet (2008:753) posit that market orientation is necessary for business growth. Shiruyehzad, Raayat, Sanati, Piroozfarsh and Debastani (2009:1) found market orientation strategy is essential for stimulating market demand as well as predicting risk in business environment. Firms characterized as market oriented therefore develop an in-depth understanding of present and potential customer needs. These firms also understand and respond to changing competitor activities in order to exploit opportunities and circumvent threats (Hunt and Morgan, 1995:1; Kohli and Jaworski, 1990:1). Market orientation can therefore be a source

of competitive advantage essential for survival in the unpredictable small accommodation marketplace.

4.4 RELATING MARKET ORIENTATION TO INNOVATION

The discussion so far indicates that the concepts of market orientation and innovation continue to be of high interest among scholars. The reason is quite easy to explain. It can be said that because the purpose of a business is to create sustainable customers (Kotler, 2004), no one interested in the success of business regardless of size or type can ignore the interplay between market orientation and innovation. This means that understanding the interplay between the variables market orientation and innovation is equally important in the small business context as it is for large business context. However, to date, studies on the relationship between market orientation and innovation tend to focus more on large firms and even then mostly in the manufacturing sector (Salavou, Baltas and Lioukas, 2004; Laforet, 2009). Notably, these researches have produced mixed results (Lukas and Ferrel, 2000; Zhou, Yim, and Tse (2005). These mixed results probably explain why some few researchers like Kohli and Jaworski (1996) did not include innovation in their models of market orientation.

On the other hand, most others like Narver and Slater (1990:20); Deshpande, Farley and Webster (1993:23) believe market oriented firms tend to be innovative because they (i) are more responsive and positioned to anticipate the rapidly evolving customers' needs and (ii) have a thorough understanding of both customer needs and competitor strategies and capabilities. Consistent with these claims, studies have found that market orientation and specifically customer and competitor orientation are positively related to innovation (Lukas and Ferrell, 2000; Augusto and Coelho, 2007:94). A study by Cambra-Fierro Florin, Perez and Whitelock (2011:444) came to the same conclusion. The majority of these studies were conducted in large manufacturing business in developed economies. In the African context, Cadogan and Boso's (2012) unique research into export businesses in Ghana revealed that market orientation is a driver of product innovation.

A few of the studies in small biotechnology industries such as Renko, Carsuid and Brannback (2009) found that market orientation enables businesses to excel in innovation as they meet customer needs and expectations while closely monitoring competitor's strategies. Like their large business counterparts, the few innovation studies on SMMEs were also conducted in manufacturing and technology firms and their results concurred with

those of large firms. For example, Salavou et al. (2004) found that like large firms, market oriented SMMEs tend to be innovative in the manufacturing firms. The study also showed that market and learning oriented SMMEs facing strong competition tend to be even more innovative than large firms. Mavondo, Chimhanzi and Stewart's (2005:1235) research into the influence of market orientation on small businesses brought in a new aspect of testing the influence of market orientation on specific innovation dimension. Their study revealed that market orientation is positively associated with product and process innovation as well as administrative innovation. Kirca, Jayachandran and Bearden (2005:24) also found that market orientation has an influence on performance through innovativeness, customer loyalty and quality. Unlike other scholars, these authors posited that market orientation is positively related to organisational innovativeness and new product performance.

In addition to the apparent bias towards large and mostly technical firms in manufacturing, most studies that tested the relationship between market orientation and innovation are criticised for not (i) testing the influence of a number of independent variables on specific dimension of innovation (ii) focusing on developing economies (iii) incorporating manager's characteristics (Johnson, Dibrell and Hansen, 2009; Laforet, 2009; Liu, 1995; Salavou, 2004). The current study investigates the influence of market orientation on four innovation dimensions namely product, process, marketing and organisational innovations in small accommodation businesses in developing economies while incorporating managerial characteristics in the same study.

4.4.1 Customer orientation and innovation

Consistent with the results on the general market orientation and innovation relationship research, studies that examined the relationship between customer orientation and innovation also showed mixed results.

On one hand, it is argued that by focusing on customers, businesses are able to provide products and services that match their customer needs (Laforet, 2009). Fortuin and Omta (2009:839) researched nine organisations in the Netherlands and found a link between customer orientation and innovation. Similarly, Laforet, (2009:188) studies on 60 small firms' in UK and concluded that customer orientation has an impact on innovation practices (product, process and organisational).

On the other hand, an investigation on 93 Spanish organisations' by Santos-Vijande and Alvarz-Gonzalez (2007:514) revealed that there is no relationship between customer orientation and technical innovation. Similarly, findings from a study of 108 German managers from different organisations also showed negative association between customer orientation and the performance of new product (Voigt, 2011:845).

Despite their usefulness in understanding how the relationship pans out in the western context, their findings cannot be projected into developing countries context (Zimbabwe and South Africa).

4.4.2 Competitor orientation and innovation

Scholars continue to debate whether competitor orientation positively influences innovation or not. Research by Day and Wensley (1998:1) revealed that the propensity of businesses to achieve a breakthrough in product development could be curtailed by paying attention to competitors. Day and Wensley (1998:13), reasoned that competitor orientation is essential in identifying and monitoring competitors' strategies and actions. For example, with knowledge of both current and potential competitors, a business is able to track changes in price and launch of new products/substitutes as well as the speed and timing of such competitor moves. Equipped with such information, the business can formulate best strategies and courses of action to survive in competitive business quagmire. An in-depth interrogation of ICT companies in Jordan by Al-Dmour, Pof and Ahmad Amin, (2012:1) also reveal that the most influential independent variable within the market orientation construct to influence service innovation is competitor orientation. Al-Dmour, Pof and Ahmad Amin, (2012:1) propose that competitor orientation facilitates generation of new ideas that foster innovation. A competitor oriented culture is believed to enhance research and development due to the businesses privy to trends through gathering of competitor and market information. This kind of intelligent information may allow businesses to produce innovative products and service thereby countering the competitor's strategy.

However, a similar study by Lukas and Ferrel's (2000:239) into the effect of market orientation on product innovation in manufacturing companies in USA came to the different conclusion that competitor orientation is negatively associated with the development of new-to-the-world products. These researchers then explained this finding that by focusing on

competitors, the business loses sight of opportunities and is forced to follow or copy the competitor's strategies and will therefore not innovate.

4.4.3 Interfunctional coordination and innovation

The inter-functional coordination construct links activities for various facets of business. It emphasises the extent to which business departments interact and communicate, share and coordinate information and jointly get involved beginning from idea inception, new product development until the product launching phase (Narver and Slater, 1990). It is argued that cross functional integration positively affects innovativeness of firm as it facilitates the generation, collection and dissemination of market intelligence about new and meaningful stimuli across functional areas, thus encouraging creativity. Woodside (2005) found that inter functional coordination allows ideas to flow freely across the entire business and facilitates new products and services concepts to manifest into real products and services to be accepted and used by customers. According to Han, Kim and Strivastava (1998:30), this innovation process is achieved through an openness and sharing of new ideas, resolution of problems and disagreements. Ultimately inter-functional coordination facilitates the innovation by coordinating the effective and efficient utilisation of business resources.

Despite the voluminous literature on the link between market orientation and innovation, most studies focused more on two (customer and competitor) of the three components of market orientation while omitting the third (inter-functional coordination) component. Scholars such as Venkatesan and Soutar (2000) contend that except for the inter-functional coordination factor, customer and competitor factors are the best measures of the market orientation construct. The argument is that in many service businesses, the owner manager performs many of the functions of the business or at least has first-hand knowledge of them. Therefore, inter functional coordination variable can be discounted because small businesses have no distinct departments where different activities of the businesses can be discussed. In spite of this argument, this study will utilise the inter-functional coordination construct because it is too presumptuous to suggest that all small businesses are just too small to have functional departments. Rather, it is possible that SMMEs with up to 200 employees could well have dedicated functional departments.

4.5 LEARNING ORIENTATION

While businesses may be market oriented, the literature also suggests that innovation outputs do not last forever. The products or services that customers preferred previously may be completely different from what they now want. Besides, the business operating terrain is also fast changing due to globalisation (OECD, 2004; Mporu, 2009). As such, businesses are concerned about how they can continuously learn new ideas, identify opportunities and exploit resources in order to survive. Businesses therefore need to be learning oriented in order to continuously identify opportunities. Knowledge is the epistemology of learning and businesses have at their disposal knowledge, resources and skills. Different researchers define learning orientation differently. In his seminal work, Senge (1990) stated that a learning organization is a place where employees are continually discovering how they create reality. Hurley and Hult (1998:42) reiterated that it is during such discoveries that information about customer needs, market changes and competitor actions is obtained and shared. In the context of the hospitality industry, it is argued that small accommodation businesses, require to constantly acquire new knowledge, skills and insights in order to deal appropriately with the different business situation and hence survive.

Studies have revealed that the learning orientation construct has four components. Originally conceived by Sinkula et al. (1997), partially used by Denisson (2000) and then operationalised by Calantone, Cavusgil and Zhao (2002), the learning orientation construct consists of four dimensions namely (i) commitment to learning; (ii) shared vision (iii), open mindedness; and (iv) inter-organisational knowledge sharing. With regards to small accommodation businesses, commitment to learning would entail the owner/managers accepting and supporting learning as the key for obtaining competitive advantage. Shared Vision implies small accommodation businesses involving every employees regardless of their level and discussing what the business intends to achieve in future. Such an all-inclusive platform fosters common goal congruence throughout the entire business. Open mindedness refers to the promotion of an environment where employees of small accommodation businesses develop a culture of critiquing and questioning in pursuit for the best in all aspects. Inter-organisational knowledge sharing will involve sharing of both successes and failures in order for all employees to learn from such experiences. Given that most small accommodation businesses are run by owner/managers, it is argued that only **commitment to learning dimension** can successfully be implemented because the aspect directly involves the top person in the organisation. The shared vision and inter organisational knowledge sharing dimensions may be difficult to execute because the

owner/manager may decide to hold on to information in fear of empowering and or equipping subordinates with information. Similarly, owner/managers may not be comfortable to be positively and openly criticised by their juniors.

4.5.1 Learning orientation and innovation

Literature suggests positive relationship between learning orientation and innovation (Angle, 1989; Strata, 1998; Arogon-Correra, Garcia-Morales and Cordon-Pozo, 2007; Tran, 2008; Salim and Sulaiman, 2011). Except for a few, the majority of the studies did not give finer details of the link between the four components of learning orientation and innovation. A study on learning orientation, firm innovation, capability and firm performance of several US firms by Calantone et al. (2002:515) revealed that all four variables of the learning orientation construct have positive impact on innovation. Consistent with this finding, Ussahawanitchatit's (2008) studied Thai accounting firms' and found that shared vision, open mindedness and intra-organisational knowledge sharing have positive associations with innovation. Ussahawanitchatit's (2008) went on to explain that firms with greater shared vision are better positioned to create different new products and services in line with customer and market needs and expectations than those without a shared vision. In addition, the author suggests that open-mindedness is an organizational value that is necessary for unlearning efforts to transpire and like Panayides and So (2007:179) believes that firms with greater intra-organizational knowledge sharing are more able to create new products and services and gain competitive advantage. Another conclusion that Ussahawanitchatit's (2008) drew was that compared to other components to learning orientation, commitment to learning may fail to stimulate the creation of new products and services. Another influential contributor to the learning orientation and innovation discourse was Tejjadini (2009) who explored the influence of the four learning orientation dimensions on innovation using 87 small size business manufacturing and service and came to the conclusion that higher levels of commitment to learning, shared vision and open-mindedness result in increased innovative activity amongst small businesses. So, seems as if innovativeness in small firms can be driven by commitment to learning.

Salim and Sulaiman's (2011) research into the relationship between learning orientation, innovation and performance among 320 small businesses operating in the ICT industry in Malayasia concluded that the three components of learning orientation namely commitment to learning, shared vision and intra-organisation knowledge sharing all significantly influence

process and product innovations. The results also suggest that commitment to learning has the greatest impact on product and process innovations whilst market innovation is shown to be influenced only by commitment to learning and intra-organisational knowledge sharing components. On the other hand, all four components of learning orientation have significant influence on administration innovation. However, in some, no significant relationship were found between learning orientation and innovation and performance (Santos-Vijande and Alvaza-Gonzalez, 2005:514). Perhaps, these studies were conducted in different industries and or geographical contexts. Thus, unlike the ITC industry which is a pace setter of technological changes and is presumed to have sufficient funding for research and development and hence enough for learning, its degree of innovativeness compared to for example small accommodation businesses could be higher. In addition, studies in developing economies may present different results to those in the developing countries due to different in literacy levels to comprehend the learning orientation aspect.

Extant studies on the link between learning orientation and innovation are criticised for paying little attention to (i) the specific relationships between the components of learning orientation (commitment to learning, shared vision, open mindedness and inter-organisational knowledge sharing) and innovation (ii) the service sector and specifically the tourism industry (ii) developing economies and (iii) comparative studies. Such information gaps make it difficult to transfer the previous study findings to different contexts. Because of these shortcomings, the current study investigates and compares the relationship between learning orientation's four dimensions and four dimensions of innovation in small accommodation businesses (SABs) in Zimbabwe and South Africa. It is expected that the findings will provide SABs with relevant information necessary to inculcate a learning orientation culture critical for their survival in the competitive market.

4.6 MARKET ORIENTATION AND LEARNING ORIENTATION

Though authors still debate which variable influences the other (Santos-Vijande and Alvaza-Gonzalez, 2005) there is empirical evidence to suggest some form of association between market orientation and learning orientation (Santos-Vijande and Alvaza-Gonzalez, 2005; Keskin, 2006). On the one hand, the linkage is that the market orientation is the basis for the improvement of the learning environment (Narver and Slater, 1995). For example, businesses can learn from the close interaction they enjoy with their customers (Ottesen and Gronhaug, 2004:956). On the other hand, learning orientation provides information essential to best serve customers and treat competitors as partners in business. Arguably,

the two work hand in hand. Thus, businesses learn from the market as a derivative aspect of market orientation, while the marketing of businesses products and services from a learning position confirms a learning orientation aspect. In a study of 157 small and medium sized industrial enterprises on market orientation, learning orientation and innovation capabilities, Keskin (2006:396) introduced a completely new dimension by concluding that learning orientation acts as a mediator between market orientation and innovativeness. Notwithstanding the debate on whether marketing orientation influences learning orientation or vice versa, the two constructs influence innovation (Erdil, and Keskin, 2006:1) and hence business performance (Aragon-Correra et al. 2007:349).

While marketing orientation is believed to influence innovation and ultimately enhance survival of business in the ever-changing business arena, some scholars (Mavondo, Chimhanzu and Stewart, 2005:1235) have argued that market orientation is not sufficient to sustain competitive advantage in the long term. Instead, they argue that market orientation should be complimented by learning orientation in order for businesses to gain a sustainable competitive advantage. Such business orientations would be ideal for small businesses that often face fierce competition and would not survive without sustainable competitive advantage.

4.7 FIRM SIZE AND MARKET ORIENTATION

Studies that have attempted to establish the relationship between firm size and market orientation focused more on testing the effects of medium, large and extra-large firm sizes on market orientation while paying little attention to similar effects by micro, small and medium sizes firms. Results of a study by Liu (1995:57) showed that compared to medium sized firms, large firms are more market oriented while there is no difference in the level of market orientation between large and extra-large firms. This is attributed to the availability of financial, human and other resources that large businesses normally enjoy. Thus, the bigger the business, the more the resources needed to align the business to adopt a market orientation strategy. For example, big businesses usually have the financial might to fund market research as well as engage high profile marketing expertise.

Few studies that compared the level of market orientation amongst SMMEs found that generally, customer orientation is not a priority for this sector (Appiah-Adu and Singh, 1998:385). The argument is that small businesses serve specific niche markets that are usually not a priority of large businesses. In addition, the customer orientation strategy is

criticised for demanding too many resources which small business have in limited quantities. To the contrary, customer orientation is regarded as a critical determinant of small business survival. Thus, given their limited resources, high cost structures, information asymmetry and lack of brand reputation, small businesses will at all cost embrace customer orientation in order to compete favourably with their large counterparts. In one study, Laforet and Tann (2006:363) found that in small manufacturing business, customer focus influences innovativeness in this sector. Similarly, other studies also found a positive relationship between customer orientation and service innovation (Laforet, 2009:188; Govindarajan, Kopalle and Daneeels, 2011:121). In addition, Wong and Tong's (2012:99) investigation/research into the influence of market orientation on new product success of 217 managers of Chinese firms concluded that customer orientation is positively linked to new product success. Invariably, an understanding of both current and future needs of customers enables small businesses to best serve their customers and hence achieve competitive advantage.

In spite of the link between small businesses and customer orientation, several critical questions still remain unanswered (i) do small businesses need to be market oriented (ii) is market orientation related to firm size and if so (iii) which small business size (micro, small and medium) is more market oriented than other sizes. This study is motivated by the lack of answers to these questions.

4.8 FIRM SIZE AND LEARNING ORIENTATION

In order to survive in world competition, businesses of all sizes need to keep abreast with opportunities and threats and hence stay ahead of competitors. Given their limited economies of scale, Czarnitki and Hottenrott, 2011:65), small businesses need to be more knowledgeable than their large counterparts in order to withstand the competitive tide and survive. In their study on the influence of different size categories of small businesses on two dimensions of learning orientation (commitment and open mindedness), Pett and Wolf (2011:301) report that the small firms group had the highest influence, followed by the micro-firm group and lastly the medium-sized firm group. They argued that both micro- and small-firm boundaries are very close to the core of the organization and as such knowledge, information, and events have fewer layers to penetrate and hence learning becomes easier and facilitates the adaptation of the business to its environment. The challenge is for managers in medium-sized firms to retain a learning orientation given the more formalized and differentiated structure required of the larger size.

4.9 MANAGERIAL CHARACTERISTICS AND INNOVATION

There is empirical evidence from mainly developed economies that the extent to which small businesses engage in innovative behaviour is influenced by selected demographic characteristics such as gender (Crowden, 2003; Kingiri, 2010; Danilda and Thorslung, 2011; Johnson and Lingburg, 2011), education (Edralin, 2007; Sandivot and Verspagen, 2011; Toner, 2012), and past experience (Balmeier and Czarnitzki, 2012; Camelo-Odaz; Fernandez-Alles; Ruiz-Navorro and Sousa-Ginel, 2012, Soltani and Hosseini, 2012;) and not age (Pikkemaat and Peters, 2006; Soltani and Hosseini, 2012).

4.9.1 Age

In spite of the numerous studies on innovation, few have investigated the link between manager's age and innovation. A systematic analysis of innovation studies from 1993 to 2003 by Becheikh, Landry and Amara (2006:401) showed that age was not a point of analysis amongst other managerial characteristics considered. However, Pikkemaat and Peters' (2006) study on the influence of demographic factors on innovation in small businesses in the hotel industry in Europe found no significant relationship between age and innovation. Similarly, a study on the key factors influencing organisational innovation in small rural food industries in the Tehran province of Iran conducted by Soltani and Hosseini (2012:3553) maintained that a manager's age did not influence organisational innovation in small rural food industries. On the contrary, studies that have tested the effect of age on the adoption of innovation output (mobile phones) in the United States of America (Biljon and Kotze, 2004) as well as firm performance in small businesses (Bula and Tiagha, 2012:101) revealed a positive influence between age and innovation. Unlike previous studies that dwelt on developed economies, this study explored the relationship between a small business manager's age and innovation activity in the context of developing economies.

4.9.2 Gender

Like age, gender was not a point of analysis for most innovation studies (Womenable, 2010; Johnson and Lingburg, 2011:1). However, evidence about women in working life and women business owners (Brush et al. 2006:15) has prompted scholars to presuppose that gender analysis can reveal unexploited innovative potential. It is in light of this revelation that studies on gender began to sprout with the majority of them concluding that there is a positive relationship between gender and innovation and that men are more innovative than their

female counterparts (Kingiri, 2010; Danilda and Thorslung, 2011:250; Johnson and Lingburg, 2011). Different scholars have attributed the gender innovation disparity to different issues. According to Womenable (2010), the focus of gender studies has been exclusively in male dominated industries and hence there is a lot of information about men and innovation than women and innovation. Pursuant to the Womenable (2010) study, Johnson and Lingburg (2011) study on gender and innovation concluded that innovation studies focused on male dominated industries such as manufacturing at the expense of feminine dominated industries such as the service sector. Consistent with Womenable (2010); Johnson and Lingburg (2011) findings, Koellinger (2008:21) reiterated that compared to men, women are less innovative because male-dominated occupations are more innovative than their female-dominated sectors. Meanwhile, Kingiri (2010); Salome, Damilola and Sunday (2013:216) attributed the gender innovation variation in favour of men to lack of access to resources such as finance and skilled workforce. Specifically, Kingiri (2010) argued that innovativeness differentials in favour of men is due to unequal access to financial and other resources, new technology, information, poor social networks as well as literacy levels that discriminate against women. Arguably, the societal patriarchy is also viewed as a barrier to women's innovation. Indeed, a study on nurses as innovators in a public sector innovation project conducted by Nahlinder (2010:13) showed that women's innovativeness is hampered by their societal roles within the family and household, which consume their time and also take precedence over innovation activities. In view of the argument raised above and the current worldwide shift of deliberately educating women as well as the focus on gender parity, this study investigated whether gender influences innovation in developing economies such as Zimbabwe and South Africa.

4.9.3 Education

The importance of education in business initially manifested itself in the education policy of nations. According to Patterson, Kerrin and Gatto-Roissard (2009), an education policy is a powerful factor that influences innovation. The objective of such a policy is to ensure that employees are equipped with relevant and appropriate knowledge and skills to meet the challenges that face modern businesses (Dakli and de Clercq, 2004:107). Except for the study on a pilot study of measuring innovation in the small to medium-sized hotel industry in Alpine tourism destination in Europe conducted by Pikkemaat and Peters (2006:89), most studies on the link between education and innovation revealed a positive link between the two. For example, the human capital skill and education are important ingredients for

successful innovation especially in small businesses (De Jong and Hartog, 2007:213), educational background of employees influences the adoption of innovation products (Biljon and Kotze, 2004). More so, a more educated workforce creates potential for engaging in innovation (Toner, 2011) and firms with higher skilled labour-force tend to rapidly introduce new products (Toner, 2011). By the same token, business managers should devote resources to developing skilled and competent human resources essential for promoting innovation (Edralin, 2007:133). Education provides individuals with knowledge and skills to be thoughtful, creative, imaginative, resourceful and innovative (Sandivot and Verspagen, 2011:1) while personnel training affects hotel innovation activity (Orfila-Sintes and Mattsson, 2007:380). Higher levels of education are reported to have a positive and significant effect on the propensity for firms to innovate (Silva and Leitao, 2009). One common argument in support of these positive links is that the knowledge and skills (education) acquired are used to identify opportunities and threats necessary for innovation to unfold or evolve. Education of the human capital broadens their knowledge and skills, re-orient their culture and values thereby encouraging individuals to become idea innovators. Arguably, the more educated the human capital, the more the innovation activities and hence the attainment of sustainable competitive advantage. While knowledge has been identified as a key variable in both generative thinking and innovation, Sternberg's (1982) thesis is that too much expertise in one area can be a barrier to innovation within that domain. Thus, there is a U-shaped relationship between knowledge and innovation where too much or too little knowledge will not lead to new inventions and innovations. Indeed, a study that explored the lifespan development of innovation on the lives of over 300 people found that a lack of and an excess of familiarity within a subject domain can be detrimental to innovation (Amabile, 1996:1154; Mascitelli, 2000:179).

Innovation studies have shown that there are educational requirements for different business sectors such as services and manufacturing. For example, engineering and computer consultancies, industrial design, accounting and legal services are called knowledge intensive service activities (OECD, 2006). These activities are skill intensive and require that professionals in these fields have high levels of educational qualifications. On the other hand activities such as fast food and tourism are much less skill-intensive, but may, nonetheless be game changers in the economy. Such activities require minimal but intensive training for service operatives. Delivery of the service or product is tightly specified and is the hallmark of business success.

Although studies have concluded that the higher the educational qualification, the more the innovation activities (Patterson, Kerrin and Gatto, Roissard, 2009; Sandivot and Vespagan, 2011; Toner, 2011), other scholars argue that innovation is more visible from employees with skills from vocational and technical college levels (Patterson et al., 2009). In many respects, most developing countries identified technical skills gaps and as such have established vocational and technical colleges that focus on empowering youths with skills in order that they may become entrepreneurs. In the context of the study, both Zimbabwe and South Africa have such vocational colleges which mainly offer certificates and diploma qualifications. In light of the curriculum that focuses on entrepreneurship, it is greed that vocational or college level employees engage in innovation. However, the debate about whether vocational and college or university graduates are more innovative than the other cannot be concluded more so in different developing countries context. This inconclusive debate therefore forms the basis upon which this study investigated the influence of education on innovation among small accommodation businesses) in Zimbabwe and South Africa where the bulk of small business owners/managers are victims of retrenchments and unemployed graduates from various learning institutions.

4.9.4 Experience

Small businesses may need to take advantage of the manager's experience in harnessing innovation activities essential for survival. According to Weterings and Koster (2007), experience of managers refers to a set of managerial skills and knowledge that managers accumulate during their careers. Like education, managerial experience is a unique asset that does not depreciate in value and there is no limit on its use (Toner, 2011). There is a growing body of evidence to show that managerial experience influences innovation activities. For example, Pikkemaat and Peters' (2006:89) study of the small to medium sized hotel industry in Alpine tourism destination in Europe found a positive relationship between managerial experience and innovation. Consistent with the results of this study, recent studies (Balmeier and Czarnitzki, 2012; Soltani and Hosseini, 2012:3553) also reported similar findings. Balmeier and Czarnitzki's (2012) study of 27 central and eastern European countries revealed robust positive relationships between industry specific experience of top managers and firm innovations. Their findings suggest that managerial experience influences innovation activities indirectly. One example is knowledge of how to protect new inventions from being imitated and how to cope with government obstacles. Accordingly, the Soltani and Hosseini's (2012:3553) study on the key factors influencing organisational

innovation in small rural food industries in Tehran province of Iran maintained that a manager's experience influences organisational innovation in small rural food industries. Similarly, research into the relationship between entrepreneur and innovation of small creative firms conducted by Camelo-Ordaz, Fernández-Alles, Ruiz-Navarro, Sousa-Ginel (2012:513) demonstrated that an entrepreneur's previous experience in developing and commercializing creative products and services positively affects a firm's innovation performance. Arguably, experienced managers are better positioned to influence innovative activities due to (i) their better insights into future business opportunities and niche markets (ii) products, technologies or market development (iii) their strong career-based networking and alliances with customers and suppliers (Sorenson, 2003:513) and (iv) their ability to access external resources such as skilled labour within an industry or suppliers of scarce, highly-specialized or customized goods or service (Sorenson, 2003:513). These studies suggest that the positive effect of managerial experience on innovative firm activities is presumably more pronounced in situations of institutional shortcomings, weak contracts enforcement and political instability.

Reviewed literature on the influence of managerial characteristics on innovation identified the following gaps (i) most studies were conducted in developed economies (ii) no known studies have jointly investigated the influence of innovation drivers and managerial characteristics on innovation in small accommodation businesses and (iii) there is limited research into comparative studies that have combined the influence of firm size, market orientation, learning orientation and managers characteristics in a single study in small accommodation in developing economies. As such, this study aims to contribute to the literature on the drivers of innovation among small businesses by focusing on small accommodation businesses in Zimbabwe and South Africa.

4.10 CHAPTER SUMMARY

The objective of this chapter was to unravel the relationship between independent variables (firm size, market orientation, learning orientation, managers' demographic characteristics) on the dependent variable (innovation). Despite the skewed focus on developed economies in large manufacturing sector of previous studies, all independent variables except for manager's age were found to positively influence innovation activities. Studies that have analysed the relationship between these independent variables and dimensions of innovation (product, process, marketing and organisation innovations) are limited. Results of these studies revealed a positive association between most independent variables and

product and process innovations. By gaining a detail understanding of the specific drivers of innovative activity, small accommodation firms may develop insights into actions that would improve their competitiveness and contribution to the economy. Chapter 5 discusses the study's research methodology.

CHAPTER 5: RESEARCH METHODOLOGY

5.1 INTRODUCTION

In the previous chapter, the drivers of innovation were examined to understand the dynamics of their relationships with the innovation domain. This served as a precursor to a more nuanced exploration of these drivers extent of influence on innovation in small accommodation businesses in Zimbabwe and South Africa. The two countries were selected because the majority of previous studies conducted in small tourism/accommodation businesses were in developed countries and non-comparative. In addition, the two countries are more or less in the same geographical region thereby making it easier to compare as they share/interact not only in terms of the boundaries but also trade. Besides, these countries were convenient for the researcher in terms of being familiar with them, understanding of language (English) use in countries, and travel times and cost effectiveness. This chapter discusses the research design, sampling methodology, questionnaire development, research variables and measures, data collection and analysis procedures.

5.2 RESEARCH DESIGN/APPROACH

The study adopted the positivist research paradigm (Hair, Wolfinbarger, Ortinau and Bush 2008:78) and consistent with this philosophical leaning employed a quantitative research approach. The study was descriptive in nature and explored the relationships between variables. In addition, the study was also exploratory because it investigated a phenomenon in a new (small accommodation business in developing country context) which needed to be explored for better understanding of its constitutive nature (Kumar, 2011:11) in the new context. Save for developed economies, the relationship between firm size, market orientation, learning orientation and innovation, this study could be the first of its kind in developing countries in Africa. Furthermore, the novelty of the study also includes the comparative aspect which perhaps has not been pursued widely both in developed and developing countries. The study is cross national comparative because it compared two countries namely Zimbabwe and South Africa. According to Hair, et al. (2008:32); Blumberg et al. (2008:10); Cooper & Schindler (2008:18); a descriptive study involves the systematic collection of numeric data with the aim of statistically establishing whether a relationship/s exist/s between two or more variables at a point in time while not demonstrating causality. In addition, descriptive studies are associated with surveys (Blumberg et al. 2008:10) which

are underpinned by the positivist epistemology (Creswell, 1994:2). As such, the study adopted the survey method and examined the influence of firm size, market orientation, learning orientation and manager's characteristics on innovation among small accommodation businesses. The survey method was adopted because it offered many advantages, including facilitation of advanced statistical analysis and the ability to generalize results to the greater population (Borrego, Douglas and Amelink, 2009:53). Thus, it is possible, easier and much more convenient to carry out data analysis with statistical software packages such as SPSS. In addition, the survey method can accommodate large sample sizes and hence results can be generalised to the target population (Hair, et al., 2008:105). Indeed, Mouton and Grouhaung (2005:232) concluded that the survey is the best method available to the social scientist interested in collecting original data for describing a population too large to be observed directly.

5.3 POPULATION AND SAMPLE FRAME

The target population for this study comprised all small accommodation businesses in two selected provinces of Zimbabwe and South Africa. Only small accommodation businesses (measured by the number of employees) registered with the tourism authorities of the two countries were considered. At the onset of this study, there were two hundred and fifty seven (257) SABs in Manicaland Province in Zimbabwe (Zimbabwe, Tourism Authority, 2011) and three hundred and thirty one (331) in the Free State province of South Africa (Tourism authority of the Free State database, 2011). However, failure to continuously update the small business database resulted in fewer numbers of small accommodation businesses being found during the data collection exercise. Amongst other reasons for the reduction in number of observation units during data collection was the shift from the local to foreign multicurrency which when coupled with the initial implementation of the Zimbabwe indigenization policy resulted in the closure of some white owned businesses across business sizes and sectors. Nine (9) small accommodation businesses especially those owned by whites ceased operations in Zimbabwe during the period between the development of the study proposal and data collection. This resulted in revised population figure of SABs in Zimbabwe from two hundred and fifty nine (257) to two hundred and forty eight (248). The white owners feared the indigenization and economic empowerment policy which mandated foreign non Zimbabwean to cede 51% ownership of businesses to indigenous Zimbabweans leading to closure of their businesses. For South Africa no changes were observed. The aggregate target population for the two provinces was five hundred and seventy nine (N=579) SABs for the study.

5.4 SAMPLING FRAME

A sampling frame, according to Hair et al. (2008:129) refers to the actual list of all eligible sampling units. Thus, a sampling frame contains a list of the elements of the population from which a sample will be drawn. Sampling frames for this study comprised lists of all small accommodation businesses registered with Zimbabwe Tourism Authority and with the Free State Tourism Board for Zimbabwe and South Africa respectively. However, as highlighted by Dzansi, (2004:183); Pretorius and Millard (2005:59), obtaining complete or updated records for small businesses is sometimes problematic. Indeed, there was a variation of the sampling frame of small accommodation in Zimbabwe. The sampling frame used during the early period of writing the study proposal differed from the one finally used during data collection. Considering that the change was small ($257-248=9$), new calculations were done for the sample size.

5.5 SAMPLE SIZE

While different studies use different sample sizes, the following factors are key in determining the sample size (i) representativeness (ii) sample size (iii) population size (iv) finance (v) time available (vi) characteristics of the population (vii) objectives of the research (viii) data analysis (ix) non response factor (x) statistical precision and (xi) sampling error (Struwig and Stead: 2001:118; Blanche, Durrheim and Painter, 2006:49). Although other factors are important, a study on business research methods conducted by Cooper & Schindler, (2011:374) revealed that the variation in the population characteristics and the desired level of accuracy are fundamental in determining the sample size. Another guideline in determining the sample size is that the sample size must allow sound and robust statistical analysis to be performed (Hair, Wolfinbarger, Ortinau and Bush, 2008). They reiterated that a minimum of 30 observations are sufficient for statistical computations to be performed. It therefore follows that the minimum number of small businesses for each study site should not be less than 30 observations. Table 5.1 shows the formula that was used to calculate the sample size where: $n = z^2pq/e^2$. Thus: $n = (1.96^2)(.9)(.1)/0.05^2 = [3.8416 (.24)/0.0025] = 139$. Accordingly, each study area had to sample one hundred and thirty nine (139) small accommodation businesses. The sampling procedure used to obtain these samples is detailed under section 5.6.

Table 5.1: Character explanation

| Character | Explanation |
|------------------|---|
| n | Sample size |
| z | 1.96 at 95% Confidence interval |
| p | Proportion of the population with desired attribute |
| q | 1-p |
| e | 0.05 precision required (Significance level) |

5.6 SAMPLING PROCEDURE

Sampling procedure refers to the process of selecting elements to be observed (Blance, Durrheim and Painter, 2006:133). In line with the positivist epistemology, this study utilised probability sampling. Samples were drawn from sampling frames consisting of lists of all small accommodation businesses for each of the two provinces. Specifically, stratified random sampling was used. Stratified random sampling refers to a probability sampling technique in which the population is divided into mutually exclusive and exhaustive homogenous subsets and each element is chosen independently from each subset (Ghauri and Gronhaug, 2005:150; Hair et al., 2008:133). This sampling method was chosen to ensure that all the three categories of small business sizes (micro, small and medium) were selected proportionately. Specifically, stratified random sampling was followed by random sampling within each of the three categories of small accommodation businesses in order to arrive at the final samples (Mouton and Prozesky, 2005:175).

5.7 INSTRUMENT DESIGN

A structured questionnaire was designed mainly to capture the indicators that would adequately form a baseline for capturing the drivers of innovation among different categories of small accommodation businesses in developing economies. The list of indicators, and the formulation of the new questionnaire thereof, was a culmination of the authors' extensive review of literature on similar instruments. The questionnaire consists of five sections (A-E) and a copy is contained in Annexure A.

5.7.1 Firm size

Literature (Ghafoor and Iqbal 2007; Zindiye, 2008) attest that the classification of small businesses (firm size) is based on four major aspects namely (i) annual revenue (ii) assets base and structure (iii) number of employees and (iv) registration. Ordinarily, small businesses would not want to disclose information about their business such as annual turnover, value of assets and whether registered as this has a bearing on tax remittance. However, many small businesses are at liberty to disclose information about the number of employees. The grouping of small business categories were in line with each nations small business classification (see Annexure A, question 12). Hence, this study used the number of employees to determine the firm sizes of small businesses. This is consistent with an instrument developed by Kimberly (1976).

5.7.2 Market orientation

The market orientation construct occupied section C of the questionnaire and was measured under two themes namely customer and competitor orientation. A new market orientation scale was developed after literature review which included consultation of existing scales developed by Narver & Slater (1990); Pelhans and Wilson (1996); Lukas and Ferrel (2000); Calantone et al. (2002). The customer orientation theme had sixteen questions (C1:18-33) while the competitor had seven (C2:34-40). A provision to explain any issue under investigation in detail was provided at the bottom of each of the two themes.

5.7.3 Learning orientation

Section D contained the learning orientation construct which was developed from literature and extensive review of existing scales developed by Hurley and Hult (1989); Senge (1992); Baker and Sinkula (1999). The learning orientation scale had four subsections each representing the components of the learning orientation construct. The learning orientation construct had a total of 24 items made up of subsection D1 (Commitment to learning) = 7 items, D2 (Shared Vision) = 5 items, D3 (Open Mindedness) = 5 items and lastly D4 (Intra-organisational knowledge sharing) = 7 items.

5.7.4 Innovation

The dependent variable (innovation) measurement scale was developed in conjunction with existing scales developed by Confederation of British Industries (CBI) and the Department of Trade and Industries (DTI) scale CBI/DTI Innovation unit (1996); Hurt and Teigen (1997); Calantone, (2002), and Keskin (2006). The innovation construct was measured under Section E with the dimensions namely product/service, process, marketing and organisational having 9, 12, 13 and 7 items under subsections E1, E2, E3 and E4 respectively. The measuring instruments for market orientation, learning orientation and innovation were adjusted to suit the context of small accommodation businesses in developing economies such as Zimbabwe and South Africa.

5.8 SELECTION AND TRAINING OF RESEARCH ASSISTANTS

Research assistants were university students and unemployed graduates. A total of 4 research assistants were selected based on their previous exposure and experience of data collection.

5.9 ENSURING RESEARCH CREDIBILITY

The credibility of a study is to a large extent, depended on the reliability and validity of the a measuring instrument (Zikmund et al. 2013:301). According to Hair et al. (2008:356) and Cooper and Schindler (2011:280), validity refers to the degree to which a research instrument serves the purpose for which it was constructed. Literature (Yau et al. 2007: 1313; Cooper & Schindler, 2011:280; Zikmund et al. 2013:304) recognizes three types of validity namely: content, construct and convergent validity. Content validity (or face validity) of the measuring instrument refers to the degree to which the entire domain of the subject or construct of interest was properly sampled. The study ensured content validity by adequately covering the constructs of firm size, market orientation, learning orientation and innovation. In addition, the questionnaire received input from by an expertise in innovation and small businesses as well as from the statistician.

5.9.1 Convergent validity

According to Hair et al. (2008:339) convergent validity refers to the degree to which different measures of the same construct are highly correlated. Convergent validity demonstrates the success of an instrument either in predicting or estimating outcomes (Zikmund et al. 2013:304). In the case of this study, a prediction of the performance outcomes of

demographic variables, firm size, market orientation and learning orientation and innovation was done through a pilot study.

5.9.2 Construct validity

Construct validity refers to the degree to which researchers measure what they intend to measure and to which the proper identification of the independent and dependent variables were included in the investigation (Hair et al., 2008:338). Much as there are several existing instruments for measuring the various constructs under study, the measuring instrument used was largely developed from literature with few adjustments to the existing ones.

5.9.3 Reliability of the research instrument

In research, reliability refers to the extent to which the measurements taken with a particular instrument can be replicated (Hair et al, 2008:351; Kumar, 2011:181). It is the ability of an instrument to give similar results at different times with the same group of respondents. Thus, reliability is concerned with consistency of measures. The objective of ensuring reliability of measuring instruments is to minimise the errors and biases in a study. Thus, the greater the degree of consistency and stability in an instrument, the greater is the reliability (Kumar, 2005: 157). The reliability of the scales used in this study was measured using Cronbach's alpha. The Cronbach's alpha analysis is commonly used to assess the internal consistency reliability of multi-item scales at an interval level of measurements. According to (Zikmund et al. (2013: 305), Cronbach's alpha coefficient values vary from 0-1. Coefficient values of less than 0.60 are considered poor, reliabilities in the 0.70 range acceptable and scores over 0.80 are considered good. In this study, the Cronbach's alpha for the four major constructs of the questionnaire were 0.914; 0.931; 0.944 and 0.972 for firm size; market orientation, learning orientation and innovation respectively. These confirm high reliability of t the research questionnaire used in this study.

5.10 PILOT STUDY

A pilot study is a mini version of a full scale study and an equivalent of a feasibility study whose aim is to pre-test the research instrument. According to Teijlingen and Hundley (2001), a pilot study increases the probability of study success. In addition to the refinement of the questionnaire to make it easier to complete by respondents, the pilot study also helps to establish the validity and reliability of the questionnaire (Saunders et al., 2003:308).

Two pilot studies were carried out in Manicaland province of Zimbabwe and the other in Free State province, South Africa from 2 – 5 June 2013 and 26-30 June 2013 respectively. Ten questionnaires were administered on small accommodation businesses in each of the two study areas. In Free State, two questionnaires were administered in Petrusburg, four in the Foursmith, two in Kroonstad and two in Edenburg. In Manicaland province, four questionnaires were administered in Checheche, two in Honde Valley, two in Berchnough Bridge and two in Headlands areas. The cities and towns were deliberately chosen in order to ensure that they cover the greater parts of the two provinces. The pilot study tested the questionnaires in the field while also acting as training sessions for research assistants. After the pilot study, a few adjustments were made to the questionnaires.

5.11 STUDY AREA

The study was conducted in selected provinces of Free State and Manicaland for South Africa and Zimbabwe respectively. In view of the fact that the study investigated and compared two counties each with different research sites, it becomes prudent to show these research sites in pictorial forms in order to give a better visual impression. Hence, figures 5.1 and 5.2 show selected research sites for the two areas studied. For Free State province in South Africa the study areas included Bloemfontein, Ficksburg, Bethlehem, Welkom, Foriesburg, Clarens and Harrismith (see Figure 5.1).



Figure 5:1: Map of the research sites in the Free State province

The selected study areas in the Manicaland provinces in Eastern Zimbabwe included Mutare, Chimanimani, Chipinge, Rusape, Mutasa, Buhera, Nyanga and Vumba (see figure 5.2).

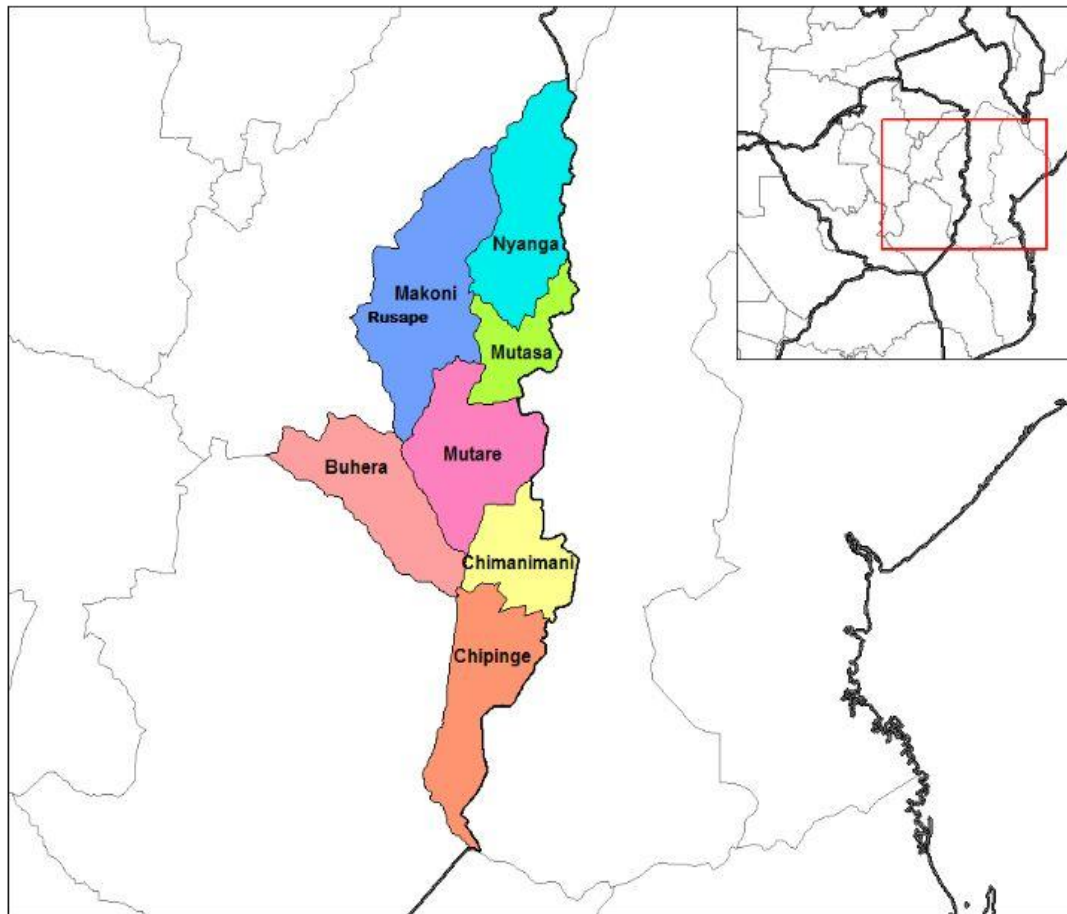


Figure 5:2: Map of the selected research sites in Manicaland province in Zimbabwe

5.12 DATA COLLECTION

A combination of self and interviewer administered questionnaires were used. Interviewer administered questionnaires were used to gather data from the small accommodation businesses in order to cater for some respondents who were not familiar with the terminology used in the questionnaires. In addition, such a method was ideal for participants who indicated that they could not spare time on their own to go through the questionnaire. Considering the nature of the study, the data generation requirements and the limit of the measurement error required, responses were only elicited from only owners and or managers of small businesses who were presumed to be knowledgeable of the firm's characteristics, innovative activities as well as the business performance. To maximize the response rate, different strategies were pursued such as notifying respondents prior to visiting them, regular communication to check progress especially from the self-administered questionnaires, a personalised cover letter and assurance of confidentiality on information from participants. In the majority of cases, the data collection exercise consisted of two or more visits. The first was meant for introduction and or either to make an

appointment for an interview or leave the questionnaire for completion. The second would be either to carry put the interview or to collect the completed questionnaire. The data collection exercise for the two countries was done over a period of four month (August – November 2013). While the target number of questionnaires for each country was 139, two hundred questionnaires were distributed to each country to cater for spoiled and non-response rate. In Zimbabwe a total of 70 completed questionnaires were returned while in South Africa it was 100.

5.13 DATA ANALYSIS

Descriptive statistics were used to report the sample responses to all questions using frequencies, measure of central tendencies (mean) and measure of variation (standard deviation) for the two countries (Zimbabwe and South Africa). The responses are displayed in tabular and graphical forms in Chapter 6. Cronbach's Coefficient Alpha reliability analysis was used to test the internal consistency of the questionnaire. The Cronbach's Alpha coefficients used for all constructs were above the standard acceptable 0.7 (see Table 6.11, Chapter 6). Inferential statistics, one way ANOVA tests were used to determine whether there is a significant difference between firm size, age, level of education and experience as they relate to innovation among small accommodation businesses in Zimbabwe and South Africa. An ANOVA F test was selected to establish if there are any significant difference between variables age, level of education and experience as they relate to innovation. The ANOVA F test was chosen because the data was non-dichotomous categorical variable meaning the variables had more than two categories. T-tests were also performed to establish if there are any significant difference between genders as it relates to innovation. The T-tests were selected due to the dichotomous nature of the gender variable. In order to establish the source of significant differences among the categorical variables, Bonferonni post hoc tests were done. The Pearson correlation coefficient was used to test the relationships amongst independent scale variables (market orientation, learning orientation and innovation). In addition, multiple regression analysis was then performed to test the hypothesised relationships between the dimensions of the independent variables and the dependent variables. The multiple regression enabled the calculation of the regression coefficient for each independent variable (market and learning orientations) that describes the relative influence of each independent variable on the dependent variable (innovation).

This data analysis approach is consistent with the approach used in similar studies in large manufacturing firms by Salavou et al. (2004) and Laforet (2009) and is the commonly

accepted and utilised data analysis approach in the current literature on the determinants of innovation. The statistical Package for Social Science (SPSS version 21) was used to analyse the data.

5.14 CHAPTER SUMMARY

This Chapter discussed the research methodology used in this study. The research methodology followed the positivist epistemology. Specifically, the chapter provided a discussion on research design, target population, sampling frame, sampling procedure, sample size, the formulation of a questionnaire, pilot study, and the administration of questionnaires, data collection and data analysis. In addition, the reliability of the questionnaire was also discussed. The next chapter presents the empirical results of the study.

CHAPTER 6: RESULTS AND DISCUSSION

6.1 INTRODUCTION

The previous chapter dwelt on methodological issues. This chapter presents and discusses the findings from the study. The chapter commences with discussion of the demographic composition of respondents followed by business characteristics namely firm size, market orientation and learning orientation. Finally the results of the hypotheses testing are presented and discussed.

6.2 RESPONSE RATE

Table 6.1 shows a higher response rate for South Africa (72%) than Zimbabwe (53%). The individual country response rates as well as the average (62.5%) can all be regarded as high considering that studies in small businesses have reported low response rates (OECD, 2004:13). Figure 6.1 shows that South Africa had the highest response rate (58%) compared to Zimbabwe (42%). This difference could be attributed to general apathy of respondents in Zimbabwe perhaps due to lack of pecuniary benefits in voluntary participation.

Table 6.1: Response rate

| Country | Target Sample size | Correctly completed Questionnaires | Response Rate (%) |
|----------------|--------------------|------------------------------------|-------------------|
| Zimbabwe | 139 | 73 | 53 |
| South Africa | 139 | 100 | 72 |
| Average | | | 62.5% |

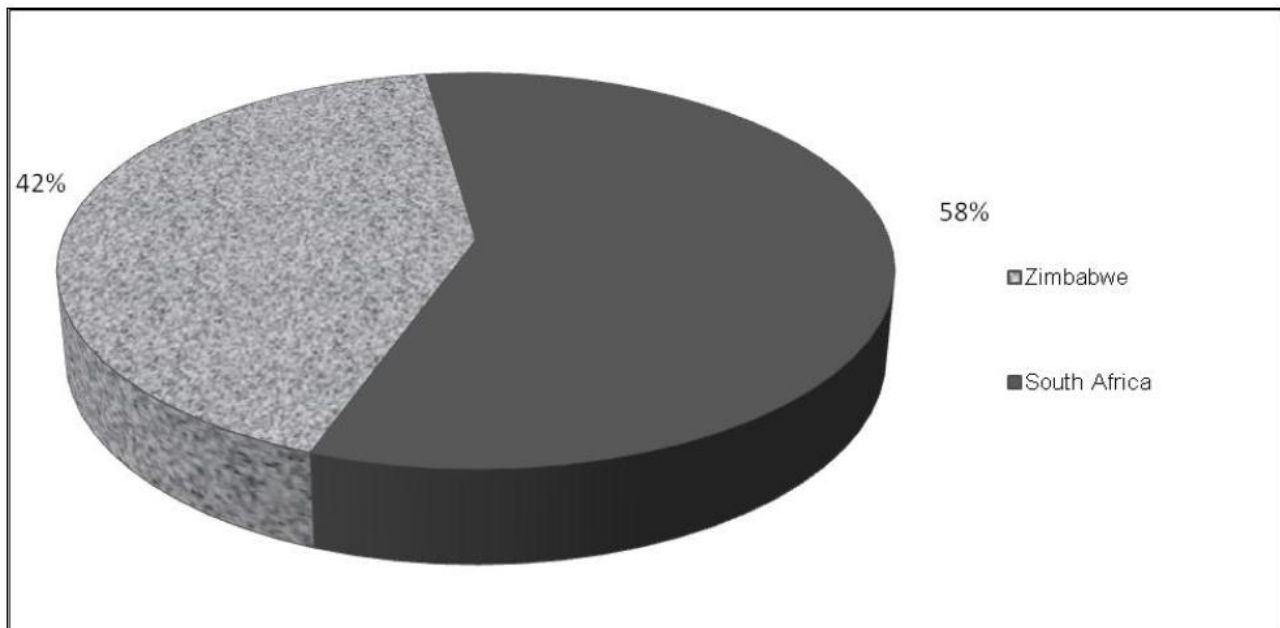


Figure 6.1: Distribution of respondents by country

6.3 DEMOGRAPHICS OF RESPONDENTS

The study focused on selected demographic characteristics namely age, gender, level of education and work experience in the accommodation sector. These were selected on the premise that they had been identified in literature as having influenced innovation in both small and large businesses (Danilda and Thorslung, 2011, Toner, 2011; Balmeier and Czarnitzki, 2012; Bula and Tiagha, 2012).

6.3.1 Age

Table 6.2 shows the percentage distribution of age of owner/managers of small accommodation businesses by country. In Zimbabwe, the majority (36%) of respondents were within the age group 31-40 years and the least were in the 18-20 years category. In South Africa, the 51 and more years age group dominated (34%) while the 18-20 years age group was the least (1%) represented. These differences could be that in Zimbabwe, the combination of retrenchments and the rather aggressive business takeovers under the indigenous entrepreneurship drive have apparently resulted in the middle aged people (31-40) owning most small accommodation businesses. In South Africa, where the socio economic situation is relatively stable, the original owners/managers of small businesses are still running them even at ages above 51+ years.

Table 6.2: Percentage distribution of Age of owner/manager by country

| VARIABLE | COUNTRY | |
|-------------|--------------|------------------|
| | Zimbabwe (%) | South Africa (%) |
| Age | | |
| 18-20 years | - | 1 |
| 21-30 years | 16 | 26 |
| 31-40 years | 36 | 24 |
| 41-50 years | 18 | 15 |
| 51+ years | 30 | 34 |
| Total | 100 | 100 |

6.3.2 Gender

Table 6.3 indicates that the Zimbabwean sample had more male respondents (56%) than females (44%) whereas the South African sample had more females (63%) than males (37%). The variation could be a reflection of the social structures in the two countries. The strong patriarchal power structure of the Zimbabwean society (the gender asymmetries where man's space is often conceived as the public space while women still dominate the private space home) probably predispose males better than females to own private businesses. In the South African context, a combination of more sophisticated recognition of women in the mainstream economy (affirmative action policies, a more democratic constitution that advances the corporate needs of women, more balanced economic structures and improved gender balance in the home) could explain the differences.

Table 6.3: Percentage distribution of Gender of owner/manager by country

| Gender | Zimbabwe (n=73) | South Africa (n=100) |
|--------|-----------------|----------------------|
| | Percentage (%) | Percentage (%) |
| Male | 56 | 37 |
| Female | 44 | 63 |
| Total | 100 | 100 |

6.3.3 Level of education

Results on Table 6.4 show the percentage distribution of the level of education of owner/managers by country.

Table 6.4: Distribution of the level of education of owner/manager by country

| VARIABLE | COUNTRY | |
|-----------------------|--------------|------------------|
| | Zimbabwe (%) | South Africa (%) |
| Other | 7 | 10 |
| Diploma/degree | 55 | 43 |
| Post school | 10 | 10 |
| Grade 12/ Form 6 | 10 | 32 |
| Below grade 12/Form 6 | 18 | 5 |
| Total | 100 | 100 |

In both samples (Zimbabwe and South Africa), most respondents had either a diploma or degree with Zimbabwe having a higher percentage (55%) than South Africa (43%). This could be explained in terms of a reflection of the high literacy rate for Zimbabwe (91%) (Zimstats, 2013) and South Africa (86%) (Statistics South Africa, 2012). In addition, the GEM report revealed South Africa's low ranking in terms of quality of education (146 out of 148) in 2012/12 report compared to other African countries (Global Competiveness Report, 2012/2013). However, it is important to point out that significant percentages of respondents from both countries did not have post school qualification. Of those with no post school qualification, South Africa had 37% (32% +5%) while Zimbabwe had 28% (10% + 18%).

6.3.4 Experience in the accommodation sector

Presented on Table 6.5 are the percentage distributions of work experience defined as number of years that a manager/owner is employed in the accommodation sector by country. The range of years' experience (<1 year to 15years <) was meant to differentiate respondents according to: <1 year (inexperienced), 1-5 years (less experienced), 6-10 and 11-15 years (experienced) and 15 years < (more experienced) in the accommodation sector. While Zimbabwe has the highest number of the most experienced owner/managers (23%), the inexperienced (<1 year) and experienced (11-15 year) owner/managers have almost the same percentage distribution for Zimbabwe and South Africa and this helps in reducing bias during analysis of the two data sets.

Table 6.5: Distribution of work experience of owner-managers

| | Zimbabwe | South Africa |
|-------------------------------|-----------------------|-----------------------|
| Years of Experience in | Percentage (%) | Percentage (%) |
| <1 year | 7 | 5 |
| 1-5 years | 32 | 39 |
| 6-10 years | 22 | 32 |
| 11-15 years | 16 | 13 |
| >15 years | 23 | 11 |
| Total | 100 | 100 |

The 1-5 years of experience in the accommodation sector dominated both in Zimbabwe (32%) and South Africa (39%). This could imply that the small accommodation sector started growing in recent years with South Africa growing faster than Zimbabwe.

6.4 BUSINESS CHARACTERISTICS

The business characteristics included in this study were the form of ownership; number of employees (firm size); class of accommodation; location; as well as the level of innovativeness, market orientation and learning orientation in small accommodation businesses. These business characteristics were chosen in order to not only understand the background information of the small accommodation under investigation but also to determine and compare the distribution of these characteristics between the two countries under study.

6.4.1 Form of ownership

Results presented in Table 6.6 show the percentage distribution of different forms of ownership by country.

Table 6.6: Distribution of form of business ownership

| | Zimbabwe (n=73) | South Africa (n=100) |
|--------------------------|------------------------|-----------------------------|
| Form of Ownership | Percentage (%) | Percentage (%) |
| Sole trader | 41 | 52 |
| Partnership | 7 | 16 |
| Private Company | 37 | 14 |
| Other | 15 | 18 |
| Total | 100 | 100 |

Most small accommodation businesses are sole traders (Zimbabwe 41% and South Africa 52%). This is perhaps due to the fact that unlike other forms of ownership, the formation, start-up costs and running of a sole trader business is easier and requires less formality. Sole traders are non-bureaucratic especially in terms of making decisions (Small Business Development Corporation, 2014) making them more attractive compared to other forms of ownership. For South Africa, this probably explains why most small businesses are Micro (less than 5 employees) (see Table 6.7).

6.4.2 Firm size

Table 6.7 shows that micro enterprises (less than 5 employees) constituted the greatest proportion (60%) of small business categories in South Africa while Small (5 or more but less than 50 employees) businesses dominated the Zimbabwean market (52%). The South African results confirm DTI (2008) survey which showed that 82% of small businesses were micro and very small enterprises.

Table 6.7: Distribution of firm size

| | Zimbabwe (n=73) | South Africa (n=100) |
|---------------------------------------|------------------------|-----------------------------|
| Firm Size | Percentage (%) | Percentage (%) |
| Micro (Less than 5) | 42 | 60 |
| Small (5 or more but less than 50) | 52 | 34 |
| Medium (50 or more but less than 100) | 6 | 6 |
| Total | 100 | 100 |

In Zimbabwe micro enterprises are fewer (42%) than small enterprises (52%). Given the liquidity challenges being experienced in Zimbabwe and the low start-up costs associated with micro enterprises, small enterprises should be fewer than micro enterprises. This finding could be peculiar to the accommodation sector in Zimbabwe. Barriers to entry in the accommodation sector could be high, implying that few medium sized businesses are being started. Summarily, the major categories of small businesses in the two samples were Micro and Small businesses. As such, Medium sized businesses are scarce in both countries. These results could be explained by endless challenges (DTI, 2008; Maholtra and Temponi, 2010; Czarnitki and Hottenrott, 2011) that small businesses in developing economies face

that hinder the sector's transition (Van Scheers, 2011:5048; Urban and Naidoo, 2012:146) into medium and large businesses.

6.4.3 Class of accommodation

With 60% and 45% distribution, Table 6.8 illustrates that guest houses and lodges seems to be the most preferred class of accommodation in South Africa and Zimbabwe respectively. This could be attributed to their standards and affordability which gives them priority among travelling business people. Backpackers are not common in both Zimbabwe (6%) and South Africa (3%). Perhaps this is due to their informal nature, which is associated with lack of privacy and insecurity for guests.

Table 6.8: Distribution of type of accommodation

| | Zimbabwe (n=73) | South Africa (n=100) |
|------------------------|-----------------|----------------------|
| Class of accommodation | Percentage (%) | Percentage (%) |
| Self catering | 6 | 7 |
| Backpacker | 6 | 3 |
| Guest house | 22 | 60 |
| Lodge | 45 | 17 |
| Hotel | 22 | 13 |
| Total | 100 | 100 |

6.4.4 Location

In order to allow for comparison of the different study locations between Zimbabwe and South Africa, the study classified research sites according to each country's definition of city and town. Table 6.9 shows that most small accommodation businesses in Zimbabwe (29%) are located in towns while in South Africa (32%) they are concentrated in cities. However, combining and comparing the cities and near cities and towns and near towns, it becomes evident that most small accommodation businesses are located in towns with Zimbabwe and South Africa having 57%) and 50% respectively. After towns, cities come second with South Africa (46%) leading Zimbabwe (26%). Lastly, the other locations are distributed as Zimbabwe (17%) and South Africa (4%). This small accommodation business distribution

pattern could be a reflection of the view that leisure centres are concentrated outside main cities mostly in small resort towns.

Table 6.9: Distribution of location of businesses

| | Zimbabwe (n=73) | South Africa (n=100) |
|-------------------------------|------------------------|-----------------------------|
| Location of businesses | Percentage (%) | Percentage (%) |
| In city | 11 | 32 |
| Near city | 15 | 14 |
| In town | 29 | 30 |
| Near town | 28 | 20 |
| Other | 17 | 4 |
| Total | 100 | 100 |

The demographics reveal that compared to Zimbabwe, South Africa has more sole trader-micro guest house businesses located in cities and are owned/managed by female with 1-5 years' experience in the accommodation sector. On the other hand, compared to South Africa, Zimbabwe, most accommodation businesses are small lodges located in town and owned/managed by middle aged (31-40 years) males with 1-5 years' experience in the accommodation sector.

6.4.5 Levels of innovation in businesses

A comparison of the levels of innovation in small accommodation businesses between Zimbabwe and South Africa is shown on Table 6.10. The results revealed that there is a statistical significant difference ($p=0.007$) in terms of the level of innovation between small accommodation businesses in Zimbabwe and South Africa with South Africa (71.7%) being more innovative than Zimbabwe (64.9%). Unlike organisational innovation which did not show any significant difference between the two countries ($p=0.093$), small accommodation businesses in South Africa had higher levels of products/service ($p=0.033$); process ($p=0.009$) and marketing innovation ($p=0.027$) than those in Zimbabwe.

Table 6.10: Levels of innovation in businesses

| Innovation dimensions | Country | Mean score | Significance |
|----------------------------|--------------|------------|--------------|
| Product/service innovation | Zimbabwe | 64.0 | t = -2.152 |
| | South Africa | 70.5 | *p = 0.033 |
| Process innovation | Zimbabwe | 67.2 | t = -2.660 |
| | South Africa | 74.5 | *p = 0.009 |
| Marketing innovation | Zimbabwe | 62.8 | t = -2.235 |
| | South Africa | 69.4 | *p = 0.027 |
| Organisational innovation | Zimbabwe | 66.0 | t = -1.688 |
| | South Africa | 70.7 | p = 0.093 |
| Total innovation | Zimbabwe | 64.9 | t = -2.746 |
| | South Africa | 71.7 | *p = 0.007 |

* Statistically significant correlation ($p = 0.05$)

6.4.6 Levels of market orientation in businesses

Results on table 6.11 illustrate that small accommodation businesses in Zimbabwe and South Africa have a significant difference ($p=0.039$) on their level of market orientation. The difference in market orientation is statistically significant in customer orientation ($p=0.017$) and not in competitor orientation ($p=0.297$). This means that although small accommodation businesses in South Africa (76.7%) are more market oriented than their counterparts in Zimbabwean (72.2%), this difference is only on the customer orientation component and not on competitor orientation.

Table 6:11: Levels of market orientation

| Market orientation | Country of respondents | Mean score(out of 100) | Significance testing |
|---------------------------|-------------------------------|-------------------------------|-----------------------------|
| Customer orientation | Zimbabwe | 75.9 | t = -2.419 |
| | South Africa | 80.8 | p = 0.017 (sig.) |
| Competitor orientation | Zimbabwe | 63.9 | t = -1.047 |
| | South Africa | 67.5 | p = 0.297 (not sig.) |
| Total market orientation | Zimbabwe | 72.2 | t = -2.082 |
| | South Africa | 76.7 | p = 0.039 (sig.) |

* Statistically significant correlation ($p = 0.05$)

6.4.7 Levels of learning orientation in businesses

As shown on table 6.12, there is no statistical difference ($p=0.171$) on the level of learning orientation between small accommodation businesses in Zimbabwe and South Africa. However, the only significant difference ($p=0.009$) between the two countries level of learning orientation is shown on the open mindedness component of the learning orientation construct with South Africa (78.6%) being more innovative than Zimbabwe (72.1%). The results imply that generally there is no difference on the levels of learning orientation between Zimbabwe and South Africa except for the open mindedness components which is higher in South Africa than in Zimbabwe.

Table 6.12: Learning orientation in businesses

| Learning orientation | Country | Mean score | Significance |
|--|--------------|------------|--------------|
| Commitment to learning | Zimbabwe | 75.5 | t = -1.689 |
| | South Africa | 79.8 | p = 0.093 |
| Shared vision | Zimbabwe | 72.0 | t = -0.804 |
| | South Africa | 74.3 | p = 0.423 |
| Open mindedness | Zimbabwe | 72.1 | t = -2.631 |
| | South Africa | 78.6 | *p = 0.009 |
| Intra-organisational knowledge sharing | Zimbabwe | 68.9 | t = -0.131 |
| | South Africa | 69.3 | p = 0.896 |
| Total learning orientation | Zimbabwe | 72.2 | t = -1.376 |
| | South Africa | 75.4 | p = 0.171 |

* Statistically significant correlation ($p = 0.05$)

6.5 RELIABILITY OF THE MEASUREMENT INSTRUMENT

Reliability (internal consistency) analysis of the measures of market orientation, learning and innovation dimensions in the questionnaire was performed (as measured by Cronbach's Alpha). Cronbach's Alpha measures how well a set of items or variable measures a single unidimensional latent construct. The Cronbach's Alpha coefficients for the three constructs (market orientation, learning orientation and innovation) are shown in Table 6.13 under row bands (A; B & C). As a general rule, a Cronbach's Alpha coefficient of 0.70 is normally considered to be an appropriate cut-off for acceptable reliability or acceptable internal consistency (Buitendach and De Witte, 2005:30). All 10 dimensions in Table 6.13 demonstrate excellent reliability as their respective coefficients are all above 0.7 (minimum alpha coefficient is 0.809). Similarly, the overall results of the Cronbach's Alpha coefficients for the three constructs (market orientation, learning orientation and innovation) show that the scales used were highly reliable (0.931<) (see Tables 6.13).

A second measure of reliability (internal consistency) is the extent to which each individual item correlates with its dimension's total score. Correlation coefficients were computed as estimates of such item-total correlations. A coefficient of 0.50 (Hair, et al., 2008:287) indicates a strong correlation. As can be seen in annexure B, the average-items are all markedly above 0.50.

Table 6.13: Item-total correlations

| Number of Dimensions | Scale | Alpha | Number of Items |
|----------------------|---|--------------|-----------------|
| A | Market Orientation | 0.931 | 23 |
| 1 | Customer Orientation | 0.905 | 16 |
| 2 | Competitor Orientation | 0.917 | 7 |
| B | Learning Orientation | 0.944 | 24 |
| 3 | Commitment to Learning | 0.903 | 7 |
| 4 | Shared Vision | 0.888 | 5 |
| 5 | Open Mindedness | 0.809 | 5 |
| 6 | Intra- organisational knowledge sharing | 0.917 | 7 |
| C | Innovation | 0.972 | 42 |
| 7 | Product/service innovation | 0.930 | 9 |
| 8 | Process innovation | 0.946 | 12 |
| 9 | Marketing innovation | 0.946 | 13 |
| 10 | Organisational innovation | 0.856 | 8 |

The three excellent reliabilities confirm a high degree of consistency and stability of the measures as they are all above the minimum acceptable standard of 0.7 (Zikmund et al., 2013: 305) (see chapter 5 section 5.9.3). The excellent reliability measures, ordinarily paves way for further statistical analysis to be pursued.

6.6 INFERENCE STATISTICS AND HYPOTHESES TESTING

This section presents inferential statistics that were performed in testing the different hypotheses of the study. The results are presented in three country categories (Zimbabwe and South Africa combined (All); Zimbabwe alone (Zim); and South Africa alone (SA) in order to carry out comparisons of the two countries.

In order to perform various statistical analysis, total scores were computed for each dimension of market orientation, learning orientation and innovation. In other words, each of the 10 dimensions was reduced to a single variable in the SPSS dataset. The individual item responses were originally captured as ranging from 1 (strongly disagree) to 5 (strongly agree). These were all recoded in the SPSS dataset, starting with zero as the lowest value. In other words, the recoded scores ranged between 0 (strongly disagree) and 4 (strongly agree).

Theoretically speaking, the total score for the “customer orientation” of market orientation could therefore range from 0 (i.e. 16 items x 0) to 64 (i.e. 16 items x 4). A high total score for this newly created variable therefore indicates that the business is very much customer orientated.

Similarly, the total score for “competitor orientation” could range from 0 (i.e. 7 items x 0) to 28 (i.e. 7 items x 4), where a high score indicates that the business is consistent with what its competitors do.

Hamburg (1983) recommended the standardising of dimensional scores in order to compare mean scores. Thus in order to calculate mean scores, the study used the 10 dimensions with different theoretical maximum values and different numbers of items. The dimension scores were standardized by converting all values to a score out of 100. After standardization all dimensions had scores that ranged between 0 (minimum) and 100 (maximum).

Literature (Lucey, 1989:98; Lewicki and Hill, 2006:43; Babbie and Mouton, 2009:612) denotes that one method used for comparing variances is referred to as Analysis of Variance (ANOVA). In this study, ANOVA F tests was used to test for statistical significant differences between means of firm size, age, level of education and experience as they relate to innovation among small accommodation businesses in Zimbabwe and South Africa. The

ANOVA F test was chosen because the data was non-dichotomous categorical variable meaning the variables had more than two categories. T-tests were also performed to establish if there are any significant differences in innovation in terms of gender. T-test was selected due to the dichotomous nature of the gender variable. In order to establish the source of significant differences among the categorical variables, Bonferonni post hoc tests were done. The next sections present and discuss the results of the relationships between firm size, market orientation, learning orientation, age, gender, experience and level of education on the one hand and different dimensions of innovation on the other hand.

6.6.1 Firm size and innovation

The results in this section help address the hypotheses: H_{10} : *there is no significant relationship between firm size (number of employees) and innovation*; H_{1a} : *there is a significant relationship between firm size (number of employees) and innovation*.

The figures in Table 6.14 show that for Zimbabwe alone, South Africa alone and the two countries combined, the p -values for the ANOVA tests on the mean scores of innovativeness among the small accommodation firms are: $p=0.525$; $p=0.659$ and $p= 0.944$ respectively – all greater than the critical value of 0.05. Similarly, the mean scores on all dimensions of innovation (product/service; process; marketing and organisational) (PPMO) showed p -values that are all greater than 0.05. These figures mean that there is no relationship between firm size and innovativeness as far as small accommodation businesses in South Africa and Zimbabwe are concerned. The current results contradict earlier findings and bring a third dimension to the firm size-innovation debate.

Firstly, earlier findings by Hallenga-Brink and Brezet (2005:141), Laforet (2009:188) and Pivcevic and Petric (2011:143) reported existence of relationship between firm size and innovation in small businesses wherein the smaller the business the more innovative it is due to their flexibility and non-bureaucratic tendencies.

A second line of findings suggest that the bigger the firm size, the more innovative it becomes (Cohen and Klepper, 1996:232; Eurostat, 2009:40; Maseko and Manyani, 2011:171). The supportive argument here is centred on several factors including the large number of employees and stakeholders of varied knowledge; skills and experience; brand name recognition and market power; all of which are associated with increased firm size.

These two streams of findings ignites and perpetuates the debate on whether firm size influences innovation (Eurostat, 2009:40; Booyens, 2011:67). Contributing to the firm size/innovation debate, Mompou and Redolí (2009) argue that it is not only the size of the firm that matters with regard to innovation, but a combination of factors such as firm size, type of the organisation, experience, cost of innovation and nature and sustainability of innovation.

With the above unsettled debate in mind, although there is a statistical significant difference on the level of overall and dimensional innovations between small accommodation businesses in Zimbabwe and South Africa with South Africa being more innovative than Zimbabwe (Table 10), the differences may not be attributed to size (number of employees) alone but could perhaps include other factors such as those suggested in the literature above.

Table 6.14: Innovation and firm size by number of employees

| No. of bus employees | | No. of respondents | | | Mean score (out of 100) | | | Standard Deviation | | | Significance | | |
|----------------------|------------------------------|--------------------|-----|----|-------------------------|------|------|--------------------|------|------|--------------------------------|-------------------------------|-------------------------------|
| | | All | Zim | SA | All | Zim | SA | All | Zim | SA | All | Zim | SA |
| Prod Innov | Less than 5 | 90 | 31 | 59 | 67.1 | 62.6 | 69.4 | 19.1 | 13.6 | 21.1 | F=0.712 df=2.169 p=0.492 | F=0.570 df=2.70 p=0.568 | F=0.370 df=1.97 p=0.544 |
| | 5 or more but less than 50 | 78 | 38 | 40 | 69.0 | 65.7 | 72.2 | 21.4 | 19.9 | 22.6 | | | |
| | 50 or more but less than 100 | 4 | 4 | 0 | 57.6 | 57.6 | - | 8.6 | 8.6 | - | | | |
| Proc Innov | Less than 5 | 90 | 31 | 59 | 71.9 | 66.0 | 75.1 | 18.6 | 15.6 | 19.4 | F=0.116 df=2.168 P=0.890 | F=0.151 df=2.69 p=0.861 | F=0.112 Df=1.97 p=0.738 |
| | 5 or more but less than 50 | 77 | 37 | 40 | 71.0 | 68.1 | 73.8 | 18.0 | 16.7 | 19.0 | | | |
| | 50 or more but less than 100 | 4 | 4 | 0 | 68.2 | 68.2 | - | 11.3 | 11.3 | - | | | |
| Mkt Innov | Less than 5 | 89 | 31 | 58 | 66.3 | 59.2 | 70.2 | 20.5 | 14.8 | 22.2 | F=0.158 df=2.167 p=0.854 | F=1.889 df=2.69 p=0.159 | F=0.168 df=1.96 p=0.683 |
| | 5 or more but less than 50 | 77 | 37 | 40 | 66.7 | 64.9 | 68.3 | 20.0 | 16.5 | 22.8 | | | |
| | 50 or more but less than 100 | 4 | 4 | 0 | 72.1 | 72.1 | - | 11.6 | 11.6 | - | | | |
| Org Innov | Less than 5 | 89 | 30 | 59 | 69.7 | 64.6 | 72.2 | 18.8 | 16.7 | 19.4 | F=0.367 df=2.166 p=0.693 | F=0.331 df=2.67 p=0.719 | F=0.920 df=1.97 p=0.340 |
| | 5 or more but less than 50 | 76 | 36 | 40 | 68.0 | 67.4 | 68.4 | 17.4 | 15.2 | 19.4 | | | |
| | 50 or more but less than 100 | 4 | 4 | 0 | 63.3 | 63.3 | 0 | 12.6 | 12.6 | - | | | |
| Total Innov | Less than 5 | 88 | 30 | 58 | 69.1 | 62.7 | 72.4 | 16.7 | 13.0 | 17.6 | F=0.058 df=2.165 p=0.944 | F=0.650 df=2.67 p=0.525 | F=0.19 df=1.96 p=0.659 |
| | 5 or more but less than 50 | 76 | 36 | 40 | 68.7 | 66.6 | 70.7 | 17.4 | 14.9 | 19.3 | | | |
| | 50 or more but less than 100 | 4 | 4 | 0 | 66.2 | 66.2 | - | 8.6 | 8.6 | - | | | |

6.6.2 Market orientation and innovation

This section discusses the results of hypotheses: H₂₀: *there is no significant relationship between market orientation and innovation*; H_{2a}: *there is a significant relationship between market orientation and innovation*.

The Pearson product moment correlation coefficient denoted by (*r*) is a measure of the nature of relationship (if any) between two variables (Hill and Lewicki, 2006:684). It is appropriate for scalar measurements (interval and ratio scales) and when a linear relationship is suspected (Hill and Lewicki, 2006:684). The coefficient (*r*) value ranges from -1.0 to +1.0. In terms of the direction of the relationship, $r > 0$ indicates positive relationship, $r < 0$ will indicate negative relationship while $r = 0$ indicates non-existence of any relationship. Coefficients that are closer to +1.0 or -1.0, indicate greater is the strength of the linear relationship. The Pearson product moment correlation was used to assess the relationship between market orientation and innovation because as indicated in Section 6.6 above, the mean scores were converted (standardised) into indices which means scalar quantities in accordance with Hamburg (1983). The results are shown on Table 6.15.

Table 6.15: Inter-correlations between market orientation and innovation

| | Market orientation | |
|------------|--------------------|-------------------|
| Innovation | All respondents | 0.839* (n=168) |
| | South Africa | 0.867* (n=98) |
| | Zimbabwean | 0.770* (n=70) |

* Statistically significant correlation ($p=0.05$)

Table 6.15 shows that there is a strong positive correlation between the overall market orientation (two countries combined) and innovation ($r=0.839$). Similarly, Table 6.15 also illustrates positive correlation between market orientation and innovation for individual countries (South Africa ($r=0.867$) and Zimbabwe ($r=0.770$) at 5% level of significance. These results mean that there is a strong and positive association between market orientation and innovation in small accommodation businesses in Zimbabwe and South Africa. An analysis of the level of market orientation between South Africa and Zimbabwe indicated that there is a significant difference between the two countries with South Africa being more market oriented than Zimbabwe (see Table 6.11). Specifically, the customer orientation component

of the market orientation construct is the only source of the difference in the level of market orientation between the two countries (see Table 6.11).

The strong correlation between market orientation and innovation in the current study is consistent with results of studies by Augusto and Coelho (2007); Renko, Carsuid and Brannback (2009); Cambra-Fierro Florin, Perez and Whitelock (2011) in Europe.

The results imply that SABs that focus on understanding and satisfying the needs and expectations of their customers while monitoring the actions and strategies of their competitors have a high propensity to innovate. This inference is in consonance with Drucker (1985) who advocated that the two basic functions of a business should be marketing and innovation. It is reasonable to expect that small accommodation businesses that adopt a market orientation are more likely to engage in innovations that are in line with market conditions and expectations.

As espoused by Kotler (2007), the task of a business is to ensure customer satisfaction. Drawing from the current study findings, small accommodation businesses in both South Africa and Zimbabwe are market oriented and hence are more likely to satisfy the needs and expectations of their customers. While this strong association exists, it may be prudent to further investigate the extent to which different dimensions of market orientation are correlated with different dimensions of innovation.

6.6.2.1 Correlations between dimensions of MKTOR and INNOV

Table 6.16 illustrates the correlation among the different dimensions of market orientation and innovation. Results in Table 6.16 shows that both customer and competitor orientation strongly and positively correlate with all the four dimensions of innovation in both countries at the 5% level of significance. Customer orientation has a strong correlation with all dimensions of innovation in both countries (Zimbabwe: $r=0.605$; 0.612 ; 0.655 ; 0.511 and South Africa: $r=0.685$; 0.639 ; 0.673 ; 0.688) for product/service, process, marketing and organisational innovation respectively. This finding is consistent with Fortuin and Omta (2009:839) and Laforest (2009:188) who conducted similar studies in small businesses in Netherlands, UK and China respectively and established that customer orientation enables small business to engage in product, process, marketing and organisational innovation.

Table 6.16: Inter-correlations among dimensions of market orientation and innovation

| | Prod/Serv Innov | | | Proc Innov | | | Mkt Innov | | | Organ Innov | | |
|------------------------|-----------------|--------|--------|------------|--------|--------|-----------|--------|--------|-------------|--------|--------|
| | All | Zim | SA | All | Zim | SA | All | Zim | SA | All | Zim | SA |
| Customer Orientation | 0.667* | 0.605* | 0.685* | 0.643* | 0.612* | 0.639* | 0.643* | 0.554* | 0.672* | 0.638* | 0.511* | 0.688* |
| Competitor Orientation | 0.676* | 0.483* | 0.769* | 0.708* | 0.648* | 0.741* | 0.763* | 0.648* | 0.819* | 0.609* | 0.499* | 0.659* |

* Statistically significant correlation ($p=0.05$).

These innovations enable small businesses to meet the current and future needs of customers. Overall, customer orientation has the strongest correlation with product/service innovation ($r=0.667$). Concurring with the study finding, Wong and Tong (2012) state that customer orientation is positively linked to new product success. At individual country level, SABs in South Africa showed a stronger correlation with product/ service ($r=0.685$), marketing ($r=0.672$) and organisational ($r=0.688$) innovations.

Compared to all other dimensions, organisational innovation had the strongest correlation with customer orientation ($r=0.688$; $p=0.000$) in South Africa. This finding is consistent with the study by Hadjimanolis (2000:235) that revealed that organisational innovation thrives best in a stable economic environment. The argument is that in a stable economic environment, customers are free to engage in businesses that meet their taste and preference. As such, businesses that adopt customer orientation are more likely to engage in organisational innovation. Unlike Zimbabwe, South Africa' business environment is relatively more stable and hence more conducive for small accommodation businesses to embark on organisation innovation.

In general, there is evidence that competitor orientation has a strong positive relation with innovation ($r=0.769$; 0.741 ; 0.819 ; 0.659) for both countries. These results are supportive of Al-Dmour, Pof and Ahmad Amin (2012:391) who argued that competitor orientated businesses continuously monitors their own strategy and that of their rivals in ways that facilitate the generation of new ideas that may foster innovation. Small accommodation businesses that keep track of their rival's actions and strategies and then assess themselves against such information are more likely engage in innovation. Equipped with competitor strategies, small business can formulate better strategies and hence create better products

and services than their competitors. Going back to Table 6.15, marketing ($r=0.763$, $p=0.000$) and process ($r=0.708$, $p=0.000$) innovation are more associated with competitor orientation than product ($r=0.676$, $p=0.000$) and organisational innovations ($r=0.609$, $p=0.000$). In view of their limited resources (Huwet- Dundas, 2006:257), liabilities of smallness and newness (Witt, 2004:391), small businesses compete from a disadvantaged position. As a result, they are under pressure to design effective and efficient work processes to produce competitive and marketable products and/or services. In both Zimbabwe and South Africa, competitor orientation also has a high correlation with marketing innovation ($r=0.819$, $p=0.000$ and $r=0.648$, $p=0.000$) for Zimbabwe and South Africa respectively). This is consistent with literature which denotes that the highly competitive nature of the tourism market and the absence of a ready market for most small business products and services force small businesses to identify competitors, their strengths and weakness in order to outwit competition (Sundo and Sorensen, 2007:88; Silva, 2007:5408). Thus, these results indicate that small accommodation businesses' need to fully understand their competitor in order to better serve customers and hence out compete their rivals.

Table 6.9 reveals that competitor orientation is highly correlated to process innovation. Like other businesses, small accommodation businesses survival depends on their ability to manage costs such as production process costs as well as market their products/services. This finding is supported by Wahab and Cooper (2004) who point out that the success of businesses in competitive environment requires to a greater extent both process and marketing innovations. It is therefore concluded that small accommodation business that have a competitor orientation are more inclined to demonstrate strong process and marketing innovations. It is worth noting that there is a moderate but significant correlation between competitor orientation and product/service ($r=0.483$, $p=0.000$) and organisational ($r=0.499$, $p=0.000$) innovations in Zimbabwe. The unstable economic environment in Zimbabwe that is characterised by an influx of cheap and competitive goods and services from China as well as the high costs of borrowing (Zimstats, 2014) present survival threats to small such that they are not keen to engage in process and organisational innovation.

6.6.3 Learning orientation and innovation

This section discusses the results of hypotheses: H_{30} : *there is no significant relationship between learning orientation and innovation*; H_{3a} : *there is a significant relationship between learning orientation and innovation*. The results are shown on Table 17.

Table 6.17: Inter-correlations between learning orientation and innovation

| | Learning organisation | |
|------------|-----------------------|-------------------|
| Innovation | All respondents | 0.725* (n=168) |
| | South Africa | 0.724* (n=98) |
| | Zimbabwean | 0.725* (n=70) |

* Statistically significant correlation ($p = 0.05$)

Table 6.17 shows that there is positive correlation between learning orientation and innovation for both nations (Zimbabwe and South Africa: $r=0.725$). In addition, the table also shows positive correlations of the same constructs for South Africa, $r=0.724$ and for Zimbabwe $r=0.725$. These correlations were performed at 5% level of significance. This implies that there is a strong positive link between learning orientation and innovation as far as Zimbabwe and South Africa are concerned. A comparison of the level of learning orientation between SABs in Zimbabwe and South Africa revealed that there is no statistically significant difference between the two countries (see Table 6.12). This suggests that small accommodation businesses in the two countries have the same degree of learning orientation.

In view of their limited resources, lack of entrepreneurial skills, the strong correlation findings finding between learning orientation and innovation seems reasonable because small business ordinarily need to learn as much as possible in order to introduce change through *various forms of innovation. Such moves are meant to position small businesses to compete favourably with their large business rivals.* The study results are supported by similar research findings, which reported that the new knowledge and skill acquired by members of the organisation facilitates the introduction of new ideas, processes and products/services (Panayides and So, 2005:179; Arogon-Correra, Garcia-Morales and Cordon-Pozo, 2007:349; Tran, 2008:287; Sulaim and Sulaiman, 2011:118). It is interesting to note that the three correlations for (Zimbabwe and South Africa), Zimbabwe and South Africa separately, are almost the same ($r=0.725$, 0.724 , 0.725 respectively). One would ordinarily assume that with its higher literacy rate, owners–managers of small accommodation businesses in Zimbabwe would have a higher correlation than their South Africa counterparts. However, with given their geographical proximity and trade interfaces, small businesses from the two

nations may have similar quests for new knowledge and skills critical for adapting and hence surviving in the dynamic and competitive tourism business environment.

6.6.3.1 Dimensions of learning orientation and innovation

Table 6.18 indicates that all the dimensions of learning orientation have a positive relationship with dimensions of innovation. These results corroborate earlier findings on in the US by Calantone et al. (2002) which indicated an association between dimensions of learning orientation and those of innovation. The findings of the current study are however inconsistent with research finding by Salim and Sulaiman (2011:118) whose study of 320 small businesses operating in the ICT industry in Malaysia concluded that commitment to learning significantly influences process and product innovations. Perhaps, the reasons for not influencing other dimensions such as marketing and organisational could be attributed to the differences in the ICT and accommodation sector. Despite strong evidence of a relationship between commitment to learning, intra-organisational knowledge sharing and marketing product and process innovations (Salim and Sulaiman, 2011:118), it is strange that a weak relationship between intra-organisational knowledge sharing and marketing innovation ($r=0.387, p=0.000$) as well as between intra-organisational knowledge sharing and process ($r=0.410, p=0.000$) was reported for Zimbabwe and South Africa respectively. This could be attributed to the fact that generally there are more micro than small and medium small accommodation businesses in both Zimbabwe and South.

Table 6.18: Inter-correlations among learning orientation and innovation dimensions

| Learning Orientation | Prod/Serv Innov | | | Proc Innov | | | Mkt Innov | | | Organ Innov | | |
|-------------------------------|-----------------|--------|--------|------------|--------|--------|-----------|--------|--------|-------------|--------|--------|
| | All | Zim | SA | All | Zim | SA | All | Zim | SA | ALL | Zim | SA |
| Commit to learning | 0.545* | 0.516* | 0.548* | 0.576* | 0.633* | 0.531* | 0.590* | 0.513* | 0.621* | 0.593* | 0.543* | 0.611* |
| Shared Vision | 0.510* | 0.470* | 0.543* | 0.522* | 0.551* | 0.511* | 0.530* | 0.541* | 0.540* | 0.571* | 0.598* | 0.562* |
| Open mindedness | 0.534* | 0.408* | 0.579* | 0.522* | 0.478* | 0.565* | 0.580* | 0.540* | 0.628* | 0.578* | 0.462* | 0.628* |
| Intra-organ knowledge sharing | 0.534* | 0.498* | 0.487* | 0.429* | 0.497* | 0.410* | 0.451* | 0.387* | 0.480* | 0.582* | 0.475* | 0.633* |

* Statistically significant correlation ($p = 0.05$).

In view of this, one would not expect interdepartmental coordination to exist because the departments do not exist among micro small accommodation business. Commitment to learning has the stronger relationship with organisational innovation ($r=0.593, p=0.000$).

This is an indication of the overall learning culture among owner-managers of small accommodation business across nations. Such devotion to acquiring new knowledge and skills can be traced and linked to the high literacy levels for Zimbabwe (99%) and South Africa (68%) respectively (Zimstart, 2013; Statistics South Africa, 2013). With owner-managers of small businesses being the custodians and drivers of all activities, the success of the activities and hence the businesses rests of the level of commitment exhibited by such owners-managers. Arguably, small accommodation managers who are willing and ready to learn find it easy to implement new organizational methods in the firm's business practices. In South Africa, intra-organisational knowledge sharing has the strongest link with organisational innovation ($r=0.633$, $p=0.000$). This finding is surprising because the interfunctional coordination aspect across different departments is usually missing (Elliott and Boshof, 2007) yet there is a strong correlation between the intra organisational knowledge sharing and organisation innovation. While the interfunctional knowledge sharing component of learning orientation is conspicuous in South Africa, in Zimbabwe, commitment to learning shows the strongest positive relationship with process innovation ($r=0.633$, $p=0.000$). The findings possibly indicate the different stages of learning between Zimbabwe and South Africa. The view is that commitment to learning is a preliminary stage where the involvement and endorsement (total buy-in) of top management is sort to ensure the learning process is successfully implemented. The inter-functional knowledge sharing component signals an advanced and last stage of learning process where different departments now exchange ideas, successes and failures essential for future strategy formulation.

The intra-organisational knowledge sharing has the lowest positive relationship marketing innovation ($r=0.387$, $p=0.000$). Salim and Sulaiman's (2011) study of 320 ICT small businesses in Malaysia confirm that small business owners-managers who are committed to learning prioritises process innovation ahead of other dimensions innovation. In the Zimbabwean context, the highest literacy rate and the high competitive nature of the accommodation industry demands owner-managers of small accommodation businesses to focus on increasing efficiency in production processes as a strategy to remain competitive (Confederation of Zimbabwe Industry Report, 2012).

These findings indicate that owner-managers of small accommodation businesses all use the different dimensions of learning orientation to engage in different forms of innovation. While the two countries have the same level of learning orientation as far as commitment to

learning, shared vision and intra-organisational knowledge sharing is concerned, small accommodation businesses in South Africa are more open minded to learning than those in Zimbabwe (see Table 6.12).

6.6.4 Firm size, market orientation and learning orientation

6.6.4.1 Correlation between market orientation and learning orientation

The results in this section help to address the hypotheses: H₄₀: *there is no significant correlation amongst firm size, market orientation and learning orientation*; H_{4a}: *there is a significant correlation amongst firm size, market orientation and learning orientation*.

Table 6.19: ANOVA tests among firm size, market orientation and learning orientation

| Orientations | Firm size | Number of respondents | Mean score | Standard deviation | Significance testing |
|----------------------|-----------|-----------------------|------------|--------------------|----------------------------------|
| Market orientation | All | | | | F=0.648, df1=2, df2=170, p=0.524 |
| | < 5 | 91 | 73.7 | 15 | |
| | 5 ≤50 | 78 | 75.9 | 14.3 | |
| | 50 ≤100 | 4 | 78.8 | 8.5 | |
| | Zimbabwe | | | | F=1.836, df1=2, df2=70, p=0.167 |
| | <5 | 31 | 69.2 | 13.9 | |
| | 5 ≤50 | 38 | 74.1 | 11.9 | |
| | 50 ≤100 | 4 | 78.8 | 8.5 | |
| | S/Africa | | | | F=0.286, df1=1, df2=98, p=0.594 |
| <5 | 60 | 76.1 | 15.1 | | |
| 5 ≤ 50 | 40 | 77.7 | 16.1 | | |
| 50 ≤100 | 0 | 0 | 0 | | |
| Learning orientation | All | | | | F=0.283, df1=2, df=169, p=0.754 |
| | <5 | 90 | 73.7 | 14.7 | |
| | 5 ≤50 | 78 | 74.6 | 15.9 | |
| | 50 ≤100 | 4 | 69.3 | 13.1 | |
| | Zimbabwe | | | | F=0.096, df1=2, df2=70, p=0.909 |
| | <5 | 31 | 72.5 | 13.1 | |
| | 5 ≤50 | 38 | 72.2 | 14.5 | |
| | 50 ≤100 | 4 | 69.3 | 13.1 | |
| | S/Africa | | | | F=0.648, df1=1, df2=97, p=0.423 |
| <5 | 59 | 74.3 | 15.5 | | |
| 5 ≤50 | 40 | 77.0 | 17.0 | | |
| 50 ≤100 | 0 | 0 | 0 | | |

Table 6.19 contains the results of a series of ANOVA F tests that were used to investigate the relationships among firm size, market orientation and learning orientation while Table 6.19 shows the Pearson Product Moment Correlation analysis that was used to investigate

the relationships between market orientation and learning orientation. The ANOVA *F*-tests, as summarised in Table 6.19 reveal that firm size does not affect either market orientation ($p=0.524$) or learning orientation ($p=0.754$) in both countries. The results are inconsistent with literature (Laforet and Tann, 2006:366; Laforet, 2009:188; Gavindarajan, Kopalle and Daneeels, 2011:121) whose findings revealed that firm size has a strong association with market orientation. Similarly, this finding contradicts early research by Pett and Wolf (2011:301) who argued that small firms had the highest influence on learning orientation, followed by the micro-firms and lastly the medium-sized firm. The lack of a significant relationship between firm size and learning orientation could be explained in terms of the pressure of globalisation and technological advancement that presents fierce competition and hence forces businesses of all sizes to keep abreast with any changes in order to stay ahead of competitors. For example, the introduction of the Wi-Fi as a link to information has come as a “must have” facility in the accommodation sector. Its absence implies loss of business and hence both small and large accommodation businesses are forced to adopt it.

6.6.4.2 Correlation between market orientation and learning orientation

Table 6.20: Market orientation versus learning orientation

| Variable | Country | Market Orientation |
|----------------------|--------------|--------------------|
| Learning orientation | All | $r=0.736, p=0.000$ |
| | Zimbabwe | $r=0.647, p=0.000$ |
| | South Africa | $r=0.777, p=0.000$ |

* Statistically significant correlation ($p = 0.05$)

There is a strong and positive relationship between market orientation and learning (Table 6.20: $r=0.736, p=0.000$). This finding is supported by Santos-Vijande et al. (2005:187); Keskin (2006:396) who confirm that there is an association between market orientation and learning orientation. It can therefore be suggested that a market orientation approach forms the basis for learning among small accommodation businesses. As Keskin (2006:396) rightly mentioned, businesses learn from their close interaction with their customers. This way, small accommodation businesses are able to meet their customers' needs and expectations and hence allow them to compete favourably. Despite the strong relationship between these two metric variables, their degree of strength differs by country. Compared to Zimbabwe ($r=0.647, p=0.000$), small accommodation businesses in South Africa perceive a much

stronger relationship between market orientation and learning orientation ($r=0.777$, $p=0.000$). Small accommodation businesses in South Africa lead in terms of volume of trade (Rogerson, 2005). High volumes of trade come with various customer needs and expectations. In order to satisfy the needs of these diverse customers, small accommodation businesses in South Africa have to learn, innovate and then offer products and or services that meet the expectations of their customers. According to Ottesen and Grouhaung (2004:956) learning from customers is essential for raising the innovativeness of businesses. It can therefore be suggested that, the more diverse the customers base and needs, the more the learning is required by small accommodation businesses in order to provide a range of competitive goods and services to the satisfaction of their customers.

In order to examine the relationship between a categorical independent variable and a scale dependent variable, the analysis involves determining whether respondents at the different levels of the categorical independent variable differ significantly in terms of their mean scores on the dependent scale variable. To test for such probable differences in the means, parametric tests like ANOVA and t-tests were used. In this study each of the 10 dimension measures is a scale variable. As gender is a dichotomous categorical variable, the mean scores of a different dimension of innovation by gender was determined using parametric independent - samples t-tests. In the case of non-dichotomous categorical grouping variables one-way ANOVA or F-tests followed by Bonferonni, post-hoc tests were performed. The Bonferonni tests were follow-up to determine which levels of the categorical variable is significantly different if the ANOVA tests point to significant differences among the mean scores of the dimension concerned. The statistical tests were performed at the 5% level of significance.

6.6.5 Effects of age on innovation

The findings from this section help to answer the hypotheses: H_{50} : *there is no significant relationship between owner/manager's age and innovation*; H_{5a} : *there is significant relationship between owner/manager's age and innovation*.

In order to test for differences in dimensions of innovation by age and to compare such differences (if any) between Zimbabwe and South Africa, a series of one-way ANOVA tests (F-tests) were performed. The results are shown on Table 6.21. The results indicate that in

general (in both countries) innovation differs by owner-managers' age ($p=0.009$) with the age group 21-30 years (mean score, 73.3) influencing innovation more than the least 51 or more years (62.8) age category (according to a Bonferonni post-hoc test). The current study findings contradicts existing literature (Becheikh, Landry and Amara 2006; Pikkemaat and Peters 2006; Bula and Tiagha, 2012:101) which argued that there is no significant relationship between age and innovation. Overall, the current research findings suggest that young owners/managers (21-30 years) of small accommodation businesses are capable of initiating and driving innovation significantly better than those who are in the 31 to 40 and 51< years age groups. The 21-30 years group, normally comprises post tertiary education business owners/managers with a few years working experience. These managers could still be adventurous, seeking recognition and promotion and hence are more predisposed to engage in innovative activities than their counterparts.

It is noteworthy that, in both countries, age significantly affect marketing and organisational innovation ($p= 0.005$), with the 21-30 years age group having a significantly higher mean score (mean=71.6) than the more than 51 years age group (mean=58.9). The 31-40 years age group (mean=70.6) also significantly scores better than the more than 51 years age group (mean=58.9). It all points to the fact that these older than 51 years have the least score on marketing and organisational innovation in the both two countries.

The results of this study also suggest that young owner-managers of small accommodation businesses place more value on marketing and improving the businesses practice. This could perhaps be traced to the self-drive to achieve the best performance that is normally associated with young energetic people. While there is a statistically significant difference in the manner in which different age groups in South Africa relate to process innovation ($p=0.048$), a post hoc age comparison (Bonferonni test) did not find the source of the significant difference. The failure may be attributed to the closeness of the p -value (0.048) to the borderline ($p<0.05$).

It can be confirmed that the innovative ability of small accommodation businesses differs by age for both countries combined ($p=0.009$). It can therefore be concluded that there is a significant relationship between owner-managers age and innovation. However, Table 6.21, highlights that this also differs by country (Zimbabwe: $p=0.409$); (South Africa, $p=0.015$). For South Africa, the three age groups (21-30 years); (31-40 years) and 51< years differ significantly from one another with mean scores of 78.6, 77.1, 67.4 respectively.

Table 6.21: Mean scores of dimensions of innovation by age

| Innovation dimensions | Age | Frequency | Mean score (out of 100) | Stdev | Significance | (Bonferroni) |
|--|-----------|-----------|-------------------------|-------|---|--|
| Both countries Prod/serv Innov | 21-30 yrs | 38 | 71.6 | 18.2 | F = 3.802, df1=3, df2=167, p=0.011 | (41-50 years) > (51+ years) |
| | 31-40 yrs | 50 | 69.3 | 20.5 | | |
| | 41-50 yrs | 28 | 74.1 | 19.1 | | |
| | 51+ yrs | 55 | 61.0 | 19.6 | | |
| Zimbabwe Prod/serv innov | 21-30 yrs | 12 | 63.0 | 19.0 | F = 1.424, df1=3, df2=69, p = 0.243 | No post-hoc comparisons performed as overall group difference is not significant |
| | 31-40 yrs | 26 | 64.1 | 15.3 | | |
| | 41-50 yrs | 13 | 71.8 | 17.9 | | |
| | 51+ yrs | 22 | 59.7 | 16.7 | | |
| South Africa Prod/serv innov | 21-30 yrs | 26 | 75.5 | 16.7 | F = 3.121, df1=3, df2=94, p= 0.030 | Post-hoc comparisons did not produce significant results |
| | 31-40 yrs | 24 | 74.9 | 24.1 | | |
| | 41-50 yrs | 15 | 76.1 | 20.5 | | |
| | 51+ yrs | 33 | 61.8 | 21.5 | | |
| Both countries Proc Innov | 21-30 yrs | 38 | 74.7 | 16.4 | F = 2.718, df1=3, df2=166, p= 0.046 | Post-hoc comparisons did not produce significant results |
| | 31-40 yrs | 49 | 74.3 | 16.9 | | |
| | 41-50 yrs | 28 | 73.7 | 16.6 | | |
| | 51+ yrs | 55 | 65.9 | 20.0 | | |
| Zimbabwe Proc innov | 21-30 yrs | 12 | 68.1 | 16.9 | F = 0.506, df1=3, df2=68, p = 0.680 | No post-hoc comparisons performed as overall group difference is not significant |
| | 31-40 yrs | 25 | 68.7 | 12.8 | | |
| | 41-50 yrs | 13 | 69.4 | 17.5 | | |
| | 51+ yrs | 22 | 63.7 | 17.9 | | |
| South Africa Proc innov | 21-30 yrs | 26 | 77.7 | 15.6 | F = 2.727 df1=3, df2=94, p=0.048 | Post-hoc comparisons did not produce significant results |
| | 31-40 yrs | 24 | 80.2 | 18.9 | | |
| | 41-50 yrs | 15 | 77.4 | 15.5 | | |
| | 51+ yrs | 33 | 67.4 | 21.5 | | |
| Both countries Market Innov | 21-30 yrs | 38 | 71.6 | 19.7 | F=4.449 df1=3, df2=165, p=0.005 | (21-30 years) > (51+ years) (31-40 years) > (51+ years) |
| | 31-40 yrs | 49 | 70.6 | 19.0 | | |
| | 41-50 yrs | 28 | 68.6 | 17.3 | | |
| | 51+ yrs | 54 | 58.9 | 20.6 | | |
| Zimbabwe Market innov | 21-30 yrs | 12 | 61.7 | 16.0 | F=1.284 df1=3, df2=68, p=0.287 | No post-hoc comparisons performed as overall group difference is not significant |
| | 31-40 yrs | 25 | 64.5 | 14.2 | | |
| | 41-50 yrs | 13 | 68.5 | 18.7 | | |
| | 51+ yrs | 22 | 58.3 | 15.3 | | |
| South Africa Market innov | 21-30 yrs | 26 | 76.1 | 19.9 | F=4.319 df1=3, df2=93, p=0.007 | (21-30 years) > (51+ years) (31-40 years) > (51+ years) |
| | 31-40 yrs | 24 | 77.1 | 21.3 | | |
| | 41-50 yrs | 15 | 68.7 | 16.8 | | |
| | 51+ yrs | 32 | 59.3 | 23.9 | | |
| All Organ Innov | 21-30 yrs | 38 | 75.8 | 15.7 | F=3.528 df1=3, df2=164, p = 0.016 | (21-30 years) > (51+ years) |
| | 31-40 yrs | 48 | 68.4 | 19.2 | | |
| | 41-50 yrs | 27 | 70.3 | 15.9 | | |
| | 51+ yrs | 55 | 63.9 | 18.1 | | |
| Zimbabwe Organl innov | 21-30 yrs | 12 | 69.8 | 10.9 | F=0.537 df1=3, df2=66, p=0.659 | No post-hoc comparisons performed as overall group difference is not significant |
| | 31-40 yrs | 24 | 64.2 | 17.7 | | |
| | 41-50 yrs | 12 | 68.8 | 14.3 | | |
| | 51+ yrs | 22 | 64.3 | 16.5 | | |
| South Africa Organ innov | 21-30 yrs | 26 | 78.6 | 17.0 | F=3.245 df1=3, df2=94, p=0.025 | (21-30 years) > (51+ years) |
| | 31-40 yrs | 24 | 72.5 | 20.1 | | |
| | 41-50 yrs | 15 | 71.5 | 17.5 | | |
| | 51+ yrs | 33 | 63.5 | 19.4 | | |
| All Total Innov measure | 21-30 yrs | 38 | 73.3 | 15.4 | F=3.979, df=3.163, p=0.009 | (21-30 years) > (51+ years) |
| | 31-40 yrs | 48 | 71.1 | 17.3 | | |
| | 41-50 yrs | 27 | 71.6 | 15.9 | | |
| | 51+ yrs | 54 | 62.8 | 16.3 | | |
| Zimbabwe Total innov measure | 21-30 yrs | 12 | 65.3 | 11.8 | F=0.977, df=3.66, p=0.409 | No post-hoc comparisons performed as overall group difference is not significant |
| | 31-40 yrs | 24 | 65.6 | 12.9 | | |
| | 41-50 yrs | 12 | 69.5 | 16.6 | | |
| | 51+ yrs | 22 | 61.3 | 14.1 | | |
| South Africa Total innov measure | 21-30 yrs | 26 | 76.9 | 15.7 | F=3.658 df=3.93, p=0.015 | (21-30 years) > (51+ years) (31-40 years) > (51+ years) |
| | 31-40 yrs | 24 | 76.6 | 19.5 | | |
| | 41-50 yrs | 15 | 73.3 | 15.7 | | |
| | 51+ yrs | 32 | 63.8 | 17.8 | | |

* Statistically significant correlation (p = 0.05)

6.6.6 Effects of gender on innovation

This section articulates the findings on the correlation between gender and innovation by testing the hypotheses: H₆₀: *there is no significant relationship between owner/manager's*

gender and innovation; H_{6a}: there is a significant relationship between owner/manager's gender and innovation.

Mindful of the fact that gender is a dichotomous categorical variable, an independent samples t-test was performed to determine whether the innovative ability of small accommodation business differs by gender. Table 6.22 shows that there is no statistically significant difference in the way gender relates to innovation (overall p-value = 0.499) even at country level (Zimbabwe: p = 0.453 and South Africa: p = 0.445). The findings suggest that both women and men have equal propensity to initiate innovation. However, these results contract literature which reports that men are more innovative than their females counterparts (Crowden, 2003; Kingiri, 2010; Johnson and Lingburg, 2011; Danilda and Thorslung, 2011) largely due to discrepancies in access to finance, education, and societal roles (Kingiri, 2010; Nahlinder, 2010; Salome, Damilola and Sunday, 2013:216). Perhaps the deliberate advancement of human and equal rights as well as the drive to educate the girl child especially in developing economies explain the absence of a significant relationship between gender and innovation. For example, since 2003, Zimbabwe has had a Ministry responsible for Gender whose mandate is to advance the interest of women.

Table 6.22: Comparison of means of dimensions of innovation by gender

| Innovation dimensions | Gender of respondents | Number of respondents | | | Mean score (out of 100) | | | Standard Deviation | | | Significance testing | | |
|-----------------------|-----------------------|-----------------------|-----|----|-------------------------|------|------|--------------------|------|------|------------------------------------|-----------------------------------|-----------------------------------|
| | | All | Zim | SA | All | Zim | SA | All | Zim | SA | All | Zim | SA |
| Prod/servInnov | Male | 78 | 41 | 37 | 65.9 | 63.8 | 68.2 | 17.3 | 18.0 | 16.5 | t = -1.093 df=170, p = 0.276 | t = -0.082 df=71, p = 0.935 | t = -0.813 df=97, p = 0.418 |
| | Female | 94 | 32 | 62 | 69.3 | 64.1 | 71.9 | 22.0 | 15.8 | 24.2 | | | |
| ProclInnov | Male | 77 | 40 | 37 | 70.9 | 68.3 | 73.6 | 15.7 | 16.4 | 14.6 | t = -0.379 df=169, p = 0.705 | t = 0.683 df=70, p = 0.497 | t = -0.378 df=97, p = 0.707 |
| | Female | 94 | 32 | 62 | 71.9 | 65.8 | 75.1 | 20.0 | 15.3 | 21.5 | | | |
| Mkt Innov | Male | 77 | 40 | 37 | 66.9 | 65.4 | 68.5 | 18.0 | 15.9 | 20.1 | t = 0.157 df=168, p = 0.876 | t = 1.539 df=70, p = 0.128 | t = -0.304 df=96, p = 0.762 |
| | Female | 93 | 32 | 61 | 66.4 | 59.7 | 69.9 | 21.7 | 15.3 | 23.8 | | | |
| Organ Innov | Male | 76 | 39 | 37 | 67.6 | 67.0 | 68.3 | 15.9 | 15.7 | 16.4 | t = -0.723 df=167, p = 0.471 | t = 0.600 df=68, p = 0.550 | t = -0.943 df=97, p = 0.348 |
| | Female | 93 | 31 | 62 | 69.7 | 64.7 | 72.1 | 19.6 | 15.8 | 20.9 | | | |
| Total Innovmeasure | Male | 76 | 39 | 37 | 67.9 | 66.0 | 69.9 | 14.8 | 14.3 | 15.3 | t = -0.677 df=166, p = 0.499 | t = 0.755 df=68, p = 0.453 | t = -0.766 df=96, p = 0.445 |
| | Female | 92 | 31 | 61 | 69.7 | 63.5 | 72.8 | 18.3 | 13.2 | 19.8 | | | |

6.6.7 Effects of work experience on innovation

This section presents and discusses the results of the following hypotheses testing H_{70} : *there is no significant relationship between the owner/manager's level of experience and innovation*; H_{7a} : *there is a significant relationship between owner/manager's level of experience and innovation*.

In order to test whether SABs' propensity to engage in different dimensions of innovation differs by owner-managers' years of experience in the accommodation sector, an ANOVA (F test) was performed.

It is evident from Table 6.23 that except for organisational innovation ($p < 0.05$), there is no statistically significant difference in the way different levels of experience in the accommodation sector affect or influence (i) product/service ($p=0.110$), (ii) process ($p=0.429$) and (iii) market ($p=0.127$) innovations. This finding is inconsistent with Soltani and Hosseini (2012) study results that demonstrated a positive relationship between managers work experience and organisation innovation in small rural food industries. It can therefore be concluded that in small accommodation businesses, innovation endeavours that focus on product/service, process and market do not depend on the owner/managers experience in the accommodation sector. However, only organisation innovation depends on the owner/managers work experience in the accommodation sector. The owner-managers' strong and broad based career network in the industry, access to resources such as labour and better insights into future opportunities, leverage them to engage in organisational innovation. It is worth noting that the link between owner-managers' work experience in the accommodation sector and organisation innovation differs by country. Unlike Zimbabwe, experience of small businesses in South Africa influence organisational innovation ($p=0.030$).

There is no statistically significant difference in terms of how owner- managers level of work experience in the accommodation sector relate to all dimensions of innovation in Zimbabwe ($p=0.471$). This means that owner/managers experience does not influence innovation in Zimbabwe. However, for South Africa, except for process innovation ($p=0.447$), product/service, marketing and organizational innovation ($p<0.05$) depend on work experience in the accommodation sector with the range of 1-5 years and 11-15 years categories of work experience exerting the highest and lowest level of influence across all

dimensions of innovation respectively. It is surprising to note that process innovation is not manipulated by various owner-managers' work experiences in the accommodation sector. Process innovation is meant to create a competitive advantage through improving quality as well as saving costs through increased efficiency processes (OECD, 2005) and quality of product or service. It is therefore tempting to assume that with increasing years of work experience, small accommodation businesses would also be improving their level of competitiveness through improved quality and production cost saving . However, it is encouraging to note that small accommodation businesses' ability to introduce new (i) products/services (ii) marketing strategies and (iii) organisational methods is largely appreciated or practiced to a larger extent by those with 1-5 years of work experience in the accommodation sector.

Table 6.23: Mean scores on the dimensions of innovation by work experience in the accommodation sector

| Innovation dimensions | Work experience | Number of respondents | | | Mean score (out of 100) | | | Standard deviation | | | Significance testing | | | Significant post-hoc comparisons (Bonferroni) | | |
|-----------------------|-----------------|-----------------------|-----|----|-------------------------|------|------|--------------------|------|------|--|--|---|--|--|--|
| | | All | Zim | SA | All | Zim | SA | All | Zim | SA | All | Zim | SA | All | Zim | SA |
| Prod/serv Innov | < 1 yr | 10 | 5 | 5 | 72.5 | 68.3 | 76.7 | 19.5 | 13.1 | 25.4 | F=1.915 df1=4, df2=167, p=0.110 | F=0.394 df1=4, df2=68, p=0.813) | F=2.538 df1=4, df2=94, p=0.045 | No post-hoc comparisons performed as overall group difference is not significant | No post-hoc comparisons performed as overall group difference is not significant | 1-5 yrs > 11-15 yrs |
| | 1-5 yrs | 62 | 23 | 39 | 72.0 | 64.7 | 76.3 | 17.9 | 16.6 | 17.4 | | | | | | |
| | 6-10 yrs | 47 | 16 | 31 | 67.3 | 63.4 | 69.3 | 22.4 | 20.0 | 23.6 | | | | | | |
| | 11-15 yrs | 25 | 12 | 13 | 61.0 | 66.9 | 55.6 | 19.6 | 17.8 | 20.2 | | | | | | |
| | 15+ yrs | 28 | 17 | 11 | 63.5 | 60.1 | 68.7 | 19.6 | 15.8 | 24.2 | | | | | | |
| Proc Innov | <1 yr | 10 | 5 | 5 | 70.8 | 64.6 | 77.1 | 21.5 | 20.4 | 23.0 | F=0.964 df1=4, df2=166, p=0.429 | F=1.773 df1=4, df2=67, p=0.145 | F=0.935 df1=4, df2=94 p=0.447 | No post-hoc comparisons performed as overall group difference is not significant | No post-hoc comparisons performed as overall group difference is not significant | No post-hoc comparisons performed as overall group difference is not significant |
| | 1-5 yrs | 62 | 23 | 39 | 74.6 | 69.3 | 77.7 | 17.1 | 14.4 | 18.0 | | | | | | |
| | 6-10 yrs | 46 | 15 | 31 | 70.6 | 63.2 | 74.1 | 19.2 | 18.2 | 18.9 | | | | | | |
| | 11-15 yrs | 25 | 12 | 13 | 70.8 | 76.0 | 66.0 | 20.3 | 16.1 | 23.1 | | | | | | |
| | 15+ yrs | 28 | 17 | 11 | 66.7 | 62.4 | 73.5 | 15.3 | 12.4 | 17.4 | | | | | | |
| Mkt Innov | <1 yr | 10 | 5 | 5 | 63.7 | 53.1 | 74.2 | 26.0 | 24.5 | 25.2 | F=1.820 df1=4, df2=165, p=0.127 | F=0.872 df1=4, df2=67 p=0.485 | F=2.769 df1=4, df2=93 p=0.032 | No post-hoc comparisons performed as overall group difference is not significant | No post-hoc comparisons performed as overall group difference is not significant | 1-5 yrs > 11-15 yrs |
| | 1-5 yrs | 61 | 23 | 38 | 71.4 | 64.3 | 75.7 | 17.9 | 13.4 | 19.1 | | | | | | |
| | 6-10 yrs | 46 | 15 | 31 | 66.8 | 60.1 | 70.0 | 20.6 | 18.8 | 21.0 | | | | | | |
| | 11-15 yrs | 25 | 12 | 13 | 60.9 | 67.3 | 55.0 | 21.5 | 17.4 | 23.8 | | | | | | |
| | 15+ yrs | 28 | 17 | 11 | 62.1 | 63.0 | 60.7 | 18.8 | 11.7 | 27.0 | | | | | | |
| Organ innov | < 1 yr | 10 | 5 | 5 | 66.9 | 59.4 | 74.4 | 21.9 | 18.1 | 24.6 | F=2.427 df1=4, df2=164, p=0.050 | F=0.479 df1=4, df2=65 p=0.751 | F=2.815 df1=4, df2=94, p=0.030 | Post-hoc comparisons did not produce significant results | No post-hoc comparisons performed as overall group difference is not significant | 1-5 yrs > 11-15 yrs |
| | 1-5 yrs | 62 | 23 | 39 | 73.0 | 67.7 | 76.2 | 15.9 | 11.8 | 17.2 | | | | | | |
| | 6-10 yrs | 46 | 15 | 31 | 69.7 | 68.3 | 70.4 | 18.7 | 18.6 | 19.0 | | | | | | |
| | 11-15 yrs | 24 | 11 | 13 | 61.1 | 66.2 | 56.7 | 21.9 | 23.1 | 20.7 | | | | | | |
| | 15+ yrs | 27 | 16 | 11 | 64.8 | 63.3 | 67.0 | 13.9 | 11.0 | 17.7 | | | | | | |
| Total innov measure | Less than 1 yr | 10 | 5 | 5 | 68.2 | 60.8 | 75.6 | 21.4 | 17.9 | 24.1 | F=2.157 df1=4, df2=163, p=0.076 | F=0.897 df1=4, df2=65, p=0.471 | F=3.084 df1=4, df2=93, p=0.020 | No post-hoc comparisons performed as overall group difference is not significant | No post-hoc comparisons performed as overall group difference is not significant | 1-5 yrs > 11-15 yrs |
| | 1-5 yrs | 61 | 23 | 38 | 73.3 | 66.5 | 77.4 | 14.7 | 11.3 | 15.1 | | | | | | |
| | 6-10 yrs | 46 | 15 | 31 | 68.4 | 62.9 | 71.1 | 18.4 | 17.1 | 18.7 | | | | | | |
| | 11-15 yrs | 24 | 11 | 13 | 64.1 | 70.5 | 58.6 | 17.0 | 16.4 | 16.1 | | | | | | |
| | 15+ yrs | 27 | 16 | 11 | 64.1 | 61.9 | 67.3 | 15.0 | 10.2 | 20.3 | | | | | | |

* Statistically significant correlation (p = 0.05)

6.6.8 Effects of level of education on innovation

This section displays and discusses the relationship between education of the manager/owner and innovation in line with hypotheses: H_{80} : *there is no significant relationship between owner/manager's level of education and innovation*; H_{8a} : *there is a significant relationship between owner/manager's level of education and innovation*.

In order to test whether small accommodation businesses' propensity to engage in different dimensions of innovation differs by the level of education of owner-managers an ANOVA (F-test) was performed. Table 6.24 shows that overall, different levels of education have similar effects on innovation for the two countries combined ($p=0.415$). It can therefore be concluded that there is no statistically significant difference in the way different levels of education relate to different dimensions of innovation in the countries (Zimbabwe: $p=0.761$; South Africa: $p=0.412$). These findings contradict early research by (De Jong and Hartog, 2007; Patterson, Kerrin and Gatto-Roissard, 2009; Silva and Leitao, 2009; Toner, 2012) which revealed that higher levels of education have a significant effect on the propensity for firms to innovate. The proliferation of small businesses both in both Zimbabwe and South Africa is to a large extent as a result of high unemployment levels of graduates who despite their levels of education fail to secure employment and end up forming small private businesses. Literature (Edralin, 2007; Silva and Leitao, 2009; Sandivot and Verspagen, 2011) states that knowledge and skills enable small businesses to be thoughtful, creative, imaginative, resourceful. The presence of high literacy rates in the study samples for both Zimbabwe and South Africa (see Table 6.4) would ordinarily suggest that small businesses' proclivity to innovation increases with increased level of education. However, the inconsistency of these results and literature suggests that owner-managers of small accommodation business, their stakeholders and policy makers may be tempted to prioritise market orientation, learning orientation, age and experience ahead of educating and developing owner-managers of small accommodation businesses.

Table 6.24: Mean scores of different dimensions of innovation by qualification

| Innovation dimensions | Education | Number of respondents | | | Mean score (out of 100) | | | Standard deviation | | | Significance testing | | |
|-----------------------|-----------------|-----------------------|-----|----|-------------------------|------|------|--------------------|------|------|--------------------------------------|-----------------------------------|---------------------------------|
| | | All | Zim | SA | All | Zim | SA | All | Zim | SA | All | Zim | SA |
| Prod/serv Innov | Below Grade 12 | 18 | 13 | 5 | 62.5 | 61.5 | 65.0 | 16.9 | 10.7 | 29.2 | F=1.743, df1=4, df2=165, p=0.143 | F=0.576, df1=4, df2=66, p = 0.681 | F=1.268, df1=3, df2=94, p=0.288 |
| | Grade 12 | 38 | 7 | 31 | 73.0 | 59.9 | 75.9 | 16.6 | 15.5 | 15.6 | | | |
| | Post school | 17 | 7 | 10 | 74.3 | 69.8 | 77.5 | 20.7 | 15.7 | 23.9 | | | |
| | Diploma/ degree | 82 | 39 | 43 | 65.4 | 64.4 | 66.4 | 20.3 | 18.8 | 21.7 | | | |
| | Other | 15 | 5 | 10 | 68.5 | 70.6 | 67.5 | 24.9 | 13.3 | 29.7 | | | |
| Proc Innov | Below Grade 12 | 18 | 13 | 5 | 65.4 | 64.3 | 68.3 | 17.8 | 13.9 | 27.5 | F=1.446, df1=4, df2=164, p=0.221 | F=0.513, df1=4, df2=65, p=0.726 | F=1.203, df1=3, df2=94, p=0.315 |
| | Grade 12 | 38 | 7 | 31 | 75.8 | 64.3 | 78.4 | 17.1 | 18.4 | 16.0 | | | |
| | Post school | 17 | 7 | 10 | 75.9 | 69.0 | 80.6 | 19.7 | 14.1 | 22.3 | | | |
| | Diploma/ degree | 81 | 38 | 43 | 70.1 | 66.9 | 72.9 | 17.3 | 16.9 | 17.3 | | | |
| | Other | 15 | 5 | 10 | 69.6 | 75.4 | 66.7 | 23.0 | 13.7 | 26.7 | | | |
| MKT Innov | Below Grade 12 | 17 | 13 | 4 | 63.5 | 63.3 | 63.9 | 16.5 | 11.7 | 30.2 | F=0.761, df1=4, df2=163, p=0.552 | F=0.182, df1=4, df2=65, p=0.947 | F=1.445, df1=3, df2=93, p=0.225 |
| | Grade 12 | 38 | 7 | 31 | 68.2 | 62.9 | 69.4 | 19.8 | 11.1 | 21.2 | | | |
| | Post school | 17 | 7 | 10 | 70.5 | 61.0 | 77.1 | 23.1 | 15.7 | 25.8 | | | |
| | Diploma/ degree | 81 | 38 | 43 | 67.1 | 62.3 | 71.3 | 20.1 | 19.1 | 20.3 | | | |
| | Other | 15 | 5 | 10 | 59.7 | 68.5 | 55.4 | 22.2 | 6.0 | 26.2 | | | |
| Organ Innov | Below Grade 12 | 17 | 12 | 5 | 62.1 | 61.5 | 63.8 | 19.4 | 17.9 | 25.1 | F=1.142, df1=4, df2=162, p = 0.339 | F=0.700, df1=4, df2=63, p=0.595 | F=0.701, df1=3, df2=94, p=0.593 |
| | Grade 12 | 38 | 7 | 31 | 73.0 | 65.6 | 74.7 | 16.1 | 10.4 | 16.8 | | | |
| | Post school | 17 | 7 | 10 | 69.1 | 65.2 | 71.9 | 22.0 | 15.2 | 26.2 | | | |
| | Diploma/ degree | 80 | 37 | 43 | 67.9 | 66.0 | 69.5 | 18.1 | 16.1 | 19.8 | | | |
| | Other | 15 | 5 | 10 | 69.0 | 75.6 | 65.6 | 16.0 | 17.5 | 15.1 | | | |
| Total Innov measure | Below Grade 12 | 16 | 12 | 4 | 64.9 | 62.5 | 72.3 | 13.6 | 10.4 | 20.7 | F = 0.990, df1=4, df2=161, p = 0.415 | F=0.465, df1=4, df2=63, p=0.761 | F=1.000, df1=3, df2=93, p=0.412 |
| | Grade 12 | 38 | 7 | 31 | 72.3 | 63.2 | 74.4 | 16.0 | 13.2 | 16.1 | | | |
| | Post school | 17 | 7 | 10 | 72.6 | 66.0 | 77.2 | 19.1 | 12.6 | 22.1 | | | |
| | Diploma/ degree | 80 | 37 | 43 | 67.8 | 64.8 | 70.4 | 17.2 | 15.9 | 18.0 | | | |
| | Other | 15 | 5 | 10 | 66.2 | 72.3 | 63.2 | 17.7 | 8.3 | 20.6 | | | |

The statistical analysis produced other results worth noting that do not relate to the hypotheses under investigation. These are reported below

6.6.9 Interaction effects of age and work experience on innovation

The results of the effects of demographic variables on innovation showed that scores for innovation differ significantly by age (Table 6.21) and experience (Table 6.23) of owner/managers. In order to investigate whether there are any significant interaction effects between the age of the respondents and their experience in the accommodation sector on each of the five innovation measures, a series of two-way ANOVA tests were performed. This was done only for the South African respondents which had shown statistically significant differences. The results are summarised in Table 6.25.

It can be inferred from Table 6.25 that there are only two statistically significant Age/Experience interaction effects on innovation (denoted as “Age x Experience” in Table 6.25), namely for marketing innovation ($p = 0.046$) and for the total innovation measure ($p=0.017$).

The interaction between age and experience (involving all age groups and all experience categories) can only be commented on for the “1-5 years” and “6-10 years” categories of experience. The reason is that those who are currently between 21-30 years of age do not have more than 10 years of experience which is expected of their age. Similarly, those who are 41 years or older do not have less than 1 year experience of experience which is also expected. The interaction effects are best understood if displayed as graphs. As displayed in Figure 6.3, there is more variation in the average marketing innovation levels between the age groups for those with 6-10 years’ experience with people who are 51 or more years being the least innovative (mean close to 59) and those in the 21-30 years age group being the most innovative (mean close to 87.2). This suggests that older but experienced people are the least innovative while youth tend to overcome lack of experience and exposure by achieving higher levels of innovativeness. For those with 1-5 years of experience, there seems to be some similarity in innovation levels regardless of age (the lines are closer together for all relevant age groups). The mean marketing innovation scores for different age

groups are much close together for those who have 1-5 years of experience than other levels of experience (roughly between 69.8 and 91.4). This attests to the existence of interaction effects between age and experience on marketing innovation. Late starters have difficulties in achieving higher levels of marketing innovation.

Table 6.25: Two-way ANOVA - age and experience by innovation (South Africa)

| | Type III Sum of Squares | Df | Mean Square | F | p value |
|-----------------------------------|-------------------------|----|-------------|---------|---------|
| Product/service innovation | | | | | |
| Corrected model | 10962.79 | 14 | 783.06 | 1.902 | 0.038 |
| Intercept | 255253.53 | 1 | 255253.53 | 620.118 | 0.000 |
| Age | 3424.53 | 3 | 1141.51 | 2.773 | 0.047 |
| Experience | 2898.05 | 4 | 724.51 | 1.760 | 0.145 |
| Age x Experience | 3838.69 | 7 | 548.38 | 1.332 | 0.246 |
| Error | 34164.52 | 83 | 411.62 | | |
| Total | 536828.70 | 98 | | | |
| Corrected total | 45127.32 | 97 | | | |
| Process innovation | | | | | |
| Corrected model | 7689.63 | 14 | 549.26 | 1.657 | 0.081 |
| Intercept | 278132.34 | 1 | 278132.34 | 839.125 | 0.000 |
| Age | 2923.15 | 3 | 974.38 | 2.940 | 0.038 |
| Experience | 834.90 | 4 | 208.73 | .630 | 0.643 |
| Age x Experience | 4044.04 | 7 | 577.72 | 1.743 | 0.110 |
| Error | 27510.78 | 83 | 331.46 | | |
| Total | 583641.49 | 98 | | | |
| Corrected total | 35200.41 | 97 | | | |
| Marketing innovation | | | | | |
| Corrected model | 14214.32 | 14 | 1015.31 | 2.481 | 0.006 |
| Intercept | 235078.39 | 1 | 235078.39 | 574.461 | 0.000 |
| Age | 3868.01 | 3 | 1289.34 | 3.151 | 0.029 |
| Experience | 1234.16 | 4 | 308.54 | .754 | 0.558 |
| Age x Experience | 6195.75 | 7 | 885.11 | 2.163 | 0.046 |
| Error | 33555.69 | 82 | 409.22 | | |
| Total | 518557.69 | 97 | | | |
| Corrected total | 47770.01 | 96 | | | |
| Organisational innovation | | | | | |
| Corrected model | 9980.89 | 14 | 712.92 | 2.256 | 0.012 |
| Intercept | 240343.62 | 1 | 240343.62 | 760.403 | 0.000 |
| Age | 3005.00 | 3 | 1001.67 | 3.169 | 0.029 |
| Experience | 1425.52 | 4 | 356.38 | 1.128 | 0.349 |
| Age x Experience | 4667.57 | 7 | 666.80 | 2.110 | 0.051 |
| Error | 26234.13 | 83 | 316.07 | | |
| Total | 529541.02 | 98 | | | |
| Corrected total | 36215.02 | 97 | | | |
| Total innovation measure | | | | | |
| Corrected model | 10170.12 | 14 | 726.44 | 2.796 | 0.002 |
| Intercept | 253445.78 | 1 | 253445.78 | 975.484 | 0.000 |
| Age | 2607.81 | 3 | 869.27 | 3.346 | 0.023 |
| Experience | 1584.60 | 4 | 396.15 | 1.525 | 0.203 |
| Age x Experience | 4747.75 | 7 | 678.25 | 2.611 | 0.017 |
| Error | 21304.85 | 82 | 259.82 | | |
| Total | 533798.54 | 97 | | | |
| Corrected total | 31474.98 | 96 | | | |

* Statistically significant correlation ($p = 0.05$)

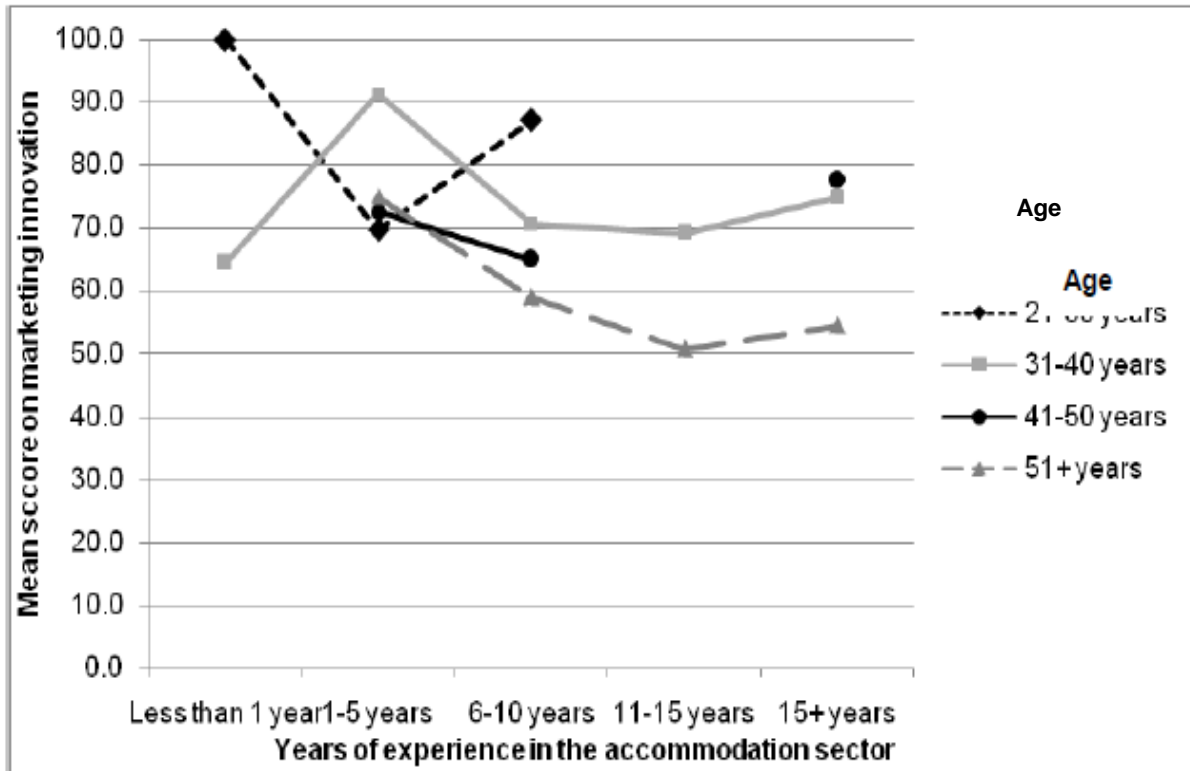


Figure 6.2: Marketing innovation by age and work experience (South Africa)

Table 6.25 also shows that there is statistically significant age/experience interaction effects on total innovation measure ($p=0.017$). The interaction between age and experience (involving all age groups and all experience categories) can only be commented on for the “1-5 years” and “6-10 years” categories of experience. The reason is that those who are currently between 21-30 years of age do not have more than 10 years of experience, which is expected of their age. Similarly, those who are 41 years or older do not have less than 1 year experience of experience, which is also expected. Figure 6.3 shows that there are only two respondents who are between 21-30 years and have less than one year of experience. Similarly, there are only two respondents who are between 31-40 years of age with less than one year of experience. Thus, there is a huge innovation difference between two groups of respondents all with less than one year of experience with each comprises only two respondents. Arguably, owner/managers of small accommodation businesses aged 21-30 are more innovative (mean close to 100) than their counterparts aged 31-40 who are least innovative (mean close to 67). This finding suggests that older but less experienced people are the least innovative while the youth tend to cover for lack of

experience by engaging in innovation to achieve higher levels of innovativeness. For those with 1-5 years of experience there seems to be some similarity in innovation levels regardless of age. The mean total innovation scores for different age groups are much close together when they have 1-5 years of experience than other levels of experience (roughly between 71 and 89.6). This attests to the existence of interaction effects between age and experience on total innovation.

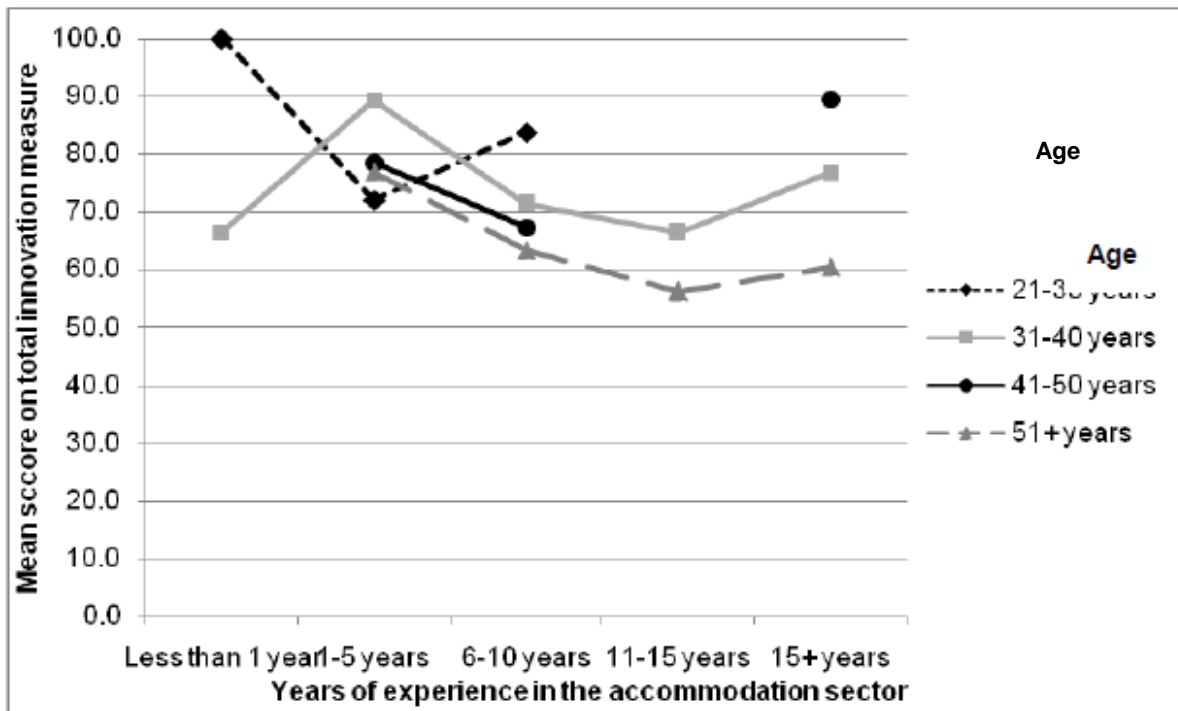


Figure 6.3: Innovation vs. accommodation work experience (South Africa)

6.6.10 Associations among age, gender, education and work experience

Chi Square tests were performed to establish the inter-relationships between independent variables namely age, gender, education and work experience. Unlike other variables which showed no significant relationships, Table 6.26 shows that there is statistical evidence that age and work experience in the accommodation sector have a significant relationship (Chi-square = 59.298, df = 9, $p < 0.000$).

Table 6.26: Association among age, gender, education and work experience

| | Gender | Age | Highest Qualification |
|--|-----------------------------------|--------------------------------------|----------------------------------|
| 1. Gender | -- | | |
| 2. Age | Chi-square =2.900, df=3, p =0.407 | -- | |
| 3. Highest qualification | Chi-square =3.496, df=4, p =0.478 | Fishers exact test , 14.386, p=0.257 | – |
| 4. Experience in accommodation sector | Chi-square =6.009, df=4, p=0.198 | Chi-square=59.298 , df=9, p= 0.000 | Chi-square=16.515, df=6, p=0.105 |

* Statistically significant association ($p < 0.05$)

A chi-square test could not be performed on the relationship between age and highest level of education because more than 20% of the expected counts were less than 5. As such Fishers' exact text was conducted, which showed no significant relationship between these two variables?

Figure 6.4 show the percentage distribution of experience from a sample of 172 respondents. Eighty two percent of those in the age group 21-30 had less than 5 years' experience while the majority (40%) of 31-40 years age group had less than 5 years' experience. The highest percentage (39%) of the 41-50 years category had 6-10 years' experience while the majority (34%) of the 51 or more years had 15 years or more. These findings confirm the notion that the young owner/managers are less experienced compared to their older counterparts and hence experience increases with age.

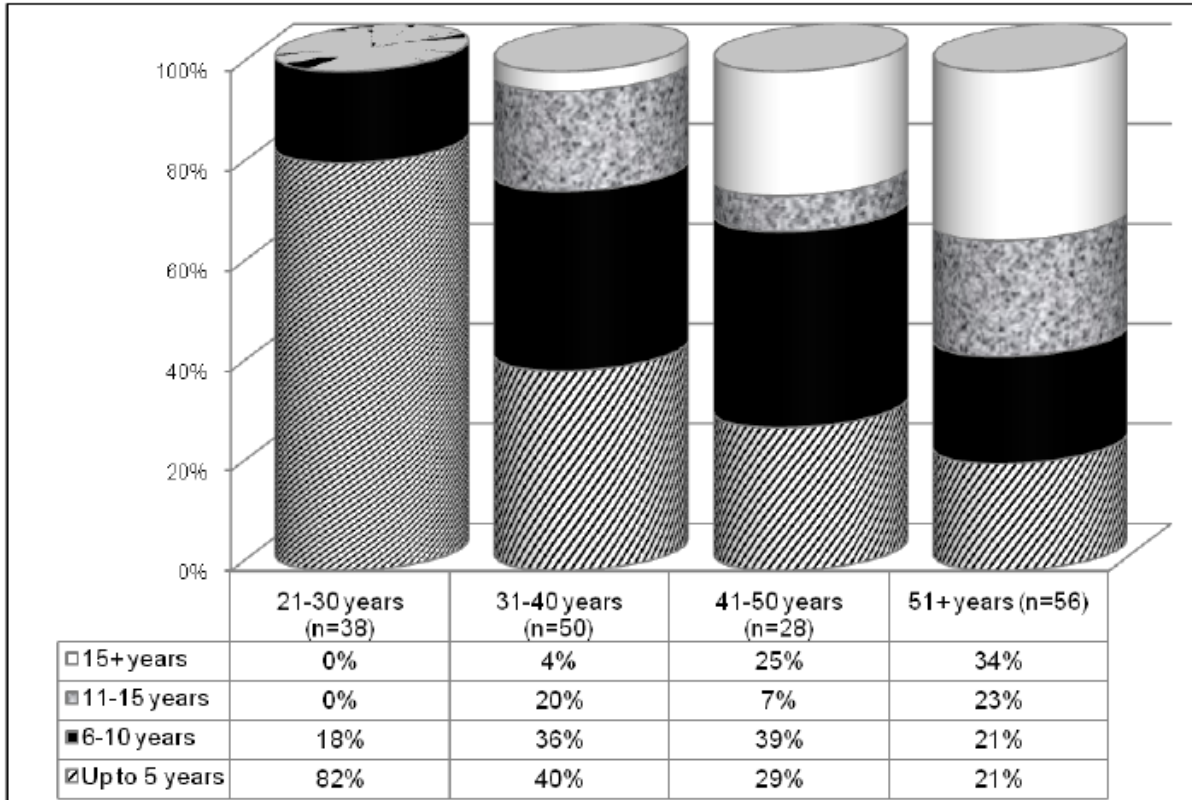


Figure 6.4: Distribution of experience vs. age of owner/managers

6.6.11 Regression analysis

In order to determine the relative influence of market orientation (MO), learning orientation (LO) and country in the prediction of a company's level of innovation, a multiple regression model was performed where all three variables (MO, LO and country) were simultaneously entered as predictors in the model, with innovation as the outcome variable. Since country is a categorical variable a dummy variable was used. Table 6.27 shows that the three variables (MO, LO and country) collectively explain 73% of the variation in the dependent variable, which is the company's level of innovation. The multiple correlation coefficient is statistically significant ($p=0.000$). However, according to Table 6.26 only MO ($t=10.866$, $p=0.000$) and LO ($t=3.873$, $p=0.000$) significantly contribute to the prediction of the dependent variable, with MO being the strongest predictor (standardised Beta of 0.656). Country is not a significant predictor in the model and can therefore be excluded without any significant loss in the percentage of explained variation.

Table 6.27: Multiple linear regression for overall innovation

| | Unstandardised coefficients | | Standardised coefficients | t | p value | Model statistics |
|----------------------|-----------------------------|------------|---------------------------|--------|---------|--|
| | B | Std. error | Beta | | | |
| (Constant) | -11.935 | 4.096 | -- | -2.914 | 0.004 | R = 0.857 Adjusted R ² = 0.729 F = 150.912 p = 0.000 |
| Market orientation | 0.770 | 0.071 | 0.656 | 10.886 | 0.000 | |
| Learning orientation | 0.256 | 0.066 | 0.232 | 3.873 | 0.000 | |
| Country | 2.604 | 1.385 | 0.077 | 1.880 | 0.062 | |

* Statistically significant ($p < 0.05$)

If country is removed as a predictor, the model outlined in Table 6.28 is obtained, where MO and LO combined still explain 73% of the variability in the innovation scores.

Table 6.28: Regression of overall MO and overall LO on overall innovation

| | Unstandardised coefficients | | Standardised coefficients | t | p value | Model statistics |
|----------------------|-----------------------------|------------|---------------------------|--------|---------|--|
| | B | Std. error | Beta | | | |
| (Constant) | -8.802 | 3.770 | -- | -2.335 | 0.021 | R = 0.853 Adjusted R ² = 0.725 F = 221.205 p = 0.000 |
| Market orientation | 0.785 | 0.071 | 0.669 | 11.093 | 0.000 | |
| Learning orientation | 0.254 | 0.067 | 0.230 | 3.812 | 0.000 | |

* Statistically significant ($p < 0.05$)

Owner/managers of small accommodation businesses expressed higher propensity to innovate when they adopt a market oriented approach whereupon they satisfy the needs and expectations of customers while monitoring their competitor's strategies. Though, to a lesser extent, learning orientation also influences innovation. The contribution of country as a predictor of innovation is insignificant. It can therefore be concluded that market orientation is the key driver (main predictor) of innovation among small accommodation businesses in developing economies and learning orientation ranks second. In line with these results, it can be confirmed that small accommodation businesses that invest more in marketing, and to a lesser extend in learning, tend to be better innovators irrespective of their country.

6.7 CONCLUDING REMARKS

This penultimate chapter presented, interpreted and discussed the results of the empirical study data in view of the problem statement. The next chapter presents conclusions and recommendations based on the results in this chapter.

CHAPTER 7: CONCLUSION AND RECOMMENDATIONS

7.1 INTRODUCTION

Chapter 6 presented, interpreted and discussed the results of the empirical study in order to test the formulated hypotheses. This concluding chapter provides, conclusions based on the findings as well as recommendations for practice, policy and future research. For all these chapter objectives to be placed in proper perspective, it is important to first recapitulate the problem investigated and its accompanying objectives.

7.1 Recap of the problem statement and objectives

In view of their liabilities of smallness, newness and adolescence, small businesses experience fierce competition especially from their large business counterparts. Such intense competition threatens the survival of small businesses. The small accommodation business sector is believed to be inundated with competition and this is more pronounced in developing economies. Although innovation has been identified as a panacea to this challenge, the sustainability of its key drivers among small accommodation businesses in developing countries has been a grey area. Hence, the study sought to achieve the following objectives:

- 1) Determine whether firm size influences innovation,
- 2) Establish whether firm innovation is influenced by market orientation,
- 3) Examine whether learning orientation influences firm innovation,
- 4) Establish whether there is a correlation among firm size, market and learning orientation,
- 5) Determine the influence of demographic variables (age, gender, work experience and level of education) on innovation,
- 6) Compare the degree of influence of size, market and learning orientation on innovation between Zimbabwe and South Africa and,
- 7) Propose a conceptual model that describes the relationship amongst variables that drive innovation in developing economies.

In order to achieve the above objectives, a number of hypotheses were tested. The following conclusions are arrived at regarding the hypotheses tested.

7.2 CONCLUSIONS

7.2.1 Firm size and innovativeness

The first hypothesis tested was: H_{10} : *there is no significant relationship between firm size and innovation* with the alternate hypothesis being; H_{1a} : *there is a significant relationship between firm size and innovation*. As stated in Chapter 6, ANOVA test results produced no significant differences in the total level of innovation for firm size (see Table 6.13). Similarly, the ANOVA test for all dimensions of innovation (product/service; process; marketing and organisational) (PPMO) for the three country categories showed no significant differences for Zimbabwe, South Africa and the two countries combined (see Table 6.13). This means that the null hypothesis H_{10} : *There is no significant relationship between firm size and innovation* is supported. **It is therefore concluded that firm size does not influence innovativeness of small accommodation firms in South Africa and Zimbabwe.**

7.2.2 Market orientation and innovativeness

The second null hypothesis tested was H_{20} : *there is no significant relationship between market orientation and innovation* with the alternate hypothesis being H_{2a} : *there is a significant relationship between market orientation and innovation*. The Pearson product moment correlation tests results revealed that there is a strong positive relationship between market orientation and overall innovation for individual countries South Africa and Zimbabwe as well as when the two countries are aggregated (See Table 6.14). Similarly, Table 6.15 illustrates positive correlation between dimensions of market orientation and dimensions of innovation for small accommodation businesses in South Africa, Zimbabwe and the two countries combined. This implies that the null hypothesis is not supported. Consequently, the alternate hypothesis H_{2a} : *There is a significant relationship between market orientation and innovation* is accepted. **It is therefore concluded that market orientation influences innovativeness of small accommodation businesses in both Zimbabwe and South Africa.** Subsequent T-tests results produced significant differences in the total level of market orientation between Zimbabwe and South Africa (see Table 6.11).

It is therefore concluded that market oriented small accommodation businesses in South Africa influences innovation more than their counterparts in Zimbabwe.

7.2.3 Learning orientation and innovativeness

The third null hypothesis tested was H_{30} : *there is no significant relationship between learning orientation and innovation* with the alternate hypothesis being H_{3a} : *there is a significant relationship between learning orientation and innovation*. The correlation test results showed that there is a strong positive relationship between learning orientation and overall innovation among small accommodation business in Zimbabwe, South Africa and the two countries aggregated (see Table 6.16). Results from a similar correlation test between the dimensions of learning orientation and dimensions of innovation showed that there is a positive relationship amongst these dimensions (see Table 6.17). This means that the null hypothesis: H_{30} is not supported which implies acceptance of the alternate hypothesis being H_{3a} : *There is a significant relationship between learning orientation and innovation*. Thus, it is concluded that learning orientation influences innovation in small accommodation businesses in Zimbabwe and South Africa. The preceding T-tests results produced no significant differences in the total level of learning between Zimbabwe and South Africa (see Table 6.12).

It is therefore further concluded that the level at which learning orientation influences innovation in small accommodation businesses is similar for both Zimbabwe and South Africa.

7.2.4 Relationship between firm size, market and learning orientations

The fourth null hypothesis tested was hypothesis being: H_{40} : *there is no significant correlation amongst firm size, market orientation and learning orientation* with the alternate hypothesis being H_{4a} : *there is a significant correlation amongst firm size, market orientation and learning orientation*.

The ANOVA F -tests results showed that there is no significant difference between firm size and market orientation as well as firm size and learning orientation in Zimbabwe,

South Africa and on the two countries aggregated (see Table 6.18). This means that the null hypothesis: H_{40} : *There is no significant correlation amongst firm size, market orientation and learning orientation* is supported.

It is therefore concluded that firm size has no relationship with market orientation and learning orientation in small accommodation businesses in both Zimbabwe and South Africa.

7.2.5 Age and innovativeness

The fifth hypothesis tested was: H_{50} : *there is no significant relationship between owner/manager's age and innovation* with H_{5a} : *there is significant relationship between owner/manager's age and innovation* being the alternate hypothesis.

A series of one way ANOVA F -tests results produced significant difference between age and innovation in South Africa only and for Zimbabwe and South Africa combined. (See Table 6.21). This means that the null hypothesis: H_{50} : *there is no significant relationship between owner/manager's age and innovation* is not supported meaning that the alternate hypothesis H_{5a} : *there is significant relationship between owner/manager's age and innovation* should be accepted. Again, the ANOVA F - tests revealed that the influence of owner/managers age on both overall and different innovation dimensions differs by country with South Africa being more innovative than Zimbabwe (see Table 6.21 also). In addition, Table 6.21 also reveals that young owners/managers of small accommodation businesses are capable of initiating and driving innovation and more specifically marketing and organisational innovation better than their older counterparts.

It is therefore concluded that owner/managers age influence innovativeness in small accommodation businesses in both South Africa and Zimbabwe.

7.2.6 Gender and innovativeness

The sixth hypothesis tested was: H_{60} : *there is no significant relationship between owner/manager's gender and innovation*; H_{6a} : *there is a significant relationship between owner/manager's gender and innovation*.

As shown on Chapter 6, the results of one way t- tests showed no significant difference between gender and innovation in Zimbabwe and South Africa and even when the two countries are combined (see Table 6.22). Similarly, results of t-tests on gender and different dimensions of innovation showed no significant difference (see Table 6.22). This means that the null hypothesis: H_{60} : *there is no significant relationship between owner/manager's gender and innovation* is supported.

It is therefore concluded that owner/managers gender does not influence innovativeness in small accommodation businesses in Zimbabwe, South Africa and when the two countries are aggregated.

7.2.7 Experience and innovativeness

The seventh hypothesis tested was: H_{70} : *there is no significant relationship between the owner/manager's level of experience and innovation* and H_{7a} : *there is a significant relationship between owner/manager's level of experience and innovation*.

Results of tests produced significant difference between level of experience and organisational innovation in South Africa countries only and when Zimbabwe and South Africa are combined (see Table 6.23). Similarly, the results of ANOVA test for all dimensions of innovation (product/service; process; marketing and organisational) (PPMO) for the three country categories showed significant difference for South Africa alone only on three dimensions of innovation (product/service; marketing and organisational) (see table 6.23). This means that the null hypothesis is not supported hence the alternate hypothesis H_{7a} : *there is a significant relationship between owner/manager's level of experience and innovation* is accepted.

It is therefore concluded that owner/managers experience influence organisational innovativeness in small accommodation businesses in South Africa and Zimbabwe.

7.2.8 Level of education and innovativeness

The 8th hypothesis tested was: H_{80} : *there is no significant relationship between owner/manager's level of education and innovation* and H_{8a} : *there is a significant relationship between owner/manager's level of education and innovation*.

The ANOVA *F*-tests results showed no significant difference between level of education and innovation in Zimbabwe, South Africa and for the two nations combined (see Table 6.24). Again the ANOVA *F*- tests results revealed no significant difference between the influence of owner/managers level of education on different dimensions of innovation for Zimbabwe, South Africa and the two countries aggregated (Table 6.24). This means that the null hypothesis H_{80} : *there is no significant relationship between owner/manager's level of education and innovation* is supported.

It is therefore concluded that owner/managers level of education does not influence innovativeness in small accommodation businesses in Zimbabwe and South Africa.

Besides the results leading to the above conclusions on the hypotheses under investigation, the following conclusions were arrived at based on the results reported in Chapter 6.

7.2.9 Interaction effects of age and experience and innovativeness

This study concluded that age and experience of owner/managers influence innovativeness in small accommodation businesses in South Africa and when Zimbabwe and South Africa are combined (see Tables 6.21 and 6.23). A series of two-way ANOVA tests to investigate whether there are any significant interaction effects between the age of the respondents and their experience in the accommodation sector on each of the five innovation measures showed only two statistically significant Age/Experience interaction effects on innovation (denoted as "Age x Experience" in Table 6.25), namely for marketing innovation and for the total innovation measure.

It can therefore be concluded that young owner/managers of small accommodation businesses with less experience are more innovative than their older counterparts in South Africa.

7.2.10 Associations among age, gender, education and work experience

Chi Square tests performed showed significant relationships between age and work experience only (see Table 6.26).

It is therefore concluded that in the small accommodation business, age and experience of owner/managers of small accommodation businesses have a strong relationship.

7.2.11 Regression analysis

A multiple regression analysis showed significant collective contribution of market orientation, learning orientation and country to small accommodation businesses level of innovation (see Table 6.27). Further analysis of the each predictors contribution to the firm's level of innovativeness revealed that only market orientation and learning orientation are significant predictors and not country (see Table 6.28).

It is therefore concluded that market orientation and learning orientation collectively influence innovativeness in small accommodation businesses irrespective of country of operation.

7.3 RECOMMENDATIONS FOR POLICY AND PRACTICE

In view of their unequivocal contribution to the socio – economic growth of nations, the common theme through this study is therefore, to stimulate sustainable innovation among small accommodation businesses by identifying drivers of innovation that mitigate survival threats and business failures especially in the dynamic operating environment of businesses that characterize developing economies such as Zimbabwe and South Africa. In order to do this effectively and efficiently, small accommodation businesses need to embrace and invest more in market orientation in order to fully understand the needs and expectations of their valued customers. Such a platform will trigger innovation as small businesses try to tailor make and offer services that satisfy their customers.

Small accommodation businesses need to develop a sustainable learning culture and become learning organisations. Thus, the sector needs to be ready, open and committed to learning, relearning and unlearning new and old ways of doing things respectively. This makes the sector receptive of new information/ideas, which when shared across the organisational structure become sources of innovation. The desire and commitment to learning assists small accommodation businesses to become agencies of change and to be positioned to create new services through innovation. Furthermore, policy makers and donors should design programmes that equip small accommodation businesses to focus on learning. Such training and investment helps to transform what was learned into new /improved services that meet customer needs and expectations.

Owner/managers' age and experience were found to have a strong influence on innovation and that the younger and less experienced the more innovative and vice versa. It is therefore, recommended that in highly competitive business environment, small accommodation businesses should engage young and less experience managers who are able to initiate and stimulate innovation essential for survival.

7.4 RECOMMENDATIONS FOR FUTURE RESEARCH

Further research can be focused on replicating this study in other provinces. This would ensure the incorporation of a large sample size, which would facilitate a more generalizable outcome.

The selected drivers of innovation used in this study are not exhaustive, more drivers such as entrepreneurial orientation and corporate culture need to be tested in order to identify and then make a determination on the most significant predictors of innovation in small accommodation businesses.

Similar qualitative studies can be pursued which use the subjective experiences. Dispositions and perceptions of small business owners/managers could be commissioned to establish whether the findings will be similar or different. Furthermore, comparative studies can then be carried out.

7.5 CONTRIBUTION OF THE STUDY

Being an exploratory and cross national comparative investigation, a research approach least adopted by prior studies, the study added value to contemporary research on the strong correlation among market orientation, learning orientation, owner/managers age and experience and innovation among small accommodation businesses in developing economies (Zimbabwe and South Africa).

Based on the empirical results and conclusion thereof, the study adjusted the literature built conceptual framework (see Figure 1.1) and proposed a model for the drivers of innovation in small accommodation businesses in Zimbabwe and South Africa (see Figure 7.1).

A thorough understanding of the relative influence of each driver of innovation equips and makes small accommodation businesses to prioritise the adoption of specific drivers essential for positioning themselves in the competitive marketplace.

The study also sheds light on the degree to which different dimensions of innovation drivers influence different dimensions of innovation. Such information ensures that small accommodation businesses minimise persistent threats to survival especially from their large business counterparts. The reduction/absence of threats paves way for small accommodation businesses to continue playing their role of contributing to the socio-economic growth and development of economies.

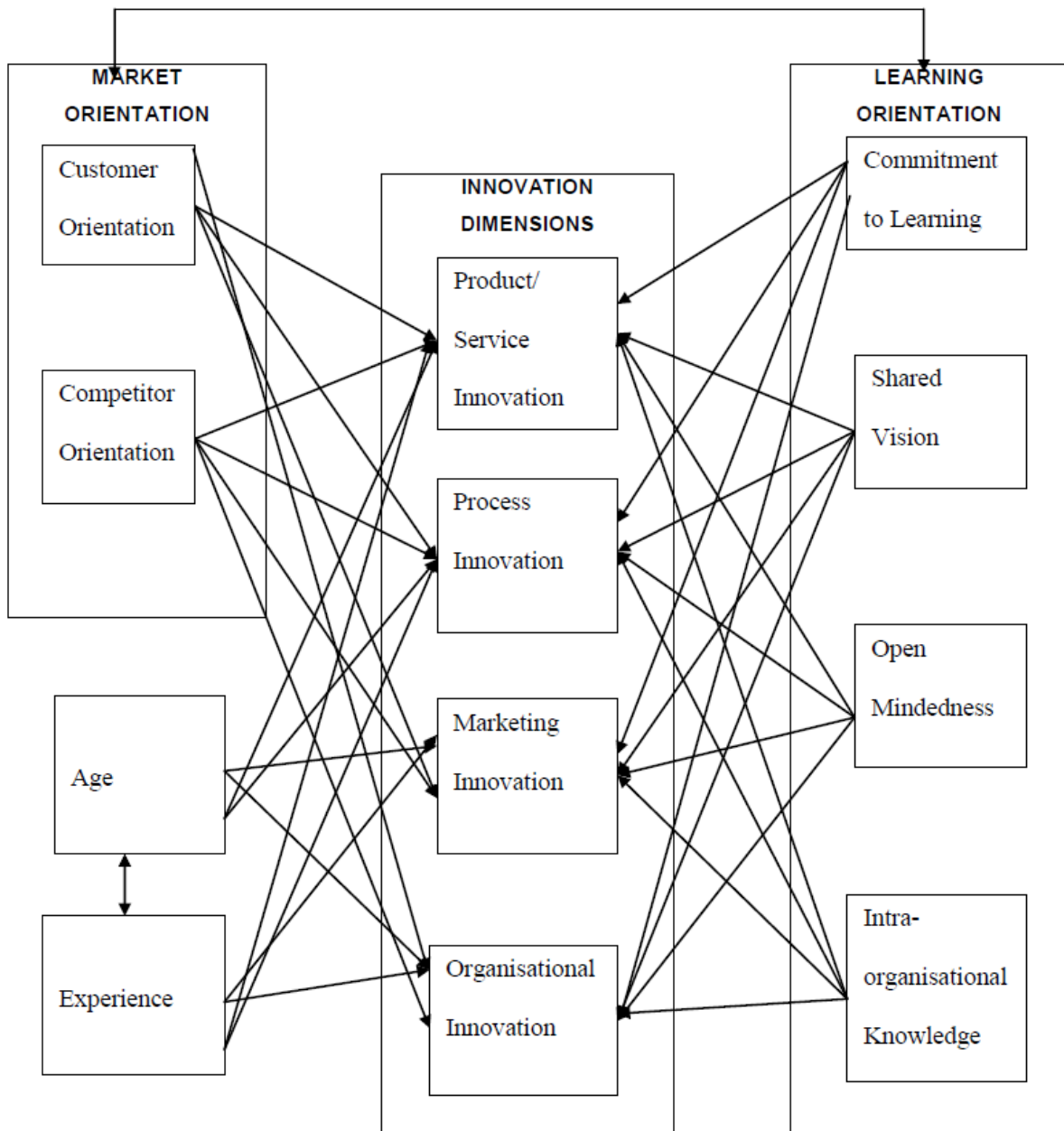


Figure 7.1: Drivers of innovation in small accommodation businesses

7.6 CONCLUDING REMARKS

Based on conclusions drawn from the research results, some policy, practice and research related recommendations were provided in this chapter. It is anticipated that small accommodation businesses in Zimbabwe and South Africa will benefit from these recommendations to pave the way for the sectors survival, growth and long-term prosperity.

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ANNEXURE A: QUESTIONNAIRE



4 July 2013

Dear Respondent

REQUEST TO COMPLETE A QUESTIONNAIRE - DRIVING INNOVATION IN SMALL ACCOMMODATION BUSINESSES: A COMPARATIVE STUDY BETWEEN ZIMBABWE & SOUTH AFRICA

My name is Lovemore T Chipunza. I am a doctoral candidate at the Central University of Technology, Bloemfontein, South Africa. The title of my research topic is “Driving innovation in small accommodation businesses: A comparative study between Zimbabwe and South Africa”. As part of my thesis, I am collecting data on innovation in small accommodation businesses in the Free State Province of South Africa and Manicaland Province in Zimbabwe. I humbly request you to complete this questionnaire for me, which will take less than 25 minutes.

Your responses will be useful in helping small accommodation businesses to engage in innovative activities essential for survival in today’s competitive business environment. As part of this study, you as a business owner/manager have been selected to take part in this research. Your identity or that of your company will be anonymous and your responses will be confidential and used exclusively for the purpose of this research study.

Thanking you in advance.

Mr. Lovemore Tendayi Chipunza

NB: For further clarity, please do not hesitate to contact me on these numbers: 079 394 5029/072 358 7123/+263 772 298 611/+263 738 165 478.

NB: Demographic component deliberately left out.

SECTION C: MARKET ORIENTATION

| C1 | Customer Orientation | Strongly Disagree 1 | Disagree 2 | Neutral 3 | Agree 4 | Strongly Agree 5 |
|-----------|--|-------------------------------|----------------------|---------------------|-------------------|----------------------------|
| 15 | Our business monitors customer/ client satisfaction on a regular basis | 1 | 2 | 3 | 4 | 5 |
| 16 | In our business we listen attentively to our customers/ clients | 1 | 2 | 3 | 4 | 5 |
| 17 | Customer/ client complaints help us perform our job better | 1 | 2 | 3 | 4 | 5 |
| 18 | Our business is quick to detect changes in our customer preferences | 1 | 2 | 3 | 4 | 5 |
| 19 | Our business stays in regular contact with our customers/clients. (from when they make their initial booking, arrival until departure) | 1 | 2 | 3 | 4 | 5 |
| 20 | Our business trains employees on customer service | 1 | 2 | 3 | 4 | 5 |
| 21 | Our business is quick to respond to our customer/client needs | 1 | 2 | 3 | 4 | 5 |
| 22 | Our business treats customers as partners in our business | 1 | 2 | 3 | 4 | 5 |
| 23 | Our business keeps track of our customer/client booking patterns | 1 | 2 | 3 | 4 | 5 |
| 24 | Our business views customer satisfaction levels as the key to achieving competitive advantage. | 1 | 2 | 3 | 4 | 5 |
| 25 | Our business views customer satisfaction levels as the key to making profits. | 1 | 2 | 3 | 4 | 5 |
| 26 | Our business views customer satisfaction levels as the key to growth. | 1 | 2 | 3 | 4 | 5 |
| 27 | Our business regularly reflects on our commitment to customer satisfaction | 1 | 2 | 3 | 4 | 5 |
| 28 | Our business provides after sales service | 1 | 2 | 3 | 4 | 5 |
| 29 | Our business offers services that meet customers/clients needs | 1 | 2 | 3 | 4 | 5 |

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|----|--|---|---|---|---|---|
| 30 | Our business regularly conducts marketing research in order to offer services that satisfy our customers | 1 | 2 | 3 | 4 | 5 |
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Please Explain further:

C2 Competitor Orientation

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| 31 | Our business understands the strategies of our competition | 1 | 2 | 3 | 4 | 5 |
| 32 | Our business is aware of how our competitors market their products/service | 1 | 2 | 3 | 4 | 5 |
| 33 | Our business carefully monitors the actions of our competitors | 1 | 2 | 3 | 4 | 5 |
| 34 | Our business reports include competitor information such as competitor strategies | 1 | 2 | 3 | 4 | 5 |
| 35 | Our business tries to identify opportunities ahead of competitors | 1 | 2 | 3 | 4 | 5 |
| 36 | Our business regularly discusses the strengths and weaknesses of competitors. | 1 | 2 | 3 | 4 | 5 |
| 37 | Our business responds quickly to our competitors' actions that threaten us | 1 | 2 | 3 | 4 | 5 |

Please Explain further:

| SECTION D: LEARNING ORIENTATION | | | | | | |
|--|--|---|---|---|---|---|
| D1 | Commitment to learning | | | | | |
| 38 | Our business believes that skills training is key to achieving competitive advantage | 1 | 2 | 3 | 4 | 5 |
| 39 | Our business regards learning as one of its basic values | 1 | 2 | 3 | 4 | 5 |
| 40 | Learning is regarded as key to improvement in all aspects of our business | 1 | 2 | 3 | 4 | 5 |
| 41 | Our business believes that employees' learning is not a waste of money | 1 | 2 | 3 | 4 | 5 |
| 42 | Learning in our business is key to organisational survival | 1 | 2 | 3 | 4 | 5 |
| 43 | Our business continually learns new ways of doing things | 1 | 2 | 3 | 4 | 5 |

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| 44 | Our business easily adapts to change | 1 | 2 | 3 | 4 | 5 |
| Please Explain further: ----- ----- | | | | | | |
| D2 | Shared Vision | | | | | |
| 45 | There is a general understanding of the business' long term goal amongst employees | 1 | 2 | 3 | 4 | 5 |
| 46 | There is a general understanding of the business' objectives amongst employees. | 1 | 2 | 3 | 4 | 5 |
| 47 | Information about organisational policies is shared amongst all business employees | 1 | 2 | 3 | 4 | 5 |
| 48 | In our business, employees view themselves as partners in planning the direction of the business | 1 | 2 | 3 | 4 | 5 |
| 49 | Learning is an important objective of every employee's day-to-day work. | 1 | 2 | 3 | 4 | 5 |
| Please Explain further: ----- ----- | | | | | | |
| D3 | Open Mindedness | | | | | |
| 50 | Our business is not afraid to reflect critically on the way in which it runs | 1 | 2 | 3 | 4 | 5 |
| 51 | Employees in our business are aware that the way in which the business runs needs continuous questioning | 1 | 2 | 3 | 4 | 5 |
| 52 | Our business regularly evaluates the quality of its decisions | 1 | 2 | 3 | 4 | 5 |
| 53 | Our business regularly evaluates its activities | 1 | 2 | 3 | 4 | 5 |
| 54 | Our business views failure as an opportunity for learning | 1 | 2 | 3 | 4 | 5 |
| D4 | Intra-organisational Knowledge Sharing | | | | | |
| 55 | Business information is regularly exchanged amongst employees in our business | 1 | 2 | 3 | 4 | 5 |
| 56 | In our business, employees from different work stations regularly share information about organisational failures | 1 | 2 | 3 | 4 | 5 |
| 57 | In our business, employees from different work stations regularly meet to analyse organisational failures | 1 | 2 | 3 | 4 | 5 |
| 58 | Our business regularly emphasises the importance of sharing amongst all employees | 1 | 2 | 3 | 4 | 5 |
| 59 | Our business has specific ways of sharing lessons | | | | | |

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| | learned in organisational activities from one employees to another | 1 | 2 | 3 | 4 | 5 |
| 60 | In our business, information is widely shared to ensure that every employee gets information he/she needs. | 1 | 2 | 3 | 4 | 5 |
| 61 | Our business ensures that there is a common understanding of issues by every employee. | 1 | 2 | 3 | 4 | 5 |
| Please Explain further: | | | | | | |
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| SECTION E: INNOVATION | | | | | | |
| E1 | Product/Service Innovation | | | | | |
| 62 | Our business regularly develops new product/services (tourism packages) | 1 | 2 | 3 | 4 | 5 |
| 63 | Our business regularly improves access to information to clients in their rooms (provision of internet access, newspapers, TV and magazines) | 1 | 2 | 3 | 4 | 5 |
| 64 | Our business regularly adds new features to existing products/services | 1 | 2 | 3 | 4 | 5 |
| 65 | Our business believes that continuous development of new products/services is key to client loyalty | 1 | 2 | 3 | 4 | 5 |
| 66 | Our company sees creating new products as critical to our success. | 1 | 2 | 3 | 4 | 5 |
| 67 | Our business believes that the introduction of new products/services is a source of competitive edge | 1 | 2 | 3 | 4 | 5 |
| 68 | As a result of newly developed products/ services our clients enjoy a wide choice to choose from | 1 | 2 | 3 | 4 | 5 |
| 69 | Product/service failure presents an opportunity for creating the best product/service | 1 | 2 | 3 | 4 | 5 |
| 70 | There is a general culture of developing new and exciting tourism packages in our business | 1 | 2 | 3 | 4 | 5 |
| Please Explain further: | | | | | | |
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| E2 | Process Innovation | | | | | |
| 71 | Our business continually develops new ways of doing things | 1 | 2 | 3 | 4 | 5 |
| 72 | Our business continually improves existing ways of doing | | | | | |

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| | things | 1 | 2 | 3 | 4 | 5 |
| 73 | Our company regularly improves booking system in order to make it easier and faster for our clients | 1 | 2 | 3 | 4 | 5 |
| 74 | Equipment for our business is regularly upgraded in order to serve our clients better | 1 | 2 | 3 | 4 | 5 |
| 75 | Our business regularly improves access to information to clients in their rooms (provision of internet access, newspapers, TV and magazines) | 1 | 2 | 3 | 4 | 5 |
| 76 | Our business regards new ways of doing things as a means of achieving efficiencies | 1 | 2 | 3 | 4 | 5 |
| 77 | Our business develops in house solutions to improve our business operating processes | 1 | 2 | 3 | 4 | 5 |
| 78 | Our business believes that process renewal reduces the unit cost of production | 1 | 2 | 3 | 4 | 5 |
| 79 | Our business regularly reviews existing business operating process | 1 | 2 | 3 | 4 | 5 |
| 80 | New/improved processes result in good quality tourism products/services | 1 | 2 | 3 | 4 | 5 |
| 81 | Our business effects process improvement in order to add value to our customer | 1 | 2 | 3 | 4 | 5 |
| 82 | Our business believes creating new business processes is critical to our success | 1 | 2 | 3 | 4 | 5 |
| Please Explain further: | | | | | | |
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| E3 | Marketing Innovation | | | | | |
| 83 | Our business regularly develops new marketing strategies such as establishing a website. | 1 | 2 | 3 | 4 | 5 |
| 84 | In our business marketing innovations are done in order to address customer needs | 1 | 2 | 3 | 4 | 5 |
| 85 | When it comes to opening new markets, our business is always ahead of competitors (pioneer) | 1 | 2 | 3 | 4 | 5 |
| 86 | Our business regularly identifies new markets | 1 | 2 | 3 | 4 | 5 |
| 87 | Our business regularly looks for potential markets | 1 | 2 | 3 | 4 | 5 |
| 88 | Our business believes its success depends to a greater extent on its ability to introduce new products/services to the market. | 1 | 2 | 3 | 4 | 5 |
| 89 | Our business believes its survival depends to a greater extent on its ability to introduce new products/services to the market. | 1 | 2 | 3 | 4 | 5 |
| 90 | Our business regularly develops new pricing policies that maximise revenue. | 1 | 2 | 3 | 4 | 5 |
| 91 | Our business regularly develops new promotional | | | | | |

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| | activities to boost sales volume. | 1 | 2 | 3 | 4 | 5 |
| 92 | Our business regularly develops new promotional activities to boost sales value. | 1 | 2 | 3 | 4 | 5 |
| 93 | Our business regularly develops new distribution methods/channels | 1 | 2 | 3 | 4 | 5 |
| 94 | Our business regularly conducts new sales/marketing skill training for employees. | 1 | 2 | 3 | 4 | 5 |
| 95 | Our business tourism package is aimed at both local and international guests. | 1 | 2 | 3 | 4 | 5 |
| Please Explain further: | | | | | | |
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| E4 | Organisational Innovation | | | | | |
| 96 | Our business always explores the development of new business ideas | 1 | 2 | 3 | 4 | 5 |
| 97 | Every employee is free to contribute ideas for new/improved organisational methods | 1 | 2 | 3 | 4 | 5 |
| 98 | Employees are rewarded for coming up with new ideas | 1 | 2 | 3 | 4 | 5 |
| 99 | Our business regularly changes employees from one job to the other. | 1 | 2 | 3 | 4 | 5 |
| 100 | Our business is very particular about improving productivity (putting less resources in order to get more returns) | 1 | 2 | 3 | 4 | 5 |
| 101 | When it comes to costs, our business regularly finds new ways of reducing administrative costs | 1 | 2 | 3 | 4 | 5 |
| 102 | Our business regularly looks for new ways of reducing transaction costs | 1 | 2 | 3 | 4 | 5 |
| 103 | Our business regularly searches for new ways of reducing suppliers costs | 1 | 2 | 3 | 4 | 5 |

Thank you for your time, support and input in completing this questionnaire!!