

Assessment on Sustainability of Micro and Small Scale Food and Beverage Outlets in the North Western Part of Ethiopia: Lessons from the Historic City of Gondar

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Abstract: Micro and small scale food and beverage outlets are a rapidly expanding and dynamic sector of regional tourism industries in North Western Part of Ethiopia in general and the historic city of Gondar in particular. However, attempts to improve sustainability of these enterprises have often proved misguided largely due to poor understanding of issues affecting owners/ managers. So, the objective of this research was to assess a range of factors that would determine sustainability of micro and small scale food and beverage outlets. To this end, an in-depth interview together with document consultation was employed to complement each other. Samples were taken from tea rooms, hotels, butcher shops, cafeterias, restaurants, traditional dish houses, juice house, and groceries. To assure the reliability of the data all interviews were recorded and registered word for word throughout the courses of interview. The interpretation of the data employed a thematic descriptive approach. The findings suggest that the sustainability of micro and small scale food and beverage outlets are challenged by the capacity of owner-managers in planning, marketing, resource management, and use of information technology; and external factors such access to working space and raw material.

Keywords: Food and beverage outlet, Micro and Small Scale Enterprise, Sustainability

INTRODUCTION

The role of micro and small enterprises(MSEs, here after) in income and employment generation is increasingly recognized. International Labor Organization (ILO, here after) in 2002 reported that the emphasis of the policy makers and donors on MSEs is partly justified for their potential in enhancing pro-poor growth. Parallel to this principle Ethiopia has adopted poverty reduction strategies that mainly emphasize promotion of MSEs as a major way to reduce poverty particularly among the urban dwellers.

The promotion of this sector is validated for its unique character of addressing growth with equity, long-term jobs, providing the basis for medium and large enterprise, and promoting exports etc. In this regard, the country industrial development strategy issued in 2003 singled out the promotion of MSEs development as one of the important instruments to create productive and dynamic private sector. The strategy puts a means to support the MSEs such as infrastructure, finance, raw material, and training[13].

Of the sectors targeting for the expansion of micro and small scale enterprises in Ethiopia, the hospitality and tourism sector is one among the priority

areas. Tourism in general and micro and small scale tourism enterprise(MSTES, here after) in particular are a rapidly expanding and dynamic sector of industries in the country. For instance, according to WTTC [14] report tourism development in Ethiopia was forecasted to contribute 9.6% of the overall GDP, 8.3% of overall employment, 26.2% of the overall export of the country by 2020. As hospitality and tourism sector is a recently introduced and promising sector in Ethiopian economy, conducting an organized scientific research is very much relevant for policy makers so as to pass an informed decision and for practitioner so as to correct mistakes at its grass root level.

In this regard, the argument of researchers such Nayak and Green Field [1],from the western context, has been reviewed in this research. These researchers stated that sustainability of micro and small scale businesses is highly related Government agencies' support, policy and regulation infrastructures, managerial capacity, and relationships with the financial sector. Scholars pronounced the role of MSEs managerial capacity in terms of planning [15]; marketing [2]; human resource management [3, 4]; use of information technology [5].At the same time, the role of institutional help has been claimed as determinant

factor by scholars such as Baum [6] and Lee-Ross [7]. Thomas [8] argued that the success of MSTEs is also dependent on regulatory legislation in the area while Taylor et al. [9] and Atkinson et al. [10] argued that access to finance is a critical determinant.

As none of the arguments are from Ethiopian context, the need to undertake this study in North West Ethiopia is due to the fact that what is true in the context of developed countries tourist destination may not be true in the context of developing countries tourist destination as stated by Thomas[8]. So, this study is intended to assess sustainability of micro and small scale food and beverage outlets in North West Ethiopia taking the experience of Gondar city.

METHODOLOGY

In coincidence with studies that argue government agency roles, policy and regulation infrastructures, managerial capacity, and relationships with the financial sectors are distinctive determinants of micro and small scale enterprises' sustainability[1], a pilot study was conducted to examine the actual use of these determinants in the context of Ethiopian hospitality industry. The pilot study consisted of two phases. First, twenty three randomly selected micro and small scale hospitality enterprises' owner- managers were asked to list significant determinants that could affect their enterprises performance. This generated a list of determinates for micro and small scale hospitality enterprises. Next, this list of determinants together with list of determinants from literature was used to create an interview guide, which was again presented to fifteen randomly selected owner- managers to ensure its clarity, relevance and ability to secure responses. As a result of these responses, a final version of the interview guidelines was designed. The guideline was written in two languages: Amharic (the local language) and English. Paying special attention to communication between the data collector and the respondents, media of discussion was Amharic in which all respondents are familiar with. To ensure that the same meaning is retained, both the original version in Amharic and the translated version in English was proof read by experienced researchers who are familiar with Amharic and English languages.

Then, cluster sampling was applied to determine the number of respondents in each group of hospitality enterprise. Once the number of the respondents for each group of enterprises determined, systematic random sampling was also employed to determine a typical enterprise.

Assuring the consent of the respondents, the data was collected from 96 respondents with a maximum care on personal bias through data saturation approach. Notes were taken throughout the course of the interview in addition to recordings. As reliability refers to the research trustworthiness and conformability [11] to assure the reliability (repeatability) of the data, all the interviews were transcribed word for word. Therefore, one could go back and recheck the answers or responses. Face-to-face and telephone interviews were means of data collection.

The interpretation of the interview data used thematic analysis approach. In this case the interview results were repeatedly and thoroughly read so as to gain the major themes of each respondent. Utilization of summary data and unattributed quotes to illustrate dominant issues in respondents' own words was employed. So, the processes of transcribing /interpreting from Amharic (local language) to English as well as identifying themes, coding and clustering was carried out.

RESULTS

According to the Amhara National Regional State Micro and Small Scale Enterprise Development Credit Guarantee Fund Establishment Proclamation (July, 2012), micro enterprise means an enterprise that shall recruit and cause to work until five persons (including the owner of enterprises and members of the family) and/or the total capital amount (not including the building) not more than 50,000 (fifty thousand) birr in the service sector such as tourism and hospitality. Whereas small enterprise means an enterprise that shall recruit and cause to work six up to thirty persons (including the owner of enterprises and members of the family) and/or the total capital amount (not including the building) not more than from 50,001 (fifty thousand and one) birr to 1,500,000 (one million and five hundred thousand) birr in the service sector such as tourism and hospitality.

Hence, survey on the main profile characteristics of micro and small scale tourism enterprises in the study area illustrated that there were 431 legally registered micro and small scale food and beverage outlet enterprises. Except few associations, almost all of enterprises were established as a personal business.

Table 1: Types of Enterprises

| No | Type of Enterprise | Number | Percent (%) |
|-------|------------------------|--------|-------------|
| 1 | Tea Room | 67 | 15.5 |
| 2 | Hotel | 60 | 13.9 |
| 3 | Butcher Shop | 21 | 4.9 |
| 4 | Cafeteria | 32 | 7.4 |
| 5 | Restaurant | 26 | 6.0 |
| 6 | Fast Food Outlet | 86 | 20.0 |
| 7 | Traditional Dish House | 67 | 15.5 |
| 8 | Juice House | 9 | 2.0 |
| 9 | Grocery | 63 | 14.6 |
| Total | | 431 | 100 |

In terms of ownership almost all of the enterprises (98.4%) are personal business (see table 2). The three important startup capital sources were personal savings (60.6%), micro and small scale enterprise loan (23%), and family support (12.3%) respectively (see table 3). But less contribution from

banks (2.6%) may be due to collateral requirements of the bank. However, bank borrowing and micro and small scale enterprises loan should tend to be more important for financing subsequent product development of these enterprise.

Table 2: Profile (legal ownership)

| No | Legal Ownership | Number | Percent |
|-------|-------------------|--------|---------|
| 1 | Personal business | 424 | 98.4% |
| 2 | Association | 7 | 1.6% |
| 3 | Other | 0 | 0% |
| Total | | 431 | 100% |

Table 3: Source of Start-up Capital

| No | Operation Period (Years) | Number | Percent |
|-------|---------------------------------------|--------|---------|
| 1 | Family Support | 53 | 12.3% |
| 2 | Micro and small scale enterprise loan | 99 | 23.0% |
| 3 | Personal Saving | 261 | 60.6% |
| 4 | Bank loan | 11 | 2.6% |
| 5 | Other | 7 | 1.6% |
| Total | | 431 | 100% |

Verification of document review data stated that majority of the food and beverage outlets in the study area are at its introduction stage, in terms of business life cycle. Interviewee agreed that these enterprises develop a formal business plan mainly to fulfill the requirement for the award of work permit and to secure loan, not to guarantee their long term success. Once they secured the loan and get permission they tend to ignore the proper implementation of the plan. This indicates that enterprises have poor knowledge, skill, and attitude towards the relevance of planning. By no means is this not sustainable practice.

On the other hand, data from interview disclosed that the enterprises' capacity in identifying their customer wants and in building appropriate relationships with those customers is very low. This is an important bottle neck on sustainability of enterprises as the advocacy of Hooley *et al* [16]. Only few numbers of the enterprises have been reported to have a written marketing plan while the rest of these enterprises have

an informal marketing plan. Majority of them depend on the success and failure history of their competitors as marketing strategy. The more the success of their competitors, the better marketing strategy they perceive it. In addition, the use and effectiveness of the internet is at its grass root level, according to the evidence obtained in the in-depth interview. This again is not sustainable practice

At the same time, the interview data verified that access to finance is not a problem for micro and small scale food and beverage outlets sustainability as access to micro finance is relatively easy. Parallel to this document review clarified that the Council of the Amhara Regional State, Ethiopia, has proclaimed a micro and small scale enterprises development credit guarantee fund on June 27th 2012, to alleviate problems related to access to finance. This proclamation has established system of sharing the loss by the government and credit institute, if the creditor money may not be returned back. For example, the

proclamation stated that 97% of the unreturned money shall be covered by the credit guarantee fund, based on feasible business plan, if enterprises failed to return back the loan thereof. This could be taken as a fertile ground to help flourish micro and small scale food and beverage outlets in the area. However, the data verified that, the capacity of micro and small scale enterprise towards exploiting this opportunity and administering finance at hand is poor. For instance, table 3 above displayed that only 23% of the enterprise use micro finance institutes as source of startup capital. This may be originated from lack of capacity building training.

Working space in relation to house and land administration is also repeatedly mentioned as other important bottle neck of sustainability. At the same time the price and supply of raw materials such as sugar, and flour are also repeatedly mentioned sustainability challenges. This is parallel to the report by Ageba and Ameha [13].

On the other hand, most interviewees agreed that policy environment is not a problem for the sustainability of micro and small scale food and beverage outlet enterprises. The data shows that the economic policy and the government attention towards micro and small scale enterprise is fertile ground for the sustainability of these firms. But the implementation practice of local regulations is relatively challenging in assuring the sustainability these enterprises. This is similar with a study conducted by Thomas [12] while dealing with a study on public policy and small hospitality firms.

CONCLUSION

The research findings point to a number of key issues that describes sustainability of micro and small scale food and beverage outlet enterprises. These are;

- In terms of ownership almost all of the micro and small scale food and beverage outlets are personal business. So, there is a need to strengthen association businesses so to complement the capacity of enterprises.
- Personal saving, micro and small scale enterprise loan and family support are the three important startup capital sources of these enterprises. Since the sustainability of family support as source of finance is poor attention should be given to bank borrowing and micro and small scale enterprises loan so as to finance subsequent product development of this enterprise.
- Access to working space and raw material is a very much important external business environment challenge on sustainability of the micro and small scale food and beverage outlets. So, there is a need for government agencies to facilitate these enterprises get a working space (house and land).

- Micro and small scale food and beverage outlet let enterprises' owner/mangers capacity towards planning, marketing, resource management, and use of information technology is poor. So, there is a need for capacity building training for owner-managers if the sustainability of the enterprises has to be guaranteed.
- Policy infrastructure is found to have less impact on the sustainability of these enterprises. This is due to the government's commitment in using micro and small scale enterprises as a strategic poverty reduction tool. This has to be appreciated!

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