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Unpacking Factors Limiting and Promoting Black-owned SMMEs to Participate Actively Within the Tourism Value Chain in South Africa

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Abstract

This study explored the experiences and perceptions of transformation within the tourism value chain in the South African context. Through a series of focus group discussions (FGDs) held with relevant stakeholders and small, medium and micro enterprises (SMMEs), the paper reveals key factors related to promoting and prohibiting the active participation of black-owned SMMEs in the tourism value chain, including opportunities for collaboration with large enterprises; exposure to the industry; policies, procedures and the business practices of large enterprises; and government-related matters. The paper concludes that factors prohibiting the active participation of black-owned SMMEs in the tourism value chain far outweigh those that promote it. It is recommended that, if transformation is to occur in the tourism sector, more attention than in the past needs to be paid to the potential that black-owned SMMEs hold, through securing careful and committed collaboration between all stakeholders in the tourism value chain.

Introduction

South Africa's tourism industry has taken big strides since the introduction of a democratic form of government, recently achieving a 9.3 per cent¹ total GDP contribution, compared to the 2.0 per cent total GDP contribution achieved in 1994.² The sector has been identified as a strategic priority

for the development of South Africa's economy, and a key tool for addressing the myriad of socio-economic challenges the country faces.³ One such challenge is the transformation of the economy with a particular focus on Black Economic Empowerment (BEE) and on the inclusion of previously disadvantaged populations in the economy. The transformation agenda in South Africa has been designed to redress the indecencies of the political and social past, with tourism having been called on to lead the way in so doing.

Tourism is a sector that ideally provides outstanding opportunities to support transformation. However, the transformation of the tourism industry itself has been slower than was anticipated. South Africa's tourism economy, though dominated by a minority of locally owned large tourism enterprises, is in fact made up of a majority of locally owned SMMEs.⁴ Since the tourism value chain holds extensive potential to create linkages between SMMEs and large enterprises, efforts to open up market access for SMMEs to benefit from such linkages has been a priority of the South African Government since the dawn of a democratic form of governance in the country.⁵ SMMEs, therefore, play a significant role in the tourism value chain, presenting an important opportunity to address issues of transformation that plague the country's tourism sector.

The amended Tourism Broad-Based Black Economic Empowerment (B-BBEE) codes⁶ indicate Travel and Related Services (further divided into Tour Wholesalers, Tour Operators, Travel Agents, Tour Guides, Car Rental Companies and Coach Operators) as being one of the least transformed sectors in the industry. Against such a background, the current paper particularly explores the key challenges and enabling factors involved that promote and limit the active participation of black-owned Travel and Related SMMEs within the tourism value chain in South Africa, with an emphasis on the experience of travel-agent and inbound-tour-operator SMMEs. With the majority of the existing literature being centred on the experiences of the accommodation sector, the current study adds a valuable contribution to the present understanding of other significant areas of the tourism value chain.

Review of the literature

An extensive review of the literature was conducted to ascertain the contextual background to the study. The transformation agenda and the development of SMMEs have both been extensively discussed in the literature, with key studies providing valuable insights into the debates surrounding the issues at hand. The literature reveals key areas, including the historical development of the transformation agenda, the importance of SMMEs in the context of tourism, the various challenges that they face, as well as the need for the further support of tourism SMMEs. Such support is required for the sector to contribute properly to economic growth, to address the reality of inequality and to further the development of the tourism sector.

The tourism value chain and SMME development

A value chain refers to the 'entire input-output process that brings a product or service from initial conception into a consumer's hands'.⁷ The process involves the provision of goods and services from a range of supporting industries, thus providing opportunities for SMMEs to contribute to the process through supplying the relatively large producers. However, in reality, doing so can be a complex issue. SMMEs, particularly in the context of the developing world, have been well documented as experiencing marginalisation or exclusion and struggling to integrate into industry value chains.^{8,9,10,11,12,13} In the South African context, the additional push for transformation further complicates the ease of access for SMMEs into any industry's value chain. However, the role of SMMEs in contributing to the country's economy, and in addressing the need for transformation, is still evident.

Research into the role of SMMEs has attracted considerable attention in the Southern African region.^{14,15,16,17,18,19,20,21,22} SMMEs are widely recognised as being major role players in terms of economic growth and development.²³ Within the South African economy, the role of SMMEs is to alleviate poverty by means of providing jobs, facilitating transformation and the attainment of B-BBEE.²⁴ Considering South Africa's economic transformation process, increased interest has been expressed in the SMME sector since 2003, with (former) President Thabo Mbeki, in his State of the Nation Address (SONA),²⁵ underlining the importance of relatively small businesses to achieve B-BBEE. Several years on, such importance has continued to be emphasised in subsequent SONAs.

In South Africa, the SMME sector is regarded as being varied and divided, ranging from survivalist initiatives to highly organised enterprises, and prevalent in five sectors: agriculture; retail; trade; manufacturing; and community, social and personal services.²⁶ The Department of Trade and Industry²⁷ explains that the sectors involved are favoured due to their relatively low entry barriers. In turn, intense competition between SMMEs in the specified sectors occurs, with SMMEs ultimately having only a mediocre survival rate. Even in the light of the above, the South African SMME sector has grown steadily since 1994, with the government introducing numerous supportive policies and strategies.²⁸ The first post-apartheid government policy document developed to promote entrepreneurship in South Africa was the White Paper on National Strategy, focusing on the development and promotion of small business in South Africa.²⁹ Strategic pillars underlining the policy include the increasing of financial and non-financial support to SMMEs, as well as the reducing of regulatory constraints, and the creating of demand for the products and services provided by them. The government has also established institutions that are responsible for the implementation of small business development strategies. For instance, the Small Enterprise Development Agency (SEDA) is responsible for mentorship, skills development and non-financial support. In addition, the Small Enterprise Finance Agency (SEFA) provides funding support mainly for small businesses; the National Youth Development Agency (NYDA) assists young South Africans in starting their own businesses; the National Empowerment Fund (NEF) is responsible for offering both financial and non-financial support to black-empowered businesses, to name but a few.^{30,31}

The World Travel and Tourism Council (WTTTC), according to Lebambo and Shambare,³² indicates that South Africa employs more people directly in the travel and tourism industry than it does in other key economic sectors. Therefore, tourism can be viewed as an important sector that

assists in advancing the post-apartheid economy by stimulating the growth of small businesses. With the impressive attainment of 10.29 million international visitors in 2017,³³ the tourism sector has continued to increase its contribution to the country's gross domestic product (GDP).³⁴ Furthermore, one of the most distinctive features of tourism is the overwhelming dominance of small-scale entrepreneurships, as noted by Rogerson,³⁵ with SMMEs representing at least 95 per cent of all tourism enterprises in the country. Yet, given the legacy of apartheid, SMMEs are still largely dominated by white ownership. From the above, it is evident that policy frameworks had to be brought into place to accelerate transformation. One such policy appeared in 1996, being the White Paper on the Development and Promotion of Tourism, which brought into being opportunities for tourism to contribute towards economic growth, job creation and enterprise development.

Such support programmes as the Tourism Enterprise Partnership (TEP) formed yet another policy vehicle of the national government's Tourism Action Plan,³⁶ accepting the responsibility to support entrepreneurs with the supply of workstations and mentorships. The programme was initiated and sponsored by big business, in cooperation with the government of the time. By 2011, the TEP held a database of over 4 000 black enterprises that were registered with the organisation. Notwithstanding TEP's positive achievements on behalf of tourism SMMEs, during early 2016 the National Department of Tourism (NDT) discontinued its long-term partnership with TEP, indicating that the existing support measures for tourism SMMEs would take the form of business incubation initiatives now supported by the SEDA. Even such publications as the Responsible Tourism Guidelines, which have subsequently been reworked into the *Responsible Tourism Handbook: A Guide to Good Practice for Tourism Operators*,³⁷ urged the private sector to buy locally-made goods and to use locally-provided services from locally-owned business. At present, despite national government efforts to nurture black-owned tourism SMMEs through a range of initiatives, black SMMEs have enjoyed only limited success.

The South African transformation agenda

Transformation is an integral part of South Africa's contemporary economy. Since the end of apartheid, the need for transformation has been increasingly emphasised, with it becoming the core to any economic development effort. Since the introduction of a democratic form of governance in South Africa, all government development planning strategies have been geared towards meeting the needs of the transformation agenda. Such strategies include: the Reconstruction and Development Programme (RDP); the Growth, Employment and Redistribution (GEAR) strategy; the Accelerated and Shared Growth Initiative for South Africa (ASGISA) strategy; the New Growth Path (NGP) for development; and, more recently, the National Development Plan (NDP).³⁸ Alongside the abovementioned strategies, a host of legislation supporting the transformation agenda has also been put in place, most notably the Broad-Based Black Economic Empowerment (B-BBEE) Act, No. 53 of 2003.

The need to address the legacy of apartheid has been identified as being particularly critical in terms of the country's tourism economy, as the majority of tourism enterprises are owned by the white minority.³⁹ Since tourism has been identified as a key economic sector, the need for pushing

transformation initiatives has become more emphasised, with Rogerson⁴⁰ duly noting that there is a real 'danger that tourism growth in post-apartheid South Africa will reinforce the concentration of wealth in the hands of whites at the expense of the country's black majority', if it is improperly managed.

Efforts to transform the tourism economy have been prominent since the dawn of governmental democracy. The then Department of Environmental Affairs and Tourism (DEAT)⁴¹ highlighted the need for transformation in the White Paper on the Promotion and Development of Tourism in South Africa. The DEAT also committed itself to promoting entrepreneurship and to improving the ratio of ownership of tourism enterprises to be more inclusive of previously excluded communities, by means of releasing guidelines for the implementation of a transformation strategy for the sector.⁴² Since then, several efforts and initiatives have been implemented, such as: the Tourism in GEAR Strategy (which provides linkage to the Growth, Employment and Redistribution strategy); a charter of empowerment and transformation devised by the Tourism Business Council of South Africa (TBCSA) in 2001;⁴³ the Tourism BEE Charter introduced in 2005;⁴⁴ the Tourism BEE sector codes implemented in 2009;⁴⁵ and, more recently, the implementation of the Amended Tourism Sector B-BBEE codes.⁴⁶ With evidence from the abovementioned literature in mind, the current study was, therefore, considered to be crucial to unpacking and understanding the realities of the transformation journey that the tourism sector in South Africa has taken over the last few decades.

Methodology

A qualitative research approach was applied to investigate transformation in the Travel and Related Services subsectors of the tourism value chain. For the present study, travel agencies and tour operators were specifically targeted for two reasons. Firstly, both sectors were, at the time of the research, largely untransformed.⁴⁷ Secondly, frontline staff in both the sectors mentioned exert a major influence over consumer choices pertaining to the support of either local black-owned SMMEs, or large international chains.

The desktop research conducted by the researchers indicated the lack of a reliable central database on the Travel and Related Services subsector. Therefore, the method of purposive multi-sampling of selected travel agents and tour operators was adopted. Although a database of 549 SMMEs was developed from several sources, only 184 (32 per cent) of the original database population were reachable after data cleaning had taken place.

Owners from the established SMMEs' database were invited to participate in focus groups, providing a suitable platform for the participants to share their personal feelings, experiences, opinions and perceptions of the state of transformation in their sector. The four provinces selected were Gauteng, KwaZulu-Natal, Mpumalanga and the Western Cape. The initial hope of conducting focus groups with at least 40 established SMMEs in each province, however, met with the major challenge of recruiting formal SMMEs, given the nature of their business. Eventually, two focus groups (FG4 and FG5) were conducted in Johannesburg, comprising 17 participants, with Cape Town's focus group (FG1) consisting of nine SMMEs, Durban's (FG2) only three SMMEs, and Nelspruit's four SMMEs (FG3). Thus, a grand total of 33 SMMEs participated in the study. In

addition, telephonic interviews (STEL1) were conducted with participants in Durban and Nelspruit, so as to increase the participant numbers, as the two cities concerned were where the initial focus groups had experienced a smaller turnout.

Once all the focus groups and telephone interviews had been conducted, and the audio recordings had been transcribed, the data obtained were synthesised through a process of cleaning. Content analysis was applied for reasons of data analysis. Finally, having been interpreted within the context of the research study, the necessary findings were presented.

Results

Factors promoting black-owned SMME participation

One of the objectives of the current study was to identify the factors promoting the ability of black-owned SMMEs to participate actively in the tourism value chain, with specific focus on travel agents and tour operators. Two main themes emerged from the results of the study, namely: the opportunities for collaboration between the large enterprises and the SMMEs, and the possibilities for exposure of the SMMEs to the tourism industry.

Opportunities for collaboration

The need to open up opportunities for linkages to any sector's value chain for SMMEs was considered crucial in creating a more inclusive economy.⁴⁸ Intra-sectoral linkages and collaboration with the large enterprises was desired by the SMMEs as a means of referral from the large enterprises, or from the workshops conducted for knowledge-sharing purposes. The participants mentioned the positive initiatives, such as referrals and inclusion in databases, being implemented by the large enterprises. One respondent alluded to the practice:

We are on the Thompson Tours database, we get their specials They send e-mails daily. The other one ... is Emirates ... the tour operator (STEL1)

Despite perceiving that the forming of strong linkages with large enterprises should ultimately be a leap in the right direction, many SMMEs reported – given the struggles they had endured with trying to link up with the large enterprises – that they had subsequently decided rather to cultivate a positive culture of collaboration among themselves. The abovementioned action included supporting one another through referral business during busy times, or major tourism events, in which context:

SMMEs support SMMEs, so we collaborate. So, when we do the WTM (World Travel Market Africa) in Cape Town and the Indaba, SMMEs support SMMEs. (FG1).

Such collaboration also spanned the provincial borders, which was a point that was particularly mentioned by those in Durban and Nelspruit, who reported that the links with such major cities as Johannesburg and Cape Town were crucial, as they seemed to provide additional avenues

for business opportunities. Even in cases where the SMMEs ran the risk of losing clients, due to the other SMMEs not being compliant or failing to deliver quality service, the established SMMEs were still willing to assist one another to start their own business, as one participant in Nelspruit explained:

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

The desire and willingness to collaborate, be it with large enterprises, or among themselves, is key to the successful growth of SMMEs. Networking opportunities, which encourage such businesses to thrive, are key to their ability to access opportunities and to garner support as 'no business is an island'.⁴⁹

Exposure to the industry

In line with the desire and the need to network, another aspect that surfaced was the value of belonging to an association. Many SMMEs held that belonging to an association provided a platform for them to raise their concerns as one voice. The value of the associations enabled the members to network with other SMMEs, and to counter illegal tourism business operations. The Cape Town respondents were very positive regarding the membership of associations, as they felt it assisted with the marketing of their travel businesses. They also felt that endorsement by their associations gave their businesses credibility, as one respondent enthusiastically stated:

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 ... [it] gives you credibility on your website and having their logo on your vehicle [attracts business]. (FG1)

The abovementioned view was, however, not consistently shared by all the SMMEs. In Nelspruit and Johannesburg, for example, the SMMEs stated that joining associations did not necessarily provide value, and that the monthly subscription fees were too high, which, in turn, made them reluctant to join. The above was evident in FG5's discussion, during which one respondent stated:

I was paying [membership fees] ... I used to attend meetings ... 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.

The benefits to be gained from attending tourism conferences were also emphasised. The SMMEs expressed a belief that conferences afforded them the opportunity to interact with the senior executives of large enterprises, as one respondent from FG1 explained:

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 CEOs, directors, etc.

Further probing, however, revealed that some SMMEs did not see the value of participating in conferences. They felt that the interaction between the SMMEs and the international buyers was either non-existent or very limited, as explained by a respondent in 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.

The SMMEs acknowledged that such personal attributes as reliability, having a good reputation, and effective time management contributed to their success. However, the strongest attributes were word-of-mouth referrals and personal selling. The acknowledgement of the value of word-of-mouth referrals, whether made verbally or through electronic means, agrees with the results obtained in several studies on small businesses.^{50,51,52} Despite positive perceptions among SMMEs regarding opportunities for networking, collaboration, representation and exposure to the industry, in reality there were a variety of obstacles, ranging from the external challenges of marginalisation by the large enterprises – and the impact of government-related issues – to internal limitations.

Factors prohibiting black-owned SMME participation

The data also revealed several factors as being key to the prohibiting of black-owned SMME participation in South Africa's tourism value chain. However, many factors that promoted participation also, paradoxically, prohibited it. Several of the factors also seemed to be dependent on circumstances and location. The intersectionality of factors indicated that the influences exerted on the transformation of the industry were both complex and variable. Of key importance was the fact that many of the SMMEs that participated in the study derived their business linkages from beyond just the Travel and Related Services sector. Rather, their linkages with other such subsectors as accommodation, car rental and airlines resulted in them having varying views and experiences when interacting with the different key role players. Two major overall themes emerged from the factors prohibiting the active participation of SMMEs in the tourism value chain, namely policies, procedures and large enterprise practices, and more dominantly, government-related matters. Some key subcategories included the issues around BEE certification, the reports of corrupt activities, unfair business practices, instances of racial prejudice, the limiting of bureaucratic processes, government funding and support for SMMEs, as well as the delay in payments received from the government.

Policies, procedures and large enterprise practices

The most prominent policy linked to pushing the transformation agenda in South Africa is that of B-BBEE. Although it aims to provide more meaningful transformation across all levels of society and the economy, in reality, its interpretation and implementation vary throughout any value chain.⁵³ To determine the feeling experienced towards the tourism transformation agenda, the respondents were asked about their views of the current status of transformation and of the transformation policies of the large enterprises. Although some acknowledged that B-BBEE had its

benefits, the reality for many was that B-BBEE was not working or benefiting SMMEs. One respondent held the following view:

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

Despite the existence of rigorously balanced scorecards, businesses, especially large enterprises that offered procurement opportunities for small firms in the value chain, often 'engage in unproductive strategies to acquire BEE status'.⁵⁴ In order to achieve BEE status it might not even have been necessary to have black equity ownership and management in place, as businesses could earn high BEE scores through the making of appropriate procurement and skills development decisions.⁵⁵ However, despite the procuring of goods and services from certified BEE enterprises being a relative easy avenue to follow to obtain BEE status, in reality meaningful progress remained limited. Instances of corruption, for example, were also identified as diminishing the effectiveness of transformation and the impact of B-BBEE policy:

It benefits those who are connected. (FG5)

BEE is working if you are connected politically If you are not, forget it. (FG5)

Additionally, the sense that certification is a mere box-ticking exercise was regularly emphasised:

Does it mean a company, once it is BEE-certified, is transformed, or do we keep those two separate? [Be] cause it seems to me that, once a company [has] got the certificate, he [i.e. it] is immune from transformation. (FG1)

Noteworthy, however, the lack in meaningful progress is rooted beyond the large enterprise practices in themselves, but it is also rooted in the aftermath of apartheid, and in the slow progress made since then, in terms of skills development and access to education. The large enterprises often report that a lack of entrepreneurial experience and tradition among black businesses makes it particularly difficult for them to find reliable and suitable suppliers.⁵⁶

A recent baseline study on the state of transformation in the tourism sector by the NDT⁵⁷ revealed that the perceived benefits of BEE mostly centred around gaining an improved business image and attracting new customers, in terms of which very few (28 per cent) thought that BEE would attract new investors, or increase their tender participation (30 per cent). For several SMME respondents in the study, however, certification actually worked against them, and they deemed it necessary to avoid showing their certification to potential business partners (particularly to white-owned businesses):

White people do not like to see BEE certificate, [or to hear] the word 'transformation' When they realise you are a BEE company, they will not give business, while, if they don't find out, you get business. (FG3)

Such statements highlight the scepticism of SMMEs regarding the prospects of transforming the tourism industry. The transformation policies of large enterprises have raised several concerns among SMMEs. The limited availability of linkages to large enterprises was a dominant focus of interest among the respondents, who stated:

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

They [large enterprises] are not willing to share the pie. (FG1)

The limitations noted above were partly attributed to SMMEs not being able to meet the set criteria, and to the extensive amount of red tape required by the large enterprises. This perception had previously been documented in terms of the tourism industry in relation to the intersectoral linkages existing between tourism and agriculture.⁵⁸ Many SMMEs had found that the setting of criteria by large enterprises was often done to deliberately exclude them:

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

In the same vein, occurrences of sabotage were reported, in terms of which:

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? It's where they will try to steal your clients, steal your receptionist to book them [and] not to book with you anymore. (FG3)

Seasonality and issues of loyalty were also highlighted in some of the responses, in relation to which the SMMEs managed to have their details made available on some large enterprise databases, but would only be called upon during peak seasons, when surplus opportunities could be made available to SMMEs. Due to the tourism industry's highly seasonal nature, the general view held by the SMMEs was that the large enterprises only created business linkages with them during peak seasons, when there was excess business capacity. The above was a common experience among the tourism SMMEs, for whom seasonality posed a major challenge in terms of maintaining a stable income, supporting Hlanyane and Acheampong's⁵⁹ finding that bed and breakfast owners struggle during seasonal dips. However, the main concerns were centred on the surplus opportunities often being given to the same SMMEs on the basis of loyalty, making it difficult for others to benefit from the same opportunities granted. The issue of power and control lying in the hands of the large enterprises also became evident in the current study, as many of the SMMEs said they felt like outsiders when trying to create linkages with large enterprises:

We [are] never in the same room with the big operators where the decisions are being made, so we always feel [as though we were] on the outside, looking into the industry. (FG1)

An interesting account of the battle to create linkages was rooted in the relationships, if existent, maintained with hotel concierges. Many SMMEs reported that such personnel were perceived as

gatekeepers, hindering their efforts to engage with hotel management. As gatekeepers, the concierges seemed to have the power to decide which tour operator to refer business to:

You know, I think we sit with another problem that everybody is aware of ... the 'Concierge Mafia'. That is a fact ... and ... 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)

In addition to the above, concierges were reported as tending to favour those large enterprises that allegedly provided them with financial incentives in exchange for business. The reluctance of hotels to provide business to SMMEs was also a prominent issue. The SMMEs reported that, when it came to transfer services, it was difficult to obtain contracts from hotels, as they tended to use their own vehicles. One SMME reported that large tour operators were now buying small to medium-sized vehicles, such as those owned by the SMMEs, which had originally given the latter the advantage: At first hotel and tour operators had only worked with large coaches. Additionally, the payment of commission by hotels and other large enterprises was also a concern, with the SMMEs expressing a belief that such large enterprises deliberately demanded high commission fees, depriving the smaller concerns of the opportunity to be successful:

The challenge I am facing now is, I give only 15 per cent for each client that they are selling, but the big lodges want 40 per cent from me for one person. (FG3)

The use of informal services by large enterprises, entailing the bypassing of SMMEs, further limited their likelihood of success. Informal guides, for example, were often used in the townships, in preference to paying an established SMME:

They will employ someone ... from that community, and they will tell that someone what to do, and how to do it. They are not willing to share the pie. (FG1)

Practices such as the above, which result in the exclusion of SMMEs, are a common consequence of the misinterpretation and implementation of B-BBEE policy. In addition, racially charged intentions seemed to underlie the experiences of several respondents. Racial prejudice emerged particularly strongly in the city of Nelspruit, where SMMEs expressed their feeling that the large enterprises owned by white people viewed black-owned enterprises as being unable to succeed without the involvement of a white person, particularly in the role of the face of the company. One respondent stated:

To see my business being successful, going forward ... they say I must put a white lady in the forefront. (FG3)

The abovementioned perception was further emphasised with reference to predominantly white-owned information centres neither supporting nor referring opportunities to black-owned businesses:

If you ask those people [at information centres], the receptionist, even the owners, to do business with them, they refuse to give me business as a black man. They ask: 'Where did you get this qualification?' or 'Where did you attain this knowledge of tour guiding?' 'Why you want to start this tour thing?' (FG3)

Government-related matters

Government support for SMME development is key to their success, insofar as providing potential avenues for relief when addressing common challenges that SMMEs face, but in doing so the South African Government has not achieved success as yet.^{60,61} Several instances reported by SMMEs shed light on gaps experienced with the government regarding regulations and licensing, delayed payments, troublesome tender processes, and access to funding. Support from government was perceived as insufficient when it came to compliance with regulations on licensing and registration of tour vehicles. Such challenges included the Department of Transport not differentiating between tour operators and traditional taxi drivers, as well as the lengthy and complicated processes related to registration:

Currently the [process of] obtaining a permit to be a tour operator has to be done via the board of the Department of Transport ... which is in Pietermaritzburg, and up until today the Department of Transport is a total nightmare throughout South Africa. (FG2)

Sit down and get an attorney involved, and make sure that you comply with all the requirements It was not easy in terms of the process. (FG2)

Relatively recent debates on the sharing economy, and on disruptive technologies and their impact on the tourism industry,⁶² surfaced in the context of possession of valid permits to operate transportation services. SMMEs perceived that the existence of illegal operators and Uber taxis was prominent in Durban and Johannesburg in particular, where SMMEs expressed concern at having to fulfil more stringent criteria than Uber taxis: the latter were perceived as having an unfair advantage:

[It is] a bit of a threat, but ... we comply, and we fully meet the requirements, whereas an Uber doesn't really need the requirements. They aren't really an organisation. (FG2)

When SMMEs provided their services to the government, the issue of delayed payments was highlighted as being a major challenge to cash flow. Issues related to delayed government payments were seen as a common occurrence, as reported by the SMMEs in general, as can be seen in the study by Hlakudi.⁶³ Such frustrations with government payment cycles were expressed by a respondent:

When you [are] targeting the government people, they are not paying on time, you have to be a person with money, so that if [the] government doesn't pay you, you know where you can get money to pay. (FG3)

In response to frustrations encountered with government, many of the SMMEs interviewed expressed a preference for working with the private sector rather than the opportunities presented by government. They alluded to bureaucratic processes and delayed payments:

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 They pay up front, no hesitation, no problems. (FG2)

The tender processes for obtaining government work meant that B-BBEE certification was key, as opposed to doing work for relatively large enterprises, which frowned upon or ignored the requirements of certification, as was mentioned earlier. The processes themselves, however, were described as being flawed across all focus groups. Corruption and favouritism were rife, as some SMMEs explained:

That's how I lose from the government sector, because they expect me to give them a big tip. (FG3)

The tender is cover up, it's already given to those people who are known. (FG5)

In cases where government had preferred certain suppliers, SMME travel agencies were often forced to channel business to government-preferred hotels and other services, who often did not provide the SMMEs with good commissions. Corrupt practices can raise the cost of business for SMMEs and further marginalise them.⁶⁴ South Africa's economy is no stranger to corruption, particularly when it comes to government procurement processes,^{65,66,67,68} but it is important to address the issue, so as to be able to remain competitive.⁶⁹

Government funding for SMMEs was also identified as a challenge. The perception was that government funding had fizzled out, or had stopped altogether. Cape Town respondents, in particular, reported being told by local government not to expect any further financial support. They were under the impression that SMMEs in Gauteng had better access to government funding, and that TEP was active in Johannesburg, but not in Cape Town. Other avenues for financial assistance, such as the Industrial Development Corporation (IDC), were also perceived not to be offering assistance. Such perceptions were evident in the accounts of the SMME focus groups:

The doors [of the Western Cape Government] are basically closed. They do not have the capacity to help us. (FG1)

[Funding] has dried up in the Western Cape, and I don't understand [why]. (FG1)

Funding is a problem [The] IDC or MEF [i.e. funding institutions], if you go to them ... with a business plan ... they want you to work for them using your company. (FG3)

Despite numerous government efforts to provide avenues for funding, it is clear from perceptions on availability of funding – and experiences in accessing such funding in reality – that these avenues are not always fruitful.

Additional factors prohibiting active participation

Additional barriers to SMME growth and development included skills shortages and the lack of language proficiency. Experiences differed in various locations when it came to skills shortages: larger cities were perceived to have better skills and education resources than smaller ones. One SMME in Nelspruit explained:

Getting the necessary resources in terms of people – again, it's a bit of a mission, because, when you look at this side, as opposed to Gauteng, people are not that well educated and well skilled. (STEL1)

The lack of language proficiency, particularly in French, was reported to be a problem for SMMEs in terms of gaining business. Foreign national guides, such as those from the Congo, benefitted from the language situation, but simultaneously compromised the tourist experience:

If they have employed a local guide, he will have explained ... [the] history behind it ... so now these people [the tourists] ... are not getting the real information about South Africa ... and this is our country, our money, and we try to sell our country in the wrong way. (FG5)

Conclusion

Tourism is a key sector in terms of South Africa's economic growth and transformation goals. The sector has, however, not transformed as was expected, and there is still much to be done on the ground, in terms of real transformation. The current paper explored the experiences and perceptions of transformation in the particularly under-researched Travel and Related Services subsector of South Africa's tourism industry. Interviews and focus groups conducted with SMME owners revealed important daily challenges that they face – and that impact on the progress being made on transformation of the tourism sector as a whole. Factors that seemed to promote their active participation in the tourism value chain included placings on the available SMME databases; networking; collaboration with relatively large enterprises and with other SMMEs; exposure to the industry through trade exhibitions; membership in associations; and some funding support, particularly from government. Despite having some key opportunities for creating important business linkages to the tourism value chain, the SMMEs noted numerous factors that prohibited their active participation: bureaucratic processes regarding BEE certification, licensing and registration; problematic tender processes; corruption; unfair business practices engaged in by relatively large enterprises; encountering gatekeepers that preclude business linkage opportunities; payment delays; limited access to funding; racial prejudice; and the threat posed by the sharing economy as well as disruptive technologies. Overall, factors prohibiting their active participation in the sector far outweighed those promoting their participation. Despite several national policies, programmes and strategies

being in place, the reality of their implementation varies significantly. Factors that prohibit the active participation of SMMEs in the tourism value chain have to be addressed if transformation goals are to be achieved. Doing so will require collaboration between all stakeholders in the value chain.

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