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## Tourism SMMEs in South Africa: A Case for Seperate Policy Development?



Christiaan M. Rogerson  
University of Witwatersrand

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**Christiaan M. Rogerson**  
**University of the Witwatersrand**

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## 1. Introduction

One of the key issues that has been raised in terms of the analysis of small enterprise (SMME) support programmes in South Africa is that often support initiatives have been in the form of 'generic' packages that overlook the specificities of particular sectors. Although it has been recognized that the SMME economy in South Africa is extraordinarily diverse and composed of different groups of enterprises which require different kinds of support intervention, currently there exists only limited research on the specific support needs and constraints that challenge SMME development in particular sectors of the economy. This report is part of a series of studies to be undertaken on the specific challenges that exist in terms of SMME development in particular sectors of the South African economy with special attention to the priority sectors which have been identified in the government's Microeconomic Reform Strategy and **the dti's** Integrated Manufacturing Strategy.

The focus in this investigation is upon the tourism sector – one of **the dti** priority sectors – and the specific issues that confront tourism SMME development. For the period 1998-2002 of all the priority sectors tourism exhibits the strongest growth in terms of absolute numbers of formal sector employees. Indeed, tourism is the only sector for the period 1998-2002 that shows both positive growth in employment and contribution to GDP. Whereas for several other priority sectors the trend has been for employment to decrease whilst contribution to GDP continues to grow, tourism has recorded substantial improvements both in terms of employment and GDP contribution (*Monitor, 2004*).

It is clear that, in terms of the future development of the tourism economy in line with government objectives of transformation and Black Economic Empowerment, the promotion of SMMEs is an issue that is of critical concern for policy-makers (TBCSA, 2002, 2003, Rogerson, 2004a, 2004b). Despite the importance of SMME development in the contemporary South African economy it remains that relatively little research has been undertaken on the issues and developmental challenges that confront tourism SMMEs. This paper aims to present the findings from a number of recent empirical investigations and review material concerning the progress and problems of tourism SMME development in South Africa. The essential argument that is developed here is that the nature and problems that face tourism SMMEs in South Africa exhibit certain similarities but also several important and distinct features to SMME development in other sectors of the South African economy.

The paper aims to contribute towards a body of knowledge and more nuanced understanding of the South African SMME economy with the additional goal of feeding into a rethinking of support interventions. The analysis unfolds through five major sections of material.

First, a review is undertaken of international writings and debates on small tourism firms. This review provides a wider context within which to view the South African experience and challenges of tourism SMME development.

Second, clarification is provided of the definition of tourism, its key features and performance in the South African economy.

Third, the position and importance of developing tourism SMMEs in South Africa is examined.

Four, new research material is presented which analyses the major problems that face different types of tourism SMMEs in contemporary South Africa.

Finally, by way of conclusion, a select review is offered of certain support initiatives to assist SMME development in tourism

## 2. Researching Tourism Small Firms

Over recent years a number of international scholars have stressed that it is appropriate to examine small tourism and hospitality firms as a distinct analytical category from small business enterprises as a whole (Thomas 1998, 2000). In particular, the case for viewing small tourism firms as a distinctive focus for scholarly attention is anchored on the arguments of Burrows and Curran (1989) that there are serious methodological dangers in small business research that neglect sectoral contexts. With major observed differences in the behaviour and characteristics of small - as opposed to large - tourism enterprises, it is contended that "there are good reasons for treating small tourism firms as a distinct analytical category" (Thomas 2000, p. 351). Accordingly, it is asserted that there is a compelling case for "an assessment of small tourism firms that is separate from the study of small firms in general" (Thomas 2000, p. 348).

In the international context, many tourism scholars have begun to respond to this challenge of expanding our understanding of small tourism firms. Since the 1990s, Thomas (2004) argues there "has been a flourishing of interest in a variety of issues relating to small businesses in tourism". Illustratively, within the last year three edited collections have appeared concerning international research on small firms in tourism (Keller and Bieger, 2004; Thomas, 2004; Morrison and Thomas 2004X).

It must be acknowledged, however, that the bulk of existing scholarship is centred upon issues around the role of small tourism firms in developed countries. The literature contains work around several issues concerning the development and dynamics of small tourism firms including *inter alia*, the role of information technologies (Buhalis, 2004), impacts of globalization (Smeral, 1998), policy towards small tourism firms (Buhalis and Cooper, 1998; Wanhill, 2000; Vanhove, 2004; Wanhill, 2004), networking and cooperation (Lynch, 2000; Bieger, 2004; Bieger et al, 2004; Komppula, 2004a; Telisman-Kosuta and Ivandic, 2004), innovation in small firms (Atejevic and Doorne, 2000; Hallenga-Brink and Brezet, 2005), the problems of rural entrepreneurship (Lassila, 2000; Buhalis and Paraskevas, 2002; Komppula, 2004b), responses to seasonality (Getz and Nilsson, 2004), the role of small firms in niche markets (Hall, 2004; Scott and Laws, 2004), factors affecting business performance (Lerner and Harber, 2001; Morrison and Teixeira, 2004; Reichel and Harber, 2005), human resource development (Lee-Ross, 1999), and small firm contributions to local and regional economic development (Pechlaner and Tschurtschenthaler, 2003; Bastakais *et al*, 2004; Erkkila, 2004; Job *et al*, 2004; Keen, 2004).

Not surprisingly, the accommodation sector has been a particular focus for attention concerning the birth, development and dynamics of small tourism enterprises (Thomas, 2004). An important finding from empirical research conducted both in the United Kingdom and New Zealand is that the majority of small tourism firms do not aspire to grow and instead are often motivated by non-financial considerations (Atejevic and Doorne 2000; Hall and Rusher 2004).

Many enterprises, such as bed and breakfasts in the family home or holiday cottages on a farm, represent examples of 'marginal' small businesses which are effectively an addition to a main income (Webster 1998, p. 208). The significance of social, 'lifestyle' or non-economic factors in tourism entrepreneurship in developed countries is an important finding that is highlighted within several recent investigations (Williams *et al*. 1989; Atejevic and Doorne, 2000, 2003, 2004; Shaw and Williams 1990, 2004; Hall and Rusher 2004; Shaw, 2004). It is argued that tourism small firms can be distinguished broadly into 'lifestyle enterprises' that are set up to provide owner-managers with an acceptable income at comfort levels of activity and 'entrepreneurial small businesses' driven by the growth motives of the Schumpeterian type of entrepreneur (Buhalis and Paraskevas, 2002; Atejevic and Doorne, 2003, 2004; Shaw and Williams, 2004).

Another critical finding is that despite their numerical dominance of tourism economies in most parts of the world, tourism small firms "lack of strong lobbying voice within the matrix of stakeholders at the destination means that they tend to lose out to the stronger voices of large enterprises and political groups" in tourism planning and policy circles (Buhalis and Cooper,



1998, p. 324). Finally, for South African researchers there are a number of specific parallel and interesting issues concerning Black Economic Empowerment that are raised in research concerning the opportunities and constraints affecting 'indigenous' or Aboriginal micro-enterprise formation in northern Australia (Buultjens *et al*, 2002; Fuller *et al* 2005).

By contrast to this growing set of writings on small tourism firms in the North, the literature on small tourism firms in the South or developing world is relatively limited. The most useful sets of contributions perhaps are those contained in the edited collections by Dahles and Bras (1999a) interrogating the role and activities of small entrepreneurs involved in the Indonesian tourism economy and by Dahles and Kuene (2002) concerning tourism entrepreneurship and small tourism enterprises in Latin America and the Caribbean. Within a developing world context it has been argued that the common economic objectives of increased earnings, foreign exchange, investment, job opportunities as well as the minimization of adverse social and cultural effects might be best achieved through the promotion of small tourism firms rather than large enterprises (Rodenburg, 1980; Telfer, 2002).

Despite this assertion currently there exists only limited detailed empirical work on tourism entrepreneurship in the South with some notable exceptions for Malaysia (Hamzah, 1997), Indonesia (Dahles and Bras, 1999b; Dahles, 2000, 2001; Hampton, 2003), Ghana (Gartner, 1999, 2004), Melanesia (Douglas, 1997) and the British Virgin Islands (Petrovic and O'Neal, 2001). A core finding is that the growth of small firms in tourism economies is often severely constrained by the power and dominance that is enjoyed by large enterprises (Britton, 1982, 1987).

In some cases, the most promising opportunities for small firms appear to exist not in mass tourism operations but instead in alternative forms of tourism, such as low-budget tourism as exemplified by backpacking (Hampton, 2001). As many kinds of alternative tourism occur in peripheral regions, it has been recommended that local control and local small enterprise development in tourism in such areas be supported by the provision of special fiscal and monetary incentives to enable local entrepreneurs to own and operate small tourism establishments (Tosun, 2005). Finally, a new perspective on tourism small firms in the South emerges from the important set of writings on pro-poor tourism which stress the importance of a policy environment for supporting small tourism enterprises as a potential basis for addressing poverty reduction (Ashley *et al*, 2000; Ashley *et al*, 2001; Ashley and Roe, 2002; Bah and Goodwin, 2003).

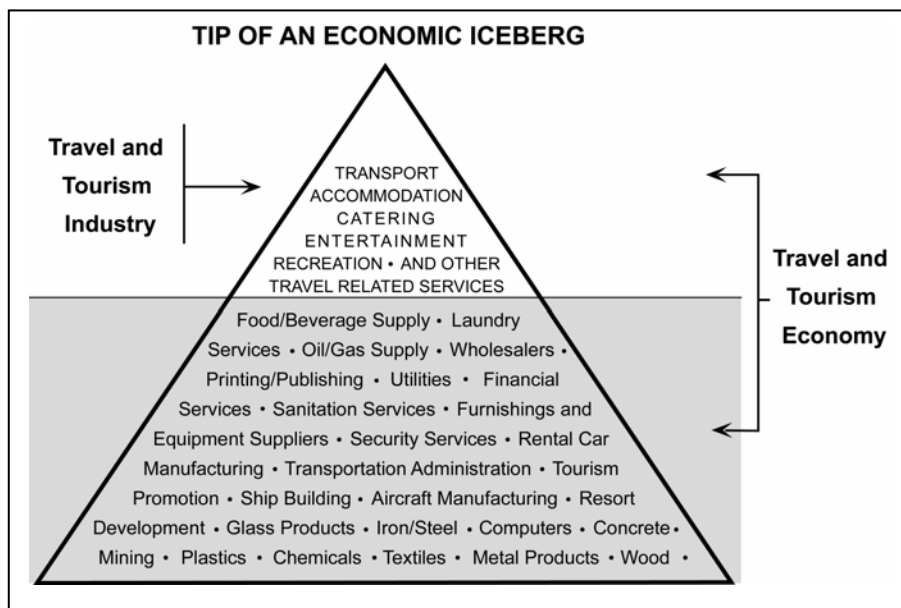
### 3. Tourism in the South African Economy

In terms of economic analysis, the tourism sector is highly distinctive in that it is not a sector formally classified as such in terms of the International Standard Industrial Classifications (Smith, 1998). One important consequence of this situation is that there is often considerable uncertainty concerning the precise boundaries of the tourism economy and of how to measure its economic impact for employment creation or contribution to Gross Domestic Product.

Internationally the problem of definitional boundaries, data scarcity and measurement concerning tourism has been addressed in various ways. In South Africa, local definitions and measurement of the boundaries and impact of tourism has been influenced strongly by the system of Tourism Satellite Accounting (TSA) following the international standards used by the World Tourism Organization (WTO) which are designed to improve tourism statistics worldwide. Under this WTO TSA a fundamental distinction is drawn between the narrow 'travel and tourism industry' and the broader 'travel and tourism economy'. It is evident from this conception of the boundaries of tourism that the travel and tourism industry, comprising transport, accommodation, catering, entertainment and related activities, essentially represents the tip of an economic iceberg (Figure 1). Measurement of the economic performance of the wider travel and tourism economy needs to recognize the associated sectors in manufacturing, construction and services which are linked to and benefit from the growth of the travel and tourism industry.

Figure 1: Two dimensions of tourism:

#### 1) The travel and tourism industry, and 2) The travel and tourism economy



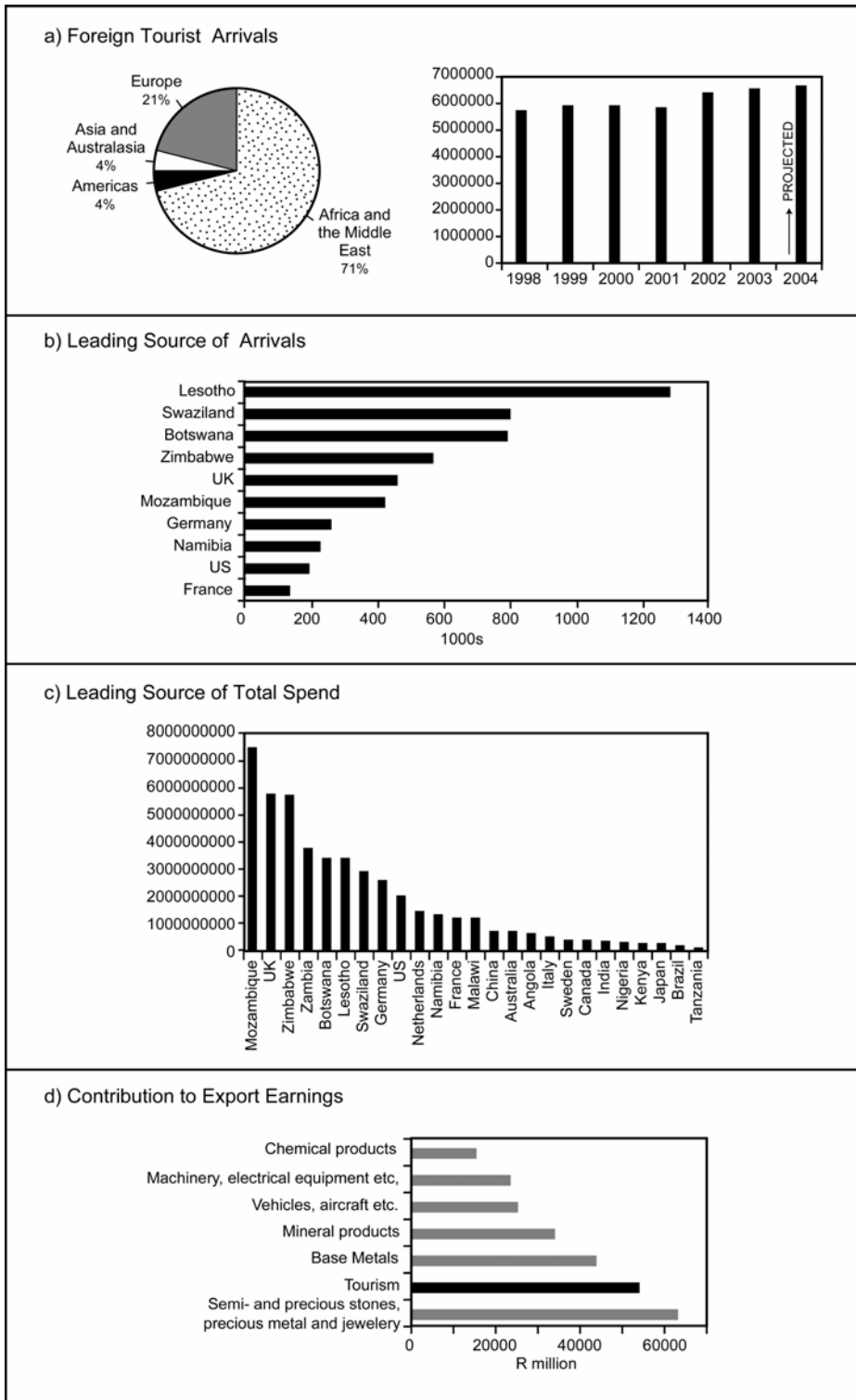
[Source: Based on WTTC]

Although the (low) statistical base is far from clear, it is evident that since 1994 a marked improvement has occurred in the economic performance of the tourism sector (DEAT, 2003). During the early 1990s, South Africa's tourism industry was in a real state of crisis, beset by several problems such as under-investment and the low numbers of international tourism arrivals, which was a legacy of sanctions and of apartheid policies (Rogerson and Visser, 2004). In addition, it was suggested that another factor behind the crisis in tourism during the late apartheid years was the consequence of mistakes made with past policy frameworks.

Undoubtedly, as compared to the growth and increasing economic impact of tourism in several other African countries (Egypt, Tunisia, The Gambia or Kenya) it was evident by 1994 that tourism development in South Africa largely had been a 'missed opportunity'. Over the past decade, new policy frameworks have been brought in place – most importantly through the appearance of the 1996 White Paper on the Development and Promotion of Tourism - in order to maximize the opportunities for tourism to contribute towards economic growth, job creation and enterprise development.

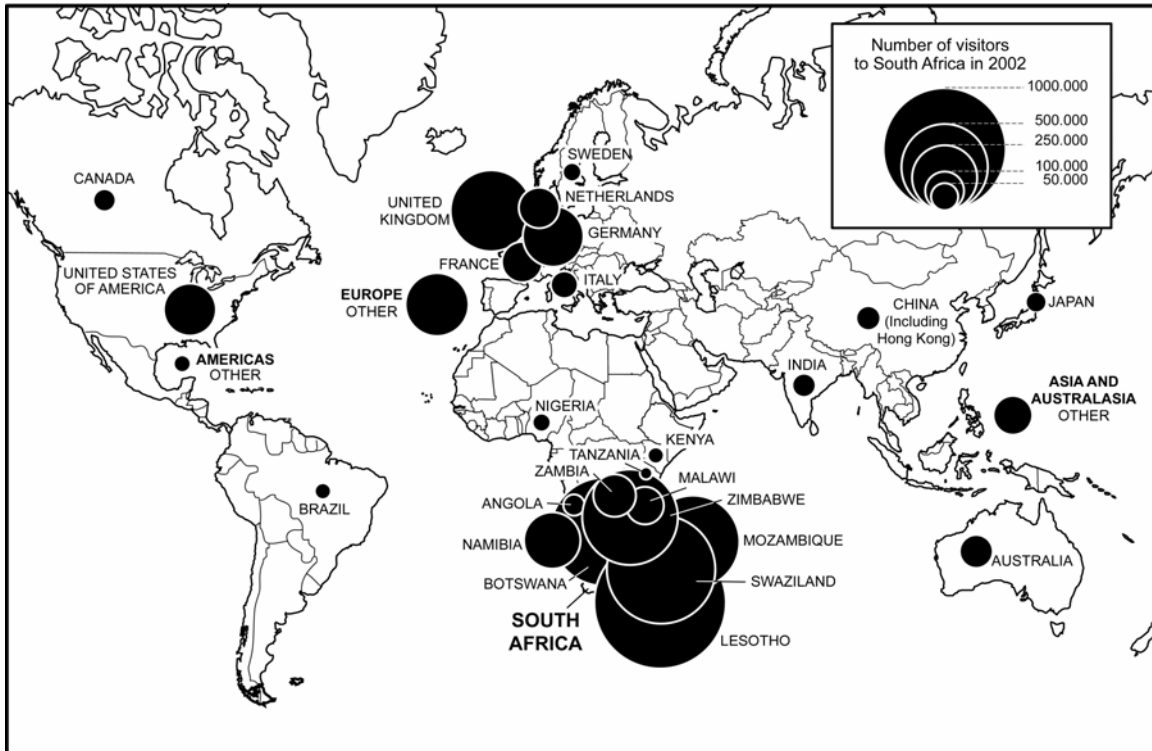
It is clear from the Ten Year Review document published by the Department of Environmental Affairs and Tourism that the period since 1994 is regarded by government as one of considerable achievement, particularly in terms of the renewed growth of international tourism arrivals (DEAT, 2003). At the height of South Africa's pariah status in the mid-1980s international tourism arrivals were as low as 50 000 per year. Since 1993 a spectacular growth has occurred in international tourism, building upon the 'Mandela boom' associated with the new democracy, the events of September 11, the Iraq war and subsequent international terrorism which have led to a re-assessment of South Africa as a relatively safe destination for international travellers (Rogerson and Visser, 2004). Aspects of tourism's growth, economic contribution and source of foreign tourists are shown in Figures 2 and 3.

Figure 2: Aspects of SA' tourism industry



[Source: Based on data from SA Tourism]

Figure 3: The international flows of foreign tourists to South Africa



[Source: Based on data from SA Tourism]

It is significant to observe that a substantial share of South Africa's international tourism arrivals is accounted for by 'regional tourists' from sub-Saharan Africa rather than long haul international travellers. Indeed, of the top 10 source markets for international tourists, six of the biggest source markets - Lesotho, Swaziland, Botswana, Zimbabwe, Mozambique and Namibia - are neighbouring countries. Many of these tourists are short-stay visitors (1-3 days) and are travelling to South Africa for purposes of shopping, business or visiting friends and relatives (Rogerson, 2004c).

As the average spend per tourist differs between countries, the countries from which South Africa generates the highest tourism income are different from those relating to numbers of tourists. Nevertheless, according to the most recent South African Tourism data, six of the top ten countries from which South Africa generates most spending are, once again, regional African sources, with Mozambique ranked as number one. In total, during 2003 tourists from Mozambique, Zimbabwe, Zambia, Botswana, Lesotho and Swaziland spent an amount of R26.6-billion in South Africa, which is almost half of total income from foreign tourism.

Although a large proportion of these regional African tourists are land travellers, the importance of air travel is reflected in the fact that between 1994 and 2003, the numbers of flights between South Africa and other African countries expanded by a factor of more than threefold. This growth in intercontinental air connections – the 'Africanisation' of South Africa's international air transport linkages – has been caused strongly by rising demand for travel to South Africa from groups of especially business and shopping tourists (Pirie, 2004).

Despite the large number of arrivals from regional African destinations, it must be stressed that eight countries accounting for only 18% of arrivals remain responsible for generating 40% of revenue. These critical markets are Australia, Canada, France, Germany, Italy, Netherlands, the UK and the US (Monitor, 2004).

Finally, in terms of tourism spend, sight must not be lost of the considerable significance of domestic tourism in the South African economy. In addition to the R53.9bn spend of foreign tourists, domestic tourists accounted for an additional R47bn, a finding which underlines the current importance of tourism as a source of foreign exchange, economic growth and potentially of job creation and SMME development.

During 2003, the World Travel and Tourism Council estimated the total current and anticipated economic contribution of tourism in South Africa as follows:

- Gross Domestic Product

The Travel and Tourism Industry was expected to contribute 2.9% to GDP in 2003, rising to 3.6% by 2013.

The Travel and Tourism Economy was expected to contribute 7.3% to GDP in 2003, growing to 8.8% by 2013

- Employment

The Travel and Tourism Industry in 2003 accounted for 491 741 jobs or 2.9% of total employment. By 2013 this is forecast to expand to 751 100 jobs or 3.7% of the national total in a decade's time.

Employment in the broader Travel and Tourism Economy was estimated as 1 118 530 jobs, 6.6% of total employment or 1 in every 15.2 jobs. By 2013 this is forecast by the WTTC (perhaps, over-optimistically?) to escalate to 1 650 140 jobs, 8.2% of total employment or 1 in every 12.2 jobs.

- Exports

In 2003 Travel and Tourism is expected to generate 12.1% of total exports, growing to 14.6% of total exports by 2013. According to South African tourism data, the international tourists spend during 2003 of R53.9bn now exceeds the export earnings of critical export categories such as vehicles, mineral exports and base metals as well as net gold exports (R35.3bn).

Set against these impressive results are the findings of a recent more critical external evaluation produced also by the World Travel and Tourism Council. This study suggests that, notwithstanding considerable post-1994 progress, the actual performance of tourism during the period 1994-2003 has been somewhat disappointing as it has certainly not lived up to the optimistic and aggressive targets set in 1996 (WTTC, 2003). The WTTC stresses that the major disappointments relate to tourism's performance in terms of job creation and small business development. The WTTC argued that South Africa's travel and tourism economy has not yet fully met promises to generate employment 'at the speed of light', or extend development opportunities to the farthest reaches of the nation. Despite that criticism, the WTTC believes firmly that future prospects for the sector "remain extraordinary" (WTTC, 2002, 2003). Further optimism and hype has been generated for tourism development by South Africa's successful bid for the 2010 Soccer World Cup.

The most recent detailed analysis of the South African tourism economy (Monitor, 2004) highlights a number of key findings on the current state of the tourism industry and areas for improved competitive performance.

Tourism arrivals in South Africa currently are too dependent on a few large markets and thus the mix of arrivals needs to lessen dependence on these potentially volatile markets and correspondingly increase South Africa's share of arrivals from high value markets.

The local tourism industry needs to be realigned in terms of redefining and upgrading its products and services to address the tourism demands in those countries and segments that are most valuable.

The flow of foreign tourist arrivals into South Africa has seen good growth, particularly if set against the comparative performance of some other 'best-in-class' destinations (such as Australia) which recently have been losing volume.

What South African Tourism research defines as the country's 'core' and 'tactical' markets continue to be the major drivers of volume growth. The core markets comprise Australia, Botswana, China, France, Germany, Italy, Japan, Kenya, Lesotho, Mozambique, Namibia, Netherlands, Nigeria, Swaziland, Tanzania, UK, USA, Zambia and Zimbabwe. The list of tactical markets comprises Angola, Austria, Belgium, Brazil, Canada, India, Ireland, Malaysia, Malawi, New Zealand, Saudi Arabia, Singapore, South Korea, Spain, Sweden, Switzerland, Taiwan, Thailand and the UAE.

South African Tourism research identifies a number of global segments in these core and tactical geographical markets which are viewed as holding potential for further volume growth. Examples of these segmented markets include groups of so-termed 'family travellers', 'NSSAs' and '*wanderlusters*'. For these travellers and for international tourists as a whole, the question of 'safety and security' remains a top priority.

Employment figures from the WTTC and endorsed by the Human Sciences Research Council suggest that in international comparison "the South African tourism industry has been one of the better performers in creating employment" and that whilst "the order of magnitude of growth is uncertain, the upward trend seems certain" (Monitor, 2004, p. 17).

In international comparisons for the period 1999-2003 foreign arrivals and employment levels in South African tourism have continued to grow against the trend of several other countries.

Significantly, if comparisons are drawn between numbers of tourism employees and international visitors, it is shown that South Africa has more arrivals per tourism employee than other competitor countries. This low ratio of direct employees to international visitors suggests that the country may be under-investing in human capital for tourism. Indeed, it seemingly takes more foreign tourists to create one job in South Africa (12 per direct job) than in other countries.

For South Africa to become a globally competitive tourism destination there needs to be forged and managed a strategic alignment in the industry.

In terms of enhancing competitiveness, the existing configuration of the tourism industry needs to be addressed. It is suggested there is a high degree of fragmentation as demonstrated by weak linkages and lack of information sharing between industry players and thus an urgent need for the "creation, brokering and dissemination of both operational and marketing data at local industry cluster levels" (Monitor, 2004, p. 45). The need for realignment of the industry is suggested further in terms of the finding that "institutional structures such as local industry associations and authorities are perceived to have limited value in particular for small players" (Monitor, 2004, p. 45).

Competitiveness of the industry to attract foreign arrivals can be enhanced by ensuring that the domestic market has a wide experience of the South African tourism product because of the critical finding that local 'word of mouth' is a vital source of information for most foreign tourists visiting South Africa. It is thus of concern from an information-access point of view, that the industry believes the important domestic tourist is being out-priced particularly with respect to tourism attractions and the high end of the accommodation market.

In terms of capacity and capability, the major sub-sectors of accommodation and travel are assessed as having sufficient capacity and even exhibit signs of over-capacity in game lodges and B&Bs. The key issues relate to seasonality of air travel from certain destinations, especially the UK, France, China, Japan and Nigeria. Of concern also is high pricing and limited competition of air travel on certain routes.

Tourism product owners – and especially SMMEs – struggle with marketing which tends to be geared to the international market at the expense of product development for the domestic market. For SMMEs their lack of marketing skills and resources is noted as of concern in light of

most product owners' strong and undifferentiated desire to attract particularly international rather than domestic tourists. For most product owners the domestic market is viewed merely as a 'fall back market' to be turned to in times of downturn of foreign arrivals.

Tourism product innovation is considered as 'moderate' with most new developments occurring around wildlife and 'eco-products'. Innovation is driven by strong competition and growing understanding of customer needs, as well as some improvement in terms of linkages. The most important product gaps as identified by the industry are around the improvement of cultural products (township tourism, museums, *cuisine*), adventure products, family products for both domestic and international tourists, value for money attractions for the domestic market including family resorts, and world class beach products. Factors seen as inhibiting innovation are the lack of close integration in the industry and the lack of information sharing by major players. An increased divergence is observed between product development for domestic and international markets.

In terms of human resources, the industry identifies a core challenge as that of obtaining skilled employees at all levels, a gap that relates to the existing very weak linkages with training and academic institutions. The tourism industry view is that the available pool of human resources is insufficient to meet future needs.

The image and marketing of South Africa as a 'brand' for international tourists needs to be enhanced as many tourists perceive the country as not only unsafe but 'unwelcoming' and not a friendly and fun place. The importance of word of mouth referrals is underlined by the fact that international tourists often state that it is difficult to access tourism information on the country. The major demand from the tourism industry is for government to improve the drive to promote tourism both domestically and internationally.

The question of infrastructural development for tourism is another element for enhancing competitiveness with the most important issues identified as improvement of public transport, tourism information provision, and public amenities. Industry has identified safety and security and public transport as the major areas for infrastructural improvement by government.

Transformation is limited by structural conditions in the industry and so far has not been assisted by government support programmes for SMME development as a whole or for tourism SMMEs more particularly.

Finally, there is an urgent need to address deficiencies in data collection concerning tourism in order to allow improvement in business decision-making as well as government policy formulation.



#### 4. The Positioning of Tourism SMMEs

The definition of a 'tourism SMME' is open to debate as it must relate to the boundaries of the tourism economy (Thomas, 2004). Theoretically, the definition of tourism SMME should include those SMME operations which fall within the scope of the travel and tourism economy as well as those operating within the travel and tourism industry. For example, a small laundry business that is dominated by servicing the needs of a large hotel, a specialist producer of furniture for game lodges or an exclusive producer of clothing geared for the tourism industry would fall within the widest definition of a tourism SMME. In practical terms, however, the analysis of tourism SMMEs is confined more narrowly to those particular enterprises operating within the bounds of the travel and tourism industry as such.

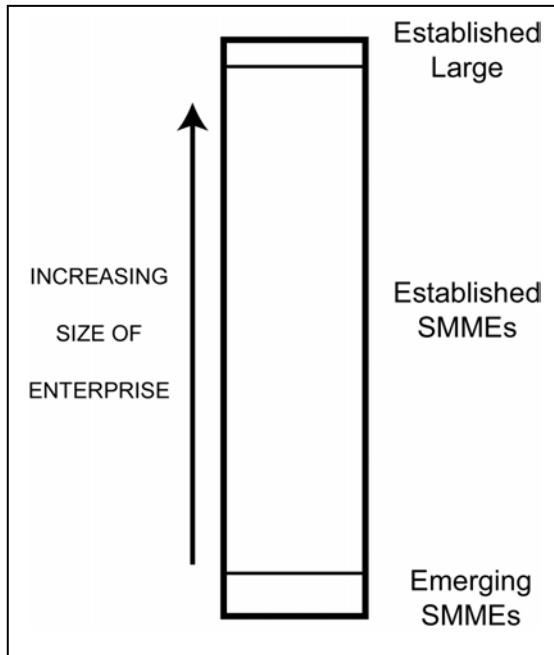
As already noted, structurally South Africa's travel and tourism industry is highly concentrated and dominated by a small elite group of large, mostly locally owned, tourism organization. In the accommodation sub-sector the leading enterprises are Sun International, Protea and Southern Sun whereas in travel and touring the importance of Rennies, Thompsons Travel, Avis or Imperial Car Rental, among others, must be highlighted. Although these large companies drive and economically dominate the South African tourism industry, it remains that the vast majority of South African tourism enterprises – as in most countries – would be classed as SMMEs. Indeed, as an economic sector, one of the most distinctive features of tourism is the overwhelming pre-eminence of small-scale entrepreneurship (Thomas, 2000, 2004). In the UK, 99% of enterprises in the travel and tourism industry would be classed as SMMEs and in Australia 95% would be classed as small or micro-enterprises. Accurate data on the number of SMMEs in the South African tourism economy is unavailable; one study in the Free State showed that at least 97% of enterprises in the province's travel and tour industry are SMMEs. On the basis of this evidence, there is little reason to suggest that the structure of the South African tourism industry is markedly different to that in Australia or the UK and that SMMEs represent at least 97% of existing tourism enterprises in South Africa. The Monitor (2004, p. 44) investigation on the South African tourism industry describes the tourism cluster as involving "a complex interaction of a large number of players, with a few large players and numerous SMMEs". Of concern is the finding in the experience of many developing world countries, that large firm dominance of the travel and tourism industry produces a marginalisation of small firms and their clustering in peripheral and low profit niche areas of the tourism economy (Britton, 1982, 1983, 1987).

The South African tourism economy can be conceptualized as a three-tiered hierarchy of enterprises. At the apex are the operations of the larger established groups of enterprises, which are responsible for, *inter alia*, the country's major travel and tour agencies, transportation, hotels, casinos and conference centres. 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. 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.

What is not fully clear (due to the absence of reliable statistics) is the actual shape of this hierarchy as determined by numbers of established versus emerging enterprises (Fig. 4). Although there is evidence suggesting that a burst of emerging black-owned enterprises has occurred in the post-1994 period, encouraged by potential opportunities offered by South Africa's hosting of mega-events such as the World Summit on Sustainable Development, it is clear that in many niches of the travel and tourism economy – such as the provision of small-scale accommodation – there is a continual numerical dominance by the established groups of white-owned SMMEs. For example, one estimate for 2002 patterns concerning the ownership of the country's bed and breakfast economy suggested that less than 5% of establishments were

black-owned (Rogerson, 2004d). The different locations operated from by white and black bed and breakfast establishments means that to some extent these businesses are functioning in geographically segmented markets. In the case of travel and tour operators, however, beyond the markets of township tourism, there is direct competition between established and emerging SMME enterprises as well as the larger tour operators for this market. From a recent study of tourism SMMEs in the Free State it was estimated that emerging SMME represent at most 7% of the current profile of tourism SMMEs in the province.

**Figure 4: The three different kinds of enterprises in the SA tourism economy**



One important distinguishing feature of tourism is that often it represents an important focus for what is described as 'lifestyle entrepreneurship' in terms of which economic motives are matched by non-economic personal and environmental factors in encouraging the start-up of tourism small businesses, particularly in the operation of bed and breakfast accommodation or small guest houses. Certainly, the importance of lifestyle motivations is recorded in findings concerning the motivations of many white entrepreneurs running guest houses and other small-scale forms of accommodation in the Western Cape, the Midlands of KwaZulu-Natal, and Free State (Visser and van Huyssteen, 1997, 1999). By contrast, economic motives represent the essential basis for development of the emerging tourism SMME economy, which includes – particularly in rural areas such as the Wild Coast - many small tourism entrepreneurs operating at the barest levels of economic survival.

The transformation of the tourism industry has been identified as a priority for national government and formalised in the signing in June 2001 of a Charter of Empowerment and Transformation for the tourism industry. The goals of black economic empowerment in South African tourism are being achieved partly through equity shares granted in existing large travel and tourism enterprise, such as Southern Sun (TBCSA, 2003). In addition to the opening up of opportunities through skills training and infrastructural provision in undeveloped areas of tourism potential, an important policy focus has been to develop new tourism products which link for example to opportunities that are opening with tourism product development in cultural tourism or township tourism. In search of meaningful transformation, however, greatest significance attaches to the promotion of black ownership through the support of new emerging small tourism enterprises especially in the travel and tour sector and in the provision of accommodation (Rogerson, 2004a).

The most recent addition to national government's policy arsenal has been the publication of the *Responsible Tourism Guidelines*, which has subsequently been reworked into the *Responsible Tourism Handbook: A Guide to Good Practice for Tourism Operators*. These important guidelines include a series of quantified targets for the tourism sector to aim for, as a means of addressing the objectives the 1996 White Paper set in relation to the triple bottom line of sustainable development (i.e. economic, environmental and social sustainability). For example, in terms of prioritising opportunities for local communities, three significant guidelines are flagged for the private sector to engage in responsible tourism. First, is to develop partnerships and joint ventures in which communities have a significant stake and, with appropriate capacity building, a substantial role in management. Such partnerships should take note of the fact that communal land ownership can provide equity in local enterprises. Second, enterprises should recruit and employ staff in an equitable and transparent manner and maximise the proportion of staff employed from the local community, once again, setting targets for increasing the proportion of staff and/or of the enterprise wage bill going to communities within 20km of the enterprise.

Finally – and most importantly for tourism SMME development – established private sector enterprises should buy locally made goods and use locally provided services from locally owned SMMEs wherever quality, quantity, and consistency permits. In addition, they should monitor the proportion of goods and services that the enterprise sources from businesses within a 50km radius and set a 20 per cent target for improvement over three years. These responsible tourism guidelines offer a potentially important future stimulus for SMME development in the travel and tourism economy as a whole.

## **5. Growth Constraints on Tourism SMMEs**

This section draws together the results of some recent empirical research on the growth constraints that impact upon small firms in the South African tourism economy. At the outset it must be made clear that recent research discloses that different sets of growth constraints impinge upon the development of different kinds of tourism SMMEs. In particular, there are certain differences between the growth constraints that affect established as opposed to emerging SMMEs.

### **5.1. Established SMMEs**

The group of established SMMEs in tourism enjoy a number of critical advantages over their emerging counterparts, which relate to the volume of their capital on the one hand and their advantages in accessing and processing relevant information about the tourism market on the other hand. Among the most important of these advantages are several factors which have also been recognized in developing countries where the most successful small-scale tourism entrepreneurs are often 'non-locals' as is the case in many parts of Latin America (Dahles and Keune, 2002) and Asia.

Established SMME entrepreneurs enjoy advantage in terms of access to capital. Often the tourism SMME is linked to alternative sources of income to farming (agro-tourism or farm tourism) or other income generating activities. In the case of retirement 'lifestyle entrepreneurs' these are often especially well-capitalised businesses through the asset base of the entrepreneur.

In addition to economic capital, often these established entrepreneurs enjoy high levels of social capital in terms of access to networks, sources of information and data to support their tourism business. Often, the high levels of social capital are enhanced by the high levels of education of these entrepreneurs.

Finally, there are potential advantages for established entrepreneurs in terms of their cultural capital as represented by their language proficiencies for dealing with different types of tourists (both domestic and international), general awareness of the tourism market (albeit not always acquired through formal training) and sound acquired knowledge of the 'tastes' and 'experiences' that are generally sought out by large segments of the tourism market.

In terms of the changing priorities for transformation, the growth constraints that face these established SMMEs in the South African tourism economy are relatively little researched as compared to an increasing body of work undertaken on the emerging SMME economy. During 2003, however, a survey was completed on the profile and issues confronting established tourism entrepreneurs in Free State.

The key findings of this study in relation to other earlier research concerning the profile and early development of enterprises were:

- Established SMMEs overwhelmingly dominate the local tourism market, for example, in terms of the provision of different forms of accommodation, conferencing, farm visits or game lodges.
- There is a high level of female involvement – either as sole or joint proprietors of SMME tourism enterprises.
- Tourism SMME entrepreneurship is largely the domain of middle-aged or retirement aged persons; the majority of entrepreneurs were aged 50 or more years.
- The majority of entrepreneurs had moved into tourism from prior work in other economic sectors.

- Lifestyle factors are important motivations for the start-up and operations of these tourism businesses with a household decision to fulfil the desire to run a tourism business living in pleasant countryside surroundings.
- Although many established tourism SMMEs have been in operation pre-1994 there has been a surge of new business development to take advantage of opportunities linked to the tourism boom of the post-1994 period.
- Start-up business capital is overwhelmingly derived from own sources and access to capital is not considered a constraint by this group of entrepreneurs.
- At start-up, the core problem of these entrepreneurs related to marketing their accommodation establishments and more generally of 'getting known' in terms of their operations to the market groups of primarily domestic business and leisure tourists.
- The positive recent performance of these tourism businesses was reflected in the injection of new capital into many of these businesses. During the previous year, nearly two-thirds of entrepreneurs had invested new capital into the businesses via retained profits, mostly for the upgrading or addition of new existing facilities and in some cases, the purchase of new property for development as a tourism product.

The key findings in terms of the constraints upon the growth of these established tourism businesses relate to the following cluster of issues:

- As tourism is a marketing-intensive sector it is not surprising that the most significant concerns of established entrepreneurs relate to the volume and quality of tourism marketing at national and especially provincial levels. In particular, the survey interviewees stressed that the province was not reaching its potential for tourism because of the poor state of existing tourism marketing and of the under-marketing of tourism products and attractions in the province. Entrepreneurs widely condemned, "the under-marketing", "the lack of professionalism", "the lack of organisation" and "lack of imagination" in provincial tourism marketing. Equal criticism was directed at the state of many local tourism offices which were perceived as "unfriendly" or "lacking any muscle".
- For smaller tourism SMME entrepreneurs, in particular those with only a few rooms in a bed and breakfast or small guest house, the disappointments concerning the poor state of official marketing often were felt strongly because of the escalating costs of private marketing in certain guidebooks, such as the *Portfolio of Country Places* guides or for *Getaway* magazine.
- Although inadequate or insufficient marketing was identified as the priority growth constraint, other issues were also highlighted as constraints on SMME development. A second important group concerned the constraints posed upon business development by 'excessive' or 'unnecessary' regulations operated by national, provincial and local authorities which are negatively affecting the current state of tourism businesses. Among these regulatory issues the most prominent concerns relate to constraints upon businesses from signage restrictions and regulations (which in Free State were formulated in the 1940s), labour regulations, and costs for zoning applications.

A third group of growth constraints relate to issues of infrastructural development for the tourism economy both in terms of human and physical infrastructure.

Many entrepreneurs stress the importance of human resource development and the need for improved skills training programmes to support a momentum for the further development of tourism and the hospitality industry. Inadequate training facilities and inadequate trained labour were identified as potential blockages upon future business development. Further,

entrepreneurs flagged the long-term importance of maintaining, upgrading and strengthening the existing physical infrastructure for tourism in terms of roads, air linkages and basic provision for reliable electricity and water supplies.

The fourth set of issues that were highlighted by established entrepreneurs in the Free State study concern the difficulties of accessing support from available national government support programmes, in part because of their bureaucratic procedures and in part due to lack of information of potential sources for support.

The lack of information was often linked to the weakness of local authorities in general and of their understanding of the issues facing tourism development at a locality level. Of the small number of SMME entrepreneurs that had sought to access financing through **the dti** programmes, such as the SMEDP, the results had been disappointing. Applicants complained that despite receiving acknowledgements from **the dti** of grant applications, no further communications were ever received even after periods of up to 18-24 months. Other frustrated entrepreneurs bemoaned the 'red tape', excessive bureaucracy and paper work that surrounded applications for national government support initiatives.

## **5.2. Emerging SMMEs**

It must be appreciated that collectively the group of emerging SMMEs operates at a disadvantage with respect to both the enormous market power enjoyed by large tourism enterprises and the advantages of economic, social and cultural capital of established SMMEs. The competition offered by established tourism businesses – both large and small – clearly is a major constraint upon the development of emerging businesses. This is well-illustrated by the experience of emerging entrepreneurs in the travel and tour industry of Gauteng (see *Box 1*). In rural areas, the opportunities for successful tourism entrepreneurship are reduced further by problems of infrastructural deficiencies for tourism development both in terms of human resources as well as physical resources. From the enormous weight of problems that face contemporary tourism entrepreneurs in the Wild Coast, an area of considerable potential for tourism growth, it is ironic that much of emerging rural tourism entrepreneurship here operates at bare survival levels and approximates a situation of 'forced' or necessity entrepreneurship (see *Box 2*). Indeed, the situation of rural tourism entrepreneurs offers the sharpest contrast to the findings concerning the growth constraints upon established tourism SMMEs.

## **BOX 1: A TALE OF TWO EMERGING TRAVEL OPERATORS**

Cruiserline Vhupo Tours and Queen's Tours are typical of the new breed of tourism entrepreneurship that is growing in township areas and which is a prime target for support under new national government policy initiatives for transformation.

### **Case Study 1: Cruiserline Vhupo Tours in Soweto**

Cruiserline Vhupo Tours operates from the home of its co-owners, 40 year old Catherine and 44 year old David Luthaga in Orlando West, Soweto. Both are relatively well-educated and matriculated followed by diplomas for David in labour relations and management from Damelin and the completion of two management courses at Eden and Damelin by Catherine. David worked as a Personnel Officer for Coca Cola and subsequently started his own minibus taxi business. Because of violence in the taxi industry he decided to leave the industry, selling out the taxis and instead starting up the tour business by purchasing a bus that could be hired for use of national touring.

Although the business has been in operation since 1994 it was registered officially only in 2000. Currently, the business is the major source for the household's income alongside the bead and breakfast which is operated by Catherine. Cruiserline Vhupo has one 60-seater bus used mainly for national tours and two micro-buses and employs 3 full time people – 2 drivers and one mechanic. Typically, the business of running a tour company has been learned on the job and only now is the owner undergoing any formal tour guide training. At the outset of the business, after selling off the taxis, the major problem that was faced concerned that of marketing the company. Some small support for business development has been accessed from the Gauteng Tourism Authority for brochures, business cards and similarly from the Tourism Enterprise Programme which also funded costs of R800 towards attending a training workshop.

The business is now fully operational and has seen a growth in the number of new clients over the last year as well as the appearance of return customers. The major part of the enterprise's business (80%) is packaged tours of Soweto – the Soweto experience – that includes a tour, a meal and visit to clubs. The other 20% of business is individual tours to a variety of domestic destinations as well as airport transfers. David considers the major problems that presently face the business as those of expanding access to market opportunities, through advertising and especially to overseas travellers. At present, 75% of clientele is international rather than domestic tourists. In terms of marketing, David has attended a number of local exhibitions including Indaba in Durban, at the Sandton Convention Centre and an exhibition in 1999 in the Netherlands from which he still receives business nearly five years later.

David sees the most important constraints on business development as twofold: "the dominance of the industry by white operators and the lack of associations to represent the interests of black tour operators". Although he concedes that "doors are opening and the future seems bright" for black tour operators, access to finance for the purchase of new buses is a key factor hindering growth. In terms of business improvement, in addition to access to finance, David would like the larger tour operators, such as Thompsons Tours, to act as mentors to emerging travel and tour companies, such as Cruiserline Vhupo.

### **Case Study 2: Queen's Tours**

Queen's Tours is a home-based touring business which operates from Spruitview in Ekurhuleni. The owners are two women entrepreneurs, 45-year old Queen Makgopo and her partner, 35-year old Cecilia Mlangeni. Both women have matriculated and have a post-matric qualification in terms of a Diploma in Tourism from Birnam Business College. Prior to entry into running a tour enterprise both women worked in a travel agency through which they learned the basics of the tourism industry, in one case for 12 years. Queen's Tours was started in 2001 with the purchase of vehicles funded out of pension fund payouts. Currently, the company has two vehicles – one sedan and one kombi and hires other vehicles if required – and employs three people on a freelance basis. Knowledge of tourism was based upon the job experience of working in the travel agency and supplemented by completion of a short course in tour guiding.

At the start-up of the enterprise, the major challenges that were faced related to issues of financing and of marketing the business. These problems continue and presently the business is experiencing difficulties as during the last year it was stated business had dropped by as much as 50%. This downturn in business prompted the comment that tourism “is over-publicised, raises hopes for everyone” but that “not much is in it”. Disappointments were expressed particularly concerning the limited amount of business that they had secured from the World Summit on Sustainable Development for which “they were prepared” – this leads them to be a little sceptical about the projected benefits that might flow from the 2010 World Cup.

In particular, the view was expressed that the running of a tour business by women was particularly difficult as many clients did not feel secure and thus the two women used men to operate the actual tours on their behalf. In their opinion the market for travel and tour operators in Gauteng is “flooded” and “white dominated”. In an effort to improve their international client base, support for further international marketing and exposure is sought. The major preferred destinations are to Soweto and Sun City as well as cultural tours and airport transfers. They do not do ‘safari tours’ which they consider as ‘white-dominated’ and a form of tour about which they have little knowledge. Looking to the future, despite existing difficulties, these two entrepreneurs were confident that Queens Tours would grow as a business. It was stressed that for black tour operators to be more successful in a situation that the market was “over-flooded” and “throttled” by large companies, a degree of government intervention was essential. The suggestion was offered that partnerships, which include mentorships, should be formed between large established operators and small businesses in order to assist emerging SMMEs to “stand on their own

## **BOX 2: RURAL TOURISM SMME DEVELOPMENT IN THE WILD COAST**

During 2000, a total of 104 rural tourism entrepreneurs were interviewed in the Wild Coast. The objective was to understand (1) the nature of rural tourism enterprise and entrepreneurs and (2) the key constraints on enterprises and support needs of entrepreneurs. The term ‘tourism SMME’ refers here to the travel and tourism economy as a whole and included a range of enterprises from informal enterprise to registered SMME with up to 49 employees. Overall, a profile emerges of a largely survivalist informal sector of emerging tourism SMMEs in the Wild Coast.

Key findings were:

- The largest groups of tourism SMMEs in the Wild Coast are involved in handicrafts production and selling (36%), fishing (30%) and accommodation provision (21%).
- In terms of age of enterprise, the largest share of enterprises has been established post 1994. In part this reflects a growth in rural tourism business and income opportunities linked to tourism development along the Wild Coast (especially with the implementation of the SDI) but also strongly points to deficiencies in labour absorption in the formal economy.
- The importance of push factors in tourism entrepreneurship is reflected in the fact that 85% of entrepreneurs had no previous experience of the tourism sector, 96% had received no training in tourism and 53% were unemployed prior to setting up the SMME
- Only one-third of tourism entrepreneurs had completed secondary schooling and almost half of entrepreneurs had completed only a primary education qualification.
- At start-up of their enterprises the most important problems identified by rural tourism entrepreneurs relate to issues of lack of demand and of access to finance.



- For both start-up and working capital the most important source of finance is that of personal savings and gifts from friends/relatives. No entrepreneur had received any financial support funding from any government programme.
- The major financial needs were expressed in terms of meeting household needs rather than for business development, an expression of the essentially survivalist nature of rural tourism SMMEs in the Wild Coast.
- Improved access to markets and marketing for their enterprises and issues concerning crime, safety and security were identified as constraints upon business development by most tourism entrepreneurs. The seasonal nature of tourism in the Wild Coast means that many rural tourism entrepreneurs also have other alternative income sources.
- Few business linkages were forged by the majority of rural tourism enterprises with the larger formal tourism enterprises in the Wild Coast.
- Lack of or poor infrastructure is clearly a major constraint upon the entire rural tourism economy of the Wild Coast. The provision of tourism infrastructure through government programmes or initiatives such as Spatial Development Initiatives, the Priority Areas for Tourism Infrastructure Investment and Poverty Relief Fund is beginning to deal with this issue.
- Lack of information and access to information is another critical constraint; in terms of access to business information, the majority of entrepreneurs relied either on word of mouth or had no sources of business information.
- The most commonly expressed support need related to the need to access larger markets (that is, more tourists), with financial support the second most important.

In terms of understanding the problems facing emerging urban SMME entrepreneurs, the best evidence comes from a number of recent studies that have interrogated the problems facing emerging tourism SMMEs in the accommodation sub-sector, which currently is one of the priority targets for government transformation policies. The findings disclose certain similarities with the problems facing established SMMEs as well as certain differences, and in general, a sharp divide between the issues confronting emerging urban-based and rural tourism entrepreneurs.

- The spatial pattern of emerging black-owned small-scale accommodation establishments shows that they are largely confined to the apartheid-designated spaces of townships with the largest clusters found in Soweto, Khayelitsha and Inanda. This distinctive geography offers opportunities but at the same time imposes considerable limits upon the growth of these establishments. These emerging SMMEs are confined by geography to the specialized niche of 'township tourism' and thus do not attract the wider mix of business as well as leisure tourists that visit the parallel accommodation establishments as operated by established SMME entrepreneurs.
- Features of similarity that are observed relate to the new surge of establishment growth post-1994, high levels of women entrepreneurship and a striking parallel in terms of a high proportion of entrepreneurs over the age of 50 years.
- Lifestyle entrepreneurship is not a feature of the emerging SMME economy, in which economic motives for business operation are paramount.
- Education levels of emerging tourism SMME entrepreneurs are relatively high with many entrepreneurs with tertiary qualifications and several former nurses and teachers amongst the ranks of new tourism entrepreneurs.

- Unlike the situation observed among rural tourism entrepreneurs in the Wild Coast, the majority of these tourism SMMEs were launched as a result of perceived market opportunities rather than as a result of a desperate search for survivalist incomes due to unemployment or retrenchment. The largest element of the surveyed entrepreneurs would be classed as 'opportunistic' in the sense of initiating their businesses in response to perceived market opportunities and the observed increased flow of visitors to townships. Other factors which led to business start-ups were entrepreneurs' (mainly women) interest or involvement in catering, the actual experience of entrepreneurs of travelling and of 'being a tourist' and of prior experience of formal work in the tourism industry.
- As most start-up finance was drawn from own funds, there is a parallel between these entrepreneurs and the group of established entrepreneurs in terms of marketing their businesses as the core problem at start-up of business.
- In line with the upturn in tourism as whole, many emerging township SMMEs offering bed and breakfast accommodation are reporting flows of repeat visitors due to enhanced enterprise marketing and improvement or upgrading in their premises. At the same time, there are increasing complaints of 'market saturation' in terms of the numbers of such establishments which opened especially around 2002 in order to capture potential visitor flows from the World Summit.
- The major constraint that was identified for their business development was the need to improve the marketing of their businesses individually and the marketing of townships as new spaces for tourism products and activities on a collective basis.
- The need for financial assistance to assist with the upgrading of accommodation facilities, particularly to respond to the demands of discerning international tourists is a second important growth constraint. Unlike the position of established SMMEs, who finance upgrading of their premises from retained earnings, this capacity for financing extensions currently does not exist for most emerging SMMEs.
- Assistance for enhanced skills upgrading both in terms of awareness of the tourism industry and of advice, information and skills for running a business are further key constraints upon business development.
- In common with the group of established SMMEs, the emerging tourism SMMEs complained of poor access to and outreach of national government support programmes, particularly concerning financing support for marketing, training and upgrading of premises.

Overall, it appears that whilst emerging entrepreneurs have entered the tourism industry in increasing numbers, especially in activities such as B & Bs where barriers to entry are relatively low, they continue to face sets of "significant barriers to sustained growth" (Monitor, 2004, p. 46).

## **6. Initiatives for Tourism SMME Development**

It is evident that the support needs of SMMEs operating in the tourism economy are far from homogeneous. It is essential, therefore, that different forms of support interventions be developed and targeted at different groups of SMMEs in South African tourism. Recent support programmes from national government and from the private sector for tourism SMME development are following in this general direction and away from the notion that 'one size fits all' in terms of business development support and financing.

### **6.1. The Tourism Enterprise Programme – The DEAT Flagship**

The Tourism Enterprise Programme, which has been largely financed through the private sector Business Trust, represents an important player in terms of funding support for tourism SMME development in South Africa (Rogerson, 2004e). The TEP falls within the policy vehicle of the national government's Tourism Action Plan and as such it represents a component of a larger and longer-term strategy to both attract and effectively cater for expected growth in domestic and international tourism. The TEP's stated goal is to facilitate growth and expansion of SMMEs in the tourism economy with the wider aim of achieving job creation and income generating opportunities.

TEP works with SMMEs which are predominantly but not exclusively owned and operated by PDIs. In order to qualify for TEP funding the enterprise should meet the following criteria:

- Have an annual turnover not exceeding R25-million;
- Have total assets, including fixed property of less than R10-million;
- Employ less than 200 people; and
- Have been in operation for a minimum of two years.

The TEP approach is demand-driven towards identifying, facilitating and ultimately fostering commercially viable business opportunities between enterprises and other related buyer, supplier, partner and investor firms and corporations linked to the tourism sector. The focus in TEP is with the upgrading of existing businesses rather than the creation of new tourism businesses. The core support activities that are offered are indirect financial support to tourism SMME development rather than direct funding support. The funding offered by TEP to prospective tourism SMME clients is on a cost sharing basis. The activities that can be partially supported include assistance with identification of viable linkages or business opportunities, marketing assistance for events, development of business and marketing plans, training, tender support and advice, and identification of service providers.

The primary emphasis in TEP is upon support which is channelled towards historically disadvantaged SMME entrepreneurs. In terms of the kinds of capacity building and linkages that TEP has been involved the following : upgrading the status of homestays/ Bed and Breakfasts that registered with the Tourism Grading Council of South Africa during the World Summit; assisting South African National Parks with possible outsourcing requirements to SMMEs; assisting an SMME with tender advice such that they won a multi-year cleaning contract on Robben Island and 'introducing' an SMME to the procurement department at DEAT with the result that they were awarded a contract for travel management.

During 2003 as a result of an internal review of support programmes, direct funding was provided by DEAT to support TEP activities. This includes the DEAT/TEP SMME Development Programme, which is a project funded by DEAT and implemented by TEP, and aims to coordinate and facilitate tourism SMME development with and within the provinces. This programme involves assisting SMMEs with their marketing, training and development. Overall,

these activities compliment the core objectives of TEP, albeit are broader and more systemic in nature.

## 6.2. Pro-Poor Tourism Pilots in Southern Africa

Pro-poor tourism is “tourism that generates net benefits to the poor” and seeks to “ensure that tourism growth contributes to poverty reduction”. An essential component of pro-poor tourism is support for tourism SMME development. In September 2002 a new programme of Pro-Poor Tourism pilots was launched in Southern Africa with support from the UK Overseas Development Institute in collaboration with local stakeholders in the private sector. The vision of this new programme is for Southern Africa (with South Africa as core focus) to become an international leader in the implementation of pro-poor tourism and to create a network of operators and government officials interested in stimulating, supporting and implementing pro-poor tourism strategies. The implementation of improved pro-poor practice is taking place by six pilot tourism operators and working with each operator on a set of pro-poor strategies that are suited to the specific business and community with the goal of creating long-term measures that “will significantly affect local poverty and make business sense to the operator”. Initially a scoping stage of facilitation is undertaken in order to understand the current linkages between tourism operators and the local (poor) stakeholders. Building upon this the next step is to identify the type of linkage or linkages that should be developed in order to maximize pro-poor impacts. Programme options include, *inter alia*, expanding local sourcing; establishing commercial relationships with local tourism services; sharing infrastructure services and information; developing equity or revenue shares; increasing the content of local labour; investing in training, and consultative planning (Ashley and Haysom, 2004).

Township tourism in Alexandra is targeted as a beneficiary of one of the current planned Pro-Poor Tourism pilot projects in South Africa. The core focus of the project is to develop a stronger set of linkages between Alexandra and of tourism growth taking place in Sandton and especially through the Southern Sun Hotels Group, which operates six hotels in the Sandton area, including two interlinked five star hotels which connect to the Sandton Convention Centre. The scale and nature of the Southern Sun Group operations mean that the enterprise enjoys considerable marketing muscle as well as business acumen to contribute towards the development of pro-poor tourism linkages. For the enterprise, the impetus to participate in developing mutually beneficial linkages derives from the its need to implement transformation initiatives in line with the South African government’s promotion of black economic empowerment in the tourism economy. In addition, there is a realization that the enterprise can expand its links with the neighbouring community of Alexandra. Community needs in Alexandra in relation to tourism are manifold and include tourism market knowledge, employment, SMME development and, above all, for commitments for expanded skills training in tourism services.

Currently, there are a number of existing linkages which have been identified between the Southern Sun Group operations in Sandton and local stakeholders in Alexandra township. Among the most important economic linkages are the outsourcing of Southern Sun’s cleaning/house keeping operations to an Alexandra based enterprise; an existing guest room decoration contract with the Disabled Centre in Alexandra; support to a local restaurant in Alexandra in terms of supply of equipment and training support; and, plans to extend waste recycling through Alexandra-based waste recycling enterprises. The pro-poor tourism pilot project aims further to strengthen these existing linkages as well as to forge new economic linkages. Among the key proposals under discussion are the marketing of township tours to Alexandra through the Southern Sun hotels in Sandton, the recycling of guest amenities (in particular soap, bedlinen, towels and paper) to township entrepreneurs for the making of craft objects; the sale of locally produced goods from Alexandra entrepreneurs, such as beaded key rings, arts and crafts, to Southern Sun guests; and, general support for increasing local staff recruitment from Alexandra as well as skilling of staff so that they wage levels are boosted. Overall, monitoring the lessons from the progress of (and problems experienced by) of the several pro-poor pilots that are currently operating in South Africa will offer important future policy lessons for tourism SMME development in the country (see Ashley and Haysom, 2004).

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