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FINAL REPORT:

**TOURISM VALUE CHAIN AND
OPPORTUNITIES FOR
TRANSFORMATION IN SOUTH AFRICA**

**UNIVERSITY OF JOHANNESBURG
MARCH 2017**



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DEFINITIONS

Amended Tourism B-BBEE Sector Code	Refers to tourism sector specific Code of Good Practice published on 20 November 2015 by the Department of Trade and Industry in terms of Section 9(1) of the B-BBEE Act No. 53 of 2003, as amended by B-BBEE Act No. 46 of 2013, to advance transformation in the tourism sector.
Black-owned SMME	Refers to small, medium or micro enterprise with a total annual revenue of R5million or less, which has more than 50 percent direct ownership and management by black people.
B-BBEE	Broad-Based Black Economic Empowerment
B-BBEE Owned Company	A Juristic person (including a trust), having shareholding or similar members interest, that is B-BBEE controlled, in which black participants enjoy a right to economic interest at least 51% of the total such rights measured using the Flow Through Principle.
Black People	A generic term which means African, Coloured and Indians as provided in the Amended B-BBEE Act of 2013.
Codes of Good Practice	Broad-Based Black Economic Empowerment Codes of Good Practice, 11 October 2013 (Gazetted No.3298) as amended. The term 'Generic Codes' or 'Amended Code' has a corresponding meaning.
Enterprise Development	Monetary or non-monetary contributions carried out for the benefit of any entity that is measureable in terms of the Amended Tourism B-BBEE Sector Code, with the objective of contributing to the development, sustainability and financial and operational independence of that entity.



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Enterprise Development Initiatives

May take a variety of forms including;

- direct investment in black-owned & black empowered SMMEs,
- joint ventures with black-owned and black empowered SMMEs that result in 'substantive' skills transfer,
- support and funding for the grading of emerging tourism companies, as well as providing mentorship, business relationships and linkages which, in turn, provide business opportunities to these enterprises, and
- Twinning initiatives with black-owned and black empowered SMMEs which result in cost savings of revenue generation for those SMMEs.

Large Enterprises

An Entity that qualifies for measurements under the large enterprises scorecard with a total annual revenue of more than R45 million.

Supplier

Means any supplier or service provider to a measured entity if any portion of the supply or service provision falls within the definition of Total Measured Procurement Spend.

Transformation in Tourism

Transformation is the process of transforming (a marked change in form, nature, or appearance) the existing tourism sector to be reflective of the current political dispensation and thereby advance the objectives of the B-BBEE Act.

Tour Operator

A tour operator is a company that combines tour and travel components to create a package holiday. They advertise and produce brochures to promote their products, holidays and itineraries.

Travel Agency

A travel agency is a private retailer or public service that provides travel and tourism related services to the public on behalf of suppliers



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such as airlines, car rentals, cruise lines, hotels, railways, and package tours.

TEP

Tourism Enterprise Partnership. TEP is the operating entity for strategic partners in tourism. A non-profit company who utilises funding from corporate South African and Government to facilitate growth, development and sustainability of small tourism businesses in South Africa.

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1. BACKGROUND AND CONTEXT OF THE STUDY

1.1 Introduction

Broad-Based Black Economic Empowerment (B-BBEE) policy in South Africa aims to accelerate the inclusion of black people into the economy through company ownership, human resources, and enterprise and community development. Statistics South Africa (Stats SA, 2012) indicate that 91 per cent of South Africa’s 52 million people is comprised of black people. Persons of black African origin comprise 79 per cent of the population, 9 per cent are Coloured, and 2.5 per cent are of Asian origin. Yet economic wealth is held by a white population representing 9 per cent of the population. Therefore, government insists that the pace of transformation, and implementation of B-BBEE policy in the private sector, including the tourism sector, is slow and needs addressing.

The tourism sector, one of the largest and fastest growing industries in the world, was identified as a priority sector for economic development and implementation of B-BBEE policy in South Africa. In line with global conventions, the Amended Tourism B-BBEE code (2013) groups’ components of the tourism value chain into three main sub-sectors. These sub-sectors are firstly Accommodation, then Hospitality and Related Services; and thirdly, Travel and Related Services (Table 1).

Table 1: The Tourism sub-sectors as part of the Tourism Value Chain

Accommodation	Hospitality and Related Services	Travel and Related Services
<ul style="list-style-type: none"> • Hotels • Resort properties and time share • Bed and Breakfast • Guest House • Game Lodges • Backpackers and hostels 	<ul style="list-style-type: none"> • Restaurants (not attached to hotels) • Conference venues (not attached to hotels) • Professional catering • Attractions, Casinos; and • Consulting and professional services companies. 	<ul style="list-style-type: none"> • Tour Wholesalers • Tour Operators • Travel Agents • Tourist Guides • Car Rental companies; and • Coach Operators.

Source: Amended Tourism B-BBEE Sector Code (2015:12)



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This study investigated transformation in the Travel and Related Services sector, specifically the travel agency and tour operator sub-sectors, which have been identified as being largely untransformed, according to a study conducted on the Tourism BEE Charter (Department of Tourism, 2015). The study found, *inter alia*, that there was slow integration of black-owned enterprises in the mainstream economy of the tourism sector. Large enterprises continue to procure goods and services from other large enterprises/suppliers (Department of Tourism, 2015; Nyazema, 2013). This status quo has the potential to undermine the aims of the National Development Plan, which advocates support for small, medium and micro enterprises (SMMEs). Therefore, Enterprise and Supplier Development are viewed as a means to create economic empowerment expedite transformation and stimulate economic growth.

1.2 Rationale for the study

The South African government regards the promotion of black economic empowerment of small tourism enterprises as fundamental for the wider transformation of the South African economy (Rogerson, 2004a:14). Notwithstanding the recognition of the importance of small tourism firms for economic development, only a limited range of studies have examined the extent to which established enterprises within the Travel and Related Services sector are supporting black SMME enterprises. Ticking the box for B-BBEE compliance by large enterprises is not enough and does not address the government objective of economic inclusion of the previously disadvantaged black people (B-BBEE Act 2003). Hence, this study investigated what is required to enable genuine transformation in the Travel and Related Services sector of tourism in South Africa.

1.3 Problem statement

The research problem is the perceived lack of transformation in the Travel and Related Services sector of tourism. The status of transformation reflects a sector dominated by large white-owned enterprises and an apparent continued marginalisation of small locally black-owned SMMEs. There appears to be an apparent lack or dis-function of business linkages between large (mostly white) and small (mostly black) tourism enterprises. This status persists despite interventions such as the B-BBEE act (2003; 2013), the Tourism Sector Charter (2005), the National Development Plan, Amended Tourism B-BBEE Sector Code and other initiatives by government to promote and achieve transformation in the tourism sector and in the South African private sector in general.

1.4 The purpose of the study

The purpose of this study is to identify the extent to which travel agencies and inbound tour operators are providing economic opportunities to black -owned SMMEs in the tourism sector. Furthermore, the study seeks to identify the business linkage opportunities available and constraints across the value chain within the Travel and



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Related Services sub-sector of travel agents and inbound tour operators. It is believed that such linkages could be exploited by Black-owned SMMEs in order to promote transformation in the tourism industry.

1.5 The objectives of the study

The first objective of this study is to conduct a situation analysis of transformation in the Travel and Related Services sector, with a focus on travel agents and inbound tour operators.

The second objective is to identify and examine opportunities presented by implementing transformation policies by large and small tourism enterprises.

A third objective is to identify factors inhibiting or challenges confronting large enterprises from establishing and/or sustaining linkages with black-owned SMMEs both established and emerging.

A fourth objective is to identify the factors limiting and promoting the ability of black-owned SMMEs to actively participate within the travel agents and tour operators sub-sectors, in the tourism industry, as mainstream and/or value chain participants.

A fifth objective is to recommend possible solutions for increasing the pace of transformation in the Travel and Related Services sub-sectors of the tourism industry

Therefore, the research study seeks to answer the following, *inter alia*;

What initiatives or policies do the large enterprises have in place to ensure that small businesses are on board; what are the large enterprises doing currently to support small enterprise development; what kind of initiatives do they consider as B-BBEE support? Are the initiatives meeting the targets that they had set to achieve? What are the factors inhibiting transformation by the large enterprises? What exactly is stopping transformation – besides the usual factors such as lack of training and limited education of SMMEs? Which areas of the value chain can SMMEs participate more?

Furthermore, what are the dynamics inhibiting SMME growths? Do SMMEs have business plans and strategies in place? How do the SMMEs conduct their marketing? How do they position themselves for market access? Which areas of business are they achieving some success, and how?



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"This report is structured as follows. Section 2 and 3 provide the Theoretical context and framework. Section 4 outlines the Research Design and Methodology. Section 5 presents the Research Findings, followed by Section 6 and 7 which analyse the results pertaining to large and small enterprises, respectively. Section 8 discusses and interprets the results, followed by Recommendations in Section 9. The Limitations of the research are stated in Section 10, followed by a Conclusion under Section 11. "



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2. THEORETICAL BACKGROUND AND LITERATURE REVIEW

2.1 Transformation and Tourism in South Africa

Tourism is one of the key drivers for economic growth and employment creation in South Africa (Rogerson, 2009; Viljoen & Tlabela 2007). Tourism also has the potential, as a pro-poor strategy, to promote community and sustainable development (Rogerson & Visser, 2004; Booyens & Visser, 2010:368) and to promote local economic development (LED) in disadvantaged communities of South Africa (Ramukumba, Mmbengwa, Mwamayi & Groenewald, 2012:39). Through increased transformation, the tourism industry seeks to place disadvantaged people in the position whereby they can own and run tourism businesses. In a post-apartheid economy, national government however, expressed disquiet at the extraordinarily high levels of white ownership of enterprises still observed in the tourism industry. Tourism benefits often do not filter down to poor communities or bring about economic development as South Africa's tourism economy continues to be dominated by a small group of large, mostly white-owned tourism organisations (Rogerson, 2007:7). Although economically dominated by large companies, the vast majority of South African tourism enterprises can in fact be classified as small, medium and micro enterprises (SMMEs). Therefore, the tourism sector can impact transformation and economic development for both large and small enterprises.

A broad overview of South African tourism economy indicates that the sector is comprised of three groups of enterprises (Booyens & Visser, 2010:371): 1) large established operations or macro level consisting of large dominant stakeholders; 2) established or formal SMMEs which consist of medium-sized tourism enterprises; and 3) emerging black-owned SMMEs comprising mostly of survivalist micro and informal tourism enterprises (Rogerson, 2007:7). Kirsten and Rogerson (2002:31) suggest that the existence of the dominant large or macro level enterprises can constrain the growth of black-owned SMMEs in the tourism sector as profits tend to be procured by large international or national enterprises. The informal tourism enterprises occupy the bottom rung of the entrepreneurship ladder, and they are also dependent on the large and established operators. Linking the black SMMEs to larger enterprises by means of outsourcing, subcontracting or other arrangements is viewed as an important means of upgrading the SMME economy. Hence, business linkages, as explained by Kirsten and Rogerson (2002:33), enable black-owned local entrepreneurs to participate in a growing tourism economy.

A factor of importance in the linkages of these groups is the role of government. The South African Department of Trade and Industry has escalated their interventions to stimulate transformation of the economy since 2002 (Krüger, 2011:207). In 2003 the Broad-Based Black Economic Empowerment (B-BBEE) Act, no 53 of 2003 (DTI, 2015) was promulgated in an attempt to expedite narrow Based Black Economic Empowerment (BEE) at a macro



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level. The aim of this legislation was to establish a legislative framework for the promotion of BEE and to set up mechanisms that could achieve this goal. The Act further facilitates BEE in all sectors by means of promoting, changing, increasing and/or empowering economic transformation enabling meaningful participation of black people in the economy. In addition, the B-BBEE Act makes provision for the establishment of the BEE Advisory Council and stipulates functions such as advising government on BEE, reviewing progress in achieving BEE, facilitation of partnerships between organs of state and private sectors that will enhance the objective of this Act and advice draft codes of good practices. In 2014/2015, the Tourism B-BBEE Charter Council in consultation with a myriad of stakeholders in the sector embarked on a process to align the Tourism B-BBEE Code, gazette in 2009, with the Department of Trade and Industry's (DTI) Generic B-BBEE Codes of Good Practice. This resulted in the Amended Tourism B-BBEE Code of 2015 which prioritises, among others, the Enterprise and Supplier Development element as a key element to fast-track the pace of transformation in the sector.

The Amended Tourism B-BBEE Code groups the tourism value chain into three sectors, namely *Accommodation, Hospitality and Related Services; and Travel and Related Services*. The Travel and Related Services sector is further divided into sub-sectors consisting of Tour Wholesalers, Tour Operators, Travel Agents, Tourist Guides, Car Rental companies and Coach Operators. Previous studies highlight that although the Travel and Related Services is the smallest tourism sector, it remains the less transformed and thus needs further examining.

Kozak (2006:97) refer to this Travel and Related Services sector as the traditional travel distribution channel providing information to prospective tourists, bundling tourism products together as well as enabling travellers to confirm and pay for reservations. Distribution channels in essence provide a connection between a tourist and a tourism supplier thus can be categorised as being direct or indirect in character (Buhalis, 2001; Morrison, 2002). Direct distribution channels involve the direct sale of tourism products and services by the supplier to the ultimate customer whereas indirect distribution channel involve a wide range of organisations selling tourism products to customers on behalf of tourism suppliers. For the focus of this study, two indirect distribution channels of the Travel and Related Services sub-sectors – Travel Agents and Inbound Tour Operators – will be selected to form the basis of the study.

Tour Operators specialise in the arrangement and sale of holiday travel packages for large groups. Packages are then sold via retailers such as travel agents to the public. Generally Tour Operators can either be Outbound or Inbound Tour Operators. This study will focus on South African based tour operators as they fall under the jurisdiction of South African law and are also referred to as Inbound Tour Operators. They form an important link



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between Wholesale Tour Operators and local suppliers. For example, a Wholesale Tour Operator will approach an Inbound Tour Operator in South Africa to arrange or propose a tour.

Travel Agents, on the other hand sell travel-related products and services to the consumer on behalf of a third party travel suppliers, such as airlines, hotels or tour operators. The South African travel agent sub-sector can broadly be divided into travel agents that focus on corporate travel and those that focus on the leisure market. A further classification by Essential Business Information's Research Report (2010:5) includes;

- Company owned operations also known as Travel Management Companies (TMCs). They focus mainly on the corporate market and include Bidtravel, Tourvest, Flight Centre, Cullinan Holdings, and Travel with Flair and Wings Travel.
- Consortiums with a number of licensees or franchise holders. These companies are considered to be multifunctional and represent the traditional travel agent, dealing with mostly leisure travel or a niche market and include the Sure Travel Group, XL Travel, SA Travel Centre, Club Travel, Flight Specials, Harvey World Travel, PenTravel and Uniglobe.
- Independently owned companies with no allegiance to another brand focus on a mix of corporate and leisure travel. Newer entrants to this sector fulfill the travel needs of the public sector and meet the tender requirements as laid out by the government.
- Independent Travel Consults or otherwise known as home-based travel consultants, form the SMME sector of this travel agent sub-sector. These include eTravel, Travel Counsellors and Club Travel.

Beyond ticking the box for B-BBEE compliance, not much is known about the extent to which travel agents and inbound tour operators are using or supporting black-owned SMMEs in the tourism sector. It is against this backdrop that this study seeks to conduct a situation analysis of transformation in these sub-sectors, to provide evidence base analysis of challenges and opportunities confronting large and small tourism enterprises. In addition, the study aims to identify factors inhibiting large enterprises from establishing and/or sustaining business linkages with black-owned SMMEs both established and emerging.



2.2 Small, Medium and Micro-sized Enterprise (SMME) Development

A review of previous research reveals that the South African government's support for inter-sectorial linkages in the form of local procurement is strong (Rogerson, 2012:481). The Responsible Tourism Guideline urges the private sector to buy locally made goods and use locally provided services from locally owned business. Thus, stressing the need for the tourism industry to forge stronger linkages with local communities through procurement practices. Research has been undertaken on several issues concerning SMME development in South Africa. These studies in other economic sectors could possibly guide the tourism sector in achieving a successful transformation and will be examined next.

Rogerson's (2001) article on the Gauteng SMME manufacturing sector uses interviews with 132 enterprises in and around Johannesburg to comment on some of the key challenges facing emerging small firms. Key points made in his article include 1) capitalisation on 'agglomeration externalities' by SMMEs 2) SMMEs struggling to meet product quality standards comparable to large firms 3) business linkage between SMMEs and larger firms (e.g. in an out-sourcing relationships) are often fluid and fail to be sustainable. As such, it is suggested that more work needs to be done by private and public sector stakeholders to assist manufacturing SMMEs identify reliable and cost-effective supplier networks. The article criticises the propensity of SMME training initiatives and a modest call for broader based training is the main policy recommendation put forward in this article.

Luiz (2002) study, uses in-depth interviews with assorted private sector representatives to present an argument in direct conflict with current SMME literature focusing on business linkages in South Africa today; namely, that the country's large firms are playing an active and enthusiastic role in helping to facilitate SMME development across a wide range of economic sectors. Two programmes by Anglo/De Beers and South African Breweries are identified by the author as key examples of South African's private sector playing an important role in assisting SMMEs. The study contends that it should not be the State that takes the lead role in enabling growth of small businesses in South African but rather the country's capable and established large private sector. The only concern highlighted is that large firms choose to form linkages with SMMEs solely for cosmetic purposes and to improve their BEE credentials. Recommendations from this study include 1) that the South African government and the private sector should jointly play a role in ensuring the strength of the SMME-large firm linkages by way of enacting legislation that forces large firms to procure their goods from national SMMEs rather than from imports; 2) the elimination of all taxes on inter-firm transaction within South Africa in an attempt to encourage the formation of lasting business linkages that benefit SMMEs and the South African private sector as a whole.



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An article by Chabane (2003) exploring the concept of affirmative procurement argues that the provision of preferential procurement contracts to black-run SMMEs is an essential step that South Africa's private and public sector must take to ensure long-term SMME growth. Using the Municipality of Ekurhuleni as a case study, it draws upon in-depth interviews with managers of large firms as well as managers of sub-contracted SMMEs. Noted in this document, is the struggle by SMMEs to form a lasting business linkage with large firms due to their perceived inexperience. Suggestions to alleviate this concern highlighted in the paper was that municipalities and small business associations should initiate a database that incorporates a 'portfolio' of every SMMEs past work so that these firms will be able to attract business linkages with large firms on the basis of their reputation rather than solely as an outcome of the procurement process.

Orefi and Kirsten (2009) study of South African SMME maize producers attempted to understand the factors that influence profit efficiency amongst the country's small agri-business firms. A notable argument in this study states that in sectors that are dominated by large firms the local SMMEs should attempt to operate the niche markets. Suggestions made in this study include providing SMMEs with intensive training on how to better undertake 'allocative decisions' within the constraints that they face and to increase the decision-making confidence of entrepreneurs as an important first step in assisting SMMEs in enhancing their growth potential.

Chetty's (2009) thesis on a critical analysis of current approaches to SMME development and support within the eThekweni (Durban) municipal area uses qualitative survey data obtained from interviews with over 250 SMMEs to examine the efficacy of SMME support measures at the local government level. A strong argument made in this thesis is that SMME support services are most successful when they are offered by private sector interests rather than by state bodies. The thesis also reveals that the majority of small business entrepreneurs will be willing to pay fees to access support services when these are seen as adding value to the SMME. Ultimately, the argument is that reducing the role of the State as a service provider in favour of private sector interest may be a sound idea.

A report by FinMark Trust on the Finscope Small Business Survey of 2010 draws on focus group and structured questionnaires to sample small business owners across South Africa about the challenges they face in their day-to-day operations. Findings indicate that challenges tend to be location specific rather than uniformity. SMMEs in Gauteng, for example, tend to have greater access to finance and suppliers but have difficulty in finding space in which to operate. By contrast, SMMEs in Mpumalanga and the Northern Cape claim to have access to adequate amenities and space, but cite particular challengers related to accessing finance due to the predominantly rural



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nature of their operation. Solutions to SMME constraints, the report argues, should be cognisant of regional and local-level differences.

A conference paper, written by Njiro and Mazwai (2010) focuses on the importance of promoting entrepreneurial activities in the heart of South Africa's township communities. Using interviews with 240 small business owners in a number of Gauteng townships, they contended that large-scale policy interventions may not be necessary to promote the growth of township enterprises but that small improvements in the provision of basic services such as utilities have helped solidify a small but solid base of SMMEs in several Gauteng townships. In addition, the conference paper makes a familiar claim that poor accesses to financial services as well as a lack of knowledge of how to pursue sustained marketing activities are major problems for township enterprises.

From Booyens (2011:67-78) study using data from the South African National Innovations Survey conducted in 2002, suggested that SMMEs tend to not form strong upward linkages with larger firms, thus denying opportunities for development. Policy recommendations include encouraging government to grow the 'knowledge networks' that will offer SMMEs the opportunity to easily exchange information with domestic and international firms.

Nyazema (2013) investigated the factors impacting on the forging of business relationships between hotels and small black enterprises in South Africa. The quantitative study of 611 hotel general managers identified that less than 25 per cent of hotels purchased products and services from small black suppliers, and hotel group policy influenced procurement decisions in nearly 80 per cent of hotels. The factors influencing the low investment in assisting and growing black enterprises included hotel general managers' lack of confidence in the capacity and ability of small black enterprises. Nyazema proposed a framework for implementing B-BBEE in the hotel industry, which suggested, among other recommendations, increased group procurement for enterprise development and providing business assistance to small enterprises. A case by case approach to enterprise development offered greater opportunity for success, due to the diverse backgrounds and location specific issues affecting small black enterprises.

The Tourism Enterprise Partnership (TEP) has championed capacity building for small enterprises in South Africa since the mid2000s. The programme was initiated and sponsored by large businesses in cooperation with government. By 2011, the TEP held a database of over 4 000 black enterprises that were registered with the organisation. However, the TEP acknowledged that less than 20% of the small enterprises on register had the



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potential to operate sustainable businesses. The TEP therefore provided a reliable conduit for linking large and small businesses in tourism.

In recent years, there have been some success stories of partnerships between established businesses and black enterprises in tourism. For example, the Tsogo Sun programme which has supported over 60 black guesthouses across the country, has been operational for over a decade; the Thebe Tourism Group has partnered with 15 small businesses in Soweto; the Royal Bafokeng Enterprise Development supported 20 enterprises in North West province; and the Gooderson Leisure group supported small enterprises in KwaZulu-Natal (Anglo American, 2011; TEP, 2011). The nature of support includes mentorship, improving product quality, increasing business efficiencies and providing market access.

Case studies in several African countries reflected similar challenges for tourism enterprises. The studies showed that small tourism enterprises in Kenya (Akama & Kieti, 2007), Botswana (Mbaiwa, 2005) and Southern Africa in general; (Goodwin, 2006) faced similar challenges of marginalisation by larger business and capacity deficiencies in their small businesses. Assistance to small enterprises was effective when the heterogeneous nature of tourism, and the diverse backgrounds of the actors, were taken into account (Anglo American, 2011; Goodwin, 2006; Mbaiwa, 2005).

In terms of transforming of tourism enterprises, a number of successful initiatives have been reported by the Tourism Business Council of South Africa (TBCSA), as discussed by Rogerson (2004b:329). Some of these include Avis entering into a joint venture arrangement with a black entrepreneur to develop Sizwe Car Rental. The casino gaming sector in which government has been able to exert pressure for empowerment through its licensing powers.

The above review indicates that the effective transformation of enterprises should include all five of the B-BBEE elements, namely; *ownership, management control, skills development, enterprise and supplier development and socio-economic development*. For the purpose of this study, the issue of promoting black-owned tourism SMMEs is emerging as one of the most critical elements. Enterprise and Supplier Development is critical for successful transformation and for the advancement of BEE. At present, despite national government efforts to nurture black-owned tourism SMMEs through a range of initiatives, black SMMEs have enjoyed only limited success.



3. THEORETICAL FRAMEWORK OF THE STUDY

The theoretical framework of the study has been developed. An in-depth literature review on several issues concerning SMME development in South Africa has been carried out. Studies in other economic sectors achieving success in transformation were examined in an attempt to understand the need for the tourism industry to forge stronger linkages with local communities through procurement practices. Using these studies the theoretical framework of the study has been developed and is presented in Figure 1 below.

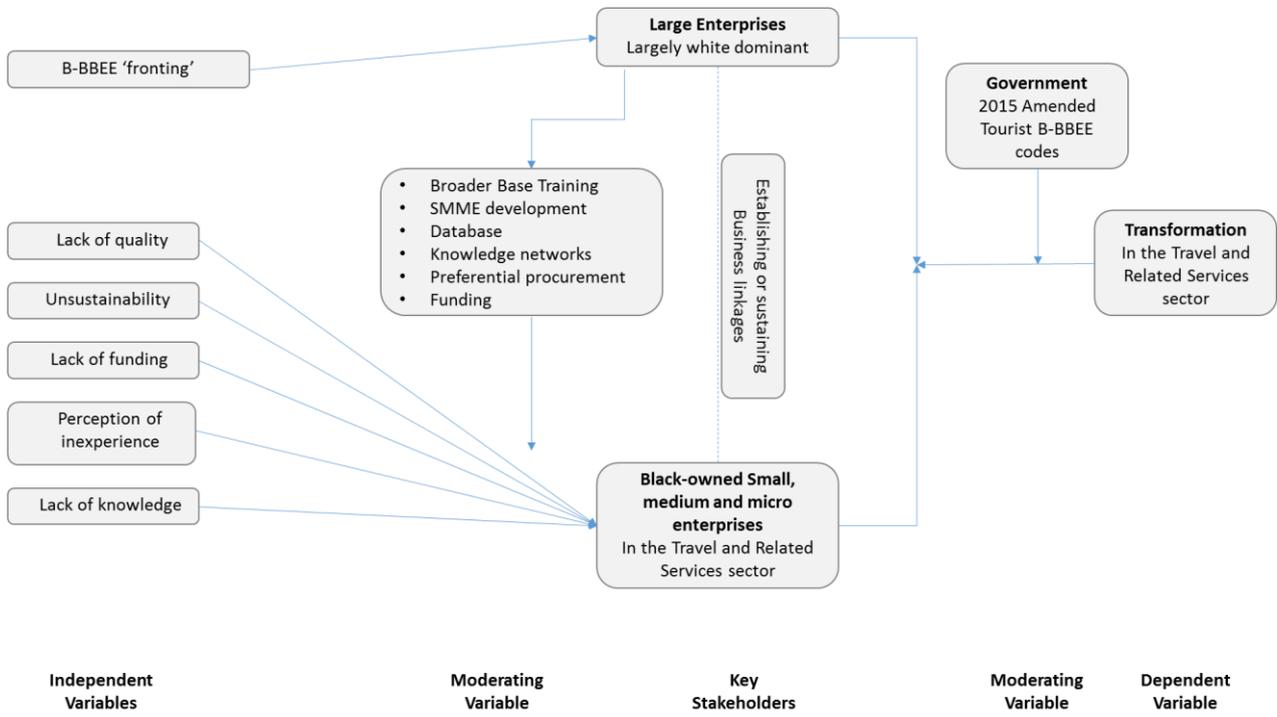
Our review has indicated that the ultimate dependent variable of the study is Transformation in the Travel and Related Services sector. The role of government is seen as a moderating variable as their interventions to stimulate transformation by means of the Amended 2015 Tourism B-BBEE Code has modified the relationship between the two key stakeholders in the study – *large enterprises and black-owned SMMEs*. The framework further proposes that establishing or sustaining business linkages between these afore mentioned stakeholders is an important means of upgrading the SMME economy by enabling black-owned local entrepreneurs to participate in a growing tourism economy. Our review further indicates that black-owned SMMEs are influenced by a number of independent variables such as a struggle to meet product quality standards, failing to be sustainable, lack of financial support, perceived inexperience and a lack of knowledge on how to pursue sustainable marketing activities. In turn, literature also suggests that large enterprises can modify this relationship by means of providing broader based training on ‘allocative’ decision-making, developing SMMEs, initiating a database incorporating a SMME ‘portfolio’ to attract business linkages, growing knowledge networks offering SMMEs opportunities to exchange information with large enterprises, ensure long-term growth by means of preferential procurement and lastly funding support. The last independent variable highlighted in our review is that of B-BBEE ‘fronting’, whereby large enterprises are choosing to form linkages with SMMEs solely for cosmetic purposes and to improve their own B-BBEE credentials.



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Figure 1. The Theoretical Framework of the Research





4. RESEARCH DESIGN AND METHODOLOGY

4.1 Research design

A qualitative research approach was applied to investigate transformation in the two tourism sub-sectors of Travel Agents and Inbound Tour Operators. The current study employed a multi-method data collection technique comprised as follows:

- 1) Face-to-face in-depth interviews with senior executives of large tourism enterprises;
- 2) Semi-structured focus groups with formal SMMEs; and
- 3) Direct telephone interviews with formal black-owned SMMEs.

4.2 Data collection instrument

The interview guide that was developed from constructs emerging from desk research, the literature review and from the research objectives was a useful tool during both interviews and focus groups. The interview guide was adapted to suit each of the data collection techniques. All interviews and focus group discussions were recorded and transcribed, to facilitate the next steps in the research process of data capturing, coding and sorting.

4.3 Research population and sampling

The research population comprised of enterprises, large and small, conducting business in the Travel and Related Services subsector of tourism.

For purposes of this study, the term *small, medium or micro enterprise* refers to small black enterprises with a total annual revenue of R5million or less. However, it was not feasible to ascertain the annual turnover within the context of this study.

Travel agents and inbound tour operators were selected for investigation because of the influence that they can exert on customer choice. Furthermore, travel agents and tour operators usually sell more product (accommodation, package tours, airline seats, car rental) than any other type of intermediaries and therefore were suited to achieve the objectives of the study.

It was impossible to gather data from all travel agencies and inbound tour operations in South Africa because of their estimated size (several hundreds) and their disparate geographic location across the country. Hence, an appropriate sampling procedure for this study was selected.



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Desk research indicated that there was no central database available on the Travel and Related Services sub-sectors. Therefore, a non-probability sampling method was adopted. Purposive sampling is primarily used in qualitative studies and consists of purposively-selecting respondents, as Teddlie and Yu (2007:77) and Sbaraini *et al.* (2011:3) explain.

This study therefore adopted a sampling method which comprised of purposive multi-sampling of selected travel agents and inbound tour operator in large dominant macro enterprises; established formal SMMEs and emerging black-owned informal SMMEs. The four provinces selected were Gauteng, KwaZulu Natal, Mpumalanga and Western Cape. The selected provinces have high tourism activity and they are host to some of South Africa's top attractions. Furthermore, the provinces provide an adequate representation of urban (Gauteng & Western Cape) and urban/rural (KwaZulu Natal & Mpumalanga) representation.

The multi-sampling method was as follows:

Firstly, senior executives representing all the large holding companies of travel agents and tour operators were invited to participate in one-on-one interviews. Four senior executives confirmed availability, and thus three interviews were conducted in Gauteng, while one interview was conducted in Cape Town.

Secondly, owners of established SMMEs were invited to participate in focus groups. It was initially hoped to conduct four focus groups with at least 40 established SMMEs. In focus groups, Rabiee (2004:656) recommends the optimum number of participants to be between six and eight participants. However, recruiting formal SMMEs posed a major challenge given the nature of their business. As one potential explained "*I would like to attend but if I receive a call for more business then I will not attend your workshop.*"

Nevertheless a database of 549 SMMEs was developed from several sources – the National Department of Tourism, Gauteng Tourism, Mpumalanga Tourism and Western Cape Tour Guide Association. Invitations to participate in the study were emailed to all the SMMEs. Only 184 (approximately 32%) of the original database population were reachable after data cleaning.

Two focus groups were conducted in Johannesburg comprising 17 participants, with Cape Town's focus group consisting of 9 SMMEs, Durban only 3 SMMEs and Nelspruit, 4 SMMEs. SMMEs not able to attend a focus group were contacted, resulting in five additional telephonic interviews. Therefore, a grand total of 38 SMMEs participated in the study.



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Thirdly, data on the number of emerging black-owned SMMEs was not available as a significant number of them are not registered, and the sampling population is unknown. The researchers made contact with five informal SMMEs who declined to be interviewed for fear of exposure of their illegal activities. As a result there were no interviews made with informal operators of travel agencies or tour operations.

The next section provides information regarding the data capturing, coding and sorting that were used in the study.

4.4 Data capturing, coding and analysis

Interviews and focus groups conducted were audio-recorded and then transcribed using MS Word. The average length of the interviews was 50 to 75 minutes and the average length of focus groups was 120 minutes. A large amount of data was captured during the data collection. The data was synthesised through a process of reduction or 'cleaning' to simplify and transform it into a format that could be readily managed.

Content analysis was applied for data analysis. Content analysis, as described by Xiang and Formica (2007:1196), is a process that involves analysing text in terms of its content. The interview material was analysed using descriptive coding, interpretive coding and finally development of themes. Through descriptive coding, the researcher reviewed the data and searched for reoccurring words, themes or concepts. Through interpretation of the data, a number of themes emerged.

In addition, a triangulation approach to data analysis was conducted using internal (researcher) resource, and an external independent resource. A third party company whose expertise is qualitative data analysis conducted a thematic content analysis to ensure the integrity and validity of the results. Results indicated a strong correlation of themes from the two modes of thematic analysis. In addition, the findings were reviewed during a UJ workshop involving senior qualitative researchers.

Finally, the findings were interpreted within the context of the research study and recommendations made.



5. RESEARCH FINDINGS

To recap, the study aimed at identifying the business linkage opportunities available, and the constraints present, across the value chain within the Travel and Related Services sub-sector of travel agents and inbound tour operators. It is believed that such linkages could be exploited by large and small enterprises to promote transformation in the tourism industry. The findings of the research are now presented.

5.1 Profile of the sample

5.1.1 Large enterprises

Representatives of four large enterprises with a strong presence across the South African travel landscape were interviewed. Table 2 indicates the participant's profile. Of the five participants, four were female. Four interviewees held senior Human Resources positions, while the fifth was a Chief Executive Officer (CEO).

Table 2: Profile of the Large Enterprises respondents

CODE	PARTICIPANT	ROLE	GENDER
LE1	Large Enterprise 1	HR Director	Male
LE2	Large Enterprise 2	HR Operations Director HR Manager	2 x Females
LE3	Large Enterprise 3	CEO	Female
LE4	Large Enterprise 4	HR Director	Female

5.1.2 Formal SMMEs

Thirty-three participants took part in focus groups, of which 93% were tour operators, and 7% were travel agents. The five participants in telephonic interviews were all tour operators.

Tables 3 and 4 show a profile of the 38 SMMEs who participated in the study. Each interviewee and focus group were allocated a unique code, as indicated.



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Table 3: Profile of SMME Focus Group respondents

Code	Location	No of participants	Gender	
			Male	Female
FG1	Cape Town	9	4	5
FG2	Durban	3	2	1
FG3	Nelspruit	4	2	2
FG4	Johannesburg	9	7	2
FG5	Johannesburg	8	5	3
TOTAL		33	20	13

Table 4: Profile of SMME Telephonic Interviewees

Code	Location	Designation	Gender
STEL1	Nelspruit	Owner/Tour operator	M
STEL2	Nelspruit	Owner/Tour operator	M
STEL3	Nelspruit	Owner/Tour operator	M
STEL4	Durban	Owner/Tour operator	M
STEL5	Durban	Tour Operator	F

5.2 Research Process

The following research process was followed in obtaining the required data.

5.2.1 In-depth interviews with large enterprises

The objective of the in-depth interviews with senior executives representing large enterprises was to obtain insight into and an understanding of the current status on transformation in the Travel and Related Services sector. The



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data collected from senior executives included a brief account of each company's profile. Next, a general view of the B-BBEE policy and situation analysis on transformation was conducted to identify the current status of each large enterprise and challenges faced. Lastly, opportunities presented by implementing transformation policies by each large enterprise were identified and examined.

5.2.2 Focus group with formal SMMEs

Focus groups in Durban, Nelspruit and Cape Town were conducted in a centrally located hotel venue. In Johannesburg, the venue was situated at the premises of the University of Johannesburg School of Tourism and Hospitality.

Participants had to meet the selection criteria, which were that they should be active in the Travel and Related Services sector as either a travel agent or inbound tour operator.

A senior researcher (also the moderator) began the session by setting the tone and explained the agenda for the session. An atmosphere of trust and openness was created by means of introductory comments from the SMME participants as well as from the moderator and her team.

Reassurances of anonymity and the value of participant were emphasised. After the introductions, the research topic for discussion was presented. Direct questions were then asked to participants to encourage discussion on transformation experiences and possible factors limiting SMMEs from actively participating in the Travel and Related Services sector. The question format centred around the following - determining if linkages between large enterprises and SMME existed; the exploration of possible reasons or inhibiting factors preventing large enterprises from establishing or sustaining linkages with black-owned SMMEs; and, possible solutions to increase the pace of transformation from the SMMEs perspective. A final question was directed at every participant to obtain concluding remarks.

5.2.3 Telephonic interviews with formal SMMEs

The telephonic interviews were conducted with participants from Durban and Nelspruit in order to increase the participant numbers, as these were the two areas where the initial focus groups had a smaller turn-out.

5.2.4 Informal black-owned SMMEs

As previously mentioned, informal SMMEs were excluded from the interview process, as potential participants declined to be interviewed for fear of exposure of their illegal activities



6. ANALYSIS OF RESULTS ON LARGE ENTERPRISES

The company profiles of participants from large enterprises is provided in Table 5. The profiles provide a context in relation to their understanding of, and engagement on BBBEE policy.

TABLE 5: Profile of large enterprises

Description	LE1	LE2	LE3	LE4
Years in operation	18 years	22 years	37 years	30 years
Location of operators in South African Provinces	Western Cape Eastern Cape KwaZulu Natal Gauteng	Countrywide Namibia (a new Africa venture)	Countrywide And Into Africa	Based in Western Cape 150 Branches in the Western Cape 50 Branches in Gauteng
Type of business	Representing tour operating subsidiaries and franchisees	172 Retail travel branches with approximately 1200 employees	96 Retail travel share holders	350 Independent retail travel business owners Franchisees

All four large enterprises had been in operation for between 18 and 37 years thus lending towards their credibility in the tourism industry. Generally, their operations were located countrywide, except for one large enterprise that had presence in two provinces only, namely Western Cape and Gauteng. The type of businesses operated included travel management services, retail travel branches, franchisees, shareholders or independent retail business owners, and tour operations.

Table 6 provides a synopsis of the thematic topics that stemmed from the data analysis of large enterprise interviews.



TABLE 6: Synopsis of key thematic units: Large enterprises

TOPIC	THEMATIC UNIT
Current status on transformation	<ul style="list-style-type: none"> - General view of B-BBEE - Existence of a transformation plan - Degree of implementation of the transformation plan through incentivising of stakeholders.
Transformation policies of large enterprises	<ul style="list-style-type: none"> - Initiatives in place to address transformation
Challenges faced by large travel enterprises	<ul style="list-style-type: none"> - Large enterprises approach to transformation <ul style="list-style-type: none"> a) Interpretation of B-BBEE policy b) Focus on the internal development to groom future entrepreneurs c) Complex nature of the travel industry d) Low staff turnover versus staff retention e) It takes time to transform - Factors inhibiting large enterprises to form business linkages with black-owned SMMEs <ul style="list-style-type: none"> a) Perceptions of the capacity and resourcing of small black enterprises b) Ease of access to SMME database c) Procurement patterns of large enterprises

Each of the topics will now be explored in detail.

6.1 Current status on transformation

This discussion addresses the first objective of the study, which was to conduct a situation analysis of transformation in the Travel and Related Services sector.

The findings on large enterprises indicate that senior executives believed in transformation, as they explained,

“...if I can be honest I think the fact that it is driving development and the empowerment of our people I think is fantastic.” (LE2)



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"..without a question. There is absolutely no way that the country can thrive if we do not open up these economic opportunities...so whether there were a scorecard or not, I think every business owner, I think definitely must understand that it is the only way."(LE3)

However, the participants suggested that some large travel companies may not have been genuine in their approach to transformation, as they explained,

"...I think companies are so focused on what level am I and why is it important instead of focusing on the actual outcome it's the people that it affects and the people that you are developing and the impact that it will have on the country then we will be looking at it very differently."(LE2)

"I have heard of people out there that have these beautiful companies, that are fully compliant and get all the business, but the people who service it are other divisions, so there is a lot going on." (LE1)

All senior executives confirmed the existence of transformation plans in their organisations. However, some focused on employment equity, while other emphasised the need to avoid pushing other (non-black) persons out of their companies, as they explained,

"...we have adopted the transformation strategy as part of our value base...however, in line with equity employment, etc., our transformation strategy has been to look at the EAP (economically active population) and to align our efforts accordingly. It's obviously an act that we have to comply with and we do... our focus is primarily the skills development and the personal development of people..." (LE4)

"It is a brand new plan...taking us up to 2020 um what we have got in place is definitely that we are needing to attract more employment equity candidates.." (LE2}

"We do have a transformation plan... so whilst we have had the plan we have never gone in and eradicated or pushed anyone to create gaps... if we use lower level management.. they used to be 20 odd maybe 25 or 26 people with three or four (black) individuals... but as we sit today it is almost half..." (LE1)

The large enterprises stated that incentivisation on BBBEE was based on performance and not financial reward, as LE4 explained,

"All our managers, senior management, directors, etc. have key performance areas and that forms part of everyone's key performance areas on which they are assessed regularly. So there is no financial incentive but it certainly forms part of their key performance areas..."



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In summary, senior executives indicated support for BBBEE within their organisations, and stated that transformation plans were in place. However, there was concern about some large businesses not practising genuine BBBEE, thereby alluding to B-BBEE fronting in organisations.

6.2 Transformation policies of large enterprises

This discussion explores the transformation policies that large enterprises had in place, thereby addressing the second objective of the study.

Senior managers indicated that the initiatives in place to address transformation included mentorship programs, leadership programs, and supplier development training, as LE3 explained,

“... we currently have a program it is a leadership program which we have implemented and we are mentoring people through that program to take them through into senior managements...”

For one executive, their focus was on transformation of their subsidiary branches, as part of meeting B-BBEE requirements on ownership transfer. She cited an example of three black-owned travel agencies who were subsidiary outlets and had been assisted to develop into successful businesses. In her view, the strategy with subsidiaries also met requirements for B-BBEE transfer of ownership and small enterprise development. As LE3 explained,

“So the transformation strategy for the shareholding position is that originally we held 25% shares for B-BBEE shareholders.... so our strategy was implemented um around 1998 where we have tried to incentivise and encourage um more black ownership of travel agencies.....”

On externally-focused initiatives, three senior managers mentioned the mentorship of graduates from training institutions. As LE4 explained,

“...we needing to attract more employment equity candidates into the business we are starting a graduate program where we would like fast track out black candidates in the business ... we would like to give them the knowledge around both and actually develop them into the business so that we can fast track leadership.”

On procurement, business was directed to B-BBEE certified suppliers and to other large enterprises in the tourism sub-sectors. However, units or subsidiaries were sometimes not monitored for B-BBEE compliance, as mentioned by LE3,



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“most of our agencies can provide the supplier certificates ...certainly from a head office point of view [procurement] are sort of around 78% ...that is really just coming from an office supply point of view because most of what we are doing okay involves large international airlines hotels, car rental companies so and they have different codes...”

In summary, the evidence appears to suggest that large enterprises had some transformation policies and initiatives in place. However, the pace of transformation was still slow. The large enterprises explained the challenges contributing to the slow pace of transformation, and this is discussed next.

6.3 Challenges confronting large enterprises

This section addresses the third objective of the study, which was to identify the factors which inhibited large enterprises from establishing and/or sustaining linkages with black-owned SMMEs.

This discussion is divided into two sections. The first section explores the large enterprises approach to transformation. Factors emerging from the organisational approach to B-BBEE implementation appeared to influence the type and manner of their engagement with small black enterprises. The second section then explores additional factors identified by large enterprises as inhibiting the establishment of business linkages with black-owned SMMEs.

6.3.1 Large enterprises approach to transformation

There are a number of challenges faced by large enterprise in establishing sustainable linkages with black-owned SMMEs as listed in Table 6. To recap these include;

- a) Interpretation of B-BBEE policy
- b) Focus on the internal development to groom future entrepreneurs
- c) Complex nature of the travel industry
- d) Low staff turnover versus staff retention
- e) It takes time to transform

Each of these challenges will now be discussed in further detail;

6.3.1.1 Interpretation of B-BBEE policy

The challenge faced by the private sector in interpreting B-BBEE policy, and amendments to B-BBEE policy, persists, as cited by Hoffman (2008:96) and Tangri and Southall (2008:707). Large enterprise participants



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expressed frustration at the amendments made to the B-BBEE scorecard. They stated that B-BBEE policy appeared to be subject to different interpretations by government departments, B-BBEE rating agencies, and by different players in the tourism industry. LE1 stated:

“You know, it will take two years and we will have these current BEE codes wrapped. We will know what to do. The thing is the lead into it, then we get told that DTI has a different interpretation to the ratings...This interpretation thing!!! Oh please! I will be honest. If they take away that one word, that is very clear cut up front that it is what we are saying and what we are wanting.”

LE4 also expressed concern about the B-BBEE act, although she showed clearer understanding of the Employment Equity act. As she stated

“..we believe in transformation, we believe in the Employment Equity act we believe in labour law because these are all solid acts with a good intent and they are fair and they actually work... so in terms of BEE, I am not too sure that was the same intent as the other acts.”

In summary, it would appear that large enterprises may have been interpreting B-BBEE policy differently. Consequently, it is probable that large enterprises may have used the lack of clarity on interpreting B-BBEE law to modify their interpretation of B-BBEE requirements on small enterprises assistance and development. This in turn may have influenced the pace and nature of B-BBEE implementation, as discussed in the next section.

6.3.1.2 Focus on internal development to groom future entrepreneurs

The findings suggested that the approach by large enterprises to enterprise development was oriented towards the employment of black persons as a means of grooming future black entrepreneurs. A pattern emerged from the interviews which suggested that for large enterprises, assistance to establish small enterprises could be achieved by grooming and developing internal black staff into management positions and encouraging some of the staff to eventually start their own travel enterprises. A related strategy was to develop black ownership of subsidiaries from within the organisation. Therefore, it would appear that large enterprises identified a synergy whereby employment equity was perceived as one means of fulfilling the requirements for small enterprise development.

One strategy was to develop internal candidates into managerial and ownership structures. However, the socio-economic circumstances of employees often impeded the success of black development initiatives. One participant explained that 70% of their Cape based employees were Coloured women, who were often the primary breadwinners of their own and their extended families. The employees also faced home hardships of substance



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abuse and unemployed spouses. This was partly as a result of high retrenchment of workers in the textiles sector in the Western Cape in recent years. Therefore, the women were sometimes unable to focus on career development and even declined promotions as they preferred to be available for their home commitments.

Nevertheless, there were a few success stories, for example the case where an employee was developed and assisted to set up their own business, as explained

“So the challenge is to move those Coloureds through the ranks into management and ownership structure.... What we have done for instance is previously we had a permanent employee employed as a driver, a courier, we terminated the employment agreement and set this person up in his own business...it's been a challenging process because you need to find the right candidate.”

Collaboration with universities on student and graduate development differed. While two large enterprises indicated cooperation with local colleges, one participant stated that they had not engaged with external training institutions. As LE2 explained, they plan to shift focus from work experience to skills development for new recruits.

“...we haven't had a lot of experience unfortunately until now. We have always had the expectation that people need to have work experience but now we are leaning more towards going into a partnership with universities...”

The evidence suggests the emergence of selective compliance or selective interpretation as a consequence of the voluntary nature of B-BBEE policy. Large enterprises considered internal development as a stepping stone to developing future black entrepreneurs. This finding also reflects studies which identified training and development as fundamental to talent development in hospitality and tourism organisations (Baum 2008).

6.3.1.3 Complex nature of the travel industry

Large enterprises were concerned about how the complex nature of the travel industry inhibited the development of black professionals. According to the participants, the skills set required for effective travel management included both technical, managerial and soft skills. The large enterprises invested in standard forms of staff development including leadership programs, mentorship and general skills development of black people, which types of training were prevalent in talent development in the travel and tourism sectors (Baum 2008).

The internal development, however, was still inhibited by the black employee's inability to excel due to inadequate education background and/or inability to grasp the knowledge of travel business. The participants stated that there was a lack of soft skills relating to client management competency, even among some black staff that had



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been trained for several years. A related factor was the lack of exposure of black persons (employees and SMMEs) to travel overseas. LE3 explained the importance of understanding the complexity of the travel industry.

"I feel that there is a lack of understanding the complexity of the travel industry... I spoke earlier about the complexity of this business where you are basically servicing multinational accounts. You have a duty of care responsibility of sending people across the globe um visas passports there are a lot of things that happen in the servicing of a travel trip... so it requires a certain level of education..."(LE4)

6.3.1.4 Low staff turnover versus staff retention

The success of black enterprise development was based on the internal development of black candidates, which in turn depended on the availability of black candidates to groom. At the same time, large enterprises acknowledged that the implementation of employment equity was general slow. The findings also showed that there were geographical variances on the factors influencing the progress made in developing black persons into management and into enterprise owners.

One factor identified was the slow pace of natural attrition in large travel enterprises, because of the low turnover of staff. Hence, opportunities to employ black persons appeared limited as organisations waited for the natural attrition of staff in order to make space for B-BBEE candidates. LE4 explained the situation in their Cape Town office,

"...we have a very low staff turnover. It is 1.5%. So we need to take into account were with 200 staff members, at last count we have 625 years of service. So our staff are long serving, they are dedicated... So we need to cope with that low turnover factor because of equity, Of course we can't push the white one out in favour of a black. So we need to do it through natural attrition and we have just actually now for the first time in many, many months we have had a senior management resignation to make such an appointment..." (LE4)

In contrast, a large enterprise based in Johannesburg was able to progress transformation in terms of the employment of black staff due to more white staff voluntarily leaving the organisation. LE1 explained that natural attrition occurred as a result of the economy and emigration of white persons from South Africa. As LE1 explained,

"We haven't always achieved everything and every parameter. But I must say we have done well from a perspective of natural attrition. The economy, the change in people leaving the country, has led us to transform a lot stronger." (LE1)



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The challenge faced by the Johannesburg based organisation was staff retention. LE1 observed that having invested in staff and skills development, some of the black staff left because they felt that they were unable to match their white subordinates on knowledge of travel processes and the industry. LE 1 explained

“they liked our company, they wanted to stay, but they also realized that the people below them outperform them.” (LE1)

A related challenge to staff turnover was the low salaries offered by the travel industry. Large enterprises indicated that government was driving down their profit margins due to cuts in government spending. This in turn hurt both large and small enterprises. Large enterprises were subsequently unable to pay competitive wages, resulting in staff leaving the organization. The challenge of low remuneration in tourism businesses, resulting in high turnover of staff, is well documented (Baum, 2008)

6.3.1.5 Pace of transformation

Transformation initiatives take time to show results, according to the participants. Examples of initiatives cited appeared to show a lead time of between two to six years to show results. As LE3 explained

“I think that whatever the strategy that we put into place, have taken quite some years...There are three travel agencies that we mentored.....we can see the growths in those businesses as I have no doubt that 2 to three years from now these people are probably going to be big shareholders.”(LE3)

A related factor was benchmarking with other travel organisations. The participants appeared to justify their pace of transformation by comparing themselves with their peer organisations in tourism. The findings indicate that large enterprises believed that they were performing on par with their peers in the industry. There also appeared to be some skepticism about the transparency of B-BBEE levels that other large organisations were declaring themselves to hold. As LE1 explained

“I have heard of people out there that have these beautiful companies, that are fully compliant and get all the business, but the people who service it are other divisions, so there is a lot going on...”(LE1)

LE1 further stated that their organization drew learnings from other companies' mistakes, and they therefore adopted a cautious attitude towards transformation.

“... we want to understand the business methodology because we have heard from our peers of their failures in the business to guide ... you need to learn from other people's mistakes... we are very cautious to get into this [SMME development]...”



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The evidence suggested that large enterprises did not appear to be passionate about leading transformation in their sector. There was reference that other organisations in the industry were the same if not worse than themselves. There appears to be resignation that implementing transformation would be a challenge, without offering breakthrough plans. The approach appeared to be a cautious strategy and a follower rather than leader strategy.

Large enterprises, in summary, adopted an internal strategy as a first-choice method of developing black persons for enterprise development. However, the internal strategy faced obstacles in the availability of the right candidates and the pace of people developments, given the socio-economic background of the black candidates. Instead of engaging directly with external SMMEs, large enterprises were opting for an indirect route of internal development.

The next section discusses the factors identified by large enterprises as inhibiting business linkages with external black-owned SMMEs.

6.3.2 Factors inhibiting large enterprises to form business linkages with black-owned SMMEs

The large enterprise approach to engaging with external small enterprises appeared to suggest a focus on limited yet in-depth involvement with a few small individuals or enterprises. The large enterprises explained that they undertook detailed investment to ensure the success of individuals or establishments that they developed. They also explained that enterprise development was a costly investment. It was also evident that the examples provided were of recent (six years or less) engagement or the examples represented future plans yet to be implemented.

Examples of initiatives to assist black enterprises, mentioned in Section 6.2 included;

- Procurement of office stationary (LE4; LE1)
- Mentorship of subsidiary black-owned travel agencies (LE3)
- Providing SMMEs with online access to booking platforms (LE1)

The evidence suggests that the initiatives identified appeared narrow in scope and application, and involved only a few SMMEs. Furthermore, most of the initiatives appeared recent in nature, or reflected plans for future rollout.

Large enterprises provided the following factors as barriers to building business linkages with SMMEs. These include and will be discussed in detail below;

- a) Perceptions of the capacity and resourcing of small black enterprises



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- b) Ease of access to SMME database
- c) Procurement patterns of large enterprises

6.3.2.1 Perceptions on the capacity and resourcing of small black enterprises

The challenge of the capacity and resourcing of small black enterprises in tourism is well documented. This study identified negative and similar perceptions of SMMEs on their ability to conduct professional and reliable travel businesses such as operating a travel agency or tour operator business as cited in previous studies.

The concerns with personal capacity related to the knowledge and business acumen of small black enterprises. The large enterprises indicated that they did not believe that the small black enterprises had an adequate grasp of the travel management process. Participants described the travel process as complex, as the customer value chain from booking to completion of a trip included several steps, such as car hire, airline, touring, airport shuttle, and confirmation of dates, times and places. The participants' view was that black SMMEs lacked this critical knowledge. The reasons cited for the limited knowledge of black enterprises was the quality of education, lack of communication skills, and general limited ability to grasp concepts.

The challenge appeared to be general deficiency in basic education, which manifested itself in the workplace where black candidates appeared to struggle with concepts and soft skills. LE3 explained,

“...it really comes down to starting with education um I feel there is a lack of understanding of the complexity of the travel industry sector... quite simply the communication skills are not there, The understanding of certain concepts have to be actually taught.. so it requires a certain level of education and skill um and that is the biggest challenge I think regarding transformation.”

One concern with the resource capacity of SMMEs related to product, in particular the number and quality of tour vehicles operated. One participant stated that the number of vehicles operated by SMMEs was inadequate for the potential volume of business from large enterprises. Another stated that SMMEs were unable to meet the transport regulations on vehicle specifications and licensing.

LE 4 stated that their organisation engages large suppliers because small enterprises do not have the capacity to fulfil volume requirements.

“...while its ideological for us to then utilize small black-owned enterprises, in most cases, they are unable to meet the customer's requirements, we are talking about large volumes.”



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Another concern with the resource capacity of SMMEs related to financial resourcing. Large enterprises stated that they were aware of the limited financial capability of SMMEs. This affected the SME ability to remain in business and resulted in high levels of business failures. One factor contributing to lack of capitalisation was government departments not paying on time for services provided. Large enterprises were aware of the potential cash flow challenges faced by SMMEs. Consequently, large enterprises were cautious about engaging with black SMMEs as they were not assured of the continued reliability and availability of the SMMEs.

LE2 explained the risk involved in engaging with small black enterprises,

“...what is the risk to our business? We deal with customers. We sell 40 000 airfares a month so we need to make sure that our service delivery, because we are going to be the kind of go-between we need to make sure that our service delivery to the customer is 100%...”

LE1 also reiterated the importance of client management in their industry

“...we struggle to explain to the media. They keep on saying but this guy has got qualifications, he had got this business practice, but when it comes to the nitty-gritty with the client that’s where the interface needs to be solidified.”

Evidence suggested a general lack of confidence in the business ability of small black enterprises, as identified among small enterprises in several. It was evident that the large enterprises did not find small black enterprises to be effective as suppliers, which may explain the low levels of engagement of small black enterprises.

6.3.2.2 Ease of access to SMME database

Large enterprises expressed concern about their inability to access reliable databases on SMMEs. Two of the large enterprises appeared to struggle to identify credible SMMEs to work with. Because of concerns of reliability and capacity of SMMEs, large enterprises indicated that they were not able to identify the right candidates to work with. As LE2 explained

“..we don’t (have business linkages). We are busy looking for them. I think that is also something that is quite difficult to get our hands on is we are trying to find suppliers and people that are truly local and if you can tell me where to find that that would be amazing because I don’t think we are getting enough of that information. I don’t think these businesses are exposed enough... a database would be amazing. We have battled.”



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LE2 further explained that a database would assist large enterprises to build relationships and understand the business goals of SMMEs. LE3 also supported the idea of an SMME database to ensure that large enterprises engaged with credible suppliers. As he explained,

“If there was a database... It is an excellent idea because sometimes people don't quite know where to look but if there is a database with a list of credible suppliers on board yes we will embrace that...”

Only one participant mentioned the TEP programme, which has achieved some success in linking established SMMEs with larger organisations (TEP, 2012). Efforts by large enterprises to identify credible SMME suppliers and partners appeared limited, as the next section explores.

A related factor was the attractiveness of travel sector for SMMEs. The travel sector did not appear to be attracting black persons who were passionate about travel, reflecting an industry trend where the tourism industry is challenged in attracting and retaining staff (Baum 2008). As LE2 stated,

“...we are not attracting the right people into our business as well. I am not only speaking from a supplier perspective, but I also think that people wanting to develop themselves and work in the industry is step number one.”

LE3 expressed a similar view on the attractiveness of the travel sector. She observed how college students who had the potential to become senior managers and owners of businesses were not choosing to stay in travel and tourism because the industry was not as profitable as other sectors. As she explained

“...it seems that most of the students and graduates who eventually would because um directors and owners of their own businesses are not favoring this sector and again it is a sector you have to look at the margins and the profitability...”

At the same time, SMMEs should increase self-reliance in the business models. According to the participants, solutions to SMME success lie in a multi-prong approach to growing their small businesses. Engagement with large enterprises should be one of several solutions. One participant suggested that SMMEs need to diversify their business operations so that they could survive even when there was no business flow from large enterprises, given the seasonal nature of tourism arrivals. Another suggestion was that SMMEs in the travel agency business join a consortium as this would increase their buying power and ability to work with large enterprises.



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6.3.2.3 Procurement patterns of large enterprises

The findings indicated that company procurement with SMMEs was occurring at head office. At the same time, the findings indicated that large enterprises did not appear to drive procurement behaviour among their multiple units.

The findings also indicated that large enterprise procurement was channelled to equally large suppliers, because of the volumes of business involved, and customer preference. The main beneficiaries of large enterprise procurement were airlines, hotels car rental and guest houses. This finding confirms that procurement patterns reflect “enclave behaviour” whereas supplier channels are controlled by large organisations.

The majority of travel agency business was with airlines. This fact precluded engagement of large travel companies with small enterprises. As LE2 explained,

“...about 70% of our sales is airfare driven ... but airlines being owned by different countries it is not possible [to channel procurement to SMMEs].”

LE2 further explained that large enterprises engaged with top supplies who could guarantee the service and partnerships that customers required as stated below,

“... customers are quite open, they like choice...the customers are coming to us as the experts and as the experts we are ...recommending our specific suppliers and selling those specific suppliers. So what we are doing currently as a company is that we have got top suppliers that we support... and there are really great partnerships and we drive those companies and those suppliers...”

LE4 also emphasised the importance of meeting customer needs when selecting suppliers. As she explained

“We are an agent so we procure travel services on behalf of the end customer. So we would be procuring services from the airlines, buying the airline seats, we would be buying hotel beds, so it’s an almost at-a-length procurement exercise and that procurement is driven by the customer’s requirements.”

As a result, large enterprise procurement from SMME was limited. Two participants stated that they secured office supplies from SMMEs. As LE3 explained

“...so it’s going to be on a very specific, much smaller scale because we don’t do major procurement from such (small) suppliers but morally we are committed to the development of those suppliers...”



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Unlike other tourism sectors, the specialized nature of the travel services sector limits the avenues for procurement. Travel partners – airlines, hotels, car hire – can be influenced by customer choice, thereby limiting the intervention of the travel intermediary. The transformation model that appears effective is the empowerment of subsidiary travel branches. It is therefore possible that travel procurement is one area where opportunities for SMME engagement may remain limited. At the same time, opportunities still exist in areas



7. ANALYSIS OF SMME RESULTS

Section 7 addresses the fourth objective of the study, which was to identify the factors limiting and promoting the ability of black-owned SMMEs to actively participate within the travel agents and tour operators' sub-sectors, as mainstream and/or value chain participants. Table 7 provides a brief outline of themes that stemmed from the data collected from SMMEs.

It is evident that a number of factors acted as both facilitating and inhibiting, depending on circumstances and location. Therefore, each factor will be analysed from both perspectives, to reflect the intersection of influences on transformation.

What also emerged from the analysis was that for SMMEs, business linkages were derived from their immediate sub-sector – travel agents and tour operators, as well as from other subsectors such as accommodation, car rental and airlines. Therefore, references to large enterprises in the following discussion is not only limited to the Travel and Related Services sector.

TABLE 7: Synopsis of key thematic units: formal SMMEs

TOPIC	THEMATIC UNIT
Current status on transformation	- General view of B-BBEE
Transformation policies of large enterprises	- Business linkages between large enterprises and SMMEs
Factors promoting growth of black-owned SMMEs	- Linkages with large enterprises - Collaboration with other travel businesses - The value of membership to an association - Events and Conferences - Marketing of SMMEs - Business registration process - B-BBEE Application
Factors limiting the growth of black-owned SMMEs	- Lack of support from large enterprises - Lack of support from government - Poor formation of Associations - Poor marketing - Insufficient funding



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TOPIC	THEMATIC UNIT
	<ul style="list-style-type: none"> - Illegal operators and Uber taxis - B-BBEE Policy - Unfruitful conferences - Meeting the industry criteria for travel businesses - Poor SMME collaboration challenges - It takes time to succeed - Skills shortage - Language as a barrier

7.1 Views on current status on transformation

Similar to large enterprises, the SMMEs acknowledged the potential benefits of B-BBEE as explained below,

“BEE is about empowering the black majorities ...so it is giving us the skills to be there and compete with the best...” (FG4)

“...we understand that we have to comply because part of the department’s requirements is that you have to have your B [BEE] rating before certain institutions and organisations will grant us work...” (STEL4)

The reality, according to the SMMEs, was that BBBEE was not working, in terms of benefiting small enterprises, as they explained,

“...BEE is just a title for me...it feels just like a title, just a piece of paper that you need to have if I need to get business and you require a certificate.”(FG4)

“BEE is not as effective, in the sense that it benefits those who are connected even though as it is now people get prosecuted with nepotism and favoritism which we appreciate...”

“BEE is working if you are connected politically... if you are not forget it...” (FG5).

“I don’t think it’s working to be honest ...we’ve seen that this ... is really not benefiting us as black tour operators ... we’ve been raising these issues in meetings many times but I never heard ... official from the government saying you know we’ve been to this hotel ... not even one...!” (FG5).

“... if we talk about transformation does it mean a company once it is BEE certified is transformed or do we keep those two separate. ‘ cause it seems to me that once a company got the certificate he is immune from transformation...” (FG1)

Several SMMEs indicated that showing one’s BBBEE status sometimes worked against them, thus they avoided showing the certificate to potential business partners, as they explained,



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“When I do marketing, I don’t carry my B-BBEE certificate to the white people. They don’t want to see that, I just use business cards. Some people realize later that this is a B-BBEE company when they look into my website” (FG3).

“White people do not like to see BEE certificate, [or hear] the word transformation. When approached with the attitude of business transformation, they will listen, they cannot give SMMEs business. When they realize you are a BEE company, they will not give business, while if they don’t find out you get business” (FG3).

“...we attach that BEE certificate but it doesn’t make a huge difference anyway because when you ask these people why I didn’t get this job they tell you so many reasons.” (FG2)

“I ... don’t know how many doors I’ve been knocking and with these much of documents starting from compliance, to proposals, going to these big operators sayingand then the minute you talk about the BEE you find out that they don’t talk that language and when you are saying hey this is also how you can get some more commission just by sharing the pie and giving me business and then they are not willing because it’s they got a perception ... challenges we are faced with on the ground level” (FG1)

At the same time, one SMME identified a sense of awakening on transformation in the travel sub-sector, albeit slowly as explained below;

“I think there is an awakening in the industry because at the last JAM session we were at that’s the joint JAM session between SATSA and FEDHASA and Cape Town Tourism the topic last month was transformation and they had keynote speakers talking about and transformation evolves all the time and so I think the industry is awakening kind of slowly...” (FG1).

In similar vein, SMMEs also indicated that building their business profiles took several years of hard work. Challenges included rental of offices and building a customer base, as they explained,

“...those are the issues and obviously getting clients it’s a mission it’s not easy it takes time I would say maybe you looking at 2 to 3 years to get somewhere...” (STEL1).

These findings confirm the SMME perception of marginal to limited transformation occurring in the Travel and Related Services sector. Large enterprises expressed similar views, but with differing rationale for the lack of transformation. Large enterprises also appeared more optimistic about the potential for BBBEE to be implemented effectively. SMMEs, on the other hand, expressed scepticism throughout most of the discussions, about the prospects of transformation in the tourism sector.



7.2 Views on transformation policies of large enterprises

SMMEs were asked to indicate the extent of business linkages between themselves and large enterprises.

The overriding view from the participants suggested that there were limited linkages existing between large enterprises and SMMEs across the provinces, as summarised below;

“...the impression that larger tour operators even if they have the business they will not pass it on.”

(FG1)

“There is a BIG gap between the SMMEs and the big boys.” (FG1)

“Thompsons and all these Springbok they don't give jobs to the small group.” (FG2)

“They [LE] are not willing to share the pie...” (FG1)

“...as a black tour operator it is very hard for these big hotels to give you a contract for a desk.” (FG5)

SMMEs attributed the limited linkages partly to their inability to meet the rules and criteria set by large enterprises, which the SMMEs felt, was sometimes done deliberately as means of excluding them. It was stated that large enterprises were not always willing to collaborate with SMMEs. As explained below;

“It was something that was very challenging and extremely hard at first because obviously we needed to meet the criteria and fulfil their needs and meet all the standards ...” (FG2)

“...you have to follow criteria of a tour operator, which is you have to be registered, you have to have certain laws in place...” (FG4)

“...there was a lot of paperwork that needed to be done and a lot of meeting of criteria...” (STEL4)

“I don't know how many doors I've been knocking and with these much of documents, starting from compliancy to proposal going to these big operators...” (FG1)

“...[they] rather use those guys who doesn't know anything and then the worse part of it they don't have permits, passenger liability they don't have anything all those requirement, documents to carry the what you call ... guests.” (FG5)

“...maybe if you lucky it can take maybe 18 months to get a permit and then you are not allowed to work without a permit because they can impound your car at the airport while...” (FG5)

One SMME in Cape Town felt that communication between the large enterprise and SMMEs was limited because the large enterprises did not network with the SMMEs.

“When we get together it is us, we [are] never in the same room with the big operators where the decisions are being made so we always feel on the outside looking into the industry ...” (FG1).



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In some cases, SMMEs believed that large enterprises sabotaged their businesses, as explained below,

"...white people if they see that you are having a lot of work they try to stop you then where do you get the business from its where they will try to steal your clients steal your receptionist to book them not to book with you anymore." (FG3)

"For me the problem is I have worked for big companies in the past they go out of their way to sabotage your business." (FG1)

"Working with large enterprises needs strategy because one moment you are linking with them and one moment they are taking everything from you" (FG2).

Issues of racial prejudice against black SMMEs emerged in the focus groups, particularly in Nelspruit. The SMMEs in Nelspruit felt that large enterprises were mostly owned by non-black people and that there was a view that black-owned operators could not succeed without the involvement or partnership with a white person. The perception was that white owned information centers were prevalent in Mpumalanga. Such places did not support black businesses, and did not refer business opportunities to black SMMEs, as explained below,

"I have been told personally by several travel agents (in) Africa, Europe, that to see my business being successful, going forward ... they say I must put a white lady (in the forefront) and am looking at that and I need that partner in order to get business because now I have the knowledge of tour guiding" (FG3).

"If you ask those people (at information centers), the receptionist even the owners to do business with them, they refuse to give me business as a black man. They ask you where did you get this qualification or where did you attain this knowledge of tour guiding, why you want to start this tour thing... if they have a client, they give white people only business, the information center" (FG3).

From the above discussion, it appears that significant gaps existed between large enterprises and SMMEs in terms of business linkages. Furthermore, the SMME comments suggested that some of the marginalisation of black SMMEs may have been driven by racial prejudice.

7.2.1 Linkages with large travel enterprises

At the same time, some cases of linkages and collaboration between large and small enterprises were mentioned by the SMMEs. Participants mentioned positive initiatives such as referrals from large enterprises and being included in databases. In Nelspruit, large enterprises invited smaller enterprises to workshops for knowledge



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sharing purposes. However, the general view was that large enterprises only created business linkages during peak seasons when there was excess business capacity. As the participants explained,

“We are on the Thompson Tours database, we get their specials ... they send emails daily. The other one ... is Emirates, not the airline the tour operator ...” (STEL1).

“What [large enterprises] do they just use ... 3 or 4 tour operators ... then you’ll be sharing the business ... if I’m occupied then they will call this one but they always have names that they use... they trust you with their clients” (FG5).

Business linkages were also derived from other large travel companies such as hotels, car rental companies and airlines. SMMEs reported working with different hotels, either doing airport transfers or tours. One SMME in Gauteng operated his business from a desk in the foyer of a hotel.

7.2.2 Lack of support from hotels and other sectors

Despite the above cases of business linkages, there were more accounts of lack of cooperation from hotels. SMMEs tended to deal with hotel concierges, and had little exposure to hotel management. Hotel concierges were perceived as gatekeepers who decided on which tour operator to refer business to. Cape Town and Johannesburg SMMEs stated that the concierges did not give the SMMEs an equal chance to work with the hotels, and that concierges favoured certain individuals, as they explained,

“You know I think we sit with another problem that everybody is aware of ... the ‘Concierge Mafia’. That is a fact ... and this a concierge told me themselves, it depends who the person is and very sadly it’s a racial thing now because if I am for example from Congo and I am a concierge at a particular hotel I am going to support all my brothers from the Congo” (FG1).

Further, hotel concierge tended to favour bigger tour operators who allegedly provided financial incentives to the concierges. Hotel top management were also sometimes the barriers to obtaining business, as they questioned the capacity of small operators to provide services, as explained below,

“So it does become a problem more so if you are a woman because most of the concierges are men and it’s people from other African countries or even if from South Africa it doesn’t matter because what happens is they will charge X amount (of money) for each client a concierge offers to a person which is actually not even known by the hotel management” (FG1).

“But it is basically not from the concierge side only, some ... they go as far going to the GM of the hotel so they talk to the GM. There was some where I was like bidding for the job they promised the GM the



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latest Mercedes Benz and then also they going to pay 30% commission, so you can just see that you are not going to win this one” (FG5).

“The first thing the hotels, especially the big hotels groups will tell you is ... as a small operator, do you have the capacity to service the clients? That’s one thing they will use to keep you out of the door even if you can handle a small portion of the work they will not give it to you they will rather give it to the larger company and deal with the larger company” (FG1).

Some hotels had their own vehicles, which limited the chances of SMMEs getting the opportunity to provide transport services for hotels. This had not been the practise in earlier years, as explained,

“If you go back about 10 years back these big giants didn’t have small cars, they used to have like big coaches and half coaches. So the black tour operators used to use micro buses, it was a little bit easier then but now it’s even more difficult because the very big tour operators are also buying small cars, medium cars that the very same local tour operators are using” (FG5).

“The hotel groups are not easy to work with; some are fairly reasonable some are very difficult. I wouldn’t say when you are a black-owned because we have never been a white owned company so I don’t know how they deal with white owned companies. But you know it’s not easy getting an account for one ... if they do give you an account it will be very small even if you are managing that account well it is difficult to increase it to satisfactory levels” (STEL1).

The issue of commission payments to SMMEs was a concern, as SMMEs believed that the larger players were depriving them of a means to sustain their businesses. Large enterprises tended to charge high commission rates for business referrals to SMMEs, as stated below,

“But the challenge I am facing now is I give only 15% for each clients that they are selling but the big lodges want 40% from me for one person” (FG3).

Large enterprise also bypassed the SMMEs and worked with the informal guides in township, as a means of cutting costs and avoiding paying commission to SMMEs, as indicated below,

“... they will employ someone ... from that local community and they will tell that someone what to do and how to do it. They are not willing to share the pie, they are trying their best to minimise the cost



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whereas it's not about the cost but about enhancing what they already have and making sure that the poor clients get what they are looking for which is a quality service, a quality experience" (FG1).

In summary, SMMEs believed that hotels could open up opportunities for business linkages, but this was not happening due to concierge gatekeeping and the general reluctance of hotels to conduct business with SMMEs.

7.2.3 Collaboration with other SMME businesses

SMMEs reported a positive culture of supporting one another through referral business. During busy times, such as major tourism events, when more transport was required, the SMMEs collaborated to meet the high demand, as explained below,

".....SMMEs support SMMEs, so we collaborate so when we do the WTM in Cape Town and Indaba SMME support SMMEs" (FG1).

Collaboration of SMMEs occurred across provinces as cited by those in Durban and Nelspruit.

"We do quite a bit (link up with other travel agents) especially in Johannesburg and Cape Town (as) Johannesburg is the big hub" (FG2).

"I have got ... Palima Shuttles ... in Bloemfontein, then I have got Lucky Vakler Services in Pretoria. They also get jobs and then they contact me and I do their jobs.... we work like that" (FG3).

In one case in Nelspruit, collaboration meant one SMME assisting other black people to establish themselves as tour operators.

".. if you have worked with me for three years and after three years I check and if you want to start your company, I help you" (FG3).

On the other hand, SMMEs were sometimes unable to refer business to colleagues in the industry because either the colleagues were not registered properly, or the colleagues failed to deliver quality service. The risk of referring business to such colleagues was too high, as they explained,

"So ... if I have got clients and I am very busy I want to give them some clients, because they don't comply, they don't have a liability cover, they don't have the certificates which they are supposed to have. So now the problem is they are working but illegally, so for me to assist (them) is difficult because it will backfire on me. Suppose something happens while they still in that car, I am still responsible" (FG3).



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“... I do give the overflow work to other companies but most of the time the results we get is the driver did not know where he was going ... we ask him few questions he couldn't answer maybe even one and then the vehicle was not clean so can you see those are basic stuff ... will you continue to give that person business who ... at the end of the day you going to get this big complaint?” (FG5).

7.2.4 The value of membership of an association

There were several levels of associations that SMMEs felt they could participate in. Firstly, was joining membership of an umbrella industry association such as the Southern Africa Tourism Services Association (SATSA). Another level was joining a regional association such as the Gauteng Tour Operators Association. Yet another level were professional associations, such as the Tour Guide Association, which could be at national or regional level.

On the positive side, Cape Town respondents highlighted that being a member of an association played an important role in the collaboration and marketing of travel businesses. Endorsement by their associations gave the businesses credibility. Associations also organised workshops where members exchanged business ideas and shared challenges they faced. One association had a 300- base membership of tourist guides and tour operators, and the members met monthly. As explained, below,

“I loved being a member of Cape Town tourism ... the status of being a member ... using their logo as part of our marketing it gives you credibility in the industry that you belong to an association ... they have excellent workshops. It's an endorsement for me and it worked well ... gives you credibility on your website and having their logo on your vehicle...” (FG1).

Belonging to an association provided a platform for SMMEs to raise their concerns as one voice. One example provided was the instance when the Ministry of Tourism suggested a change in tourist guide badges. As a unit, the association successfully engaged the Minister against the move to change badges.

Another association assisted in marketing the products and services of each member, as explained below,

“We have extremely successful educational(s) at least two a month where we seek out different products, where we go to different establishments we do site inspections site visits and we're a registered association...” (FG1).

Respondents in Cape Town further mentioned that associations also helped fight against illegal tourism business operations. Associations enabled members to know one another and to easily identify those operating illegally.



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This was achieved through continuous educational campaigns which helped them to stay abreast with the latest developments.

“There is a database of guides..... this database is distributed everywhere ... the details are there, your qualifications are there...” (FG5).

At the same time, other attempts to establish associations have not been successful. In Cape Town and Durban, SMMEs showed little interest in forming an umbrella association of tour operators. In Nelspruit and Johannesburg, SMMEs stated that joining associations did not provide value. Without one voice for smaller players, it was difficult for the bigger operators and bigger hotels groups to engage SMMEs. As SMMEs explained,

“... I’ve tried to get an association off the ground in Cape Town where small operators get together and we market ourselves under one umbrella, one voice. SMMEs don’t really want to take up the time for this type of benefits, they don’t. I’ve tried it in the Winelands, I’ve tried it in Cape Town I’ve gone through the departments and for three years actively we’ve tried to do this” (FG1).

“I tried to call the tour operators ... I’ve been advised by ... the department of government that ... why don’t you people ... form a consortium so it will be easy for you to get those conferences... And then I phoned ... tour operators and we formed a consortium ... we put all the documents together ... after we lost that conference we bid for and then they just go away and then you call and they say we are busy and just like that” (FG2).

On participation at SATSA level, the general view of SMMEs appeared negative, as the industry association was perceived as serving large business or non-black interests. Apart from the lack of transparency, the monthly subscription fees were regarded as too high for small operators, which made them reluctant to join, as they explained,

“I was paying [membership fees].... I used to attend meetings and meeting big tour operators ... introducing myself, trying to get business from them but unfortunately I never get anything ... tour operators like us said ...it’s pointless to be a member of SATSA because you are not benefiting anything ... why don’t we open another association for black tour operators because that one belongs to white operators ... where we will pay a small amount and if we [talk] to our chairman ... he understands our problems ...” (FG5).



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7.2.5 Participation at travel shows and conferences

The benefits of attending tourism conferences were emphasised. SMMEs believed that conferences afforded them with the opportunity to interact with senior executives of large enterprises. SMMEs also believed that such interactions helped forge strong relationship between the SMMEs and large enterprises.

“From my experience I found the easiest way to get involved with the big players and to speak to the right guys is at any exhibition because they also send their CEO’s, directors etc.” (FG1)

On the other hand, some SMMEs stated that the value of participating in conferences and programmes such as the Indaba show was limited. The participants felt that although they would be invited to participate at shows such as Indaba and WTM, they would not be accorded the opportunity interact with international buyers, as they explained, as they explained,

“If you train somebody or if you support somebody and now that programme is over ... that programme is finished they don’t ... find out how [small businesses] cope with the institution when they are independent ... what is the progress on that business” (FG2).

“At Tourism Indaba SMMEs are not given the opportunity to meet the large enterprises and buyers. The large enterprises and buyers make pre appointments to meet during Indaba which then blocks the time for the SMMEs to make contact with them” (FG2).

“ITB, WTM, meeting South Africa, Indaba when.... let me say typical example Indaba and WTM Africa, especially Indaba there is ICC and there is ND... the other section. Small tour operators are being bundled one side and the big tour operators very international so there is no mixture it is still water and oil. Therefore ... I say expose the small people to the bigger ones ...” (FG5).

7.2.6 Positive attributes for marketing SMMEs

SMMEs acknowledged that there were personal and business attributes that contributed to successful marketing of themselves and their businesses. The personal attributes included – reliability in business, having a good reputation, time management, cleanliness and general presentation. They also made use of their websites as a means to disseminate information about services they offer. However, the strongest attribute was word of mouth referrals and personal selling, as they stated,

“What made me successful so far is one word, “reliable” ... my cars clean ... I am well presented ... I am always on time, all the time, every time and that makes me to be successful. Word of mouth (is



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another factor), anyone who is transported by me, they always advertise me to the next person ...” (FG3).

“Well we network ... while picking [people] up and taking them to their transfers, campaigning at the hotels personally, meeting with the GM and Directors of certain hotels and companies and we also use our website ... foreigners ... wanting to come to South Africa basically it's also word of mouth” (FG2).

“Website is there on my business card but all my business is word of mouth. When I go to Holland normally once a year, I have many coffee and teas with as many friends and family as possible” (FG1).

“... I had to present myself door to door to all the guest houses ... [say] this is my business card, if you need transport [services] please phone me. Some people I could advertise and said I will give you commission so to attract them more and at the end of a certain period of time after people have tasted me [my services] they were now feeling comfortable to invite me now because I was honest ...” (FG3).

7.2.7 The role of government as support and facilitator

Government departments played a number of roles in supporting and facilitating business for SMMEs. As noted earlier, government could enable business opportunities through marketing and travel shows. SMMEs however stated a number of areas where government support was perceived as insufficient.

It was felt that SMMEs faced challenges with meeting regulations relating to licensing and registration of tour vehicles. One challenge was that the Department of Transport did not differentiate between tour operators and taxi drivers, as explained below,

“Currently obtaining a permit to be a tour operator has to be done via the board of the Department of transport and also has to be approved by them which is based in Pietermaritzburg and up until today the Department of transport is a total nightmare throughout South Africa” (FG2).

“... going back and forth to the Department of transport it was something that if you really want ... sit down and get an attorney involved and make sure that you comply with all the requirements and ... whatever they want you had to comply with them but it was not easy in terms of the process of what they wanted” (FG2).

However, one respondent in Nelspruit mentioned that he had not encountered problems with business registration.



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7.2.7.1 Delayed payments from government.

A big challenge posed by government departments was delayed payments on services rendered, which resulted in cash flow challenges for the SMMEs. As noted earlier, even large enterprises expressed concern about delayed government payments. Some SMMEs had shifted away from government and only worked with the private sector as a result of the delayed payment as mentioned,

“The problem is that this [kind] of business there are challenges, so, especially when you targeting the government people they are not paying in time, you have to be a person with money so that if government won’t pay you, you know where you can get money to pay because some of the suppliers like the hotels some of them need money upfront, some of them you have to pay 30 days, whether your client paid you or not, you have to pay them, so it’s a challenge” (FG3).

“So ... I don’t want to frustrate myself with the operation of government ... I shift my focus to ... the private sector those are my best clients, you see, if they need a quotation, I quote them if they say yes they say yes and then they pay up front, no hesitation, no problems” (FG2).

7.2.7.2 Government tender processes. SMMEs believed that have the B-BBEE certificate was important in order to participate in government tender processes, as mentioned,

“For us travel agencies, it is important to have the B-BBEE certificate because we tender with the government, so we must B-BBEE compliant. If you don’t have the B-BBEE certificate, they will disqualify you. So you need the B-BBEE certificate if you working with government, but if you using it in the private sector, it works against you” (FG3).

However, the view that the government tender processes were flawed was shared across all focus groups. The problem appeared to be favouritism of certain travel agencies, who were assured of winning even before tender processes were completed. There were also perceptions of government employee demands for bribery to win tenders, as they explained.

“When it comes to government tenders, I tried to go through the process, but because of some corruption to some extent you find you fail to get some of the jobs [tenders] because I have got my own prices that I want to give and someone [from government] will tell you ‘no let’s make the prices so high so that someone can get something’, then I don’t accept that, that’s how I lose from the government sector because they expect me to give them a big tip” (FG3).



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“The tender is cover up its’ already given to those people who are known you see you know this thing is so frustrating” (FG5).

“You know ... when you quote for any coach that is requested by the government ... or private, we attach that BEE certificate but it doesn’t make a huge difference anyway because when you ask these people why I didn’t get this job they tell you so many reasons, they consider the lowest quote ... If you didn’t attach the BEE they say you didn’t have the BEE certificate. If you’ve got a BEE certificate they are hiding now and say no your price is too high and things like that” (FG2).

SMMEs also cited instances where government had preferred suppliers and travel agency SMMEs were forced to channel business to the government preferred suppliers, or they risked losing government business altogether. The challenge was that the organisations they were forced to work with by government did not necessarily support or give good commissions to SMMEs, as explained

“Sometimes, because government, they know all these hotels, they are getting points there, they will just phone and tell you, we are like the middleman now with government because they can speak to the hotels direct or guest houses direct, they know they are getting something from them, so we are just getting in for payment because we have to pay for them because they will pay us after thirty days or after sixty days. But sometimes most of the times they will just tell you we want to go here, we want Southern Sun, if no Southern Sun, they will go to another travel agency, the white people will arrange for Southern Sun because they know they are getting points, they will arrange for Protea (Hotel) because they are getting something” (FG3).

7.2.7.3 Government funding for SMMEs. There was a view that government funding for SMMEs appeared to have diminished or stopped altogether. In Cape Town, SMMEs reported that the local government had advised them not to expect any further financial support. Cape Town respondents believed that Gauteng SMMEs were receiving more government funding and benefits. They also believed that the TEP was active in Johannesburg but not in Cape Town. This was despite the fact that the Western Cape region generated more tourism earnings for the country. Other finance bodies such as the IDC were also not offering financial assistance. As the participants explained,

“The doors are closed basically in the Western Cape where government is concerned and we were sitting right there opposite government Western Cape Tourism and they said the doors are closed... they do not have the capacity to help us” (FG1).



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“It is still alive in Johannesburg, my SMME operator that I work with they got a lot of benefits. So TAP is working but not in Cape Town and the funding in the tourism division in Cape Town is gone the Western Cape Tourism is gone although we actually generate the most money in the whole of South Africa. The Western Cape and Mpumalanga Kruger and the Western Cape the most money is generated but is gone [funding] has dried up in the Western Cape and I don’t understand ...” (FG1).

“Funding is a problem ... I have met a lot of partners, funding is problem. IDC or MEF [funding institutions] ...if you go to them ... with a business plan or business proposal ... they want you to work for them using your company. I have big plans, I wrote my plans down, but they want to use all my plans, they want to hire me to work for them using my business” (FG3).

7.2.7.4 Addressing Illegal operators and Uber taxis.

In Durban and Johannesburg, SMMEs expressed concern about the ongoing operations of operators such as Uber taxis. Tour Operator SMMEs felt that they were required to fulfil more stringent criteria than did Uber taxis, and this gave the latter an unfair advantage, as stated,

“It is ... a bit of a threat but based on our work and our relationship ... we have a good network of people and obviously we comply and we fully meet the requirements where as an Uber doesn't really need the requirements they aren't really an organisation our vehicles are unbranded ... because we are contracted to the different hotels and if we put our branding we cannot go to leading hotels like the Beverly hills or Easter box with our branding and signage on so that is one reason why we don't brand our vehicles but the hotels ... know who we are” (FG2).

7.2.8 Meeting the industry criteria for travel business

In Durban, Nelspruit and Johannesburg, respondents mentioned that establishing a tour operator or travel agency was not easy due to government bureaucracy, as they explained.

“It is very challenging and extremely hard when one tries to establish themselves as a tour operator because the demands of the criteria and ... standards requirements. Every hotel has their own requirements and standards and making that breakthrough to work with them is not easy” (FG2).

“I worked ... I did not have enough documentation though, but ... then I had to get the right documentation for operating. Because it was not easy to get some of the documents ...they wanted someone who was already having everything, so with me it was a matter of one step at a time” (FG3).



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“The challenge was having to meet requirements such as certain insurance for the vehicle, and ... qualifying certain standards that they were looking for us to put in place. That disadvantaged the SMMEs which resulted to a halt of the business registration” (FG5).

7.2.9 Additional barriers - Skills shortage and language proficiency

One SMME in Nelspruit stated that skills shortage was a barrier in their remote location, and they struggled to recruit staff with adequate skills and education, compared to companies in Gauteng, as she explained.

“...getting necessary resources in terms of people again it's a bit of a mission because when you look at this this side as opposed to Gauteng people are not that well educated and well skilled so you have those challenges but I mean you get people and you send them to Gauteng for training in the systems that we use some of them they come out of university with just the theory...” (STEL1).

Another limitation noted by Johannesburg respondents was the inability of South African SMMEs to speak a foreign language, especially French. This resulted in French speaking foreign nationals, such as Congolese, taking tour groups into Soweto. However, the foreign nationals lacked local knowledge in explaining Soweto and its history, and therefore compromised the tourist experience. As explained;

“... if they have employed a local guide he will have explained ... history behind it. So now these people ... are not getting the real information about South Africa it's just putting a black skin with a language ...they do tours with a book open or a page in front of them ... reading through ... and this is our country, our money and we try to sell our country in the wrong way” (FG5).

It is evident that black-owned SMMEs in the travel related services faced external challenges of marginalisation by big or other businesses. At the same time, the SMMEs had internal limitations, such as skills and funding, that also inhibited their growth. It is also evident that most of the challenges and opportunities overlapped, depending on individual, profession and location. The reality was however perceptions among SMMEs that they were generally not receiving support from large enterprises, and government procurement processes remained an obstacle.

7.3 Ad hoc and region specific comments and solutions

The following includes ad hoc comments by participants in each region on possible solutions to transformation in the Travel and Related Services sub-sector.



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Gauteng

- Government needs to review licensing of Uber drivers who are taking market share from registered tour operators
- Government needs to weed out 'illegal' tour operators
- SMMEs should identify and take advantage of gaps in the market. For example, providing tours with smaller vehicles to reduce costs and cater to small groups.
- SMMEs should take the initiative to approach and introduce themselves to large enterprises
- SMMEs should incorporate social media into their marketing strategies, to initiate direct contact with the potential client.
- SMMEs, especially tour guides, should aim to be multi-lingual, in order to be able to interact with their clients
- A law that specifically protects the interests of tour guides should be developed, limiting who tour operator licenses are given to

KwaZulu Natal

- SMMEs and large enterprises should not compete for the same tenders
- Access to information / opportunities should be disseminated to all, not just the large enterprises
- SMMEs should focus on domestic tourism
- There should be a grading system for tour operators, similar to that of the accommodation establishments. This would aid in lending credibility to the tour operators, and offer clients an idea of the quality of service provided
- Although Uber does pose a threat to tour operators, the business model upon which Uber is established (use of an application) should be used as a model for tour operators and guides.
- Students should be introduced to the industry, to ensure that people are continuously entering the industry
- Tour operators need to be separated from the taxi industry
- The government needs to ensure that people with disabilities are catered for

Mpumalanga

- The government could be a part of the solution, with regard to large enterprises not utilising SMMEs in business operations, by imposing harsher fines and penalties for non-compliance
- The Kruger National Park is a major tourist attraction in Mpumalanga. Currently, the majority of tours in the park are carried out by large enterprises. This should not be the case, as the local



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SMMEs (tour operators and guides) should have the opportunity to conduct tours, with the added value of having indigenous knowledge of the area. This would contribute to local economic development in the area.

- White dominance of the travel industry should be addressed.
- Racist practices should be reported and attended to by authorities

Western Cape

- SMMEs and large enterprises need to maintain good working relationships with one and other, which will ensure open communication and trust between the two entities
- Speed marketing sessions between SMMEs and large enterprises should be conducted, to introduce the large enterprises to the SMMEs and their product offerings
- Large enterprises should take a tour with tour operators to experience the product of a specific SMME. This will enable the large enterprise to build a relationship of trust with the SMME, as well as be assured of quality standards.
- Large enterprises should use genuine tour guides and not step-ons



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8. DISCUSSION

The purpose of Section 8 is to interpret and discuss the research findings which were presented in Section 6 and Section 7. Critical factors contributing to achieving success in transformation in the Travel and Related Services sub-sector of the tourism industry are identified from the interpretation. The factors provide the conceptual blocks and solutions for developing linkages between large and small enterprises in this sector.

Section 6 and 7 also explained how this study has answered the research objectives. The evidence and findings confirm that the objectives of the study have been fulfilled. To recap, the objectives were stated in Section 1 as follows:

- To conduct a situation analysis of transformation in the Travel and Related Services sector, with a focus on travel agents and inbound tour operators.
- To identify and examine opportunities presented by implementing transformation policies by large and small tourism enterprises.
- To identify factors inhibiting or challenges confronting large enterprises from establishing and/or sustaining linkages with black-owned SMMEs both established and emerging.
- To identify the factors limiting and promoting the ability of black-owned SMMEs to actively participate within the travel agents and tour operators sub-sectors, in the tourism industry, as mainstream and/or value chain participants.
- to recommend possible solutions for increasing the pace of transformation in the Travel and Related Services sub-sectors of the tourism industry

The discussion is structured around topics which reflect the key outcomes of the study. The arguments presented in this section provide an in-depth, interpretive and reflexive analysis, focusing on what is new and different when compared to previous studies. In addition, the discussion will highlight shared any unique experiences of the participants. Provincial nuances are incorporated. This approach ensures that the findings can be transferable for national policy consideration by government.

8.1 Current status on transformation

It would appear that transformation planning was relatively recent, and perhaps not a priority policy, within the large travel organisations, based on our findings. The evidence shows that large enterprises had some policies in place to address transformation within their organisations. Senior executives stated that some plans had been in place for a few years, while others stated that they had current and future plans extending to 2020. However,



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we observed that, throughout the discussions, most large enterprises did not provide details of targets to achieve within their plans for transformation. Nor were they able to provide details of targets already met, besides a few ad hoc examples.

The plans and initiatives provided were recent, extending back no more than five years. Some of the executives even admitted that they were just embarking on their transformation plans. As noted earlier, the four travel organisations had been operating in South Africa for between 18 and 37 years. These are organisations that had witnessed South Africa's democratic transition, and the introduction of the different phases of B-BBEE policy. It was likely that the large travel enterprises participated in industry discussions on transformation, given that tourism was the first sector to obtain a government-gazetted B-BBEE charter, the Tourism Sector Charter, in 2009. It would appear therefore, that large travel organisations showed resistance to adopting B-BBEE, based on their current state of transformation private sector, as cited by Hoffman (2008:96) and Tangri and Southall (2008:707).

The executives also confirmed that transformation in their sector was slow. All confirmed that their organisations were still primarily owned and managed by white persons. The existence of an active and broad black procurement or enterprise development policy was not evident within the large enterprises. In explaining their B-BBEE plans, the executives appeared to default to a discussion of internal employees, and to the recruitment and development of staff, which fall under the B-BBEE element of employment equity. Only one executive mentioned ownership transfer to black-owned subsidiaries, as part of their B-BBEE policy.

The enterprises supported B-BBEE policy in principle, for the economic improvement of black persons, and for national economic growth, in general. The rationale for large enterprises to support B-BBEE policy was strong, as this served the business interests of the industry. Government travel business was a major source of revenue for both large and small enterprises in tourism. Adherence to B-BBEE policy was important for winning government tenders. It was therefore prudent for large organisations to support and participate in B-BBEE policy in order to fulfil the commercial interests of the organisation. At the same time, compliance with B-BBEE policy remained voluntary for the private sector, including the tourism sector. The onus was therefore on individual businesses to display commitment to B-BBEE, as suggested by Fauconnier & Mathur-Helm (2008).

The small enterprises affirmed this position, adding that cooperation with large enterprises tended to be minimal or even non-existent. The SMMEs also believed that marginalisation of SMMEs was deliberate on the part of large enterprises and was explained, according to the SMMEs, by resistance to change. Whether the SMME



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audience was Cape Town, Johannesburg, Durban or Nelspruit, the SMME message was the same. Offices of large enterprises were aware of the SMME businesses and services, but these offices opted not to refer businesses to the SMMEs. This study thus identified that the continued exclusion of black SMMEs from mainstream tourism activities continued, confirming Rogerson's (2008) and Booyens (2011) findings in earlier studies.

Our investigation revealed that the pattern of transformation on enterprise development was for large enterprises to commit to a few projects, and to ensure the success and sustainability of those selected projects. One large enterprise gave an example of a previous initiative where three subsidiary branches were assisted and transformed into black ownership. However, plans to expand such a program were not mentioned, nor were targets or goals to that effect, despite the reported success of the previous initiatives. Similarly, another executive provided the example of working with a small black owner of a chauffeur business. The description of activities taken to assist the chauffeur service owner was detailed. However, again no future plans to expand such a program were evident.

What was evident was the depth in commitment of resources to the few initiatives that large enterprises endorsed. Examples provided by the travel companies demonstrated their commitment in terms of the development of individuals – such as mentoring, leadership skills, technical skills training, teaching on managing tender processes. The impact of these interventions could not be assessed during the study. However, the approach appeared to mirror other standard approaches to engagement with black persons on development, as cited by several authors (Baum, 2008; D'Annunzio-Green, 2008; Enz, 2009). The executives mentioned that their approaches were cautious, and they were cognisant of learning from failures by their peers in the industry. What appeared missing was large enterprise drive to be innovative and show leadership in transformation.

When compared to other sectors in the industry, such as the hotel industry, it would appear that the status of transformation in the Travel and Related services was low (Nyazema, 2013). There was minimal evidence of business linkages between large and small enterprises, especially in touring services, the area where most of the SMMEs interviewed operated in.

8.2 Selective compliance - Enterprise development and employment equity

The study found that large enterprises preferred to develop their own SMMEs through internal development. Several factors appeared to influence the large enterprise decisions to adopt a strategy of grooming and developing internal black staff into management positions and eventually assisting them to start their own travel



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enterprises. The challenge with this strategy was that, by their admission, it would take long to develop persons in entrepreneurial enterprise. Furthermore, as with the case in Cape Town, the socio-economic challenges faced by Coloured employees weakened the probability of a successful programme of internal small enterprise development.

Large enterprises cited the complex nature of the industry, which required specialised training and strong client management skills as a barrier to engaging with SMMEs. Also cited were the traditional arguments for not engaging with black SMMEs which were, inter alia;

- Lack of access to finance,
- inadequate exposure of black entrepreneurs to the tourism industry,
- a lack of experience in business, technical and management skills,
- limited literacy, and
- limited business support and mentoring

Specific to the travel and tours sector, SMMEs were identified as deficient in the following:

- SMME vehicles not meeting the required standards and criteria
- SMMEs not having enough vehicles
- SMMEs challenged in reliability and trust in customer service delivery

In summary, large enterprises adopted an internal strategy as a first-choice method of developing black persons for enterprise development. However, the internal strategy faced obstacles in the availability of the right candidates and the pace of people developments, given the socio-economic background of the black candidates. Instead of engaging directly with external SMMEs, large enterprises were opting for an indirect route of internal development. The strategy suggests a possibility of avoiding contact with external SMMEs by claiming B-BBEE compliance through internal policies. It can be questioned whether the large enterprises would allocate adequate resources towards internal enterprise development, considering that they appeared to face challenges on increasing the pace of employment equity, as identified by the Commission for Employment Equity (CEE.2012). The evidence also indicates that the probability of achieving success in enterprise development by using employment equity as a vehicle was limited. Internal strategies may have diluted the pace and efforts to engage with external small enterprises, thereby inhibiting business linkages between large and small enterprises. It appears evident that the internal development strategy of SMMEs was confirmation that large enterprises simply lacked confidence in the ability and capacity of small black enterprises, as cited by Rogerson (2008; 2011).



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In our view, the solution to this challenge lay in large enterprises adhering to the real criteria for enterprise development, which is the engagement of black enterprises. One of the underlying foundations of transformation is commitment to B-BBEE policy. What appeared to lack therefore was translation of B-BBEE commitment into action. Our view was that large enterprises have the capacity and industry knowledge to be able to identify SMME candidates from the tourism market, to work with.

8.3 Procurement patterns

Procurement from small enterprises is one of the pillars of B-BBEE policy. The findings indicated that for large enterprises, company procurement with SMMEs was occurring at head office. Procurement decisions are guided by the need to apply economies of scale, centralised procurement, and leveraging buying power in supplier transactions (Clancy, 1998). In the travel industry, most procurement was channelled to large players such as hotels, airlines and car hire. The large enterprises argued that the choice of channel partner was determined by customer preferences. Even for tour activities, customer choice and volumes determined the suppliers that were used. It is therefore possible that the opportunities for business linkages in some cases were not possible.

At the same time, regional offices of travel companies appeared to control the sourcing of business from SMMEs in their respective areas. The findings indicate that large enterprises did not appear to drive procurement behaviour among their regional units, in sourcing local partners. Local offices therefore appeared to influence the distribution of business. This appeared to be the case in Mpumalanga specifically the Kruger Park. SMMEs operating in this area believed that employees of travel companies were favouring a few select suppliers. The SMMEs believed that they could provide greater value for the customer because they were authentic and had knowledge of the area. SMMEs in Johannesburg expressed the same views and showed disappointment at the employment of foreign (black) guides for Soweto tours. The SMMEs stated that the foreign guides would not be able to tell the rich history and culture of Soweto, as they could. The SMME view was supported by the national policy on responsible tourism, which favoured promotion of local communities and creation of job opportunities (RSA 1996, Van der Merwe & Wocke, 2007). However, as with B-BBEE policy, measures introduced for responsible tourism were voluntary, and not enforceable on the private sector.

Linked to procurement is the factor of commissions. SMMEs stated that large enterprises did not engage with them because they tried to avoid paying the appropriate commission levels. SMMEs in Cape Town and Johannesburg indicated that large tour companies resorted to using informal tour guides in order to avoid commission payments. The large enterprises, however, believed that they paid fairly for services rendered.



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By applying innovative approaches, group procurement policy can contribute to small enterprise development, as evidenced by other tourism and non-tourism sectors. The success story of the Tsogo Sun Adopt-a-Guesthouse enterprise programme demonstrates how a group approach could be an effective response to enterprise development. This particular model is based on central coordination and identification of guesthouses, with joint liaison at group and regional level and the programme has empowered and sustained over 60 black-owned SMMEs (TEP, 2011). Large travel enterprises could explore the option of group procurement, and in this manner contribute to the development of a database of credible SMME suppliers.

8.4 The database of black SMMEs

The finding that two large enterprises admitted to not knowing how to find credible SMMEs across the whole of South Africa was surprising. The Gauteng based large enterprises also did not appear to be aware of the Gauteng Tour Operators Association, (GATOA), which had a database of 85 members and was affiliated with the Gauteng Tourism Authority (GTA). Only one executive appeared aware of the Tourism Enterprise Partnership (TEP) program, which provided a database of tourism SMMEs. The Cape Town based SMMEs commented that TEP was no longer supporting them compared to previous years. The current status of TEP was not clear to the industry. During the data collection phase of this study, several databases were obtained from provincial tourism offices. It was also apparent that as much as 60% of the names on the databases required updating. Evidently, there did not appear to be communication on databases between large enterprises and, for example, the GTA or the Western Cape Tourism Authority. In Western Cape, there was a forum for Women in Tourism business which had an active database of small enterprises. The Western Cape and Mpumalanga Tour Guides associations were also reported to be active, supported by good reliable databases. Therefore, this study concluded that databases of SMMEs did exist.

The claim by large enterprises of not knowing where to find databases of SMMEs appeared questionable. The findings also suggested that what was influencing large enterprises approach was their dismissive view of SMMEs as mostly lacking in capacity, lacking in education and lacking in sustainability.

8.5 From stereo-type to established SMMEs

This investigation showed that the majority of SMME participants in this research were established professional enterprises. The SMMEs were well spoken, articulate in their business offering, and knowledgeable of the dynamics of the industry. In Cape Town, all SMME participants described their businesses as successful. The second Gauteng focus group included established SMMEs who had also been in business for several years. One had a permanent desk at a local mid-size hotel. Another was the Chairman of the Gauteng Tour Operators



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Association, having been in the tour operating business for over 10 years. Similarly, the participant from Pietermaritzburg operated several vehicles for tour operations and obtained his business locally as well as through travel agents in Gauteng and Bloemfontein. Two of the owner/manager operators in Nelspruit were confident, knowledgeable owners of small businesses, who each owned a small fleet of vehicles. The SMMEs had fulfilled all registration requirements, albeit with difficulty in some cases.

What emerged from the study was that there was a credible crop of established SMMEs that was available to forge business linkages with large enterprises across several provinces. . This crop of established SMMEs felt marginalised by the large enterprises on several fronts. The view from most SMMEs was that large enterprises simply did not wish to refer business to them. SMMEs recounted examples of knocking on large travel enterprises doors without success. It appeared that the large enterprises had their favourites – usually small white owned business – which they channelled business to. In Gauteng one such medium size enterprise attended the workshop and it was evident that the medium-size enterprise would pass on business to the smaller enterprises, when market volumes demanded.

In view of the above, one solution to forging business linkages in the Travel and Related Sectors may be the development of region-specific databases of SMMEs. Successful enterprise development and community initiatives in several African countries were usually case-based projects which covered a specific region or location (Goodwin 2006). South Africa is no exception, and certain provinces may experience more success in small enterprise development.

8.6 The voice of the black SMMEs

The study also revealed the voice and opinions of the black established SMMEs. Emotions underpinning the focus groups and telephone interview were clear – passion for the industry, frustrations at being marginalised, yet resolve to stay sustainable, and offer of solutions for the way forward.

The SMMEs expressed views on the following key areas

- That government regulation was a barrier to conducting business. Dealing with multiple government agencies and acquiring permits was a long onerous process.
- That large enterprises also increased barriers by insisting on certain criteria for engagement – minimum number of vehicles, types of vehicles
- Revenue flows for their business were a challenge because of low commission levels or high commission demands from hotels and large enterprises.



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- Government was not awarding tenders fairly, nor was government paying on time for services rendered
- Government also needed to manage SMME participation at travel shows to ensure that benefits accrued

The overarching message was that SMMEs wanted to be taken seriously. They believed that they were hardworking and proving their worth, and needed the industry to broaden opportunities and give them fair chance to succeed, in the national interest and because they were reliable.

8.7 Collaboration and association among SMMEs

Collaboration among SMMEs for referral business was strong. The travel industry can be subject to sudden spikes of market demand, particularly from hotels where guests may not have made prior arrangements for touring or airport transfer. Regardless of location, SMMEs were collaborating by referring business to each other. It was also evident that they worked with colleagues that they trusted and avoided SMMEs who could compromise delivery.

SMMEs believed that the collaboration on the ground could be taken a step further, and applied as the basis for forming a representative association. Some SMMEs had tried ASATA membership, but had eventually dropped out because they found it expensive. SMMEs found that they still remained marginalised at ASATA forums because of the large white presence of industry persons. Furthermore, management of large travel businesses did not appear to engage with them at such forums. In contrast, the GATOA chairman however believed that membership of ASATA and similar organisations was important. He believed that some of the established SMMEs lost business opportunities because of failure to network at ASATA forums.

A recommendation would be for government and regional tourism authorities to pursue the development of more SMME databases. It would also appear that there is a need for a forum or association, which could act as a linking mechanism between large and small enterprises.

8.8 Additional areas where SMMEs benefit

Besides association and collaboration, SMMEs were benefiting from marketing themselves on websites and by creating relationships with others in the industry. Word of mouth referral emerged as a strong marketing tool. Having a B-BBEE certificate was perceived as a negative and positive. Sometimes the SMMEs found that they gained business by not exhibiting the B-BBEE certificate, and to avoid resistance from (white owned) businesses.

It was evident that the difference between success and failure, for the SMMEs, lay in passion, personal selling, resilience and the will to succeed. Knowledge of the industry and knowing how and when to sell was important.



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The contrast in business savvy was marked when one compared participants in the two focus groups conducted in Johannesburg. Participants from the first group included young inexperienced, but eager cooperative members from Ekurhuleni. The youth had a vision of turning Ekurhuleni into another Soweto tourist hub and they believed their key selling points were the fact that activist and politician Chris Hani used to live in Voslooros Township, and that OR Tambo airport was located in their city. For them, it was not “fair” that Soweto based tour operators collected tourists from the airport, their territory. They hoped government would step in to assist and change the rules. The second group was comprised of seasoned Soweto and “downtown” Johannesburg established SMMEs. The mature SMMEs understood the need to fight for business and to work hard to succeed. The SMMEs displayed astute business qualities of reading the market, and reading the audience that they were marketing themselves to the appropriate audiences, whether hotels or travel companies.

8.9 The hotels and gatekeeping

One area of the value chain which SMMEs could participate more is in relationships with the hotels. The findings showed that hotels had a large potential to provide referral business to SMMEs, for airport shuttles and general tours. Some hotel chains had their own fleet of transport. However, in most cases hotel concierges emerged as the decision maker in the selection of tour services partners. Both Johannesburg and Cape Town SMMEs indicated frustration at being excluded from receiving business by hotel concierges. In Cape Town, the concierges were identified as being often from other African countries, such as the Congo. Payment of commission and control were root causes of SMME marginalisation.

Hotel groups have already shown greater likelihood to engage with SMMEs. It may be worth for authorities to actively encourage the development of business linkages between hotels and SMMEs.

8.10 The effect of technology, and Uber

Technology emerged as both an opportunity and an inhibitor to business linkages between large and small enterprises. On the one hand, large enterprises enabled access to their online platforms as an avenue to include SMMEs in the business value chain. SMME travel agents and some tour operators acknowledged this benefit offered by travel organisations. This platform of communication and linkage appears to be yielding positive results.

On the other hand, the new and recent growth of Uber transport services impacted negatively on the success. Evidently, tourists were opting to use Uber services instead of conventional shuttle transfers. SMMEs were concerned about how Soweto township tours had been “invaded” by Uber services, resulting in decrease of their



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SMME tours. The ease of Uber service, with supporting technology, was a phenomenon that SMMEs could not match. Uber drivers also avoided the cost structure of tourism permits and vehicle accreditation.

The advent of new technology has changed the game rules across business sectors worldwide, and usually rapidly. How this development will change the shape of SMME and general tours in South Africa requires further investigation. Tourism authorities may need to review the subject. Regardless, the spread of Uber is a factor impacting on the success of tourism SMMEs.

8.11 The race factor

It is interesting to observe that the race factor only emerged during telephonic interviews conducted in Nelspruit. Large enterprises mentioned white ownership of businesses as a fact. However, the SMMEs were vocal about racial discrimination as a factor inhibiting business linkages between white owned large enterprises and black-owned SMME businesses. The tone of the two SMMEs who voiced racial discrimination displayed, anger, frustration that democratic South Africa still had vestiges of racism. Frustration was expressed at government for not introducing punitive measures for non-compliance with B-BBEE policy.

8.12 The role of government

Disconnect appears to continue between the pace of public policy on B-BBEE and B-BBEE implementation by the travel sector. Public policy can be derived from both the actions and inactions of governments, regardless of the programmes and policies introduced (Dye, 2011:9). The evolution of the B-BBEE policy process in the tourism sector appears to confirm Dye's observation that public policies such as B-BBEE reflect a compromise by government in order to maintain alignment between political, social and economic factors.

SMMEs expressed some disappointment at the voluntary nature of B-BBEE policy. They believed that non-compliance by travel organisations was directly a result of there being no consequences. SMMEs suggested that business linkage with SMMEs be considered a criterion for attaining rating on the B-BBEE scorecard.

The findings showed that it is probable that large enterprises may have used the lack of clarity on interpreting B-BBEE law to modify their interpretation of B-BBEE requirements on small enterprises assistance and development. It was also interesting to note that both SMMEs and large travel organisations questioned the B-BBEE ratings declared by large hotel organisations. It appears that lack of clarity on B-BBEE regulations persists in the tourism industry. How does government ensure that all enterprises, large and small, have a sound understanding of the new 2015 B-BBEE codes was a cause for confusion. The interpretation of the codes needs to be clarified, so that all enterprises can take the correct steps toward transformation, as per the policy.



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The issue of government not paying for services on time was highlighted. The onus is again on national authorities to address this matter, which can be crippling for SMME development. Is it perhaps time for government to review the voluntary nature of B-BBEE compliance.



9. RECOMMENDATIONS

The research design of this study was structured to enable interview participants to offer solutions for the challenges of transformation that were facing both large and small enterprises in the Travel and Related Services sub-sectors of the tourism industry. The following recommendations are therefore a synthesis of solutions proposed by participants, and the researcher recommendations extracted from the discussion in the previous section. A brief summation of the problem or opportunity is discussed, followed by the action recommended.

9.1 The role of government on policy, monitoring and evaluation

This section presents the recommendations pertaining to the role of government in driving transformation.

9.1.1 Regulatory barriers to entry. SMMEs cited the high barriers to entry as follows – meeting regulatory criteria on tourism permits, vehicle insurance, vehicle funding and lack of knowledge and training on how to fulfil the criteria with ease. Tour bus operators pointed that they were not distinguished from general taxi operators on meeting transport requirements.

The recommendation proposed is that government should provide assistance to the SMMEs, with regard to funding and subsidies, training and skills development. Collaboration with the Ministry of Small Enterprises could open opportunities for tourism SMMEs.

It is evident that tour operators require permits and licences from several non-tourism departments. A suggestion is for the Department of Tourism to enable SMMEs to enjoy special rates or subsidies on vehicle insurance, vehicle finance and licencing.

9.1.2 On ensuring B-BBEE compliance

The issue of 'fronting' and pseudo-compliance to B-BBEE policy by some large enterprises prevents SMMEs from gaining access to the industry. Large organisations claim to have met all the requirements for B-BBEE compliance, and yet they are not engaging with SMMEs. Alternatively, large enterprises may be colluding with medium (white-owned) companies, and claiming to be compliant on transformation.

This study recommends that government should investigate the level of actual compliance, and ensure that large enterprises are genuinely compliant and creating linkages with the SMMEs. Large enterprises should be obliged to show that the intended beneficiaries of enterprise development – small black businesses – are benefiting.



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At the same time, government should invest in driving transformation through positive messages, to avoid stereotyping of black SMMEs. Engagement with key stakeholders on strategies for compliance may be beneficial. Incentive packages for businesses may also drive behaviour towards transformation.

9.1.3 On driving more hotel linkages

Participants identified the hotel industry as a strong conduit for SMME development. The opportunity lies in providing services – airport shuttle, transfers, and tours – for hotel guests.

Dialogue between government and hotel organisations is required to open up more opportunities for SMMEs. It is also suggested that government could link the grading of the hotel sector to push compliance with B-BBEE on enterprise development relating to travel and tour operations. The development and assistance of travel sector SMMEs would therefore become a criterion measured on the B-BBEE scorecard of the hotels.

9.2 Government as a supplier of business

9.2.1 Awarding of government tenders

Government is a large supplier of travel business yet some established SMMEs are not benefiting from tenders. The belief is that tenders are being awarded to cronies and favourites and to large enterprises, at the expense of black SMMEs.

The recommendation is that government departments should show honesty when awarding tenders. Invitations to bid and the selection of winners should be based on merit and advancing transformation. The NDT, together with the DTI, can provide a monitoring and coordinating role.

9.2.2 Payment for services rendered

SMMEs who received government business were facing challenges or even going out of business because of government failure to pay on time for services rendered.

The recommendation is that government should review payment processes to ensure that SMMEs are not placed under financial constraints. Similarly, the NDT needs to lobby such issues with relevant government departments.



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In summary, the recommendation on the role of government is that the Department of Tourism should provide a coordinating role and single point of contact for SMME compliance and permits. Therefore, co-ordination between the different departments should take place with representatives of the departments and should not be the responsibility and burden of the SMMEs.

9.3 Creation of business linkages

9.3.1 On efficient exposure at travel shows – Indaba, WTM

The leisure show Tourism Indaba was cited during the focus group discussions and in some of the telephonic interviews. Although viewed as a positive initiative, however, the SMMEs stated that they did not receive adequate exposure at Tourism Indaba. Similar sentiments were expressed by two participants who attended WTM London. Furthermore, the cost of the Indaba for SMMEs was too high, barring many from continually attending after the three-year support period from government had ended. In addition, opportunities to network with buyers at the Indaba were limited.

The solution proposed is that government, through South African Tourism (SAT), should facilitate exhibition and networking opportunities for SMMEs, in order to further facilitate the creation of linkages between large enterprises and SMMEs. The SAT should also review how SMME viability could be sustained beyond the three-year sponsored period for participation at Indaba.

9.3.2 On general marketing of SMMEs

SMMEs indicated that having government logos on their vehicles and marketing collateral (including websites) strengthened the SMME business credentials.

The recommendation is that government, or regional provincial organisations should endorse the SMMEs that have been formally registered, to lend credibility to the SMMEs and give them a competitive advantage. Regional tourism authorities could investigate initiatives to apply such endorsements.

SMMEs observed that there were certain areas in South Africa that were aggressively marketed, creating the perception that tourism was limited to those areas, such as Johannesburg, Mpumalanga and Western Cape.

Government, through SAT, should market lesser known areas that have great tourism potential, enabling the SMMEs located in remote areas, and local communities to grow.



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The recommendation therefore is for a review of the mid-to long term efficiency of marketing activities undertaken by SAT and regional authorities

9.3.3 Creation of an SMME database

Using technology, the creation of an SMME portal would assist large enterprises in identifying and locating black-owned SMMEs. The lack of a credible industry database of SMMEs was identified as a major stumbling block for large enterprises that did not have the contact details of SMMEs to mentor, train and develop.

It is encouraging to note that initiatives by the Department of Tourism to establish the SMME portal are underway. The database will serve as a means of distinguishing between reputable established SMMEs and illegal and unreliable SMMEs. However, it is critical to ensure that the efficiency and credibility of the portal is protected, once it goes live.

9.3.4 Online platforms

Some large enterprises tried to incorporate SMMEs into their business models via linkages on online platforms, similar to Air BnB. Through this initiative, the SMME have an alternative avenue to gain business and are able to have the 'endorsement' of the large enterprise, lending to their credibility in the consumer market.

It is recommended that synergy is established between the various online platforms and the SMME portal. An institution such as the TEP could provide the appropriate conduit for the creation of synergy, if adequately resourced.

9.4 Large enterprises on training and development

Mentorship and training programmes assist in the development of SMMEs. The programmes include training in communication skills, business writing skills and life orientation skills. Graduate programmes and internships allow graduates the opportunity to gain practical skills in the industry, making them more employable. Some of the large enterprises engage students for work integrated learnerships and internships. Mentorship under the tutorship of a large enterprise will also groom SMMEs and equip them with the necessary skills for sustainability in the industry.



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It is recommended that opportunities for more collaboration with educational institutions is explored. The onus is on large enterprises to take the initiatives in terms of driving intern volumes through their organisations. Government subsidies and incentives could assist in accelerating the process.

9.4.1 Large enterprises on succession planning and ownership schemes

Large enterprises recognise the need to develop people to assume managerial positions as part of succession planning. As the travel industry has been historically non-black, succession planning in large enterprises would drive the change in the equity structure of management, and contribute to transformation.

Ownership and incentive schemes that were offered by some large enterprises served as a means to attract black-owned SMMEs to the industry.

It is also evident that the onus is on large enterprises and industry associations to take the initiatives, and for the BBBEE Charter Council to provide a coordinating and monitoring role. Government incentives could assist in accelerating the process.

9.4.2 Access to hotels business

Hotels offer more opportunities for travel SMMEs. However, concerns remain about the allocation of tour and shuttle business, and commission levels.

It is recommended that hotel management be involved in the management of the business linkages with SMMEs. Large hotel groups and hotel associations could act as facilitators and drivers of such initiatives. Hotels could also open up their tour desks to SMMEs and allow SMME collateral to be distributed to potential clients within the hotels

9.5 Associations

The establishment of an association for credible SMMEs, to facilitate a support network between the SMMEs, as well as to ensure that all the SMMEs are represented is important. SMMEs lack a constituency to speak on their behalf. It is also evident that the multi-layered nature of the tourism sector requires approaches from sectoral and regional perspectives.

The general consensus from the SMME perspective was to come up with localised associations that suited the needs of enterprises in the local area, as opposed to belonging to a national association.



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9.5.1 Dialogue

The study revealed a disconnection in the perceptions of SMMEs and large enterprises about each other. Dialogue through various platforms would enable key issues confronting the industry to be discussed on an ongoing basis. The issue of commission payment is one example of a thorny issue for SMMEs.

It is recommended that a culture of dialogue be developed among industry stakeholders. Transformation is a process and will require several interventions and intersections of initiatives, in order to change the industry.



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10. LIMITATIONS

The scope of the study was limited to obtaining the perspectives of senior executives of large enterprises, due to resource limitations. Given their national footprint (over 400 office represented), future research could explore region and destination specific views of the travel organisations.

The voices of the informal SMMEs and of the emerging Uber drivers are not included in this study. Future research could explore the phenomena which may be changing the landscape of tour operations for township and other tourism.

As qualitative research, the results of this study may not be generalizable. However, the depth of information obtained renders the findings transferrable.



11. CONCLUSION

This study has revealed that the tourism value chain in the Travel and Related Services sector offers more potential for business linkages, than is currently being realised. The extent of cooperation between large and small black-owned enterprises appears minimal and sporadic.

Large enterprises indicated support for B-BBEE policies, and stated that they had plans in place to drive transformation. However, the evidence provided suggests narrow involvement with external SMMEs. What was not evident, in most of the cases, were the activities to support the B-BBEE plans and policies. Large enterprises could only offer a few examples of their initiatives in place, with most described as plans for future action. The depth and breadth of initiatives for the support and development of small black enterprises was not apparent.

Large enterprises showed commitment and active participation in transforming their workforce. It would also appear that large enterprises identified a synergy whereby employment equity was perceived as a key means of fulfilling the requirements for small enterprise development. However, the chances of such a selective-compliance approach yielding large volumes of future black enterprise owners are limited.

Yet the study revealed that there is a credible pool of established black SMMEs operating businesses across the country. This pool of professionals is articulate and knowledgeable of the market, contrary to the views of large enterprises. The large enterprises indicated a continuing stereotype approach to SMMEs – which regarded SMMEs as not well educated, lacking in experience and industry knowledge, lacking business capacity to deliver, not understanding the travel industry, and generally not reliable.

It is apparent that there may be resistance to change, vestiges of racism and general disregard for B-BBEE transformation on small enterprise development from some large enterprises. Policies discussed in boardrooms do not appear to indicate results. This is despite over two decades of democratic dispensation, which most of these large enterprises pre-existed.

The study makes several recommendations – greater involvement of government in monitoring compliance and creating enabling environments across other departments; greater involvement of other sectors, and hotels in particular, in opening up business linkages with black SMMEs, increased dialogue across all stakeholders, and establishment of an SMME portal which meets industry requirements.



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This study has revealed that large travel enterprises continue to show a low commitment to broad transformation on enterprise development and did not offer any breakthrough strategy to change the status quo. The opportunity for business linkages within the tourism value chain exists, but the potential remains untapped.

Finally, a breakthrough strategy driven by industry leaders is required to accelerate the pace of transformation in tourism. It is evident that additional engagement and dialogue between government and large travel enterprises may be required to break the current cycle of slow transformation. The role of industry associations and the B-BBEE Charter Council is crucial to drive the breakthrough required.



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