

Can sustainable tourism development be an important contributor for the success of broad-based black economic empowerment (BBBEE) in South Africa?

Subtitle: An exploration of how the apparent convergence between the concepts of sustainable tourism development and South Africa's BBBEE policy can be maximised as a means to accelerate the pace of BBBEE implementation in the South African tourism sector.

**Martha Matifadza Nyazema
University of Stellenbosch Business School
Cape Town South Africa**

**Telephone: +2711 779 0000
Fax: +2711 779 0043
Email: matin@saconvention.co.za**

**Supervisor Name: Dr Babita Mathur-Helm
Supervisor email: Babita.Mathur-Helm@usb.ac.za**

**19th EDAMBA Summer Academy
Soreze, France
July 2010**

Abstract

Although very few evaluative studies have been carried out, the success of broad-based black economic empowerment (BBBEE) in South Africa cannot be taken for granted. In fact current progress on BBBEE in the tourism industry is considered slow. Some of the reasons for such a situation are generic to BBBEE, others are specific to the sector, but they each may hinder the achievement of the BBBEE Tourism Services Charter.

This perspective is avoidable though and another scenario is possible. It is one in which the principle of sustainable tourism development would be brought to bear on the BBBEE, and the two approaches are blended into what can be termed the Tourism Transformation Model. The success of such a scenario will require changes in the way BBBEE is conceptualized, marketed and implemented. The adoption of such a multiple approach could enhance economic transformation in the SA tourism sector.

Keywords: broad-based black economic empowerment (BBBEE), sustainable tourism development (STD), tourism industry, economic transformation, black people, private sector, South Africa

Introduction

South Africa's transition from apartheid regime to an inclusive democracy has been hailed as a miracle by the international community and deservedly so. However, whereas equality is effective in the political arena, inequality remains the rule in the economic sphere, as evidenced by the fact that non-white people, who comprise 91.9% of the country's total population, have not yet been fully included in the mainstream economy and remain marginalized. It is to address this challenge of persistent inequality that broad-based black economic empowerment (BBBEE) policy has been formulated.

The implementation of BBBEE in the tourism sector has been given high priority by the South African (SA) government in view of the high potential of the industry for job creation and the opportunities and challenges associated with tourism both locally and globally (Van Schalkwyk 2008:1). In order to tap into that potential and boost black empowerment in the tourism sector, the Tourism Services Charter (TSC) was enacted in 2009, with specific adaptations to the BBBEE Act of 2003 on business thresholds and qualifying criteria which take into account the unique structure of the industry, which is largely (90%) comprised of privately owned small, medium and micro enterprises (SMME).

Globally, the conceptualization of sustainable tourism development (STD) by the United Nations World Tourism Organisation (UNWTO) is seen as a major breakthrough in as much as the objective of STD is to strike a balance between environmental and commercial concerns of the tourism industry, while also addressing issues of equity and social justice in the sector (Bramwell and Lane 2008:1). On the one hand, destination countries are benefiting from the global growth in tourism, while at the same time there are growing concerns over the negative impact of global tourism such as air pollution, climate changes and the degradation of the environment.

This paper argues that blending the two concepts of STD and BBBEE would significantly enhance the opportunities for accelerating the pace of BBBEE implementation in the SA tourism sector. Hence, this paper addresses the following questions:

1. What are the similarities and potential synergies between the BBBEE and STD policies, at a conceptual level?
2. What are the complexities relating to the implementation of both policies at global level and within the South African tourism industry, at a conceptual, analytical and operational level?
3. Can the adoption of STD principles through a synthesised policy model provide an important alternative route for tourism business leaders in South Africa to implement BBBEE policy successfully?

This paper presents in Section 1 the concepts of BBBEE (and the related TSC), and STD (and its Global Sustainable Tourism Criteria), and highlights commonalities as well as differences of approaches between these various concepts and policies. The second section identifies the implementation challenges faced in the tourism industry. Next is a discussion on the current and potential opportunities which may contribute to overcome the challenges identified. The final section contains recommendations which, if implemented, may bring about the transformation required to make BBBEE a reality in South Africa for the benefit of current and future generations.

The whole paper is a descriptive and theoretical one, in which secondary data has been used from previous studies. These secondary data consist of the review from published government documents, international tourism sector and SA tourism sector reports and other published documents.

1. Section 1 : The conceptual framework

There are two concepts which are being operationalised through related policies. These are sustainable tourism development (STD) and broad-based black economic empowerment (BBBEE). The related policies are Global Sustainable Tourism Criteria (GSTC) and the Tourism Services Charter (TSC) respectively.

1.1 Sustainable Tourism Development (STD) and the Global Sustainable Tourism Criteria (GSTC)

Sustainable tourism development (STD) aims to enhance and meet ‘the needs of present tourists and host regions while protecting and enhancing opportunities for the future’ (UNWTO 2001). While the tourism industry is a key contributor to global economic development, it is more critical for Africa’s economic development as the tourism product can draw on the continent’s natural assets and culture, it can occur in remote and diverse locations and has higher potential for economic development for small enterprises (Gosling et al 2008:122). In addition, tourism is labour intensive and offers diverse opportunities through its value chain for job and wealth creation in arts and crafts, transport, cultural activity and accommodation services (Kibicho 2008:211).

At the same time, there is a focus on the role that tourism plays in terms of social and cultural preservation issues, with an increasing concern about the ethical behaviour of both tourism businesses and tourists, and how the green agenda should incorporate both responsible and sustainable tourism (Goodwin 2006:1). Consequently, the GSTC is a benchmarking exercise to provide tourism businesses with shared reference points on which to base sustainable tourism development programmes. The environment remains a central theme in the agenda for STD, as borne by the fact that three of the four GSTC address primarily environmental issues. However, Criteria B indicates areas of community engagement as the employment and training of locals, development of local entrepreneurs, provision of social and infrastructure development, as well as gender equity. The fundamental principle underlying STD is about inter and intra generational solidarity and preserving resources for present and future generations. STD is therefore based on three assumptions which are highly relevant to South Africa – economic development, job creation and sustainable growth.

Policies aimed at promoting STD do exist in South Africa. The Tourism White Paper identifies responsible tourism as a central concept for the development of SA tourism while the more recent National Framework for Sustainable Development strategy emphasises the need for the integration of sustainable practices with other policies such as black economic empowerment. Furthermore, the concept of responsible tourism is mainly regarded by the tourism businesses as corporate social responsibility (CSR), as

both models address the accountability of businesses beyond shareholders to include stakeholders such as employees, communities and the environment (Merwe and Wocke 2007).

Yet studies indicate that the tourism private sector in South Africa has not fully endorsed the concept of sustainable tourism (Merwe and Wocke 2007). For example, some company policy documents mention both responsible tourism and transformation as separate initiatives, without maximising on the combined effect of linking the two related programmes (Southern Sun 2009; Protea Hotels 2009). In addition, the role of small tourism enterprises in STD is not yet fully known, as there have been limited studies on measuring their level of impact (Roberts & Tribe 2008:576). Similarly, there is a lack of critical data on measuring the effectiveness of tourism SMMEs in South Africa, considering the importance of this sector in national tourism development (Rogerson 2008:1). Filling the gap in this regard remains a major challenge.

However, while evidence suggests that in several African countries, small scale tourism projects have a greater chance of success if they are linked to larger and more established tourism projects (Mbaiwa 2005:223). In South Africa, the larger businesses are more likely to have an impact on responsible tourism initiatives than their smaller counterparts because of their larger resource capability (Merwe and Wocke 2007:10).

1.2 Broad-Based Black Economic Empowerment and the Tourism Services Charter (TSC)

The broad-based black economic empowerment (BBBEE) approach was introduced in response to criticism that the earlier version of black economic empowerment (BEE) policy in the 1990s was not addressing the wider socio-economic needs of the country (Fauconnier & Mathur-Helm 2008:17). For example, employment figures indicate that while black people make up 74.1% of the economically active population (EAP), their share of employment is only 18.8%, which is a direct contrast to white people who comprise 12.5% of EAP, yet occupy 68.2% of employment positions. This socio-economic profile is reflected in the tourism sector, where most businesses are still white owned and controlled (Government Gazette 2009:5). Furthermore, although the BBBEE Act of 2003 is legally binding on government departments and public entities,

however, participation by the private sector is voluntary and there are no punitive measures for non-compliance with BBBEE.

The Tourism Sector Charter (TSC) which is an adaptation of the BBBEE Generic Scorecard further facilitates BBBEE implementation in two ways. Firstly, the TSC widens the base of companies which need to comply, to include approximately 60% of tourism businesses, all small enterprises, who were previously exempt. Secondly, the TSC changes the focus for compliance from ownership to management control and skills development (Government Gazette 2009:5). Potential loss of ownership is regarded as one of the key obstacles to BBBEE compliance among family-owned tourism businesses (TECSA 2007).

There are significant commonalities between the concepts of STD and BBBEE, which can be construed as opportunities and will be developed in section 3 of this paper. These opportunities include the fact that both BBBEE and STD share the underlying objective of addressing socio-economic development and the philosophy of corporate social responsibility (CSR). Yet STD and BBBEE approaches differ in a number of ways.

2. Section 2 : Challenges of BBBEE implementation in the tourism industry

Although some authors consider it premature to reach conclusions (Andrews 2007:1), there seems to be agreement that there is slow implementation of BBBEE within South Africa in general, and this trend is reflected in the tourism industry as well. Why is this so?

The implementation challenges which are faced by tourism businesses relate to the serious gaps in the initial conceptualization of the BBBEE, the operational parameters that were set, and the manner in which implementation has been effected (Turok 2008:140). Regarding employment equity, tourism businesses argue that the skills shortage for management and junior positions is a challenge which exists both within the industry and in the national labour force in general (Van Lill 2005:971). One reason for shortages in skilled hospitality staff is the perceived inability of the education system to provide the quantity and quality of skills required for the growing economy (Kraak 2008:4). There is also a perception that the tourism industry is not an attractive

career option for school leavers because it involves basic jobs in catering, or because of the long working hours of the industry (Van Lill 2005:971).

The perceived lack of attractiveness of the industry extends to potential black investors, as the value of tourism BBBEE deals is considerably lower than in other industries, such as mining and banking (Mining Weekly 2008:3). Furthermore, while the tourism industry provides opportunities for partnering with smaller businesses because of the extensive tourism value chain, established tourism businesses experience difficulty in identifying suitable small enterprises to work with. Emerging SMMEs in South Africa face challenges on access to finance, training, markets and support networks by bigger businesses and this results in a high rate of attrition among the small businesses (Massyn 2008:17).

Finally, tourism businesses face challenges in meeting the BBBEE targets within the required policy timeframes because of several structural issues inherent in the SA economic and political systems. Resistance to BBBEE has been linked to a general resistance by white businesses to affirmative action policy which they view as reverse discrimination or a violation of the equality principle (Hoffmann 2008:104). A related issue is the perception that racial discrimination persists in South Africa and may therefore be a possible contributor to resistance to BBBEE implementation in South Africa (Seekings 2008:40). Furthermore, the slow implementation of the BBBEE policy is blamed on the neo-liberal economic approach adopted by the new SA government to enable private enterprises to operate with minimal restrictions and to allay investor fears (Harvey 2007:2). The BBBEE policy is therefore perceived as protecting white business companies by setting empowerment targets that do not threaten their vested interests, and at the same time do not actively benefit black people.

3. Section 3: Opportunities through BBBEE and STD

In spite of the severity of challenges mentioned in the previous section, there are significant opportunities to accelerate tourism transformation in South Africa.

First is the emergence of the new development paradigms characterised by the greater attention to sustainability, human security, development with equity and empowerment.

These paradigms have been advocated by a range of development partners including the Brundtland Commission, the United Nations Development Programme (UNDP), the Ogata Commission, and more recently the 2009 Stiglitz Commission. They all point to the need to go beyond Gross Domestic Product (GDP) and Gross National Product (GNP) as indicators of development, in as much as these indicators only measure basic economic growth. These concerns which are at the forefront of the development agenda are a cornerstone in South Africa's transformation agenda (RDP White Paper 1994).

Secondly, the STD concept as presented earlier is in line with these new development paradigms. And so is the BBBEE concept. Both STD and BBBEE share the underlying objectives of addressing socio-economic development even though STD is a global vision while BBBEE addresses a national SA issue.

Thirdly, both BBBEE and sustainable tourism development also share the philosophy of corporate social responsibility, which advocates for stakeholder accountability and ethical behaviour within businesses.

Fourthly, there is a correlation between the seven elements of BBBEE and some of the elements of sustainable tourism development as contained in the GSTC, particularly those relating to socio-economic development (Table 1).

While the two policies share the notion of sustainable development, for STD, the objective is to preserve the state of the environment and people's ability to benefit from the environment for the long term. Similarly, BBBEE policy seeks to create equitable access to opportunity as well as ensure the long term economic growth for South Africa

Table 1: Comparison between BBBEE codes and Global Sustainable Tourism Criteria

	BBBEE Codes		Global Sustainable Tourism Criteria
100.	Ownership – partner with and transfer financial equity to black people	B5.	Partner with the community to develop a policy for carrying out business activities in the community
200.	Management Control – appointment of black people to top positions and the board of companies	B2.	Employment of local residents, including in management positions
300.	Employment Equity – employment and internal promotion of black people, including women and the disabled, particularly in management positions	B2. B7. B8.	Employment of local residents, including in management positions Equitable hiring of women and local minorities, including in management positions Protect legal rights of employees. Ensure fair wages
400.	Skills development – training and development of black people employed in the company	B2.	Offer training as necessary
500.	Preferential Procurement – purchase goods from BBBEE companies	B4.	Offer the means for local small entrepreneurs to develop and sell products
600.	Enterprise Development – develop and grow small black enterprises	B4.	
700	Socio-Economic development – undertake social investments in communities	B1. B6. B9.	Support initiatives for social and infrastructure community development Implement policy against commercial exploitation of communities Ensure access by the community to basic services

Source: Government Gazette 2009: UNWTO 2008.

However, there are some operational differences between the two concepts. On the one hand, BBBEE policy is a government legislation and more prescriptive as it focuses on creating an enabling environment for previously disadvantaged SA citizens through the provision of policy and guidelines. In addition, BBBEE is more project-specific in

application, targeting individuals rather than groups, particularly in the areas of entrepreneurial development and procurement.

In contrast to BBBEE, the GSTC apply beyond national borders and advocate for responsible global corporate citizenship and they promote a more inclusive community approach to businesses, from destination planning to marketing. At the same time, the GSTC are less prescriptive and provide only a broad outline of activities as guidance. However, while the GSTC are voluntary, there is growing pressure on tourism companies to adopt the best sustainable practices or face consumer isolation.

Finally, people development is important in STD, although it is secondary to the environment. On the other hand, BBBEE starts with and focuses only on people and their empowerment. However, both policies share the objectives of job creation, skills development and community upliftment.

4. Way forward/recommendations

Although it can be argued that the debate about the contribution of BBBEE to economic growth is premature, progress on BBBEE implementation will be contingent on actions at different levels.

- a. Conceptual. The increasing concern about the ethical behaviour of both tourism businesses and tourists and how the green agenda should incorporate both responsible and sustainable tourism will likely shape future discussion on the tourism industry, and in turn discussion on BBBEE.

The South African business response to sustainable tourism development is currently fragmented and ad hoc and still considered a 'nice to have'. In fact, the concept of responsible tourism appears as a national policy approach but without any specific enforcement measures taken by government. It is therefore evident that the SA government regards BBBEE as a higher priority policy, than sustainable tourism development. Is there a possibility to reconcile the two approaches?

- b. Communication. It is apparent that there is need for a policy dialogue that is broad enough to cover the interests of government, the community and the private sector and that creates a “win-win” situation for both STD and BBBEE. On the one hand, such a dialogue would focus on how STD can mobilise and empower local black people to ensure that they have increased community participation and benefit from economic development. At the same time, the dialogue will engage the SA private sector to embrace STD as more than just rhetoric.

- c. Operational. It is evident that the private sector is the main vehicle for both STD and BBBEE adoption in the SA tourism industry, because of its dominant role. For the larger tourism businesses, there is a missed opportunity in implementing responsible tourism through deliberate linking of the concepts of STD and BBBEE. More significantly, there is a greater challenge to create a significant role for the tourism SMMEs, given their operational challenges described earlier.

Linked to this is the challenge of making the tourism industry an attractive business and career offering to black people. How can the tourism industry find a niche to increase the value of BBBEE deals and make them more attractive to black investors? Recent transactions involving Tsogo Sun and Sun International suggest that linking a hotel deal with a gaming component provides an alternative stronger offering. At the same time, is the traditional career model of rising through the ranks (intern-supervisor-manager-senior manager) still relevant for today’s tourism industry, and what incentives does the private sector need to put in place to make tourism career attractive to the graduates? Here are some questions that need further review.

Finally, while the scorecard contained in the TSC provides an instrument for monitoring and evaluation of BBBEE progress, there are inherent deficiencies in its application that need further evolution. More recently, the SA government has established a BBBEE Advisory Council with the mandate to evaluate issues that hinder effective BBBEE implementation. How can the SA government make the BBBEE regulatory system more effective?

5. Conclusion

This paper suggests that sustainable tourism development can contribute to effective BBBEE implementation in the tourism industry in South Africa, if there is a concerted effort by tourism businesses to adopt sustainable tourism practices. However, both concepts are still in development and would benefit from additional review at the conceptual, communication and implementation level. Currently, the two concepts are viewed by the SA private sector as separate. However, this analysis has demonstrated that there are similarities in their objectives, and opportunities that can be explored through the Tourism Services Charter and the Global Sustainable Tourism Criteria respectively. Blending the two concepts through a multi-pronged approach could enhance economic transformation in the SA tourism sector, but this requires further research.

SELECTED .BIBLIOGRAPHY

- Andrews, M. 2007. *Is BEE a South African Growth Catalyst?* Kenny School, Harvard University 1-106.
- Author Unknown (Moody's). 2008. *BEE Deals top R200bn* Online [Available] <https://business.iafrica.com/news/152371.htm> Accessed: 02 September 2009
- Bramwell, B. & Lane, B. 2008: Priorities in Sustainable Tourism Research. *Journal of Sustainable Tourism* **16**(1): 1-4
- City Lodge. 2009 Online [Available] www.citylodge.co.za Accessed: 12 February 2009
- Department of Environmental Affairs and Tourism (DEAT) 2008. *A National Framework for Sustainable Development in South Africa* p. 2 – 94
- Department of Environmental Affairs and Tourism (DEAT). 1996. *The Tourism White Paper: The Development and Promotion of Tourism in South Africa* p. 1 - 47 Online [Available] www.info.gov.za/whitepapers/1996/tourism.htm Accessed: 29 April 2009
- Department of Trade Industry (DTI) 2007. Broad-Based Black Economic Empowerment Codes of Good Practice Online [Available] www.thedti.gov.za Accessed: 27 August 2008
- Fauconnier, A. and Mathur-Helm, B. 2008 *Black economic empowerment in the South African mining industry: A case study of Exxaro Limited* South African Journal of Business Management **39** (4) p. 1 – 13
- Government Gazette. 2009. #32259 “Tourism Sector Charter of 2009”
- Harvey, D. 2007. *A Brief History of Neoliberalism*. Oxford University Press: London.
- Hoffman, E. A. 2008 A wolf in sheep's clothing: Discrimination against the majority undermines equality while continuing to benefit few under the guise of Black Economic Empowerment **36** p. 87 – 115
- Kibicho, W. 2008: Community-based tourism: A Factor-Cluster Segmentation Approach. *Journal of Sustainable Tourism* **16**(2): 211-231
- Kraak, A. 2008. The education-economy relationship in South Africa, 2001-2005. In Kraak, A. & Press, K. (eds.) *Human Resource Development Review: Education, Employment and Skills in South Africa*. HSRC Press: Cape Town
- Massyn, P.J. 2008 Ecotourism markets & community ownership: evaluating outcomes at Madikwe *International Finance Corporation* [Online] Available: www.ifc.org Accessed: 12 February 2009

- Van der Merwe, M. and Wocke, A 2007. An investigation into responsible tourism practices in the South African hotel industry *South African Journal of Business Management* **38** (2) p.1-15
- Mining Weekly. *A Comparative Chart of BBBEE deals in the Hotel Industry.*
- Protea Hotels. 2009 Online [Available] www.proteahotels.co.za Accessed: 12 February 2009
- Roberts, S. and Tribe, J. 2008. Sustainability Indicators for Small Tourism Enterprises – An Exploratory Perspective *Journal of Sustainable Tourism* **16** (5) p. 575 – 593
- Rogerson, C.M. 2008: Integrating SMMEs into Value Chains: The Role of South Africa's Tourism Enterprise Programme. *Africa Insight* **38**(1): 1-19
- Seekings, J. 2008. The Continuing Salience of Race: Discrimination and Diversity in South Africa. *Journal of Contemporary African Studies*, **26**(1), p.1-25.
- Southern Sun Hotels. 2009 Online [Available] www.southernsun.co.za Accessed: 12 February 2009
- Tourism Empowerment Council of South Africa (TECSA) 2007 *Baseline and transformation trends in the tourism industry .Summary*
- Turok, B. 2008 *The Evolution of ANC Economic Policy New Agenda*: South African Journal: Cape Town
- United Nations World Tourism Organisation (UNWTO) 2008. *First-Ever Global Sustainable Tourism Criteria* [Online]Available: www.unwto.org/media/news/en/press_det.php?id=2851 Accessed: 24 April 2009
- United Nations World Tourism Organisation (UNWTO) 2001. *Sustainable Tourism* [Online]Available: www.unwto.org/media/news/en/press_det.php?id=2851 Accessed: 24 April 2009
- Van Lill, D. 2005 *Grooming great graduates Unisa Press* p. 969 – 989
- Van Schalkwyk, M. P. 2008. *Message from the Minister* Tourism Empowerment Council of South Africa (TECSA) *Annual Report 2008* p. 1- 2