

MAF005 Effectiveness of management accounting skills: Perception of decision-makers of Small, Micro and Medium Tourism Enterprises (SMMTEs) in Cape Town, South Africa

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Abstract

Small, medium and micro enterprises (SMMTEs) in general and small medium and micro tourism enterprises (SMMTEs) in particular are considered as one of the possible vehicles to decrease the high unemployment rate in South Africa. Furthermore, the SMMTEs impart vital entrepreneurial skills to enable those previously disadvantaged to not only create employment for themselves and others, but also to meaningfully participate in the economic growth of the country. The tourism sector in South Africa further present potential opportunities for SMMTEs to bring about economic growth and employment creation especially in major cities such as Cape Town. Due to the lack of management skills, among other factors, SMMTEs may not fully realize their potential. The question that arises is: what is the decision makers' perception of the effectiveness of the current management accounting skills employed to make decisions? The aim of this study is to find out how the decision makers of SMMTEs perceive management accounting skills in the day-to-day running of their businesses; also to determine their thoughts about implementing management accounting skills to facilitate their decisions making. Data were collected by means of a structure questionnaire that comprised closed-ended questions. The researcher found that decision-makers in SMMTEs in Cape Town find management accounting skills effective for the management of their business but do not use it for decision making as they rely more on external parties such as accountants for their financial duties. However the findings of this research may assist the government to implement management accounting training sessions among owners and managers of SMMTEs through the newly created ministry of small businesses to improve the management of their businesses as they will be able to use management accounting skills in the day-to-day running of their organisation and make effective decisions.

Keywords: Management accounting; Management accounting skills; Transport tourism business owners; Western Cape; Decision-makers of small businesses.

INTRODUCTION

Mago and Toro (2013:21) state that the perceptions of small businesses are different and can be influenced by the level of economic growth in each country. In South Africa, SMMTEs represent approximately 95 per cent of all businesses in the country, contribute nearly 30 per cent of the Gross Domestic Product (GDP) and employ formally around 50 and 60 per cent of the country labour force (Malapane & Makhubele, 2013:197).

SMMEs are more and more perceived by their respective government as playing a significant role in the economies by increasing the GDP rate and decreasing the unemployment rate of many countries. In fact, the survival of SMMEs is essential as illustrated by Tsabalala (2007:1) amongst businesses in South Africa; more than 80 % of SMMEs contribute about 40% towards the Gross Domestic Product (GDP) of the country. The unemployment rate in South Africa was estimated at 25.2% as mentioned in SA Stats report of 2013 (StatsOnline: 2013), the SMMEs have the potential to reduce that rate through job creation; according to Tassiopoulos (2010:16), the expansion of SMME sector has the ability to reduce poverty, create employment and raise a decent lifestyle for a large number of South Africans citizens located in the rural and urban areas.

The creation of the Small Enterprise Development Agency (SEDA) in December 2004 by the Department of Trade and Industry (DTI) means that the South African government has seen the positive effects of SMMEs towards the economic growth and therefore has shown its commitment towards SMMEs development. The government, by means of SEDA, is set to develop, support and promote small business in South Africa and to ensure their growth and sustainability (Jassiem, Damane, Dlamini, Swartz, Bortaar, Mabuthile, Mali, Mahote, & Bruwer, 2012:6911). Government has prioritised entrepreneurship and the improvement of SMMEs as the facilitator to increase economic growth and development, as well as decrease the unemployment rate in the country; hence the implementation of SMME-related policies by the DTI to ensure and provide adequate assistance, both financial and non-financial, to SMME owners for a long term success (DTI, 2013). The DTI has launched a new national newspaper called Small Business Connect (SBC); the aim of SBC is to develop the movement of important opportunity-related information and business enhancement resources in the SMME sector (DTI, 2013). Due to critical challenges faced by SMME owners, the government has created the ministry of small businesses; the focus of this new ministry is to make the situation more encouraging for the growth of small business owners (Greve, 2014: Online).

The 2010 Soccer World Cup helped to boost the incoming number to 1.75 million, an increase of 16% (Western Cape Business, 2005). The City of Cape Town alone welcomes 1.8 million visitors every year and that adds approximately R14-billion to the city's economy (Western Cape Business, 2013). In 2009, 1.5 million foreign visitors spent R20-billion in the Western Cape, according to the province's finance department. Tourism has always been selected by the Cape Town City Council as one of the economic activities which will play an important role in Cape Town's future (City of Cape Town, 2004). Kristen and Rogerson (2002) earlier aver that the tourism industry was one of the key drivers of the economic growth and reduction of unemployment in South Africa. This is currently evident as the tourism industry contributes immensely in terms of investment, employment and the diversification of services in the Western Cape" (South Africa.Info, 2013)

According to Fatoki and Garwe (2010:730), "the failure rate in South Africa is one of the highest in the world". In fact, up to 80 per cent of SMMEs flop within the first five years of business operations (Giliomee, 2004:2). With such a high failure rate of SMMEs, it is not

surprising that the unemployment rate in the country remains high. This suggests that the government target of creating 5 million jobs (225000 additional Jobs from a tourism industry (National Department of Tourism, 2012) by 2020 may be far-fetched if the failure of SMMEs continues unabated (Cosatu, 2011). The continued failure of the SMMEs suggests that the government interventions are either ineffective or inappropriate. In fact, Bruwer (2010:1) attributes a high failure rate of the SMMEs to a lack of accounting resources and skills. In support of Bruwer's sentiments, Shaku (2011:181) identifies some studies in other countries that singled out a lack of management accounting skills among the decision makers of the SMMEs as the main reason for the high failure rate. In the same line of argument, the tourism industry is suffering because of lack of experience; a lack of managerial knowledge that includes the lack of management skills, inadequate education, unfamiliarity of modern management and marketing techniques and a lack of strategic planning amongst owners or owner-managers of small businesses (Tassiopollos 2010:4). Morrison and Teixeira (2004:168) identify the lack of multi-skilling in every category of staff, also limited resources and capacity available to narrow skill gaps as one of the obstacles to small tourism firm business performance. on other hand, Frey and George (2010:626) indicated that the lack of responsible management intention (RMI), which is the willingness of tourism managers to commit resources into changing management practices. Despite this emerging evidence, little research has been conducted to investigate the management accounting skills of the owners, as decision-makers, of SMMEs in the tourism industry in the Western Province of South Africa. The purpose of this paper is to determine the decision-makers perception about the effectiveness of management accounting skills in the running of their business, as well as about implementing management accounting skills to facilitate their decision making.

The remaining part of this paper is divided into sections on literature review, research methodology, presentation of results and discussion thereof, conclusion, recommendations and suggestions for further studies.

LITERATURE REVIEW

Theoretical and conceptual framework

Theories are used to help define and give details to phenomena (Peterson & Bredow, 2009). The effective application of theory in research is critical to the development of new knowledge (Lim et al., 2013). In this paper, the expectancy theory is used to explain the motives for decision makers in the tourism business to make certain business decisions and what management skills inform these decisions.

The expectancy theory

The expectancy theory was propounded for the first time by Vroom in 1964 within the domain of organizational psychology. Based on Vroom's theory, a person's first choice towards a result (like successful performance) depends on the apparent chance that the attempt will direct to winning performance ("expectancy") (Mitchell & Albright, 1972:2). Expectancy theory has been able to successfully facilitate decision making (Fry, 1975). The application of this theory was made in hotel employees by Chiang & Jang (2008) to observe the validity of the theory through employee's motivation, and results showed that employees

in the hotel of that specific area of research tend to have more intrinsic motivation (enjoy the work, good mood, satisfaction and happiness) than extrinsic motivation (money, cars, houses) which lead the authors to determine that expectancy theory has a good validity at work as each employee first thinks about performing the job well, knowing that good performance would lead to good reward. This facilitates the employees to: work hard, put more time and dedication, focus and energy towards their workload and by that make effective decisions to avoid failure. In the current study, it is imperative to relate Vroom's theory of expectancy and the behaviour adopted by decision-makers of SMMEs in the Tourism industry when making decisions using management accounting. Vroom (1964) recommends that an employee's perceptions about Expectancy, Instrumentality, and Valence correlate psychosomatically to create a motivational strength such that the worker acts in manners that bring aspiration and escape discomfort.

Overview of Small, Medium and Micro Enterprises (SMMEs) in South Africa

Small, medium and micro enterprises (SMMEs) in South Africa are defined as businesses with at least one owner, where the owners are directly involved in the management process, and where the firm employs a maximum of 200 employees (Rootman & Kruger, 2010:107). Sharing the same view with Rootman and Kruger, Cronje et al. (2000) defines SMME as any business that has less than 200 employees, less than 5 million rands as annual turnover, less than 2 million for capital assets and that the owner of such business must be directly involve in the management.

Figure 1: Defining four size classes of SMMEs by numbers of employees, total annual turnover and total gross asset value (Berry et al., (2002:13)

Size Class	Micro	Very small	Small	Medium
Number of employees	< 5	< 10	< 50	< 200
Total annual turnover	<R0.50 million	< R2.50 million	< R10.00 million	< R25.00 million
Total gross asset value	<R0.10 million	< R0.70 million	< R3.00 million	< R8.00 million

The failure rate of South African SMMEs is too high; in fact 80% of all SMMEs fail within their first 5 years of existence (Bosch et al., 2006:663). Various reasons have been identified for SMME failure, amongst them Mabaso (2008) have identified funding, access to finance and poor management skills. Kazooba, (2006:12) stated that lack of structure and infrastructure in decision making was also a significant factor in the failure of small businesses. Lack of money is a constraint for SMME development but in the process of SMMEs expansion and growth, management accounting skills are probably as important as money (Shaku, 2011). In this regard, Hansohm (1992:140) asserts that only poor accounting, particularly financial and management skills and knowledge, are the reason for the failure of SMMEs. According to Zimmerer and Scarborough (1994), in South Africa the first obstacle

of succeeding in business is not only getting the funds from the bank but also managers needed to have the necessary business skills to market their business ideas correctly.

From the abovementioned, it comes out that SMMEs are important for the country's economy and job creation, Tourism in the Western Cape of South Africa is known as one of the pillars of the economic growth within the province in particular and the country in general. However, it was found by several researchers that small tourism businesses are facing management challenges which often lead them to failure.

Despite this emerging evidence, little research has been conducted to investigate the perception of management accounting skills by the owners and managers, viewed as decision-makers of SMMTEs in the Western Province of South Africa.

Tourism industry

Tassiopoulos (2010:37) defines tourism as a service sector with the most complicated product that depends on a very dedicated supply chain such as travel traders, travel wholesalers, transporters, hoteliers, restaurateurs, and others that offers an element of the whole product. Tourism is vital to the growth of South Africa and its population and it is presently the fastest developing industry, employing an estimated 600 000 people (Mbatha 2013). For Frey and George (2010:622) tourism is one of the major businesses around the world and of course in Africa which is seen as having the potential to address many of the socioeconomic challenges facing the continent. As a reductor of the unemployment rate in the country, at the 1998 Job Summit in Johannesburg, the tourism sector was recognized as having the greatest potential to reduce the high levels of unemployment (Rogerson & Visser, 2004:4).

Over the past 20 years Tourism has become a major part of the discourse of sustainable development (Murphy & Price, 2012:174). In regard to sustainability of small businesses in the tourism sector, Tassiopoulos (2010:36) deduces that micro and small tourism enterprises seem to be less sustainable than medium sized enterprises. On the other side Saayman & Slabbert (2001:9) observe this sustainability issue as being critical for South Africa, as the country desires sustainable employment, especially in tourism.

Management accounting

Management accounting is one of the key instruments for decision making at any level of the organisation (Mayanga, 2010:5). The concept of management accounting involves a set of tools and techniques to support the planning, decision making and control in organisations (Collier, 2009:5). In other words, Collier describes that management accounting tools and techniques are particularly important to run businesses successfully. In an SMME, management accounting is an important purpose concerned with cost measurement, product or service costing and provision of information for decision-making (Shaku, 2011). However business entities require at least some employees who are skilled in management accounting in order to run an organisation proficiently and successfully. Management accounting skills are beneficial in making any business entity competitive and successful (Gowthorpe, 2008).

Management accounting, as compared to financial accounting, develops information for internal use in the entity by applying methods such as standard costing and job order costing methods that according to Reider (2008:157) business finds very difficult to apply as they are scared of management accounting. Kasekende & Opondo (2003:11) mentioned management accounting skills as the ones that are most important in ensuring survival, sustainability and competence in the business.

Management accounting skills

Management accounting as a tool for decision making for internal users requires certain skills which enable the user to apply them. A skill can be viewed as the ability to do something well. Green et al., (2012:187) define skills as “the abilities of individuals for which there is a demand within a formal economy”. Such skills include management and leadership abilities. Tether et al., (2005) share the same view as Green et al. but mention that such skills are obtained through education, training and/or experience. Lucey (2005:6) explains management accounting skills as those skills that are required to prepare management reports and accounts that provide information for day to day and short term decision making. Shaku (2011:45) identifies that the lack of management accounting skills was increasingly responsible for internal business failure as skills relating to cash flow and current asset management often lacked within failed businesses. According to Ahmad et al., (2012:77), the lack of awareness of new management accounting techniques, lack of top management support on training and education of employees, lack of expertise are the reasons why the use of traditional management accounting techniques remains strong. The use of costing techniques such as activity based costing; standard costing and variance analysis is not as popular among SMMEs as with large corporates (Shields & Shields, 2005). Wu & al., (2007) indicate that effective decision making is a very important key for the success of the business these days, therefore critical business decisions like choice of supplier and goods and services pricing must be made using necessary management information than use unstructured models and at times include owner manager preference and ‘common sense’.

The following management accounting skills have been recognized by the Chartered Institute of Management Accountants (CIMA) and various researchers and authors (Niemand, 2006; Kasekende & Opondo; 2003; Damitio & Schmidgall; 2007; CIMA, 2002) as being beneficial for the effective running of SMMEs.

- **Preparation of budgets:** A budget is a detailed plan of action for a future period, expressed in quantitative and monetary terms. Budgeting is an important factor for consistency and growth in any business (Abdurahman et al., 2012:7529). Drury (2008) describes a budget as a financial plan that assists owners and managers of businesses to make various management decisions.
- **Product costing and pricing:** Abdurahman et al. (2012:7531) define product costing and pricing as a plan that describes the process of sale and manufacturing cost of the product or finished good before it is delivered to the market. Costing and pricing are abilities that are essential for the fruitful management of a business (Fischer & Krumwiede, 2012).

- **Understanding of cost behaviour and cost allocation:** In management accounting, costs behave differently. Costs such as variable cost per unit remain constant while the fixed cost per unit change irrespective of the change in production but the opposite applies when with total cost i.e. total variable cost changes while total fixed cost stays constant (Garrison et al., 2010). Allocating manufacturing overheads is challenging for most small business owners specifically to identify, assign and incorporate them into the final cost price of the product (Ryan & Hiduke, 2006).
- **Activity Based Costing:** Activity based Costing (ABC) is a method or system used to assign costs to products or, services or customer; the allocation of costs is based on the consumption of resources of each product, service or customer (Gupta & Galloway, 2003). Reider (2008:159) finds activity based costing as more useful management accounting tool for small business owners
- **Calculation of Profits and Loss:** Calculating a profit or loss in the business is a challenge for decision makers or managers especially when they have to face it on a regular basis. In accounting context, the decision maker should know that the more the expenses or total cost is high; the more the profit will be low which can tend to be a loss in the business (Toms, 2010). However Mott (2012) identifies the appointment of a competent accountant for the business could be helpful for the purpose of the profit and loss calculation.
- **Calculation of Cost Volume Profit analysis (CVP Analysis):** CVP analysis is one of the most important tools that can be implemented by SMME decision makers to understand the behaviour of selling price, variable costs, fixed costs and volume in relation to profit (Shaku, 2011).
- **Managing of Product Life Cycle (PLC):** The PLC represents the unit sales curves of any service or product covering from the time it was first placed in the market till it was removed (Rink & Swan, 1979:219).
- **Standard costing and Job order costing:** Shaku (2011) defines standard costing as the management accounting tool that is used during the production process by owners and managers to identify the standard cost of materials, labour and overheads that they would like to achieve; Berger (2011:1) states that standard costing facilitates decision making and that it is a helpful tool for SMME decision makers to observe the difference between what was planned and what did really happen so that they can take appropriate decisions to correct the situation and avoid it in the future. Job order costing is a technique of production of goods and services used once only when the customer has placed the order (Eric et al., 2011); Job order costing is advantageous for small business in the sense that the owners or the owners' managers or decision makers apply specific costs on the production of goods or services based on the customer demand (Greenberg & Schneider, 2010).
- **Just in time Costing (JIT):** Just like Job Order Costing, Just in Time (JIT) costing is the management accounting method that motivates manufacturing of goods or services only when they are demanded by the customer. However, JIT costing is advantageous and a bit different from Job Order Costing in the way of stock storing. As stated by Niemand

(2006), JIT is more useful by small business because it decreases the inventory holding costs and avoids inventory wastage or spending expense on rent.

Perception of management accounting by tourism's SMMEs

Although contributing immensely towards GDP and national employment (Abor & Quartey, 2010), SMMEs in the tourism industry especially in the Western side of South Africa are facing several challenges in the management of their business which might therefore stop this contribution toward the GDP and the employment rate of the country. The acquisition of these skills and tools will be very helpful to run the tourism business successfully. According to Morrison and Teixeira (2004:168), one of the obstacles to SMMTE's performance is the nonexistence of multi-skilling in every single category of employees, also restricted resources and capacity accessible to narrow skill gaps. Furthermore, Frey and George (2010:626) argue that tourism managers are missing to obligate resources into the changing management practices; this is seen as the lack of responsible management intention (RMI) and consequently regarded as a factor failure of tourism. Ateljevic (2007:308) perceives SMMEs' failure as one of the direct consequences of owners or owners-managers management incompetence. Management accounting as compared to financial accounting develops information for internal use in the entity by applying methods such as standard costing and job order costing methods that according to Reider (2008:157) business finds very difficult to apply as they are scared of management accounting.

The attainment and application of management accounting skills in the decision making process allows for the identification, management, mitigation or even avoidance of the major risks that the SMME is faced with (Gowthorpe, 2008:34). Adequate business management and technical skills are needed to integrate activities, effectively adopt proactive decision making and achieve organizational goals (Zvomuya, 2010). Shaku (2011:45) identified that the lack of management accounting skills was increasingly responsible for internal business failure as skills relating to cash flow and current asset management often lacked within failed businesses. According to Saayman and Slabbert (2001: 16), the lack of experience, lack of managerial knowledge, and lack of knowledge concerning tourism trends and prevailing opportunities in the tourism industry are some of the reasons why the small businesses in tourism are suffering. Saayman and Slabbert (2001:16) consider these as some of the main explanations for tourism business failure. In their report findings, Morrison and Thomas (2004:10) state that SMMTEs' owners lack of comparable knowledge as they find calculations difficult due to the lack of definitional and conceptual knowledge.

Very little pertinent studies have been undertaken in the regard of the failure of tourism's SMMEs in Western Cape, but despite the limitations of quantitative data, the existence of a skills gap within the tourism sector is unquestionable (Earle-Mallessen, 2007). According to Pellinen (2003) management accounting in small tourism businesses is still unexplored, very little is known in the tourism industry about management as the initial focus of management accounting was traditionally on manufacturing enterprises (Pavlatos & Paggios, 2008:82).

According to Ahmad et al., (2012:77), the lack of awareness of new management accounting techniques, lack of top management support on training and education of employees, and lack of expertise are the reasons why the use of traditional management accounting techniques remains strong. The use of costing techniques such as activity based costing; standard costing and variance analysis is not as popular among SMMEs as with large corporates (Shields & Shields, 2005). Wu et al., (2007) think that effective decision making is a very important key for the success of the business these days therefore critical business decisions like choice of supplier and goods and services pricing must be made using necessary management information than use unstructured models and at times include owner manager preference and 'common sense'.

The use of such informal criterion in coming up with business decisions often results in poor cost measurement, product/service costing and information for decision making which ultimately leads to SMME failure. Budget preparation is one of the management accounting skills that is beginning to gain popularity among the SMME community (Gowthorpe, 2008). According to Shim et al. (2011), budgeting is a planning and control system process because it communicates to all the members of the entity what it is expected from them. By budget planning Shim et al. (2011) define it as determining the activities to be met so that the goals and the objectives of the business can be achieved, at this point a decision will have to be made by everyone involved. Asharany et al. (2010) indicate that activity based costing is more used than cost calculation alone in SMMEs.

According to Dodge and Robbins (1992), recording cash flows, inventory controls, cost controls and other management accounting tools are challenges faced by small business, these challenges continue in most phases of the business life-cycle. Also, Ng et al. (2013:94) acknowledge that the management accounting practices executed by SMMEs are unlikely to be management accounting function, but moderately a broad management or accounting functions. The study conducted by Shaku (2011) suggests that technically well-qualified owner/managers with strong budgeting skills are most likely to achieve business success. Budgeting in the tourism sector is the skill with a greater application, lightly opposite to Activity-Based Costing, Customer Profitability Analysis and Balanced Scorecard which has a poor use (Faria, Trigueiros & Ferreira, 2012). Furthermore the payback period is the most and first used investment evaluation method as confirmed by Fatoki et al., (2010:1275) "Payback is often used as a first screening method" while Internal Rate of Return, Accounting Rate of Return and Net Present Value are rarely used as investment methods as they often involve complicated calculations which owners /managers of SMME cannot compute (Shaku, 2011).

Determining how to measure performance of a company is always difficult (Philipps, 1999:173). Basic evaluation methods such as gross profit margins and net profit margins are not readily available as financial statements that help compute these are also not available (Kasekende & Opondo, 2003:3). Pressure has however been increasing on the need to keep financial statements as many providers of finance require these in making decisions on whether to grant or deny credit (Bbenkele, 2007:13). The failure to use performance

evaluation techniques often results in the business having perceived profits or losses as actual amounts cannot be ascertained until the business collapses (Niemand, 2006:12).

Halabi et al., (2010) found that the inappropriate use of management accounting in the business was one of the reasons why SMMEs fails.

The study conducted by CIMA (2012:6-11) revealed the following:

- Medium enterprises do use more management accounting than smaller ones.
- Business owners should partner with management accountants for a better preparation of management accounting information for decision making purposes, also to avoid spending time on financial matters, rather promote the business and make more profit.
- There is a need of provision of management accounting training and education for small businesses owners and managers because they do not know how to use the management accounting tools such as budgets, product pricing and costing, CVP and many other management accounting tools for decision making and effective and efficient management of the organisation, hence the recommendation of partnership with management accountants.

According to Lavia Lopez and Hiebl (2014:1), the practice of management accounting in SMMEs is low and different from large companies. SMMEs need special care when it is about management accounting because they have separate capitals, also because they face more managerial skills challenges than large organisations (Lavia Lopez & Hiebl, 2014:3). In order to compete with large businesses, SMMEs should implement systems that enable them to manage their resources and control their information (Mitchell & Reid, 2000); Management accounting can assist SMMEs to meet such needs of management information (Johnson & Kaplan, 1987). Research conducted by Lavia Lopez and Hiebl (2014:5) indicates that SMMEs do not only use management accounting lesser and differently from large enterprises but use it to provide information to external stakeholders such as banks or to extend their network providers; however small businesses do not use management accounting for decision making purposes. Halabi et al., (2010) identified lack of training amongst SMMEs owners and managers as one of the reasons why the usage of management accounting is low in small businesses than large enterprises. Responsible owners and managers of small businesses with a huge need of improving their management performance would highly use management accounting to support their day-to-day run of the organisation and meet their objectives (Ritchie & Richardson, 2000). The use of tools such as balanced scorecard facilitates the identification of crucial performance obstacles and improves the overall performance of the organisation (Hakola, 2010). Loo and Davis (2003) perceived the non-use of management accounting in the business as a channel to failure, bad investment decisions (e.g. buying a bus) and bankruptcy.

Government support of SMMEs through training skills development

After the apartheid era, the South Africa government has engaged new regulations to restructure and develop not only the socio-political or socio-economic aspects in general but the expansion of a specific sector of the economics of the country, the development of SMMEs (Visagie, 1997:660). Furthermore, the South African Government identified skills

and competencies as critical success factors driving for SMMEs in the country (Bukula, 1995).

The South Africa government is more concerned about the expansion of small businesses in the country hence the acknowledgement of the economic potential and unemployment reduction with strong SMMEs sector (Van Eeden et al., 2003). Kaplan (2004:219) points out the same statement as Van Eeden et al. (2003) but relates it to the tourism concept as according to this author, tourism has the potential to attract foreign exchange and contribute to GDP.

The country has shown its involvement in the SMME's success through the creation of SEDA (Small Enterprise Development Agency) in 2004 which has as mission the promotion, the development and support of small business all over the country; SEDA has to ensure the growth and sustainability of small business countrywide and provide them with all the necessities and facilities possible (Ladzani & Netswera, 2009:228).

Although Tourism in South Africa is more successful in the private sector, it is imperative for a government to intervene and assist SMMEs to meet their objectives (Kirsten & Rogerson, 2002). Kaplan (2004:220) states that the government has initiated several tourism development projects and programmes all around the country in order to sustain and grow the tourism industry within the national, provincial and local areas. Regarding the skills shortage in the country, the South Africa's Government has put in place the NSDS (National Skills Development Strategy) in 1997 to train and educate the stakeholders involved in the management of small business (Kaplan, 2004).

According to Padachi (2010:5), the government support is imperative as owners and managers of small businesses lack expertise in accounting which has as a consequence of making poor decision. Tourism is considered as key economic sector in South Africa. That is the reason why there are a number of policies put in place by the government to expand the tourism sector's contribution to the national economic (Mahoney & Van Zyl, 2002:85). The government through his Tourism Action Plan (TAP) has created the Tourism Enterprise Programme (TEP) which goals are to reassure and enable the progress and extension of SMMEs in the tourism industry, ensuing in job creation and increase in the economic growth (Ruhanen et al., 2010:11). The TEP assists SMMEs with management training, market networks, mentorship guidance and assistance in finance accessibility (Rogerson 2004:89).

Even though all this institutions, projects, programmes was put in place by the South African government to promote and assist SMMEs, owners and managers still believe they don't get enough support from the government (Chimucheka, 2013:788). This complaint from owners and managers is also due to the lack of information available by the institutions nominated by the government to assist SMMEs hence, Maas and Herrington (2006) mention that most of SMMEs in South Africa do not know the efforts the government has put in place to assist them.

Benefits of Utilising Management Accounting In Business

Management accounting is a vital tool for effective business management as it provides appropriate information to managers for decision making regarding the success of the organisation (Stefanou & Athanasaki 2012:143). Managers plan the future and frequently report it to the present (Bouquin, 2004:45), and management accounting provides information in the present about things that going to are happen in the future (Diaconu, 2006). The study conducted by Argilés and Slob (2003) revealed that the sufficient use of financial management and accounting information would lead SMMEs to great performance benefits.

According to Zounta and Bekiaris (2009), management accounting expands the excellence of decision making. Hence Santos, Gomes et al., (2014:2) state that the key utility of management accounting is to make available significant information for the managers, who need high quality information for decision-making. However, Brewer, Frumusanu and Manciu (2013) mentioned that the utility of management accounting is not only for managers of the organisation but the employees as well. Nevertheless Tillmann and Goddard (2008) raise the significance of management accounting, but appeal to owners and managers of businesses to know how to use it. Managers make use of management accounting techniques such as product pricing and costing, calculation of profit and loss, and customer satisfaction to obtain information for long term decisions (Santos et al., 2014:3). The use of management accounting produce positive results in companies and it shouldn't be used only by management but all the employees involved in the good run of the organisation (Breuer, Frumuşanu & Manciu, 2013:363). The use of management accounting in the business increases the overall performance in the way that less time and resources are utilised to achieve the firm's objectives (Marriott & Marriott, 2000). Management accounting improves the quality of the strategic planning analysis of the business, mainly by providing vital information and tools for the effective management of the organisation (Chand & Dahiya, 2010). In the same line of discussion, Manville (2007) indicate that the usage of management accounting practices across the business facilitates a good integration of the business plan and increases the day-to-day performance of the organisation.

The reviewed literature indicates that management accounting skills of decision makers is vital for the success of small tourism business as the lack of management accounting skills, and business management skills in general in the tourism industry are cited by different authors as major reason why SMMEs fails. Management accounting research in SMMEs still remains an abandoned and an obsolete area although it represents a dynamic strength in contemporary economies (Mitchell & Reid, 2000). Management accounting research conducted in small businesses has not been designed yet; however the fundamentals of management accounting development can be learned from these firms (Mitchell & Reid, 2000:386). Randall and Horsman (1998) state that management accounting has been put on hold in SMMEs literature, regardless of its significance to business goals achievement. Very little research has been done on the concept of management accounting skills in the tourism sector in South Africa, but the concept of lack of management skills is very much in existence in the small businesses failures. Hence the reason for conducting this study.

RESEARCH METHODOLOGY

This research rendered itself well with a quantitative approach, which provided highly formalised, controlled, and precisely defined results, where the objective was to measure data rather than to explore and interpret meanings (Roos, 2005:4). The quantitative approach was adopted because it allows for the use of arranged surveys to collect measurable data, which can be examined statistically to yield computed and objective outcomes (Garbarino & Holland, 2009:13). The quantitative method following a pragmatic approach to research is suitable for a study when a researcher wants to test a hypothesis or investigate on something quantitative, hence its utility and relevance to the current paper and objective, to investigate the practices of SMMTEs regarding management accounting skills (Balnaves & Caputi, 2001). The use of a quantitative research approach was well established in social science research that investigates the practices of SMMEs and was thus of relevance to the current paper and objectives

Purposive sampling was implemented for this paper. The current study initially targeted SMMEs that operate in the transportation sector (tour & travel included) all registered at the Cape Town Tourism (CTT) which is the City of Cape Town's official regional tourism organisation, responsible for destination marketing, visitor and industry services and situated in the Cape Metropole of the Western Province of South Africa. In terms of the policy by the CTT officials not to share more than 20 SMMTEs details with an outsider, It was then unavoidable that the researcher conducts a survey on a door-to-door basis in the transportation sector of tourism in Cape Town. During this practice, the researcher had to first find out if the company operated as a tourist transportation apprehension prior to dialogue of the research questionnaire, thus helping to eliminate those who did not meet the eligibility criteria (Easterby-Smith et al., 2008:218) from which 38 completed and returned questionnaires were analysed. Appointments were made with the 38 SMMTEs to assist them in the completion of the questionnaires. The researcher believed that this method would facilitate the participant to understand the terminology and yield the necessary results.

The focus of this paper was centred on one particular area, as opposed to a wider approach (Collis & Hussey, 2003:128) hence the study was limited only to decision makers in the transportation sector of tourism in the Cape Metropole, Western Province of South Africa. It excludes SMME's not in that field of the tourism industry; small businesses that do not adhere to the definition of SMMEs and those in the transportation sector of tourism industry that are not operating in the Cape Metropole of the Western Province of South Africa.

DATA COLLECTION THROUGH QUESTIONNAIRE

The data was collected by means of questionnaire comprising of closed-ended questions. The questionnaire developed for the purpose of this study and distributed for data collection contained four sections A, B, C and D. Section A concentrated on personal questions regarding the management approach of the respondents; this section covered categorical "yes" or "no" answers. Section B which comprised three vital questions specifically draft to answer the research question. The first question on proficiency of management accounting skills was in the form of a six-point Likert scale, with 1= very poor, 2= poor, 3= adequate and

4= good, 5= very good, 6= I don't know. The second one was given alternatives to choose from and the third one which dealt with the perception of management accounting skills was in the form of a six-point Likert scale, with 1= not effective at all, 2= less effective, 3= effective and 4= more effective, 5= most effective, 6= I don't know. Section C comprised questions requiring yes or no answers and the rest; alternatives were given to choose from. Section D dealt with demographic questions with alternatives was given to choose from. The data from the completed and collected questionnaires was directly captured into the Statistical Programme for Social Sciences (SPSS) version 22 to transform answers into numbers. Questions were sent to the research supervisor for screening and approval before distribution to respondents. The questionnaire had been selected for data collection as it generated a higher response rate than a self-administered questionnaire, and it ensured that the questionnaires were completed by the intended respondents only (Leedy & Ormrood, 2005).

DATA ANALYSIS

With the assistance of SPSS, the researcher was able to directly capture the data into the software, and convert words into numbers. The descriptive statistics is a technique that is employed to arrange and review data in an expressive manner (Pietersen & Maree, 2007:183). SPSS is a program that helps to analyze data, which can be transformed from an Excel spreadsheet to meet the requisite layout.

In some circumstances, answers blocks were left blank, and these were treated as 'missing' values during analyses.

DATA VALIDITY AND RELIABILITY

Data validity refers to the ability of the research to be indiscriminate across the population (Mitchell & Jolley, 2012). According to Jackson (2009:71), a construct validity measurement tool evaluates the extent to which tool captures effectively the theoretical concept of the study as it is supposed to. However, this required the use of a representative sample; although the sample surveyed in the current study was convenient in nature, numerous targeted respondents were located within the Cape Metropole of Western province of South Africa. Accordingly, it was hoped that the views of respondents will be representative of the views of the populations from which they were drawn from. However, given the limited size of the sample employed, the generalizability of the findings of the proposed study was expected to be strong (Altermatt, 2013).

Cronbach reliability coefficient in **table 1 (Appendix)** was also used as a check of construct validity whereby the main drive was to group similar items together with the purpose to achieve same results and so measure the fundamental construct (Tavakol & Dennick, 2011:53). Reliability refers to the degree to which related study piloted in the future will result in similar outcomes; hence closed-ended questions were administered to ensure reliability (Leedy, Ormrod et al., 2001:318).

In fact, Cronbach Alpha was established by Lee Cronbach in 1951 to allow the measurement of the internal consistency of a test or scale; it is expressed as a number between 0 and 1

(Tavakol & Dennick, 2011:53); when alpha coefficient being close to one, this indicates a strong correlation significant of high internal consistency and alpha coefficient correlation close to Zero shows weak correlation meaning of low internal consistency. The following are approved as generally accepted by researchers (Pietersen & Maree, 2007:216);

- 0.90- high reliability
- 0.80- moderate reliability
- 0.70- low reliability

Table 1 (Appendix) shows results of the critical questions of the study's Cronbach alpha reliability test. These questions looked critical because they had a direct correlation with the research question. Therefore it was found that All the variables had a Cronbach coefficient that was close to one, which indicates high reliability (Pietersen & Maree, 2007:216). In other words, high internal consistency.

ETHICAL ISSUES

This was the part of the study where important things such as making sure that the participants were entirely knowledgeable about the nature of research, the space of inquiry, the goals and objectives of the study, as well as the envisioned actions must be highly considerate (Busher & James, 2002). A crucial ethical issue relies on the privacy of the results and findings, as well as the safety of the respondents (Pietersen & Maree, 2007:41-42). The participation was voluntary and informed consent was ensured through the signing of the letter of consent issued by the institution that was attached to the questionnaire.

Further considerations such as guarantee that no participant was put in any situation of harm and risk after participation in this research, obeying severely to all the moral procedures served as a standard about trustworthiness and reliability of the data collected and the additional data analysis (Madsen & Davids, 2009:5). The participant's right to secrecy and confidentiality was respected at all times. Any barriers to privacy were made clear to the participants such as notifying them of who may have admission to the data (e.g. research supervisors) (Gajjar, 2013). Participants were made conscious of their right to end the research procedure at any particular time without fear of harmful impacts.

FINDINGS AND DISCUSSION

In this section, the research outcomes are discussed based on the data collected and the research objectives of the study. The research objectives are as follows:

To determine decision-makers of SMMTEs's thoughts about implementing management accounting skills to facilitate their decisions making

The research question that leads to this objective was: *What is the decision makers' perception of the effectiveness of the current management accounting tools employed to make decisions?*

Demography

This section entails the type of tourism that the research focused on, the age of the operation of the business, who is responsible for managing the business and the level of education of the respondents.

The total sample of 38 decision makers in the transportation sector of tourism industry was the focus of the research as indicated in **figure 1** (see appendix); the researcher has realized that some respondents having for core business a means of transport will combine it with any other type of tourism which can increase the cash flow in the business depending of the demand of the customer. Also the majority of respondents use sole proprietorship as the form of business they operate with as indicated in **figure 2** (See Appendix)

The results in **figure 3** (See Appendix) regarding who is responsible for managing the business indicated that 17 respondents (44.7%) stated that the business is managed by the owner, 2(5.3%) managed by the manager and 19 (50%) managed by both owner and the manager. This confirmed that nowadays owners and managers are joint in the day to day running of the organisation hence the representation of 50%. Ateljevic (2007:308) perceives SMMEs' failure as one of the direct consequence of owners or owner-managers management incompetence. For Brink et al. (2003:4), Owners and Managers of SMMEs in South Africa "do not have a clue how to run the business" and this specifically because of management issues such as management training and skills.

The result (**Figure 4**) shows that the transportation sector of tourism can survive up to 40 years which is not in the same line with to Bosch & al's., (2006:663) statement stating that 80% of all SMMEs fail within their first 5 years of existence. This result also raises the concern regarding the survival of SMMTEs whereas Krog (2008) argues that the owner or manager with a good ability to succeed in business can survive for a long time and according to Von Blottnitz (2009) the survival of SMMEs relies on well-educated business owners. The research findings shows that out of 38 respondents, 5 (13.2%) agreed that they hold a matric as highest qualification, 6 (15.8%) had certificate, 9 (23.7%) diploma, 11 (28.9%) Bachelor's degree, 3 (7.9%) got Honour's degree and lastly 4 (10.5%) had master's degree.

This result (**figure 5**) implies that the decision makers in the transportation sector of Cape Metropole are highly educated to run their business and share the view of Chimucheka (2013:787) who stated that Education and training help to obtain management skills which are essential for the success of small business. According to Kangasharu and Pekkala (2002) the higher the level of education of a business owner, the higher the business will grow successfully if it is run by the owner himself/herself.

Proficiency and perception of management accounting skills by decision makers

The first question under this objective was to explore the ability to use management accounting skills by the respondents and therefore put it in practice for decision making purposes. In this question, the respondent was asked to indicate his/her proficiency in the

management accounting skills given to him or her by using the rating scale of very poor – poor – adequate – good – very good – I don't know.

The second question was to know the perception of the importance of management accounting tools by decision makers in the transportation sector of tourism in Cape Town.

Referring to **figure 6** (See Appendix), the result of the question on the proficiency of management accounting skills by decision makers affirm that more than the majority of decision makers in the transportation sector within the Cape Metropole are actually apt to use management skills; regarding the question on the perception of management accounting tools by the decision makers, **figure 7** (See Appendix) reveals that more than the majority of decision makers in the transportation sector of tourism in Cape Town find management accounting effective for business management.

The third question which is directly related to the objective of this study is the logic continuation of the two previous questions which was about finding out if the respondents who claim to be able to use management accounting skills, who perceive management accounting tools as effective for their business actually consult it for decision making purposes. The results on **figure 8** (See Appendix) show that out of 38 respondents, only 5 (13.2%) respondents used management accounting tools to make decisions, 10 (26.3%) used external parties, 10 (26.3%) consult business partners for decision making, 9 (23.7%) make decisions by themselves, 1 (2.6%) consults a family member and lastly 3 (7.9%) respondents consult people with similar business for decision purposes. The result obtained from this question symbolizes that more than the majority of decision makers in the transportation sector of tourism do not actually apply management accounting skills to make their decisions. This finding is in line with Reider (2008:157) who stated that business finds it very difficult to apply management accounting as they are scared of it, therefore relying more on external parties such as accountants as confirmed by Brijlal et al. (2014:341).

In regards to the findings and analysis, data obtained through the research questionnaire were analyzed and interpreted. A comparison between the findings and the literature section has been presented. This study found that the majority of decision makers in the transportation sector of tourism in the Cape Metropole are highly able to use management accounting skills, as well as they found management accounting skills effective for business management, however they do not consult it for decision making purposes.

CONCLUSION

Management accounting skills is very important when it comes to ensure endurance, sustainability and competence in the business. The purpose of the study was to “to find out how the owners and managers of SMMTEs perceive management accounting skills in the day-to-day running of their business; also to determine their thoughts about implementing management accounting skills to facilitate their decision making”. A quantitative research method was followed using questionnaires as research tools to gather data purposively from SMMTEs specifically in the transportation sector of the tourism industry around the Cape Metropole of the Western province of South Africa. The data were used to produce

descriptive results through SPSS and Excel spreadsheet. Results reveal that operational budget represents the highest management accounting skill with 100% that decision makers in the tourism industry perceive as effective for the good management of the SMME. The operational skill is the management skill that is most required by South African SMMEs (Perks & Smith, 2008); hence it facilitates business strategy, operations and controls decision making (Gaither & Frazier, 1999). According to Shaku (2011), technically well-qualified owner/managers with strong budgeting skills are most likely to achieve business success. Reeve et al., (2009) further explain that the operational budget facilitates decision making as it involves establishing specific goals, executing plans to achieve plans and time to compare the actual results with objectives.

In general, the majority of decision makers perceive management accounting skills as effective for their business, therefore the implementation to facilitate their decision makings will be at ease. This research outcome is in line with Loo and Davis (2003) who perceive the non-use of management accounting in the business as a channel to failure, bad investment decisions (e.g. buying a bus) and bankruptcy. According to Kirby and King (1997), SMMEs owner-managers find the use of management accounting effective for their business but lack the skills to utilize them properly, reason why they depend on external parties such as accountants to manage their organisations successfully. In order to face competition with large enterprises, Mitchell and Reid (2000) suggest that SMMES put in place systems that will assist them to manage their resources and control their information; For Johnson and Kaplan (1987) Management accounting can assist SMMEs to meet such needs of management information. Management accounting skills are useful in making any business entity competitive and successful (Gowthorpe, 2008). Management accounting is an important tool for effective business management (Stefanou & Athanasaki, 2012:143). The use of management accounting contributes to the standardization of skills in the business and increase the level of professionalism with the staff in the organisation (Amat et al., 1994).

RECOMMENDATIONS AND SUGGESTIONS FOR FURTHER RESEARCH

Additional studies may be conducted based on qualitative research via interviews that allow a deeper understanding of the impact of the use of management accounting skills in SMMTEs and insight of the training or workshop needed by decision makers in the tourism sector in regard of how to use management accounting tools to make effective decisions in their business. Although these decision makers in tourism sector are able to use management accounting skills, also perceived it as effective for the business management, they are scared to use it to make decisions in their business as they do not know the importance and rely more on external parties such as accountants. It is therefore vital for decision makers of SMMTEs of Western Cape to go for management workshop training and learn how to apply those skills for the success of their business and by that continue to have positive effects in the country's economic growth and employment rate. Hence the researcher recommends that the government through the Department of Small Businesses Development put in place training facilities for decision makers in the tourism sector in the Western province of South Africa to teach them the importance of management accounting skills and how to apply it in the business.

The majority of businesses operates as sole-proprietor and prefers to carry the risk alone. This study revealed that decision makers of SMMTEs rely on external parties (accountants) and business partner (for some of them) to make financial and management decisions. As confirmed by Brijlal et al., (2014:341), the majority of SMMEs in South Africa use external parties such as accountants to fulfill their accounting duties and to make financial decisions. This is the reason why CIMA (2012:10) recommended partnership with management accountants, to allow business owners to focus on promoting the business and let management accountants make effective decisions and reduce the business expenses for better profitability. The researcher finds the suggestion of CIMA (2012) appropriate for small businesses as the partners will put together skills and knowledge to expand the business successfully and avoid failure.

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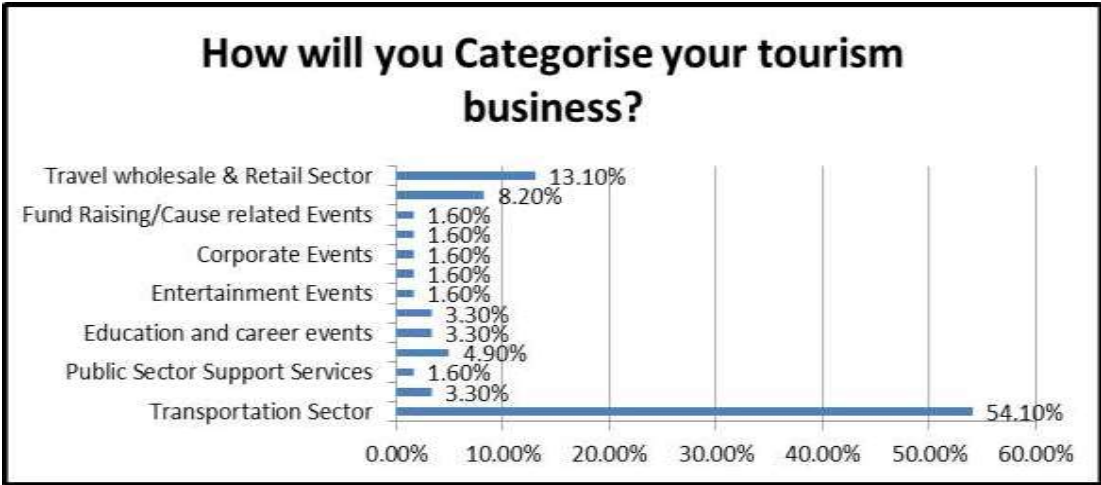
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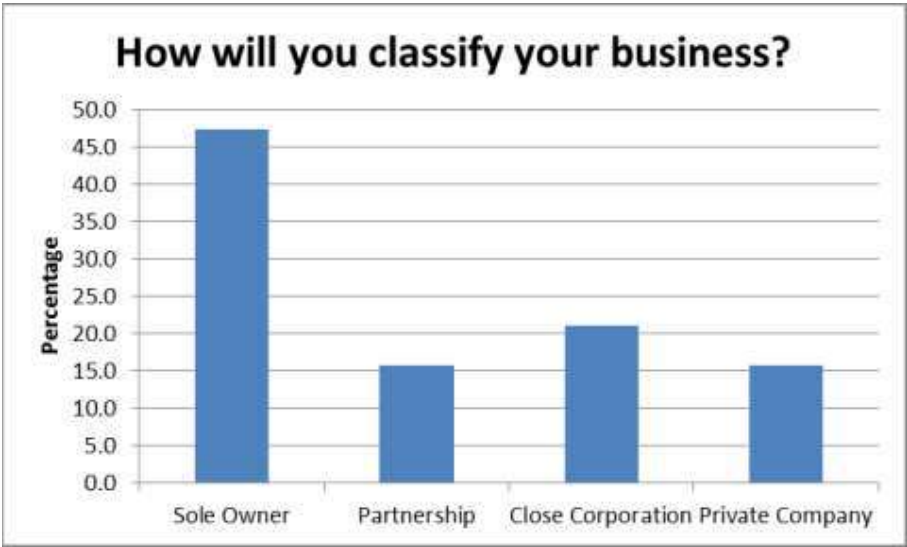
Appendix

Figure 1



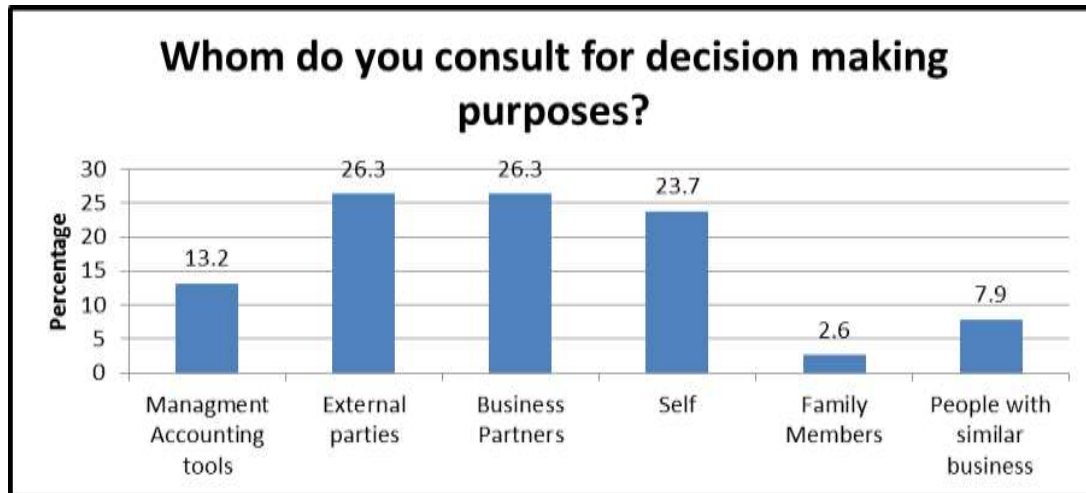
Source: Fieldworks

Figure 2



Source: Fieldworks

Figure 3



Source: Fieldworks

Figure 4



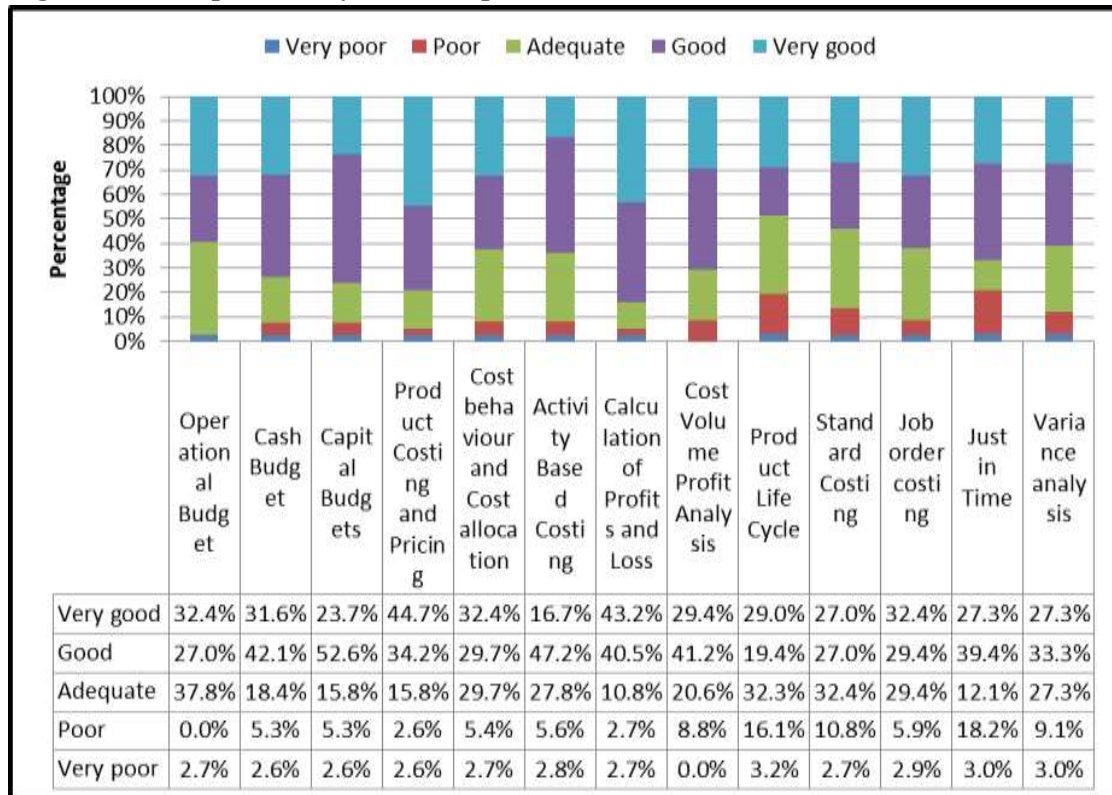
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Figure 5



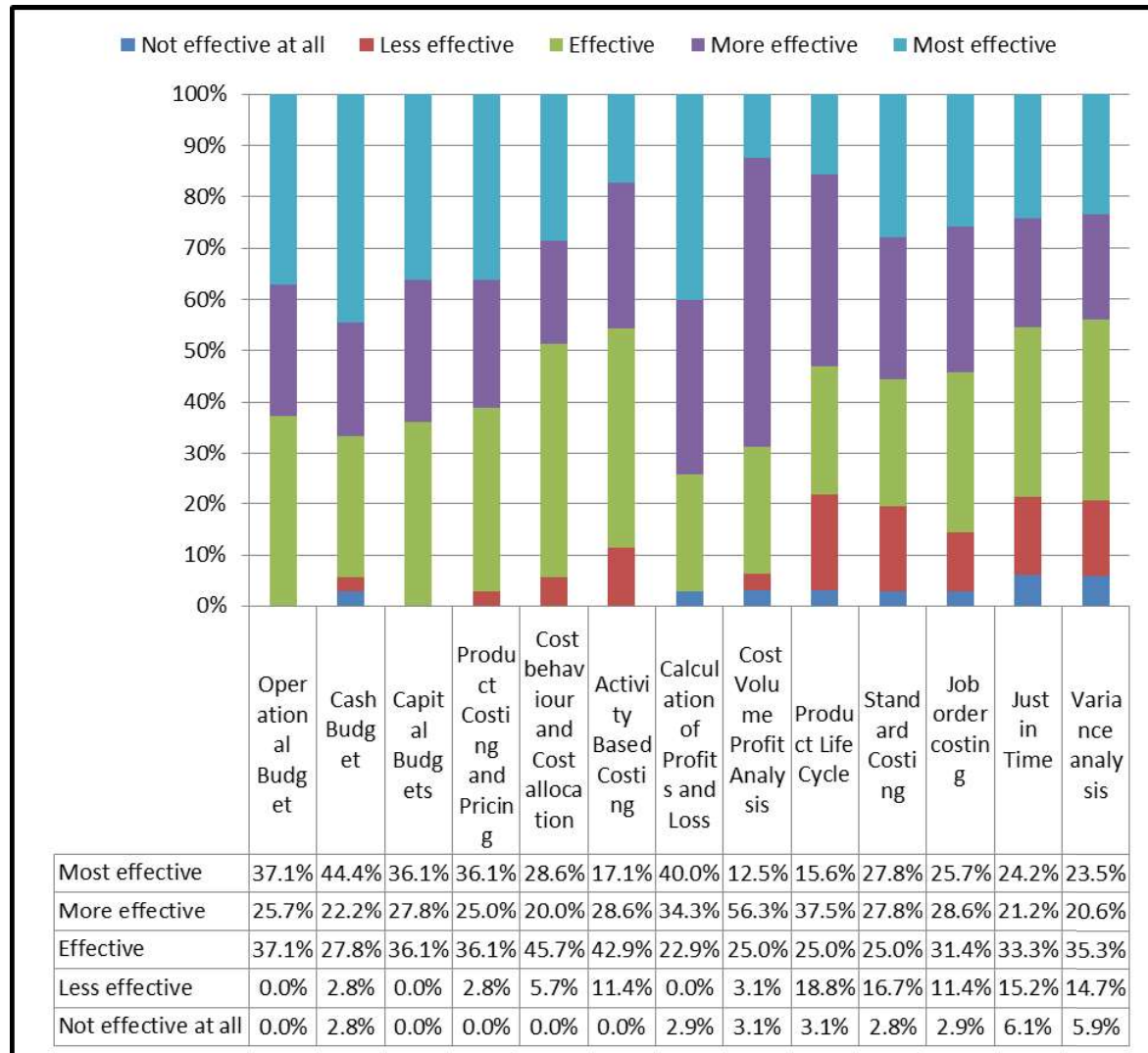
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Figure 6: Skills proficiency of the respondents



Source: Fieldworks

Figure 7: Effectiveness of respondents' management accounting skills



Source: Fieldworks

Figure 8



Source: Fieldworks

Table 1 Cronbach reliability test

	Initial	Extraction
Indicate your proficiency in the skills below by using the rating scale		
Q3.1 Operational Budget	1.000	.906
Q3.2 Cash Budget	1.000	.910
Q3.3 Capital Budgets	1.000	.906
Q3.4 Product Costing and Pricing	1.000	.904
Q3.5 Cost behaviour and Cost allocation	1.000	.905
Q3.6 Activity Based Costing	1.000	.909
Q3.7 Calculation of Profits and Loss	1.000	.908
Q3.8 Cost Volume Profit Analysis	1.000	.906
Q3.9 Product Life Cycle	1.000	.906
Q3.10 Standard Costing	1.000	.904
Q3.11 Job order costing	1.000	.904
Q3.12 Just in Time	1.000	.906
Q3.13 Variance analysis	1.000	.905

How do you perceive the importance following management accounting tools?		
Q4.1 Operational Budget	1.000	.907
Q4.2 Cash Budget	1.000	.912
Q4.3 Capital Budgets	1.000	.906
Q4.4 Product Costing and Pricing	1.000	.905
Q4.5 Cost behaviour and Cost allocation	1.000	.908
Q4.6 Activity Based Costing	1.000	.905
Q4.7 Calculation of Profits and Loss	1.000	.912
Q4.8 Cost Volume Profit Analysis	1.000	.905
Q4.9 Product Life Cycle	1.000	.905
Q4.10 Standard Costing	1.000	.905
Q4.11 Job order costing	1.000	.905
Q4.12 Just in Time	1.000	.904
Q4.13 Variance analysis	1.000	.905