ADDRESSING INEQUALITIES AND EXCLUSION IN SOUTH AFRICA’S TOURISM ECONOMY: THE TOURISM ENTERPRISE PARTNERSHIP

CHRISTIAN M. ROGERSON,
SCHOOL OF TOURISM & HOSPITALITY,
UNIVERSITY OF JOHANNESBURG,
SOUTH AFRICA.

INTRODUCTION

In a recent review on small firms in tourism Thomas, Shaw and Page (2011) argue that “One of the most conspicuous developments in tourism policy over the past 2 decades has been the growth of interest in small businesses”.

In the context of the growing tourism economies in Africa, the World Bank (2012) sees a major challenge as that of making the tourism sector a source of both sustainable growth and shared growth.

With at least 95 per cent of all tourism enterprises in Africa classified as SMMEs, there is a need for tourism policy to address issues of small firm development in the tourism sector.

This paper represents a contribution to international debates on tourism policy and the development of tourism small businesses looking at the developing world case of South Africa.

AIM AND RATIONALE

AIM: To examine the workings of a South African programme – the Tourism Enterprise Partnership - which is targeted specifically to support SM(M)E development in the tourism sector of South Africa.

In particular, the paper analyses the operations of TEP in facilitating the growth, development and sustainability of small tourism business in South Africa.

RATIONALE: Within the international scholarship and policy debates on tourism entrepreneurship and tourism small firms, the South African experience is particularly distinctive in two respects:

- the support of particular groups of tourism SMMEs linked to objectives of transformation of the tourism economy, and
- the introduction of dedicated tourism-specific support programmes for SMME development, most importantly TEP.

KEY ARGUMENTS

The TEP experience offers ‘good practice’ for support of tourism SMMEs.

Nevertheless, a changing environment and funding model of TEP poses dangers for the continuation at scale of TEP’s current support operations to extend market access opportunities for tourism small enterprises and achieve the goals of the organization for redressing entrenched inequalities in South African tourism landscape.
ORGANIZATION

The analysis unfolds through three sections of discussion.

- First, the study is located within international scholarship on tourism policy and debates on small tourism firms.
- Second, analysis of the structure of the South African tourism economy, the position of SMMEs and positioning of TEP.
- Third, examination of the unfolding activities of TEP and in particular of contemporary challenges.

INTERNATIONAL RESEARCH

At the outset it is useful to recognise and adapt the distinction made by Hall (2009) between tourism policies and policies that affect tourism. The former are explicit interventions developed by government agencies specifically for purposes of managing, regulating or supporting tourism. The latter are a wider range of implicit public policies that through their scope or intent can influence the development opportunities for tourism enterprises. Although the bulk of existing scholarship on small firm development is focused on explicit tourism policies, sight must not be lost of the potentially impact and powerful influence on tourism small firm development of the group of implicit policies.

INTERNATIONAL RESEARCH (2)

In terms of research on tourism small firms Shaw and Williams (2010) point out that this has become a major focus of research in developed economies in the last two decades. Indeed, among others Ateljevic (2007) draws attention to the strong bias in small firm research towards Europe, towards rural tourism and towards the accommodation sector. In terms of tourism policy the emphasis is strongly upon the category of explicit public policy interventions. A key theme recognised by Thomas et al. (2011) is for public policy support for building the competitiveness of small firms within tourism economies. Other critical issues concern the importance of building partnerships for successful interventions and of the significance of sub-national support for tourism small firms ie. the importance of local level development interventions.

INTERNATIONAL RESEARCH (3)

Across the developing world relevant scholarship has been limited, despite Rodenburg in 1980 alerting tourism scholars of the potentially positive implications for economic and social development in Indonesia of promoting small scale enterprises. Overall, explicit public policy support interventions for tourism small firms have been minimal and especially in Africa the core issue for tourism policy has been of expanding the size of tourism economies. Recent work by pro-poor tourism scholars and especially by Mitchell and Ashley (2010) emphasizes the need to incorporate tourism small firms into value chains and of building linkages between large tourism enterprises and small firms. Much interest surrounds notions of the inclusive business, of CSR interventions to assist small firms and more powerfully of developing the business case for linkages (Ashley et al. 2007). Nevertheless, among others, Briedenhann (2011) urges that greater attention be paid to the cumulative potential of small tourism firms in alleviation of poverty and to shift focus away from the role of large firms.
SOUTH AFRICA: ROLE OF SMMES IN TOURISM

Historically, the tourism economy was dominated by white entrepreneurs and by large tourism enterprises.
Six companies control 60-70 percent of the South African tourism industry.
Of a national estimate of 50 000 tourism enterprises, at least 97 percent would be SMMES.
Transformation is a core issue - to change the racial complexion of the beneficiaries of tourism in South Africa.
The 2011 National Tourism Strategy acknowledges “the rate of transformation in the tourism industry has been very slow, with few black entrants in the market, and big and small business still largely dominated by white people”.

STRUCTURE OF SOUTH AFRICA’S TOURISM ECONOMY

Three tier hierarchy of enterprises:
1. At the top or apex are the operations of the elite group of large enterprises which are responsible for, inter alia, the country’s major travel and tour agencies, transportation, hotels, casinos and conference centres.
2. The greatest proportion of the business hierarchy, however, is represented by the activities of, at least, two different kinds of SMMES. The middle tier is formed by groups of established, almost predominantly white-owned SMMES which operate a host of different establishments from travel and touring companies, restaurants, small hotels, self-catering and resorts, game farms, bed and breakfasts or backpacking hostels.
3. The lowest tier or rung in the South African travel and tourism industry is represented by the emerging black-owned tourism economy which constitutes a mix of formally registered micro-enterprises as well as a mass of informal tourism enterprises.

It is this lowest tier of tourism businesses established and operated by Black South Africans that has been the focus of national policy initiatives for transformation and support.

SUPPORT FOR TOURISM SMMES

SMME development has been a core policy thrust in post-apartheid South Africa.
Institutional structure set up post-1995 for government-led delivery of financial support and non-financial support in terms of BDS.
Programmes which were introduced for SMME development were of a generic nature rather than sector specific.
Five years after their introduction, little government support was reaching tourism small firms, despite the ‘Mandela’ boom in the tourism economy.
What support programmes were available were largely benefiting the group of white owned SMMEs which had the awareness and capability to access support opportunities.
Left out were the group of emerging, largely black-owned tourism SMMEs which were a key target for government programmes.

POST-2000 – A CHANGING SUPPORT ENVIRONMENT

In 2000 the Tourism Enterprise Programme (TEP) was launched as a dedicated support initiative for job creation and to assist the development and upgrading of tourism SMMES within the national tourism economy.
TEP is an unusual and innovative institution in two critical respects:
• First, it represents a dedicated institution for the support of tourism SMMEs in the context of a growing tourism economy that was in urgent need of changing its (racial) ownership complexion.
• Second, it represents an important break from the existing style of SMME support on offer in South Africa since 1995 in which the focus of support was upon generic packages of assistance rather than tailored support for the needs of enterprises in different sectors of the economy.
DEVELOPMENT OF TEP

TEP initially was launched as a four year job creation initiative in July 2000 with funding support from the private sector, Business Trust.

Origins of TEP were thus outside of national government SMME support programme.

The primary goal of TEP was to facilitate the growth of SMMEs in the South African tourism economy and thereby to generate employment opportunities.

In an effort to promote diversity in the tourism sector, however, TEP focused its support initiatives primarily (but not exclusively) on South Africa’s historically disadvantaged black entrepreneurs.

Until TEP was introduced in 2000 there was no meaningful support programme in South Africa that focused on tourism small firms.

THE TEP APPROACH (1)

The TEP approach was innovative in several important respects.

It is essentially a demand-driven approach, in which SMMEs are assisted to respond to proven demand for their services.

TEP seeks to identify, facilitate and ultimately foster commercially viable business transactions between tourism enterprises and other related buyer, supplier, partner and investor firms and corporations linked to the tourism sector.

The demand-driven approach of TEP is seen as setting the organization apart from supply-side driven programmes where the output of an intervention is often a more skilled SMME rather than an SMME generating new business.

THE TEP APPROACH (2)

TEP provides services in two principal ways.

The core intervention involves “helping large tourism enterprises, investors, small enterprises, and historically disadvantaged enterprises to identify viable linkage or business opportunities, and aiding the parties to turn the linkage or business opportunity into a business transaction”.

For SMMEs assistance would be provided to obtain necessary professional services for business development including, if needed, quality certification, debt and equity finance, appropriate business planning, packaging, legal advice, marketing and technology support.

This primary TEP intervention is supplemented by financial support for upgrading capacity of SMMEs on a cost-sharing basis.

TEP works in various ways with both buyers and suppliers to overcome their problems in making a transaction, developing a data base of SMME suppliers that can be ‘introduced’ to corporate buyers and seeking to ensure that SMMEs can comply with the requirements of buyers. Many of the services provided to SMMEs, such as training, preparation of business plans and tenders, to overcome their difficulties are undertaken through independent fee charging service providers.

THE TEP APPROACH (3)
EARLY SUCCESS AND INSTITUTIONALISATION

Evaluations of TEP activities have been highly favourable in terms of its progress in supporting growth of tourism SMMEs and associated job creation.

Exceeded expectations and quantitative benchmarks in its early years of operation enabling SMMEs to secure markets for their goods and services from a range of buyers that included major hotels, casinos, national and provincial parks, and through events such as the 2002 World Summit on Sustainable Development.

From 2003 direct funding for the first time for TEP from national government (DEAT) and from 2004 TEP was co-funded by private sector and national government.

Because of its success in 2008 TEP was institutionalised and name change to Tourism Enterprise Partnership with major national government funding.

EXPANSION AND CHANGE POST-2004

With national government support TEP emerges as a joint PPP for job creation and enterprise development in tourism.

At the core of TEP's operations, remains catalyzing the expansion of commercially viable business transactions in search of long-term job creation - sustainable businesses (TEP AR 2009, 2011).

Introduction of a service graduated model (pyramid) to recognize that one size fits all support does not work (TEP AR 2008).

For lowest levels - often rural tourism SMMEs or those in least visited provinces where TEP was to target its operations - support was mainly basic business advice, tourism awareness.

At upper end of graduation model - greater emphasis on mentorship, SMME toolkits, learning networks and engagement as part of TEP Hidden Treasures programme.

Main thrust is to enhance market access.

EXPANSION AND CHANGE POST-2004 (2)

Post 2004 TEP focus on developing tourism clusters through developing local business associations.

Facilitate procurement from large firms and Government.

Sub-sector focus on craft sector, MICE, cultural tourism.

Support for municipalities in tourism planning New specialized training support courses specific for tourism.

Support to mega-events such as 2010 World Cup to maximise opportunities for SMME development.

Focus more on a sustainable approach to enterprise development rather than TEP being seen as a funding agency (TEP AR 2010)

But from 2010 changing policy environment for its operations as private sector funding is ended with winding up of Business Trust in 2011 (TEP AR 2011).

TEP now has to raise own funding to match that from national government.

EXPANSION AND CHANGE POST-2004 (3)

Immediate cut back in TEP operations at a time of New Growth Path which prioritizes tourism for job creation.

Major national focus for job creation and new NDT policy focus is rural areas puts added pressure on TEP.

In order for sustainability and to avoid greater cutbacks in its operations because of reduced funding, several adjustments/ responses by TEP (Siddo 2011).
EXPANSION AND CHANGE
POST-2004 (4)

Withdrawal of TEP from direct grant funding support.

Greater partnerships with provincial governments - TEP provides skills training for training SMMEs in certain provinces/assist with improving SMME market access.

Seek a stronger partnership with private sector for funding support through the Enterprise Development Portfolio under which corporations receive BEE points for funding TEP SMME initiatives (Siddo 2011).

But limited number of enterprises affected by BEE Scoreboard plus established Enterprise Development programmes.

EXPANSION AND CHANGE POST-2004 (5)

Launch of its own Hidden Treasures portfolio of products to target international markets (AR TEP 2009, 2010).

Hidden Treasures are TEP small businesses graduates that offer high quality tourism products, such as accommodation, story-telling, craft, performers, tour operators and ground transfer operations.

Packages were sold to international tour operators with FIFA World Cup to be launchpad (Siddo 2011).

Only limited impact - issues of cost, service quality, product

CONCLUSION

Tourism research on small firms is an undeveloped issue in scholarship on the developing world in general and sub-Saharan Africa in particular.

In the international context of tourism small firm development, the activities of South Africa’s TEP provide a case study of an innovative policy approach to supplying assistance for small enterprises in tourism.

Within the South African context, TEP has been an increasingly important player in terms of national government’s goals of transformation and expanded job creation in tourism.

TEP has been part of initiatives for ensuring a wider distribution of the benefits of growth in the South African tourism economy, of ensuring ‘shared growth in tourism’.

CONCLUSION (2)

Nevertheless, the vitality of TEP operations are under threat in a changed South African policy environment and difficulties in securing funding from private sector (or donors).

Suggestions have been made that it be incorporated more directly in funding for national SMME programmes.

Funding challenge remains critical constraint on TEP activities

Under these circumstances the important levers for addressing inequality and exclusion in tourism may have to shift from explicit support policies (such as TEP) to (implicit) policies that affect tourism SMMEs.

Key issues may include those of NDT support for particular niche forms of tourism, strengthened BBBEE initiatives, rural land redistribution, and a revitalisation of SMME policies and programmes as a whole.