KEY SUCCESS FACTORS FOR DEVELOPING AND MANAGING GUESTHOUSES: A CASE OF A TOURISTIC TOWN

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ABSTRACT

The goal of the study was to identify key success factors (KSF's) that owner-managers of guesthouses can apply to develop and manage guesthouses effectively. This study was urged by the significant growth of guesthouses in South Africa during the past five years as well as the size of the guesthouse sector as part of accommodation establishments. Research revealed that there are approximately 26 000 guesthouses in South Africa, employing 78 000 people. It has therefore become essential to determine why some guesthouses are so successful whilst others are failing miserably. The goal was achieved through analysing related literature, as well as completing a survey of the KSF's by established guesthouse owners/managers by means of a structured questionnaire. Respondents had to rate important aspects pertaining to guesthouse development and management as well as to indicate which of those aspects they apply. The touristic town namely George in the Western Cape was selected as a destination for determining the KSF's, as most of the guesthouses in the survey have been in existence for longer than six years and employ at least two fulltime employees – an indicator of success.

Key words: Guesthouses; Key success factors; Tourism.

INTRODUCTION

An important consequence of tourism is the need for sufficient accommodation of acceptable standards that are available to tourists at an affordable price (Smidt, 1993: 10-13). Accommodation is an aspect that is of paramount importance to the tourism industry, as tourists need overnight facilities and services during their travelling (Saayman, 2000: 209, Saayman, 2002b: 6). The growing demand for accommodation is also an indicator of growth in the tourism industry.

The traditional view of the hotel industry as the guest's dominant choice of overnight facility is changing in many countries around the world, for example Great Britain, France and South Africa (Van der Westhuyzen, 2002). The White Paper on Tourism (South Africa, 1996: 11) mentions that the accommodation sector today is characterised by a limited degree of competitiveness and mediocre levels of service. As a result of factors such as poor quality of service, high tariffs and the high maintenance of hotels, the hotel sector has lost ground to new and specialist hospitality products that started to emerge (Pincus, 1998: 73). This is especially true in rural areas and smaller towns (Van der Westhuyzen, 2002).

A reason for the emergence of this new and specialist type of accommodation is the changing needs of guests, who now prefer the more hospitable option of specialist accommodation, such as guesthouses (Smidt, 1993: 10; Van der Westhuyzen, 2002: 4-5).

GOAL

The goal of the study was to determine the KSF's for developing and managing a guesthouse. According to Thompson and Strickland (1999: 96) KSF's are concerned with the product attributes, competencies, competitive capabilities, and market achievements with the greatest direct bearing on profitability of a guesthouse.

ANALYSIS OF THE GUESTHOUSE SECTOR

Specialist accommodation distinguishes accommodation as it is known today from that of previous eras, and today many guests prefer to overnight in a specialist accommodation product rather than in a hotel. A reason for this paradigm shift in the guest's preference of accommodation, as stated earlier, is that the needs of guests are changing (Keller, 1996: 5-8 and Saayman, 2001: 9). A new and modern type of guest has emerged since the late 1980's and that modern guest greatly values the best price for quality services and facilities (Smidt, 1993: 10).

Specialist accommodation serves the accommodation needs of guests at both the budget and the expensive ends of the market and also covers the mid-price category. Specialist accommodation may provide the following (Morrison *et al.*, 1999: 18-26):

- Personal service, defined as the provision of guests' interaction with a small core of host personnel in a range of settings (greetings, meals, information, conservation, administration).
- Some special opportunity or advantage to guests through location (e.g. a farm or wilderness setting), features of the establishment (e.g. a heritage or historical building), or activities offered to guests (e.g. hiking trails or wildlife viewing).

Some of the different types of specialist accommodation include bed & breakfast establishments, manors, guest farms, lodges, cottages, cruise ships, game reserves and guesthouses (Visser & Van Huyssteen, 1997: 116-117; Saayman, 2000: 211; Slabbert, 2001: 2). Of the different types of specialist accommodation, guesthouses seem to be a very popular choice among guests during their travelling in South Africa.

Guesthouses as a specialist type of accommodation

A guesthouse may be described as an owner-managed commercial establishment that is either a converted house or a purpose-built facility of not less than four and not more than 16 bedrooms, and requires rezoning in order to be classified as a business property. It has the character of an extended household and offers a certain minimum level of services, which includes a substantial breakfast and other meals on request to guests. It has public areas that are for the exclusive use of guests and the owner-manager either lives off-site or in a separate area within the property (SATOUR, 1994: 2; Visser & Van Huyssteen, 1997: 116-117; Tourism Grading Council of South Africa, 2002).

As indicated in Figure 1, guesthouse establishments in South Africa had a relative slow start, but its importance increased significantly since 1996 when more guests started to prefer to stay in guesthouses rather than in hotels or many other types of specialist accommodation (Nel, 1999: 36; Van der Westhuyzen, 2002). This is especially true for rural areas and places where large hotels won't be a viable option because of lower volumes of tourists compared to places such as Cape Town and Johannesburg. Even though these large cities are also experiencing an increase in guesthouses.
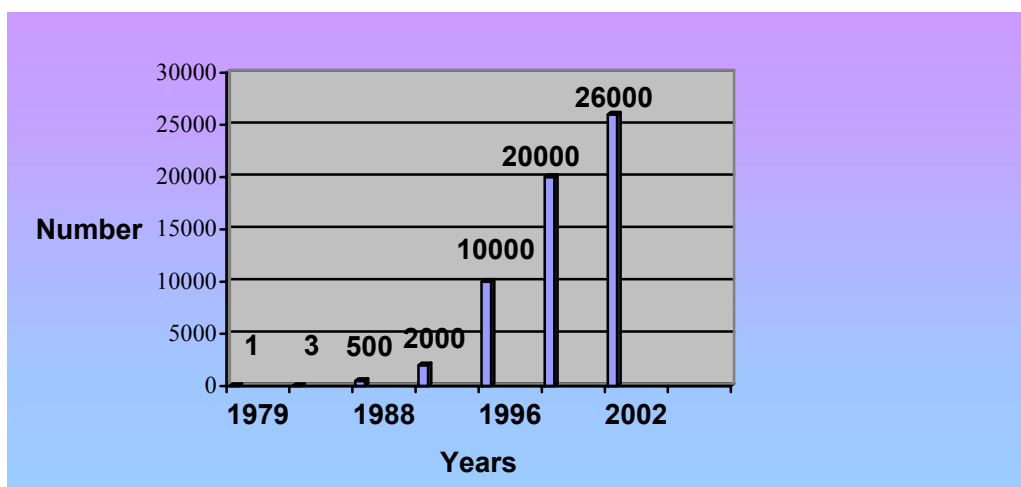

FIGURE 1: **ESTIMATED GROWTH RATE OF THE ESTABLISHMENT OF GUESTHOUSES IN SOUTH AFRICA**

The motivation for establishing a guesthouse differs from individual to individual. Possible reasons for establishing guesthouses included the following (Lowe, 2002; Payne-Bird, 2002):

- The needs of guests were changing and they prefer the option of a hospitable guesthouse. People recognised a niche market, caused by hotels' failure to provide many services and facilities, and in response they established guesthouses to fill the niche.
- Parents who had large families ended up with having large houses to themselves when their children left home. The house was then converted into a guesthouse in order to generate a supplementary income.
- Ex-hoteliers wished to stay in the industry but on a smaller scale, and subsequently established guesthouses.
- Many couples who retired, moved away from cities to more rural locations after retirement. They established their new home as a guesthouse in order to generate a supplementary income, meet new people and keep themselves busy.

Economic contribution of the guesthouse industry

The guesthouse industry has become an important element of the tourism industry and regionally has a modest (yet significant) impact on the economy.

Since 1994, South Africa has shown a significant growth in tourist arrivals, with more than six million tourists in 2002. This growth in tourism was sufficient grounds to recognise the country as one of the world's fastest-growing tourist destinations (Van der Westhuizen, 2002). The sudden increase after 1994 in foreign tourism led to capital investment in guesthouses and in December 1994, an estimated 10 000 guesthouses were established in South Africa (see Figure 1). This grew to an estimated 26 000 guesthouses in 2002. A large proportion of money spent in this regard found its way into the local economy in the form of payments to local builders, decorators, building suppliers, municipal fees, business levies, advertising companies, membership fees of guesthouse organisations and associations, and tourism related organisations.

Studies by Saayman (2002a; 2002c) and Van der Westhuizen (2002) showed that the average guesthouse in the Western Cape, North West and Mpumalanga provinces employ three people. If this is representative of the country, then the guesthouse sector employs a total of 78 000 people. Therefore guesthouses not only make a sizeable economic contribution to the larger economy of South Africa, but also offer employment opportunities.

During the financial year of 1995, the total income of the accommodation industry (hotels, motels, inns, guesthouses, guest farms, furnished holiday flats, youth hostels, boarding houses, bed and breakfast establishments, nature/game reserves, resorts and caravan parks) was R6 196,4 million. This amount reflected an average annual growth of 13.9% in the period between 1983 (of which the total income of the accommodation industry at the end of the financial year was R1 303.5 million) to 1995 (Statistics South Africa, 2000). During 1995, guesthouses contributed 2.7% (R166.6 million) to the total tourism income and had a total capital expenditure of R21.1 million, which was 10.65% of the total capital expenditure on new assets (Statistics South Africa, 2000).

Deficiency of developmental and managerial expertise

The cause of worldwide competition affects the quality of services and facilities and the price asked for the guesthouse product, because guesthouses do not apply the same standards throughout the world (Van der Merwe, 1999: 20). The problem with the majority of South African guesthouse owner-managers is that they have little or no formal hospitality or tourism management training, and the quality of service suffers under such circumstances (Geldenhuys, 2000: 3).

Possible obstacles facing owner-managers of guesthouses, which contribute to a high failure rate, include (Van der Merwe, 1999: 42-43; Ashmole, 2002; Westwood, 2002):

- The lack of experience in managing a guesthouse as a small business.
- The lack of management skills and managerial knowledge.
- The lack of knowledge regarding tourism trends.
- Limited knowledge regarding opportunities that exist within the guesthouse and tourism industry.
- The lack of planning regarding aspects such as finance and marketing.
- Lack of networking and of strategic alliances.

Few owner-managers are qualified in tourism and consequently many guesthouses close their doors for business within the first two years because they cannot overcome the obstacles they are faced with. There is therefore a serious need for information on how to develop and manage guesthouses in the most professional, effective and profitable manner (Henning & Willemse, 1999: v; Saayman, 2000: 209). The problems listed above relate to both the development of guesthouses as well as managing them. The need for identifying key success factors (KSF's) that owner-managers can apply to overcome the problems mentioned above, are therefore paramount. In order to achieve the above the paper will be organised in the following manner: An exposition of the research methodology will be given. Results and findings from the empirical survey will follow and the paper will conclude with findings.

METHOD OF RESEARCH

Researchers such as Weihrich & Koontz (1994: 18), Kaufman *et al.* (1996: 30), Theron (1998: 14), Cloete (2001: 30) and Slabbert (2001: 3) identified certain requirements to successfully develop and manage a guesthouse as a small business. These requirements include aspects of strategic planning, financial management, tourism marketing, and human resources and operations, which form the basis of determining the KSF's by means of a questionnaire.

Structured questionnaires were personally handed out to guesthouse owner-managers in the George district. All the guesthouses, which were registered with the George Tourism Bureau, were used (N=30), giving a 100% response rate of which all questionnaires were used. The respondents had to rate important aspects pertaining to guesthouse management and development and they also had to rate the extent to which they apply these aspects. To rate the former, a four-point Likert-type scale was used, where 1 = not important and 4 = very important; and for the latter a scale was used where 1 = to no extent and 4 = to a large extent.

The data was statistically analysed by means of the SAS®-program (SAS Institute, 1999). The Alpha Cronbach reliability of aspects researched in the structured questionnaire was concluded. Means of the question items were determined as well as the percentage importance and percentage application of question items, where percentage importance and percentage application are the mean divided by the maximum response X 100.

Success factors (SF's) were determined from items which are regarded as very important (96%+) and which owner-managers apply to a great extent (90%+). Alpha Cronbach was used to determine the reliability of the two sets of SF's. The SF's were then analysed and compared in order to determine the KSF's for developing and managing a guesthouse.

Alpha Cronbach was used to test the reliability of the aspects which owner-managers regard as important and which they apply. SF's were firstly identified from the items that owner-managers rated as very important. Twenty-seven items received a 90%+ rating, while similar research showed that 96%+ is a suitable criteria for items regarded as success factors. Ten items were then identified as SF's of % importance, as presented in Table 1.

Secondly, SF's were identified from items which owner-managers apply to a great extent. Eight items (90%+) were identified as SF's (cf. Table 2).

RESULTS

By means of the literature study as was indicated in the method of research a total of 186 items were identified, which respondents had to rate in order to determine the KSF's. The following section will deal with the results of the survey.

TABLE 1: **SUCCESS FACTORS WHICH OWNER-MANAGERS REGARD AS IMPORTANT FOR DEVELOPING AND MANAGING A GUESTHOUSE**

Rank	Important aspects for developing and managing a guesthouse	Means	% Importance
1	Services must meet the needs of guests	3.970	99.25
2	Ensure high levels of hygiene	3.969	99.23
3	Facilities must meet the needs of the guests	3.941	98.53
4a*	Show courtesy to guests	3.912	97.80
4b*	The ability to establish and uphold high standard of quality	3.912	97.80
6	The ability to give credit where credit is due	3.875	96.88
7a*	The ability to be self-efficient	3.853	96.33
7b*	The ability to keep promises	3.853	96.33
7c*	Welcome guests in a personal manner upon arrival at the guesthouse	3.853	96.33
10	The ability to share positive information freely	3.824	96.00

* These are items that measured aspects in the same category.

In Table 1, items ranked 1 (99.25%) and 3 (98.53%) relate to aspects of strategic planning, whereas items ranked 2 (99.23%), 4 (97.80%) and 7c (96.00%) relate to operational aspects. Aspects of human resources, specifically psychological characteristics of an owner-manager, were ranked highest in Table 1, namely 4a: show courtesy to guests (97.80%), 4b: the ability to establish and uphold a high standard of quality (97.80%), 6: the ability to give credit where credit is due (96.88%), 7a: the ability to be self-efficient (96.33%), 7b: the ability to keep promises (96.33%) and 10: the ability to share positive information freely (96.00%). Based on the results aspects that relate to quality service were rated very high, which is supported by researchers such as Cloete (2001), Saayman (2001) and Slabbert (2001). Van der Merwe (1999) also eluded to the fact that human resources play a significant role in providing quality service, both from a training point of view as well as creating a pleasant work environment.

In Table 2, eight items are identified that guesthouse owner-managers apply to a great extent. Items ranked 1 (92.65%), 2 (97.73%), 3 (93.38%) and 4a (92.65%) relate to operational aspects. These items also indicate the importance of being hospitable. Slabbert (2001) indicated that hospitability creates an environment where tourists/visitors feel at home, which is also important from a marketing point of view (Henning & Willemse, 1999). The literature review also indicated that this is one of the draw cards of guesthouses. Items ranked 4b (92.65%), 7 (91.18%) and 8 (90.45%) relate to aspects of strategic planning. One item (rank 6) relates to tourism marketing.

TABLE 2: **SUCCESS FACTORS WHICH ARE APPLIED IN DEVELOPING AND MANAGING A GUESTHOUSE**

Rank	Item	Means	% Applied
1	High levels of hygiene are ensured	3.912	97.80
2	Courtesy is shown to guests	3.909	97.73
3	Guests are shown to their rooms	3.735	93.38
4a*	Guests are welcomed in a personal manner upon arrival	3.706	92.65
4b*	The services provided meet the needs of our guests	3.706	92.65
6	The guesthouse is located in the right surroundings	3.648	91.20
7	It is determined whether rendered services meet the needs of guests	3.647	91.18
8	The facilities provided meet the needs of our target market	3.618	90.45

* These are items that measured aspects in the same category.

Success factors ranked in Tables 1 and 2 were statistically analysed in order to conclude the KSF's for developing and managing a guesthouse. In the case where the item of two success factors were the same, the percentage importance and percentage application of the two success factors were added up and divided by two in order to determine the KSF's percentage (Table 3, rank 2, 7, 8, 9a and 9b).

Key success factors

As mentioned above, KSF's of the study are a combination of SF's (cf. Table 1 and 2). The KSF's in Table 3 were all rated very highly (91.18%-97.80%) by the sampling population. KSF's that are ranked 1-6 concern qualities that characterise a successful owner-manager and relate to aspects of human resources. KSF's ranked 7 (95.95%), 9a (94.49%) and 12 (91.18%) relate to aspects of strategic planning, whereas ranks 8 (95.94%) and 9b (94.49%) relate to operational aspects. One KSF relates to tourism marketing and especially accessibility, namely that the guesthouse must be located in the right surroundings, and was ranked 11 (91.20%).

Psychological characteristics of an owner-manager such as leadership, and managerial and entrepreneurial, as well as thorough strategic planning, attention to operational detail and the right location, are key for developing and managing a guesthouse.

The top three aspects deal with quality service, being hospitable and creating a pleasant work environment. What is interesting from these findings is the fact that financial management did not turn out to be a key success factor. Thompson and Strickland (1999) argue that financial management is one of the most important aspects of any business. It must, however, be mentioned that even though no direct reference was made to financial management, the KSF's listed will indeed contribute to the financial success of a guesthouse.

TABLE 3: **KSF'S FOR DEVELOPING AND MANAGING A GUESTHOUSE**

Rank	KSF's for developing and managing a guesthouse	KSF : %
1	The ability to establish and uphold a high standard of quality	97.80
2	Show courtesy to guests	97.78
3	The ability to give credit where credit is due	96.88
4a*	The ability to be self-efficient	96.33
4b*	The ability to keep promises	96.33
6	The ability to share positive information freely	96.00
7	Services provided meet the needs of guests	95.95
8	High levels of hygiene is ensured	95.94
9a*	Facilities provided meet needs of guests	94.49
9b*	Guests are welcomed in a personal manner upon arrival	94.49
11	The guesthouse is located in the right surroundings	91.20
12	It is determined whether rendered services and facilities meet the needs of guests	91.18

* These are items that measured aspects in the same category.

FINDINGS

Guesthouses offer a great opportunity for tourism entrepreneurs who want to enter into the specialised accommodation sector of the tourism industry. For this group of entrepreneurs the identification of KSF's for developing and managing a guesthouse could be a useful resource.

KSF's are the aspects that most affect the ability of guesthouses to prosper in the marketplace in order to be competitive and financially successful. These findings are not only useful for guesthouse owners/ managers and entrepreneurs in other touristic towns, but also for training institutions and curriculum planners that deal with guesthouse management. Similar research should also be done in cities in order to do a comparison. The results show where the emphasis should be when it comes to guesthouse management. The findings of this research can be categorised into the following four aspects:

Firstly, the owner-manager and his/her personality as well ability to manage a guesthouse as a business, is extremely important. The personality plays an important role, especially in the interaction between the owner/ manager and the tourist/guest, for it is important to be able to make guests feel at home and therefore to be hospitable. Guesthouses require a greater interaction between guest and owner/manager because of the size of the operation, compared to a medium or large hotel or resort. The management style of the owner-manager with staff, and his/her relationship with staff will also be influenced by his/her personality. The characteristics of the owner-manager, based on this research, may be summarised as being hospitable, trustworthy, reliable, friendly, courteous, a good leader and innovative.

Secondly, guesthouses have to offer products that are tailor-made. This is a requirement of specialised accommodation and implies that products – be it accommodation, meals or conference facilities – should meet the needs of guests. The way the product is packaged may differ from situation to situation.

Thirdly, quality service must be offered. This entails quality in all aspects of the guesthouse, including high levels of hygiene, quality food, décor and linen, and well-trained staff.

Finally, the location of a guesthouse, which includes the accessibility and its surroundings, is an important factor. An increased lack of competitiveness in the guesthouse sector in South Africa has urged this study, in order to help guesthouse owners/managers to be more competitive and financially more viable.

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